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Proposed death penalty ban reviewed by panel

by Rebecca Mullins Hanchett
LRC Public Information

Lawmakers reviewed a proposal on Aug. 11 in Frankfort that would eliminate the death penalty for severely mentally ill persons who commit capital crimes in Kentucky.

House Bill 16, sponsored by House Minority Whip David Floyd, R-Bardstown, and Rep. Darryl Owens, D-Louisville, stalled in the House Judiciary Committee during the 2010 Regular Session. The bill would have defined "severely mentally ill" defendants under Kentucky law and eliminated the death penalty for those defendants while leaving courts the option to hand another sentence down in those cases. Seriously mentally retarded defendants in capital cases and those who commit capital crimes when they are under age 18 are already exempt from the death penalty in Kentucky.

Severe mental illness affects only 2.6 percent of the population and includes such disorders as schizophrenia and delusional disorder.

Sheila Schuster with the Kentucky Mental Health Coalition told state lawmakers on the Interim Joint Committee on Judiciary that severely mentally ill persons are not deterred by the threat of the death penalty and that "it is time to remove this small group from (those eligible) for the death penalty" while still holding such persons accountable for their crime.

Severe mental illness, according to testimony by psychologist Dr. Russ Williams, affects only 2.6 percent of the population and includes such disorders as schizophrenia and delusional disorder, he said. A person with such a disorder often has non-reality based beliefs which Williams said may include thoughts that the individual is a king or a queen, or even a major religious figure. "They have no basis in reality of what's going on," he said.

Rep. Kelly Flood, D-Lexington, confers with Rep. Harry Moberly, D-Richmond, prior to the August meeting of the Interim Joint Committee on Judiciary in Frankfort.

"We're not asking that these people not be prosecuted," said Williams. "We're asking that the death penalty be taken off but they still be held accountable for their actions."

Execution of the severely mentally ill is still legal in most death-penalty states despite a 1986 Supreme Court ruling that execution of the insane violates a ban on "cruel and unusual punishment" set out in the Eighth Amendment of the U.S. Constitution. The 24-year-old ruling did not mandate procedures for states to follow to determine a person's legal sanity.

The death penalty was eliminated for mentally retarded defendants and defendants who commit capital crimes under the age of 18 as a result of U.S. Supreme Court rulings issued in 2002 and 2005 respectively. Ernie Lewis with the Kentucky Association of Criminal Defense Lawyers explained that mental limitations of the two groups made them less culpable in the eyes of the Court.

House Minority Floor Leader Jeff Hoover, R-Jamestown, questioned language in HB 16 that states a mental disorder that is "manifested primarily by repeated criminal conduct or attributable solely to the acute effects of voluntary use of alcohol or other drugs" would not, by itself, indicate the person has severe mental illness. Hoover said the definition of severely mentally ill in the bill would prevent someone from voluntarily using alcohol or other drugs, thereby allowing mentally ill persons to claim substance abuse was the cause of their disorder.

HB 16 would define a severely mentally ill defendant as someone who at the time of their crime "had a severe mental disorder or disability that significantly impaired his or her capacity to appreciate the nature, consequences or wrongfulness or his or her conduct, exercise rational judgment in relation to conduct, or conform his or her conduct to the requirements of the law…".

Lewis said HB 16 would have addressed intoxi-

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Lawmakers consider challenges confronting airport industry

by Rob Weber
LRC Public Information

The importance of airports to the state's economy was highlighted as lawmakers heard testimony during an August 17 meeting on the issues and challenges facing the air services industry.

Although air travel has been down nationwide in recent years, the industry is still an important part of Kentucky's economic engine and efforts to recruit new businesses to the state, lawmakers were told during a joint meeting of the Economic Development and Tourism Committee and the Program Review and Investigations Committee.

Aviation-related employment makes up 5 percent of Kentucky's jobs and represents 5.3 percent of the state's gross domestic product, said Northern Kentucky Chamber of Commerce President Steve Stevens, who was joined at the meeting by the heads of Kentucky's three largest airports.

"The presence of top notch air service is critical to economic development," Stevens said. "In this fast-paced economy, businesses rely on the ability to easily move from place to place. … Businesses consider air service a top factor in determining where they will locate."

John C. Mok, chief executive officer of the Cincinnati/Northern Kentucky International Airport, said providing direct, transatlantic flights is a key to keeping international companies in Kentucky and

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luring new ones to the state. With the number of such flights out of his airport dropping from five to one last year, restoring lost international service is a top priority, he said.

"The number of European firms operating in our region has tripled to over 300 since 1987, when (the Cincinnati/Northern Kentucky International Airport) began offering nonstop transatlantic service," Mok said. "With the loss of four European non-stop destinations in 2009, our businesses now have one direct, non-stop, transatlantic flight (to Paris)… If we want to retain these international companies and attract new ones, direct transoceanic service is critical."

Communities such as Pittsburgh, Portland and San Diego have spent millions in air service incentive funds to secure or retain international service. Kentucky should also take a look at tools that could ensure the state's air service industry is on a level playing field, Mok said.

"An investment program is not a handout – it is an economic development tool like that is offered in other industries to increase Kentucky's competitiveness in the global marketplace," he said.

Eric Frankl, executive director of Lexington Bluegrass Airport, said it's not uncommon for states to implement air service grants. He noted that Kansas studied the impact of low fares "and now budgets for these type of incentives because they believe that for an annual investment of $5 million, the citizens of Wichita would save over $40 million because of lower air fares. As a result, air service would not only be enhanced for the consumers but also for the benefit of existing companies and potential future companies that are located in that community and state."

Frankl quoted a recent posting on an air services blog by William S. Swelbar, a research engineer in the Massachusetts Institute of Technology's International Center for Air Transportation: "Communities fund sports stadiums to attract teams and tax breaks for large companies to entice them to their area, all in the name of economic impact. Why shouldn't air service be the same?"

The challenges facing the airline industry have made it increasingly difficult for airports to retain services and attract new ones, said Charles T. "Skip" Miller, executive director of Louisville International Airport.

"Many communities clearly see the need for additional tools to help airports successfully compete for passenger air service and the airlines' ever-shrinking scarce resources," he said.

None of the airport heads specified exactly what type of incentive program they wanted lawmakers to consider. But they wanted to start the discussion on the issue, they said.

Senate President Pro Tempore Katie Stine said she was pleased that lawmakers had an opportunity to be part of the solution to the challenges facing Kentucky's air services industry.

"These are very important issues, and – in particular from the Northern Kentucky perspective – we're very concerned and want to make sure the Northern Kentucky and Cincinnati airport is as strong and vibrant as it can be because it is an economic engine for our region," said Stine, R-Southgate. "But we also recognize that airports across our commonwealth are important."

Senate President Pro Tempore Katie Kratz Stine, R-Southgate, comments during the Aug. 17 meeting of the Interim Joint Committee on Economic Development and Tourism.

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cation of a mentally ill person during mitigation.

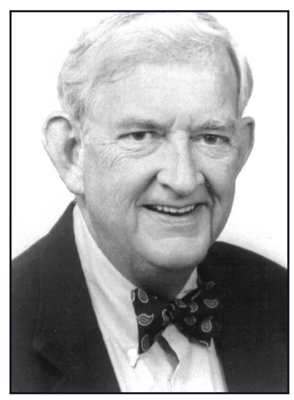
As far as competency to stand trial is concerned, Williams said there is a difference between competency to stand trial and criminal responsibility. A person's competency can ebb and flow, while criminal responsibility, he said, is "stuck in time." That segued into a comment made by Chris Cohron of the Kentucky Commonwealth Attorneys Association who said state law already exempts legally insane individuals from the death penalty.

"I'm not aware of any prisoner under a death sentence (in Kentucky) who has been found guilty but mentally ill," Cohron said.

But Lewis, in response to another comment, said the behavior of a defendant at the time of the crime is what matters under the Eighth Amendment and would matter under HB 16.

"Do they meet insanity (standards) or significant mental illness impairment (as defined in HB 16)?" asked Lewis. Currently in Kentucky, Lewis said there is a "major gap" between the court's treatment of a person on trial for a capital crime who is not insane but who is impaired to such a degree that the person lacks the capacity to determine the impact of his or her behavior.

Nominations now accepted for 2010 Vic Hellard Jr. Award



Vic Hellard Jr.

The Kentucky Legislative Research Commission is now accepting nominations for the 2010 Vic Hellard Jr. Award.

The award, given annually in memory and recognition of Mr. Hellard's contributions to an independent legislative institution and devoted service to the Commonwealth, recognizes a person who has advanced the interests of citizens of the Commonwealth by example and leadership.

Letters of nomination should be submitted by Sept. 30, 2010 and should explain how the candidate: 1) Demonstrates vision, considering the long-term implications for the public good; 2) Demonstrates innovation, finding new approaches while appreciating history; 3) Champions the equality and dignity of all; 4) Enhances the processes of a democratic society, promoting public dialogue, educating citizens and decision makers, and fostering civic engagement, and; 5) Approaches work with commitment, caring, gererosity and humor.

Please submit nominations to: Hellard Award Selection Committee, Legislative Research Commission, Attn: Anita Muckelroy, 702 Capitol Avenue, Room 003, Frankfort, KY 40601, or online at www.lrc.ky.gov/HellardAward.htm.

Medicaid challenges ahead, lawmakers told

by Rebecca Mullins Hanchett
LRC Public Information

Lawmakers took a closer look in August at how Kentucky Medicaid is changing under federal health care reform signed into law earlier this year.

Under the law, known as the Patient Protection and Affordable Care Act, all individuals at or below 133 percent of the federal poverty level will be eligible for Medicaid when program changes take effect in 2014. That will mean more people on Medicaid, and more federal money to cover those people, National Conference of State Legislatures official Donna Folkemer told the Medicaid Cost Containment Task Force on Aug. 17.

States will be paying more, too, said Folkemer, and have to meet strict rules regarding Medicaid eligibility.

"At the same time, as a condition of the extra federal money, there is a 'maintenance of effort' provision for states. So states will be prohibited from changing eligibility for Medicaid," she said, meaning states' rules for eligibility cannot be more restrictive (with some exceptions) than they were when health care reform was passed last March. "…And, of course, that issue comes into play as you think about cost containment."

A recent Kaiser Family Foundation study shows that Kentucky's Medicaid rolls could increase by as many as 424,000 people five years after the Medicaid changes take effect, with the federal government paying most of the cost. Kentucky would, however, be expected to pay another $180 million to cover the new enrollees, according to the Kaiser study.

But with more than 700,000 Kentuckians already on Medicaid today—and the program adding approximately 3,000 new people to its rolls each month--Kentucky, like most states, could find the Medicaid changes financially challenging. Money is "in short supply in most states," Folkemer said, and is likely to stay that way for many years.

She quoted a July NCSL State Budget Update that states "…many uncertainties lurk, with their impact poised to hit state budgets next year. FY 2011 may turn out to be the calm before the next fiscal tempest."

"Every state's going to see some growth in Medicaid. There will be a need probably for some new staffing in most states to accommodate that," said Folkemer.

Folkemer told the task force that many states are exploring new ways to improve Medicaid care and cost. Although they are finding "no magic bullets," she said, the states have arrived at some similar themes: eliminate inefficiencies, make performance a key part of rate-setting, and bring the management of various Medicaid programs together to create more unity for budget and management purposes.

Changes in care management and pharmacy usage were mentioned by Folkemer as areas where states recognize a need for change. A Kentucky Chamber of Commerce report released last year on Kentucky Medicaid lists prescription drug cost as a reason for concern.

Task Force Co-Chair and Senate President Pro Tempore Katie Kratz Stine, R-Southgate, asked how many states are using prescription drugs monitoring programs like the KASPER (Kentucky All Schedule Prescription Electronic Reporting) system used by the Commonwealth of Kentucky. Folkemer said there is a nationwide effort to develop registries to check prescription used that is aimed at addictive pain drugs.

Senate President David Williams, R-Burkesville, said regional interstate compacts between states that help avoid federal intervention are helping to drive the prescription drug tracking effort. Folkemer said the interstate compact effort "has picked up a lot of steam."

"(It is the) way to make sure that we're not having folks crossing state lines is the interstate compacts," she said.

By ramping up e-prescriptions, use of generics and other changes like adding certain psychiatric drugs to preferred drug lists, states can become

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Charter schools discussion continues

by Chuck Truesdell
LRC Public Information

The merits of charter schools, already a hot topic as Kentucky competes for federal Race to the Top funding, got a full hearing during the August meeting of the Interim Joint Committee on Education.

A charter school leader from Oklahoma City talked about his experiences as a public school teacher and principal, including his time as chief of the charter KIPP (Knowledge is Power Program) Reach College Preparatory Middle School. "If I went back in a public school, I'd run it like KIPP," said Tracy McDaniel. The school, a persistently low-achieving school before his arrival, is now a model for academic success, he said.

Rep. Jim DeCesare, R-Rockfield, comments during the August meeting of the Interim Joint Committee on Education.

Key to the school's success, McDaniel said, is getting parents to buy into the workload needed. Although a common criticism of charter schools is that they select high-achieving students with involved parents to boost results, "we're not cherry-picking," he said. In many cases he added, the students are more adamant about the hours of study than their parents are. "Initially, the parents don't believe in KIPP," he said. "The kid is actually changing the parent."

The KIPP program has been implemented in 82 schools in 19 states. In all, 39 states allow some form of charter school. "It's very difficult to make blanket statements about charter schools," said Kentucky Education Association Executive Director Mary Ann Blankenship, "because every single state law is very different."

The panel also heard from Kentucky groups addressing their hopes for and concerns on charter schools. Some groups, such as the KEA and Kentucky School Boards Association, said they were interested in working on details of any charter school legislation. "Since charter schools and charter school laws are unique in every state… it is difficult to make broad supportive statements," said KSBA Assistant Director Shannon Pratt Stiglitz.

Jefferson County Teachers Association President Brent McKim called charter schools "counterproductive and unnecessary," citing research that called charter schools' effectiveness into question and positing that local school-based decision making councils could perform many of the functions of charter schools managers. Blankenship also noted that granting waivers or ending some regulations could achieve the same end.

Jim Waters, Vice President of the Bluegrass Institute for Public Policy Solutions, cited one of those same studies as McKim to bolster the argument for allowing charter schools, and questioned the rate of progress in public schools. "Perhaps the most concerning aspect is that the performance of our students is degenerating the longer they are in school," he said, noting that the number of students falling short of proficiency increases from elementary to middle and high school.

Rep. Addia Wuchner, R-Burlington, thanked the presenters and suggested they work together on details of proposed legislation. "I hope that the discussion continues from where we are today. I think we all want quality education," she said. The question of the day, however, was how to best achieve those education goals. "My question is, why not charter schools?" asked Rep. Jim DeCesare, R-Rockfield, to which Rep. Tim Firkins, D-Louisville, retorted, "I think the real question is, why not strengthen the public school system?"

State officials give health reform implementation update

by Chuck Truesdell
LRC Public Information

The state's Department of Insurance is moving at a brisk pace to implement all the changes mandated by federal health insurance reform, department officials reported to lawmakers on Aug. 24.

"The passage of this bill has put a huge workload on the department," Insurance Commissioner Sharon Clark told members of the Interim Joint Committee on Banking and Insurance. But, she said, staff have been working diligently and efficiently to protect consumers during the transition.

All told, the department has projected it will need only eight additional staff to meet all the requirements of the federal plan, and all of them will be federally-funded, time-limited jobs paid for through grants.

Although some implementation timelines run until 2014, one deadline has already passed, Clark said. Kentucky has opted not to operate a new high-risk pool, instead allowing federal officials to operate the program. "We were seriously concerned about the adequacy of funding," she said, because only $63 million was allocated for the pool's operation.

The state will continue to maintain its current high-risk pool, which predated the new law, she added.

Another pressure on the department is the set of restrictions on new health insurance plans, separate from grandfathered plans that were already written when the bill was signed into law on March 23. The distinction means that different plans will be held to different standards depending on the length they've been in place. Many new restrictions will be enforced on all plans, including the ban on rescissions on the extension of dependent coverage until age 26. Grandfathered plans would be limited in the changes they could make and still maintain their grandfathered status, she said.

Rep. Jimmie Lee, D-Elizabethtown, talks with Kentucky Insurance Commissioner Sharon Clark during the Aug. 24 meeting of the Interim Joint Committee on Banking and Insurance.

Many consumer protection provisions placed on new plans are already in Kentucky statute and regulation, she added, meaning little change for Kentuckians relative to other states.

One concern to legislators was the federal list of mandates for insurers, which does not exactly match the list of conditions the state requires to be covered. "It looks like some of our (state) mandates may end," said committee co-chair Sen. Tom Buford, R-Nicholasville, when told that states will have to take responsibility for the costs of those extra mandates above and beyond federal requirements.

Many areas of state implementation are still being ironed out, Clark said, because they still depend on federal regulations being developed in accordance with the law. Some are being written solely at the federal level, while others are being studied in conjunction with state officials and stakeholders. "When this bill was passed, there were no staff in Washington to work on this issue," Clark noted, making the process a lengthy one.

Among the details to be worked out is the calculation of medical loss – how much of the premiums insurers must spend on medical care. The new law mandates that 85 percent of large group market premiums be spent on care and 80 percent in the small group and individual markets, with any extra profit being rebated to consumers. The costs of fraud recovery, preventive care, and other expenditures may or may not be included in those calculations, depending on final regulations. Those figures could affect insurance markets and premiums.

The state also faces a deadline of January 1, 2013, to demonstrate whether it can operate an exchange where consumers could evaluate their options for health insurance. Such an exchange, run jointly with the Cabinet for Health and Family Services, would include information on premiums, benefit structures, and other items specific to a consumer's circumstances. The exchange would go online on January 1, 2014 for small groups and individuals, while large group plans may potentially take part at a later date, officials said.

Clark said a grant application is being prepared for $1 million to help plan the state's exchange, which could be run by the state, by a group of states, the federal government, or by a third party non-profit. She said state officials would travel the state talking to consumers, insurers, and other stakeholders to determine what the exchange should entail, while also waiting on federal officials to detail the requirements. "My fear is that it will be almost overpowering for consumers," she said, pointing out the need for clear and helpful information.

House Majority Caucus Chair Bob Damron, D-Nicholasville, said that the Council of State Governments was developing the idea for a multi-state compact to run an exchange, while Rep. Jimmie Lee, D-Elizabethtown, said Kentucky's unique demographics might be better suited to a one-state exchange. Regardless, Lee noted, a legislative framework should be developed in the next session. "I don't believe we can wait until January of (20)12 to see what exchanges would look like in Kentucky," he said.

Along the same lines, Clark said the department would be submitting legislation for the 2011 session to conform Kentucky statutes to the new federal law. Without clear state authority, she would have to refer questions and problems to Washington rather than helping consumers herself, she said.

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Committee Meetings

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LEGISLATIVE RESEARCH COMMISSION

Minutes of the 531st Meeting
July 28, 2010

Call to Order and Roll Call

The 531st meeting of the Legislative Research Commission was held on Wednesday, July 28, 2010, at 2:00 PM, in Room 111 of the Louisville Convention Center. Senator David L. Williams, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator David L. Williams, Co-Chair; Representative Greg Stumbo, Co-Chair; Senators Carroll Gibson, Jerry P. Rhoads, Katie Kratz Stine, Robert Stivers II, Johnny Ray Turner, and Ed Worley; Representatives Rocky Adkins, Larry Clark, Robert R. Damron, Bob M. DeWeese, Jeff Hoover, and John Will Stacy.

Guests:

LRC Staff: Bobby Sherman and Christy Glass.

Senator Williams called the meeting to order and the secretary called the roll. There being a quorum present, Senator Williams called for a motion to approve the minutes of November 4, 2009; accept items A. through P. under Staff and Committee Reports; refer prefiled bills as indicated and approve items B. through V. under New business; and, accept and refer as indicated items 1. through 102 under Communications. A Motion was made by Senator Gibson and seconded by Representative Damron. A roll call vote was taken and the motion passed unanimously. The following items were approved, accepted or referred:

Information requests for December 2009 and January through June 2010.

Committee Activity Report for May and June 2010.

Reports of the Administrative Regulation Review Subcommittee meetings of November 10 and December 14, 2009, and January 11, February 8, March 8, April 14, May 11, and June 8, 2010.

Committee review of administrative regulations by the Interim Joint Committee on Education during its meetings of November 9, 2009 and July 12, 2010.

Committee review of administrative regulations by the Education Assessment and Accountability Review Subcommittee during its meetings of May 14, and June 14, 2010.

Committee review of administrative regulations by the House Standing Committee on Health and Welfare during its meeting of January 14, 2010.

Committee review of administrative regulations by the Interim Joint Committee on Health and Welfare during its meeting of June 16, 2010.

Committee review of administrative regulations by the Interim Joint Committee on Local Government during its meeting of June 23, 2010.

Committee review of the FY 2009-2010 Substance Abuse Prevention and Treatment Block Grant Application by the Interim Joint Committee on Health and Welfare during its meeting of November 18, 2009.

Committee review of the FY 2009-2010 Community Mental Health Services Block Grant Application by the Interim Joint Committee on Health and Welfare during its meeting of November 18, 2009.

Committee review of the FY 2010 Social Services Block Grant Application by the Senate Standing Committee on Health and Welfare during its meeting of March 24, 2010.

Committee review of the FY 2010 Social Services Block Grant Application by the House Standing Committee on Health and Welfare during its meeting of March 25, 2010.

Committee review of the FY 2010 Small Cities Block Grant Application by the Senate Standing Committee on State and Local Government and the House Standing Committee on Local Government during its meeting of March 24, 2010.

Committee review of the FY 2011 Low Income Home Energy Assistance Program Block Grant Application by the Special Subcommittee on Energy during its meeting of June 18, 2010.

Committee review of Executive Reorganization Order 2010-429 by the Interim Joint Committee on Local Government during its meeting of June 23, 2010.

Committee review of Executive Reorganization Order 2010-430 by the Interim Joint Committee on Education during its meeting of July 12, 2010.

NEW BUSINESS

Referral of prefiled bills to the following committees: BR 10 (relating to tuition for foster children); BR 13 (relating to obesity in school children); and BR 20 (relating to early education assessment and intervention) to Education; BR 12 (relating to prescription drugs) to Health and Welfare; BR 14 (relating to evidence); BR 18 (relating to child custody); BR 23 (relating to domestic relations); and BR 49 (relating to criminal record expungement) to Judiciary; BR 4 (relating to promotional sampling of distilled spirits and wine) to Licensing and Occupations; BR 50 (affirming the principles of the Ninth and Tenth Amendments to the United States Constitution and declaring that the United States Constitution will be nullified if the federal government assumes further powers that it does not possess) to State Government; BR 22 (relating to the reporting of stolen items with vehicle identification numbers) and BR 47 (relating to highway signs) to Transportation; BR 11 (relating to probate fees) to Veterans, Military Affairs and Public Protection.

From Senator Jack Westwood and Representative Kent Stevens, Co-Chairs, Education Assessment and Accountability Review Subcommittee: Memorandum requesting approval of the Guidelines for the Operation and Use of the National Technical Advisory Panel on Assessment and Accountability.

From Senate President David L. Williams and House Speaker Gregory D. Stumbo: Memorandum appointing Commissioners to the National Conference of Commissioners on Uniform State Laws.

From Senate President David L. Williams and House Speaker Gregory D. Stumbo: Memorandum reappointing Turney P. Berry to the National Conference of Commissioners on Uniform State Laws.

From Senate President David L. Williams and House Speaker Gregory D. Stumbo: Memorandum amending the General Assembly Travel Reimbursement Guidelines.

From Senator Tom Jensen and Representative John Tilley, Co-Chairs, Interim Joint Committee on Judiciary: Memorandum requesting approval to change the regular meeting day from the first Friday of each month to the second Wednesday of each month. There are three potential conflicts.

From Senator Brandon Smith and Representative Jim Gooch, Co-Chairs, Interim Joint Committee on Natural Resources and Environment: Memorandum requesting approval to change the regular meeting day from the fourth Friday of each month to the first Thursday of each month. There are no apparent conflicts

From Senate President David L. Williams and House Speaker Gregory D. Stumbo: Memorandum creating the Task Force on the Penal Code and Controlled Substance Act and appointing membership to the Task Force.

From Senate President David L. Williams and House Speaker Gregory D. Stumbo: Memorandum creating the Task Force on Medicaid Cost Containment and appointing membership to the Task Force.

From Senate President David L. Williams and House Speaker Gregory D. Stumbo: Memorandum appointing members to the Task Force on Economic Development of the Interim Joint Committee on Economic Development and Tourism. The Task Force is a subcommittee of the Interim Joint Committee on Economic Development and Tourism.

From Senate President David L. Williams and House Speaker Gregory D. Stumbo: Memorandum appointing members to the Task Force on Elections, Constitutional Amendments, and Intergovernmental Affairs of the Interim Joint Committee on State Government. The Task Force is a subcommittee of the Interim Joint Committee on State Government.

From Senator Ken Winters and Representative Carl Rollins, Co-Chairs, Interim Joint Committee on Education: Memorandum requesting approval of the formation and memberships of the Subcommittee on Postsecondary Education and the Subcommittee on Elementary and Secondary Education.

From Senate President David L. Williams and House Speaker Gregory D. Stumbo: Memorandum authorizing the Legislative Research Commission to assume the administration of the Vic Hellard, Jr., Award.

From Senator Ernie Harris and Representative Hubert Collins, Co-Chairs, Interim Joint Committee on Transportation: Memorandum requesting approval of the formation and memberships of the Subcommittee on Kentucky Waterways.

From Senator Brandon Smith and Representative Keith Hall, Co-Chairs, Special Subcommittee on Energy: Memorandum requesting approval to tour an out-of-state facility in Illinois, in conjunction with the committee's meeting, on its regular meeting date, in Paducah on August 20.

From Senator David Givens and Representative Tom McKee, Co-Chairs, Interim Joint Committee on Agriculture: Memorandum requesting approval to meet on Thursday, August 26, with the Kentucky State Fair Board during the Kentucky State Fair, rather the regularly scheduled meeting date of Wednesday, August 11. This will be the second out-of-town meeting. There are sixteen (16) potential conflicts.

From Senator Ernie Harris and Representative Hubert Collins, Co-Chairs, Interim Joint Committee on Transportation: Memorandum requesting approval to meet on August 10, rather than the regularly scheduled meeting date of August 3.

From Senator Damon Thayer and Representative Mike Cherry, Co-Chairs, Interim Joint Committee on State Government: Memorandum requesting approval to meet on November 17, rather than the regularly scheduled meeting date of November 24 (day prior to Thanksgiving). There are five potential conflicts.

From Senator Alice Forgy Kerr and Representative Rick Nelson, Co-Chairs, Interim Joint Committee on Labor and Industry: Memorandum requesting approval to meet on September 14, rather than the regularly scheduled meeting date of September 16, at Kentucky Dam Village in conjunction with the Kentucky Labor-Management Conference. There is one potential conflict.

From Senator Tom Buford and Representative Jeff Greer, Co-Chairs, Interim Joint Committee on Banking and Insurance: Memorandum requesting approval to meet on November 11, rather than the regularly scheduled meeting date of November 23, at the Brown Hotel in Louisville in conjunction with the Independent Insurance Agents of Kentucky Annual Convention. There are five potential conflicts.

From Senator Alice Forgy Kerr and Representative Eddie Ballard, Co-Chairs, Interim Joint Committee on Economic Development and Tourism: Memorandum requesting approval to meet on August 17, rather than the regularly scheduled meeting date of August 19. There are four potential conflicts.

From Senate President David L. Williams and House Speaker Gregory D. Stumbo: Memorandum pertaining to the Special Advisory Commission of Senior Citizens.

COMMUNICATIONS

From Senator John Schickel, Representative Reginald Meeks and Representative Kelly Flood, Co-Chairs, Program Review and Investigations Committee: Memoranda regarding opportunity for appointment of ex officio members for particular studies.

From the Office of the Attorney General: Constitutional Challenge Reports for the months of September, October, November, and December 2009, and January, February and Supplemental for February, March, April and May 2010.

From the Finance and Administration Cabinet: Monthly Investment Income Report for the months of October, November, and December 2009, and January, February, March, April, May and June 2010.

From the Kentucky Office of Homeland Security: 2009 Annual Report.

From the Kentucky Department of Agriculture: State Veterinarian's Report on the Cervid Chronic Wasting Disease Surveillance Identification Program.

From the Cabinet for Economic Development: Kentucky Enterprise Initiative Act Annual Report for FY 09.

From the Kentucky Employers' Mutual Insurance: 2010 Administrative Budget, Financial Status, and Actuarial Condition.

From the Public Protection Cabinet, Department of Insurance: The Impact of Mental Health Parity on Health Insurance Cost in Kentucky, November 2009.

From the Auditor of Public Accounts: Examination of Certain Financial Transactions, Polices, and Procedures of the Kentucky Association of Counties, Inc.

From the Kentucky Center for the Arts: 2010-2012 Biennial Budget Request.

From Kentucky Employers' Mutual Insurance: Quarterly Statement and Financial Status for the periods ending September 30, 2009.

From the Department of Education: Annual Audit of School Districts, October 2009.

From Eastern Kentucky University: Financial Statements for FY 09 and Independent Auditors' Report.

From the Kentucky Judicial Form Retirement System: Actuarial Valuation Report as of July 1, 2009, for the Kentucky Judicial Retirement Plan and Actuarial Valuation Report as of July 1, 2009, for the Kentucky Legislators Retirement Plan.

From the Department of Education: KIDS NOW Bi-Annual Report for the period FY 08-09.

From Northern Kentucky University: FY 09 Financial Report.

From the Department of Education: 2009 Physical Activity Report.

From the Finance and Administration Cabinet, Office of the Controller: Surtax Receipts Statements for the Law Enforcement and Professional Firefighters Foundation Fund Programs for the month of October 2009, and year-to-date activity for the period July 1 through October 31, 2009; for the month of December 2009, and year-to-date activity for the period July 1 through December 31, 2009; for the month of January 2010, and for the period of July 1, 2009, through January 31, 2010; for the month of February 2010, and year-to-date activity for the period July 1, 2009, through February 28, 2010; for the month of March 2010, and year-to-date activity for the period July 1, 2009, through March 31, 2010; for the month of April 2010, and year-to-date activity for the period July 1, 2009, through April 30, 2010; and, for the month of May 2010, and year-to-date activity for the period July 1, 2009, through May 31, 2010.

From the Cabinet for Health and Family Services, Office of the Secretary: Kentucky Women's Cancer Screening Program Annual Report on the Status of Breast Cancer in the Commonwealth, FY 08

From the Cabinet for Economic Development: Incentives for Energy Independence Act Annual Report, November 2008

From State Budget Director Mary E. Lassiter: November 2009 and January, March and June 2010 monthly updates on ARRA formula funding.

From the Kentucky Retirement Systems: Financial Statements and Supplementary Information for FY 09.

From the Kentucky Legislative Ethics Commission: FY 09 Annual Report.

From the Mine Equipment Review Panel: Report and Recommendations to the Office of Mine Safety and Licensing, September 2009.

From the Council on Postsecondary Education: Letter regarding information on postsecondary education students participating in the tuition and mandatory fee waiver program for foster or adopted children, FY 09.

From the Kentucky Pollution Prevention Center: FY 09 Annual Report.

From the Kentucky Labor Cabinet: 2009 Annual Report

From the University of Kentucky: Kentucky Interagency Groundwater Monitoring Network Annual Report for FY 09.

From the Kentucky Judicial Form Retirement System: Audit of the Kentucky Judicial Form Retirement System, FY09.

From Murray State University: Accountants' Report and Financial Statements, FY 09.

From the Public Protection Cabinet, Department of Insurance: Kentucky Access Report, January 2010.

From the Auditor of Public Accounts: Report of the Audit of the Kentucky School Facilities Construction Commission, FY 09.

From the Auditor of Public Accounts: Report of the Audit of the West Kentucky Education Cooperative. FY 09.

From the Auditor of Public Accounts: Report of the Audit of the Central Kentucky Education Cooperative, FY 09.

From the Auditor of Public Accounts: Independent Accountant's Report on Applying Agreed-upon Procedures to the Kentucky Department of Education, ABC-123 Day Care-N-Learning Center-084-1A5-999PC, Federal FY 08.

From the Auditor of Public Accounts: Independent Accountant's Report on Applying Agreed-upon Procedures to the Kentucky Department of Education, Big Blue Bird, LLC, 034-6P8-999-PC. Federal FY 08.

From the Auditor of Public Accounts: Independent Accountant's Report on Applying Agreed-upon Procedures to the Kentucky Department of Education, Advanced Learning Center, Inc., 056-2QO-999-PC, Federal FY 08.

From the Auditor of Public Accounts: Independent Accountant's Report on Applying Agreed-upon Procedures to the Kentucky Department of Education, Advanced Learning Center, Inc., II, 056-7CI-999-PC, Federal FY 08.

From the Auditor of Public Accounts: Independent Accountant's Report on Applying Agreed-upon Procedures to the Kentucky Department of Education, Animal Krackers Discovery Center, 025-OAO-999-PC, Federal FY 08.

From the Auditor of Public Accounts: Independent Accountant's Report on Applying Agreed-upon Procedures to the Kentucky Department of Education, Bizzy Bees Child Care, 103-6N2-999-PC, Federal FY 08.

From the Auditor of Public Accounts: Independent Accountant's Report on Applying Agreed-upon Procedures to the Kentucky Department of Education, Cornerstone to Learning, Inc., 075-5K1-999-PC, Federal FY 08.

From the Auditor of Public Accounts: Independent Accountant's Report on Applying Agreed-upon Procedures to the Kentucky Department of Education, Kaleidoscope, Inc., 056-U84-999-AC, Federal FY 08.

From the Auditor of Public Accounts: Independent Accountant's Report on Applying Agreed-upon Procedures to the Kentucky Department of Education, Johnson's 2, Inc., 056-6C6-999-PC, Federal FY 08.

From the Auditor of Public Accounts: Independent Accountant's Report on Applying Agreed-upon Procedures to the Kentucky Department of Education, Kids Unlimited Learning, 034-7J7-999-PC, Federal FY 08.

From the Auditor of Public Accounts: Independent Accountant's Report on Applying Agreed-upon Procedures to the Kentucky Department of Education, Little Angels Primary House, 090-3V6-999-PC, Federal FY 08.

From the Auditor of Public Accounts: Independent Accountant's Report on Applying Agreed-upon Procedures to the Kentucky Department of Education, Kidz Konnection, 034-1T4-999-PC, Federal FY 08.

From the Auditor of Public Accounts: Independent Accountant's Report on Applying Agreed-upon Procedures to the Kentucky Department of Education, For Kids Only, 056-7M1-999-PC, Federal FY 08.

From the Auditor of Public Accounts: Independent Accountant's Report on Applying Agreed-upon Procedures to the Kentucky Department of Education, Stepping Stones for Children, 073-3B2-999-PC, Federal FY 08.

From the Auditor of Public Accounts: Independent Accountant's Report on Applying Agreed-upon Procedures to the Kentucky Department of Education, Little People's Child Development Center, 047-6Q1-999-PC, Federal FY 08.

From the Auditor of Public Accounts: Report of the Audit of the Kentucky Public Health Insurance Program, FY 09.

From the Auditor of Public Accounts: Report of the Audit of the Kentucky River Authority, FY 09.

From the Auditor of Public Accounts: Report of the Audit of the Kentucky Artisan Center at Berea, FY 09.

From the Auditor of Public Accounts: Report of the Audit of the Kentucky Horse Park, FY 09.

From the Auditor of Public Accounts: Report of the Audit of the Green River Regional Educational Cooperative, Inc., FY 09.

From the Auditor of Public Accounts: Report of the Examination of the Lease Law Compliance made pursuant to KRS 43.050(2)(e), FY 09.

From the Auditor of Public Accounts: Report of the Audit of the Cabinet for Health and Family Services Breast Cancer Research and Education Trust Fund Grant Program, FY 09.

From the Auditor of Public Accounts: Governor's Office of Agricultural Policy Tobacco Settlement Review – Rural Development Fund, FY 08.

From the Auditor of Public Accounts: Report of the Audit of the Kentucky Educational Development Corporation, FY 09.

From the Auditor of Public Accounts: Examination of Certain Financial Transactions, Policies, and Procedures of the Kentucky League of Cities, Inc.

From the Kentucky Labor Cabinet, Department of Workers' Claims: Commissioner's Report on AMA Guides.

From the Kentucky Labor Cabinet, Department of Workers' Claims: Corrections to the Commissioner's Report on AMA Guides.

From the Cabinet for Health and Family Services, Office of the Secretary: Elder Abuse in Kentucky, 2009 Annual Report.

From the Energy and Environment Cabinet, Division of Waste Management: Kentucky's Waste Tire Program, A Report to the General Assembly.

From the Cabinet for Health and Family Services, Office of the Secretary: 2009 Charitable Health Provider Report.

From the Cabinet for Health and Family Services: 2009 Annual Report on licensed blood establishments in Kentucky.

From the Personnel Cabinet: Statewide Turnover Report for the fourth quarter 2009.

From the Labor Cabinet, Division of Workers' Compensation Funds: Report for Kentucky Coal Workers' Pneumoconiosis Fund, Quarters Ending December 31, 2009, and March 31, 2010.

From the Auditor of Public Accounts: Report to the General Assembly on Kentucky Employers' Mutual Insurance Authority, Calendar Years 08-09.

From the University of Kentucky: Kentucky Geological Survey, FY 09 Annual Report.

From the Cabinet for Economic Development, Department of Financial Incentives: Loan data sheets for each loan approved as of the quarters ending December 31, 2009, March 31 and June 30, 2010.

From the University of Kentucky, Kentucky Tobacco Research & Development Center: Annual Report for FY 09

From the Public Protection Cabinet, Department of Insurance: 2009 Annual Report of the Kentucky Health Care Improvement Authority.

From the Kentucky State Nature Preserves Commission: 2010 Report on Kentucky's Native Flora – Status and Trends of Rare Plants.

From the Department of Agriculture: Kentucky Senior Farmers' Market Nutrition Program 2009 Annual Report.

From the Cabinet for Health and Family Services: 2009 Kentucky Colon Cancer Screen Advisory Committee Annual Report.

From the Cabinet for Health and Family Services: SWIFT Adoption Teams Report.

From Kentucky Employers' Mutual Insurance: Annual Statement and Letter of Actuarial Opinion for the year ended December 31, 2009.

From the Cabinet for Economic Development: Business Information Clearinghouse 2009 Annual Report.

From the Cabinet for Health and Family Services, Department for Aging and Independent Living: Traumatic Brain Injury Trust Fund Program Annual Report, FY 2009.

From the Kentucky Pollution Prevention Center: KEEPS Status Report through December 31, 2009.

From the Cabinet for Health and Family Services, Office of the Secretary: 2009 Annual Child Fatality Review Report.

From the Auditor of Public Accounts: Report of the Statewide Single Audit of the Commonwealth of Kentucky Volume II, FY 09.

From the Cabinet for Health and Family Services: 2009 Annual Report from the Chair of the Kentucky Spinal Cord and Head Injury Research Board.

From the University of Kentucky, Kentucky Tobacco Research & Development Center: Quarterly Report for the period January 1 through March 31, 2010.

From the Department of Corrections: Private Prisons Performance Evaluation, 2008 and 2009.

From the Finance and Administration Cabinet: Report of the number of individuals working on a full-time equivalent and recurring basis, July through December 2009, pursuant to 2010 HB 387.

From the Personnel Cabinet: Personnel Cabinet Quarterly Reports pursuant to 2010 HB 387.

From the Office of the Attorney General: Re: Audit Examination of Fulton County Sheriff's Settlement – 2007 Taxes.

From the Office of the Attorney General: Re: Audit Examination of Magoffin County Sheriff CYE 2006 and CYE 2008.

From the Office of the Attorney General: Audit Re: Examination of Former Leslie County Sheriff – CYE 2006.

From the Office of the Attorney General: Re: Audit Examination of McCreary County Sheriff – CYE 2006 and 2007.

From the Personnel Cabinet: 2009 Annual State-Wide Turnover Per KRS 18A:030(4).

From Kentucky Employers' Mutual Insurance: Quarterly Statement and Financial Status for the periods ending March 31, 2010.

From the Department of Education: Initial Plan – Unified Strategy for College and Career Readiness, pursuant to 2009 SB 1.

From the Personnel Cabinet: 2010 First Quarter Turnover Report.

From the Tourism, Arts, and Heritage Cabinet: Kentucky State Parks Financial and Operations Strategic Plan.

From the Cabinet for Health and Family Services: 2009 Report on Interstate Sharing of KASPER Data.

From the Kentucky Commission on the Deaf and Hard of Hearing: Telecommunications Access Program Annual Report, FY 10.

From the Energy and Environment Cabinet, Division of Waste Management: Biennial Report on Revenues and Expenditures of the Hazardous Waste Management Fund, FY 09 and FY 10.

From the Kentucky Legislative Ethics Commission: Recommended Changes to the Kentucky Code of Legislative Ethics.

From the Kentucky Judicial Form Retirement System: Operating Statement of the Kentucky Judicial Retirement Fund for FY 09-10 and Operating Statement of the Kentucky Legislators Retirement Fund for FY 09-10.

From the Department of Education: Kentucky Assessment System: Validation and Research Agenda, Biennial Plan for Validation Studies, FY 2010-2012.

There being no further business, the meeting was thereby adjourned at 2:30 p.m.

INTERIM JOINT COMMITTEE ON AGRICULTURE

Minutes of the 1st Meeting
of the 2010 Interim

July 14, 2010

Call to Order and Roll Call

The 1st meeting of the Interim Joint Committee on Agriculture was held on Wednesday, July 14, 2010, at 9:00 AM, at the Convention Center, Kentucky Dam Village, Gilbertsville, Kentucky. Representative Tom McKee, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Representative Tom McKee, Co-Chair; Senators David E. Boswell, Bob Leeper, Joey Pendleton, Kathy W. Stein, and Ken Winters; Representatives John A. Arnold Jr., John "Bam" Carney, C. B. Embry Jr., Richard Henderson, Charlie Hoffman, Martha Jane King, Fred Nesler, Don Pasley, Steven Rudy, and Wilson Stone.

Guests: Representative Will Coursey; Keith Tapp, Webster County; Mike Burchett, Calloway County; Warren Beeler, Kentucky Department of Agriculture; and Dave Maples, Kentucky Cattleman's Association.

LRC Staff: Biff Baker, Lowell Atchley, and Susan Spoonamore, Committee Assistant.

Keith Tapp and Mike Burchett, members of the Kentucky Soybean Association (KSA), talked about changes to the industry, especially technology advances. Because of technology, farmers are able to use the entire soybean for biodiesel, food, and grain – no part is wasted.

Mr. Burchett explained that the KSA is working with other farm organizations and commodities to provide a united front on farming issues. He and Mr. Tapp both thanked the members for creating The Livestock Care Commission (HB 398).

In response to questioning, Mr. Burchett stated that the soybean checkoff is working well. The money is used to promote the soybean industry, including organic soybeans, though organic beans are a small niche market; most of the harvested soybean goes into making bean meal.

Mr. Burchett also confirmed that there is a public misconception that using soybeans for producing biodiesel takes away from the food chain. He stated that biodiesel is made from a byproduct of soybeans, and it was not hurting the food supply.

Mr. Burchett and Mr. Tapp stated that the Agriculture Committee could help the agricultural industry by refining restrictions for animal agriculture

On another note, Representative Henderson commented that dead animal removal is becoming a serious issue, and that all counties needed help to solve the problem.

Mr. Burchett and Mr. Tapp, on behalf of the KSA, presented Chairman McKee a special "Friend of Agriculture" award for his commitment to agriculture.

There being no further business, the meeting was adjourned for tours of a swine and poultry operation.

INTERIM JOINT COMMITTEE ON APPROPRIATIONS AND REVENUE

Minutes of the 1st Meeting
of the 2010 Interim

July 22, 2010

Call to Order and Roll Call

The 1st meeting of the Interim Joint Committee on Appropriations and Revenue was held on Thursday, July 22, 2010, at 1:00 PM, in Room 154 of the Capitol Annex. Representative Rick Rand, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Bob Leeper, Co-Chair; Representative Rick Rand, Co-Chair; Senators David E. Boswell, Tom Buford, Denise Harper Angel, Ernie Harris, Jimmy Higdon, Alice Forgy Kerr, Vernie McGaha, R.J. Palmer II, Joey Pendleton, Tim Shaughnessy, Brandon Smith, Gary Tapp, Elizabeth Tori, and Jack Westwood; Representatives Royce W. Adams, Dwight D. Butler, Jesse Crenshaw, Mike Denham, Bob M. DeWeese, Danny Ford, Derrick Graham, Jimmie Lee, Lonnie Napier, Fred Nesler, Sannie Overly, Don Pasley, Marie Rader, Jody Richards, Charles Siler, Arnold Simpson, Tommy Thompson, Tommy Turner, Jim Wayne, Alecia Webb-Edgington, Ron Weston, and Brent Yonts.

Guests: Ms. Mary Lassiter, Secretary of the Governor's Executive Cabinet and State Budget Director, Mr. John Hicks, Deputy State Budget Director, and Mr. Greg Harkenrider, Deputy Executive Director for Financial Analysis, Office of the State Budget Director.

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

The agenda consisted of a summary of revenues and expenditures for the General Fund and Road fund for FY 10, necessary governmental expenses, and an update on state debt restructuring provided by Ms. Mary Lassiter, Secretary of the Governor's Executive Cabinet and State Budget Director.

General Fund FY 10 year end update

Secretary Lassiter reported that the General Fund declined 2.4% in FY 10, or $201.2 million. This decline represents the first time receipts have declined in two consecutive years since 1945. She provided historical data regarding revenue increases and decreases over the past decade, and average percentage General Fund growth by decade from 1945 to the present.

Secretary Lassiter stated that although revenues were down for FY 10, actual receipts increased by $27 million as compared to the official Consensus Forecast Group (CFG) estimate. The CFG estimate for FY 10 was $8,197 million and the actual revenues received for FY 10 were $8,225 million. The CFG estimates for FY 11 are $8,570 million and $8,871 for FY 12. The General Fund is not expected to recover to FY 08 levels until the close of FY 12.

Secretary Lassiter discussed the General Fund FY 10 yearend balance. The General Fund closed FY 10 with a surplus of $29.7 million. The surplus resulted from revenues in excess of enacted estimates, fund transfers in excess of those budgeted and various lapses. An overview was provided of the FY 10 shortfalls, and Secretary Lassiter stated that any surplus will be applied to necessary government expenses (NGE) and to replenish the Budget Reserve Trust Fund, which currently has a $0 balance.

Necessary Government Expenses

Secretary Lassiter discussed necessary government expenses (NGE), explaining that the executive branch has the authority to spend funds for certain expenses as provided in the budget, but that no actual funds have been appropriated for these purposes. Funds to cover NGE come from the General Fund Surplus Account, the Budget Reserve Trust Fund, or if these sources are insufficient, other cuts must be made to accommodate the expenses. Total NGE for FY 10 was $38.9 million, with $25.3 million of that amount within Military Affairs to cover expenses related to the ice storm and other disasters and emergencies. She then provided further details regarding the NGE relating to natural disasters in the state. Secretary Lassiter also provided a detailed accounting of authorized NGE for FY 10 – 12, which include funds for debt service for a 4th State Veteran's nursing home, disaster match money, judgments, forest fire suppression, emergency repairs, and various other necessary state expenses. The unbudgeted lapses for FY 10 total $15.2 million.

Road Fund FY 10 year end update

Secretary Lassiter provided an update regarding the FY 10 Road Fund. The year end revenues were $1,206.6 million, which was an increase of 1.2% from FY 09. This was $7.5 million more than the CFG estimate of $1,199.1 million. The Road Fund is expected to return to FY 08 levels by FY 11. The ending balance for FY 10 resulted in a surplus of $41.9. These funds will be deposited into the State Construction Account in accordance with the HB 1 Road Fund Surplus Expenditure Plan.

General Fund and Road Fund debt restructuring

Secretary Lassiter discussed debt restructuring, stating that restructuring outstanding liabilities will realize debt service savings over the biennium. The principal only is amortized over the remaining life of the existing debt to gain upfront savings which can be used to keep from cutting priority expenditures. Secretary Lassiter noted that unfortunately, this strategy does increase costs in the long term and can be viewed negatively by debt rating agencies. Restructuring efforts will realize savings to the General Fund of $162.8 million in FY 10, $139.8million in FY 11, and approximately $130.0 million in FY 12. The Road Fund will realize savings of $81.4 million in FY 10, $52.0 million in FY 11, and $53.0 million in FY 12.

In response to a question from Representative Pasley, Secretary Lassiter stated that all savings gained from planned furloughs of Transportation Cabinet employees will remain within the Road Fund.

Secretary Lassiter replied to questions from Senator Boswell by saying that it is difficult to compare Kentucky's economic status to other states because of differing government structures. Economic difficulties are being felt throughout the United States. As of yet, Kentucky has not had to make deep cuts to education or lay off large numbers of state employees, so Kentucky is relatively better off than many other states. She also noted that bond rating agencies will likely look negatively upon the state having a $0 balance in the Budget Reserve Trust Fund which could affect our bond rating, but currently the state bond rating is solid.

In response to a question from Representative Thompson, Secretary Lassiter stated that it is difficult to predict if or when the state will receive additional FMAP monies from the federal government. The impact of not receiving the expected $238 million would be severe.

In response to a question from Representative Adams, Secretary Lassiter noted that all NGE are reported by communication to the A & R committee but the expenditures do not go through the Contract Review committee process because most, in not all NGE are not done by contract.

In response to questions from Senator Shaughnessy, Secretary Lassiter replied that about $900,000 has been appropriated for security at the World Equestrian Games. These funds have been directly appropriated and will not count as NGE. She said that most state agencies have experienced cuts through budget reductions and have implemented efficiencies to the extent possible without dramatically affecting services.

Secretary Lassiter replied to questions by Chairman Rand stating that the total budget reduction for implemented efficiency measures has been $131 million and the executive branch is still actively trying to identify areas where additional efficiencies can be implemented. Mr. Harkenrider addressed a question regarding the gasoline tax stating that the total fuel rate has increased to 25.9 cents per gallon, but the increase will not show up until the August receipts. Secretary Lassiter then gave a brief overview of the economic indicators which her office will watch over the next biennium.

The meeting was adjourned at 2:15 p.m.

INTERIM JOINT COMMITTEE ON APPROPRIATIONS AND REVENUE

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

Minutes of the 1st Meeting of the 2010 Interim

July 22, 2010

Call to Order and Roll Call

The 1st meeting of the Budget Review Subcommittee on Economic Development and Tourism, Natural Resources and Environmental Protection of the Interim Joint Committee on Appropriations and Revenue was held on Thursday, July 22, 2010, at 10:30 AM, in Room 129 of the Capitol Annex. Representative John A. Arnold Jr., Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Brandon Smith, Co-Chair; Representative John A. Arnold Jr., Co-Chair; Representatives Tim Firkins, Dennis Horlander, Dennis Keene, Ruth Ann Palumbo, Marie Rader, Rick Rand, Fitz Steele, Jim Stewart III, and Susan Westrom.

Guests: Ms. Marcheta Sparrow, Secretary of the Tourism, Arts and Heritage Cabinet; Mr. Gerry van der Meer, Commissioner of the Department of Parks; Ms. Tiffany Yeast, Executive Director of Personnel and Ms. Mona Juett, Governmental Relations Director of the Tourism, Arts and Heritage Cabinet.

LRC Staff: Debra Gabbard, Bart Hardin, Kelly Dudley, Melissa Hagan, Perry Papka, and Christina Williams.

Chairman Arnold introduced Senator Brandon Smith as the new Co-Chair of the committee.

Overview of Tourism, Arts and Heritage Cabinet's Financial and Operations Strategic Plan, and Planned Changes to Parks System

Ms. Marcheta Sparrow, Secretary of the Tourism, Arts and Heritage Cabinet. Secretary Sparrow gave a brief overview of the Agency's Financial and Operations Strategic Plan. Secretary Sparrow and Mr. Gerry van der Meer, Commissioner of the Department of Parks, discussed the planned changes to the Parks system and their impact on the Agency's budget.

Representative Rand stated he appreciated the Cabinet and Department for all they have done concerning the strategic plan.

In response to a question Representative Rand asked, Secretary Sparrow reiterated that alcohol sales in General Butler State Park will occur in the convention center and golf course area only and that no visitors will be allowed to bring their own alcohol into the park.

In response to a follow up question asked by Representative Rand, Ms. Yeast stated the park employees will be furloughed for the six days required by the Executive Branch employees, along with their hours being reduced from 40 to 37.5 hours per week. She further explained the Department had already placed the reduction in hours in the strategic plan before the mandatory furloughs were put in place, therefore the employees will unfortunately have to endure both cutbacks.

In response to a question asked by Representative Rand, Secretary Sparrow stated it was the Cabinet wishes to have one company take over the concessions at the parks instead of having several different companies involved. That company would be the one to obtain a liquor license and not the agency.

In response to a question asked by Representative Steele, Commissioner van der Meer stated in the past the Parks administration have taken approximately $758,000 in voluntary payroll reductions. Ms. Yeast also stated the Parks administration will have further reductions through the upcoming furloughs. Representative Steele requested a copy of any further voluntary reductions in pay to be given to the committee.

Representative Palumbo stated she appreciates the Cabinet and Department and their good attitude and effort towards making reductions.

In response to a question asked by Representative Stewart as to why private vendors were being brought in and if they were cheaper, Commissioner van der Meer stated they have greater purchasing power, they have operational efficiencies, and they have the marketing knowledge and expertise that would not otherwise be utilized within the parks.

Representative Stewart stated that the parks system should be communicating with schools and teachers to indicate the parks are open for field trips and overnight stays and in turn the parents of these kids will be knowledgeable of the parks operations as well. Secretary Sparrow stated that was a good suggestion, and the Cabinet will work on a way to communicate with schools and present the outcome and development of the idea at the next committee meeting.

In response to a question asked by Representative Keene concerning outsourcing lawn work on the grounds of the parks, Secretary Sparrow stated the Cabinet is open to looking at opportunities such as that, but has not yet considered that idea.

Senator Smith stated he is the owner of several Shell gas stations and from personal experience, he learned he was not proficient in the food aspect of the gas station industry, so he leased out space to restaurants such as Lee's Famous Recipe, and profits were shared. This practice could be beneficial to the parks system as well. Commissioner van der Meer stated that type of system was the Department's goal.

Replying to a question asked by Senator Smith, Ms. Yeast stated that there are 101 full time employees who work in the golf services portion of the Department and 107 full time employees who work in the dining services portion of the Department that would be privatized because of the plan.

In response to a question asked by Chairman Arnold, Secretary Sparrow stated those positions in the golf and dining services portion of the Department are held by merit employees, and therefore, the Cabinet would be responsible for finding other positions for these employees. She further stated the Cabinet has calculated the figures and even though the 208 employees would have to be placed in other positions, privatizing their positions will still save money.

In response to a question asked by Representative Westrom, Secretary Sparrow stated she has decided not to charge an entry fee for visiting state parks at this time. In response to a question asked by Representative Westrom, Secretary Sparrow stated Parks has already started implementing the strategic plan.

In response to a question asked by Chairman Arnold, Ms. Yeast stated temporary employees would be used in the peak season because demand would be higher, therefore, more employees would be needed. She further stated the use of temporary employees, rather than seasonal employees would save the state in payment of benefits such as Unemployment Insurance benefits or workers compensation benefits. In response to a question asked by Chairman Arnold, Ms. Yeast stated summer jobs would still be available within the parks through a temporary agency. In response to a question asked by Chairman Arnold, Commissioner van der Meer stated the Department saved over $2 million in FY 2010.

Representative Rader stated she appreciates the Cabinet coming up with a plan that makes sense. She further stated the quality of the food and service within the state parks still needs to be maintained and held to a high standard through the outsourcing of these services to private vendors. She stated it would be a shame to lose tourism instead of gaining it.

Recognizing Representative Rader's comments, Commissioner van der Meer stated there will continue to be standards put in place and guests surveyed to maintain quality food and service within the parks.

Chairman Arnold thanked the staff, members and guests for attending the meeting and adjourned the meeting at 11:26 A.M.

INTERIM JOINT COMMITTEE ON APPROPRIATIONS AND REVENUE

Budget Review Subcommittee on Postsecondary Education
Minutes of the 1st Meeting
of the 2010 Interim

July 22, 2010

Call to Order and Roll Call

The first meeting of the Budget Review Subcommittee on Postsecondary Education of the Interim Joint Committee on Appropriations and Revenue was held on Thursday, July 22, 2010, at 10:00 AM, in Room 154 of the Capitol Annex. It was a joint meeting with the Budget Review Subcommittee on Primary and Secondary Education of the Interim Joint committee on Appropriations and Revenue. Representative Tommy Thompson, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Vernie McGaha, Co-Chair; Representative Arnold Simpson, Co-Chair; Representative Tommy Thompson, Co-Chair; Senator Tim Shaughnessy; Representatives Reginald Meeks, Jody Richards, Carl Rollins II, Kevin Sinnette, and Tommy Turner.

Guests: Jonathan Lowe, Jefferson County Public Schools; Jim Thompson, Education and Workforce Development Cabinet; Terry Holliday, Commissioner, Department of Education; Hiren Desai, Associate Commissioner of Administration and Support, Department of Education; and, Kay Kennedy, Director, Division of District Support, Department of Education.

LRC Staff: Tom Willis, Tracy Goff Herman, Greg Rush, Linda Ellis, and Marlene Rutherford.

Mr. Desai and Ms. Kennedy provided an update on the funding for the Read to Achieve (RTA) and Math Achievement (MA) programs; local district use of capital funds for operating purposes; the status of the review of the classification of primary and secondary school buildings; and the status of Category 5 facility projects.

Read to Achieve and Math Achievement – Funding for 2009-1010 and 2010-2011

Mr. Desai provided a summary of the Read to Achieve (RTA) and Math Achievement (MA) programs. He said that during the last month the department had talked with many school superintendents and finance officers at the district level and there was some confusion on how the funding would work this year on RTA and MA programs. Hopefully, those concerns had been addressed since the RTA and MA program funding had not been reduced. For fiscal year 2011, the total line-item for funding was divided by the number of schools, and the schools were given a maximum amount of funding. In fiscal year 2010, the department took $1.5 million from the line-item allotment for RTA to pay for a third-party assessment of the program, which through the bid process was awarded to the University of Indiana. After the $1.5 million was taken from the allotment, districts were reimbursed for fifty percent of their costs for the previous year and fifty percent for the costs for this year. Therefore, in FY 2010 districts were given a total of $60,000 of which $30,000 was for reimbursement for the prior year and $30,000 for FY 2010. The department also committed to the districts that it would reimburse for FY 2011 the additional $30,000 of their FY 2010 costs. Each year the department has relied on a carryforward which was not part of the line-item appropriation but funding from the prior year which districts had not claimed. This has caused complications in the program for the last few years. If a district did not claim reimbursement of the amount appropriated for each school, the surplus would carry forward into the next year and would be divided between the schools for that year. In FY 2010 the carryforward ended and the department reimbursed districts for FY 2010 expenditures. After reimbursement, $717,000 lapsed back to the General Fund. The department has advised the districts that $30,000 would be paid out of the FY 2011 allotment for FY 2010 in the first quarter and the balance of funding of $27,500 for FY 2011. Mr. Desai indicated that in FY 2011 districts would be given $27,500 for expenditures and in FY 2012 the department would use the allotment for that year to reimburse FY 2011 expenditures. The department has addressed concerns from superintendents and district finance officers by providing the ability to use FY 2012 funding to pay for FY 2011 expenses and also allowed flexibility in the RTA and MA funding rules so districts may use local funds for part of the teacher's salary but have more flexibility or be able to re-direct the work of the teacher to other instructional activities.

Mr. Desai pointed out that when this program began the intent was to have schools funded for five years and new schools would participate and the old schools would roll off but this was never accomplished. There are 326 schools in the RTA program and 112 in the MA program. None of the schools have rolled off and the same schools continue to be funded. In FY 2011 the department will continue to provide funding. He also noted that the contract with the University of Indiana to perform an assessment of the program has been canceled for FY 2011 so that all the money for the program will be given to the school districts.

In response to questions by Representative Thompson, Mr. Desai stated that the $60,000 total funding for each of the 326 schools has been frozen since 2006. It was the hope of the department that as the RTA program was funded at higher appropriation levels more schools would be brought in, but there have not been any new schools brought into the program. There is no anticipation that new schools will come into the program in FY 2011. He said that some superintendents are still considering whether they will fund half of the teacher position from local funds and if that is done, they may choose not to receive the funding in 2012 which may allow for more monies available for additional schools to be brought into the program. Mr. Desai also indicated that some districts that historically had not done so in the past requested reimbursement at the end of this fiscal year. In the MA program, so many districts drew money down for expenditures that there was no money left to pay for MA and monies were used from the FY 2011 allotment to pay for more than fifty percent of the allotment for 2010. He also pointed out that there is a cutoff date to request funds for expenditures after the close of a fiscal year.

Local District Use of Capital Funds for Operating Purposes

Ms. Kennedy discussed the local district use of capital funds for operating purposes. She stated that districts were allowed to request use of capital outlay for operating expenses for FY 2010 and that during the 2009-2010 school year, requests were of such a nature that there was very little impact to the actual capital project funding. For capital outlay the approval process was lenient to allow the districts to receive the operating funds. The department developed stringent guidelines for requesting the use of capital funds for FY 2011 and FY 2012. House Bill 1, passed by the 2010 Extraordinary Session of the General Assembly, allowed flexibility in the use of all local district capital funds without forfeiting the district's eligibility to participate in the School Facilities Construction Commission (SFCC) program. Districts that meet certain criteria outlined in those guidelines may request the use of any capital funds for general operating expenses. The process becomes more involved because the department not only has to consider capital outlay funds, but construction funds and SFCC funds. A Capital Funds Request Form has also been developed by the department that districts need to complete in order to consider how those funds will impact the district's total financial picture relative to other capital projects.

In response to a request for clarification by Representative Meeks, Ms. Kennedy pointed out that there are three different funds in the capital outlay area: capital outlay; building fund monies; and, construction funds specific to projects. The capital outlay funds come directly from the SEEK allocation at $100 per student. Those funds were designated in FY 2010 to be used for general operating expenses. In FY 2011, the concept expanded to the building fund monies that come directly from the Facilities Support Program of Kentucky (FSPK), facilities nickel, and the construction fund from which funds are allotted when construction begins on particular projects. She also indicated that the department considers the capital needs for a particular district. Before a district requests the use of capital funds they are asked to consider four items in the guidelines: 1) whether the district has school facilities classified as a Category 5 on the May 18, 2010 list; 2) whether the district has school facilities classified as Category 4 or 5; 3) whether the district currently has a project in whole or in part which is funded with urgent-need funds; and, 4) whether the district is using 80 percent or less of its capital outlay for debt service payments. The department reviews information submitted by the districts with its information in the facility plans and in the annual financial reports. Ms. Kennedy stated that the department had received requests from eleven districts that have indicated an interest in utilizing funds in this manner for the upcoming year.

Status of the Review of the Classification of Primary and Secondary School Buildings (HB 1 2010 Extraordinary Session)

Ms. Kennedy pointed out that the General Assembly allocated $2.5 million to review the classification of primary and secondary school buildings and that the department is considering this review as a capital project. The RFP is on target to be issued in January 2011, with implementation by July 1, 2011. She said that the RFP will seek to procure services from a third-party vendor to perform the review as well as make recommendations for procurement of a software system that will allow the department to maintain the rating and evaluation system of the district facilities.

Members of the Committee were concerned about any role that school districts may have in the review and recommendation in classifying school buildings in their districts and emphasized that review of all buildings in all counties needs to be done objectively and with consistency and that the same guidelines should be utilized in all districts for the evaluation. Ms. Kennedy stated it was the intention of the department to solicit the services of a vendor to provide the department with data, adding that typically within a RFP a limit is placed on subcontracts. The department wants a fair and objective evaluation. The department's concern is to have data that can be maintained over time that continues the objective look at the facilities and how they change over time.

In response to comments and questions by Representative Meeks concerning the Capital Outlay Requests for FY 2010, Ms. Kennedy stated that the percentage column is for comparison and describes the ratio of what was requested by the district in 2009-10 to the actual 2009-10 allocation. It does not take into consideration any previous balance in the account which may have reflected more money available. She cautioned the committee that the amounts reflected in the information that the districts have requested have not been confirmed by the final year-end financial reports. What the districts have actually spent in FY 2010 would not be verified until later in the school year when reviewed by the department.

Ms. Kennedy responded to questions asked by Representative Sims, stating that when districts go through their planning process they evaluate different parts of a school building such as the roof, heating and cooling, or flooring, and as those areas are renovated over time it does impact the overall categorization of the building. A district may have an old building but as renovations and upgrades have been done within the building, the building itself is not categorized at a higher number. The district does perform a regularly scheduled planning process which includes evaluation by their local architect for information on the different areas of the building that do contribute to the final categorization number.

In response to questions posed by Representative Miller, Ms. Kennedy indicated that gymnasiums would be included in the evaluations as they are a part of the facility plan. District facility planning includes a local planning committee composed of central office staff, parents, board members, etc. who approve the plan. As the district proposes projects they are weighed against the plan. If a project has not been prioritized in the community, the department weighs that project against the facility plan and works with the district to make sure it is addressing the highest needs first.

Responding to a questioned posed by Representative Rollins, Ms. Kennedy indicated it was her understanding that an architect performs the evaluation, whether on staff with the district or an architectural firm hired by a district. At this time there is no provision for the department to perform an evaluation. Ms. Kennedy indicated that the department understands very clearly the concerns of the committee and as the RFP is being written the department would want a vendor to respond as to how they could create an objective evaluation system or process across the state. She indicated that the department will balance as best it can the control and uniformity in the evaluations of all school buildings.

In response to comments by Senator McGaha as to how many vendors would be used, Mr. Desai stated that it would depend on the capacity of the vendor(s) to perform the work across the state. The department prefers to obtain a single vendor who would use the same criteria across the state but at this time it is unknown how many vendors the department will be able to obtain. The department wants the evaluations to be consistent and objective so the department can make decisions and not have local district involvement. Ms. Kennedy stated the importance of quality control measures included in the process that would allow a review of the evaluation for consistency. She also indicated that a software vendor would be separate from a vendor that would perform the evaluation but both components could be included in a single RFP to streamline the process and allow vendors to bid on separate or both items.

There was discussion of information systems personnel developing the software to maintain the rating and evaluation system of district facilities. Ms. Kennedy stated that any decision to purchase versus build a system is a cost benefit analysis. An in-house design/build process would lengthen the time to create the system. If there is software available that meets the needs, even though it may need to be customized, may be more cost effective because of the time factor.

Senator Shaughnessy stated that he felt it important that the Committee not lose sight of the way in which various districts participate at the local level in terms of funding. Some communities at the local level have not contributed to the same extent as others. Representative Richards commented that there is a perceived lack of fairness in how schools are evaluated and would hope that before the process advances too far that the department would provide a report on how the process is progressing so the Committee can determine that the districts are treated equitably and fairly. Representative Stevens echoed the comments made by Senator Shaughnessy and Representative Richards and emphasized that there needs to be consistency and all schools districts should be evaluated by the same guidelines.

Representative Rollins noted that the taxable property or revenue streams are more available in some districts, and some local districts cannot raise the money necessary to update, build, or replace Category 5 schools.

In summary, Chair Thompson indicated that this is a very important topic with the Committee and Legislature, and urged the department to consider accelerating the RFP and issuing it before the January target date, and that the Committee on Postsecondary Education (CPE) model be reviewed and considered. The objective is to have a firm perform an analysis on standard criteria and a creditable ranking of the conditions of all the schools in the state.

Status of Category 5 Facility Projects (HB 1 2010 Extraordinary Session)

In order to be eligible for Category 5 funding, a school district must have had a school facility classified as a Category 5 on May 18, 2010, which was identified in the 2010 Extraordinary Session. Ms. Kennedy updated the Committee on the progress of those districts in addressing their facilities needs. She explained the second nickel and project status reflected on the project update list provided to the Committee. Levying a second nickel is a process that goes through a normal tax levy process that is overseen by the department each year. Once assessments are received by the Department of Revenue, the Department of Education issues back to the districts their tax options for the upcoming year. She noted that the taxation process is just beginning for the districts with classified facilities on May 18, 2010 that have the authority to levy the second nickel. A district must levy a second nickel before status equalization can occur. She brought to the Committee's attention correspondence sent to the Category 5 facility projects districts setting out guidelines on how to get funding for their Category 5 projects, the process to follow in order to levy their second nickel, and a summary of the Category 5 facility projects list which was considered by the General Assembly during the 2010 Extraordinary Session. She said the department will also be sending an e-mail (draft provided) as part of its normal tax levy process so the district will further understand the options they have to levy the second nickel for funding the Category 5 facilities.

In response to a question by Chair Thompson, Ms. Kennedy indicated that the schools on the Category 5 list must first levy the second nickel in order to be eligible for the equalization. She also pointed out that there are some attractive funding options available with the Qualified School Construction Bonds (QSCBs), the Qualified Zone Academy Bonds (QZABs), and the Build America Bonds (BABs), which the fiscal managers will be working with the districts to take advantage of those funding options. Chair Thompson stated that it is important that the districts have some equity in the process and that the second nickel is important. He said the Committee looks forward to updates on how the process is progressing.

Chair Thompson requested a brief explanation of restructuring within the department. Mr. Desai stated that furloughing of employees is being handled by the Personnel Cabinet, adding that the furloughs will not affect school district employees. The department is working with the cabinet to identify time frames that the department can furlough employees with the least impact on school districts. He said that the department is now working under a new organizational structure and that information would be shared with Committee members and staff at a later date. He said that the department was reorganized to focus on Senate Bill 1 as a priority and to reduce costs in response to budget reductions. The department is flattening the organization, reducing the number of managers from 35 to 23, abolishing the two deputy commissioner positions (the department is considering having a chief of staff to assist the commissioner), reducing the number of eight associate commissioners to six, and reducing the number of directors from 24 to 16. All are non-merit reductions, and no merit employees would be affected. He said that duties and responsibilities may need to be further redirected to focus on Senate Bill 1.

In response to a question by Chair Thompson concerning the Race to the Top competition, Mr. Desai said that hopefully the department would know the state's status by the end of July and would update the Committee.

In earlier discussions about the lapsing of RTA and MA funds, Chair Thompson asked if there were other any other programs that did not request all funds which would then lapse to the General Fund. Mr. Desai said that there was some money left in the health insurance and life insurance funds that lapsed.

Representative Richards noted that there is a disparity in math funds being spent. Mr. Desai said that the funding received for RTA is under $20 million per year and the funding for MA is under $6 million per year. Both programs are important and the department would like to see both funded at higher levels; however, historically those programs have been funded at those levels. He pointed out that in 2008 funding for RTA was at about $23 million and MA was at $7 million, but as a result of budget reductions the funding levels are lower. Representative Stevens noted that improving math skills of students relates to the ability of students to be able to read and it is not as big a disparity as it appears.

There being no further business before the Committee, the meeting was adjourned at 11:30 AM.

INTERIM JOINT COMMITTEE ON APPROPRIATIONS AND REVENUE

Budget Review Subcommittee on Primary and Secondary Education
Minutes of the 1st Meeting
of the 2010 Interim
July 22, 2010

Call to Order and Roll Call

The first meeting of the Budget Review Subcommittee on Primary and Secondary Education of the Interim Joint Committee on Appropriations and Revenue was held on Thursday, July 22, 2010, at 10:00 AM, in Room 154 of the Capitol Annex. It was a joint meeting with the Budget Review Subcommittee on Postsecondary Education of the Interim Joint Committee on Appropriations and Revenue. Representative Tommy Thompson, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Vernie McGaha, Co-Chair; Representative Arnold Simpson, Co-Chair; Representative Tommy Thompson, Co-Chair; Senator Tim Shaughnessy; Representatives Reginald Meeks, Jody Richards, Carl Rollins II, Kevin Sinnette, and Tommy Turner.

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Mr. Desai provided a summary of the Read to Achieve (RTA) and Math Achievement (MA) programs. He said that during the last month the department had talked with many school superintendents and finance officers at the district level and there was some confusion on how the funding would work this year on RTA and MA programs. Hopefully, those concerns had been addressed since the RTA and MA program funding had not been reduced. For fiscal year 2011, the total line-item for funding was divided by the number of schools, and the schools were given a maximum amount of funding. In fiscal year 2010, the department took $1.5 million from the line-item allotment for RTA to pay for a third-party assessment of the program, which through the bid process was awarded to the University of Indiana. After the $1.5 million was taken from the allotment, districts were reimbursed for fifty percent of their costs for the previous year and fifty percent for the costs for this year. Therefore, in FY 2010 districts were given a total of $60,000 of which $30,000 was for reimbursement for the prior year and $30,000 for FY 2010. The department also committed to the districts that it would reimburse for FY 2011 the additional $30,000 of their FY 2010 costs. Each year the department has relied on a carryforward which was not part of the line-item appropriation but funding from the prior year which districts had not claimed. This has caused complications in the program for the last few years. If a district did not claim reimbursement of the amount appropriated for each school, the surplus would carry forward into the next year and would be divided between the schools for that year. In FY 2010 the carryforward ended and the department reimbursed districts for FY 2010 expenditures. After reimbursement, $717,000 lapsed back to the General Fund. The department has advised the districts that $30,000 would be paid out of the FY 2011 allotment for FY 2010 in the first quarter and the balance of funding of $27,500 for FY 2011. Mr. Desai indicated that in FY 2011 districts would be given $27,500 for expenditures and in FY 2012 the department would use the allotment for that year to reimburse FY 2011 expenditures. The department has addressed concerns from superintendents and district finance officers by providing the ability to use FY 2012 funding to pay for FY 2011 expenses and also allowed flexibility in the RTA and MA funding rules so districts may use local funds for part of the teacher's salary but have more flexibility or be able to re-direct the work of the teacher to other instructional activities.

Mr. Desai pointed out that when this program began the intent was to have schools funded for five years and new schools would participate and the old schools would roll off but this was never accomplished. There are 326 schools in the RTA program and 112 in the MA program. None of the schools have rolled off and the same schools continue to be funded. In FY 2011 the department will continue to provide funding. He also noted that the contract with the University of Indiana to perform an assessment of the program has been canceled for FY 2011 so that all the money for the program will be given to the school districts.

In response to questions by Representative Thompson, Mr. Desai stated that the $60,000 total funding for each of the 326 schools has been frozen since 2006. It was the hope of the department that as the RTA program was funded at higher appropriation levels more schools would be brought in, but there have not been any new schools brought into the program. There is no anticipation that new schools will come into the program in FY 2011. He said that some superintendents are still considering whether they will fund half of the teacher position from local funds and if that is done, they may choose not to receive the funding in 2012 which may allow for more monies available for additional schools to be brought into the program. Mr. Desai also indicated that some districts that historically had not done so in the past requested reimbursement at the end of this fiscal year. In the MA program, so many districts drew money down for expenditures that there was no money left to pay for MA and monies were used from the FY 2011 allotment to pay for more than fifty percent of the allotment for 2010. He also pointed out that there is a cutoff date to request funds for expenditures after the close of a fiscal year.

Local District Use of Capital Funds for Operating Purposes

Ms. Kennedy discussed the local district use of capital funds for operating purposes. She stated that districts were allowed to request use of capital outlay for operating expenses for FY 2010 and that during the 2009-2010 school year, requests were of such a nature that there was very little impact to the actual capital project funding. For capital outlay the approval process was lenient to allow the districts to receive the operating funds. The department developed stringent guidelines for requesting the use of capital funds for FY 2011 and FY 2012. House Bill 1, passed by the 2010 Extraordinary Session of the General Assembly, allowed flexibility in the use of all local district capital funds without forfeiting the district's eligibility to participate in the School Facilities Construction Commission (SFCC) program. Districts that meet certain criteria outlined in those guidelines may request the use of any capital funds for general operating expenses. The process becomes more involved because the department not only has to consider capital outlay funds, but construction funds and SFCC funds. A Capital Funds Request Form has also been developed by the department that districts need to complete in order to consider how those funds will impact the district's total financial picture relative to other capital projects.

In response to a request for clarification by Representative Meeks, Ms. Kennedy pointed out that there are three different funds in the capital outlay area: capital outlay; building fund monies; and, construction funds specific to projects. The capital outlay funds come directly from the SEEK allocation at $100 per student. Those funds were designated in FY 2010 to be used for general operating expenses. In FY 2011, the concept expanded to the building fund monies that come directly from the Facilities Support Program of Kentucky (FSPK), facilities nickel, and the construction fund from which funds are allotted when construction begins on particular projects. She also indicated that the department considers the capital needs for a particular district. Before a district requests the use of capital funds they are asked to consider four items in the guidelines: 1) whether the district has school facilities classified as a Category 5 on the May 18, 2010 list; 2) whether the district has school facilities classified as Category 4 or 5; 3) whether the district currently has a project in whole or in part which is funded with urgent-need funds; and, 4) whether the district is using 80 percent or less of its capital outlay for debt service payments. The department reviews information submitted by the districts with its information in the facility plans and in the annual financial reports. Ms. Kennedy stated that the department had received requests from eleven districts that have indicated an interest in utilizing funds in this manner for the upcoming year.

Status of the Review of the Classification of Primary and Secondary School Buildings (HB 1 2010 Extraordinary Session)

Ms. Kennedy pointed out that the General Assembly allocated $2.5 million to review the classification of primary and secondary school buildings and that the department is considering this review as a capital project. The RFP is on target to be issued in January 2011, with implementation by July 1, 2011. She said that the RFP will seek to procure services from a third-party vendor to perform the review as well as make recommendations for procurement of a software system that will allow the department to maintain the rating and evaluation system of the district facilities.

Members of the Committee were concerned about any role that school districts may have in the review and recommendation in classifying school buildings in their districts and emphasized that review of all buildings in all counties needs to be done objectively and with consistency and that the same guidelines should be utilized in all districts for the evaluation. Ms. Kennedy stated it was the intention of the department to solicit the services of a vendor to provide the department with data, adding that typically within a RFP a limit is placed on subcontracts. The department wants a fair and objective evaluation. The department's concern is to have data that can be maintained over time that continues the objective look at the facilities and how they change over time.

In response to comments and questions by Representative Meeks concerning the Capital Outlay Requests for FY 2010, Ms. Kennedy stated that the percentage column is for comparison and describes the ratio of what was requested by the district in 2009-10 to the actual 2009-10 allocation. It does not take into consideration any previous balance in the account which may have reflected more money available. She cautioned the committee that the amounts reflected in the information that the districts have requested have not been confirmed by the final year-end financial reports. What the districts have actually spent in FY 2010 would not be verified until later in the school year when reviewed by the department.

Ms. Kennedy responded to questions asked by Representative Sims, stating that when districts go through their planning process they evaluate different parts of a school building such as the roof, heating and cooling, or flooring, and as those areas are renovated over time it does impact the overall categorization of the building. A district may have an old building but as renovations and upgrades have been done within the building, the building itself is not categorized at a higher number. The district does perform a regularly scheduled planning process which includes evaluation by their local architect for information on the different areas of the building that do contribute to the final categorization number.

In response to questions posed by Representative Miller, Ms. Kennedy indicated that gymnasiums would be included in the evaluations as they are a part of the facility plan. District facility planning includes a local planning committee composed of central office staff, parents, board members, etc. who approve the plan. As the district proposes projects they are weighed against the plan. If a project has not been prioritized in the community, the department weighs that project against the facility plan and works with the district to make sure it is addressing the highest needs first.

Responding to a questioned posed by Representative Rollins, Ms. Kennedy indicated it was her understanding that an architect performs the evaluation, whether on staff with the district or an architectural firm hired by a district. At this time there is no provision for the department to perform an evaluation. Ms. Kennedy indicated that the department understands very clearly the concerns of the committee and as the RFP is being written the department would want a vendor to respond as to how they could create an objective evaluation system or process across the state. She indicated that the department will balance as best it can the control and uniformity in the evaluations of all school buildings.

In response to comments by Senator McGaha as to how many vendors would be used, Mr. Desai stated that it would depend on the capacity of the vendor(s) to perform the work across the state. The department prefers to obtain a single vendor who would use the same criteria across the state but at this time it is unknown how many vendors the department will be able to obtain. The department wants the evaluations to be consistent and objective so the department can make decisions and not have local district involvement. Ms. Kennedy stated the importance of quality control measures included in the process that would allow a review of the evaluation for consistency. She also indicated that a software vendor would be separate from a vendor that would perform the evaluation but both components could be included in a single RFP to streamline the process and allow vendors to bid on separate or both items.

There was discussion of information systems personnel developing the software to maintain the rating and evaluation system of district facilities. Ms. Kennedy stated that any decision to purchase versus build a system is a cost benefit analysis. An in-house design/build process would lengthen the time to create the system. If there is software available that meets the needs, even though it may need to be customized, may be more cost effective because of the time factor.

Senator Shaughnessy stated that he felt it important that the Committee not lose sight of the way in which various districts participate at the local level in terms of funding. Some communities at the local level have not contributed to the same extent as others. Representative Richards commented that there is a perceived lack of fairness in how schools are evaluated and would hope that before the process advances too far that the department would provide a report on how the process is progressing so the Committee can determine that the districts are treated equitably and fairly. Representative Stevens echoed the comments made by Senator Shaughnessy and Representative Richards and emphasized that there needs to be consistency and all schools districts should be evaluated by the same guidelines.

Representative Rollins noted that the taxable property or revenue streams are more available in some districts, and some local districts cannot raise the money necessary to update, build, or replace Category 5 schools.

In summary, Chair Thompson indicated that this is a very important topic with the Committee and Legislature, and urged the department to consider accelerating the RFP and issuing it before the January target date, and that the Committee on Postsecondary Education (CPE) model be reviewed and considered. The objective is to have a firm perform an analysis on standard criteria and a creditable ranking of the conditions of all the schools in the state.

Status of Category 5 Facility Projects (HB 1 2010 Extraordinary Session)

In order to be eligible for Category 5 funding, a school district must have had a school facility classified as a Category 5 on May 18, 2010, which was identified in the 2010 Extraordinary Session. Ms. Kennedy updated the Committee on the progress of those districts in addressing their facilities needs. She explained the second nickel and project status reflected on the project update list provided to the Committee. Levying a second nickel is a process that goes through a normal tax levy process that is overseen by the department each year. Once assessments are received by the Department of Revenue, the Department of Education issues back to the districts their tax options for the upcoming year. She noted that the taxation process is just beginning for the districts with classified facilities on May 18, 2010 that have the authority to levy the second nickel. A district must levy a second nickel before status equalization can occur. She brought to the Committee's attention correspondence sent to the Category 5 facility projects districts setting out guidelines on how to get funding for their Category 5 projects, the process to follow in order to levy their second nickel, and a summary of the Category 5 facility projects list which was considered by the General Assembly during the 2010 Extraordinary Session. She said the department will also be sending an e-mail (draft provided) as part of its normal tax levy process so the district will further understand the options they have to levy the second nickel for funding the Category 5 facilities.

In response to a question by Chair Thompson, Ms. Kennedy indicated that the schools on the Category 5 list must first levy the second nickel in order to be eligible for the equalization. She also pointed out that there are some attractive funding options available with the Qualified School Construction Bonds (QSCBs), the Qualified Zone Academy Bonds (QZABs), and the Build America Bonds (BABs), which the fiscal managers will be working with the districts to take advantage of those funding options. Chair Thompson stated that it is important that the districts have some equity in the process and that the second nickel is important. He said the Committee looks forward to updates on how the process is progressing.

Chair Thompson requested a brief explanation of restructuring within the department. Mr. Desai stated that furloughing of employees is being handled by the Personnel Cabinet, adding that the furloughs will not affect school district employees. The department is working with the cabinet to identify time frames that the department can furlough employees with the least impact on school districts. He said that the department is now working under a new organizational structure and that information would be shared with Committee members and staff at a later date. He said that the department was reorganized to focus on Senate Bill 1 as a priority and to reduce costs in response to budget reductions. The department is flattening the organization, reducing the number of managers from 35 to 23, abolishing the two deputy commissioner positions (the department is considering having a chief of staff to assist the commissioner), reducing the number of eight associate commissioners to six, and reducing the number of directors from 24 to 16. All are non-merit reductions, and no merit employees would be affected. He said that duties and responsibilities may need to be further redirected to focus on Senate Bill 1.

In response to a question by Chair Thompson concerning the Race to the Top competition, Mr. Desai said that hopefully the department would know the state's status by the end of July and would update the Committee.

In earlier discussions about the lapsing of RTA and MA funds, Chair Thompson asked if there were other any other programs that did not request all funds which would then lapse to the General Fund. Mr. Desai said that there was some money left in the health insurance and life insurance funds that lapsed.

Representative Richards noted that there is a disparity in math funds being spent. Mr. Desai said that the funding received for RTA is under $20 million per year and the funding for MA is under $6 million per year. Both programs are important and the department would like to see both funded at higher levels; however, historically those programs have been funded at those levels. He pointed out that in 2008 funding for RTA was at about $23 million and MA was at $7 million, but as a result of budget reductions the funding levels are lower. Representative Stevens noted that improving math skills of students relates to the ability of students to be able to read and it is not as big a disparity as it appears.

There being no further business before the Committee, the meeting was adjourned at 11:30 AM.

INTERIM JOINT COMMITTEE ON APPROPRIATIONS AND REVENUE

Budget Review Subcommittee on Transportation
Minutes of the 1st Meeting of the 2010 Interim

July 22, 2010

Call to Order and Roll Call

The first meeting of the Budget Review Subcommittee on Transportation of the Interim Joint Committee on Appropriations and Revenue was held on Thursday, July 22, 2010, at 10:00 AM, in Room 131 of the Capitol Annex. Representative Sannie Overly, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Representative Sannie Overly, Co-Chair; Senator R.J. Palmer II; Representatives Eddie Ballard, Hubert Collins, Tim Couch, Danny Ford, Richard Henderson, Fred Nesler, Don Pasley, and Ron Weston.

Guests: Representative Jimmie Lee; Mike Hancock, Cabinet Secretary, and Tammy Branham, Executive Director, Office of Budget and Fiscal Management, Transportation Cabinet.

LRC Staff: Stephanie Craycraft, Stewart Willis, and Spring Emerson.

Update on Road Fund

Following a brief overview of Actual Receipts vs. Consensus Forecasting Group Estimates, in response to a question from Representative Collins regarding whether a survey had been taken of vehicle trade-in credits and their affect on the Motor Vehicle Usage Tax increase, Ms. Branham stated there had been no surveys taken. She indicated that the Kentucky Department of Revenue collects those taxes and she would check with them on that issue.

Representative Collins thought it strange that the Motor Vehicles Usage Tax had not increased when the sale of motor vehicles had increased. Ms. Branham speculated that perhaps the decline in SUV usage a couple of years ago when gasoline prices reached in excess of $4.00 per gallon played a part. She said the Governor's Office of Economic Analysis would be better prepared to answer that. Representative Collins said that would be good information for the Committee to have. Chair Overly commented that was a good point, stating that the gas tax increase was tied directly to consumption and volume. She asked if the Cabinet tracked vehicle miles traveled. Ms. Branham replied they did, stating that the Federal Highway Administration (FHWA) in April reported a very large spike in vehicle miles traveled in Kentucky. She said February 2010 was the first time they had seen an increase.

Update on Motor Vehicle Usage Tax Credit

Following a brief overview of the Motor Vehicle Usage (MVU) Tax Credit, Representative Collins asked if the Cabinet was aware of any procedure to notify motor vehicle dealers when the $25 million cap on the MVU Tax Credit expired. Ms. Branham stated that she was unaware of one, and she would check with the Department of Revenue regarding that issue. Chair Overly asked that the Cabinet provide an analysis to the Committee at a later date.

In response to an inquiry by Representative Nesler, Ms. Branham stated the information provided regarding the MVU tax revenue estimates was based on the most current Consensus Forecasting Group (CFG) estimate and the Governor's Office of Economic Analysis.

Advancement of 2009 (SBP) and 2010 (SB2) Bond Projects

Following a brief overview of the advancement of 2009 and 2010 bond projects which included an analysis of cash management of Highway Bond proceeds from General Assembly authorizations since 2005, Chair Overly asked if an arbitrage rebate had been owed or paid on past bond proceeds. Ms. Branham replied that payments had been missed for three quarters over the course of the 2006 bond authorization which led to an arbitrage rebate payment of $2.2 million.

Representative Henderson expressed his concern regarding vetoes made by the Governor including language requiring the Cabinet to notify the General Assembly of project delays. Chair Overly agreed that notification of project delays was important. Secretary Hancock stated that the Cabinet's issue with the reporting requirements was the level of detail that would have been required on a monthly basis and expressed his desire to adequately communicate with the General Assembly. Representative Henderson also expressed concern regarding the veto of funding for an emergency evacuation route at the Woodland Industrial Park in Montgomery County that is a safety hazard for the 5,000 employees who work there. Secretary Hancock said the veto was made because the project was an earmark to a specific account, and the safety issues of the project would be considered by the Cabinet.

Update on 2009 Bond Funded Projects

Secretary Hancock said a report listing projects that had been authorized and those not yet authorized would be provided to staff at a later date. He stated the goal was to move the 2010 projects forward as quickly as possible, in conjunction with the 2009 projects.

Estimated Letting Schedule for Large Bridge Projects

Following a brief overview of the four large bridge projects, in response to a question from Representative Collins regarding the difference in estimated vs. actual amounts awarded for projects in the past year, Secretary Hancock said actual award amounts had been 10% to 12% less than engineering estimates.

Chair Overly inquired about the Milton-Madison Bridge and asked if once the TIGER Grant of $20 million was applied to the $130 million price tag, would the remainder be divided with Indiana, and Secretary Hancock replied in the affirmative. Chair Overly inquired how long the bridge would be shut down from the time construction starts. Secretary Hancock said the contract required that the bridge would be closed no longer than 365 days. Chair Overly asked if there was a similar limitation for the Ledbetter Bridge and Secretary Hancock replied no, due to the plan to build a parallel structure for that project. In response to a question from Representative Pasley regarding the responsibility for maintenance on the Milton-Madison Bridge, Secretary Hancock stated that Kentucky's ownership extends to the water mark on the Indiana side, and the maintenance costs would be split with Indiana.

In response to a comment from Representative Nesler expressing his concern that the Lake Bridges had been pushed back, Secretary Hancock explained that the US68/KY80 corridor had been worked on for 15-20 years, with the Lake Bridges being the last obstacle. He assured the Committee that a project manager had been appointed who is from the area and is dedicated and committed to moving the project forward. Representative Nesler made the comment that it was unclear to him why the Ledbetter Bridge would be considered with more urgency than the Lake Bridges.

Chair Overly said the May 2009 Road Plan was the first attempt by the General Assembly to provide a funding mechanism for this enormous project, and requested an explanation of what had been done prior to that. She also inquired about the typical design time for a project of this magnitude. Secretary Hancock replied that issues for that area had been problematic for several years in order to move through the environmental studies and air quality issues. He said those environmental hurdles had been overcome and the project was moving forward when funding issues were encountered. Representative Pasley commented that Secretary Hancock was a strong advocate for these bridges.

There being no further business before the Committee, Chair Overly adjourned the meeting at 11:23 AM.

INTERIM JOINT COMMITTEE ON ECONOMIC DEVELOPMENT AND TOURISM

Minutes of the 2nd Meeting of the 2010 Interim

July 15, 2010

Call to Order and Roll Call

The 2nd meeting of the Interim Joint Committee on Economic Development and Tourism was held on Thursday, July 15, 2010, at 1:00 PM, in Room 154 of the Capitol Annex. Senator Alice Forgy Kerr, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Alice Forgy Kerr, Co-Chair; Representative Eddie Ballard, Co-Chair; Senators Julian M. Carroll, Julie Denton, Ray S. Jones II, Katie Kratz Stine, Gary Tapp, Robin L. Webb, and Jack Westwood; Representatives Royce W. Adams, John "Bam" Carney, Larry Clark, Leslie Combs, Will Coursey, Jim DeCesare, Mike Denham, Bob M. DeWeese, Ted Edmonds, Jim Gooch Jr., Keith Hall, Mike Harmon, Melvin B. Henley, Joni L. Jenkins, Dennis Keene, Thomas Kerr, Martha Jane King, Adam Koenig, Tom McKee, Tim Moore, Fred Nesler, David Osborne, Ruth Ann Palumbo, Don Pasley, Fitz Steele, Ron Weston, Addia Wuchner, and Jill York.

Guests: Marcheta Sparrow, Cabinet Secretary; Gerry van der Meer, Commissioner, Department of Parks; and Tiffany Yeast, Executive Director, Department of Personnel, Tourism, Arts and Heritage Cabinet.

LRC Staff: John Buckner, Committee Staff Administrator; Karen Armstrong-Cummings, Louis DiBiase, and Dawn Johnson.

Approval of Minutes

A motion and second by Representative Carney and Senator Carroll to approve the minutes of the June 17, 2010, meeting passed by voice vote.

2010 Kentucky State Parks Financial and Operations Strategic Plan

Marcheta Sparrow, Secretary of the Tourism, Arts and Heritage Cabinet reviewed the 2010 state parks strategic plan. Upon coming into office, the Secretary faced a weakened economy and a state government budget crisis. In December 2007, the first budget reduction was enacted due to decreased funding and revenues, maintenance concerns, and increasing personnel costs. With the release of the State Auditor's report that emphasized a need for stronger financial management in Kentucky's state park system, the cabinet decided to commission an outside firm to perform a complete review of the parks system and create a strategic plan for the first time in the system's 85-year history. In January 2009, PROS Consulting, LLC was selected for this task. Eighteen months later, PROS submitted the 2010 Kentucky State Parks Financial and Operations Strategic Plan. Secretary Sparrow said that because of the ongoing budget crisis, the Department of Parks is required to make an additional $6 million general fund reduction in the 2011 budget, and that the system faces closures without the changes recommended in the plan.

Gerry van der Meer, Commissioner, Department of Parks, gave an overview of the parks system and the strategic plan. With 51 state parks and 17 resorts, Kentucky has the highest number of resorts and rooms among all states. Kentucky is ranked third nationally in the number of state-operated marinas and second in the number of golf courses. Restaurant revenues are $14 million per year.

To conduct the study, PROS reviewed the parks system at all levels. They conducted focus groups, surveyed guests, performed site inspections, and completed a full asset inventory. Primary areas of focus were performance improvement recommendations for the next five years, organizational strategies for strategic growth and improved market position, asset management strategies to improve and maintain site and facility conditions, and funding and resource strategies to improve financial and budgetary management practices.

Commissioner van der Meer reviewed the key recommendations of the study. To cut expenses and increase the quality of services over the next five years, the Department of Parks must improve daily operations and address key areas of poor performance such as loss of money in food services and golf courses. They must shift from an effort-based culture to an outcome-based culture. Parks must implement more progressive business practices and outcomes, streamline expenses, improve earned revenues, create innovate partnerships, and ensure customer satisfaction. Since the parks system has insufficient resources to meet current needs, it must find new avenues of funding and more efficient ways of doing business. Recommendations include restructuring rates and fees, cutting expenses, streamlining operations, creating partnerships increasing revenue from programs and events, and planning programs and services to better meet user needs and interests. Parks must develop and implement programs that have the greatest appeal to wider audiences. Better programming will increase overnight guests at lodges and campgrounds.

Commissioner van der Meer said key recommendations from the study include using a sales approach to marketing. Parks must create a proactive team with targeted goals and objectives that are measured and monitored on a regular basis. Tools for increased sales should include incentives, reward programs, customer follow-ups with feedback opportunities and packaging.

Parks must also develop a standardized process for identifying, evaluating, prioritizing capital projects, the commissioner said. A regular maintenance schedule should preserve and protects assets.

Secretary Sparrow said management of the state parks brand can influence the success of marketing and promotions. Guests should be encouraged to stay longer and use more services and amenities during their visits. Better events and programs can be used to increase guests' length of stay as well. Amenity recommendations in the plan include the sale of liquor by the drink at meetings, conferences and social events as well as packaged beer sales for golf outings at parks located in "wet" areas. Parks management must provide better training and more recognition for high quality work by its employees with emphasis on outcome versus effort. Kentucky parks need legacy programming that establishes enduring themes and perceived quality for visitor experiences. Recommendations include themed categories designed to highlight each park's unique attributes.

Commissioner van der Meer reviewed the department's short-term improvement recommendations. He said the Department of Parks did not wait for the study to be completed before taking steps to become more efficient and improve management and services of the parks.

Regardless of the study recommendations, Commissioner van der Meer said the steps in the Cost Avoidance Plan were necessary to cut $6 million from the department budget. Full-time employees will now work 37.5 hours per week instead of 40, temporary employment services will be used for seasonal staff, Ben Hawes State Park was transferred to the City of Owensboro, seasonal schedule reductions at all parks will be implemented, concessions at dining rooms in selected parks and all golf operations will be implemented to eliminate debt carryover. The estimated total cost avoidance for fiscal year 2010-2011 is $6,029,000 and $6,054,000 for 2011-2012.

Secretary Sparrow said all parks will remain open, park employees will have jobs, and Kentucky will regain and sustain the title of the "Nation's Finest Park System" under the strategic plan.

Commissioner van der Meer addressed concerns expressed about the plan. He said the Department is not privatizing the state park system but simply allowing concession operations for two park services—food and golf. He noted that marina operations at nine parks have successfully operated in this fashion for several years now.

Tiffany Yeast, Executive Director of the Department of Personnel for the cabinet, addressed the changes in hours worked by full-time employees. She noted that the change will become effective July 16. The change to a 37.5 hour work week is consistent with most state employees. The department is currently looking for a temporary employment agency to handle all seasonal labor, however, park managers will be involved and have the final decision.

Commissioner van der Meer said that during the winter, all resort parks will be closed Sunday through Tuesday evening due to single digit occupancy rates. However, if a large group makes a request, the park will consider opening to accommodate them. The parks will be open Wednesday afternoon through Sunday during mid-November through mid-March.

Secretary Sparrow said that concessionaires will be allowed to operate or seek liquor licenses at parks in "wet" areas. Bars and cocktail lounges will not be permitted. This amenity plays a big role in attracting meetings, conferences, weddings and other events at the parks. In working with the Alcohol Beverage Control Board three resort parks have been identified for liquor sales: Lake Barkley, General Butler and Jenny Wiley. Three golf courses will allow package beer sales: My Old Kentucky Home State Park, John James Audubon State Park, and Kincaid Lake State Park.

With three state resort parks and a golf course in her district, Senator Webb expressed concern about the unintended consequences of some of the plan proposals. Senator Webb pointed out that the parks are part of the community where as concessionaires are profit driven, and that there will be a financial impact on the community by cutting staff hours and hiring temporary labor.

Senator Webb asked if a cost-benefit analysis had been performed. Ms. Yeast said the immediate cost savings by using temporary employment services is reflected in a reduced amount of unemployment and workers' compensation funds paid out, as well as no longer having to pay leave time to interim employees. This responsibility will be shifted to the temporary agency. Efficiency will be increased by having an immediate seasonal labor pool when it is needed. The current process of using state-hired employees is inefficient, Ms. Yeast explained. It takes approximately two weeks to hire state government employee. Using a temporary service allows more flexibility. Responding to Senator Webb's question she said based on all statewide contracts, wage rates will mostly equal what current interim employees make with some skilled labor such as landscapers making a higher rate. Senator Webb said she understand the immediate need for workers during events but expressed concern about completely replacing state employees with temporary workers, which would change the face of employment in Kentucky's parks system. She noted that privatization of the prison system has seen high turnover, low wages, and low benefit jobs. Commissioner van der Meer said through his management company experience in running high-end accommodations their charge is to be profitable and be involved in the community. Ohio parks are fully concessioned and West Virginia is partially concessioned and both have been successful for years. He said most of the recommendations are economy related and designed to save money. Most concessionaires have better buying power, do not have government limitations, and have expertise.

Responding to Co-Chair Ballard's question, Secretary Sparrow said there is not a detailed estimation of alcohol sale profits. Commissioner van der Meer said using industry estimations based on a total dinner meal count with ten percent purchasing a drink having an average retail price of $3.75, this would bring in $142,000. More importantly, there is an assumption for increased occupancy rates. Many groups cannot or do not meet at the lodges due to the inability to serve alcohol. A one-percent increase in occupancy would bring $184,000. Co-Chair Ballard said he has received mostly positive feedback about alcohol sales at the parks from constituents in his area.

Responding to Representative Palumbo's question, Secretary Sparrow said that although budget cuts were a factor, it was necessary to implement some of the study's recommendations for the future of the parks system. Commissioner van der Meer said there were two other important factors beside the $6 million budget cut. He said the agency's $30 million funding level is about the same as it was in 2003. Increases in retirement contributions in those seven years have increased $2.5 million, and health insurance has increased $2.7 million.

In response to Representative Palumbo's questions, Secretary Sparrow said the national parks system is concessioned and the Kentucky State Fair Board and the Kentucky Horse Park hold a liquor license.

Representative DeCesare said the department is headed in the right direction in making the parks profitable. He asked for more information on the alcohol sales projections as the numbers were lower than expected.

Representative DeCesare questioned the need for four marketing specialists and a public relations employee within the agency. Secretary Sparrow explained that the size of the parks system warrants the need for these employees. She said the agency has only $350,000 for marketing expenditures. Representative DeCesare said a private vendor may fill the need for marketing as well.

Responding to Representative Wuchner's questions, Commissioner van der Meer said the occupancy rate for 2009 was 50 percent and roughly 47 percent for 2010. The one percent room tax collected by the state parks is returned to their marketing program, which is approximately $175,000 annually.

Representative Wuchner said the strategic plan should have specific marketing outcome measures.

Representative Koenig said he supports the changes proposed in the plan and would like to see more considering the general fund provides a $30 million subsidy to run the state parks system.

Responding to representative Koenig's question, Commissioner van der Meer said through PROS Consultants they are changing the mindset of parks employees at all levels to be result-driven.

Represented McKee noted that the Agriculture Committee used the facilities at Kentucky Dam Village for their July meeting. He said park visitors contribute to the local economy as well through purchases.

Responding to Representative McKee's question, Ms. Yeast said the employee hours worked will remain at 37.5 and will not revert back to 40 hours per week. There is the potential of moving to a seasonal 30 hour week during the off season. Previously, hours have been reduced from 40 to 25 hours per week during the off season. Representative McKee expressed concern about the effects of reducing employee pay.

Referring to Senator Stine's question, Commissioner van der Meer said some energy efficiency measures at the parks have been addressed by PROS Consultants.

The Commissioner said that PROS Consultants has been looking toward other state park systems that have been doing well comparison.

Representative Carney said the financial effect of state parks on small communities is immeasurable.

In response to Representative Pasley's question, Ms. Yeast said the reduction in state park staff hours will be flexible based on seasonal demands.

Representative Coursey expressed concern about the effect of reduced hours on parks employees' benefits. Ms. Yeast said reducing hours during the non-peak season is not new to state parks. She said health benefits will not be reduced but it will affect retirement benefits as retirement is based on gross wages. Ms. Yeast said the cabinet is now looking at different types of hour reductions in light of the governor's mandated six furlough days in this fiscal year.

Responding to Representative DeWeese's question Secretary Sparrow said the Department of Parks does not have funding for television advertising. The agency has advertised through public radio, e-newsletters, Facebook, and co-partnered through KET, as well as promotionals by golf professionals.

Representative York asked if there was a correlation between the better performing parks and those with more opportunities for stay-over visits. Commissioner van der Meer said some rural areas have lower attendance during the off-peak season because of limited attractions. Tour packages such as coal mines and wineries are being considered.

Representative King suggested adding more "dry" camp sites for RVs at state parks. Commissioner van der Meer said there are camping sites at many recreational areas such as Fort Boonesboro. He said other historic sites should be looked at as well.

Representative Moore expressed concern about the effects of allowing alcohol into Kentucky's state parks as it may have a detrimental effect on traditional family visits and loyal customers. He also recommended marketing to writers' guilds and cycling groups.

Responding to Representative Denham's question, Commissioner van der Meer said the department is saving $1.6 million by changing to a 37.5 hour work week. Representative Denham said he hoped the hour reduction plan is short-lived as it puts a tremendous burden on employees who already suffer because of the recession.

In response to Representative Denham's question, Secretary Sparrow said equestrian facilities are being developed at Carter Caves and Pennyrile State Parks. She said statewide trail operations are being looked at as well.

Commissioner van der Meer said parks employees are the chemistry to the parks. He said the agency regrets having to implement these types of reductions. He said difficult decisions had to be made in order to meet budget needs.

Other Business

Representative Palumbo expressed concern about the closing of Delta's Terminal C which is affecting Kentucky's economy. Employees are losing their jobs and scheduling is becoming more difficult. Representative Palumbo asked that the committee meet to discuss the topic further.

There being no further business, the meeting adjourned at 2:45 PM.

INTERIM JOINT COMMITTEE ON EDUCATION

Minutes of the 2nd Meeting of the 2010 Interim

July 12, 2010

Call to Order and Roll Call

The second meeting of the Interim Joint Committee on Education was held on Monday, July 12, 2010, at 1:00 PM, in Room 149 of the Capitol Annex. Representative Carl Rollins II, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Ken Winters, Co-Chair; Representative Carl Rollins II, Co-Chair; Senators Walter Blevins Jr., Jimmy Higdon, Alice Forgy Kerr, Vernie McGaha, R.J. Palmer II, Tim Shaughnessy, and Johnny Ray Turner; Representatives Linda Belcher, John "Bam" Carney, Hubert Collins, Leslie Combs, Jim DeCesare, Ted Edmonds, C. B. Embry Jr., Tim Firkins, Jim Glenn, Derrick Graham, Jeff Greer, Reginald Meeks, Charles Miller, Marie Rader, Jody Richards, Tom Riner, Charles Siler, Dottie Sims, Wilson Stone, Alecia Webb-Edgington, Addia Wuchner, and Jill York.

Guests: Wayne Young, Executive Director, Kentucky Association of School Administrators; Rita Muratalla, Principal, Zoneton Middle School, Bullitt County Schools; Dot Perkins, Superintendent, Gallatin County Schools; Jim Thompson, Legislative Liaison, Cabinet for Education and Workforce Development; Cindy Godsey, Division of Certification, Education Professional Standards Board; Jonathan Lowe, Jefferson County Public Schools; Keith White, Office of Education Accountability; and Danny Hwang, Prichard Committee.

LRC Staff: Audrey Carr, Sandy Deaton, Ken Warlick, and Janet Oliver.

Approval of Minutes

Upon motion by Representative Richards, seconded by Representative Belcher, the minutes of the June 14, 2010, meeting were approved by voice vote.

Announcement

Representative Collins announced that the Johnson County Middle School recently won the international competition in community problem solving presenting solutions to help foster children satisfactorily adjust to their environment. He said the future problem solving team from Johnson County's Central Elementary School placed second internationally to New Zealand, and the high school academic coach, Ms. Brenda Porter, was named International Academic Coach of the Year.

Reports from Subcommittee Meetings

Representative Combs said the Subcommittee on Postsecondary Education heard a presentation from Dr. William T. Betz, Senior Associate Dean for Osteopathic Education at Pikeville College School of Osteopathic Medicine, on recruiting and training of individuals from Kentucky and Appalachia in the osteopathic profession. The program is one of 29 in the county with an average of 35 applicants for each slot and tuition covers laptops, textbooks, medical equipment, clothing, and organizational membership. Data has shown that 32% of the graduates practice in Kentucky and 62% in the Appalachian region. Also 44% of graduates practice in underserved areas and 38% in rural areas. A loan forgiveness program is available to students who set up practice in rural areas.

Representative Combs said the subcommittee also received an update on funding by Dr. Robert King, President of the Council on Postsecondary Education. Dr. King said data shows that funding over the last decade for postsecondary education has not kept pace with the growth in the General Fund; enrollment has greatly increased; and, even though tuition has significantly increased, the actual cost in Kentucky has remained relatively stable. Kentucky funds a higher percentage of the costs of public education than many other states with half of the CPE budget going to adult education programs and 40% going to pass through projects.

Representative Ted Edmonds reported that the Subcommittee on Elementary and Secondary Education heard a discussion regarding the school calendar. Commissioner Terry Holliday provided data related to loss instructional time over the past three years due mostly to inclement weather. The commissioner is opposed to waiving missed days and offered suggestions about how instructional days could be made up including the use of a virtual learning delivery model, which the department hopes to pilot in a few districts. Darryl Treece, Adair County Superintendent; Anna Craft, Letcher County Superintendent; and Jim Evans, Lee County Superintendent described the unique characteristics that affected the school calendar in their respective districts this year and the various ways in which their districts made up missed days due to inclement weather, illness, and emergencies. The superintendents agreed that more flexibility is needed and suggested that the calendar requirement should only be for a specified number of instructional hours rather than a set number of hours and days. Commissioner Holliday also discussed Read to Achieve program funds and assured the subcommittee members that districts only received cuts that had been directed by the Governor and the General Assembly in the overall budget cuts. Further, the districts will continue to receive funds that will cover partial reimbursements for the previous fiscal year and a portion for the current fiscal year, which has been the procedure used since 2008.

Evaluation of Certified Personnel

Members of the committee were provided a PowerPoint presentation and related information regarding teacher and principal professional growth and evaluation systems. Commissioner Holliday said that having a highly effective educator workforce is one of the eligibility requirements for Race to the Top funding. The No Child Left Behind Act referred to highly qualified educators but Race to the Top funding and other federal grants and reporting requirements in the State Fiscal Stabilization Funds will be based upon having effective teachers and principals with student achievement being an important indicator of success. Senate Bill 1 (2009 RS) also directs that professional development and support be provided to ensure effective implementation of the new common core standards and assessment system. Information was also provided on research based publications related to effective teachers and principals.

Commissioner Holliday said the current system allows individual districts to use their own methods of evaluation but the new system will require uniform statewide standards although district options will be allowed if the validity and reliability of the requirements can be verified. Currently non-tenured teachers are evaluated annually and tenured teachers are evaluated at least every three years. The new system will require that all teachers be evaluated each year and a professional growth plan be established for each teacher. Evaluators will also need more rigorous training to conduct reliable and valid evaluations. The three primary segments of evaluation will be the learning environment which the teacher has created; the instructional practices teachers use to ensure student growth and improve student academic outcomes; and recognition of teachers who take on leadership and professional roles, such as serving as an instructional coach, chairing a professional learning community, and similar leadership activities. The proposed system will be field tested over the next three years and will include observation; feedback from affected parties, including administrators and parents; teacher presentations of artifacts and evidences; and student test scores. The plan includes development of professional growth targets for teachers with teacher input on the growth plan. Another option being considered is student involvement, much like student involvement at the college level. Various models are being researched including one developed by the Wallace Foundation on principal evaluation. The Wallace Foundation has also funded a pilot project in four school districts in Kentucky on teacher effectiveness and Kenton County Schools, that has a nationally recognized evaluation model, will be serving as a coach district.

Commissioner Holliday said the principal evaluation system will be similar to the teacher evaluation system and will be based on the learning environment, instructional practice, and leadership and professionalism. Plans are to use the VAL-ED 360 Instrument developed by Vanderbilt University for principal evaluation. Professional growth goals, organizational goals set forth in the school improvement plan, and student growth as measured by learning outcomes will also be components of the evaluation system and student voice would also be an option. The components and measures are based on the Administrator Interstate School Leaders Licensure Consortium (ISLLC) Standards of 2008.

Commissioner Holliday said 23 districts have volunteered to participate in the pilot project and some components are now being field tested. A 21 member teacher effectiveness steering committee and a 21 member principal effectiveness steering committee are currently meeting and receiving feedback from teachers and principals in the field and developing the rubrics to evaluate effectiveness. Plans are to pilot the evaluation systems throughout the entire state in the 2012-13 school year before making it the standard through legislative action. Representatives from principal, superintendent, and teacher organizations; the Education Professional Standards Board (EPSB); the Council on Postsecondary Education (CPE); various universities, and other interested parties are participating on the steering committees.

In response to a question from Representative Rollins, Commissioner Holliday said that KDE currently approves each district's evaluation plans and statutory and/or regulatory changes would be needed to establish the statewide standardized evaluation system for teachers and principals.

In response to questions from Representative Miller about who will ultimately be responsible for the evaluation, Commissioner Holliday said that summative evaluations will be done and a final decision rendered on effectiveness by direct supervisors, such as principals or assistant principals. He said the new system will also incorporate teacher self-assessment, peer observation, student growth outcomes, and other measurements instead of a traditional checklist. He said that the Jefferson County Teachers Association is actively engaged in both the teacher and the principal effectiveness steering committee.

Commissioner Holliday said nationwide statistics show that only 60% of students are graduating, indicating that the current system for evaluating teachers and principals is ineffective. He said an evaluation of the effectiveness of school-based council members, district school board members, and superintendents also should be considered. He said poverty can no longer be used as a reason for low performance since data shows that high poverty students can succeed with effective teachers and administrators.

Representative Belcher said one reason for low student performance is the lack of parental involvement in the education process. In response to a question from Representative Belcher about using student growth as an indicator and fair treatment of teachers, Commissioner Holliday said decisions on teacher effectiveness will be based on the preponderance of evidence over a three year period. He said two nationally recognized models will be field tested upon approval of the Kentucky Board of Education. One is the model being used in Colorado and Massachusetts and the other is the Lexile growth model. Feedback on both models will be provided to the Education Committee. The teacher evaluation steering committee is extremely interested in the use of formative assessments to measure growth and modify instruction before end-of-course assessments are utilized to assess student growth outcomes.

In response to a question from Representative Belcher about university involvement, Commissioner Holliday said that university faculty is represented on both the teacher and principal effectiveness steering committees and the Education Professional Standards Board is also involved in the alignment of the Kentucky

teacher preparation programs with the new evaluation system.

In response to questions from Representative Firkins, Commissioner Holliday said the primary goal of changing the evaluation systems is to ensure the continuation of professional growth of teachers and principals and not as an instrument to dismiss staff, although failure to implement and carry out an action plan once established may result in disciplinary decisions. He said that the teacher effectiveness steering committee has two special education teacher representatives and teachers of other non-tested subjects. Senate Bill 1 requires program reviews in all non-tested areas and feedback is being sought from teachers on how to measure student growth in subjects, such as physical education, the arts, and some sciences.

Representative Collins said it is extremely important to evaluate the readiness of new teachers and having the appropriate staff to evaluate new teacher effectiveness in the classroom.

Representative Carney said he was pleased to hear that student growth will be measured over time instead of a one year period, especially considering that many districts have transient students.

Comments from Stakeholders

John Warren, Government Relations, and Mary Ruble, General Counsel, with the Kentucky Education Association (KEA) provided written and oral comments to the committee. Mr. Warren said that KEA is hopeful that the new system will result in all teachers being given the opportunity and vision to improve their practices. KEA believes the new system needs to be developed in a thorough and timely manner to ensure its long-term use; all stakeholders need to be involved so those affected will know the system has integrity and validity; necessary information and support for professional growth needs to be provided to all teachers; evaluations need to be based on multiple measures of teacher effectiveness; and teachers and principals need a clear vision of excellence and the support and encouragement to improve.

In response to a question from Representative Rollins, Mr. Warren said teachers are adequately represented on the teacher effectiveness steering committee with some serving in leadership roles.

Representative Greer said he would like KEA to provide information on how widely steering committee activity is being disseminated throughout the state and the type of feedback being received about the process. Mr. Warren said it is his understanding that the information has not yet been widely disseminated. Ms. Ruble said that 23 districts will pilot the program and when results of the pilot program are available, broader dissemination of information will occur. She said KEA members are aware of the work being done by the steering committees.

In response to a question from Representative Wuchner, Mr. Warren said KEA is committed, through its representatives and the teachers on the steering committee, to identifying barriers early in the process so that collaboration will continue and the process will remain fluid through completion.

In response to a question from Senator Higdon about the timeframe for implementation, Mr. Warren said KEA is encouraging the commissioner to be very cautious and deliberate in revising the evaluation systems and to field test various components before the system is piloted in its entirety. KEA wants to ensure that no inadvertent harm to the teaching profession occurs. Mr. Warren reiterated that a major concern is the amount of time and resources required to implement and carry out the evaluations and that General Fund allocations will be critical in ensuring effective implementation of the system. KEA also wants all stakeholders, including teachers, parents, students, board members, and others, to continue to be involved in the development of the process.

Wayne Young, Executive Director, Kentucky Association of School Administrators (KASA), and Rita Muratalla, Principal, Zoneton Middle School, Bullitt County, made comments on behalf of KASA members.

KASA supports strengthening the current system of evaluation and making certain that evaluations are done accurately and professionally and are used in a meaningful way to contribute to professional growth of staff and enhanced student achievement. KASA believes multi-factor evaluations will require rigorous and intensive training for evaluators and more time will be required to evaluate every teacher each year. Ms. Muratalla stated that the current evaluation process being used at Zoneton Middle School, which includes weekly evaluations, goal setting and communication, is more complex than the yearly evaluations being proposed by KDE. The major factor in the proposed system will be the time required of principals to complete the evaluations and additional staff will need to be trained as evaluators. Student performance growth should be measured from the beginning to the end of the school year. Bullitt County currently uses Measures of Academic Progress (MAP) testing to measure proficiency and growth over the year. Ms. Muratalla concluded her presentation by saying that teachers as well as principals need to be held accountable for student growth and funding will be crucial in ensuring adequate training and resources are available to effectively implement the new system.

In response to questions from Representative Belcher, Mr. Young said that the KASA representatives on the steering committees will be very vocal in sharing their thoughts about the time and resources needed to carry out the evaluations. Ms. Muratalla said it is important for principals to ensure that teachers under their supervision are growing professionally and students are receiving adequate instruction.

In response to a question from Representative Rollins, Ms. Muratalla said she currently evaluates non-tenured teachers using walk-throughs, two formatives, and a summative, but tenured teachers are usually evaluated only once every three years. She said it is her understanding that the proposed system will require a yearly summative evaluation and growth plan for all teachers, including tenured teachers, which will require more time and resources.

Mr. Wilson Sears, Executive Director, Kentucky Association of School Superintendents (KASS), introduced Ms. Dot Perkins, Superintendent, Gallatin County Schools, newly elected vice-president of KASS.

Ms. Perkins said KASS applauds the work being done on revising the evaluation systems with the hope that it will ultimately lead to improved student learning, but it will be important that the teacher and principal professional growth plan and evaluation system help educators effectively and efficiently without overwhelming them. It will be important to not only explain the process but the justifications behind the process through communication and thorough training of teachers and principals. The ultimate process and procedures should be adaptable and flexible for all school districts. KASS members believe that it will be difficult to have an ongoing evaluation system until a valid assessment is in place. Evaluations should reflect and celebrate student academic growth even if proficiency is not achieved and consequences should only result when growth has not occurred. Superintendents are concerned that until there is a balanced assessment system with ongoing formative assessments which align to the summative assessment, implementing effective teacher and principal evaluation systems will be difficult. Superintendents remain concerned about their lack of authority to hire a principal who has the skills and leadership ability to effectively implement a new evaluation system.

In response to questions from Representative Sims, Ms. Perkins said that all local district employees, not just principals and teachers, need to be involved and trained to ensure effective evaluation. She said it is extremely important that superintendents be involved in principal selection process.

Mr. Bill Scott, Executive Director, and David Baird, Associate Executive Director, Kentucky School Boards Association (KSBA), provided comments on behalf of their membership. Revamping the evaluation systems is a complex and ambitious task, but it is a critical component in ensuring the effectiveness of teachers and administrators. Local school board members have a representative on each of the steering committees and KSBA is also participating in the Education Professional Standards Board's superintendent program review committee. One of the most important responsibilities of local boards is the hiring and evaluation of superintendents and KSBA has developed an instrument and provides training for local board members in this endeavor. The association believes that superintendents must have more authority in the hiring of principals as boards hold their superintendents more accountable for student achievement. KSBA supports the revision of the evaluation process since local school boards are elected to ensure the education needs of their communities are being met. KSBA supports a common set of criteria for the Commonwealth but also supports allowing local boards and communities the option of adding other measures to ensure education success. Student growth is a critical component for evaluation of teachers and principals and the new data collection system will be an important instrument in this endeavor. A more comprehensive evaluation process and feedback on student performance and growth will assist administrators in making critical personnel decisions including the possibility of future differentiated compensation.

In response to a question from Representative Stone about defining student growth, Commissioner Holliday said that the federal government has released varying and sometimes conflicting information on a definition of student growth. He said the assessment has to be developed first to ensure that the growth model is valid, fair and reliable. The assessment should be ready for piloting in 2013 and a substantial portion of student growth will be based on student performance on the assessment. Representative Rollins said that the Gates Foundation is conducting a study on the weights that should be given on various measures to define student growth and Commissioner Holliday said that other researchers are also conducting similar studies. In response to comments by Representative Stone, Commissioner Holliday said he has worked closely with Dr. Bill Sanders in North Carolina on regression models as the state was developing its principal and teacher effectiveness system and the Sanders model may be used to field test items. He said the teacher's entire body of performance over a two or three year period, which will include student growth, will be part of the evaluation system.

Review of Executive Order 2010-

430 Relating to Reorganization of the Council on Postsecondary Education

Ron Carson, Senior Fellow, Policy Development, Council on Postsecondary Education (CPE), said the executive order issued by Governor Beshear in 2009 to relocate CPE from the Education and Workforce Development Cabinet to the Governor's Office was not ratified by the 2010 General Assembly. The Governor's Office has issued a new executive order to accomplish the same reorganization. No action was taken by the committee regarding the executive order.

Review of Administrative Regulations

Kevin Brown, KDE General Counsel, and Ken Draut, KDE Associate Commissioner, explained the education regulations. Mr. Brown said that 703 KAR 5:060 describes the accountability process that will be used until the new accountability system required by Senate Bill 1 (2009 RS) is implemented. The regulation describes the interim student assessments, how the graduation rate will be calculated, and data collection procedures.

In response to a question from Representative Carney about the new math standards, Mr. Draut said the regulation being discussed does not address content standards. He assured Representative Carney that many Kentucky teachers participated in the review of the national math common core standards and that Kentucky's comments and recommended changes were accepted and included in the newly released common core standards.

Mr. Brown said that 703 KAR 5:180 defines the intervention system to be used for persistently low achieving schools. The regulation was promulgated as an emergency upon the enactment of House Bill 176 during the 2010 Regular Session to meet Race to the Top application timelines. Changes to the emergency regulation include extending the timeline for districts to choose an intervention option from 30 to 45 days; clarifying that district school-based decision-making councils are to receive notice of appeal options; clarifying the restaffing option procedures; and identifying the process for the commissioner to replace council members.

Mr. Brown said that 704 KAR 3:540 relates to uniform academic course codes and incorporates by reference a document called the "Kentucky Academic Course Codes List." He said that all courses offered throughout the state in a particular subject area will be assigned a uniform course code number. Districts may still use their own course codes but will satisfy this requirement by using the student information system.

In response to a question from Representative Stone, Ms. Felicia Smith with KDE's Office of Teaching and Learning said that counties currently use many different course codes for the same subjects, such as Algebra I, but when the new statewide standards are in place for English, Language Arts, and Math, using uniform course codes should ensure that subjects are the same throughout the state. Mr. Brown said a mechanism has been included to allow a district offering a new course or a course that is not available in all districts to use a generic course code and there is nothing that prohibits a local district from offering a course that is not on the list.

Senator Winters asked if there is anything in the regulation that would affect end-of-course examinations. Ms. Smith said the purpose of the amendments to the regulation is to prepare for implementation of the end-of-course assessments which will be uniform across the state.

Ms. Melissa Justice, Senior Associate Counsel, and David Lawhorn, who oversees the Kentucky Educational Savings Plan Trust program, explained the Kentucky Higher Education Assistance Authority regulation. Ms. Justice said that 11 KAR 12:060 establishes the cancellation and withdrawal procedures from the Kentucky Educational Savings Plan Trust funds. The amendment eliminates the minimum partial withdrawal requirement of $500 to allow participants to withdraw lesser amounts without closing out their accounts.

In response to a question from Representative Rollins, Ms. Justice said Kentucky is the only state with such a requirement and the amendment brings Kentucky's program into alignment with other 529 college saving programs in the country and the fund administrator indicates that it simplifies the fund withdrawal process.

Other Business

Each member of the committee was provided a copy of Edvantia's 2010 white paper entitled, "Kentucky's March to the Top."

Adjournment

There being no further business before committee, the meeting adjourned at 3:00 PM.

INTERIM JOINT COMMITTEE ON EDUCATION

Subcommittee on Elementary and Secondary Education
Minutes of the 1st Meeting of the 2010 Interim

July 12, 2010

Call to Order and Roll Call

The first meeting of the Subcommittee on Elementary and Secondary Education of the Interim Joint Committee on Education was held on Monday, July 12, 2010, at 10:00 AM, in Room 129 of the Capitol Annex. Senator Vernie McGaha, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Vernie McGaha, Co-Chair; Representative Ted Edmonds, Co-Chair; Senator Ken Winters; Representatives Linda Belcher, John "Bam" Carney, Hubert Collins, Derrick Graham, Rick G. Nelson, Marie Rader, Carl Rollins II, Wilson Stone, Alecia Webb-Edgington, and Jill York.

Guests: Darrell Treece, Superintendent, Adair County Schools; James Evans, Jr., Superintendent, Lee County Schools; Wayne Young, Executive Director, Kentucky Association of School Administrators; Jim Thompson, Legislative Liaison, Cabinet for Education and Workforce Development; Anna Craft, Superintendent, Letcher County Schools; and Kay Kennedy, Office of District Support Services, Kentucky Department of Education.

LRC Staff: Sandy Deaton, Audrey Carr, and Janet Oliver.

Welcome and Recognition of New Subcommittee Member

Senator McGaha recognized the newly appointed member to the subcommittee, Representative Jill York, from Carter County, who represents Legislative District 96.

Discussion of School Calendars

Committee members were provided a copy of the PowerPoint slides and related information concerning school calendar requirements. Commissioner Terry Holliday said that school district calendars are governed by KRS 158.070 which requires a minimum 185 day school term with no less than 175 six-hour instructional days; a minimum of four professional development days; a maximum of four optional holidays; a maximum of two optional planning days without students; and an optional opening and closing day for students. Budget language included in House Bill 1 passed during the 2010 Special Session also requires an equivalent of 177 six-hour instructional days or 1,062 instructional hours and directs the Kentucky Department of Education (KDE), through the Kentucky Board of Education, to promulgate regulations by August 1, 2010, to allow for innovative alternative calendars for districts with less than 177 six-hour instructional days.

Commissioner Holliday explained that the regulatory language in 702 KAR 7:140 requires that graduation occur after the last instructional day and district calendars must include make-up time for days missed due to emergency equal to the greatest number of days missed system-wide in the district in the preceding five years. Disaster days cannot be requested until more than 20 regular instructional days have been missed and all required makeup days have been utilized as instructional days. Commissioner Holliday said that the legislature had previously waived the requirement that districts make up all days missed beyond 20 instructional days but no legislative directive was issued for the past school year. Also, no school district requested a waiver to the regulation because of time constraints.

Commissioner Holliday said during the 2009-10 school year, 18 districts had to make up 20 or more days; 70 districts made up 10 to19 days; and 86 districts made up 2 to 9 days. He said since districts must include make-up days based on the largest number of days missed in any one preceding five years when submitting the upcoming school year calendar, the number of make-up days will increase for the 2010-11 school calendar because of the numerous weather and illness related days missed during the last two years. Information was provided on the 11 districts that were approved for disaster days during 2009-10 school year and the proposed 2010-11 calendar information for those districts incorporating make-up days based on five year data. Many of the districts will begin school in early August, even though they had mid or late June dismissal, and will not have scheduled spring or fall breaks.

The number of teacher contract days for the 2009-10 calendar year ranged from 185 to 192 days, with the majority of 153 districts having 187 contract days. Total instructional days ranged from less than 170 to 177 days with the majority in the 175-177 range and all districts met the 1,062 hour requirement. Commissioner Holliday said the 2010-11 district school calendars will be approved by September 1 and the information will be made available to legislators. Information was also provided on K-12 minimum instruction days and/or equivalent hours for the 2009-10 school year for states in the Southern Region Educational Board area.

Commissioner Holliday said the most significant issues resulting from missed days when disasters occur is the loss of valuable student instructional time with teachers, its effect on retention and flow of instruction, and the administrative issues in accounting for instructional days and hours for students and staff. He said he has met with interested parties in every region of the state and sought feedback from superintendents and the consensus appears to be that a virtual learning system is the most viable alternative. Virtual learning would be an expansion of the Live@edu system that is already available in all districts. The challenges in using virtual learning include computer availability, internet access in remote areas, administrative issues related to special education, meeting Americans with Disabilities Act (ADA) requirements in home environments, and teacher and classified employee contract issues. Commissioner Holliday said that he is seeking voluntary input from at least five districts in Eastern Kentucky to identify problems and recommend solutions to implementing a virtual learning environment so that legislation can be proposed to implement and fund a pilot program in the January-April 2011 timeframe.

In response to a question from Representative Stone, Commissioner Holliday said it is envisioned that virtual learning hours would be utilized as make-up days. He said other issues would be to ensure student and teacher instruction accountability and providing backup resources for students who do not have access to needed hardware and infrastructure.

Representative Collins asked how many days a school system could make up by adding minutes to the school day and if teachers and classified employees are required to make up any hours or days beyond the extended school day. Commissioner Holliday said that a district must attempt to have school on all scheduled make-up days but at a minimum must meet the 1,062 hour requirement by June 30 of each year and that relief cannot be granted until all of the scheduled make-up days have been used. In response to a question from Representative Collins on internet availability in rural areas, Commissioner Holliday said that KDE is working with the Commonwealth Office of Technology to access federal funding and that legislators may be able to assist KDE in resolving overlapping and proprietary service issues that may hamper implementation. Representative Collins said that cellular telephones may be an alternative to internet access and Commissioner Holliday said that option is being explored as a means for students to access lesson assignments. Commissioner Holliday said it is also anticipated that textbooks will become an online digitized resource within the next five years. He said no funding was allocated in the upcoming biennium for textbooks and therefore supplements are being developed to incorporate changes related to the new common core standards.

In response to a question from Senator McGaha, Commissioner Holliday said that a biennial survey of technology showed that 100% of teachers have online access and approximately 80% of students have access although the percentage in some Eastern Kentucky counties may be far less.

In response to questions from Representative Belcher about the affect of virtual learning on classified staff and special education students, Commissioner Holliday said that virtual classrooms could reduce the costs of transportation, child nutrition, and related services, but districts may need to assign other duties to classified staff. He said research has shown that many special needs students are identifying with game-based instruction and that the University of Kentucky Innovation Lab Partnership is developing tools that could be used in a pilot project to measure the adverse or positive effects of virtual instruction for special needs students. He said that KDE would also need to resolve federal education requirements for special needs students in a virtual learning environment.

Senator McGaha asked if a student would be counted absent if he/she did not log on to the system. Commissioner Holliday said that student/teacher accountability would be required.

Representative Carney said that textbooks are being used much less frequently in the classroom and the greatest need is technology, especially since many students excel in technologically advanced classrooms. Commissioner Holliday said that several foundations, including the Gates Foundation, may have funding available and KDE is actively pursuing those funding sources for virtual learning resources.

Senator Winters cautioned that it is important to maintain a good student-teacher relationship in a virtual learning environment, even during a pilot project.

Representative Collins asked for information on the funding cuts in the Read to Achieve program. Commissioner Holliday said his office will provide the subcommittee members a detailed step by step explanation on the funding cuts for Read to Achieve and Math Achievement funds. He said that unexpended funds were swept beginning in FY 2009 to help offset the General Fund shortfall and grants have been reduced to a 65/35 General Fund/district split since that year. In the 2010 fiscal year, districts were alerted that all reconciliation payments needed to be submitted in order to avoid loss of program funds. As a result, $700,000 lapsed at the end of June instead of a much larger sum. Districts will receive their allocated FY 2011 funds which can be used to reimburse FY 2010 program costs. In response to a question from Representative Collins, Commissioner Holliday said districts received appropriated Read to Achieve and Math Achievement funds except for the mid-year budget cuts directed by the Governor.

In response to a question from Representative Stone, Commissioner Holliday said if a school district scheduled a make-up day and was unable to have school on that day because of weather or other conditions, then two days would be added to next year's school calendar. Kay Kennedy, Interim Associate Commissioner, Office of District Support Services, said that the information provided in the PowerPoint presentation reflects the greatest number of days in the last five years that a district missed in any one year period. She said that any day of school marked on the amended school calendar as closed because of weather or other disasters must be counted as a make-up day. Commissioner Holliday reiterated that, at the end of the school year, each district is accountable for 1,062 hours in each school.

In response to a question from Representative Webb-Edgington, Commissioner Holliday said 185 days is the minimum school term for teachers and classified employees, although the actual number of hours and days is often governed by collective bargaining contracts and varies from district to district. He said the statute requires a minimum equivalent of 175 six-hour days for student instruction, although budget language directed the equivalent of 177 six-hour instructional days.

In response to a question from Representative Nelson, Commissioner Holliday said all counties received their entire allocation for the Read to Achieve grants except for the budget cuts directed by the Governor's Office. He said, because current year funds can be used to reimburse past year expenses, districts continually work in a risk management scenario since the funds are always subject to cuts. Representative Nelson said that $3,000,000 is allocated each year for the Read to Achieve program from coal severance funds and asked if the coal producing counties also received cuts in funding. Commissioner Holliday said he would obtain information from the Governor's Office of Policy and Management on coal county funding. He also said there are no plans to further reduce Read to Achieve or Math Achievement funding.

In response to a question from Representative Graham, Commissioner Holliday said that, notwithstanding KRS 158.070, the school term for FY 2011 and FY 2012 shall include the equivalent of 177 six-hour instructional days, although funding was provided for 176 six-hour instructional days. KDE does not have the ability to control the length of teacher contracts but the school term has to be at least 185 days. School districts must obtain approval for an innovative calendar below 170 days but any calendar between 170 and 177 days would be approved as long as the 1,062 hours is met.

Senator McGaha asked if the districts that are required to attend school up to mid-June or later are just fulfilling law or accomplishing effective instruction. Commissioner Holliday said that when the Senate Bill 1 testing period of the last 10-15 days of school begins in 2012, any negative impact of late school closing will be alleviated. He said that by October 31, KDE will provide a report to the legislature regarding test scores for those districts that utilized less than 177 days last year and those that went beyond June 1.

Comments

Mr. Darrell Treece, Superintendent, Adair County Schools, said his district missed only 11 days during the last calendar year although the norm is 3-5 days. Adair County operates on a 6 hour 15 minute day and used 4 days of banked time as instructional days with teachers and classified employees performing other duties to make up the time. He said even with missed instructional days, Adair County has been recognized for several accomplishments. The high school band was one of eight high schools from across the nation and the only Kentucky school selected to participate in the Macy's Thanksgiving Day parade; the middle school's Future Problemsolving Team won the state and placed third in the world out of 280 schools nationally; and the high school academic team won regionally and won at state in various categories and some of the categories placed 7th in national competition. He said the middle school is currently not meeting annual yearly progress goals but all staff is working to improve that situation. Mr. Treece said some days were missed after graduation invitations had been mailed and retirements scheduled. As a result, school was held on Saturday to make up a missed day, but only 75% of the students attended. He said it would be helpful if districts could use election day as a make-up day when necessary.

In response to a question from Representative Graham about implementing an alternative schedule, Mr. Treece said that although many students may be able to use the two to three week break in schedule to make up work and the time would be available for make-up days, he would still be concerned about the loss of instructional momentum.

Ms. Anna Craft, Superintendent, Letcher County Schools, said that the district has tried many different alternative calendars. During the last school year, 27 days were missed district-wide. Also the Martha Jane Potter Elementary School missed 6 additional days beyond the 27 because of the H1N1 virus, but the students still scored academically above the state average. The district did not seek a district-wide waiver of days although days were requested for individual schools because of various disasters. The district has eliminated fall break and will have no break in the upcoming calendar until December 22 – January 3 and spring break and holidays will be used if needed to make up days. She said the district policy is for 6 hour 10 minute days, but in order to bank 10 days they actually go 33 minutes extra each day all year long, which is a large enough segment to allow for meaningful instruction. The district plans for various emergencies by having teachers prepare packets that may be sent home with students when inclement weather is imminent. The district has also purchased a program called Kids College for students fortunate enough to have computers in the home. Ms. Craft said that the virtual learning concept is a good idea but her district does not have the financial resources to purchase hardware and the county does not have adequate internet service lines, although cellular telephone service may be an option and their local television station may provide an avenue for virtual learning. She told Commissioner Holliday that her district would like to participate in the virtual learning pilot project. Ms. Craft said that school always begins in early August and they still do not get out until June. She said the Pine Mountain roads are very dangerous in inclement weather and student safety is the primary concern for the district.

In response to a question from Senator McGaha, Ms. Craft estimated that no more than 60% of the students in the district have computers at home with online access.

In response to a question from Representative Collins regarding transportation issues that may arise when not all schools in the district are closed, Ms. Craft said they have not had any transportation difficulties. She said classified personnel, such as bus drivers and cooks, are allowed to bank time when they do special activities, such as bus runs at night and on weekends and extra cleaning of kitchen areas. They then use the time during school closure and are paid for any unused time at the end of the school year. She said the county operates on 177 instructional days and that teachers also have 6 professional days. During the last year, they used two holidays for professional days in order to avoid teacher pay cuts.

Representative Carney commended the school system for their innovative approach to making up missed days and for putting child-safety first. He asked if there would be any benefit to linking the terms of teachers to instructional days and using opening and closing days as professional development time. Ms. Craft said if banked time is not used, teachers and classified staff have to go the full school term and using opening and closing days for both students and employees could be helpful, although some districts are not allowed to use that schedule because of negotiated contracts.

Mr. Jim Evans, Superintendent, Lee County Schools, said that his district has 1100 students and the primary focus is always improving student academic achievement. During the last school year, the district missed 29 days of which 26 were for inclement weather and 3 for illness, although prior to 2008-09, the district had historically missed about 15 days annually. The school day is 6 hours 15 minutes and all make-up days have been added to the end of the school calendar. The district does not schedule fall or spring breaks although they are required to close for two days in the spring for the Central Kentucky Education Association (CKEA) meeting. Professional development begins the last week in July, school begins the first week of August, and the only planned breaks are Thanksgiving and Christmas. Mr. Evans said one of the biggest obstacles related to inclement weather in Lee County is the numerous gravel roads, which cannot be plowed or salted to remove snow, resulting in longer delays in returning to school. He said Lee County would also like to participate in a virtual learning pilot project, but the lack of county-wide designated service lines could prove to be an obstacle. Lee County is one of eight districts in Kentucky competing with 3,000 schools nationwide to obtain an innovative grant from Apple for $3 million dollars to obtain iPads for the students, which could be used for virtual classes and online textbooks. He said canceling school is a serious decision not only because of missed instructional time and ensuring the physical safety of students, but because many students in the high poverty area miss the only nutritional meals they may have during those days. Mr. Evans said that House Bill 406 budget language in the 2008 legislative session and the current budget has prevented the district from using any of its banked time to meet required hours. He said it would be helpful if CKEA days and election days could be used as make-up days if needed.

Representative Graham said his district offers classes beyond normal school hours to allow students who are below grade average to make up work and to offer enrichment programs for students who are excelling. Ms. Craft said transportation outside normal school days is difficult for most students in her district. She said when Extended School Services (ESS) funds were available, the district provided additional services for students. Mr. Treece said that a trimester alternative schedule is being implemented at the high school level in his district to address the needs of struggling and advanced students.

Representative Stone thanked the superintendents for their willingness to share the various scenarios that are involved in creating a school calendar that meets the academic needs while ensuring safety of students. He said he is also aware of the many other factors superintendents must consider when developing their calendars.

Representative Edmonds said he is aware that Lee County and other counties are now being penalized simply because they did not use banked days in previous years.

Senator McGaha asked if it would be helpful if the statute only required a minimum number of hours instead of also requiring a minimum number of days. Ms. Craft said it would be helpful, although it would be important that the number of days that classified employees must work to meet retirement guidelines be taken into consideration. Commissioner Holliday offered to obtain more information on the concept. Mr. Treece said that legislation was filed in the last session which would have provided more flexibility to the districts without obtaining departmental waivers and approvals but no action was taken by the legislature. Senator McGaha said each district knows their particular needs and capability of making up missed days and flexibility would be advantageous in planning.

There being no further business to discuss, the meeting adjourned at Noon.

INTERIM JOINT COMMITTEE ON EDUCATION

Subcommittee on Elementary and Secondary Education
Minutes of the 2nd Meeting of the 2010 Interim

August 9, 2010

Call to Order and Roll Call

The second meeting of the Subcommittee on Elementary and Secondary Education of the Interim Joint Committee on Education was held on Monday, August 9, 2010, at 10:00 AM, in Room 129 of the Capitol Annex. Representative Ted Edmonds, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Vernie McGaha, Co-Chair; Representative Ted Edmonds, Co-Chair; Senators Walter Blevins Jr., David Givens, Jack Westwood, and Ken Winters; Representatives Linda Belcher, Hubert Collins, Marie Rader, Carl Rollins II, Kent Stevens, Wilson Stone, and Alecia Webb-Edgington.

Guests: Howard K. Osborne, Superintendent, Boyd County Schools; Denny Locey, CEO, Ramey-Estep Homes; Linda Trimboli, Ramey-Estep High School; Wayne Young, Executive Director, Kentucky Association of School Administrators; Jim Thompson, Cabinet for Education and Workforce Development; Robin Rhea, Office of State Budget Director; and Clyde Caudill, Legislative Agent, Jefferson County Public Schools.

LRC Staff: Janet Stevens, Audrey Carr, Sandy Deaton, and Janet Oliver.

Approval of Minutes

Upon motion by Representative Collins, seconded by Representative Stevens, the minutes of the July 12, 2010, meeting were approved by voice vote.

Overview: Kentucky's Alternative Education Programs

Ms. Felicia Smith, Associate Commissioner, Office of Next Generation Learners, Kentucky Department of Education (KDE), gave an overview of alternative education programs. Ms. Sherri Clusky, Consultant, KDE Division of Learning Services; and Dr. Ronnie Nolan, Director, Kentucky Educational Collaboration for State Agency Children, (KECSAC), Eastern Kentucky University, also provided comments. Copies of KDE's PowerPoint slides and KECSAC's Annual Census report were provided to committee members.

Ms. Smith explained that A-5 programs are operated by local school districts in district controlled facilities and A-6 programs use district school teachers to provide educational services for state agency children, such as those in the Department of Juvenile Justice and Department of Community Based Services programs. KDE has identified 11 best practice sites based on curriculum, instruction, and assessment; school climate and culture, support services, and staff professional development; and leadership ability including resource allocation and program planning.

KDE concerns and considerations include ensuring that A-5 and A-6 programs have highly qualified, effective teachers; adequate facilities; rigorous instruction; adequate resources and teaching materials; adequate funding; and appropriate entry and exit academic assessments. KDE future plans include partnering with the University of Kentucky on its P-20 innovation lab focusing on motivation techniques in alternative settings and transitioning plans; developing more comprehensive program reviews of A-5 and A-6 programs; and improving the pre- and post-assessments of students in the programs.

In response to a question from Senator McGaha about a complaint he has received that the testing window is too narrow to adequately test students in the alternative schools since the students are on many different grade levels, Ms. Smith said that she has not heard that complaint but would certainly check into the matter and report back to Senator McGaha.

In response to a question from Representative Belcher, Dr. Nolan said that A-6 programs are reviewed annually and Ms. Clusky said that A-5 programs are monitored through attendance audits and academics are monitored when a district undergoes a scholastic audit. Attendance audits are based on a rotation depending on the average daily attendance enrollment, but she was unsure as to when scholastic audits are done and she offered to find the information and provide it to Rep. Belcher. Ms. Smith said the department does plan to implement a more comprehensive review. She said Senate Bill 1 (2009) program review requirements will allow KDE to capture more information on academic achievement. Dr. Nolan said A-6 programs are monitored annually through on- site visits with a team of professionals using the Standards and Indicators for School Improvement document developed for use in all schools in Kentucky. Follow-up visits are conducted if issues are noted.

In response to questions from Representative Belcher, Ms. Smith said an area that needs to be strengthened is the transition from alternative schools to the traditional classroom and the department needs to provide stronger guidance about how students are moving in and out of A-5 programs. Dr. Nolan said that his agency recently completed a study of transition services for students in the care or custody of the state and transition effects on the students and they have made recommendations to KDE. Many times decisions are made not by educators but by the judicial system, social workers, and others outside the educational setting.

In response to a question from Representative Collins about the difference in the programs, Ms. Smith said that the handout provided to the committee lists the criteria used to identify best practices in A-5 and A-6 programs. A-5 programs are typically within a traditional school setting, such as a wing or a classroom or their own building, and are district run and operated; and A-6 programs are in non-district operated institutions or schools and serve state agency children. Ms. Smith said the test scores for students within A-5 and A-6 programs are reported back to their A-1 local school. One of the recommendations is to have pre- and post-assessments upon entry and exit of A-5 and A-6 programs. Ms. Clusky said that currently A-5 students are given the Test for Adult Basic Education (TABE) upon entry and exit from the program. Mr. Nolan said A-6 students are required to take a pre-assessment within 30 days of enrollment and most of the programs do a post-assessment using the same instrument. The difficulty is that assessments vary from program to program and the agency is hoping for a standardized assessment. Other factors such as court order changes to a student's residence may affect post-assessment capability. Mr. Nolan said there are 100 A-6 programs located in 54 school districts serving 16,000 youth from every school district in the state. Ms. Smith said she believes there is an alternative A-5 program in every district. Mr. Nolan said their visits are announced to ensure ease of data collection but often follow-up visits are unannounced. A-6 students are required to attend school 33 additional days beyond a traditional school calendar. Representative Collins said that announced visits more than likely do not always give a true picture of what is occurring in a school system.

In response to a question from Representative Stevens about the adequacy of the evaluations being conducted on these important programs, Ms. Smith responded that the department is currently reviewing the evaluation system for the programs and is involving other affected agencies in the process. Mr. Nolan said typical children in an A-6 program are children in the care of the Department of Community Based Services and have often been placed in Community Based Services because they are being abused or neglected by a parent or guardian. They are not typically involved with law enforcement and they generally live in a group home setting. They have emotional or behavioral issues and 43% have an identified disability, as compared with about 16% of the general student population in Kentucky, so a large number have special needs. Ms. Clusky said a typical A-5 student is often from a broken home. Some just didn't do well in a large school environment, some are there on a volunteer basis, and some are court ordered. Mr. Nolan said most of the students in an A-6 program are behind several grade levels in reading and math upon entry into the program. Mr. Nolan referred committee members to a handout he provided which gave more information on social and demographic profiles of state agency children.

In response to a question from Senator Westwood on funding for A-6 children, Mr. Noland said educational funding for A-6 children is provided by the General Assembly through the Department of Education's budget which is then funneled through the Department of Juvenile Justice to the A-6 programs. He said Juvenile Justice provides other treatment services for the youth so if they opened additional facilities, their budget would be impacted for the services they provide such as counseling, alcohol and drug abuse treatments, and related services. Mr. Nolan said there are approximately 16,000 students that utilized A-6 services each year and Ms. Clusky said there are approximately 45,000 students in the A-5 programs each year. Ms. Clusky said that A-5 students are placed through various means including principal referral, parent request, or court ordered. The placement is often an alternative to suspension or expulsion.

In response to a question from Representative Webb-Edgington about the number of A-5 and A-6 schools, Ms. Smith said the exact number of A-5 programs is difficult to account for since they can be as small as a classroom in a large high school or a wing or a separate building. Ms. Smith said that eleven sites were selected as best practice programs through a self-nominating process and then out of the 26 that self-nominated a committee of seven people selected the eleven which included onsite visits. Representative Webb-Edgington said it is a travesty that the number of students and programs cannot be identified even though students and youth are the Commonwealth's most precious resource. She said it is a clear indication that solutions are needed and

KDE needs to present recommendations to the General Assembly on how to address the needs of these students.

Senator Givens said it is apparent that there is not the detail level data to determine exactly what is involved in alternative education. In response to a question from Senator Givens about the selection of the best practice process, Ms. Clusky said 11 of the 26 self- nominated alternative schools were selected through the screening process and only those 11 were visited. Ms. Smith said they do not have the manpower to review every program in the state. Senator Givens said he would be interested in knowing the percent of total learning time that is spent in alternative education and related data and the amount of money spent on alternative education per student and if more time is now devoted to the alternative environment or less. Mr. Nolan said the information is contained in the KECSAC Annual Census Report on A-6 children. He said the cost of educating state agency children is significantly higher than a traditional school because there are no more than 10 students per classroom per teacher unless there is a teacher's aide in the same classroom which increases student-teacher ratio to 15 to 1. State agency children have 210 instructional days in a year's time. He said there is $9.5 million that is allocated through the General Assembly each year that is divided out to the 54 school districts on a per student basis. That comes out to about $3,100 per student each year to supplement services provided to A-6 students.

In response to a question from Representative Belcher about the availability of counselors and social workers, Ms. Smith said the resources are available in A-5 programs for counseling and Mr. Nolan said almost all of the A-6 programs are partnered with a private child caring agency and the homes for children provides the treatment and counseling services for those youth. The DJJ has youth care workers on staff working in those capacities. Representative Belcher said counseling services are essential for youth needing help.

In response to question from Representative Stone, Ms. Clusky said the usual grades served in an A-5 school are 7-12; students are referred based on certain behaviors that are similar throughout the school systems; some students are referred to improve academic ability; and assessment results are included in the school from which they came. Ms. Smith said they are not alternative schools but alternative programs which are intervention-like services that can be offered in a particular school setting with alternative programs. Alternative programs vary from district to district which is the impetus for reviewing and evaluating the programs to improve alternative education delivery.

In response to a question from Representative Collins about the effectiveness of alternative programs, especially when they are still in the same facilities as traditional students, Ms. Clusky said alternative program students are separated out from the regular school population, but the best situation would be off-site programs. Jessamine County has an excellent alternative program with its own building, transportation, gymnasium and related facilities. Alternative programs vary throughout the school systems with some operating in isolation and some integrated with the traditional students for various activities. Representative Collins expressed concern about students receiving a high school diploma even though they did not follow a traditional pattern to graduation.

Representative Stevens expressed his concern about the difficulties public education faces in providing an adequate education for all students and the importance of ensuring that every opportunity is given to each child. He emphasized the importance of having high quality leadership in schools.

Presentation: Exemplary Alternative Education Programs

Ms. Ann Brewster, Principal, Ramey-Estep High School, in Boyd County provided information on the A-6 school. Committee members received a copy of the PowerPoint presentation.

Ramey-Estep High School has received accreditation from the Southern Association of Colleges and Schools Council on Accreditation and School Improvement and has been recognized as a best practice site for alternative education for the past two years. The school has 22 certified staff, including the principal, counselor, librarian, and 19 certified teachers, and 3 classified staff. The school is located on 216 acres in Boyd County and serves all youth who are in the residential Ramey-Estep Home. The average length of stay is 9 months and most of the students are court appointed to DCBS or DJJ. The school is funded primarily with SEEK monies and receives support from the Kentucky Educational Collaborative for State Agency Children (KECSAC) in the areas of professional development, technical support, and evaluations as well as financial support. Other funding comes from Title I funds, local school district professional development funds, and other sources. Ramey-Estep Home actually owns and maintains the building. Block scheduling is used that allows students to at least obtain a half credit while attending the school. Course offerings each semester include at least two classes in core subjects, two courses in vocational and or fine arts/humanities, and classes in character education. There are no foreign language classes offered because of lack of resources and length of stay. Thirty (30) days of school are offered during the summer, during which time core classes are taught by resident staff and teachers from the local area. The school also has a credit recovery program. Students are assessed using various assessment instruments upon entering and exiting the program. The school graduates an average of 50 students per year from high school and the graduation is celebrated the same as with any traditional high school graduation. Some of the students take the General Educational Development (GED) test, and some students are allowed to take 3 credit hours in General Education 101 from Ashland Community and Technical College. The school has an aftercare program to assist the students in transitioning back into their communities and home schools. When students are returned to a traditional school, they are often required to go into an alternative program at that school, which may not be the best placement for them. The students at the school have published three books and are working on a fourth. The books are entitled "The Circle" and contain student written pieces and artwork that provide a glimpse into the lives of Kentucky's state agency children. The school also has a herpetology lab, a sugar tree nature trail with 17 learning stations, a maple sugar production activity, a drama club, and a fall festival. The school has a state-of-the-art library and a reading laboratory financed by the Ramey-Estep Home and other donations. Students participate in a project appreciation activity for soldiers stationed overseas and also participate in other civic programs, such as preschool literacy, 4-H activities, and blood drives.

Ms. Brewster contributed the success of the program to the dedication of the teachers and staff. She said the worse place to put ineffective teachers is in alternative education programs.

Presenting information on the Buckhorn Children's Center School in Perry County were Ms. Lisa Weist, Principal, Buckhorn School; Ms. Robin Gabbard, Public Relations Director, Buckhorn Children's Center; and Ms. Stephanie Miller, a teacher at the school. A pamphlet was provided to committee members regarding the school. Ms. Weist said Buckhorn School is an A-6 program and has many of the same characteristics as Ramey-Estep, but is much smaller. The school has three classrooms and the majority of the students are psychiatric, residential treatment facility students and some that have pre-delinquent behaviors. None of the students are in the DJJ system. One way that the treatment staff collaborates with educational staff is the use of "The 7 Habits of Highly Effective Teens" program in character education classes. Students carry the book with them at all times. The school uses the online Predictive Assessment Skills Test, a universal screening developed by Discovery Learning, which is a tool to assess a student's math or reading level and identify the skills they need to learn. The school uses block scheduling and SmartBoard technology. All of the teachers are state certified in special education and all staff are trained in Safe Crisis Management. The student teacher ratio is 4 adults to 10 students, which includes a teacher, an aide, and two youth residential workers in each classroom. The school also does GED preparations, partnering with Hazard Technical Community College for GED instructors. Population is generally 20 to 25 students because of the population being served.

Ms. Gabbard provided a brief history of the Buckhorn Center which began as an orphanage developed by a Presbyterian church over 100 years ago to serve educational and other needs in the impoverished area. Today the center is known as Buckhorn Children and Family Services to capture all available funding to serve the area. The service has two residential treatment facilities: the Buckhorn Children's Center, where the Buckhorn Alternative School is located, and Dessie Scott Children's Home in Wolfe County. The agency children live on-site at each of the locations in cottages with 8 to 10 children per cottage. Both facilities have Masters' level therapists who work directly with the children, and mental health associates and residential youth workers. Children at Buckhorn are mostly categorized by the state as Level 5, which are those suffering with the most severe emotional and behavioral issues. Buckhorn also offers psychiatric residential treatment. Numerous other services are provided to the children and their families in trying to solve the problems of these youth.

Ms. Miller provided responses to various questions the committee members had asked about alternative education programs from a teacher's point of view. She thinks unannounced visits would be helpful to ensure that data is current and that the school is operating as it should, but the self-nominating process also depicts a school staff who believe they are providing exemplary services and exceed standards. With regard to discipline, teachers need to think "out-of-the box" and be structured, consistent, and caring enough to reach children on an emotional level, especially in alternative education classes. With regard to testing, other support staff in the classroom, such as the youth workers, are also receiving CATS testing and procedures training to assist the teacher in testing students of various grade levels in one classroom. Teachers need to help with transitioning residential alternative students back into the traditional school system. Buckhorn keeps an assessment notebook on each student who comes into the center so they will have a historical academic record. The record goes with the student when she or he leaves the program. Many of the students in A-5 and A-6 alternative education, even though they are suffering from emotional and behavioral issues, may also be gifted and talented and their behavior may overshadow their talents. Longer academic hours for children suffering with emotional and behavioral issues may not be beneficial. Costs of educating A-5 and A-6 students may be higher than a traditional classroom but the students have issues beyond a student not confronting the same problems. Buckhorn transitions their students into the local school system before returning them to their local districts, so they will have Buckhorn staff for support and reinforcement of proper behaviors. ACT scores are returned to the Buckhorn center and the CATS Assessment scores are returned to the student's local school district but the Buckhorn principal also has the information. Also, there are students who graduate from Buckhorn who have earned a high school diploma and are entitled to a high school diploma just as any other student in the traditional school system.

Representative Edmonds thanked all the participants for the informative program. He announced that the next meeting of the subcommittee will be held on Monday, September 13th, in Bowling Green.

There being no further business to discuss, the meeting adjourned at 12:10 PM.

INTERIM JOINT COMMITTEE ON EDUCATION

Subcommittee on Postsecondary Education

Minutes of the 1st Meeting of the 2010 Interim

July 12, 2010

Call to Order and Roll Call

The first meeting of the Subcommittee on Postsecondary Education of the Interim

Joint Committee on Education was held on Monday, July 12, 2010, at 10:00 AM, in Room 131 of the Capitol Annex. Senator Alice Forgy Kerr, Co-Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Alice Forgy Kerr, Co-Chair; Representative Leslie Combs, Co-Chair; Senators R.J. Palmer II, Elizabeth Tori, Johnny Ray Turner, and Ken Winters; Representatives C. B. Embry Jr., Tim Firkins, Jim Glenn, Reginald Meeks, Jody Richards, Tom Riner, Carl Rollins II, Charles Siler, and Addia Wuchner.

Guests: Becky Gilpatrick and Jennifer Toth, Kentucky Higher Education Assistance Authority.

LRC Staff: Ken Warlick and Lisa Moore.

Overview of the School for Osteopathic Education

Dr. William T. Betz, Senior Associate Dean for Osteopathic Education, Pikeville

College School of Osteopathic Medicine, reported that osteopathic medicine was founded by A.T. Still, M.D., in the late 1800's. Dr. Still founded the Kirksville College of Osteopathic Medicine in 1892. He said osteopathic medicine is a total health care system emphasizing the body's innate ability to regulate and repair itself through prevention and wellness.

Dr. Betz said there are over 67,000 Doctors of Osteopathic Medicine (D.O.s) in

the United States. The D.O.'s comprise approximately seven percent of total United States physicians and 18 percent of family physicians. He said nearly 20 percent of all United States medical students are enrolled in colleges of osteopathic medicine.

Dr. Betz reported that osteopathic physicians are fully licensed for the complete

practice of medicine and surgery in all 50 states and many foreign countries. He said D.O.'s practice in all medical and surgical specialties and subspecialties, placing an emphasis on primary care. Dr. Betz noted that 41 percent of D.O.'s are in family medicine, 10 percent are in internal medicine, 5 percent are in pediatrics, and 35 percent are in non-primary care.

Dr. Betz said the osteopathic medical curriculum parallels the allopathic (M.D.)

curriculum including all basic science and clinical disciplines. In addition, osteopathic students receive training in Osteopathic Principals and Practices (OPP) including Osteopathic Manipulative Treatment (OMT), integrated throughout their medical education. The education is four years in length. The first two years is didactic emphasis, and the last two years includes clinical training in hospitals, clinics and doctors' offices. He noted graduates are conferred the degree of "Doctor of Osteopathic Medicine" (D.O.). All graduates then complete residency (specialty) training for a minimum of three years. The United States currently has 29 accredited colleges of osteopathic medicine.

Dr. Betz said the Pikeville College School of Osteopathic Medicine (PCSOM) had

its first class of 60 students enrolled in August 1997 and graduated in May of 2001. Its current class size is 75; total enrollment is 303 students in four classes. He said PCSOM's mission is to provide men and women with an osteopathic medical education that emphasizes primary care, encourages research, promotes lifelong scholarly activity, and produces graduates who are committed to serving the health care needs of communities in Eastern Kentucky and other Appalachian regions. The number of applicants has risen steadily over the past ten years. PCSOM has one of the highest ratios of applicants per available seat of any school of osteopathic medicine.

Dr. Betz said the Kentucky Osteopathic Medical Scholarship was created by the

Kentucky legislature with coal severance funds. The fund provides financial assistance to Kentucky students attending an accredited school of osteopathic medicine in the Commonwealth. The scholarship fund also requires a primary care service commitment in Kentucky for every year the scholarship is awarded. Since the scholarship's inception in 1998, nearly $13 million has been awarded to 461 osteopathic medical students.

Dr. Betz reported that over 600 students have graduated since May 10, 2001, with

the degree of Doctor of Osteopathic Medicine (D.O.). Over three-fourths of PCSOM graduates have entered primary care specialties, including family medicine, general internal medicine, pediatrics and ob/gyn. He noted 44 percent of graduates are practicing in federally designated medically underserved areas.

Dr. Betz said the PCSOM has been ranked in the top 20 of all United States

medical schools in rural medicine. PCSOM currently ranks fifth in the percentage of graduates entering primary care residencies (69 percent). Dr. Betz noted that the Pikeville College Board of Trustees has announced plans to construct a new building to house the medical school, which will expand classroom, laboratory and office space. Upon completion in May 2012, the new building will accommodate an increase from 75 to 125 students per class.

In response to a question from Senator Kerr, Dr. Betz said students are taught

standard osteopathic manipulative treatments. Osteopathic manipulative medicine is utilized as a modality that is combined with other modalities to treat the whole patient. It is used typically in place of regular treatments such as pills, muscle relaxants, and injections. He said specific techniques include: muscle energy; strain and counter strainer; cranial sacral and high velocity low amplitude.

In response to questions by Representative Riner, Dr. Betz said there are many

nationwide programs currently conducting research on the benefit of manipulative medicine in increasing or improving the body's ability to defend itself. He said D.O.'s receive one full semester dedicated in the second year of school to learning about nutrition. He said the population in the United States needs to be properly taught about smart food choices and nutrition. If not, the population will continue to become sicker, more obese, and demand more resources for healthcare. He emphasized this downward spiral needs to be changed dramatically.

In response to questions from Senator Kerr, Dr. Betz said physical activity and

exercise is important in treating diabetes. He said more doctors should look at the bigger picture when dealing with the healthcare needs of the citizens. He also said the students of PCSOM are active in the P-12 schools and educate the students on nutrition and hygiene. He said the program could be more involved with the students in the P-12 system.

In response to questions from Representative Glenn, Dr. Betz said Pikeville

College tries to get students involved at a young age to get interested in healthcare and medicine. Representative Glenn stressed that children need to be educated early in the school years to realize their careers and prepare for them. Dr. Betz said Pikeville College has also just started another program that allows high school graduates to be accepted immediately into medical school if certain requirements are met. He also said Pikeville College does not have a PH.D program in nursing, but he believes there is a shortage of healthcare practitioners throughout the Commonwealth.

Representative Combs commented that Pikeville College does have an associate's

program in nursing and there has been a serious consideration to implement a bachelor's program in nursing in the near future. She explained her background with Pikeville College and the history of the implementation of the medical school. She described real life success stories of patients with osteopathic doctors and said the University of Kentucky is looking at treating their athletes in this manner because it is a quicker healing process.

In response to questions from Representative Richards, Dr. Betz said that he does

not have the exact numbers of how Kentucky fares to surrounding states. He stressed the goal of the program at Pikeville College is to increase the number of doctors in the Appalachia area. The program also strongly encourages medical students to specialize in primary care. Dr. Betz said reimbursement issues can lead the doctors to leave primary care and enter into specialty areas. He said the system needs to support primary care doctors.

In response to a question from Representative Firkins, Dr. Betz said all the spots in

the classroom could be filled with students outside of Kentucky, but that is not the goal. He said 55 to 60 percent of the students in the program are Kentucky residents. Total applications for the program are up ten percent from last year, and he would like to see a ten percent growth in applicants from Kentucky as well. He believes that students trained from rural Kentucky are more likely to stay in rural Kentucky to practice medicine.

In response to a question from Senator Kerr, Dr. Betz said admission into the

medical college includes a 3.5 grade point average, an average score of 25 on the Medical College Admission Test (MCAT), and an interview with each individual candidate. He believes it is important to analyze the whole person instead of just admitting someone based on a certain test score. He also said there is a 35 to 1 ratio of students wanting into the program per available seat. This is the reason the PCSOM is expanding the program from 75 to 125 students and building a new facility. The program is not currently teaching acupuncture to students, but believes it can be a source and a capacity for healing.

Postsecondary Education Financial Overview

Mr. Robert King, President, Council on Postsecondary Education (CPE), reported that Kentucky's postsecondary and adult education system is comprised of 8 four-year public postsecondary institutions; 16 community and technical colleges; 20 independent colleges and universities; 120 adult education providers, 255,000 college and university students, and has more than 30,000 faculty and staff. He noted the state budget increased 33 percent during the period of 2000-2010, while spending on Medicaid, Corrections, and P-12 education increased significantly more than funding for postsecondary institutions. There have been 11,000 new students added into postsecondary education and no new state funding. Some believe the price of higher education has increased more than any other sector of the economy, including healthcare. Specific graphs can be found in the meeting materials located in the Legislative Research Commission (LRC) library.

President King said the CPE approved tuition increases for fiscal year 2010-2011. Tuition was increased at the community colleges four percent, five percent at the comprehensive colleges, and six percent for the two research campuses. He noted the projected new revenue in fiscal year 2011 is estimated at $43 million. This is predicated on no enrollment growth and common increases for in-state and out-of-state graduate and undergraduate students. He said even with the tuition increases, the campuses will absorb almost $53 in reductions for fiscal year 2011. The campuses are making these reductions through their internal budgetary decisions.

President King said the Kentucky Educational Excellence Scholarship (KEES), the College Access Program (CAP), and the Kentucky Tuition Grant (KTG), have remained at fairly consistent levels, with KEES being the largest category of funding. He said the average tuition cost per student, including fees and books, is $7,335.

President King said the CPE general fund appropriation was $49.9 million for 2009-2010. He said 49 percent, or $24.2 million is allocated for the Kentucky Adult Education program. Pass-through funds comprise 39 percent, or $19.4 million, and $6.2 million, 12 percent, is allocated for staff support for statutory duties. He said CPE's effective budget cut is 5.3 percent in fiscal year 2011 and 6.3 percent in fiscal year 2012. CPE's general fund is about 20 percent lower than in fiscal year 2008, and the CPE staff has been reduced by 19 positions, or a 19 percent cut since fiscal year 2008. President King said CPE is assessing the impact of another 1.5 percent cut in fiscal year 2011 and other efficiency measures. CPE received $4.6 million in fiscal year 2011 and $1.8 million in fiscal year 2012 for Senate Bill 1 implementation.

President King discussed House Bill 1 that was passed by the General Assembly in 1997 and how Kentucky is doing after a decade of reform. He said undergraduate enrollments; graduate enrollments; bachelor's degrees; six-year graduation rates; associate degrees; graduate degrees; minority degrees; and research and development expenditures have all increased during the ten-year period. Specific percentage increases for each category can be located in the meeting materials in the LRC library.

President King said funding challenges will include enrollment growth with no state support. He said innovative thinking will be required to secure additional sources of revenue other than tuition increases to maintain reform momentum. He discussed deferred maintenance and capital renewal versus new capital projects. CPE's goal is to produce a better educated workforce, stimulating economic development through research, while containing costs.

In response to a question from Senator Kerr, President King discussed South

Korea's emphasis on higher education. He said other countries are faring much better than the United States with its populations attaining baccalaureate degrees. He said Mark Tucker, from the National Center on Education and the Economy, traveled around the world studying the most effective K-12 school systems and tried to understand what they were doing that was different from the United States. In his report, "Tough Choices or Tough Times", he lists some recommendations of what the United States can do better in terms of delivery of its education system to get better results at a price that is affordable and reasonable. President King said students showing up for college who do not need remediation, are persisting to graduation at significantly higher rates, around 70 percent. He said the importance of getting K-12 fixed is critical to the success of higher education. He also stressed it is important for higher education to adequately prepare and support teachers throughout their careers. President King said he would send a copy of the "Tough Times or Times Choices" report to Senator Kerr.

In response to a question from Representative Rollins, President King said

financial aid is not included in the CPE's calculation of state share of cost of postsecondary education. He said Kentucky is a national leader in distributing lottery funds into financial aid. Representative Rollins mentioned the possibility of giving lower subsidies to higher income students. He also asked for CPE to provide a state share of cost calculation that included state funding for financial aid. President King said he would get the information to Representative Rollins.

In response to a question from Representative Combs, President King discussed

private versus public tuition rates. He agreed with Representative Combs that innovative ideas are needed to help people and universities to stretch their dollars.

In response to questions from Representative Richards, President King discussed

the other countries and the progress they have made in enrolling students into higher education. He even mentioned that some smaller countries, such as Finland, pay their students stipends to attend college. President King said 50 percent of Kentucky's colleges and university budgets are state supported. He noted private giving is improving, but cautioned that state support could continue to decrease as campuses start raising more private money through philanthropy.

Representative Wuchner discussed studying abroad and how students in other

countries enter college prepared and do not require remediation. She is hopeful the United States can become as efficient as other countries in the future.

Senator Kerr expressed disappointment to President King that the university

presidents were not in attendance at the meeting. President King said he would relay her message to them.

With no further business before the committee, the meeting adjourned at 12:20

p.m.

INTERIM JOINT COMMITTEE ON EDUCATION

Subcommittee on Postsecondary Education

Minutes of the 2nd Meeting of the 2010 Interim

August 9, 2010

Call to Order and Roll Call

The second meeting of the Subcommittee on Postsecondary Education of the Interim Joint Committee on Education was held on Monday, August 9, 2010, at 10:00 AM, in Room 131 of the Capitol Annex. Representative Leslie Combs, Co-Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Alice Forgy Kerr, Co-Chair; Representative Leslie Combs, Co-Chair; Senators R.J. Palmer II, Elizabeth Tori, Johnny Ray Turner, and Ken Winters; Representatives C. B. Embry Jr., Tim Firkins, Jody Richards, Tom Riner, Carl Rollins II, Charles Siler, and Addia Wuchner.

Guests: Dennis Taulbee, Council on Postsecondary Education; Jay Box, Chancellor, Kentucky Community and Technical College System; Jo Carole Ellis and Edward Cunningham, Kentucky Higher Education Assistance Authority.

LRC Staff: Kenneth Warlick, Henry Smith, and Lisa Moore.

Campus Initiatives Addressing College Completion

Robert King, President, Council on Postsecondary Education (CPE), gave members an overview and report on recent trends in college completion in Kentucky. It was noted that college graduates earn more and are more likely to be employed than non-graduates. He also said college graduates generate a range of other benefits for society such as increased tax revenues, higher rates of voting and volunteering, better health, less poverty, and lower costs for public assistance programs.

President King said there is rising concern across the United States on college completion rates. President Obama is promoting the "American Graduation Initiative" and the goal is to produce five million more college graduates by 2020 and improve educational attainment. The "Complete to Compete" initiative was launched by the National Governors' Association to make the United States a global leader in college completion. "Access to Success" is an initiative of the National Association of System Heads, The Education Trust, and 24 state higher education systems to close the gaps in college-going and completion by 2015. The Southern Regional Education Board (SREB) created the "Promoting a Culture of Student Success" study to highlight best practices in member states. Finally, the "Complete College America" is an alliance of 23 states and 5 foundations to develop common goals around increasing completion and closing achievement gaps.

President King said the production of degrees in Kentucky has increased 100 percent in ten years. He discussed the four, five, and six-year graduation rates of public universities, Kentucky, and United States averages. Traditional metrics include only first-time, full-time bachelor's degree-seeking students who graduate from their native institution and does not reflect transfers within the system. Kentucky's six-year graduation rate had increased from 36 percent in 1997 to 46 percent in 2009, while the United State's average six-year graduation rate increased from 48 percent in 1997 to 56 percent in 2009. It is important to note that the gap between Kentucky public university graduation rates and the national average shrunk by two percentage points.

President King said college-ready students are more likely to graduate. He said this remains the same for students trying to obtain a bachelor's or an associate's degree. Detailed charts on retention rates are located in the meeting materials in the Legislative Research Commission library.

Dr. Lee Todd, President, University of Kentucky (UK), gave an update on the two research universities: University of Louisville (UofL) and UK. He said 2020 plans at UofL set high standards for increasing retention and graduation rates at UofL. The goal is to increase the graduation rate from 43.6 percent to 52.4 percent by 2014 and 60 percent by 2020. UofL is seeking to emphasize engaged learning to reach these goals by improving the National Survey of Student Engagement scores. In addition, UofL would like to involve all undergraduates in a research, community, or applied project.

Dr. Todd described retention efforts at UofL. The "UofL Transfer Center (ULTRA)" last year reviewed 66,000 courses reviewed with 91 percent of those transferring. ULTRA has offered services to over 2,900 students who aspire to earn their Bachelor's degree from UofL but start their degree at Jefferson Community and Technical College. "The Cardinal Covenant Program" created in 2007, was initiated in response to college costs and the challenge for students from low-income families to fund their education. UofL will make a promise to incoming freshmen who meet certain criteria to award enough gift assistance from federal, state, private, and institutional sources to cover their direct costs (tuition, room, board, and books). The UofL Office of Military and Veterans Affairs is an office committed to facilitating the transition and acclimation of military and veteran students from military life to college life. The Workforce Leadership Program allows adults with a minimum of five years of work experience to earn college credit. Finally, a Callback program was implemented where the university contacts students who have not registered for a second semester, connecting them with appropriate university resources to address their issues and get them back in the classroom.

Dr. Todd said UK's "Top 20 Business Plan" set aggressive goals for the educational attainment of its students. The plan calls for the six-year graduation rate to increase from 60 percent to 72 percent by 2020 and for the number of Bachelor's degrees awarded to increase from 3,650 to 6,350. Achieving these goals starts with improving student retention from the first to the second year where most student attrition occurs. The Provost initiated the "War on Student Attrition", which is a series of efforts designed to improve retention and graduation rates and degree completion.

Dr. Todd explained UK's retention efforts. The "Expansion of Advising and Student Support Staff" was implemented by UK adding 20 professional advisors across several colleges, hiring a Director of Retention and Student Success, an advisor exclusively for transfer students, and a Vice President for Institutional Diversity. The "Academic Alert Referral System" is faculty and residence life directors who issue electronic "alerts" to academic advisors when a student is not attending class, not turning in assignments, or exhibiting other at-risk behavior. He said Academic Enhancement at "The Study" is a variety of resources in one central location to guide students to more effective learning. The BCTCblue+Dual Enrollment and Scholarship Program is to increase transfer and bachelor degree completion of Bluegrass Community and Technical College (BCTC) students, UK offers them on-site advising about the quickest pathway to an undergraduate degree and allows these students to enroll part-time at UK. After initial BCTC work is completed, these students can work toward both an associate and bachelor's degrees simultaneously. The Living Learning Communities are part of UK's residence-based programming that provides curricular and cocurricular experiences supporting the successful transition of first-year students. He concluded by saying UK has expanded the Programs for First Generation Students.

Approval of Minutes

Upon obtaining a quorum, Chair

Combs asked for approval of the July 12, 2010, minutes. Representative Richards made the motion to approve the minutes, and Senator Tori seconded the motion. The minutes were approved by voice vote.

Campus Initiatives Addressing College Completion

President King said that Murray State University and Western Kentucky University were recently cited in a study completed by SREB as two of the best and most successful programs at generating college completion. Dr. Gary Ransdell, President, Western Kentucky University (WKU), said WKU's focus is on degree productivity. After a student is admitted into the school, WKU will do all that it can to make sure that a student graduates in a reasonable amount of time. He deferred to his staff to give specifics on retention and completion programs.

Mr. Dale Brown, Interim Associate Vice President for Enrollment Management said WKU is offering a master's degree in literacy beginning in the fall of 2010. He said this will increase the number of Advanced Literacy Professionals available to school districts.

Mr. Brown said WKU received the maximum available grant funds from the CPE to assist in funding for a proposal for the pilot project "Preparing 4 the Final 4". He said it is critical to establish a personal relationship with the student early. The first three weeks can be the most critical time for a student and safety nets need to be in place.

Mr. Brown said the WKU Center for Literacy will open in the fall of 2010. He said WKU has a strong collaboration with the 32 school districts within the Green River Educational Cooperative. In addition, he explained the math pilot test that was conducted with the students in Warren County, Kentucky. He said ACT results indicated students were struggling with math abilities and succeeding at the college level. After the students completed the pilot project, students were vastly more prepared for college level mathematics. The math pilot project is being expanded to all high school juniors based on its success. The detailed chart and statistics are located in the meeting folder in the LRC library.

Dr. Ellen Bonaguro, Associate Dean, Enrollment Services, said the Academic Advising and Retention Center (AARC) is one of the most visible examples of student success. It provides academic advising, retention services and supplemental instruction in one location.

Dr. Bonaguro said an emphasis on advising has increased, as has intrusive advising (offered by trained Peer Intrusive Advisors for academically at-risk students). The "Learning Center" has a strong selection and training program for tutors, and it offers free tutoring for students in more than 100 general education courses. She said advising by both faculty and professional advisors are a strong component of student success. Mandatory advising is required until a student reaches 90 credit hours and has an Application for Graduation on file. Advisors are offered a variety of training opportunities that stress the importance of advising, retention, and four-year degree completion. The Campus Advising Network (CAN) meets monthly to provide training for faculty and professional advisors. The Master Advisor Certificate program is for faculty only and is in its fourth year and the Advisor of Excellence Certificate Program is offered for professional advisors.

Dr. Bonaguro said the on-line audit degree program is extremely important for degree completion. These audits can help students to "map" their degree progress and help themselves to finish college sooner. She said general education requirements are being analyzed across the universities to determine how many courses are required in each subject category. She also said most universities are making 120 hours the standard time to graduate.

Dr. Bonaguro said the early alert program to focus on retention has been implemented since 2004. She said WKU would share this information with anyone that is interested and it focuses on retaining freshmen. She also said WKU is supportive of mid-term grades and specific retention programs for minorities and at-risk students.

In response to a question from Representative Riner, Dr. Bonaguro said Morehead State University and Eastern Kentucky University are both hiring a Veteran's Affairs specialist just to handle Veterans entering into the university. She said WKU has a Veteran's office within the financial aid program, and wants to focus on more military initiatives in the future. Dr. Ransdell said that UofL has a number of programs to serve Veterans as well. He concluded by saying Kentucky has more first-time generation students entering and graduating from college and this is exactly what Kentucky needs.

Dr. Jay Box, Chancellor, Kentucky Community and Technical College (KCTCS), said KCTCS is engaged in the development of a transformational business plan designed to ensure the state's economy not only survives but thrives during the next decade. The statewide system of 16 colleges and 68 campuses is in the early stages of reinventing itself to ensure the success of its students and the state's economy. KCTCS focuses on consumer needs and serves high school students through dual credit courses, working adults, and unemployed or underemployed adults.

Dr. Box said there is plenty of national and state data that supports the critical role KCTCS will play in moving the state forward. Kentucky leads the nation in the number of certificates awarded from all postsecondary institutions per 1,000 adults (ages 18-44) with no degree. In 2008, Kentucky awarded 15.8 certificates per 1,000 adults. The national average was 5.9. In addition, KCTCS offers 17 associate degrees that prepare students for occupations that are growing higher than the state average and median wages at the 75th percentile for the state. There are 42 KCTCS programs that are at the state's median wage or higher. Finally, KCTCS is the state's predominant access point for non-traditional students. In fall 2009, 77 percent of the part-time undergraduates enrolled at a Kentucky public institution were enrolled at KCTCS. Similarly, 69 percent of undergraduates over the age of 25 were enrolled at KCTCS.

Dr. Box said there are four key service areas that KCTCS will focus as it reinvents itself. They are career development, job placement services, student services, and financial aid. He said that KCTCS encourages students to complete an associate's degree before transferring to a comprehensive university as this increases the chance of successful degree completions. He also said high school students completing dual credit courses are more apt to complete bachelor's degrees in a four-year time period. He noted almost 80 percent of students entering postsecondary education are not prepared.

Senator Shaughnessy said this was the most useful information he has received regarding four, five, and six-year student graduation rates. He asked President King to provide the subcommittee with separate reports of degree and credentials awarded over a ten-year period for state universities, private colleges, and community colleges. He also asked President King to provide the committee with the average ACT score for new students at each university and the number of Pell grant students. He commended WKU on their leadership and success.

Senator Kerr commented that universities need to utilize the new tools in technology. She mentioned Skype as a way to provide a personal touch in communicating with students who may be far away.

In response to questions from Representative Wuchner, President King said the data provided in the graduation rates is first-time, full-time students. He said the campuses are currently making an effort to reach out to students who had earned 90 credit hours, but never finished their degree. He said these adults are usually employed, have families, and vary in age from their thirties to fifties. He said he could get the data for this population and part-time students to Representative Wuchner. President King said Senate Bill 1 should have a big impact in the years to come on the huge remediation rates currently being required of new college students. He said K-12 will now focus on preparing students for college instead of passing the Commonwealth Assessment Testing System (CATS) test.

President King said there will be public forum held on September 1, 2010, including all the university presidents, that will address college readiness issues and working with the K-12 system. He said topics will include college placement exams and new programs for identifying and more effectively training aspiring teachers.

KHEAA College Access Initiatives and Outreach

Mr. Edward Cunningham, Executive Director, Kentucky Higher Education Assistance Authority (KHEAA), said KHEAA is the state government agency that provides students with financial aid, informational services, and savings programs. He noted that there is a direct correlation between education and income. Kentucky ranks 48th in per-capita income and has the 5th highest poverty rate in the United States. He noted outreach services are extremely important because this environment can lead to a cohort who could benefit greatly from higher education, but who do not see or understand the potential value. Education beyond high school is key to the economic vitality of the Commonwealth and to the nation as a whole. KHEAA has developed and manages a very broad-based and extensive statewide outreach program. He deferred to Ms. Susan Hopkins, Outreach Services Manager, to provide specific details.

Ms. Hopkins said there are three goals of the outreach program. They are: informing students about the many benefits of higher education and about the many opportunities to continue their education beyond high school; giving free information to students and parents to assist them in making informed decisions on planning and paying for college or technical school; and familiarizing Kentuckians with the financial aid programs and services.

Ms. Hopkins said there are field and mobile outreach staff that span thirteen geographical service areas. Outreach counselors, who live and work in each area, reach out to the citizens of the Commonwealth by providing workshops, exhibits, and professional development to various groups. She also discussed the "College Info Road Show" that uses technology, such as satellite internet access, to contact students with the information they need to research, pursue and succeed in education beyond high school. She said twelve computer workstations with automatic Internet access allow students to explore kheaa.com and helpful websites, check their Kentucky Education Excellence Scholarship (KEES) account online and search for colleges that match their interests.

Ms. Hopkins said there are age-appropriate presentations for different grade levels. The "Getting In" guide is provided to all high school seniors through their school counselor. It provides information about colleges, technical colleges, and trade schools; majors; costs; how to get enrolled; and financial aid. She said there is an "Adults Returning to School" guide that is a resource to help nontraditional students find their way into the educational system.

Ms. Hopkins said newspaper articles and pre-produced radio public service announcements are prepared by KHEAA's publications team and distributed to media outlets in each territory. The articles are time-sensitive, designed to make students and families aware of when, during the financial aid and admissions cycle, they should be performing certain tasks, such as filling out the Free Application for Federal Student Aid (FAFSA) form.

Ms. Hopkins said indicators of success include: college participation rates; college participation rate of low-income students; postsecondary enrollment; adults enrolling in college; change in students applying for financial aid; and use of online tools. She also said student and counselor surveys are used as tools for program evaluation.

Ms. Hopkins said KHEAA was the recipient of the College Access Challenge Grant as designated by Governor Beshear. She said college access is a strong priority in the state and the funds allow KHEAA to enhance and strengthen the array of services to students and partners. She said new initiatives include new college planning tools, mentors in high-risk schools, enhancements to Kentucky's electronic career and college planning tools, and providing additional field staff.

In response to a question from Representative Combs, Mr. Cunningham said he would like to bring the mobile unit and park it outside of the Capitol during the next legislative session.

Representative Combs announced that the next meeting would be held at South Warren High School, Bowling Green, Kentucky, on September 13, 2010 at 10:00 a.m., CDT.

With no further business before the committee, the meeting adjourned at 11:55 a.m.

SPECIAL SUBCOMMITTEE ON ENERGY

Minutes of the 2nd Meeting of the 2010 Interim

July 16, 2010

Call to Order and Roll Call

The 2nd meeting of the Special Subcommittee on Energy was held on Friday, July 16, 2010, at 10:00 AM, in Room 131 of the Capitol Annex. Senator Brandon Smith, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Brandon Smith, Co-Chair; Representative Keith Hall, Co-Chair; Senators Katie Kratz Stine, and Gary Tapp; Representatives Royce W. Adams, Eddie Ballard, Dwight D. Butler, Leslie Combs, Tim Couch, Will Coursey, Jim Gooch Jr., Martha Jane King, Lonnie Napier, Fred Nesler, Tom Riner, Fitz Steele, and Brent Yonts.

Guests: Judy Tanselle, President, White Energy Coal North America, Inc., Rockville, Maryland, William Zipf, Vice President of Marketing and Development, White Energy Coal North America, Inc., Rockville, Maryland, and Bill Bissett, President, Kentucky Coal Association.

LRC Staff: Taylor Moore, and Susan Spoonamore, Committee Assistant.

Coal Upgrading Technology

Judy Tanselle, President of White Energy Coal North America, Inc., stated that White Energy is an Australian company that is now a diversified coal company. Coal is a major energy source for the United States, India and other countries. The world is recognizing that coal is necessary, but it needs to be cleaned up in order to reduce coal emissions. White Energy is an exclusive worldwide licensee of a patented technology which upgrades high- moisture, low- value coals through a low cost process of dehydration and compaction which forms a higher-density, higher-energy briquette.

Ms. Tanselle stated that the Jefferson Riverport Project, in Louisville has the potential to be the first United States Binderless Coal Briquette (BCB) plant. White Energy has already tested Kentucky coal fines in Eastern and Western Kentucky and the results were positive. The company plans to seek board approval to proceed with the project in August once the local air permit is issued and if it qualifies for incentives under the Kentucky Incentives for Energy Independence Act. White Energy hopes to have the plant operational by the fourth quarter of 2011.

Ms. Tanselle said that several utilities were interested in this project, although most of the interest has come from outside of Kentucky. The utilities in Kentucky are more interested in the development of a biomass briquette. It is the goal for White Energy to create a briquette out of Kentucky coal and Kentucky grown energy crops that will meet the Renewable Portfolio Standards (RPS) with the existing coal-fired power plants. She explained that White Energy is working with an energy crop company that focuses strictly on crops that work well for energy and enhance the biomass briquettes.

In response to Representative King, Ms. Tanselle stated that the process of compacting briquettes was still greenhouse gas negative because the process did emit carbon dioxide. The plant power itself will see about a 15 percent to 30 percent reduction. Ms. Tanselle said that their plants do have scrubbers.

In response to Representative King's question, Ms. Tanselle stated that White Energy is focused on switchgrass, but is also researching the merits of using miscanthus grass for biomass briquettes.

In response to Representative Gooch, Ms. Tanselle said that the company was using fines from slurry pits, drying it and then making it into a briquette. She said in some cases, they were mixing that with other coal.

In response to Representative Gooch, Ms. Tanselle stated there would be the possibility of bringing coal in from Wyoming. For an example, she stated that Duke Energy runs on lower sulfur coals. Duke Energy would require two different briquettes which would be blended.

In response to Representative Gooch, Ms. Tanselle said that the Louisville plant would be better suited to the fines that have already been pulled and dried so they can be shipped. She also said the company is looking at a slurry site in Eastern Kentucky.

In response to Representative Butler, Ms. Tanselle stated that the briquette could contain anywhere from 10 percent to 30 percent of biomass. As far as obtaining the materials needed for biomass briquettes, she said it was not feasible at this point. More research is being conducted on the type of crops that would be suitable.

In response to Representative Steele, Ms. Tanselle said that anywhere in Eastern Kentucky where ash is not too high would be good to site a plant, especially because of the availability of older waste piles.

In response to a question from Representative Hall, Ms. Tanselle stated that in processing briquettes, anything above 30 percent ash would not be good.

Mr. Bissett stated that Kentucky ranks third in production of coal. Even if Kentucky and West Virginia were combined, production would not reach Wyoming as the number one coal producer. Kentucky mined 115 million tons of coal in 2009. He said that 92 percent of Kentucky's electricity comes from coal, therefore Kentucky benefits from inexpensive electricity rates just behind Utah, Wyoming, and West Virginia.

Mr. Bissett explained that the coal severance tax for fiscal year 2010 experienced a reduction of 7.1 percent due to the decline in production. In addition, the industry is struggling with federal regulations, and the non-issuance of 404 permits which are vital to the mining of coal. He said it was hard to get answers from the Environmental Protection Agency and the U.S. Army Corps of Engineers as to why the permits were being delayed or not issued. One of the new rules adversely affecting Kentucky is the Conductivity Standards, which only affect six Appalachian Coal Industry states.

Mr. Bissett also explained that there is an anti-coal movement which involves the Bank of America agreeing to no longer finance coal companies that do mountain top removal. In addition, the Sierra Club, which has a budget of $81 million, has been successful in thwarting the construction of new coal-fired plants.

He said the Kentucky Coal Association embraces renewable energy resources such as wind, solar, biomass and geothermal. By 2025, the demand for electricity will increase by 40 percent.

Mr. Bissett explained the five points favoring coal: abundance, affordable, reliable, jobs, and clean-coal technology.

In response to Representative Steele, Mr. Bissett said that the decision of Bank of America to not finance coal companies that do mountain top removal was made after the federal government bailed the banks out.

Representative Combs stated it was important for other people in the state to understand that the coal companies are trying to do things the right way and produce a much needed resource, which produces coal severance money with a percentage going into the General Fund.

In response to Representative Gooch, Mr. Bissett stated that people will not become engaged in the issue until utility rates increase. Diversifying Kentucky's energy portfolio is not a bad thing, but doing it at the expense of coal is going to harm Kentucky.

Representative Combs and Representative Steele said that the coal businesses were helping to fund programs in the communities. Representative Steel commented that every Friday is Coal for Kids day which provides food and clothing for the needy.

Meeting adjourned.

INTERIM JOINT COMMITTEE ON HEALTH AND WELFARE

Minutes of the 2nd Meeting of the 2010 Interim

July 21, 2010

Call to Order and Roll Call

The second meeting of the Interim Joint Committee on Health and Welfare was held on Wednesday, July 21, 2010, at 11:00 a.m. CDT/ 12:00 p.m. EDT, at The Center for Courageous Kids in Scottsville, Kentucky. Senator Julie Denton, Co-Chair, called the meeting to order 12:30 p.m. CDT, and the secretary called the roll.

Present were:

Members: Senator Julie Denton, Co-Chair; Representative Tom Burch, Co-Chair; Senators Perry B. Clark, Denise Harper Angel, Joey Pendleton, and Jack Westwood; Representative Brent Housman.

Guests: Roger F. Murtie, President, Dr. Tracey Gaslin, Certified Pediatric Nurse Practitioner, The Center for Courageous Kids; Dr. Whit Boone, pediatric cardiologist, Pediatrics Heart Care Partners, and found of the Camp Braveheart; Berlinda Bazzell, Vice President of Parent Group at Oakwood; Jackie Marquette, parent; Steve Johnson, Owensboro Medical Healthcare Systems; Terry Brownson, Wendell Foster's Campus, Owensboro; Bobby Young, Allen County Judge; Jay Blanks, Director, Community Development; Nancy West, Chamber of Commerce, Allen County Economic Development Office; Ritchie Sanders, Allen County Economic Development Office; and Beth Jurek, Executive Director, Office of Policy and Budget, Cabinet for Health and Family Services.

Guest Legislator: Representative Wilson Stone.

LRC Staff: DeeAnn Mansfield, CSA; Miriam Fordham, Ben Payne, Jonathan Scott, Gina Rigsby, and Cindy Smith.

The Center for Courageous Kids

Roger F. Murtie, President, The Center for Courageous Kids, welcomed the committee members and conducted a tour of the facility grounds. The mission of the center is to uplift children who have life-threatening illnesses by creating experiences year-round that are memorable, exciting, fun, build self-esteem, are physically safe, and medically sound. At the center, chronically ill children can participate in fun activities at absolutely no cost to the children or their families. It is a multi-disease therapeutic camp program that provides medically supervised, recreational activities for children ages 7 to 15 with chronic or life-threatening illnesses. Dr. Tracey Gaslin, Certified Pediatric Nurse Practitioner and medical director, stated that one goal of the camp is to teach children life skills and help have life changing experiences. All children at the camp are safe, loved, and respected. The medical and program staffs are highly trained pediatric professionals with expertise in medicine and therapeutic programs and are able to conduct continuing care while the children are at camp. Dr. Whit Boone, pediatric cardiologist, Pediatrics Heart Care Partners, and found of the Camp Braveheart, said that all children deserve a chance to have fun and experience life-changing events and help them recognize their abilities.

Approximately 128 seriously ill children with the same illness attend one of the nine weeks of summer camp. While the ill children are at camp, their parents enjoy a week of respite from caregiving and are able to focus on each other and their well children. Approximately 4,500 children and family members from 22 states and Canada have attended the summer camps. During the school year, family retreat weekends are designed to provide respite, recreation, and support programs for families dealing with a child suffering from a chronic illness. The three biggest needs of the center are camper referrals, financial contributions, and volunteers. The Center remains open due to the generous contributions of individuals, foundations, and corporations with a heart for seriously ill children. Additional information about the center can be found at www.courageouskids.org.

Consideration of Referred Administrative Regulations

The committee considered referred administrative regulations, 201 KAR 22:045 - establishes continued competency requirements and procedures as a condition of licensure by the Board of Physical Therapy; and 201 KAR 22:135 – establishes the fees required to apply for a credential by application, reinstatement, or renewal of licenses for physical therapists. A motion to accept the administrative regulations was made by Senator Westwood, seconded by Senator Clark, and accepted by voice vote.

Legislative Review of Executive Order 2010-431 relating to the Cabinet for Health and Family Services

Beth Jurek, Executive Director, Office of Policy and Budget, Cabinet for Health and Family Services, was present to answer questions. Marie Allison and Jackie Marquette, parents of children with disabilities, expressed their concerns about moving the Hart Supported Living Program from the Department for Behavioral Health, Developmental and Intellectual Disabilities to the Department for Aging and Independent Living. There was a motion by Senator Westwood, seconded by Representative Housman, and approved by voice vote.

There being no further business, the meeting was adjourned at 3:00 p.m.

INTERIM JOINT COMMITTEE ON JUDICIARY

Minutes of the 2nd Meeting of the 2010 Interim

July 14, 2010

Call to Order and Roll Call

The 2nd meeting of the Interim Joint Committee on Judiciary was held on Wednesday, July 14, 2010, at 10:00 AM, in Room 171 of the Capitol Annex. Senator Tom Jensen, Chair, called the meeting to order, and the secretary called the roll. A quorum was present and the minutes of the June 9, 2010 meeting were approved without objection.

Present were:

Members: Senator Tom Jensen, Co-Chair; Representative John Tilley, Co-Chair; Senators Perry B. Clark, Carroll Gibson, Ray S. Jones II, Gerald A. Neal, Mike Reynolds, Jerry P. Rhoads, Dan "Malano" Seum, Katie Kratz Stine, and Jack Westwood; Representatives Jesse Crenshaw, Kelly Flood, Jeff Hoover, Thomas Kerr, Stan Lee, Mary Lou Marzian, Darryl T. Owens, Tom Riner, and Brent Yonts.

Guests: Therese Richerson, Kentucky Highway Safety; Jennifer Hans and Bob Stokes, Office of the Attorney General; Michael Meeks, Frankfort Lobbyist; Kelly Davis, Nekton Technologies; Bill Patrick, Kentucky County Attorneys Association; Angela Criswell, MADD; and Bill Doll, Kentucky Medical Association.

LRC Staff: Norman Lawson, Jon Grate, Ray DeBolt, Joanna Decker, Kyle Moon, and Rebecca Crawley.

Global Positioning Monitoring of Offenders-The Tennessee Experience

The first speakers were Director of Field Services Gary Tullock and GPS Program Director Susan Shetlesworth of the Tennessee Board of Probation and Parole, who discussed implementation of the Tennessee Serious and Violent Sex Offender Monitoring Pilot Project Act enacted in July 2004 which authorized sex offender monitoring using global positioning systems on a pilot basis and which required a study and empirical analysis. Based on the legislative mandate, the Board of Probation and Parole set the long-range goals of the GPS monitoring program as crime prevention, crime detection, condition monitoring, behavior modification, and intermediate sanction. Originally contracted to a vendor, the Board then decided to establish a central monitoring system known as the GO Center using existing state employees to monitor offenders, determine when violations have occurred, and provide for immediate intervention when needed. The pilot group monitored 493 offenders from rural, suburban and urban areas in 11 counties. Lessons learned included existing sex offenders who were on parole considered GPS monitoring as an additional punishment, but new parolees were more accepting of the program; some offenders moved from monitoring counties to non-monitoring counties to avoid GPS monitoring; there were significant impacts on officers including morale problems caused by unpredictable work schedules, increased overtime, quality of life issues (such as having to leave a family event to resolve a GPS alert) and increased staff turnover; GPS monitoring requires more staff resources because knowing about a violation and doing nothing about it is unacceptable; determining a sustainable caseload level for officers was important; developing an on-call officer schedule for after hours alert response was critical, and turnover is to be anticipated.

The 2004-2005 funding was a nonrecurring FY $2.5 million appropriation followed by a $1.235 million increase in FY 2005-2006. Lessons learned included that GPS parole supervision costs more than traditional parole supervision but you know more about what the parolee is doing and increased officer overtime should be anticipated. GPS parole officers need to be on call 24 hours a day 7 days a week.

The current Tennessee GPS monitoring contract is $5.60/day per person which has decreased from the previous $9.00/day per person. The program includes some sex offenders, high risk offenders, victim sensitive cases, sanctioned offenders and gang members. The supervision includes specially trained, dedicated officers working non-traditional hours, risk-based use of GPS monitoring, an intense level of contact with offenders, a high degree of interaction with treatment providers and law enforcement, and close interaction with an offender's family, friends, and employers. GPS monitoring is used for high risk serious offenders, domestic violence, stalking, behavior modification, as an intermediate sanction for probation and parole violators, and as a component of a comprehensive case plan for the offender.

Passive monitoring requires the offender to download GPS information to a sending device at specified times. Active monitoring sends information by satellite to the monitoring entity and then to the GO Center where alerts are sorted, and determinations are made on whether action is required, because not all alerts are a sign of offender misconduct. All stakeholders need to be informed about types of alerts and what action may be necessary. Technical alerts include low battery warnings, power loss, and phone connect landline failure. Tamper alerts include battery tampering, tracking device housing tamper, and strap tamper. Violation alerts include charger violation, inclusion and exclusion zone violation, cuff leave violation, equipment did not call violation, and GPS blocking violation. Actions taken for serious violations include reporting probationers to the courts, reporting parolees to Board of Probation and Parole, and reporting new offenses to District Attorneys

Benefits of GPS monitoring include monitoring offender daily activities, establishing and monitoring of inclusion and exclusion zones, identifying patterns of offender activity, verifying offender location, deterring behavior, identifying violation of supervision standards, and using GPS data as evidence. An example of suspicious pattern of activity was an offender going to a certain location every day (which was not a violation itself) but when officers checked they found the location was a liquor store and the offender who had been ordered not to possess alcohol was apprehended purchasing it. In other cases GPS was used to identify speeding by the offender.

Questions from legislators involved the time from alert to officer intervention and Mr. Tullock said this is highly variable because of distances officers have to travel or whether local law enforcement can intervene more swiftly, and liability issues if there is no response or a delayed response and someone is injured or killed. Another question related to the total cost per person per day of GPS monitoring, including the GO Center and officer intervention. Following the meeting Mr. Tullock provided information that the cost was $26/day per person. Mr. Tullock said out of 946 GPS monitored offenders, 98 had their parole revoked (28 of the violations being revealed by GPS) and the other violations were discovered through other means.

Ignition Interlock Devices

Robyn Robertson of the Traffic Injury Research Foundation from Canada spoke on the use of ignition interlocks for persons convicted of driving under the influence. Ms. Robertson said ignition interlock devices are designed to protect the public by incapacitating drunk drivers. She said interlocks are not designed to change drinking behavior, and that changes in drinking behavior must be a combined use of the interlock with an appropriate treatment intervention. Evaluation of ignition interlock use shows a 35% to 90% reduction in recidivism, with a recent average of 64%. Recidivism by non-interlock users is higher than for interlock users. Recommended minimum interlock use time is six months and persistent offenders need to be required to retain the interlock device to ensure they cannot drive while drunk. Ms. Robertson said recidivism rates increase when the devices are removed, but the overall net benefit of the device still remains. Cost of device use decreases as the number of users in a given area increases.

The interlock device is designed to prevent a person from starting the vehicle if a preset breath alcohol concentration is exceeded, normally 0.02. The devices also provide for "running retests" while the vehicle is being operated. The device signals the driver they have a specified period of time to pull over and retest or the vehicle's lights begin to flash or the horn sounds. Older interlock devices with semiconductor sensors are less effective and may be affected by altitude and other factors, but newer devices using electrochemical sensors (fuel cells) are more effective and are more alcohol specific. Some jurisdictions permit or require courts to order interlock use while other jurisdictions permit the licensing agency to order interlock use.

Device installation costs are approximately $70, with a $70 per month monitoring fee. There are problems with indigent drivers who cannot afford to pay the fees and jurisdictions have defined indigency in different manners. Some states have attempted to create funds for indigent drivers by various means including surcharges. Typically, legislation provides sanctions for driving a non-interlocked vehicle, tampering with or circumventing the ignition interlock device, another person providing a breath sample, requesting another person to provide a breath sample, and providing a non-interlock vehicle to a driver required to use an interlock device

Several legislators questioned the availability of interlock devices and maintenance in rural areas, accountability of vendors, chain of custody questions about downloaded violation information, whether an offender could kick start the vehicle to avoid blowing into the device (Ms. Robertson indicated this is recorded as a violation by the device), an offender purchasing and driving a non-interlock equipped vehicle, and whether the state is potentially giving a monopoly to a vendor of the ignition interlock service. Others praised legislation to expand the use of ignition interlock devices in Kentucky which has been introduced in previous sessions but has not passed.

Ed Monahan, Public Advocate, addressed the ignition interlock device issue on behalf of the Kentucky Department of Public Advocacy. He said there are 39,000 DUI arrests in Kentucky each year and DPA defends 20,000 of them because they are indigent clients. Mr. Monahan said if ignition interlock devices become mandatory, many of his agency's clients will not be able to drive and will possibly lose their jobs and their ability to support their families. He recommended any legislation passed in Kentucky provide fee waivers, lower cost options, and assistance for the indigent. He noted eleven states have passed mandatory interlock legislation and eight of those waive costs for indigent defendants.

Mr. Monahan also observed that interlock devices have limitations by measuring only breath alcohol concentration and that limiting starting a vehicle at 0.02 is at odds with the presumption that a person is not under the influence of alcohol until they reach 0.05 alcohol concentration. Failure of the interlock device to permit a person to start a vehicle, even for a false positive reading, may mean a person loses their job because they are late, or that they could have a health problem requiring immediate transportation and there are no safeguards to prevent a complete loss of transportation. "Designated blowers" will evade the system and any person who is high on drugs but not drunk can operate an interlock equipped vehicle. Interlock devices are already permitted by law but are used in less than 1% of the cases where they are authorized. Recent proposals for mandatory use of interlock devices would apply to thousands of convictions per year. Mr. Monahan also provided information on a DUI case in London, Kentucky where an ignition interlock device was activated by the driver having eaten a bologna sandwich and the case was dismissed.

Department of Public Advocacy

Social Worker Program

Mr. Monahan also made a presentation on alternative sentencing social workers who have been utilized by the Department of Public Advocacy for several years. Features of the program include use of the attorney-client privilege to increase candid client participation; improved coordination and cooperation among criminal justice agencies and treatment providers; the large number of criminal defendants represented in the program is well suited to a collaborative effort with prosecutors and probation/parole officers to address alcohol and substance abuse by offenders; and early intervention provides a detailed, evidence-based sentencing and release plan for the courts to consider which increases the likelihood of pretrial release or probation with an individualized sentencing plan.

Alternative sentencing social workers provide judges with relevant mitigating information about a defendant's physical and mental health, social history, resources available in the community, and identify positive alternatives to incarceration. The program saves on incarceration costs by using community-based treatment and has shown an 18% reduction in recidivism after six months while increasing the client's economic self-sufficiency through work, paying taxes, paying child support, and paying restitution and court costs.

Mr. Monahan explained the role of the DPA social worker prior to sentencing, at sentencing, and post-sentencing. Savings of the program included 10,000 days of incarceration for each social worker; for each dollar invested in the social worker program, the state saved $3.25 of incarceration costs, for a net savings of $2.25. The projected savings for state-wide implementation of the program is estimated to be $3.1 million per year. Mr. Monahan urged the committee to support funding to expand the DPA social worker program statewide.

Mr. Van Ingram, Director of the Office of Drug Control Policy, discussed his career in law enforcement and noted the failure of the criminal justice system to provide meaningful treatment for persons with alcohol and substance abuse or other behavioral problems while incarcerated. Mr. Ingram strongly supported the DPA social worker program and the department's request to expand the program statewide. He noted that 30 DPA social workers cost $2 million but save $30 million, which then can be reinvested in more social workers and more community-based treatment programs which are more effective.

The meeting adjourned at 12:30 p.m.

INTERIM JOINT COMMITTEE ON LABOR AND INDUSTRY

Minutes of the 1st Meeting of the 2010 Interim

July 15, 2010

Call to Order and Roll Call

The 1st meeting of the Interim Joint Committee on Labor and Industry was held on Thursday, July 15, 2010, at 10:00 AM, in Room 131 of the Capitol Annex. Senator Alice Forgy Kerr, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Alice Forgy Kerr, Co-Chair; Representative Rick G. Nelson, Co-Chair; Senators Julie Denton, Denise Harper Angel, Ray S. Jones II, and Katie Kratz Stine; Representatives Will Coursey, C. B. Embry Jr., Bill Farmer, Richard Henderson, Charlie Hoffman, Dennis Horlander, Joni L. Jenkins, Thomas Kerr, Adam Koenig, Mary Lou Marzian, Charles Miller, Tom Riner, Charles Siler, and Jim Stewart III.

Guests: Sharon Clark, Commissioner, Kentucky Department of Insurance; Randy Peppers, Actuary, Kentucky Department of Insurance; Cathy Booth, State Relations Executive, National Council on Compensation Insurance (NCCI); Kurt Dooley, Actuary, NCCI.

LRC Staff: Linda Bussell, Carla Montgomery and Betsy Bailey.

2010 NCCI Workers' Compensation Loss Cost Filing—Summary & Status

Sharon Clark, Commissioner of the Department of Insurance, reported that the loss cost filing was received on July 1. The filing recommended a 10.3 percent overall average rate decrease and is the fifth consecutive year of recommended rate decreases. The filing recommended an overall increase of 5 percent for the coal classes. The filing is being reviewed by an independent actuary. A ruling by the department is expected in August. If approved by the department, the rates will become effective October 1, 2010.

Cathy Booth, State Relations Executive, National Council on Compensation Insurance (NCCI), reported that the loss cost filing contained advisory loss costs and are not the final rates charged by the insurance carriers. The carriers add expense factors and multipliers to the loss costs to determine the rates that will be charged.

Kurt Dooley, NCCI actuary, presented an overview of the workers' compensation marketplace and the basis for the loss cost filing. Since 2006, the cumulative change in the loss cost filings was a decrease of more than 20 percent. The overall change is a decrease of 10.3 percent; although the change for the employer classifications will vary, the overall decrease averages 10.3 percent. Mr. Dooley reiterated that the proposed loss costs are only a small part of the overall rates charged by carriers and do not include expense factors.

Mr. Dooley explained the workers' compensation loss ratios that formed the basis of the recommended reductions in the loss cost filing. The loss ratio for indemnity (income benefits paid as a percentage of premium) continues to decline in Kentucky. The medical loss ratio (medical expenses as a percentage of premium) has been stable for a number of years, but it has declined during the past decade. The loss ratio decreases are based primarily on the decline in the frequency of claims.

For the coal mining classifications, the loss cost filing recommended no change in the surface coal mine class. For the underground coal class, the filing recommended an increase of 10 percent for traumatic injuries and a slight decrease for occupational disease. Overall, the filing recommended a 7.1 percent average increase for the underground coal classifications.

In response to a question from Representative Farmer, Mr. Dooley said the transition from a manufacturing economy to a service based economy is a factor in the overall decrease in the frequency and cost of claims. In response to a question from Representative Kerr concerning the decline in the medical loss ratio, Dwight Lovan, Commissioner of the Office of Workers' Claims, responded from the audience that he could not say that employer protests of medical costs is the driving factor in the decline, and it probably has more to do with the frequency of medical claims. The commissioner said the number of medical disputes continues to increase.

KEMI Policyholder Dividend Plan—Summary and Status

Commissioner Clark said the Kentucky Employers' Mutual Insurance (KEMI) dividend plan was received on July 3. The department reviewed the plan and concluded that the plan would not jeopardize the financial solvency of KEMI and that it was not discriminatory against its policyholders.

Jon Stewart, Executive Vice-President of KEMI, and Michelle Landers, General Counsel of KEMI, not listed on the agenda, spoke on behalf of KEMI. Mr. Stewart said KEMI's board of directors decided in March to issue a $30.8 million dividend to its policyholders. The dividend plan excluded policyholders that had a loss ratio greater than 75 percent and those that had not been a policyholder for more than 180 days. Also, a policyholder with an annual premium of less than $350 was excluded. After the exclusions, about 66,000 KEMI policyholders would be eligible for a dividend payment. The funds for the dividend payment will be taken from KEMI's profits.

Mr. Stewart and Ms. Landers responded to questions from Representative Koenig, Senator Kerr, Representative Farmer, and Senator Stine. Mr. Stewart said the surplus is the policyholder surplus which is the equity and retained earnings of the business and is not a cushion as reported in news articles. Ms. Landers reported that KEMI reviewed the transparency recommendations of the state auditor and found that KEMI complies with most of them and are reviewing others to determine whether they are applicable. She commented further that KEMI has always had a policy of transparency. Mr. Stewart and Ms. Landers said policyholders will be notified if they do not qualify for a dividend payment and the reasons they do not qualify, and that KEMI's board will consider annually whether to issue a policyholder dividend. About half of the dividend payments will be for less than $100, but three policyholders will receive dividend payments of $250,000 or more. Some other state funds similar to KEMI issue dividend payments. KEMI's board is also working with its actuaries to determine whether it will reduce its rates as proposed by NCCI.

There being no further business the meeting was adjourned.

INTERIM JOINT COMMITTEE ON LICENSING AND OCCUPATIONS

Minutes of the 2nd Meeting of the 2010 Interim

July 9, 2010

Call to Order and Roll Call

The 2nd meeting of the Interim Joint Committee on Licensing and Occupations was held on Friday, July

9, 2010, at 10:00 AM, at Kentucky Ale, 401 Cross Street, Lexington, KY. Representative Dennis Keene, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Gary Tapp, Co-Chair; Representative Dennis Keene, Co-Chair; Senators Julian M. Carroll, Perry B. Clark, Denise Harper Angel, Kathy W. Stein, and Robin L. Webb; Representatives Tom Burch, Larry Clark, Tim Firkins, Dennis Horlander, Joni L. Jenkins, Adam Koenig, Reginald Meeks, David Osborne, Darryl T. Owens, Ruth Ann Palumbo, Carl Rollins II, Sal Santoro, and Arnold Simpson.

Guests: Dr. Pearse Lyons, Founder and President of Alltech and owner of the Lexington Brewing and Distilling Company; and from the Department for Housing, Buildings and Construction, Richard Moloney, Commissioner; Tim House, Director of the Division of Heating, Ventilation and Air Conditioning (HVAC); and Dawn Bellis, General Counsel.

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

Presentation by Alltech Concerning Its Microbrewery and Development of Kentucky Ale

Dr. Pearse Lyons, Founder and President of Alltech and the Owner of Lexington Brewing and Distilling Company told the committee that Alltech is approximately a $500 million dollar company that is growing at a rate of 20 percent per annum with offices in 85 countries employing 2,200 people. In addition to its agricultural products, Alltech is the creator of Dippin Dots, which produces $50 million dollars in sales annually. Alltech is the only privately held company that is in the top 12 of companies regarding animal health.

Concerning the microbrewery, Dr. Lyons told committee members that he grew up in Ireland and one summer had an internship with Guinness. Since that internship, his dream was to own a brewery. The Lexington Brewing Company, first established in 1794, went out of business in 1999. This opened the opportunity for Dr. Lyons and his son, who wanted to follow in his father's footsteps, to purchase the brewery.

Dr. Lyons said that, on September 25, the world will be watching when the largest international sporting event to come to the United States since the 2002 Winter Olympic Games opens in Kentucky. Having the World Equestrian Games in Kentucky has changed the way the world looks at not only Kentucky but at Alltech. The economic impact for Kentucky has topped $167 million. Dr. Lyons applauded the Kentucky legislature for supporting this world-class event. There is an 800 number to call for information and ticket reservation. Also, for businesses who want to sponsor the games, a block of tickets can be purchased that include unique gifts and invitations to special events. In addition, there will be signage promoting groups in the Alltech Village.

Dr. Lyons said Alltech is proud to sponsor the games with Kentucky Ale being named the official beer of the Alltech FEI World Equestrian Games. His company produces three varieties of ale: Kentucky Ale, Kentucky Ale Light, and Kentucky Bourbon Barrel Ale. Kentucky Bourbon Barrel Ale is the only beer of its kind, being kept in used bourbon barrels for six weeks, which changes the flavor and the alcohol per volume from five percent to nine. Kentucky Bourbon Barrel Ale was number two in the world six weeks ago, winning a silver medal at the World Beer Cup, a contest with over 300 entrants. Last week, in Atlanta, the beer earned three medals, one gold and two silver.

Dr. Lyons said that the brewery is under expansion with plans for a visitor center, and in 2011 work will begin expanding the distilling operation, which will create more jobs in Lexington. On August 3rd, the first malt whiskey to be made in Kentucky, Pearse Lyons Reserve, will be rolled out at Kentucky Ale.

Dr. Lyons said that Kentucky will soon have the world's second largest algae production unit. Algae, in terms of carbon sequestering for the coal industry, is crucial. Dr. Lyons said he had also visited a facility to help with Alltech's life science laboratory in developing a product to treat Alzheimer's disease.

Senator Carroll commented that Dr. Lyons was a remarkable individual and thanked him for his support of the equestrian games. Senator Stein said that members of the Agriculture committee were also aware that Dr. Lyons wants Kentucky to become a milk exporter rather than milk importer and congratulated him on that.

Chairman Keene noted that there was a quorum present and asked the secretary to call the roll. After the roll call, Chairman Keene also called for a moment of silence for Representative Floyd, whose mother, Belle Floyd, passed away last week.

Approval of Minutes from the June 6, 2010 Meeting

A motion was made by Senator Carroll, seconded by Representative Owens and the minutes were adopted by voice vote.

Update Concerning Changes to the Process of License Renewal and the Creation of an Inactive License for Heating, Ventilation and Air Conditioning (HVAC) Licensees

Richard Moloney, Commissioner, Tim House, Director of the Division of HVAC, and Dawn Bellis, General Counsel; Housing, Buildings and Construction, were present to discuss proposed changes to the license for HVAC contractors. Mr. House said, in preparation for the 2011 Regular Session, the Division of HVAC would like to amend KRS 198B.658, Qualification for Licensure and Certification, and KRS 198B.664, Renewal and Restoration of License – Inactive Status - Reactivation. These amendments have been requested by the Board of Heating, Ventilation and Air Conditioning Contractors.

Regarding 198B.6658, current language requires an individual to serve a two year apprenticeship under a Kentucky master before they can receive their journeyman license. Similarly, to obtain a Master's license, individuals have to serve as a Kentucky journeyman under a Kentucky master for two years. However, the current statute does not allow Kentucky to grant a license to well-qualified and trained HVAC personnel from states such as Tennessee, West Virginia, Indiana, and Illinois. The division has a reciprocity agreement only with Ohio. The Board wants authority to establish specific requirements for qualified, experienced applicants coming to Kentucky to work in the HVAC profession from states with which we do not have a reciprocal agreement.

KRS 198B.664 requires a licensee to renew HVAC licenses by the final day of the licensee's birth month. Failure to do so automatically places the license in delinquent status. Ninety-one days after the license becomes delinquent the license becomes void if the licensee takes no action. For the individual to reactivate a license, he or she would have to retest and reapply for a license. Mr. House said exam fees and books to retest are expensive. The board would like to amend the statute to mirror the requirements for renewal of electrical licensing, bringing consistency in the Department of Housing, Buildings, and Construction. Mr. House also said that the HVAC board has expressed concern that there is no inactive status for a journeyman licensee. The board feels that providing an inactive license status would allow a licensee to protect a license after becoming unemployed or temporarily disabled.

Senator Tapp asked if the grandfather clause was being expanded. Mr. House said the department was not going to do away with examinations.

Senator Webb asked if there have been adjustments made to installation of water heaters. She is getting complaints from constituents regarding a loss of sales and sales tax revenue due to people going across state lines to states to purchase water heaters where reporting is not required. She also asked if there could be some flexibility in water heater sales and installation while still protecting public safety. Mr. House responded that Kentucky merchants have been placed in an unfair advantage; however, he added that he would not be interested in allowing an unlicensed contractor to receive a permit to install a water heater. Improperly installed water heaters could have catastrophic failures. The division has considered a two-tier permit that allows HVAC to inspect the installation as a lower cost.

After all testimony had concluded, Chairman Keene told the committee members that there would be a tour of the brewery for interested parties.

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

INTERIM JOINT COMMITTEE ON STATE GOVERNMENT

Minutes of the 1st Meeting of the 2010 Interim

July 21, 2010

Call to Order and Roll Call

The first meeting of the Interim Joint Committee on State Government was held on Wednesday, July 21, 2010, at 1:00 PM, in Room 154 of the Capitol Annex. Representative Mike Cherry, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Damon Thayer, Co-Chair; Representative Mike Cherry, Co-Chair; Senators Walter Blevins, Jr., Julian Carroll, Ernie Harris, Jimmy Higdon, Alice Forgy Kerr, Mike Reynolds, John Schickel, Elizabeth Tori, and Johnny Ray Turner; Representatives Eddie Ballard, Johnny Bell, Dwight Butler, John "Bam" Carney, Leslie Combs, James Comer, Tim Couch, Will Coursey, Joseph Fischer, Danny Ford, Mike Harmon, Charlie Hoffman, Sannie Overly, Darryl Owens, Tanya Pullin, Tom Riner, Carl Rollins II, Sal Santoro, Kent Stevens, Tommy Thompson, John Tilley, Jim Wayne, Alecia Webb-Edgington, Ron Weston, and Brent Yonts. (NOTE: Representative Derrick Graham was not present but participated in the meeting via telephone.)

Guests: Mike Burnside and Brent Aldridge, Kentucky Retirement Systems (KRS); Jim Voytko, R. V. Kuhns & Associates; Marcheta Sparrow, Tiffany Yeast, Gerry van der Meer, and Mona Juett - Tourism, Arts and Heritage Cabinet; Fred Nelson, Dinah Bevington, Joe Cowles, Stephanie Marshall, and Walt Gaffield – Personnel Cabinet; Bill Riggs, Robin Kinney, and Phil Baughn - Finance and Administration Cabinet (FAC); Rick McQuady, Kentucky Housing Corporation; Wanda Mitchell-Smith, Leslie Thorn, and John Stovall – American Federation of State, County and Municipal Employees (AFSCME).

LRC Staff: Bill VanArsdall, Kevin Devlin, Sean Donaldson, Brad Gross, Alisha Miller, Karen Powell, Greg Woosley, and Peggy Sciantarelli.

Kentucky Retirement Systems – Asset/Liability Modeling Study

Jim Voytko, President and Senior Consultant, R. V. Kuhns & Associates, Inc, gave an overview of the study prepared by his firm. Testifying from KRS were Mike Burnside, Executive Director, and Brent Aldridge, Interim Chief Investment Officer. Copies of the slide presentation were provided to the Committee.

Mr. Voytko's presentation focused primarily on the KERS-nonhazardous pension fund. He pointed out the factors that are contributing to the current pension funding problem:

Current statutory pension benefit levels;

Existing accumulated unfunded pension obligations;

Rising number of pensioners versus active contributing employees;

Statutory contribution policy enacted in HB 1 (2008 Extraordinary Session) that keeps contributions to the pension fund below actuarially required levels for the next 14 years; and

Growing constraints that negative cash flows from the pension plan place on the system's investment program.

He testified that as of June 30, 2009, the KERS-nonhazardous pension plan was 34 percent funded, based on the market value of the plan's assets. This means that the state had incurred $7.07 billion more in pension obligations than it could fund with the plan's existing assets plus a hoped-for investment return on those assets of 7.75 percent each year for the next 20 years. The subsequent recovery in the investment markets has likely modestly improved the situation, but new pension liabilities have also been created. Aside from the shortfall in pension assets, the unfunded liability for the KERS-nonhazardous insurance plan was $4.1 billion. Even assuming an investment return of 7.75 percent annually over the next 15 years, the pension deficit will grow to nearly $11 -$12 billion in the next 12 years. Assuming the suppressed—versus actuarially required—contributions called for in HB 1 (2008 Extraordinary Session) for the next 14 years, with 7.75 percent investment returns each year, pension contribution rates will rise from 15 percent in 2009 to roughly 30 percent in the next seven years. Ten years into the future they will be approximately 34 percent, and in 20 years they will approach 50 percent. These rates do not include 12-22 percent in additional rates for the KERS-nonhazardous insurance plan.

Mr. Voytko said that if future investment markets and the need to avoid excessive risk do not permit the fund to earn 7.75 percent on average, the pension fund's assets will shrink as pension obligations continue to grow. Shrinking assets would make long-term investments such as real estate and private equity difficult or impossible for the KRS Board's investment program to utilize. Though such investments are less liquid, their yield is usually higher. This could substantially reduce the ability of the investment program to produce expected returns. Under the worst possible outcomes, the plan's assets could possibly shrink to zero before the higher contributions called for by HB 1 in the years 2022-2029 begin to gradually create a smaller pool of assets available for investment.

Mr. Voytko said he would never say the plan is not sustainable, but it is far more expensive than envisioned. The KRS Board faces a difficult decision—whether to adopt a more conservative investment policy with lower returns and less risk or to become more aggressive in order to seek higher returns with greater risk. KRS pension fund performance has followed a pattern similar to all public pension plans of comparable size, but he thinks it is unlikely that KRS will be able to earn its way out of the funding dilemma.

Representative Cherry agreed that the picture is grim, but he pointed out that HB 1 creates a floor—not a ceiling—for actuarially required employer contribution rates (ARC). He maintained that as long as there is compliance with the graduated payment schedule specified in HB 1, the system will remain viable, and KRS will be able to continue meeting its pension obligations. Mr. Voytko said he agrees, so long as the investment markets cooperate and there are assets in the fund.

Representative Cherry asked whether the General Assembly has any other options to address the problem, outside of the ARC and possible elimination of the annual cost-of-living increase (COLA) for retirees. Mr. Voytko said any action that would cause the actuary to reduce the expectation of future benefits paid will contribute to solving the challenge. He stressed that change to negative net cash flow has nothing to do with actuarial outcome of the fund but everything to do with the ability to make long-term investments.

Mr. Burnside said he understands the importance of the COLA, especially for retirees who are drawing a small benefit; however, it could be reduced or eliminated because it is not covered by the inviolable contract. The 1½ percent COLA implemented July 1 incurred an additional unfunded liability of $200 million. He also said he is not advocating adjusting the ARC schedule proposed in HB 1.

Responding to a question from Representative Harmon, Mr. Burnside said that, to his knowledge, the possibility of optional pension buy-outs by individual retirees had never been looked at and that this might not be permitted under the inviolable contract. Mr. Voytko said that at least one other state system had considered optional buy-outs, which require a large amount of cash up front, but that he does not know of any system that has successfully implemented them. Representative Cherry directed committee staff to research this issue.

Representative Higdon said he is somewhat surprised that the problem remains so severe after passage of HB 1. He asked Mr. Burnside whether he is prepared to make further recommendations to the General Assembly, such as suspension of the COLA. Mr. Burnside said he is supportive of suspending the COLA and that if the Board also expresses support at its quarterly meeting in August, he will immediately submit that recommendation to the legislature by letter. He went on to explain that funding has changed due to the economic environment. HB 1 was based on the actuarial evaluation as of the end of June 2007, when there was $16 billion in the retirement fund as a whole. Currently it has only $13.8 billion, following a low of almost $10 billion last year during the recession.

Senator Thayer said that the legislature should not be blamed for making inadequate employer contributions, which was asserted by two major newspapers. He said it is clear that the level of employer contributions has been greatly impacted by the stock market. Also, Kentucky's investment return has tracked consistently with other public plans. Although KRS investment return has been above 17 percent this year, there is no guarantee that this level of return will continue. Senator Thayer pointed out, too, that it will take 10-15 years before HB 1's benefit design reforms will provide financial relief. When Senator Thayer asked whether KRS may be recommending further benefit changes for future employees, Mr. Burnside responded that the normal cost of retirement for a future employee hired under the provisions of HB 1 is in the range of 1½ percent of payroll—an extremely affordable system—and he believes the system will be affordable in 20 years when those employees are starting to retire. What is not affordable now is the unfunded liability that has accrued over time. His biggest concern is how to survive for the next 20 years with the existing cash flow problem.

Senator Thayer said that the General Assembly has never budgeted an ARC rate less than what the governor recommended. In fact, the legislature found funds to establish a higher ARC than recommended by the governor in five of the last eight annual budgets. KRS' most recent system evaluation called for an ARC of 38.58 percent of payroll for KERS-nonhazardous, with only 2.99 percent of that being attributed to the ARC shortfall. Senator Thayer contended, therefore, that 35.59 percent of the ARC would be attributed to benefit structure and performance in the stock market. Mr. Burnside spoke about prior unfunded benefit enhancements and concurred that those things, combined with poor investment return, have been a major factor. Mr. Voytko said that from an analytical point of view it is likely in 15 years that the majority of the shortfall will be associated with lesser than required employer contributions.

Responding to a question from Senator Carroll, Mr. Voytko explained that for the sake of brevity, today's presentation had not included information about the hazardous retirement system. He said that both the hazardous and nonhazardous systems were studied and that the results for the hazardous system varied but were much in line with what has been presented today.

Senator Carroll stated for the record that the General Assembly—not the KRS Board—enacted benefit enhancements such as "27 and out" and "high five," and though investment return was good at the time, those enhancements subsequently contributed to the substantial unfunded liability.

Responding to questions from Representative Owens, Mr. Voytko confirmed that the study's projected growth in the KRS-nonhazardous pension deficit is only an estimate. He said that although future forecasting is challenging, the direction seems clear in this case. It is also reasonable to assume that a decline in state revenue could coincide with a future downturn in investments.

When asked by Senator Blevins, Mr. Burnside said that the average retiree benefit payment is stated in the annual financial report but that he did not have that figure with him. He also discussed how benefits are taxed.

Responding to a question from Representative Yonts about the impact of reemployment after retirement, Mr. Burnside explained that under HB 1, retirees who return to work after September 1, 2008, cannot earn and do not contribute toward a second pension. The employer, however, must still contribute to the system for that employee. From that standpoint, reemployment is a benefit to the system because no liability is incurred for the employee but there is an employer contribution on the employee's behalf. Regarding those reemployed prior to HB 1 and earning a second pension, it would basically amount to a "wash," providing investment return and the employer contribution were adequately funded.

Representative Graham said the legislature has played a major role in the unfunded liability by not sufficiently budgeting for the ARC. He asked how much the pension fund would lose from the six-day furloughs of state employees. Mr. Burnside said that KRS has not looked at that issue. He surmised that if furloughs reduce state salaries by 2½ percent, there would be a like reduction in employer contributions. Both Representative Graham and Mr. Burnside spoke of how reduction or elimination of the COLA would drastically affect older retirees who draw small pensions.

Senator Thayer asked Mr. Burnside to first inform him and Representative Cherry if the Board recommends any change to benefits or the COLA, prior to releasing the information by letter.

Privatization of State Parks

Guest speakers from the Tourism, Arts and Heritage Cabinet were Marcheta Sparrow, Cabinet Secretary; Tiffany Yeast, Executive Director of Personnel; Gerry van der Meer, Commissioner, Department of Parks; and Mona Juett, Director of Governmental Relations. They provided the Committee with copies of their slide presentation.

Secretary Sparrow spoke about lack of funding, lagging revenue, escalating personnel costs, and major maintenance concerns for the state parks system. She said that for the first time in the Department of Parks' 85 year history an outside firm, PROS Consulting, was selected in January 2009 to conduct an extensive 18-month study and draft a Financial and Operations Strategic Plan for the parks system. Because of strategies being employed from the plan, which was launched in June 2010, state parks will not close, and there will not be layoffs of full-time employees. The plan includes the use of concessionaires for golf courses and selected restaurants, but that does not mean that state parks are being privatized. Park managers hired by the Department of Parks will continue to oversee the parks. Many state park marinas already have successful concession operations. The plan takes on added significance, considering that the 2011 budget required a $6 million General Fund reduction for the Department of Parks. Without change, the prospect of closures is almost certain. Secretary Sparrow said she is proud of the state parks and hopes that the plan will help save these treasures for future generations to enjoy.

Commissioner van der Meer said that recommended short-term improvements include the streamlining of current operations through greater efficiency, raising quality standards, improving programs and services to meet market needs and interests, and improving management culture and practices. Under the cost avoidance plan employees currently working 40 hours a week will begin working 37.5 hours per week; an existing statewide contract for temporary services will be used for hiring seasonal employees, with park managers having final approval for all hiring; seasonal schedule reductions will be implemented at all parks; Ben Hawes State Park has been transferred to the city of Owensboro; selected dining and all golf operations will be operated by private concession companies; and debt carryover has been eliminated, due to a one-time appropriation. Estimated total cost avoidance will be over $6 million in each of the 2011 and 2012 fiscal years. Commissioner van der Meer stated that 100 percent of park operations will continue to be overseen by the Department of Parks; all parks will remain open; park employees will keep their jobs; and Kentucky will regain and sustain the title of "nation's finest park system."

Representative Pullin said that closing the resort parks on Mondays and Tuesdays from November 15 to March 15 will reduce employee salaries. Combined with the salary reductions from the announced six-day furloughs of state employees, this will essentially amount to a "double furlough" for those employees. She said this is unfair, in her opinion, and possibly prohibited by limits in the recent legislation that authorized furloughs. The income of some employees will be reduced to the poverty level, yet they will not be eligible for unemployment benefits. When she asked about paid overtime, Commissioner van der Meer said that overtime for the agency in FY 2010 was $675,420—which is not pure overtime because it is "coded" to vacation pay. He said that overtime in FY 2007 amounted to more than $1 million.

Secretary Sparrow said that the decision to close on Mondays and Tuesdays was due to the $6 million budget reduction and that state employee furloughs were not an issue at that time. She said that the Department of Parks will be granted flexibility with respect to the furloughs and that they will be taken when employees are on full schedule. In 1999, the General Assembly authorized parks to reduce hours in winter, and doing so is considered a necessary business decision. The reduced hours will also allow time to perform needed maintenance at the parks. Ms. Yeast said that although the parks will close two days in the off season, employees will have their hours reduced from 37.5 to 30 and will thus lose only one day's pay.

Representative Cherry asked whether closing the resort parks completely during the winter months—as was mentioned in a Dawson Springs newspaper editorial—would make parks employees eligible for unemployment. Ms. Yeast said they probably would be eligible.

Representative Pullin asked whether there will be an effort to meld the reduced hours in winter into the two-day executive branch furloughs. Secretary Sparrow said that this would not be allowed under the law. She also stated that, based on business needs, the reduction in winter hours might not be necessary; it is a target, however, that has to be considered, based on the current economic climate.

Responding to inquiries from Representative Rollins, Secretary Sparrow said that the total operating expense and earned revenue figures for the parks system (page 18 of the strategic plan) are available by park and that the Cabinet can provide him with that information. She said that Cumberland Falls is currently the only park where revenue exceeds operating expense.

Representative Yonts asked Commissioner van der Meer to send a letter to committee staff providing details on how the Department of Parks intends to achieve the short-term improvement recommendations outlined in the slide presentation. He said he would like to know how the Cabinet will save money by contracting out concessions—considering that workmen's compensation costs are built into a contract price—and whether there will be competitive bidding for food services. He commented that the state's experience with privatization of food services at Otter Creek and in the Department of Corrections has lacked oversight and been a total disaster. Secretary Sparrow said the Cabinet is in the process of issuing requests for information (RFI) relating to concessions and will be glad to report back to the Committee later. Commissioner van der Meer said that food services will be bid competitively, probably in a month and a half. He said concessionaires are incented to provide quality service. The Department will monitor them, insist on high standards, and expect them to be community minded. (Later in the meeting

Representative Owens said he would like to see the information requested by Representative Yonts regarding the recommendations for short-term improvement.)

Representative Webb-Edgington, in reference to the state employee furloughs, requested that Chairman Cherry obtain for the Committee data from the Personnel Cabinet relating to all Block-50s that have been paid in each of the executive cabinets for the past six months.

Representative Webb-Edgington asked whether the use of concessionaires for dining and golf operations will result in a reduction of executive level staff. Commissioner van der Meer said that executive staff will be retained to oversee operations and monitor quality. Representative Webb-Edgington said she believes this will send a poor message to line-level employees. She suggested as an alternative that the Cabinet consider assigning additional duties and responsibilities to other employees. Commissioner van der Meer said the agency has already made considerable cuts but probably has not publicized them enough. He said that from 2007 to June 2010 three-quarters of a million dollars was saved by not filling some positions and by combining responsibilities. Secretary Sparrow said the agency has acted fairly throughout the process and that positions will be evaluated but that staff will definitely be needed in Frankfort to oversee the golf operation. She expressed appreciation for the comments.

Senator Higdon said he appreciated the Cabinet's prompt response in the past any time he has had questions. He asked whether the tourism tax has benefited promotion of the parks. Secretary Sparrow said about $180,000 is collected from the one-percent room tax annually. It has been used for marketing purposes, with the money being put back into the local communities.

Senator Higdon said he supports the concept of privatization but is concerned about its affect on Parks employees. Ms. Yeast said the Cabinet wants to protect employees and will assist those who wish to transition to work for the private concessionaire. Employees who choose to remain with the Department will be kept but might be assigned to different jobs. The RFI process provides that concessionaires, when hiring, give Parks employees first refusal. It also provides that 25-year employees have an opportunity to stay on as merit employees and work on contract with the concessionaire. Secretary Sparrow pointed out that when Ben Hawes State Park was transferred to the city of Owensboro, the Cabinet took care of the park employees.

Representative Wayne complimented Secretary Sparrow, the Cabinet and the strategic plan study. He questioned how privatization will be able to achieve cost savings and whether employees of the concessionaires will receive salaries and benefits comparable to those of Parks employees. Secretary Sparrow explained that the $6 million cost savings will come not only from concessions; a significant amount will come from the change to a 37.5 hour work week. There will also be significant savings in unemployment and workmen's compensation insurance when approximately 1,100 seasonal employees move into the temporary employee category. Ms. Yeast said that temporary employees will still be eligible for unemployment insurance but that the hiring agency would bear the cost instead of the state.

Representative Wayne stated that the legislature is partially responsible for the revenue shortage because it has not addressed the state's unfair and antiquated tax system. He said he believes the parks system was established in large part with the philosophy of building parks in areas with high unemployment, and it appears that the Commonwealth is drifting away from that philosophy and putting pressure on its employees. Everyone involved needs to team together to protect the vulnerable citizens in rural areas of the state, where they often have no other source of employment. He commended the Cabinet for what it is trying to do but expressed hope that there will not be a rush toward privatization as the only way to manage. Secretary Sparrow said it pains her that it has become necessary to privatize some services, but she emphasized that the Cabinet is not looking to privatize every sector of state parks. She said private management of the 18 golf courses will bring opportunities such as better marketing. The agency does not want to penalize its employees. The use of temporary services will not reduce employee salaries, and additional jobs can be created on a short-term basis if business improves. Ms. Yeast said that seasonal employees are not eligible for any benefits other than sick leave and holiday pay.

Representative Ballard complimented the Cabinet for doing an excellent job. He asked whether the state will be able to control the price of the golf and food services after they are privatized. Commissioner van der Meer said it is important to remain competitive and that the Cabinet will have say regarding price.

Representative Coursey asked whether career employees with less than 25 years service will have the opportunity to work on contract. Ms. Yeast said "25" was not arbitrarily chosen but is consistent with privatization in other areas of state government. Secretary Sparrow said that merit system Parks employees who want to remain employed by the Department will be able to do so, and every effort will be made to keep them at the parks where they currently work.

Representative Hoffman said he is apprehensive about the move to privatization. He asked whether concessionaires will be required to comply with statutory directives relating to Kentucky-grown products. Commissioner van der Meer said that would be expected.

Senator Thayer noted that the Kentucky Horse Park has had a private concessionaire for many years and that it has worked very well. Secretary Sparrow concurred and said that the use of concessionaires has also worked well at the state park marinas.

Review of Executive Orders

The agenda included two executive orders for committee review: EO 2010-428, reorganizing the Personnel Cabinet, and EO 2010-436, reorganizing the Finance and Administration Cabinet. Representative Cherry briefly discussed each reorganization, and motions to accept each executive order were approved by the Committee by voice vote.

Furloughs of State Employees

The following representatives of AFSCME, which represents 9,000 state workers, addressed the Committee in opposition to the executive branch furloughs authorized for fiscal years 2011 and 2012: Wanda Mitchell-Smith, Kentucky Political Action Representative for AFSCME Council 62; Leslie Thorn, a social worker employed in McCracken County; and John Stovall, a member of the Teamsters Union.

In summary, Ms. Mitchell-Smith said that the furlough plan does not take human need into account and that purported savings from furloughs have been challenged in California and other states. She said that furloughing federally-funded state workers would not save money and could cause Kentucky to lose money. Employees at 24-hour facilities such as hospitals and prisons now work overtime just to keep them legally staffed. Furloughing will necessitate paying someone overtime, and this will result in additional cost. Social services are already understaffed. Furloughs mean that there will be fewer child protection investigations, delays in assistance, and a greater workload for employees already facing an enormous challenge and hard economic times. The furlough plan ignores the human cost of furloughs that is borne by everyone. She noted that the plan did not include input from employees or the Governor's Employee Advisory Council.

Ms. Thorn, a child protective services investigator for the state for almost 17 years, spoke about the large amount of overtime that is already necessary for social workers. She said furloughs would make it difficult to meet time frames with respect to federal funds and would cause a significant loss of income to employees. The cost to families already in need will exceed any expected benefits.

Mr. Stovall said he is concerned that the "double furlough" of Parks employees may cause a problem with their insurance benefits. He expressed doubt that there will be cost savings from privatization.

Dinah Bevington, General Counsel for the Personnel Cabinet, gave an overview of the furlough plan provisions, which are being implemented in emergency regulation 101 KAR 5:015. She said the regulation was presented to the Personnel Board on July 9, where it met with favorable review. In FY 2011, all six days authorized by the budget bill enacted in the 2010 extraordinary session will be implemented, but no determination has been made regarding FY 2012. All merit and nonmerit employees will be furloughed the full six days, spread out across the fiscal year to minimize impact on employees and public services. Three of the days are adjacent to holidays and will result in a shutdown of state offices, beginning with Friday, September 3. In the meantime the Cabinet will have an opportunity to determine flexibility demands, since many offices providing essential services must remain open on furlough days. The Cabinet is also working on concerns about overtime and other issues that have been raised, including those relating to Parks employees. The additional three furlough days will occur in October 2010, March 2011 and June 2011. Employees will remain eligible for health insurance. Each cabinet and agency is to submit a furlough plan for approval by the Personnel Cabinet Secretary, and agencies have been asked to advise Personnel of their concerns and flexibility needs. Ms. Bevington said that no employees will be furloughed if cost savings will not result.

Representative Cherry said he has been asked by his constituents why the furloughs do not apply to the legislative or judicial branches of state government. He explained that the legislative branch, in lieu of furloughs, chose to cut its budget by eliminating 23 positions by the end of FY 2011.

Responding to concerns raised by Representative Bell about the impact of furloughs on employees at the lower end of the pay scale, Ms. Bevington said that the authorizing language in the budget bill does not allow employee salaries to be considered when applying the furloughs. Representative Bell said he believes that some "wiggle room" might be found in interpreting the language and that he hopes the human element will be looked at when any decisions are made regarding the furloughs.

Senator Carroll said he has received complaints about equity in the furlough process, and he questioned why higher paid, nonmerit employees are not going to be furloughed a higher percentage of hours. He said he would be interested to see how the equity issue is addressed in the plans submitted by the agencies. He also suggested that some members of the General Assembly might end up questioning the Personnel Cabinet's legal interpretation of the furlough authorization. Ms. Bevington responded that the budget bill on page 250 directs that all employees—merit and nonmerit, classified and nonclassified—be placed on furlough for the same number of hours during a calendar month. She said a separate provision that would allow nonmerit employees to be furloughed an additional amount of time is not being utilized at this time.

Representative Rollins said that in executive branch agencies that do not receive money from the General Fund, the savings from the furloughs would revert to the agency. He asked whether there will be a sweep of those funds or a report on how those agencies apply the savings. Ms. Bevington said that question would need to be addressed to the budget office.

Representative Graham said that language in the administrative regulation relating to contractors needs to be clarified because it does not follow the language on page 251 (lines 20-23) of the budget bill. Ms. Bevington said that language was not restated in the regulation but that an additional provision was added to the furlough plan to require agencies to certify that contractors are not going to work additional hours as a result of the furloughs. She said that the Personnel Cabinet is now working with LRC staff to determine any technical considerations that may need to be taken into account.

Kentucky Employees Health Plan (KEHP)

Representative Cherry announced that there would not be time to discuss the KEHP today and that this topic would be included on a future meeting agenda.

Business concluded, and the meeting was adjourned at 3:40 p.m.

TASK FORCE ON THE PENAL CODE AND CONTROLLED SUBSTANCES ACT

Minutes of the 2nd Meeting of the 2010 Interim

July 14, 2010

Call to Order and Roll Call

The 2nd meeting of the Task Force on the Penal Code and Controlled Substances Act was held on Wednesday, July 14, 2010, at 1:00 PM, in Room 171 of the Capitol Annex. Senator Tom Jensen, Chair, called the meeting to order, and the secretary called the roll. A quorum was present and the minutes of the June 9, 2010 meeting were approved without objection.

Present were:

Members: Senator Tom Jensen, Co-Chair; Representative John Tilley, Co-Chair; Secretary J. Michael Brown, Tom Handy, Chief Justice John D. Minton, Jr., and Hon. Tommy Turner.

Guests: Richard Jerome, PEW Center for the States; James Austin, JFA Institute; Peter Ozanne and Meghan Guevara, Crime and Justice Institute; Jennifer Hans, Office of the Attorney General; Bill Patrick, Kentucky County Attorneys Association; Janice Tomes, Governor's Office of Policy and Management; and Marylee Underwood, Kentucky Association of Sexual Assault Programs.

LRC Staff: Norman Lawson; Jon Grate; Ray DeBolt; Joanna Decker; Kyle Moon; and Rebecca Crawley.

Tennessee Probation and Parole System

The first speakers were Tennessee Commissioner of Correction Gayle Ray, and Director of Field Services Gary Tullock of the Tennessee Board of Probation and Parole. Commissioner Ray said Tennessee's corrections programs were becoming more and more crowded over the years and the Department of Correction and the Board of Probation and Parole decided to work together to address the problem. Among the Department of Correction's goals were to reduce recidivism, reduce technical violators/revocations for those on probation and parole, reduce the jail and prison population, and reduce corrections expenditures. In the 2009-2010 budget, the departments created new programs in Tennessee designed to increase public safety, incarcerate those persons committing serious crimes, reduce the number of persons returned to prison for technical violations of probation or parole, institute evidence-based programs for community based and institutional problems, and reduce recidivism. Commissioner Ray indicated these goals were partially met and recidivism was reduced from 42% in 2001 to 38.5% in 2005.

Specific changes included implementation of the Level of Service/Case Management Inventory (LS/CMI) program. The program cost $200,000 and required intensive staff training, but has provided a useable instrument which can be used by the courts, probation, parole, and corrections to assess each convicted individual and which identifies dangerousness, treatment needs and other factors which determine if the inmate is eligible for community programs, what specific problems the inmate has which may need to be treated, and other factors. Other changes included increased community corrections slots, increased community residential slots, hiring 54 new Board of Probation and Parole staff including psychiatric social workers, increased community treatment programs in cooperation with the Department of Mental Health and Developmental Disabilities, and sharing of planning, research, training, and grants between departments. There is now one psychiatric social worker for every 1,000 offenders. $2.2 million was allocated for alcohol and treatment programs.

Commissioner Ray said implementation of these changes has reduced Tennessee's prison population, they have been able to close one prison and delay construction of a new prison, has enabled them to better assess their prison population and their needs beyond incarceration, and improved communication between the Department of Correction, Board of Probation and Parole, Criminal Justice Coordinating Council, and the Team Re-entry Collaborative Program, which was started six years ago and involves all organizations, agencies, and programs dealing with inmate reentry into society.

Commissioner Ray said their goals may have been overly ambitious because they didn't correctly factor in time constraints such as the time lag in developing and completing the contract process, hiring qualified staff, lack of communication between agencies, development of standardized definitions such as recidivism, lack of management and staff training, and changing the system culture. Their future goals include quality assurance, strategic planning, analysis of program needs and evidence-based practices, and more inmate reentry efforts.

Mr. Tullock described key elements of the plan as use of the LS/CMI instrument for all inmates (19,000 assessments have been done), a program known as TAP-BIG which is a program for transitioning prisoners back into society utilizing behavioral intervention goals, motivational interaction and evidence-based program development. Evidence-based programs have been shown to reduce offender recidivism. In these programs, high risk offenders receive high levels of treatment and supervision, while low risk offenders may be omitted from many treatment services and have a lower level of supervision. In order to reduce the number of probationers and parolees sent to prison for technical violations, an intermediate sanctions program has been instituted which allows probation and parole officers to utilize sanctions instead of returning a person to prison. The probation and parole officers make recommendations for sanctions to judges for persons on probation and to the parole board for parolees, which are generally implemented immediately. Seventy-five percent of the judges follow the recommendations of the officer but can override them if they so choose.

In response to questions from the members, Mr. Tullock said the inmate assessment instrument was mandated by the legislature and a time frame was established for meeting the goals, but they underestimated the time necessary to accomplish those goals within the original time frame.

PEW Center Update and Discussion

Representative Tilley gave a report on the National Governor's Association, PEW Public Safety Conference in Annapolis, Maryland which was attended by Representative Tilley, Senator Jensen, Secretary of Justice and Public Safety J. Michael Brown, Corrections Commissioner LaDonna Thompson, Chief Justice John Minton, and various staff persons. Representative Tilley reviewed recommendations from the conference which included use of evidence-based practices, reducing the number of nonviolent offenders in prison, keeping the most dangerous offenders in prison, use of cost/benefit analyses, and fiscal impact statements for all criminal justice legislation. The goals of justice reinvestment programs are public safety, holding offenders accountable, reducing recidivism, reducing the crime rate, and being able to use the savings to fund alternative programs which work and achieve these goals.

James Austin of the JFA Institute presented a report on Kentucky crime and correctional trends and described how data can be used to design better programs and to analyze proposed reforms and their impact. Mr. Austin said length of stay is a significant cost driver in corrections and that reducing the length of stay in prison by one month for all inmates would reduce the need for 1,000-1,500 beds in the future. He noted in the past couple of years, the parole grant rate has increased from about 34% to 54% and the current prison population of 21,900 is actually about 1,000 inmates lower due to this change. Key assumptions in prison population projections include new court commitments, probation and parole rates, good-time awards, and parole grant rates.

Meghan Guevara of the Crime and Justice Institute at Community Resources for Justice, gave a presentation on evidence-based practices in corrections to reduce new crime and new victims; increased cost savings due to efficient interventions, reduced recidivism and reduced incarceration; improved assessments of criminal risk and behaviors, targeted treatment programs based on an offender's risk and needs, and directing resources toward proven interventions. She noted community support is essential to these efforts. The program also uses performance benchmarks for public safety and treatment agencies and uses evidence-based practices.

Jason Newman of the PEW Public Safety Performance Project and Peter Ozanne of the Crime and Justice Institute, reviewed the Draft Workplan Outline for upcoming task force meetings as follows: August 11th meeting, Controlled Substances Act, prison population projection, and a presentation on recent changes in Colorado by a Deputy Attorney General and District Attorney; September 8th meeting, sentencing statutes and practices, offense classification, sentence length and length of stay; October 13th meeting, correctional programs in prisons and jails, parole practices and procedures; November 10th meeting, parole and probation services, parole and probation revocation; December meeting, discussion of policy options and simulation of effects on Kentucky's system; and January meeting, release report and introduce legislation.

Representative Tilley moved, seconded by Chief Justice Minton, that the Task Force, through the co-chairs, request that the Legislative Research Commission approve (1) A task force meeting on the second Wednesday of December 2010; (2) A task force meeting on the second Wednesday of January 2011; (3) An extension of the final report date for the task force to the second Wednesday of January 2011; and (4). These meetings would be all-day meetings and there would be no Interim Joint Committee on Judiciary meetings on the December and January dates. The motion was approved by voice vote.

The meeting adjourned at 4:00 p.m.

TASK FORCE ON MEDICAID COST CONTAINMENT

Minutes of the 1st Meeting of the 2010 Interim

July 19, 2010

Call to Order and Roll Call

The 1st meeting of the Task Force on Medicaid Cost Containment was held on Monday, July 19, 2010, at 1:00 PM, in Room 131 of the Capitol Annex. Senator Katie Kratz Stine, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Katie Kratz Stine, Co-Chair; Representative Jimmie Lee, Co-Chair; Senators Julie Denton, Denise Harper Angel, and David L. Williams; Representatives Tom Burch, Rick Rand, Greg Stumbo, and David Watkins.

Guests: Don Putnam for PROOF; Dave Croft for Bristol-Myers Squibb; Marty White and Bill Doll for the Kentucky Medical Association; Sheila Schuster for the Advocacy Action Network; and Anne Joseph for Covering Kentucky Kids & Families.

LRC Staff: Mike Clark, Miriam Fordham, Lashae Kittinger, DeeAnn Mansfield, Cindy Murray, Cindy Smith, Pam Thomas, and Frank Willey.

An Overview of Medicaid

Mike Clark, Ph.D, Chief Economist, Legislative Research Commission, presented a general overview of Medicaid. Medicaid is a means-tested entitlement program authorized by Congress in 1965 as part of the Social Security Act. Medicaid provides three broad types of health coverage: health insurance, supplemental coverage, and long-term coverage. Individuals must meet certain requirements to be eligible for Medicaid including categorical, income, resource and citizenship requirements. Medicaid eligibility is limited to individuals who fall into six broad population groups. Statistics were given regarding income limits for pregnant women and children to be covered by Medicaid. Pregnant women are covered up to 185 percent of the federal poverty guidelines. Children are covered under Medicaid or KCHIP and can be covered up to 200 percent of the federal poverty guidelines depending upon for which program they qualify. U.S. citizens must meet categorical and financial requirements. Illegal immigrants cannot qualify for basic Medicaid benefits, but they can qualify for Medicaid for emergency medical care if they meet financial requirements. States are required to redetermine eligibility at least once every 12 months.

Mandatory eligibility groups and optional eligibility groups were discussed. There are mandatory and optional services that are covered by Medicaid and examples were given of each group of services. Kentucky's Medicaid program pays co-payments and deductibles for qualified Medicare beneficiaries who receive certain services. Waivers allow states certain exceptions to the service requirements. There are a number of current Kentucky waiver programs. Currently, there are over 40,000 providers of Medicaid services in Kentucky. Charts were shown that reflect how Kentucky Medicaid eligibles have increased more steadily over the years as compared with the number of eligibles if the growth equaled the state population growth. The growth in the KCHIP population and the number of children enrolled in Medicaid are a driving growth in the increase of Medicaid eligibles. Kentucky Medicaid funding sources include federal matching funds, provider tax revenues, and general fund appropriations. The Federal Medical Assistance Percentage (FMAP) is the percentage of Medicaid costs paid by the federal government. The FMAP is based on each state's per capita income relative to the national per capita income. States with lower per capita income received a higher FMAP. Kentucky provider taxes were also discussed and figures were shown relative to rates for current Kentucky provider taxes for different providers. Tax rates vary depending on the category of provider. Major legislative changes from 1996 to 2009 regarding provider taxes were shown, as well as the share of total Kentucky provider taxes by services. A chart on Kentucky's Medicaid general fund expenditures which showed that the dollar amounts of expenditures grew steadily over time, from 7.8 percent in 1992 compared to 11.5 percent in 2009 was discussed.

In response to a question by Senator Stine, Dr. Clark responded that, as to Kentucky Medicaid expenditures per capita, the number might have increased because people are coming in for different periods of time and depending on when the snapshot of Medicaid eligibles is taken, different counts may be seen. Dr. Clark said he does not have the Kentucky Medicaid expenditures per capita, but there are about 4 million individuals in Kentucky. Using that number will not provide the same type of comparison because it would be taking health care expenditures for just the Medicaid population and dividing it by the full population of this state.

In response to a question by Representative Lee, Dr. Clark said if one takes the same population figure and did not make any changes to that population and did not make any changes to the services that were being covered, and just looked at the Medicaid program that existed in 1992 and did not make changes to it subsequently, then that population probably still would have grown relative to the total general fund. The reason for that is, even if the population did not grow any more than the rest of the state, there have been increases in utilization and in the cost of health care.

Representative Lee said that information should be provided to the committee in further meetings that looks at the difference between the waivers that were in place in 1992 and the waivers that are currently in place and the impact that has had on the state's budget.

In response to questions by Senator Denton, Dr. Fordham said that federal rules govern that resources are not considered in Medicaid eligibility determination for pregnant women and the CHIP program, as well as the legal residents prior to 1996.

In response to a question by Senator Denton, Dr. Fordham said that she was not sure of how often Kentucky is re-determining eligibility, or if the federal government has a certain way it requires states to do that, but that is something that the Cabinet could address in its presentation at a future meeting.

In response to a question by Senator Denton, Dr. Clark said a person can be eligible while pregnant but not be eligible after delivery because, after 60 days, the person would fall under different eligibility guidelines. It would depend on what those guidelines were for that particular category population.

In response to a response to a question by Senator Denton, Dr. Fordham said that almost all other states provide emergency and non-emergency medical transportation

In response to a question by Senator Denton, Dr. Clark said data has been requested from the Cabinet on what the per member per month rate is, and it is working on that information. Cindy Murray said that it is $3 per individual, per member per month, which is just the provider fee, for managing care. The providers would still receive fees for other services that they provide. When the global costs are received from the Cabinet, they will be reported to the Committee.

In response to a question by Representative Rand, Dr. Clark responded that determination of FMAP is primarily a formula based on per capita income to get the FMAP rate. With the enhanced match, there were some adjustments based on level of employment, so areas with high unemployment received some additional consideration there.

In response to a question by Representative Rand, Dr. Clark said that Kentucky has to provide services for pregnant women up to 133 percent of the federal poverty level. The information is being worked on to prepare an analysis that would show the range of flexibility that can be chosen from in determining eligibility levels.

In response to a question from Representative Rand, Dr. Clark said that it is not that guidelines on welfare reform have been relaxed, but changes in the scope of Medicaid, specifically expansion of the KCHIP program have contributed to the growth of certain eligibility categories. In the late 1990's, the federal government provided some additional incentive to extend coverage to children at higher income levels than what had been done in the past, so that's contributed to a portion of it. The idea was the limits under welfare reform constrained the total population but there was another effort to allow excess for children basically.

In response to a question by Representative Burch, Dr. Clark responded that there is a difference in how KenPac and Passport are reimbursed. With Passport there basically is a contractual fee. KenPac is more of a fee-for-service program, but there is a primary care component. With KenPac, there can have a primary care health care provider and the provider will receive $3 per Medicaid enrollee.

In response to a question from Representative Burch, Dr. Clark responded that there have been some studies that compare what Medicaid pays versus what the private sector pays. That information will be given to the committee at a later date.

In response to a question by Representative Watkins, Dr. Clark said that Medicaid has provided some information relative to a breakdown on where the Medicaid dollar flows. That information will be given at a future meeting, and the Department for Medicaid Services will be discussing that as well.

In response to a question from Senator Harper Angel, Dr. Clark said that the legislative changes that affected the provider tax was just for Passport, and the dip in 2009 provider tax returns was primarily from the removal of that tax.

In response to a question from Representative Stumbo, Dr. Clark said that his understanding is that the provision of prescription drugs is an optional service, and, therefore, the state has a range of options. Kentucky could not provide some of these services or reduce services, but Kentucky would not be eligible for the match if the state chose to do that. There would be consequences of doing this though. Individuals not getting access to pharmaceuticals may show up in some other category, which would raise costs in that category. Dr. Fordham added that even though there is some latitude as to being an optional service, there is a baseline that the states have to cover.

In response to a question by Representative Rand, Dr. Clark said that Kentucky still must provide the mandatory services and offer it to the mandatory groups. That would not affect the FMAP for those components of Medicaid.

In response to a question by Speaker Stumbo, Dr. Clark said he could work with the Cabinet on getting information regarding if Kentucky is going to offer optional services and if Kentucky adheres to the baseline that the federal government requires, what the difference is in what is offered and paid for now as opposed to what the minimums are.

Representative Burch added that when the Cabinet appears, it should be asked about the guidelines on all the optional programs; the percentage that Kentucky is above the minimum on those particular programs; the amount of the minimums and maximums; the amount of deductibles; and which benefits are provided above the minimums.

The meeting was adjourned at 2:25 p.m.

JOINT MEETING
TASK FORCE ON MEDICAID COST CONTAINMENT
MEDICAID OVERSIGHT AND ADVISORY COMMITTEE

Minutes of the 2nd Meeting of the 2010 Interim

July 20, 2010

Call to Order and Roll Call

A joint meeting of the Task Force on Medicaid Cost Containment and the Medicaid Oversight and Advisory Committee was held on Tuesday, July 20, 2010, at 10:00 AM, in Room 131 of the Capitol Annex. Representative Jimmie Lee, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Katie Kratz Stine, Co-Chair; Representative Jimmie Lee, Co-Chair; Senators Walter Blevins, Julie Denton, Dan Seum, Denise Harper Angel, Bob Leeper, and David L. Williams; Representatives Tom Burch, Bob DeWeese, Joni Jenkins, Rick Rand, David Watkins, and Jill York.

Guests: Don Putnam for PROOF; Dwayne Johnson, Eric Clark and Ruby Jo Lubarsky for the Kentucky Association of Health Care Facilities; Bernie Vonderheide and Bryce McGowan for Kentuckians for Nursing Home Reform; Jeff Presser for Dean Dorton Ford; Marty White and Bill Doll for the Kentucky Medical Association; and Anne Joseph for Covering Kentucky Kids and Families.

LRC Staff: Mike Clark, Miriam Fordham, Lashae Kittinger, DeeAnn Mansfield, Cindy Murray, Cindy Smith, Pam Thomas, and Frank Willey.

Approval of Minutes

The minutes of the November 23, 2009 Medicaid Oversight and Advisory Committee were approved without objection by the members of the Medicaid Oversight and Advisory Committee.

Medicaid Overview

Betsy Johnson, Commissioner, Department for Medicaid Services, Cabinet for Health and Family Services, gave an overview of Medicaid. Medicaid is the nation's major public health program for low-income Americans. It finances health and long-term care services for more than 50 million people. Medicaid spending enables the program to make significant contributions to state economies in terms of jobs, income, and overall economic activity. Medicaid provides coverage to over 798,493 of Kentucky's most vulnerable citizens and provides coverage to over 59,798 children who are enrolled in the Kentucky Children's Health Insurance Program (KCHIP). For every dollar received, the Department for Medicaid Services spends approximately 2.2 percent for administrative costs. Unprecedented growth in the number of new enrollees is due to a weakening economy. During the last biennium, Medicaid added over 3,000 new recipients each month compared to 930 per month in the prior biennium. Medicaid is the largest payer for long-term care services both in Kentucky and the nation. Medicaid has 40,345 enrolled providers. Medicaid is the primary payer of healthcare in Kentucky.

Discussion of Medicaid Cost Drivers

Betsy Johnson, Commissioner, Department for Medicaid Services, Cabinet for Health and Family Services, testified in regard to Medicaid cost drivers. Medicaid cost drivers include extraordinary events, unprecedented eligibility growth, and cost and utilization growth. New waivers contribute to Medicaid cost drivers. These include the Michelle P. Waiver, implemented in November, 2008; Money Follows the Person, implemented in October, 2008; and the ABI Long Term Care Waiver, implemented in November, 2008. Also, there has been increased KCHIP enrollment from 53,186 to 59,798 from October, 2008 to May, 2010. Charts were discussed that showed the growth in Medicaid eligibility and Medicaid benefit expenditures average cost per eligible per month from 2007-2010.

Discussion of Medicaid Cost Containment Measures

Betsy Johnson, Commissioner, Department for Medicaid Services, Cabinet for Health and Family Services, testified in regard to Medicaid cost containment measures. Numerous Medicaid efficiencies were discussed. These include post payment pharmacy audits; prior authorization for certain drugs; changes to the early refill limit; requiring that only prescriptions written by a Medicaid enrolled provider are filled; modifying coverage of over-the-counter medications; an enhanced lock-in program; discontinuing payments for hospital acquired conditions; purchase of diabetic supplies through pharmacy instead of durable medical equipment; new program integrity support vendor; and payment of health insurance premiums if Medicaid recipients are eligible for group health insurance.

Discussion of Medicaid Pharmacy Benefit Administration

Betsy Johnson, Commissioner, Department for Medicaid Services, Cabinet for Health and Family Services, testified in regard to Medicaid pharmacy benefit administration. Pharmacy is an optional service under the federal Medicaid rules. It is the largest optional service before accounting for rebates and totaled $508 million for SFY 2009, which is about 9 percent of the total Medicaid dollars. Pharmacy costs for dispensing fees are $5.00 for generic drugs and $4.50 for name brand drugs. The Pharmacy and Therapeutics (P&T) Committee and the Drug Management Review Advisory Board were discussed. The requirements for both groups are set forth in administrative regulations. Both committees consist of 15 members, with thirteen of those being voting members.

In response to a question by Representative Lee, Commissioner Johnson said that in regard to post payment pharmacy audits, the Cabinet works closely with the PBA, does desk audits, and reviews files. If something is found to be amiss, letters are sent to the pharmacies involved. Quarterly audits are done, and they look at pharmacies with high spending that is out of the norm.

In response to a question by Representative Lee, Commissioner Johnson said that if a prescription is written for a name brand drug, there is no prior authorization because if it is not on the list then it is not covered. If the prescription drug has the same therapeutic value, that drug would also be covered.

In response to a question by Representative Lee, Commissioner Johnson said there are currently 600 recipients enrolled in the lock-in program, and the Cabinet is expecting up to 4,000 to come out after the claims analysis is done.

In response to a question by Senator Denton, Commissioner Johnson said that the lock-in program does not include dental, but the department can look into adding that.

In response to a question by Senator Williams, Commissioner Johnson said that tracking is done by the Division of Program Integrity and they have access to the KASPER system. The department also manages drugs through the PDL and data analysis through prescriber patterns, and also manages preferred drug lists.

In response to a question by President Williams, Commissioner Johnson said that the audits by Magellan are a service required under the contract with Magellan.

In response to a question by Senator Leeper, Commissioner Johnson said that cost savings due to the change in the refill time limits is noticed over time. The longer refill time helps to avoid the diversion of drugs. She also noted that she did not have the figures with her on behavioral health drugs, but she would get that to the committee.

In regard to a question by Senator Leeper, Commissioner Johnson said the Cabinet is continuing to look at the problem of people that are on too many drugs, sometimes in excess of 20 different prescriptions per month. She said it is a difficult issue to fix because certain health issues require a number of different drugs. The Cabinet plans to work with the P&T Committee to address it further.

In response to a question by Representative Stacy, Commissioner Johnson said that the results from studies on cost driver by diagnoses will be discussed at a future meeting.

In response to a question by Representative DeWeese, Commissioner Johnson said that once people are locked-in to a certain hospital, if they use a different emergency room, that hospital will be paid only the assessment fee. It will be the job of the hospital to send them on to their primary physician.

In response to a question by President Williams, Commissioner Johnson said that if a Medicaid recipient qualifies for group insurance through their employer, the money will go directly to the employer for payment. Also, she noted that Medicaid is always the second payer if a recipient has other health insurance.

In response to a question by Senator Williams, Commissioner Johnson said that an analysis is done to determine if Medicaid is going to pay the reimbursement.

In response to a question by Senator Denton, Commissioner Johnson said that the Cabinet is looking for ways to focus on those over-utilizing emergency rooms. She noted that it would not be appropriate for all Medicaid eligibles to be in the lock-in for hospitals. Senator Denton said that emergency room overutilization needs to be a main focus of the Cabinet, and they need to work aggressively to find a solution.

In response to a question by Senator Stine, Commissioner Johnson said that Medicaid does pay dispensing fees for over-the-counter drugs because they are paying for the services since there has to be a prescription from the providers for over-the-counter drugs to be reimbursed.

In response to a question by Representative DeWeese, Commissioner Johnson said that it is complex to compare different states' Medicaid programs. Costs depend on what drugs are covered and what the rebate issues are.

Medicaid Rebates

Rob Coppola from Magellan testified in regard to Kentucky's Medicaid Drug Rebate Program. The Medicaid Drug Rebate Program was created by the Omnibus Budget Reconciliation Act (OBRA) of 1990. It requires drug manufacturers to enter into a National Rebate Agreement to ensure that their drugs are covered by Medicaid agencies. Approximately 550 pharmaceutical manufacturers currently participate. The program also establishes minimum rebate amounts. The rebate program in Kentucky is administered by Magellan Medicaid Administration. It is a fee-based contract with 100 percent of the revenue being returned to Kentucky. In Kentucky, the OBRA rebates averaged $51.7 million per quarter in 2009. The supplemental rebates averaged $7.3 million per quarter in 2009.

In response to questions by Representative Lee, Mr. Coppola responded that Magellan is a pharmacy benefits administrator. Magellan makes recommendations to the Cabinet and the P&T committee as to what drugs should be on the formulary. Magellan currently negotiates with 26 states. Magellan receives no additional benefit from the state other than what the contract states, and they have no other sidebar contracts if they use particular companies. Its reward is a renewal of its contract. All contracts are fee based with no additional benefits to Magellan.

In response to a question by President Williams, Mr. Coppola said that Magellan provides formulary management for 25 states and is the pharmacy benefits administrator for Kentucky and eight other states. There are four other companies that provide the same services. Different states get different rebates, depending on the program they opt-in to. There are 11 states in the national program. Compared to private insurance, Medicaid rates are the best due to best price.

The meeting was adjourned at 11:55 a.m.

CAPITAL PROJECTS AND BOND OVERSIGHT COMMITTEE

Minutes

July 20, 2010

Call to Order and Roll Call

The Capital Projects and Bond Oversight Committee met on Tuesday, July 20, 2010, at 1:00 PM, in Room 169 of the Capitol Annex. Senator Bob Leeper, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Bob Leeper, Co-Chair; Representative Susan Westrom, Co-Chair; Senators Tom Buford, Julian M. Carroll, and Elizabeth Tori; Representatives Robert R. Damron and Jim Wayne.

Guests: Brett Antle, Office of Financial Management; John Hicks, Governor's Office of Policy and Management; Sam Ruth, Facilities and Support Services; Larry Blake, Northern Kentucky University; Mitchell Payne, University of Louisville; Sandy Williams, Kentucky Infrastructure Authority; Bob Wiseman and Donna Counts, University of Kentucky; and Jim Ackinson, Kentucky Higher Education Student Loan Corporation.

LRC Staff: Kristi Culpepper, Don Mullis, Shawn Bowen, and Samantha Gange.

Approval of Minutes for June 2010

Representative Wayne made a motion to approve the minutes of the June 15, 2010, meeting. The motion was seconded by Senator Carroll and approved by voice vote.

Correspondence Items

Senator Leeper asked Kristi Culpepper, Committee Staff Administrator, to discuss correspondence items. Ms. Culpepper said members' folders contained several correspondence items: Finance and Administration Cabinet, Murray State University, Northern Kentucky University, University of Kentucky, University of Louisville, and Western Kentucky University quarterly status reports on capital projects; Administrative Office of the Courts quarterly status report on court facility construction and renovation projects; Commonwealth Office of Technology quarterly status report on information technology systems; and correspondence from Tom Howard, Executive Director, Office of Financial Management (OFM), regarding questions raised by Committee members about the state's outstanding debt and debt that has been authorized by the General Assembly that has not yet been issued. Ms. Culpepper said Mr. Howard's letter also addressed the Committee's questions about the costs associated with debt restructuring.

Other items of correspondence included a letter from John Covington, Executive Director, Kentucky Infrastructure Authority (KIA), responding to the Committee's questions about the amount of funding KIA has available for the 2011 funding cycle and the size of borrowers that have received loans; and a notice of advertisement of leased space from the Finance and Administration Cabinet for space in Covington, Kentucky.

Discussion of State Debt and Debt Restructuring

Representative Wayne asked if this was the first time the state has done debt restructuring transactions to provide budgetary relief. Brett Antle, Assistant Director, OFM, said it was not.

Representative Wayne asked what fiscal year the state will have to start repaying on the restructurings. Mr. Antle said the state will start making payments for fiscal year 2010 on the State Property and Buildings Commission No. 90 bond issue. He said that with the more recent bond issues, the state will not start the amortization until after this biennium.

In response to another question from Representative Wayne, Mr. Antle said the General Assembly will need to budget these payments in the next budget.

Representative Wayne asked if OFM had a comprehensive list of other states that are also doing these types of debt restructurings. Mr. Antle said there are other states that are doing similar restructurings, however he did not know how many states. He said he would provide the information to Committee staff.

In response to another question from Representative Wayne, Mr. Antle said the debt restructurings were done specifically to provide cash flow savings during the current budget cycle on behalf of the General Fund as well as the Road Fund.

Representative Wayne asked if the state has been downgraded because of the debt restructurings. Mr. Antle said Fitch Ratings downgraded the Commonwealth from AA to AA- last month, but Moody's Investors Service affirmed the state's General Fund rating at Aa2. Mr. Antle said that Fitch cited the state's use of debt restructurings when it downgraded the state last month. Moody's has mentioned the state's debt restructurings in justifying its negative outlook on the state's credit.

Senator Carroll asked what amount was borrowed against the Road Fund in the 2010 Special Session. Mr. Antle said the new authorization for the Road Fund included $400 million of economic development bonds, $112 million for Base Realignment and Closure (BRAC), and $10.5 million for aviation projects.

Information Items

Ms. Culpepper said members' folders contained three information items: Tourism, Arts and Heritage Cabinet's Kentucky Horse Park Energy Savings Performance Contract, and the staff and bond market updates.

Lease Report from Northern Kentucky University.

Senator Leeper asked Larry Blake, Assistant Vice President, Northern Kentucky University (NKU), to report one item related to a lease renewal. Mr. Blake said the lease renewal was for the NKU METS Center located in Erlanger, Kentucky (PR-07801). The annual cost for space is $700,000 through June 30, 2012.

In response to a question from Senator Carroll, Mr. Blake said the advertisement for the space yielded no other responses.

Senator Carroll made a motion to approve the lease renewal for NKU. The motion was seconded by Senator Tori and passed unanimously by roll call vote.

Scope Increase for the University of Louisville

Senator Leeper asked Mitchell Payne, Vice President for Business Affairs, University of Louisville (UL), to report a scope increase. Mr. Payne reported a scope increase for the Papa John's Cardinal Stadium Expansion project. The scope increase is $5,100,000 for a revised scope of $77,100,000. Funding for the increase comes from restricted funds and private donations. The additional funds are needed for a scoreboard, decorative crown trellis, permanent tent structures, and construction of a ticket office/team store.

Senator Carroll made a motion to approve the scope increase for UL. The motion was seconded by Representative Wayne and approved unanimously by roll call vote.

Project reports from the Finance and Administration Cabinet

Senator Leeper asked John Hicks, Deputy Director, Governor's Office for Policy and Management, and Sam Ruth, Commissioner, Department for Facilities and Support Services, to report several projects. Mr. Hicks said the first project was a scope increase for Eastern Kentucky University (EKU) Renovate Walters Hall project. The scope increase is $450,000 for a revised scope of $10,950,000. Funding for this increase comes from restricted funds. The additional funds are needed to offset increased costs associated with unforeseen expenses related to a complete roof replacement and an air handler renovation.

Senator Carroll made a motion to approve the scope increase for EKU. The motion was seconded by Representative Wayne and passed unanimously by roll call vote.

Next Mr. Ruth said the Finance and Administration Cabinet is reporting its approval of a $1,500,000 appropriation for replacement of the Capital Annex Roof. This project is funded with $800,000 from the 2006-2008 Statewide Repair, Maintenance and Replacement Pool and $700,000 from the 2008-2010 Maintenance Pool. No action was required on allocations of maintenance pools.

In response to a question from Senator Leeper, Mr. Ruth said the new roof would have a 20-year warranty.

Mr. Ruth reported that the Finance and Administration Cabinet has approved an unbudgeted project for the Department for Facilities and Support Services to procure and implement energy management software. The project cost is $3,650,000 and will be funded by the American Recovery and Reinvestment Act. The Commonwealth Energy Management and Control System software will allow the department to monitor and adjust building energy controls to better manage energy usage in governmental facilities. The project is part of the Intelligent Choices for Kentucky Future program.

Senator Carroll made a motion to approve the unbudgeted project for the Department for Facilities and Support Services. The motion was seconded by Representative Wayne and passed unanimously by roll call vote.

Next Mr. Hicks reported that the Finance and Administration Cabinet has approved an unbudgeted project for the Department of Military Affairs, Wendell H. Ford Regional Training Center in Greenville, Kentucky to install solar panels. The project cost is $750,000 and will be funded by the American Recovery and Reinvestment Act. The project will allow installment of more than 84kw Solar PV Systems at the center.

Senator Carroll made a motion to approve the unbudgeted project for the Department of Military Affairs. The motion was seconded by Senator Tori and passed unanimously by roll call vote.

Mr. Hicks reported that the Finance and Administration Cabinet has approved an unbudgeted project for the Department of Military Affairs, Disney Training Center in Barbourville, Kentucky for solar energy improvements. The project cost is $750,000 and will be funded by the American Recovery and Reinvestment Act. The project will allow the center to increase the number of solar panels currently being installed.

Senator Carroll made a motion to approve the unbudgeted project for the Department of Military Affairs. The motion was seconded by Senator Tori and passed unanimously by roll call vote.

Lease Reports from the Finance and Administration Cabinet

Senator Leeper asked Mr. Ruth to report three items related to leases. Mr. Ruth said the first item was for the amortization of leasehold improvements for the Workforce Investment Cabinet in Floyd County (PR-4074). The cabinet has requested improvements to its leased facility to install ADA compliant automatic door opening equipment for a set of double doors. The cost of modifications, $4,291, will be amortized over the remaining lease term (through June 30, 2012). No Committee action was required.

Next Mr. Ruth reported a new lease for the Cabinet for Health and Family Services in Daviess County (PR-5087). The cabinet was directed to vacate its current space in the Owensboro State Office building. The new space will secure permanent replacement offices for the cabinet. The annual cost of the lease is $530,979 through July 30 2017.

In response to a question from Representative Wayne, Mr. Ruth said the new office space for the cabinet will have adequate security.

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

Mr. Ruth said the last item was a report of a lease renewal in a foreign jurisdiction for a boat slip on the Ohio River for the Department of Fish and Wildlife Resources in Scioto County Ohio (PR-4883). He said no comparable marinas are located on the Kentucky side of the Ohio River in this general vicinity. No Committee action is required.

In response to a question from Representative Damron, Mr. Ruth said the boat slip on the Ohio side of the river is closer to the officers patrol area and is more efficient.

KIA Fund A Loans

Senator Leeper asked Sandy Williams, Financial Analyst, KIA to present several loans. Ms. Williams said the first loan request was a $250,000 Fund A loan for the Oldham County Sewer District in Oldham County for construction of the Green Valley Wastewater Treatment Plant Elimination and LaGrange Connection project. The loan term is 20 years with an interest rate of two percent.

Senator Leeper asked if the LaGrange Utilities Commission and/or the City of LaGrange have provided KIA with an agreement. Ms. Williams indicated that the agreement has been executed, however KIA has not yet received a copy of the agreement. She said KIA will not release funds until a copy of the agreement is received.

The second loan request was a $17,146,500 Fund A loan for Sanitation District No. 1 in Boone, Campbell, and Kenton Counties for construction of a new 110 million gallon-per-day facility, modifications to the existing final clarifier splitter box, and installation of a chemical scrubber to treat foul air. The loan term is 20 years with an interest rate of two percent.

Representative Westrom made a motion to approve the two Fund A loan requests. The motion was seconded by Senator Carroll and passed unanimously by roll call vote.

KIA Fund B loan Assumption

The third request was for a Fund B loan assumption for the Boone County Water District (district) in Boone County. The district is seeking to assume $2,336,206 in outstanding Infrastructure Revolving Fund B debt of the Boone County Fiscal Court (county). The county and the district intend to enter into a Purchase and Lease Agreement related to the asset and debt assumption from the court to the district. The loan term is 30 years with an interest rate of 2.70 percent.

Senator Carroll made a motion to approve the Fund B loan assumption. The motion was seconded by Representative Westrom and passed unanimously by roll call vote.

KIA Fund F loans

The fourth loan request was a $4,000,000 Fund F loan for the Adair County Water District in Adair County for construction of 38,000 linear feet of twelve-inch ductile iron transmission appurtenances, a new booster pump station, and a 500,000 gallon elevated tank. The loan term is 20 years with an interest rate of one percent.

The fifth loan request was a $1,700,000 Fund F loan for the City of Louisa in Lawrence County for improvements to the city's water system. The loan term is 20 years with an interest rate of one percent.

Senator Carroll made a motion to approve the two Fund F loans. The motion was seconded by Representative Westrom and passed unanimously by roll call vote.

KIA Grants

Ms. Williams indicated various coal and tobacco development grants authorized by the General Assembly were included in members' folders. Each project was authorized in a budget bill and no further Committee action was needed.

New Bond Issue – Kentucky Asset/Liability Commission (ALCo)

Senator Leeper asked Mr. Antle to present two new bond issues. The first new bond issue was for ALCo Funding Notes 2010 General Fund First Series. Proceeds from this bond issue will be used to refinance obligations owed under KRS 161.550(2) and KRS 161.553(2) for the Kentucky Teachers Retirement System Pension Fund to reimburse the Fund for 100 percent of the outstanding loan balances plus accrued interest through the date of settlement.

In response to questions from Senator Carroll and Representative Damron, Mr. Antle said this transaction is estimated to result in $60 million in cash flow savings.

Representative Damron made a motion to approve the new bond issue for ALCo. The motion was seconded by Representative Westrom and passed unanimously by roll call vote.

New Bond Issue – University of Kentucky General Receipts Bonds, 2010 Series A (Taxable Build America Bonds or Tax-Exempt).

Mr. Antle indicated Bob Wiseman, Vice President for Facilities Management, and Donna Counts, Office of the Treasurer, University of Kentucky (UK), would report on the new bond issue. Mr. Wiseman said with this bond issue UK will be implementing an Energy Savings Performance Contract (ESPC). The ESPC involves replacing existing lighting technology, replacing high-flow plumbing fixtures, and upgrading existing mechanical HVAC systems in 61 buildings on campus. The improvements are expected to produce a guaranteed savings of approximately $2.7 million annually. The 2010 Special Session HB 1(2010-2012 Budget) authorized $25 million in agency bonds for UK's ESPC.

The UK Board of Trustees approved the initiation in December 2009. Although UK has anticipated using agency bonds for this project, the board has not yet approved a resolution authorizing the issuance of the bonds because the state budget was adopted later. UK wants to begin the project this summer to take advantage of having fewer students on campus. The university plans to begin the projects and have the board approve a reimbursement resolution when the board meets in September, whereby the project costs would be reimbursed from bond proceeds. The bonds will not be issued until October. Because the UK Board will not meet until September, UK's Vice President for Financial Operations and Treasures has provided certification that the project will not result in an increase in tuition and fees as required in HB 1, Part II, Section K (2010-2012 Budget).

Senator Buford made a motion to approve the new bond issue for UK. The motion was seconded by Representative Westrom and passed unanimously by roll call vote.

Follow-up Reports for Previously Approved Bond Issues – Turnpike Authority bonds

Next Mr. Antle reported four follow-up reports for previously approved bond issues. The first follow-up report was for the Turnpike Authority of Kentucky (TAK) Economic Development Road Revenue and Revenue Refunding Bonds 2010 Series A & B (Revitalization Projects) dated June 25, 2010. Proceeds from this bond issue will permanently finance $250 million of Road Fund-supported projects authorized by 2008 HB 406 and 2009 HB 536. The financing also includes a debt restructuring component to provide $81 million in budgetary relief for the Road Fund. The bond issue was approved by the Committee at the March 2010 meeting.

Kentucky Higher Education Student Loan Corporation bonds

Mr. Antle indicated that Jim Ackinson, Vice President, Kentucky Higher Education Student Loan Corporation (KHESLC) would report on the KHESLC Student Loan Revenue Bonds, Series 2010-1 (Tax-Exempt Non-AMT LIBOR Floating Rate Bonds) Class A -1 and A-2 bond issue, which was approved by the Committee at the February 2010 meeting. Mr. Ackinson explained that this bond issue eliminated KHESLC's risk exposure related to the failed auction rate securities issued under KHESLC's 2004 General Bond Resolution.

Mr. Ackinson said KHESLC was able to borrow $703 million from the Straight A funding program established by the federal government. The second piece of the financing was required because not all of KHESLC's pre-existing collateral was eligible for Straight A funding.

Morehead State University bonds

Next Mr. Antle said the third first follow-up report was for Morehead State University General Receipts Bonds, Taxable Build America Bonds 2010 Series A. Proceeds from this bond issue will be used for the Renovate Mignon Tower Residence Hall as authorized in 2008 HB 406 (2008-10 Budget). This bond issue was included on the Committee's May 2010 agenda, but was not approved due to a lack of quorum. The Finance and Administration Cabinet notified the Committee in a letter that the Cabinet would proceed with the bond issue.

Northern Kentucky University bonds

The fourth follow-up report was for Northern Kentucky University

General Receipts Bonds, 2010 Series A. Proceeds from this bond issue will be used for the Acquire and Renovate Residence Hall project as authorized in 2008 HB 406 (2008-10 Budget) and will refund the university's outstanding Consolidated Educational Buildings Revenue Bonds Series J and refund the outstanding principal amount of a 1998 facilities lease, including the related certificates of participation. This bond issue was included on the Committee's May 2010 agenda, but was not approved due to a lack of quorum. The Finance and Administration Cabinet notified the Committee in a letter that the Cabinet would proceed with the bond issue. No Committee action is needed on follow-up reports.

Representative Damron asked how the interest rates on the recent bond issues compared with the interest rate assumptions made in the budget. Mr. Antle said the interest rates on the bonds are coming in considerably lower than forecasted. He said going into this budget cycle, OFM provided estimates on both a Build America Bond basis and tax-exempt basis. He said the Build American Bond program has played an important role in the rates coming in lower than projected. Mr. Antle said when they estimate the rate for Authorized But Unissued bonds (ABUI) potential market volatility is considered.

Mr. Hicks also responded that the state has not yet issued bonds for traditional General Fund-supported capital projects. Representative Damron asked what was used in the budget for interest rates on these. Mr. Antle answered seven percent for tax-exempt debt and nine percent for the taxable rate on Build America Bonds.

Representative Damron asked if 4.5 percent was a fair estimate for the actual rates on debt. Mr. Antle responded affirmatively.

Representative Damron asked if there would be a significant savings going forward. Mr. Hicks said if the rates continue into the next issuance there would be a significant savings. Mr. Hicks said the ratio of debt service to revenue is lower than what was projected.

School Bond Issues

Mr. Antle reported eight new bond issues with School Facilities Construction Commission (SFCC) debt service participation for Boyle County, Garrard County, Green County, Harlan County, Lee County, Nelson County, Ohio County, and Owen County.

Senator Buford made a motion to approve the eight SFCC bond issues. The motion was seconded by Representative Westrom and passed unanimously by roll call vote.

Senator Leeper asked Ms. Culpepper to report the new local school bond issues. Ms. Culpepper said there were six new school district bond issues with 100 percent local debt support for Franklin County, Grayson County, Hardin County, Lincoln County, Lincoln County, and Ohio County. All disclosure information has been filed. No Committee action was needed.

With there being no further business, Representative Westrom made a motion to adjourn the meeting. The motion was seconded and the meeting adjourned at 2:05 p.m.

ADMINISTRATIVE REGULATION REVIEW SUBCOMMITTEE

Minutes of the July Meeting

July 13, 2010

Call to Order and Roll Call

The July meeting of the Administrative Regulation Review Subcommittee was held on Tuesday, July 13, 2010, at 1:00 PM, in Room 149 of the Capitol Annex. Representative Leslie Combs, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Elizabeth Tori, Co-Chair; Representative Leslie Combs, Co-Chair; Senators Alice Forgy Kerr, and Joey Pendleton; Representatives Robert R. Damron, Danny Ford, and Jimmie Lee.

Guests: Dennis Taulbee, Jevonda Keith, Council on Postsecondary Education; Nathan Goldman, Board of Nursing; Ann D'Angelo, Godwin Onodu, Transportation Cabinet; Robin Ritter, Patrick Shirley, Mindy Yates, Office of Vocational Rehabilitation; Patricia Cooksey, Marc Guilfoil, Susan Bryson Speckert, Kentucky Horse Racing Commission; Carrie Banahan, Mary Begley, Stephanie Brammer Barnes, Virginia Carrington, Elizabeth Caywood, Jennifer Devine, Lisa Osbourne, Cabinet for Health and Family Services; Caroline Ridgeway, Convenient Care Association.

The Administrative Regulation Review Subcommittee met on Tuesday, July 13, 2010, and submits this report:

Administrative Regulations Reviewed by the Subcommittee:

COUNCIL ON POSTSECONDARY EDUCATION: Nonpublic Colleges

13 KAR 1:020. Private college licensing. Dennis L. Taulbee, general counsel, and Jevonda Keith, senior associate, represented the council.

GENERAL GOVERNMENT CABINET: Board of Nursing: Board

201 KAR 20:510. Voluntary relinquishment of a license or credential. Nathan Goldman, general counsel, represented the board.

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

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

601 KAR 2:020. Drivers' privacy protection. Ann D'Angelo, assistant general counsel, and Godwin Onodu, assistant director, represented the division.

A motion was made and seconded to approve the following amendments: (1) to amend Sections 4 and 6 to comply with the drafting requirements of KRS Chapter 13A; and (2) to amend Section 8 to incorporate two (2) additional forms by reference. Without objection, and with agreement of the agency, the amendments were approved.

EDUCATION AND WORKFORCE DEVELOPMENT CABINET: Department of Workforce Investment: Office of Vocational Rehabilitation: Administration

781 KAR 1:020. General provisions for operations of the Office of Vocational Rehabilitation. Robin N. Ritter, program administrator; Patrick B. Shirley, staff attorney; and Mindy Yates, staff assistant, represented the office.

A motion was made and seconded to approve the following amendments: (1) to amend the RELATES TO and STATUTORY AUTHORITY paragraphs to correct statutory citations; (2) to amend the NECESSITY, FUNCTION, AND CONFORMITY paragraph to clearly state the necessity for and the function served by this administrative regulation, as required by KRS 13A.220; (3) to amend Section 1 to delete unnecessary definitions; and (4) to amend Sections 2, 3, 5 through 8, 11, 12, and 16 to comply with the drafting and format requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

781 KAR 1:030. Order of selection and economic need test for vocational rehabilitation services.

A motion was made and seconded to approve the following amendments: (1) to amend the RELATES TO paragraph to add additional citations; (2) to amend the NECESSITY, FUNCTION, AND CONFORMITY paragraph to clearly state the necessity for and the function served by this administrative regulation, as required by KRS 13A.220; (3) to amend Section 1 to add necessary definitions; and (5) to amend Sections 1 through 3 to comply with the drafting and format requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

PUBLIC PROTECTION CABINET: Kentucky Horse Racing Commission: Division of Licensing: Thoroughbred Racing

810 KAR 1:025 & E. Licensing thoroughbred racing. Patricia J. Cooksey, director of public relations; Marc A. Guilfoil, deputy executive director; and Susan Bryson Speckert, general counsel, represented the commission.

In response to questions by Representative Damron, Ms. Speckert stated that it was necessary to promulgate these administrative regulations on an emergency basis because a new racetrack may need to be licensed at any time, personnel licensing took place year round, and frivolous appeals were an ongoing problem. The commission approved the fee increases at its board meeting, which was open to the public and announced to all stakeholders.

In response to questions by Representative Ford, Ms. Speckert stated that frivolous appeals were referenced throughout these administrative regulations based on the Civil Rules established by the Kentucky Supreme Court. The frivolous appeals prohibition is needed because it is currently possible that a jockey, for example, may be suspended from racing; however, that suspension could be frivolously appealed with the appeal date scheduled after an important race in which the jockey intended to race. The jockey would be able to race and then withdraw the frivolous appeal to serve the suspension at a time convenient to the jockey. Ms. Speckert stated that the commission would determine if an appeal was or was not frivolous, and further due process could then be sought through the judicial system.

In response to questions by Senator Kerr and Representative Ford, Ms. Speckert stated that in May 2008 the commission voted for the fee increases after an audit from the State Auditor, Critt Luallen, demonstrated a need for the increases. Ms. Speckert stated that the administrative regulations had been in place as emergency administrative regulations for two (2) years, had been publicly vetted with stakeholders, and had not been opposed by stakeholders. The commission representatives and subcommittee members discussed the possibility of deferring some or all of these administrative regulations until the August meeting; however, doing so allowed for a potential gap between the date the administrative regulations would become effective and the date the emergency provisions would expire. Subcommittee members discussed ramifications of deferral and a possible motion to request deferral. The agency agreed to potential deferral if the Subcommittee approved such a motion. Ms. Speckert stated that live racing would be taking place during the potential nine (9) day gap between when the emergency administrative regulations would expire and the ordinary administrative regulations would become effective, if the administrative regulations were deferred.

A motion was made and seconded to defer consideration of these administrative regulations until the August meeting. A roll call vote was taken. The motion was not approved by a vote of four (4) to two (2).

Senator Kerr stated that it was unnecessary to take punitive action toward this commission, but it was important to take prudent action to eliminate the statutory loophole that allowed a fee to be established or increased through an emergency administrative regulation that was then withdrawn and refiled in such a way that legislative oversight was significantly delayed. She had not received any complaints from stakeholders regarding the fees and did not wish to penalize the horse industry. She questioned if raising fees during this economic climate, which had hit the racing industry severely, was prudent.

In response to a question by Senator Pendleton, Subcommittee staff stated that KRS Chapter 13A did not currently prohibit establishing or increasing fees by administrative regulation and did not prohibit an agency from repeatedly withdrawing and refiling an administrative regulation that was not identical to or substantially the same as a prior emergency administrative regulation.

In response to questions by Representative Lee, Ms. Speckert stated that the commission had been collecting the fee since 2008 because the administrative regulation had been withdrawn and refiled several times. Subcommittee staff stated that some of the issues that delayed progress of the administrative regulations were legal problems. The authorizing statute had been amended by the General Assembly to authorize some of the changes made by these administrative regulations. Fees were collected before the amendments were made to the authorizing statute. Mr. Guilfoil stated that the amendment that was necessary to the authorizing statute pertained to clarifying the categories for licensure.

Representative Lee requested that the commission provide a timeline documenting each time these administrative regulations were withdrawn and refiled with the rationale for the action, including how the administrative regulations met statutory criteria for an emergency.

In response to a question by Representative Damron, Ms. Speckert stated that the commission was not purposely trying to create a situation where a fee was collected without public input or legislative oversight. It took time to work out many of the legal issues, and all of the commission meetings regarding the fees were open to the public. Mr. Guilfoil added that harness racing stakeholders had been notified of the fee increases, but he was not sure if that was also true for all groups of thoroughbred stakeholders.

In response to a question by Senator Kerr, Subcommittee staff stated that the compromises made to the administrative regulations pertained to legal issues and not to the fee increases.

Representatives Lee and Damron both stated that it was inherently wrong to raise fees without legislative oversight and representation by repeatedly filing and withdrawing an emergency administrative regulation. Subcommittee members discussed the potential need to amend KRS Chapter 13A to close this loophole.

A motion was made and seconded to draft a letter from the Subcommittee to the governor, the Legislative Research Commission, and all executive branch agencies to: (1) express the Subcommittee's displeasure with the statutory loophole that allows an agency to raise or establish fees through an emergency administrative regulation, especially if that administrative regulation is then repeatedly withdrawn and refiled so that the fee remains effective without legislative oversight; (2) express the Subcommittee's recommendation that KRS Chapter 13A be amended during the next regular session of the General Assembly to prohibit increasing or establishing fees by emergency administrative regulation and to express the Subcommittee's intent to collectively prefile a co-sponsored bill to do the same; and (3) include in the letter the concern regarding fee increases being placed on the horse racing community when the industry was struggling in a difficult economic climate. The question was called, and a roll call vote was taken. The motion was approved unanimously by all members present.

A motion was made and seconded to approve the following amendments: (1) to amend Sections 2 and 5 and the licensing application to update the licensing categories; (2) to amend Section 4 to establish licensing requirements for equine therapists; (3) to amend Section 9 to limit out of competition testing to those authorized by administrative regulation; (4) to amend Section 14(1)(s)1. to delete the prohibition on firearm possession by a licensee on racing association grounds; (5) to amend Section 23 to update the licensing application and the veterinarian approval form; and (6) to amend the RELATES TO; STATUTORY AUTHORITY; and NECESSITY, FUNCTION AND CONFORMITY paragraphs and Sections 2 through 5, 9 through 14, 16 through 21, and 23 to comply with the drafting and format requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

810 KAR 1:037 & E. Licensing of racing associations.

A motion was made and seconded to approve the following amendments: (1) to amend Section 11 and the Change of Control form to insert omitted text; and (2) to amend the TITLE; the RELATES TO; STATUTORY AUTHORITY; and NECESSITY, FUNCTION, AND CONFORMITY paragraphs; and Sections 1, 4, 8, 9, and 11 to comply with the drafting and format requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

810 KAR 1:100 & E. Frivolous appeals.

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

Harness Racing

811 KAR 1:037 & E. Licensing of racing associations.

A motion was made and seconded to approve the following amendments: (1) to amend Section 11 and the Change of Control form to insert omitted text; and (2) to amend the TITLE; the RELATES TO; STATUTORY AUTHORITY; and NECESSITY, FUNCTION, AND CONFORMITY paragraphs; and Sections 1, 4, 8, 9, and 11 to comply with the drafting and format requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

811 KAR 1:230 & E. Frivolous appeals.

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

Quarter Horse, Appaloosa and Arabian Racing

811 KAR 2:130 & E. Frivolous appeals.

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 and format 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 Health Policy: Certificate of Need

900 KAR 6:060. Timetable for submission of certificate of need applications. Carrie Banahan, executive director, represented the office.

A motion was made and seconded to approve the following amendments: (1) to amend the STATUTORY AUTHORITY paragraph to correct a statutory citation; (2) to amend the NECESSITY, FUNCTION, AND CONFORMITY paragraph to clearly state the necessity for and function served by this administrative regulation, as required by KRS 13A.220; and (3) to amend Sections 1 and 2 to: (a) comply with the drafting and format requirements of KRS Chapter 13A; and (b) change the batching cycle for cardiac catheterizations from the public notice given in May and November to the public notice given in January and July. Without objection, and with agreement of the agency, the amendments were approved.

Office of Inspector General: Division of Healthcare: Health Services and Facilities

902 KAR 20:400. Limited services clinics. Mary Begley, inspector general, represented the division. Caroline Ridgway, policy director, Commonwealth Care Association appeared in support of this administrative regulation.

Ms. Ridgway thanked the office for cooperation in amending this administrative regulation and requested reconsidering the eighteen (18) month time frame for revisiting which services are appropriate for a limited services clinic. She preferred a shorter time frame.

A motion was made and seconded to approve the following amendments: (1) to amend Section 3 to: (a) allow off-site community vaccination and health screening drives; (b) allow vaccinations for children age eleven (11) and older, as well as the influenza vaccine for patients age twenty-four (24) months and older; (c) require the clinic to inform the patient that the patient does not have to buy recommended or prescribed items from the host retail location; (d) include patient education services for diabetes, hyperlipidemia, and hypertension; (e) specify that a clinic may order specific lab testing and that only Clinical Laboratory Improvement Amendments waived testing may be done on-site; (f) allow services pursuant to a patient's plan of care or order from another practitioner; (g) allow nonemergency episodic treatment for an acute exacerbation of a chronic condition; (h) allow initial diagnosis of chronic illness, along with doctor referral, and thirty (30) day interim treatment; (i) allow a thirty (30) day prescription for maintenance medication, along with documented efforts to contact the primary prescriber; and (j) if the cabinet receives requests for modification of the list of services, convene an advisory committee to review the list and make recommendations no sooner than eighteen (18) months from the effective date of this administrative regulation; (2) to amend Section 4 to specify information in the patient rights policies; (3) to amend Sections 4 and 5 to specify medical record requirements; and (4) to amend Section 7 to require that trash containers be cleaned regularly, as needed, rather than daily. Without objection, and with agreement of the agency, the amendments were approved.

Department for Income Support: Child Support Enforcement: Family Support

921 KAR 1:410. Child support collection and enforcement. Jennifer Devine, internal policy analyst, and Lisa Osborne, staff attorney, represented the department.

A motion was made and seconded to approve the following amendments: (1) to amend the RELATES TO; Statutory Authority; and NECESSITY, FUNCTION, AND CONFORMITY paragraphs to specify citations; and (2) to amend Sections 2 through 5 to comply with the drafting and format requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

Department for Community Based Services: Division of Family Support: K-TAP, Kentucky Works, Welfare to Work, State Supplementation

921 KAR 2:50E. Work Now Kentucky Program. Virginia Carrington, branch manager, and Elizabeth Caywood, internal policy analyst, represented the division.

The following administrative regulations were deferred to the August 10, 2010, meeting of the Subcommittee:

PERSONNEL CABINET: Personnel Cabinet, Classified

101 KAR 2:066 & E. Certification and selection of eligibles for appointment.

FINANCE AND ADMINISTRATION CABINET: Office of the Secretary: Purchasing

200 KAR 5:315. Debarment.

GENERAL GOVERNMENT: Board of Veterinary Examiners: Board

201 KAR 16:030 & E. License, renewal notice, exemption.

JUSTICE AND PUBLIC SAFETY CABINET: Department of Criminal Justice Training: General Training Provision

503 KAR 3:010. Basic Law enforcement training course recruit conduct requirements; procedures and penalties.

503 KAR 3:040. Telecommunications academy trainee requirements; misconduct; penalties; discipline procedures.

503 KAR 3:110. Certified court security officers academy trainee requirements; misconduct; penalties; discipline procedures.

EDUCATION AND WORKFORCE DEVELOPMENT CABINET: Kentucky Board of Education: Department of Education: School Administration and Finance

702 KAR 3:246. School council allocation formula: KETS District Administrative System Chart of Accounts.

CABINET FOR HEALTH AND FAMILY SERVICES: Office of Health Policy: Certificate of Need

900 KAR 6:020. Certificate of need application fees schedule.

The subcommittee adjourned at p.m. until August 10, 2010.

LRC Staff: Dave Nicholas, Donna Little, Sarah Amburgey, Chad Collins, Emily Harkenrider, Karen Howard, and Laura Napier.

GOVERNMENT CONTRACT REVIEW COMMITTEE

Committee Minutes

July 13, 2010

Call to Order and Roll Call

The Government Contract Review Committee met on Tuesday, July 13, 2010, at 10:00 AM, in Room 171 of the Capitol Annex. Senator Vernie McGaha, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Vernie McGaha, Co-Chair; Representative Dennis Horlander, Co-Chair; Senators Julian M. Carroll, Carroll Gibson, and Elizabeth Tori; Representatives Jesse Crenshaw and Brad Montell.

Guests: Hilarye Dailey, Julie Brewer, Hiren Desai, Terry Holliday, Steve Lynn, Holland Spade, Jim Navolio, Kevin Brown, Ken Draught, Debbie Tankersley, Nancy Graham, Nancy Carpenter, Shanon Maggard, Jeff Mosley, Lisa Beran, Vickie Wise, Jeff Burton, Diana Barber, Jodell Renn, Tim Burcham, David Holcomb, Philip Brashear, Tom Pope, Steve Kull, Diana Olszowy, Denise Hagan, Mike Denney, Chris Polston, Shannon Loyd, Steve Mason, Kathrine Napier, Gary Meiseles, Todd Shipp, Rebecca Goodman, Peggy Stratton, Frank Butler, Bill Harris, J.R. Wilhite, Frank Dickerson, Jane Fitzpatrick, Walt Gaffield, Mary Hook, Renee Close, David Gayle, Toyah Robey, Tommy Goins, Debora Almgren, Allan Bryant, Amy Metzger and Edward Winner.

LRC Staff: Kim Eisner, Matt Ross and Becky Brooker.

A motion was made by Senator Carroll to approve Minutes of the June 2010 meeting of the committee. Senator Gibson seconded the motion, which passed without objection.

A motion was made by Senator Carroll to defer the following items from the Personal Service Contract List to the August 2010 meeting of the committee: 1000003024, Merenbloom Seminars Incorporated; 11-WRD-001, Ward Group; 11-04-073, Orderpad Software Incorporated; 11-013, University Accounting Service, LLC; 1000002568, Property Service Group Southeast Incorporated; 1000002594, CEI Appraisal Group Incorporated; K11-131, Touchpoint Associates. Representative Horlander seconded the motion, which passed without objection.

A motion was made by Senator Carroll to defer the following items from the Personal Service Contract for $10,000 & Under List to the August 2010 meeting of the committee: 12-018, Timothy L. Warner Incorporated; 11-07-075, Eyeland Studio Incorporated; 1000001383, Advanced Risk Management Techniques. Representative Horlander seconded the motion, which passed without objection.

A motion was made by Representative Horlander to disapprove the following contract with the University of Kentucky: K11-143, Hewitt Associates Public Sector Consulting, LLC due to the vendor currently being a registered foreign corporation in bad standing with the Secretary of State. Representative Montell seconded the motion, which passed without objection.

A motion was made by Senator Carroll to approve the following items from the deferred list: 10060, Cornerstone Designs Incorporated; 2011-7, TheoPRO Compliance & Consulting Incorporated; 1000002444, Actuarial Resources Corporation; 20114, Bond Logistix; 1000002468, Aerial Reconnaissance Incorporated. Representative Montell seconded the motion, which passed without objection.

A motion was made by Representative Horlander to consider as reviewed, the Personal Service Contract List, with exception of those items selected for further review by members of the committee. Senator Carroll seconded the motion, which passed without objection. Representative Crenshaw abstained from voting on contract number PON 2 175 1000003140; item number 16 on the

Personal Service Contract List.

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

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

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

THE FOLLOWING PERSONAL SERVICE CONTRACTS WERE REVIEWED WITHOUT OBJECTION:

AGRICULTURE, DEPARTMENT OF:

Miss Kentucky Scholarship Organization Incorporated, 1000003579.

ATTORNEY GENERAL, OFFICE OF THE:

Charles J. Rickert, 1000003096; Tichenor & Associates, 1000003583.

AUDITOR OF PUBLIC ACCOUNTS, OFFICE OF THE:

Harding Shymanski & Company, 1000002255; Kem Duguid & Associates PSC, 1000003795; Rodefer Moss & Company PLLC, 1000003797; Tichenor & Associates, 1000003798; Tichenor & Associates, 1000003799; Teddy Michael Prater CPA, PLLC, 1000003800; Morgan Franklin, LLC, 1000003825; Tichenor & Associates, 1000003826; Mountjoy Chilton Medley, LLP, 1000003827.

BOARD OF CLAIMS & CRIME VICTIMS COMPENSATION:

Stout Farmer & King PLLC, 1000003137; Bowles, Rice, McDavid, Graff & Love, 1000003138; Goldberg Simpson, LLC, 1000003139; Braxton Crenshaw, 1000003140; Rudloff & Rudloff, 1000003141.

COMMISSION FOR CHILDREN WITH SPECIAL HEALTH CARE NEEDS:

CDM Services Incorporated, 1000003304.

CORRECTIONS, DEPARTMENT OF:

Louisville Metro Reentry Task Force Incorporated, 1000001913; Oldham County Veterinary Services, 1000002100; Nash Cleveland & Godfrey, DVM, 1000002134; Trigg County Veterinary Clinic, 1000002139; Chrysalis House Incorporated, 1000002536; Volunteers of America of Kentucky Incorporated, 1000002590; Allen Veterinary Services, PLLC, 1000002808; Greater Louisville Counseling, 1000002816; Transitions Incorporated, 1000003399; Mental Health America of Northern Kentucky, 1000003811; Prodigal Ministries Incorporated, 1000003932.

CRIMINAL JUSTICE TRAINING, DEPARTMENT OF:

Law Enforcement Services Incorporated, 1000002723.

DENTISTRY, BOARD OF:

Marquetta Poynter, DMD, 1000003339; Robert S. Thompson, III, 1000003363; Brian Fingerson RPH Incorporated, 1000003372.

DEPARTMENT FOR AGING & INDEPENDENT LIVING:

Eckman Freeman & Associates, 1000001774; Radical Rehabilitation Solutions, LLC, 1000001925; Experience Works, 1000003127.

DEPARTMENT FOR BUSINESS DEVELOPMENT:

General Electric Company, 1000002289; Global Business Partners Mexico S C, 1000002961; Larkin Trade International, LLC, 1000002962; Community Ventures Corporation, 1000003338.

DEPARTMENT FOR COMMUNITY BASED SERVICES:

Brighton Center Incorporated, 1000001181; Hazard Perry County Community Ministries Development Center, 1000001183; Audubon Area Community Service, 1000001534; Child Care Council of Kentucky, 1000001535; Child Care Council of Kentucky, 1000001536; Child Care Council of Kentucky, 1000001537; Community Coordinated Child Care, 1000001538; Prevent Child Abuse Kentucky, 1000001568; Family & Children First, 1000001569; Kentucky Domestic Violence Association, 1000001619; Family & Children First, 1000001922; Pathways Incorporated, 1000002156; KVC Behavioral Healthcare Kentucky, 1000002157; Specialized Alternatives for Families & Youth of Kentucky, 1000002528; Children's Home of Northern Kentucky, 1000002763; Father Maloney's Boys Haven, 1000002764; KVC Behavioral Healthcare Kentucky, 1000002765; Specialized Alternatives for Families & Youth of Kentucky, 1000002766; Home of the Innocents, 1000003131; Public Consulting Group Incorporated, 1000003314.

DEPARTMENT FOR ENVIRONMENTAL PROTECTION:

Acclaim Systems Incorporated, 1000002315; Keramida Environmental Incorporated, 1000002945; Coyle & Associates, 1000003015.

DEPARTMENT FOR FAMILY RESOURCE CENTERS & VOLUNTEER SERVICES:

American Red Cross Louisville, 1000001540.

DEPARTMENT FOR MEDICAID SERVICES:

Island Peer Review Organization Incorporated, 1000001090; Covington and Burling, 1000001121.

DEPARTMENT FOR NATURAL RESOURCES:

Joe Dietz, 1000002425; Multi, 1000002784; Urgent Treatment Centers, 1000002822; Kentucky Association of Consulting Foresters, 1000003456.

DEPARTMENT FOR PUBLIC HEALTH:

Park Duvalle Neighborhood Health Center, 1000001599; Norton Healthcare Incorporated, 1000001613; National Jewish Health, 1000001737; Reach of Louisville Incorporated, 1000002419.

DEPARTMENT OF INSURANCE:

Prometric Incorporated, 1000002151; PSI Services, LLC, 1000002203; Merlinos & Associates, Incorporated, 1000002491; Pinnacle Actuarial Resources Incorporated, 1000002506; DCF Services Incorporated, 1000002510; Blue & Company, LLC, 1000002548; Actuarial Resources Corporation, 1000002552; Highland Clark, LLC, 1000002553; Neriette Eldridge, 1000002571; J.W.G. Financial Examinations, LLC, 1000002573; WDC Consulting, LLC, 1000002582; Brent D. Simpson Consulting, 1000002785; Knowledge Transformation Systems Incorporated, 1000002786; Black, Benton & Associates, LLC, 1000002787; Maynard Consulting, LLC, 1000002788; Harlow & Company, LLC, 1000002789; A. Kent Cavenee, 1000002812; Patricia Shofner, 1000002813; MLJ Consulting, LLC, 1000002814; Regulatory Services LLC, 1000002815; Allen Bailey & Associates Incorporated, 1000002826; Taylor-Walker & Associates Incorporated, 1000002827; Taylor-Walker & Associates Incorporated, 1000002846; Bartlett Actuarial Group, Ltd., 1000002847; Wakely Consulting Group, 1000002953; Ingenix Consulting, 1000002972.

DEPARTMENT OF WORKPLACE STANDARDS:

Blue & Company LLC, 1000002408.

EASTERN KENTUCKY UNIVERSITY:

Dr. Vincent J. Mullen, II, 12-004; BioMedical Research Services, 12-005; Compass Knowledge Group, LLC, 12-009; McCandlish Holton PC, 12-010; Sturgill, Turner, Barker & Moloney, PLLC, 12-011; Johnson True & Guarnieri, LLP, 12-012; Ellen C. Williams, LLC - Capital Network, 12-013; Johnson True Guarnieri, LLP, 12-014; Neace Lukens Incorporated, 12-019; Neace Lukens, 12-020; Artemetrx, 12-021.

ECONOMIC DEVELOPMENT - OFFICE OF THE SECRETARY:

Blue & Company LLC, 1000003258; The Bagley Group, LLC, 1000003815.

EDUCATION PROFESSIONAL STANDARDS BOARD:

Linda Nickel, 1000003094.

EDUCATION, DEPARTMENT OF:

Roger Barnett, 1000002464; Career Cruising, 1000002466; Danville Pediatrics, 1000002469; William Powers Auty, 1000002470; Educational Testing Service, 1000002471; David Woods, 1000002534; Edgar Pete Miller, 1000002535; Connie Wilcox, 1000002551; Bethune Institute, 1000002593; Boys & Girls Club of Greater Cincinnati, 1000002607; Center for Family & Community Services, 1000002634; Public Consulting Group, 1000002670; Robert L. Falk, 1000002677; Jennifer R. Stocker, 1000002679; Donna A. Meyer, 1000002680; Hands On Therapy, PSC, 1000002681; Kearns Physical Therapy, LLC, 1000002683; Kentucky Clean Fuels Coalition, 1000002684; Kentucky Dataseam Initiative Incorporated, 1000002686; Human Resources Research Organization, 1000002688; Metametrics Incorporated, 1000002689; The Riverside Publishing Company, 1000002692; National Energy Education Development Project, 1000002696; Carol A. Klaber, 1000002697; Robin B. Johnson, 1000002699; Clinton D. Kirk, 1000002705; Logan & Gaines, 1000002712; Kenton County YMCA, 1000002722; Lighthouse Promise Incorporated, 1000002727; Lotts Creek Community School, 1000002730; Pleasant Green Baptist Church, 1000002750; R.C. Durr YMCA, 1000002754; The Law Office of Kim Hunt Price, PLLC, 1000002939; Cheryl R. Neff, 1000002942; Karen L. Perch, 1000002943; Paul L. Whalen, 1000002944; Mike Wilson, 1000002946; Mike Johnson, 1000002993; Linda Martin, 1000002996; Kentucky Science & Technology Corporation, 1000003001; New Teacher Center, 1000003013; New Frontier 21 Consulting, 1000003025; New Frontier 21 Consulting, 1000003027; University of Kentucky Research Foundation, 1000003384.

EDUCATIONAL TELEVISION, KENTUCKY:

Vonlehman and Company PSC, 1000003317; Susan B. Hines-Bricker, 1000003397; James R. Slone, 1000003655; James Bugay, 1000003656; Roger M. Bondurant, 1000003658; Britt Davis, 1000003660; William K. Durham, 1000003662; Michelle Larock, 1000003664; Justin C. Allen, 1000004023.

ENGINEERS & LAND SURVEYORS, KENTUCKY BOARD OF REGISTRATION FOR PROFESSIONAL:

Edmund S. Miller Jr., 1000002966; Robert S. Giles, 1000002967; Robert S. Thompson III, 1000002968.

FINANCE AND ADMINISTRATION CABINET:

Powell Walton Milward, 1000002852; Blue & Company, LLC, 1000002965; 621 Law Partners, 1000003705; Conliffe Sandmann & Sullivan, 1000003737; Morgan & Pottinger, 1000003754; Goldberg & Simpson, PSC, 1000003758.

FINANCE AND ADMINISTRATION CABINET - DIVISION OF ENGINEERING:

Barnette Bagley Architects, 1000001690; GRW Engineers Incorporated, 1000002308; Fitzsimons Office of Architecture Incorporated, 1000002919; Myers Jolly Architects, 1000003119.

FINANCIAL INCENTIVES, DEPARTMENT OF:

Stoll Keenon Ogden PLLC, 1000003243; Hurt Crosbie & May, 1000003251; Kinkead & Stilz, PLLC, 1000003252; Mountjoy Chilton Medley, LLP, 1000003253.

FISH & WILDLIFE, DEPARTMENT OF:

Copperhead Environmental Consulting Incorporated, 1000002668; National Wild Turkey Federation, 1000002794.

GOVERNOR, OFFICE OF THE:

Wyatt Tarrant and Combs, 1000003765.

HIGHER EDUCATION ASSISTANCE AUTHORITY, KENTUCKY:

Center for Rural Development, 1000003121; Evaluation Associates, LLC, A Milliman Company, 1000004127.

INFRASTRUCTURE AUTHORITY:

Blue & Company LLC, 1000003923.

JUSTICE CABINET:

Mark Bernstein, DDS, 1000004124.

JUVENILE JUSTICE, DEPARTMENT OF:

Commonwealth Research Consulting Incorporated, 1000002316; Sylvia L. Kuster, 1000002743; Joseph M. Pittard, M.D., 1000002823; Dr. Glen Bichlmeir, 1000002845; PCA Corrections, LLC, 1000002848; Brenda Wilburn, 1000002867; Dr. Dale Jones, 1000002871; Brenda Wilburn, 1000002874; Gateway Juvenile Diversion Project Incorporated, 1000002969; Methodist Home of Kentucky Incorporated, 1000002970; Correctional Eye Care, 1000003098; Midwest Radiology, 1000003104; Mid America Health Incorporated, 1000003112; Medical Staffing Network, 1000003146.

KENTUCKY COMMUNITY & TECHNICAL COLLEGE SYSTEM:

Youth Build Louisville, 436; Commonwealth Auction Service, 441; G. Herbert Pritchett & Associates Incorporated, 442; Sirk & Company, 443; E. Clark Toleman, 445; Integra Realty Resources, 446; Kentucky Field Service Realty Incorporated, 447; CedarCrestone Incorporated, 448; Dr. Martin Milkman, 451; Anthony Weaver, 453; Association of Community College Trustees, 454; Dr. Jeff Hockaday, 455; Truck America Training, LLC, 456; Lake Cumberland CDL Training School Incorporated, 457; Hagyard-Davidson-McGee Associates PLLC, 458; Truck America Training, 459; American Heavy Equipment Training, 460; Greenebaum, Doll & McDonald, PLLC, 462; Walther, Roark & Gay, PLC, 463; McBrayer, McGinnis, Leslie & Kirkland, PLLC, 464; Immediate Solutions LLC, 465; Dean Dorton Ford, PSC, 466; Meridian-Chiles, 467; The Clements Group, 468; Creative Alliance, 469; Alamo Community College District, 472; Cuyahoga Community College, 473; Columbia University, The Community College Research Center, 474; Danville Community College, 475; Lansing Community College, 476; Pellissippi State Community College, 477; Spartanburg Community College, 478; Henry Ford Community College, 479.

KENTUCKY EMPLOYERS MUTUAL INSURANCE:

Multi, 11-CLD-001; Conning Incorporated, 11-CON-001; Ridenour & Associates, LLC, 11-GAL-001; Hay Group Incorporated, 11-HMC-001; Towers Watson Pennsylvania Incorporated, 11-TIL-001; Underwriters Safety & Claims, 11-USC-001.

KENTUCKY HIGHER EDUCATION STUDENT LOAN CORPORATION:

5280 Solutions, 11-001.

KENTUCKY HOUSING CORPORATION:

Mountjoy Chilton Medley, LLP, 2011-16; AFC First Financial Corporation, 2011-20; Conservation Services Group, Incorporated, 2011-21.

KENTUCKY LOTTERY CORPORATION:

Goldberg & Simpson, PSC, 11-05-044; Vision Solutions, 11-92-001-2; GTECH Corporation, 11-95-089; Chase Bank, 1106026.

KENTUCKY STATE UNIVERSITY:

Crowe Horwath, LLP, 11-01; Johnson, True & Guarnieri, LLP, 11-02; Anthony Barnes, 11-04; Witt/Kieffer, 11-05.

KY HORSE RACING AUTHORITY:

McBrayer McGinnis Leslie & Kirkland, 1000002297.

MEDICAL LICENSURE, BOARD OF:

Multi, 1000002739; Donna H. Terry, 1000002869; Thomas J. Hellmann, Attorney-at-law, PLLC, 1000002940; Kentucky Physicians Health Foundation Incorporated, 1000003008.

MILITARY AFFAIRS, DEPARTMENT OF:

Public Private Solutions Group, 1000003588; The Rhoads Group, 1000003663; Edgar Satchwell, 1000003810; Thomas P. Pendleton Jr., 1000003819; Lanny Walls, 1000003835; Edward Hood Drury, 1000003838.

MOREHEAD STATE UNIVERSITY:

Sturgill, Turner, Barker & Moloney, PLLC, 11-004; Frost Brown Todd, LLC, 11-005; Wellness Consultants, LLC, 11-007; Provations Group, 11-008; CG&B Marketing, LLC, 11-009; MML&K Government Solutions, 11-010; Martin Larson, 11-020.

MURRAY STATE UNIVERSITY:

Mercer (US) Incorporated, 002-11; Multi, 005-11-3; Multi, 006-11; Gary Draper & Associates of Atlanta, Incorporated, 007-11; Great Energy Partners, 008-11.

NORTHERN KENTUCKY UNIVERSITY:

Crowe Horwath, LLP, 2011-462-3; Goody Clancy, 2011511; Alt & Witzig Engineers Incorporated, 2011521; Heapy Engineering, 2011522; KZF Design, 2011542; Beacon Global Services, 2011543; Brownstone Design, 2012-445; Dressman, Benzinger & LaVelle, PSC, 2012-545; Dinsmore & Shohl, 2012-546; Chesley Law Practice, PLLC, 2012-547; Ziegler & Schneider, PSC, 2012-550; Sturgill, Turner, Barker & Moloney, PLLC, 2012-551; Wood, Herron & Evans, LLP, 2012-552; SMG d/b/a Superior Management Group, 2012446; Susan Brinkman, 2012553.

PERSONNEL BOARD:

Edward P. Moores, 1000003773; Colleen Beach, 1000003848; Steven G. Bolton, 1000003851; Stephen T. McMurtry, 1000003857; Geoffrey B. Greenawalt, 1000003860; Roland P. Merkel, P.S.C., 1000003862; Kim H. Price, 1000003868; John C. Ryan, 1000003873; Hanson Williams, 1000003874; Ann M. Sheadel, 1000003875.

PERSONNEL-OFFICE OF THE SECRETARY:

PriceWaterhouseCoopers, LLP, 1000001916; Blue & Company LLC, 1000002245; Blue & Company LLC, 1000002304; Chapman Kelly Incorporated, 1000003125; Cannon Cochran Management Services Incorporated, 1000003240; Winner Resources, LLC, 1000003319; Winner Resources, LLC, 1000003320; First Onsite, LLC, 1000003548; Reed Weitkamp Schell and Vice, 1000003709; Salvaggio Teal & Associates, 1000003746.

PHARMACY, BOARD OF:

Thomas J. Hellmann, Attorney-at-law, PLLC, 1000002328; McBrayer, McGinnis Leslie & Kirkland, 1000003578.

PHYSICAL THERAPY, BOARD OF:

William A. Curley, 1000003011; Robert S. Thompson, III, 1000003054; Brian Fingerson, RPH Incorporated, 1000003087.

POST SECONDARY EDUCATION, COUNCIL ON:

Deborah L. Clayton, 1000001530; Dianne Bazell, 1000002429; Linda S. Crowe, 1000002430; Donna J. Lewis, 1000002431; SC Educational Services, 1000002432; Douglas J. Walters, 1000002433; Cumberlands Policy Research Institute, LLC, 1000002435; Veda McClain Consulting, LLC, 1000002436; Kentucky Science and Technology Corporation, 1000002570; Kentucky Science & Technology Corporation, 1000003187; Kentucky Science & Technology Corporation, 1000003190.

PSYCHOLOGISTS, BOARD OF EXAMINERS OF:

Charles D. Auvenshine, PhD, 1000003207.

REAL ESTATE APPRAISERS BOARD:

Dennis Badger & Associates Incorporated, 1000002492; Wilson Law Firm, PLLC, 1000002498; Thomas J. Hellmann, Attorney-at-law, PLLC, 1000002499.

REAL ESTATE COMMISSION:

PSI Services, LLC, 1000002587; KCH & Associates, LLC, 1000003075.

STATE BOARD FOR PROPRIETARY EDUCATION:

21st Management Corporation, 1000003210.

STATE POLICE, DEPARTMENT OF:

ASCLD Lab, 1000002515; Stephen C. Humphreys, 1000003063; Thomas A. Miller Jr., 1000003064; Roy Pace Jr., 1000003066; Curtis Pingleton, 1000003067; Kenneth W. Mayfield, 1000003068; Tony R. Wells, 1000003069; Kenneth W. Perkins, 1000003070; Ricky V. Underwood, 1000003071; Paul D. Oldham, 1000003072; Rodger P. Waters, 1000003073; Aerial Reconnaissance Incorporated, 1000003593.

TOURISM DEVELOPMENT CABINET:

Certec Incorporated, 1000003585.

TRANSPORTATION CABINET:

Blue & Company LLC, 1000001429; Kentucky Society of Professional Engineers Incorporated, 1000001758; Forward Edge Associates, 1000002062; Borowitz & Goldsmith, PLC, 1000002196; Core Solutions, LLC, 1000002424; Florence & Hutcheson, 1000002447; Kentucky Waterways Alliance, 1000002449; Urgent Treatment Center, 1000002489; M. A. Allgeier, MAI, 1000002526; James Bauer, 1000002559; Rick O. Baumgardner, 1000002560; Edward L. Beck, 1000002563; Berkley Appraisal Company, 1000002564; Charles Joseph Bird, 1000002565; Harold Brantley, 1000002566; Paul D. Brown, 1000002572; Mary McClinton Clay, 1000002574; William R. Cox, 1000002578; Curd Professional Appraisal Service, 1000002579; Intequal-Duncan Appraisal, 1000002596; James Doran, 1000002598; Robert Edwards, 1000002599; Gary Endicott, 1000002602; Thomas Ray Garner, 1000002606; J. Michael Jones, 1000002610; Lisa A. Keaton, 1000002612; Jere Kennedy, 1000002615; Robert R. Knight, 1000002619; John Daniel Lyons, 1000002620; Paul E. McDonogh, 1000002622; McPherson Appraisal Service, 1000002623; M. K. Merrill, 1000002624; Lewman Miller Appraisal Company, 1000002627; Kentucky Field Service Realty, 1000002628; Murphy Napier & Company Real Estate Appraisers Incorporated, 1000002629; Nichols Advisory Services Incorporated, 1000002630; Dixon Nunnery, 1000002632; Prater Willie, 1000002633; Brook Ping, 1000002635; Area Appraisal Service, 1000002636; G. Herbert Pritchett, 1000002637; Stephen G. Raleigh, 1000002640; Darval E. Rash, 1000002641; Appco Appraisal Service Incorporated, 1000002642; W. Clement Russell, 1000002643; Farm Appraisals, LLC, 1000002644; David P. Schoepf Associate, 1000002647; Darin Sizemore, 1000002650; Sloan Appraisal & Realty Services, 1000002651; Philip J. Tamplin, Jr., 1000002657; Dana Thornberry Appraisals, LLC, 1000002658; E. Clark Toleman, MAI, 1000002660; Waldrop & Associates, 1000002661; Williams Appraisal Company, 1000002662; W & W Appraisals, 1000002663; Loren C. Huff, 1000002667; John G. Donan, Jr., 1000002782; Matriks Management, PSC, 1000002791; Vaughn & Melton, 1000002792; Bruce Hesley, 1000002793; Mary Jane Hensley, 1000002831; J. M. Crawford & Associates Incorporated, 1000002872; DLZ Kentucky Incorporated, 1000003099; Florence and Hutcheson, 1000003100; Emerson L. Richmond, 1000003101; Aaron Engineering PLLC, 1000003102; John E. Witt, 1000003113; HMB Professional Engineers Incorporated, 1000003205; Florence & Hutcheson, 1000003212; HDR Engineering Incorporated, 1000003299; American Engineers Incorporated, 1000003300; Palmer Engineering Company, 1000003302; Entran, PLC, 1000003305; HMB Professional Engineers Incorporated, 1000003309; WMB Incorporated, 1000003312; Linebach Funkhouser Incorporated, 1000003313; Corradino Group, 1000003373; Lee Engineering LLC, 1000003383; Entran, PLC, 1000003587; Municipal Engineering Company, 1000003652; H. C. Nutting Company, 1000003823; Linebach Funkhouser Incorporated, 1000004128.

UNIVERSITY OF KENTUCKY:

Multi, A111000; Multi, A111010; Multi, A111020; Multi, A111030; Multi, A111040; Multi, A111050; R.V. Kuhns & Associates, K11-109; St. Elizabeth Medical Center, K11-117; R. Bruce Lankford, K11-118; Underwriters Safety & Claims, K11-119; PRISM Consulting Services, K11-120; Hosking Klute Healthcare, K11-121; Wilbur Smith Associates, K11-122; Reagan Marketing, K11-123; Diccicco Battista Communications, K11-124; Underwriters Safety & Claims, K11-125; Grant Cooper & Associates, K11-126; Witt / Kieffer, K11-127; Fellon-McCord & Associates Incorporated, K11-128; Facility Commissioning Group, K11-129; Sue Strong, PhD, K11-130; Sturgill, Turner, Barker & Moloney, PLLC, K11-132; John R. Meek, MD, K11-133; Lexington Infectious Disease Consultants, PSC, K11-134; Daniel C. Rodrigue, MD, K11-135; Commonwealth Anesthesia, PSC, K11-136; Blue & Company, LLC, K11-137; PricewaterhouseCoopers, LLP, K11-138; Software Information Systems, K11-139; Horn & Associates in Rehabilitation, PLLC, K11-140; Tadarra L. Richardson, MD, PSC, K11-141; Labyrinth Solutions, Incorporated d/b/a LSI Consulting, K11-142.

UNIVERSITY OF LOUISVILLE:

Crowe Horwath, LLP, 11-003; Semonin Realtors, 11-005; Multi, 11-006 A-I; Aon Consulting, 11007.

VETERANS AFFAIRS, DEPARTMENT OF:

Multi, 1000001240; Multi, 1000002522; Firstlab, LLC, 1000002625; Urgent Treatment Clinic, 1000002755; Quality Mobile X-ray Services Incorporated, 1000002976; Portarad, LLC, 1000003234.

VETERINARY EXAMINERS, BOARD OF:

James F. Boyd, 1000003220; C. Loran Wagoner, 1000003226.

WESTERN KENTUCKY UNIVERSITY:

Parker Executive Search, 101104; Current Marketing Incorporated, 101105; Sodexo Management Incorporated, 101106; Multi, 101206; Multi, 101207; Multi, 101208; Multi, 101209; Multi, 101210; Multi, 101211; Multi, 101212; Multi, 101213; Multi, 101214; Taylor Whitney Architects, 101215; McDonald Transit Associates Incorporated, 1101107.

WORKER'S COMPENSATION FUNDING COMMISSION:

Blue & Company, LLC, 1000002851; Breidenbach Capital Consulting, LLC, 1000002865.

WORKERS CLAIMS, DEPARTMENT OF:

Underwriters Safety and Claims Incorporated, 1000002956.

WORKFORCE INVESTMENT, OFFICE OF:

Donald Chaffin, 1000002389; Logan & Gaines, 1000002527; Logan & Gaines, 1000002583; John G. Turner, 1000002584; Susan Miller, 1000002585; Kentucky River Community Care, 1000003148; Easter Seals West Kentucky Incorporated, 1000003149; OWL d/b/a Opportunity for Work & Learning, 1000003150; Lifeskills, 1000003151; Communicare Incorporated Adult, 1000003152; Community Employment Services, 1000003154; Employment Solutions, 1000003155; Options Unlimited Incorporated, 1000003156; Realizations LLC, 1000003158.

THE FOLLOWING PERSONAL SERVICE AMENDMENTS WERE REVIEWED WITHOUT OBJECTION:

ADMINISTRATIVE OFFICE OF THE COURTS:

Logan & Gaines, 1000000799; Sword & Broyles Law Offices, 1000001187; Littler & Mendelson, P.C., 1000001642; Littler & Mendelson, P.C., 1000001717; Littler & Mendelson, P.C., 1000001740; Gess Mattingly & Atchison, 1000001744; Gess Mattingly & Atchison, 1000002339.

AUDITOR OF PUBLIC ACCOUNTS, OFFICE OF THE:

Blue & Company LLC, 1000002256.

CABINET FOR HEALTH AND FAMILY SERVICES:

Goldberg & Simpson P.S.C., 0800009251.

CRIMINAL JUSTICE TRAINING, DEPARTMENT OF:

Law Enforcement Services Incorporated, 0800010110; Concentra Laboratory, LLC, 0900011408.

DEPARTMENT FOR BUSINESS DEVELOPMENT:

Florida Tile Incorporated, 1000002030; Montaplast of North America Incorporated, 1000002045; Sekisui Specialty Chemicals America, LLC, 1000002046; General Electric Company, 1000002047; International Paper Company, 1000002290.

DEPARTMENT FOR COMMUNITY BASED SERVICES:

Owl d/b/a Opportunity for Work & Learning, 0800007565; Employment Solutions, 0800007589.

DEPARTMENT FOR ENVIRONMENTAL PROTECTION:

Mactec Engineering and Consulting, 0600001999; Tetra Tech Incorporated, 0600002004; Stantec Consulting Services Incorporated, 0600002006; Camp Dresser

& McKee, 0600002008; Tetra Tech Incorporated, 0600002009; Stantec Consulting Services Incorporated, 1000001351; Corradino Group, C-04482541-4; Shield Environmental Associates Midwest Incorporated, C-05506533.

DEPARTMENT FOR NATURAL RESOURCES:

ATC Associates Incorporated, 0900013190.

EDUCATION, DEPARTMENT OF:

Carol A. Klaber, 0800008199.

FINANCE AND ADMINISTRATION CABINET:

Christopher C. Trower, 0800009141; Conliffe Sandmann & Sullivan, 0900013206.

FINANCE AND ADMINISTRATION CABINET - DIVISION OF ENGINEERING:

Terry B. Simmons Architects Incorporated, 0600002526; Stantec Consulting Services Incorporated, 0600002723; Sherman Carter Barnhart, 0700003932; Hastings & Chivetta Architects, 0700004255; 5253 Design Group, 0700005726; EOP Architects PSC, C-05254741-1; GBBN Architects, Incorporated, C-06042845.

KENTUCKY EMPLOYERS MUTUAL INSURANCE:

Conning, Incorporated, 10-CON-002.

LEGISLATIVE RESEARCH COMMISSION:

Dr. Robert Linn, 0910-04; Jeffrey Nellhaus, 0910-05; Ron Hambleton, 0910-06; Pat Roschewski, 0910-07; Daniel Koretz, 0910-08; Edvantia Incorporated, 0910-09.

NORTHERN KENTUCKY UNIVERSITY:

KZF Design, 2011542.

PERSONNEL ADMINISTRATION, DEPARTMENT FOR:

Salvaggio Teal & Associates, M-06189445.

PHARMACY, BOARD OF:

McBrayer, McGinnis Leslie & Kirkland, 1000003578.

POST SECONDARY EDUCATION, COUNCIL ON:

Sturgill Turner Barker & Moloney, 0700003228.

TRANSPORTATION CABINET:

Strand Associates Incorporated, 0600001957; QK4, 0600002166; TBE Group, 0600002768; TBE Group, 0600002884; J. M. Crawford & Associates Incorporated, 0700003229; QK4, 0700004069; HMB Professional Engineers Incorporated, 0700004075; Michael Baker Jr. Incorporated, 0700004078; Hall Harmon Engineers Incorporated, 0700004958; HDR Engineering Incorporated, 0700005124; Entran, PLC, 0700005634; HMB Professional Engineers Incorporated, 0700006175; Florence & Hutcheson, 0800007989; TBE Group, 0800010442; BTM Associates Incorporated, 0800010455; Entran, PLC, 0800010457; Vaughn & Melton Consulting Engineers (Kentucky), Inc., 0800010463; Vaughn & Melton Consulting Engineers (Kentucky), Inc., 0800010704; Strand Associates Incorporated, 0900011365; Baumgardner & Associates, PSC, 0900011369; Thurston Freeman, 0900011397; TBE Group, 0900011503; William L. Berkley, 0900011553; Kentucky Natural Lands Trust Incorporated, 0900011593; BTM Associates Incorporated, 0900012415; Stantec Consulting Services Incorporated, 1000000389; Deborah C. Prewitt, 1000000747; Vaughn & Melton Consulting Engineers (Kentucky), Incorporated, 1000000873; Kentucky Association of Chiefs of Police, 1000000899; Kentucky Hospital Associates, 1000000901; Kentucky Association of Chiefs of Police, 1000000934; Kentucky Association of Chiefs of Police, 1000000942; Kentucky Crime Prevention Coalition, 1000000944; Kosair Children's Hospital, 1000000946; Presnell Associates Incorporated d/b/a QK4, C-00240486-2; Florence & Hutcheson, C-01063751-3; Vaughn & Melton, C-01154275-2; Gresham Smith & Partners, C-01209233-3; Presnell Associates Incorporated d/b/a QK4, C-02061099-3; Darval E. Rash, C-04084466-1; William R. Cox, C-04572811-1; Matriks Management PSC, C-05060925-2; W & W Appraisals, C-05414285-1; William R. Cox, C-05498161-1; Thurston Freeman, C-05501579-1; American Engineers Incorporated, C-99004814-4; Presnell Associates Incorporated d/b/a QK4, C-99059032-5; QK4, M-06236006.

UNIVERSITY OF KENTUCKY:

Stengel-Hill Architecture, A101100.

UNIVERSITY OF LOUISVILLE:

BKD, LLP, 10-039.

THE FOLLOWING MEMORANDA OF AGREEMENTS WERE REVIEWED WITHOUT OBJECTION:

ADMINISTRATIVE OFFICE OF THE COURTS:

Adanta Group, 1000003199; Bluegrass Prevention Center Mental Retardation Board, 1000003202; Communicare Incorporated Adult, 1000003244; Northern Kentucky Area Development District, 1000003247; Pennyroyal Mental Health, 1000003853; Seven Counties Services Incorporated, 1000003931; Four Rivers Behavioral Health Corporate Office, 1000003980; Lifeskills Corporation Offices, 1000003982; Mountain Comp Care Center, 1000004081; Cumberland River Mental Health Mental Retardation Board Incorporated, 1000004083; Kentucky River Community Care Incorporated, 1000004085; River Valley Behavioral Health, 1000004086.

AGRICULTURE, DEPARTMENT OF:

Northern Kentucky Area Development District, 1000003267; Dare to Care Food Bank, 1000003278; God's Pantry Food Bank Incorporated, 1000003281; Northern Kentucky Area Development District, 1000003285; Dare to Care Food Bank, 1000003291; God's Pantry Food Bank Incorporated, 1000003292; Feeding America, Kentucky's Heartland, 1000003347; Feeding America, Kentucky's Heartland, 1000003349; Purchase Area Development District, 1000003553; Purchase Area Development District, 1000003554; UK Research Foundation, 1000003657.

CORRECTIONS, DEPARTMENT OF:

First Judicial District Corrections Board Incorporated, 1000001935; Communicare Incorporated, 1000001939; Kenton County Community Corrections Advisory Board Incorporated, 1000001941; 17th Judicial Circuit Community Correction Program Incorporated, 1000001943; NKU Research Foundation, 1000001944; Community Corrections - 24th Judicial Circuit, 1000001948; Knott Drug Abuse Council Incorporated, 1000002819; Division for Substance Abuse DMHMR, 1000002835; University of Kentucky Research Foundation, 1000003057; Boyle County Detention Center, 1000003062; Breckinridge County Jail, 1000003144; Christian County Jail, 1000003184; Clark County Jail, 1000003188; Daviess County Detention Center, 1000003197; Fulton County Jail, 1000003206; Grant County Jail, 1000003208; Grayson County Jailer, 1000003209; Hardin County Jail, 1000003229; Hopkins County Detention Center, 1000003230; Marion County Jail, 1000003256; Mason County Detention Center, 1000003262; Pike County Detention Center, 1000003265; Pike County Detention Center, 1000003270; Shelby County Detention Center, 1000003290; Three Forks Regional Jail, 1000003298; Eastern Kentucky University, 1000003503; Hardin County Jail, 1000003582; Kentuckianaworks, 1000003774; KCTCS, 1000003861; Louisville Metro Criminal Justice Commission, 1000003906.

CRIMINAL JUSTICE TRAINING, DEPARTMENT OF:

Lexington Division of Police, 1000002556.

DEPARTMENT FOR AGING & INDEPENDENT LIVING:

Kentuckiana Regional Planning, 1000001994; Purchase Area Development District, 1000001996; Pennyrile Area Development District, 1000001997; Green River Area Development, 1000001998; Barren River Area Development District, 1000001999; Lincoln Trail Area Development District, 1000002000; Northern Kentucky Area Development District, 1000002001; Buffalo Trace Area Development District, 1000002002; Gateway Area Development District, 1000002003; Fivco Area Development District, 1000002004; Big Sandy Area Development District, 1000002005; Kentucky River Area Development District, 1000002007; Cumberland Valley Area Development District Ag, 1000002008; Lake Cumberland Area Develop District, 1000002009; Bluegrass Area Development District Title III, 1000002011; Four Rivers Behavioral Health, 1000002081; Pennyroyal Mental Health, 1000002082; Green River Regional Mental Health Mental Retardation Board d/b/a Rivervalley Behavior, 1000002083; Lifeskills Incorporated, 1000002084; Communicare Incorporated, 1000002085; Seven Counties Services, 1000002086; Northern Kentucky Regional Mental Health Mental Retardation Board, 1000002087; Comprehend Incorporated, 1000002088; Pathways Incorporated, 1000002089; Mountain Comp Care Center, 1000002090; Cumberland River Mental Health Mental Retardation Board Incorporated, 1000002092; Lake Cumberland Mental Health Mental Retardation Board, 1000002093; Bluegrass Regional Mental Health Mental Retardation, 1000002094; Northern Kentucky Cooperative Educational Services, 1000002249; Licking Valley CAA, 1000002330; Audubon Area Community Services Incorporated, 1000002333.

DEPARTMENT FOR COMMUNITY BASED SERVICES:

Community Action Kentucky Incorporated, 1000001353; Bell Whitley Community Action, 1000001360; Audubon Area Community Services, 1000001483; Northern Kentucky Area Development District, 1000001484; Kentuckianaworks, 1000001486; Big Sandy Area Development District, 1000001487; Housing Authority of Bowling Green, 1000001488; Lexington Fayette Urban County Government, 1000001491; Central Kentucky CAC Incorporated, 1000001493; Seven Counties Services Incorporated, 1000001597; Office of Victims Advocacy, 1000001601; Community Action of Southern Kentucky Incorporated, 1000001865; Administrative Office of the Courts, 1000001934; Community Action of Southern Kentucky Incorporated, 1000001936; Bluegrass Regional Mental Health Mental Retardation, 1000001938; Seven Counties Services, 1000001942; Seven Counties Services, 1000001964; Big Sandy Area Development District, 1000001965; Audubon Area Community Services Incorporated, 1000002340; Big Sandy Area Cap Incorporated, 1000002341; Blue Grass Community Action, 1000002342; Community Action Lexington Fayette, 1000002343; Central Kentucky CAC Incorporated, 1000002344; Daniel Boone Community Action Agency Incorporated, 1000002345; Gateway Community Services Organization, Incorporated, 1000002346; Harlan County Community Action Agency, 1000002347; Kentucky Communities Economic Opportunity Council Incorporated, 1000002348; Foothills Community Action, 1000002349; Lake Cumberland CSO Incorporated, 1000002350; LKLP Community Action Council, 1000002351; Licking Valley CAA, 1000002352; Louisville/Jefferson County Metro Government, 1000002353; Middle Kentucky Community Action Partnership, Inc., 1000002354; Multi Purpose Community Action Agency Incorporated, 1000002355; NKCAC Incorporated, 1000002357; Pennyrile Allied Community Services, 1000002358; Community Action of Southern Kentucky Incorporated, 1000002359; Tri-County Community Action Agency, 1000002360; West Kentucky Allied Services, 1000002361; Pennyrile Allied Community Services Incorporated, 1000002773; Northeast Kentucky Area Development, 1000003092; University of Kentucky Human Development Institute, 1000003388; University of Kentucky Research Foundation, 1000003401; University of Kentucky Research Foundation, 1000003486; University of Kentucky Research Foundation, 1000003527; University of Kentucky Research Foundation, 1000003546; KCTCS, 1000003550; Eastern Kentucky University, 1000003574; University of Kentucky Research Foundation, 1000003597; University of Kentucky Research Foundation, 1000003601; Eastern Kentucky University, 1000003626; Morehead State University, 1000003627; Murray State University, 1000003628; Northern Kentucky University Research, 1000003629; University of Kentucky Research Foundation, 1000003630; University of Kentucky Research Foundation, 1000003631; University of Louisville Research Foundation, 1000003632; University of Louisville Research Foundation, 1000003634; Murray State University, 1000003635; University of Kentucky Research Foundation, 1000003636; University of Louisville Research Foundation, 1000003637; Barren River Area Child Advocacy, 1000003884; Big Sandy Children's Advocacy, 1000003886; Buffalo Trace Children's Advocacy Center, 1000003887; Children's Advocacy Center, 1000003888; Cumberland Valley Children's Advocacy, 1000003889; Children First, 1000003890; Gateway Children's Advocacy, 1000003891; Green River District Children's Advocacy Center, 1000003892; Hopes Place Incorporated, 1000003893; Kentucky River Children's Advocacy Center, 1000003894; Lake Cumberland CAC, 1000003895; Advocacy and Support Center, 1000003896; Northern Kentucky CAC, 1000003897; Purchase Area Sexual Assault Center, 1000003898; Pennyrile Child Advocacy Center, 1000003899; Kentucky Association of Sexual Assault Programs, 1000003900.

DEPARTMENT FOR ENVIRONMENTAL PROTECTION:

US Department of Interior Geological Survey, 1000003387; University of Kentucky Health, 1000003564.

DEPARTMENT FOR FAMILY RESOURCE CENTERS & VOLUNTEER SERVICES:

Green River Area Development District, 1000001531; Ohio Valley Education Coop, 1000001561; Ohio Valley Education Coop, 1000001575; Multi, 1000001672; Multi, 1000001674; Multi, 1000001677; Multi, 1000001678; Multi, 1000001679; Multi, 1000001680; Multi, 1000001682; Multi, 1000001683; Northern Kentucky Cooperative, 1000002530; Eastern Kentucky University, 1000003918.

DEPARTMENT FOR INCOME SUPPORT:

Legal Aid Society, 1000001572; Legal Aid Society, 1000002964; Eastern Kentucky University, 1000003963.

DEPARTMENT FOR MEDICAID SERVICES:

Kentucky Board of Nursing, 1000001101; Kentucky Transportation Cabinet, 1000001671; Eastern Kentucky University, 1000004032.

DEPARTMENT FOR MENTAL HEALTH, DEVELOPMENTAL DISABILITIES & ADDICTION SERVICES:

Eastern Kentucky University, 1000003607.

DEPARTMENT FOR NATURAL RESOURCES:

Department of Military Affairs Air Transportation Division, 1000003703; Kentucky Department of Corrections, 1000003930.

DEPARTMENT FOR PUBLIC HEALTH:

Department of Military Affairs Kentucky Community Crisis Board, 1000001632; Four Rivers Behavioral Health, 1000001716; Lifeskills, 1000001721; Pathways Incorporated, 1000001760; Seven Counties Services, 1000001899; University of Louisville Research Foundation, 1000003902; University of Kentucky Research Foundation, 1000004034.

DEPARTMENT OF ENERGY DEVELOPMENT AND INDEPENDENCE:

Blue Grass Energy, 1000001889; Shelby Energy Cooperative, 1000001893; Warren Rural Electric Cooperative Corporation, 1000001894; Kentucky Housing Corporation, 1000002828; Hickman Fulton Counties Rural Electric, 1000002974; Kenton County School District Finance Corporation, 1000002978; Warren County Board of Education, 1000002979; University of Kentucky Research Foundation, 1000003776.

DEPARTMENT OF INSURANCE:

KCTCS Finance Department, 1000003340.

DEPARTMENT OF WORKPLACE STANDARDS:

Department for Public Health, 1000003254.

EASTERN KENTUCKY UNIVERSITY:

Diabetes Center of Excellence/Madison County Health Department, 12-001.

ECONOMIC DEVELOPMENT - OFFICE OF THE SECRETARY:

Council on Postsecondary Education, 1000002390; University of Louisville, 1000003377.

EDUCATION, DEPARTMENT OF:

Shelby County Board of Education, 1000001798; Shelby County Board of Education, 1000001810; Mason County Board of Education, 1000001826; Shelby County Board of Education, 1000001846; Kentucky Valley Education, 1000002254; Treasurer Anderson County Board of Education, 1000002310; Ashland Independent Board of Education, 1000002311; Berea Independent Board of Education, 1000002312; Calloway County Board of Education, 1000002313; Simpson County Board of Education, 1000002314; Central Kentucky Educational Cooperative, 1000002319; Green River Regional Education, 1000002320; Kentucky Educational Developmental Corporation, 1000002321; Northern Kentucky Cooperative, 1000002322; SESC Educational Cooperative, 1000002323; Ohio Valley Education Cooperative, 1000002324; West Kentucky Education Cooperative Special Education, 1000002325; Ballard County Board of Education, 1000002591; Barren County Board of Education, 1000002592; Boone County Board of Education, 1000002595; Bourbon County Board of Education, 1000002600; Boyd County Board of Education, 1000002601; Campbellsville Independent Board of Education, 1000002611; Carlisle County Board of Education, 1000002613; Carroll County Board of Education, 1000002616; Casey County Board of Education, 1000002618; Christian County Board of Education, 1000002638; Corbin Independent Board of Education, 1000002646; Covington Independent Board of Education, 1000002649; Cumberland County Board of Education, 1000002653; Eminence Independent Board of Education, 1000002655; Fayette County Board of Education, 1000002656; Fulton County Board of Education, 1000002666; Garrard County Board of Education, 1000002669; Glasgow Independent Board of Education, 1000002671; Grayson County Board of Education, 1000002672; Greenup County Board of Education, 1000002673; Hancock County Board of Education, 1000002674; Hardin County Board of Education, 1000002675; Harlan County Board of Education, 1000002685; Hart County Board of Education, 1000002690; Henderson County Board of Education, 1000002695; Hickman County Board of Education, 1000002698; Jackson Independent Board of Education, 1000002702; Jefferson County Board of Education, 1000002717; Jenkins Independent Board of Education, 1000002719; Lee County Board of Education, 1000002724; Letcher County Board of Education, 1000002725; Lewis County Board of Education, 1000002726; Lincoln County Board of Education, 1000002728; Livingston County Board of Education, 1000002729; Lyon County Board of Education, 1000002731; Marion County Board of Education, 1000002732; Metcalfe County Board of Education, 1000002733; Monroe County Board of Education, 1000002736; Monticello Independent Board of Education, 1000002737; Morgan County Board of Education, 1000002738; Nelson County Board of Education, 1000002740; Newport Independent Board of Education, 1000002742; Nicholas County Board of Education, 1000002744; Owen County Board of Education, 1000002745; Owensboro Independent Board of Education, 1000002746; Owsley County Board of Education, 1000002747; Paintsville Independent Board of Education, 1000002748; Paris Independent Board of Education, 1000002749; Pulaski County Board of Education, 1000002751; Raceland Worthington Independent Board of Education, 1000002752; Robertson County Board of Education, 1000002757; Russell County Board of Education, 1000002759; Board of Education of Somerset School District, 1000002760; Taylor County Board of Education, 1000002762; Washington County Board of Education, 1000002767; Wayne County Board of Education, 1000002768; Whitley County Board of Education, 1000002770; Wolfe County Board of Education, 1000002771; Madison County Board of Education, 1000003163; University of Kentucky Research Foundation, 1000003382; University of Louisville Research Foundation, 1000003385; University of Louisville Research Foundation, 1000003407; Murray State University, 1000003563; University of Kentucky Research Foundation, 1000003586; Eastern Kentucky University, 1000003638; Indiana University, 1000003642; Eastern Kentucky University, 1000003646; University of Kentucky Research Foundation, 1000003653; University of Kentucky Research Foundation, 1000003772; NKU Research Foundation, 1000004022.

EDUCATION, OFFICE OF THE SECRETARY:

Governors Scholar Program Incorporated, 1000003915.

EDUCATIONAL TELEVISION, KENTUCKY:

Morehead State University Control Room 207, 1000003603.

ELECTIONS, BOARD OF:

Kentucky Disabilities Coalition, 1000003200; Multi, 1000003903.

FISH & WILDLIFE, DEPARTMENT OF:

Nature Conservancy, 1000002589.

GOVERNORS OFFICE FOR TECHNOLOGY:

Murray State University, 1000004235.

HIGHER EDUCATION ASSISTANCE AUTHORITY, KENTUCKY:

Kentucky Higher Education Student Loan Corporation, 1000003360; Kentucky Higher Education Student Loan Corporation, 1000003756.

HORSE PARK, KENTUCKY:

Blackburn Correctional Complex, 1000003060.

JUSTICE CABINET:

Department of Pathology & Laboratory Medicine, 1000004126; Project Unite, 1000004129.

JUVENILE JUSTICE, DEPARTMENT OF:

Jefferson County Board of Education, 1000002306; Louisville Metro Youth Detention Services, 1000002868; Department of Military Affairs Youth Challenge Division, 1000002870; Barren County Board of Education, 1000002887; Bell County Board of Education, 1000002889; Boyle County Board of Education, 1000002890; Bullitt County Board of Education, 1000002891; Campbell County Board of Education, 1000002893; Clark County Board of Education, 1000002894; Corbin Independent Board of Education, 1000002895; Frankfort Independent Board of Education, 1000002896; Hopkins County Board of Education, 1000002897; Laurel County Board of Education, 1000002898; Lexington Fayette Urban County Government, 1000002899; Madison County Board of Education, 1000002900; Mercer County Board of Education, 1000002901; Ohio County Board of Education, 1000002902; Pike County Board of Education, 1000002903; Pulaski County Board of Education, 1000002904; Warren County Board of Education, 1000002906; Calloway County Board of Education, 1000002911; Cabinet for Workforce Development, 1000002931.

KENTUCKY HIGHER EDUCATION STUDENT LOAN CORPORATION:

Kentucky Higher Education Assistance Authority, 11-007.

KENTUCKY RIVER AUTHORITY:

U S Army Corps of Engineers, 1000002557; Department of the Interior, U.S. Geological Survey, 1000002914; University of Kentucky Research Foundation, 1000003375.

KY PUBLIC SERVICE COMMISSION:

UK Research Foundation, 1000002932; University of Louisville Research Foundation, 1000002934.

MILITARY AFFAIRS, DEPARTMENT OF:

Pike County, 1000001460; Cumberland Valley Area Development District, 1000002442; Bulliett County Fiscal Court EMA, 1000003217.

OFFICE OF THE GOVERNOR, DEPARTMENT FOR LOCAL GOVERNMENT:

Rowan County Fiscal Court, 1000003016; Lee County Fiscal Court, 1000003035; Livingston County Fiscal Court, 1000003058; Pike County Fiscal Court, 1000003061; Leslie County Fiscal Court, 1000003078; City of Corbin, 1000003082; Lexington-Fayette Urban County Government, 1000003084; Union County Fiscal Court, 1000003090; Ashland Independent Board of Education, 1000003103; Knott County Fiscal Court, 1000003117; Knott County Fiscal Court, 1000003122; City of Williamsburg, 1000003126; City of Louisa, 1000003162; City of Jackson, 1000003164; Owsley County Fiscal Court, 1000003195; Owsley County Fiscal Court, 1000003198; Daviess County Fiscal Court, 1000003213; Daviess County Fiscal Court, 1000003214; Pike County Fiscal Court, 1000003223; Pike County Fiscal Court, 1000003224; Pike County Fiscal Court, 1000003227; Trimble County Fiscal Court, 1000003231; City of Hanson, 1000003233; Hopkins County Fiscal Court, 1000003235; Livingston County Fiscal Court, 1000003248; Floyd County Fiscal Court, 1000003264; City of Florence, 1000003294; Letcher County Fiscal Court, 1000003404; Union County Fiscal Court, 1000003606; Magoffin County Fiscal Court, 1000003613; City of Jackson, 1000003750; Floyd County Fiscal Court, 1000003833; Breathitt County Fiscal Court, 1000003834; Gateway Area Development District, 1000003846; Cumberland Valley Area Development District, 1000003852; Purchase Area Development District, 1000003854; Kentucky River Area Development District, 1000003856; Lincoln Trail Area Development District, 1000003876; Pennyrile Area Development District, 1000003877; KIPDA, 1000003905; City of Somerset, 1000003916; Fivco Area Development District, 1000003941; Northern Kentucky Area Development District, 1000003945; City of Vanceburg, 1000003971; Barren River Area Development District, 1000003975; Green River Area Development District, 1000003977; City of Monticello, 1000004078; Buffalo Trace Area Development District, 1000004119.

OSH REVIEW COMMISSION:

Attorney General, 1000003296.

TRANSPORTATION CABINET:

Commonwealth Office of Technology, 1000001556.

TRAVEL, DEPARTMENT OF:

Multi, 1000003537; Multi, 1000003538; Multi, 1000003539; Multi, 1000003540; Multi, 1000003541; Multi, 1000003542; Multi, 1000003543; Multi, 1000003544; Multi, 1000003547.

UNIVERSITY OF KENTUCKY:

Gateway Community & Technical College, 002-11.

WORKFORCE INVESTMENT, OFFICE OF:

Spalding University Entech, 1000002975; Western Kentucky Assist Technology Center, 1000002984; Redwood School & Rehabilitation Center, 1000002989; Bluegrass Technology Center, 1000002990; Council On Developmental Disabilities Incorporated, 1000002997; Barren River Area Development District, 1000003019; Bluegrass Area Development District, 1000003026; Eastern Kentucky CEP Incorporated, 1000003028; Green River Area Development District, 1000003030; Lincoln Trail Area Development District, 1000003031; Kentuckiana Works/Workforce Investment Board, 1000003032; Northern Kentucky Area Development District, 1000003033; Buffalo Trace Area Development District, 1000003036; Pennyrile Area Development District, 1000003037; Lake Cumberland Area Development District, 1000003038; KCTCS, 1000003561; UK Research Foundation, 1000003589; UK Research Foundation, 1000003595; University of Kentucky Research Foundation, 1000003599; University of Kentucky Research Foundation, 1000003880; Eastern Kentucky University, 1000003934; Independence Place, 1000003935; KCTCS, 1000004026; Morehead State University, 1000004080.

THE FOLLOWING MEMORANDA OF AGREEMENT AMENDMENTS WERE REVIEWED WITHOUT OBJECTION:

ADMINISTRATIVE OFFICE OF THE COURTS:

Lifeskills Corporation Offices,

0900012787; UK Research Foundation, 1000000036.

AGRICULTURE, DEPARTMENT OF:

Multi, 0900011666; Multi, 1000001497; Berea College Agriculture & Natural Resources Department, 1000002230.

DEPARTMENT FOR NATURAL RESOURCES:

Pulaski County Conservation District, M-06031168.

DEPARTMENT FOR PUBLIC HEALTH:

Commonwealth of Kentucky Personnel Cabinet, 0800008044.

DEPARTMENT OF ENERGY DEVELOPMENT AND INDEPENDENCE:

ADICA, LLC, 0900012951.

EDUCATION, DEPARTMENT OF:

Jefferson County Board of Education, 0800008315; Lawrence County Board of Education, 0800008321; Treasurer Lee County Board of Education, 0800008322; Owen County Board of Education, 0800008338; Garrard County Board of Education, 0900011487; Hardin County Board of Education, 0900011488; Madison County Board of Education, 1000001801.

MILITARY AFFAIRS, DEPARTMENT OF:

City of Greenville, 1000000059; Multi, 1000001241.

OFFICE OF THE GOVERNOR, DEPARTMENT FOR LOCAL GOVERNMENT:

Garrard County Fiscal Court, 0600002113; Leslie County Fiscal Court, 0600002445; Warren County Fiscal Court, 0600002498; Owsley County Fiscal Court, 0600002537; Owsley County Fiscal Court, 0600002541; Harlan County Fiscal Court, 0600002732; Monroe County Fiscal Court, 0600002837; Muhlenberg County Fiscal Court, 0600002838; Clinton County Fiscal Court, 0600002894; Clinton County Fiscal Court, 0600002895; Mountain Water District, 0600002928; Letcher County Fiscal Court, 0600002930; Letcher County Fiscal Court, 0600002936; Muhlenberg County Fiscal Court, 0600002937; Greenup County Fiscal Court, 0600003021; Wayne County Fiscal Court, 0700003148; Breckinridge County Fiscal Court, 0700003242; Magoffin County Fiscal Court, 0700003332; Graves County Fiscal Court, 0700003402; Harlan County Fiscal Court, 0700003421; Floyd County Fiscal Court, 0700003574; City of Leitchfield, 0700003584; Mountain Water District, 0700003703; Woodford County Fiscal Court, 0700003851; Clay County Fiscal Court, 0700003945; Letcher County Fiscal Court, 0700004134; Harlan County Fiscal Court, 0700004298; Community Ventures Corporation, 0700004320; Henderson County Fiscal Court, 0700004483; Henderson County Fiscal Court, 0700004484; City of Morganfield, 0700004916; McLean County Fiscal Court, 0700004962; City of Sturgis, 0700005009; City of Providence, 0700005312; Owsley County Fiscal Court, 0700005398; McCreary County Fiscal Court, 0700005807; City of Monticello, 0700005945; City of Bellevue, 0700006414; Knott County Fiscal Court, 0700006453; Wayne County Fiscal Court, 0700006463; Owsley County Fiscal Court, 0700006477; Harlan County Fiscal Court, 0700006491; Harlan County Fiscal Court, 0700006492; Letcher County Fiscal Court, 0700006618; Leslie County Fiscal Court, 0700006651; Leslie County Fiscal Court, 0700006657; Letcher County Fiscal Court, 0700006672; Letcher County Fiscal Court, 0700006673; Letcher County Fiscal Court, 0700006717; Letcher County Fiscal Court, 0800006760; City of Covington, 0800007100; City of Campbellsville, 0800007141; Mountain Water District, 0800007250; Bell County Fiscal Court, 0800008598; Knott County Fiscal Court, 0800008603; Knott County Fiscal Court, 0800008629; Hazard Community College, 0800008784; Letcher County Fiscal Court, 0800008791; Lawrence County Fiscal Court, 0800008795; Mountain Water District, 0800008852; Mountain Water District, 0800008856; City of Ferguson, 0800009695; Carter County Board of Education, 0800009988; Hancock County Fiscal Court, 0800009992; Hancock County Fiscal Court, 0800009992; Pike County Board of Education, 0800010000; Pike County Board of Education, 0800010015; Pike County Board of Education, 0800010016; Pike County Board of Education, 0800010020; Pike County Board of Education, 0800010021; Pike County Board of Education, 0800010022; Pike County Board of Education, 0800010027; Pike County Board of Education, 0800010028; Pike County Board of Education, 0800010030; Pike County Board of Education, 0800010033; Pike County Board of Education, 0800010036; Knox County Board of Education, 0800010051; Muhlenberg County Fiscal Court, 0800010151; Harlan County Fiscal Court, 0800010213; Floyd County Fiscal Court, 0800010214; Perry County Board of Education, 0800010378; Ohio Co Fiscal Court, 0800010474; Knott County Fiscal Court, 0800010484; Knott County Fiscal Court, 0800010484; Magoffin County Fiscal Court, 0800010488; Magoffin County Fiscal Court, 0800010489; City of Madisonville, 0800010694; Madisonville Community College, 0800010696; Lawrence County Board of Education, 0800010698; Lawrence County Board of Education, 0800010700; Lawrence County Board of Education, 0800010712; Lawrence County Board of Education, 0800010716; Fairview Independent Schools, 0800010724; Bell County Board of Education, 0800010725; Floyd County Fiscal Court, 0800010863; Bell County Fiscal Court, 0800010868; Boyd County Public Schools, 0800010872; City of Livingston, 0800010875; Henderson County Fiscal Court, 0800010896; Henderson County Fiscal Court, 0800010901; Henderson County Fiscal Court, 0800010903; Floyd County Fiscal Court, 0800010904; Floyd County Fiscal Court, 0800010906; Floyd County Fiscal Court, 0800010907; City of Hazard, 0800010930; City of Hazard, 0800010938; City of Hazard, 0800010939; Perry County Fiscal Court, 0800010970; Floyd County Board of Education, 0800010977; Floyd County Board of Education, 0800010980; Floyd County Board of Education, 0800010981; Floyd County Board of Education, 0800010982; City of Elkhorn City, 0800010985; City of Elkhorn City, 0800010986; City of Elkhorn City, 0800010987; Floyd County Fiscal Court, 0800010999; Floyd County Fiscal Court, 0800011007; Floyd County Fiscal Court, 0800011009; Pike County Fiscal Court, 0800011031; Pike County Fiscal Court, 0800011047; Leslie County Fiscal Court, 0800011078; Carter County Board of Education, 0800011145; Knott County Fiscal Court, 0800011191; Knott County Fiscal Court, 0800011191; Hopkins County Fiscal Court, 0800011193; Floyd County Fiscal Court, 0800011194; Bell County Fiscal Court, 0800011239; Magoffin County Fiscal Court, 0800011298; 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Floyd County Fiscal Court, 0900011828; Leslie County Fiscal Court, 0900011898; City of Mount Vernon, 0900012443; City of Mount Vernon, 0900012444; Bell County Fiscal Court, 0900012450; Elliott County Fiscal Court, 0900012453; Elliott County Fiscal Court, 0900012455; Elliott County Fiscal Court, 0900012456;

Harlan County Fiscal Court, 0900012475; Harlan County Fiscal Court, 0900012479; Harlan County Fiscal Court, 0900012481; City of Elkhorn City, 0900012494; City of Elkhorn City, 0900012495; City of Elkhorn City, 0900012502; City of Pikeville, 0900012504; City of Pikeville, 0900012509; Magoffin County Fiscal Court, 0900012526; Magoffin County Fiscal Court, 0900012527; Magoffin County Fiscal Court, 0900012527; Floyd County Fiscal Court, 0900012885; Union County Fiscal Court, 0900012903; Letcher County Fiscal Court, 0900012906; Letcher County Fiscal Court, 0900012914; Letcher County Fiscal Court, 0900012929; Letcher County Fiscal Court, 0900012930; Letcher County Fiscal Court, 0900012931; Letcher County Fiscal Court, 0900012932; Letcher County Fiscal Court, 0900012933; Knott County Fiscal Court, 0900012957; Letcher County Fiscal Court, 0900012959; Knott County Fiscal Court, 0900013023; Knott County Fiscal Court, 0900013024; Knott County Fiscal Court, 0900013024; City of Grayson, 0900013025; Knott County Fiscal Court, 0900013097; Hopkins County Fiscal Court, 0900013164; Letcher County Fiscal Court, 0900013166; Owsley County Fiscal Court, 0900013169; Knott County Fiscal Court, 0900013173; Knott County Fiscal Court, 0900013187; Knott County Fiscal Court, 0900013188; Harlan County Fiscal Court, 1000000002; City of Pineville, 1000000169; Lawrence County Fiscal Court, 1000000173; Morgan County Fiscal Court, 1000000176; City of Pineville, 1000000229; Hopkins County Fiscal Court, 1000000414; Letcher County Fiscal Court, 1000000417; Webster County Fiscal Court, 1000000421; Webster County Fiscal Court, 1000000424; Laurel County Fiscal Court, 1000000471; Breathitt County Fiscal Court, 1000000483; Breathitt County Fiscal Court, 1000000486; Breathitt County Fiscal Court, 1000000490; Breathitt County Fiscal Court, 1000000491; Ohio County Fiscal Court, 1000000515; Muhlenberg County Fiscal Court, 1000000520; City of Olive Hill, 1000000524; Owsley County Fiscal Court, 1000000546; Hopkins County Fiscal Court, 1000000603; Reach Incorporated, 1000000713; Letcher County Fiscal Court, 1000000745; Purchase Area Housing Corporation, 1000000751; Lee County Fiscal Court, 1000000783; Owsley County Fiscal Court, 1000000787; Harlan County Fiscal Court, 1000000904; Harlan County Fiscal Court, 1000000905; Letcher County Fiscal Court, 1000000908; Letcher County Fiscal Court, 1000000909; Owsley County Fiscal Court, 1000000912; Pike County Board of Education, 1000000914; City of Booneville, 1000000981; Morgan County Fiscal Court, 1000001040; Webster County Fiscal Court, 1000001045; Lawrence County Fiscal Court, 1000001137; Breathitt County Fiscal Court, 1000001155; Harlan County Fiscal Court, 1000001159; Letcher County Fiscal Court, 1000001160; Letcher County Fiscal Court, 1000001161; Pike County Fiscal Court, 1000001162; City of Olive Hill, 1000001173; Hopkins County Treasurer, 1000001174; Pike County Board of Education, 1000001179; Russell County, 1000001272; City of Elkhorn City, 1000001367; City of Pikeville, 1000001394; City of Pikeville, 1000001395; City of Morganfield, 1000001396; Leslie County Fiscal Court, 1000001401; Madisonville Community College, 1000001402; Madisonville Community College, 1000001403; Harlan County Fiscal Court, 1000001404; Big Sandy Regional Independent Development Authority, 1000001496; Webster County Fiscal Court, 1000001500; Webster County Fiscal Court, 1000001501; Webster County Fiscal Court, 1000001502; Pike County Fiscal Court, 1000001520; Hopkins County Fiscal Court, 1000001524; Floyd County Fiscal Court, 1000001525; Lee County Fiscal Court, 1000001603; Floyd County Board of Education, 1000001604; Floyd County Board of Education, 1000001606; Floyd County Board of Education, 1000001608; City of Nortonville, 1000001611; Bell County Fiscal Court, 1000001762; Hopkins County Fiscal Court, 1000001770; Morgan County Fiscal Court, 1000001773; Knott County Fiscal Court, 1000002219; Jackson County Fiscal Court, 1000002631; City of Corbin, 1000003082; Daviess County Fiscal Court, 1000003091; City of London, 1000003116; Knott County Fiscal Court, 1000003117; Knott County Fiscal Court, 1000003122; Pike County Fiscal Court, 1000003133; Laurel County Fiscal Court, 1000003134; Whitley County Fiscal Court, 1000003136; Owsley County Board of Education, 1000003145; City of Louisa, 1000003162; Floyd County Board of Education, 1000003166; Laurel County Fiscal Court, 1000003179; Laurel County Fiscal Court, 1000003180; Laurel County Fiscal Court, 1000003181; Knox County Fiscal Court, 1000003183; Menifee County Fiscal Court, 1000003185; City of London, 1000003192; Owsley County Fiscal Court, 1000003193; Owsley County Fiscal Court, 1000003195; Owsley County Fiscal Court, 1000003196; Owsley County Fiscal Court, 1000003198; Daviess County Fiscal Court, 1000003213; Daviess County Fiscal Court, 1000003214; Pike County Fiscal Court, 1000003223; Pike County Fiscal Court, 1000003224; Pike County Fiscal Court, 1000003225; Pike County Fiscal Court, 1000003227; Floyd County Fiscal Court, 1000003264; Pike County Fiscal Court, 1000003293; Magoffin County Fiscal Court, 1000003613; Magoffin County Fiscal Court, 1000003614; Magoffin County Fiscal Court, 1000003615; Magoffin County Fiscal Court, 1000003647; City of Jackson, 1000003750; Muhlenberg County Fiscal Court, M-06042729-1; Mountain Water District, M-06131736-1; City of Dixon, M-06162409; Mountain Water District, M-06193696-1.

WORKFORCE INVESTMENT, OFFICE OF:

Hancock County Board of Education, 0800009810; Monroe County Board of Education, 0800009831; Ohio County Board of Education, 0800009836.

THE FOLLOWING PERSONAL SERVICE CONTRACTS WERE SELECTED FOR FURTHER REVIEW:

CORRECTIONS, DEPARTMENT OF:

Phamatech Incorporated, 1000002817. Hilarye Dailey and Julie Brewer discussed the contract with the committee. A motion was made by Representative Montell to consider the contract as reviewed. Representative Horlander seconded the motion, which passed unanimously.

CRIMINAL JUSTICE TRAINING, DEPARTMENT OF:

Brett Scott, 1000002888; Doug Czor, 1000003079. Steve Lynn discussed the contracts with the committee. A motion was made by Representative Horlander to consider the contracts as reviewed. Representative Crenshaw seconded the motion, which passed unanimously.

DEPARTMENT FOR BUSINESS DEVELOPMENT:

Jiro Hashimoto, 1000002963. Holland Spade and Jim Navolio discussed the contract with the committee. A motion was made by Representative Crenshaw to consider the contract as reviewed. Representative Horlander seconded the motion, which passed unanimously.

EDUCATION, DEPARTMENT OF:

Achieve Incorporated, 1000002463. Hiren Desai discussed the contract with the committee. A motion was made my Senator McGaha to disapprove the contract. Representative Montell seconded the motion, which passed unanimously.

EDUCATION, DEPARTMENT OF:

John Thompson, 1000002687. Hiren Desai and Kevin Brown discussed the contract with the committee. A motion was made by Representative Horlander to consider the contract as reviewed. Senator McGaha seconded the motion, which passed with Senator Gibson electing to abstain (PASS) and Representatives Montell and Crenshaw voting NO.

EDUCATION, DEPARTMENT OF:

Measured Progress, 1000002691. Hiren Desai and Ken Draught discussed the contract with the committee. A motion was made by Senator Gibson to consider the contract as reviewed. Representative Horlander seconded the motion, which passed unanimously.

EDUCATION, DEPARTMENT OF:

One Plus Services, 1000002693. Hiren Desai, Debbie Tankersley and Nancy Graham discussed the contract with the committee. A motion was made by Representative Montell to consider the contract as reviewed. Representative Crenshaw seconded the motion, which passed unanimously.

EDUCATION, DEPARTMENT OF:

Achieve Incorporated, 1000003403. Hiren Desai discussed the contract with the committee. A motion was made by Representative Crenshaw to consider the contract as reviewed. Representative Horlander seconded the motion, which passed unanimously.

EDUCATIONAL TELEVISION, KENTUCKY:

Vince Spoelker, 1000003246. Nancy Carpenter and Shanon Maggard discussed the contract with the committee. A motion was made by Representative Montell to consider the contract as reviewed. Representative Crenshaw seconded the motion, which passed unanimously.

FINANCE AND ADMINISTRA-

TION CABINET:

Reed Weitkamp Schell & Vice, 1000003730. Jeff Mosley and Lisa Beran discussed the contract with the committee. A motion was made by Representative Crenshaw to consider the contract as reviewed. Senator Gibson seconded the motion, which passed unanimously.

FINANCE AND ADMINISTRATION CABINET:

Morgan & Pottinger, 1000003748. Jeff Mosley, Vickie Wise and Jeff Burton discussed the contract with the committee. A motion was made by Representative Crenshaw to consider the contract as reviewed. Representative Horlander seconded the motion, which passed unanimously.

HIGHER EDUCATION ASSISTANCE AUTHORITY, KENTUCKY:

Strothman & Company, PSC, 1000003762; Strothman & Company, PSC, 1000003763. Diana Barber and Jodell Renn discussed the contracts with the committee. A motion was made by Representative Horlander to consider the contracts as reviewed, but at the statutory hourly rate of $125 and not the contract hourly rate of $160. Representative Crenshaw seconded the motion, which passed unanimously.

KENTUCKY COMMUNITY & TECHNICAL COLLEGE SYSTEM:

Aspect Software Incorporated (formerly Quilogy Incorporated), 450; High Monkey Consulting, 439; Summit 7 Systems, 440. Tim Burcham, David Holcomb and Philip Brashear discussed the contracts with the committee. A motion was made by Representative Crenshaw to consider the contracts as reviewed. Representative Montell seconded the motion, which passed unanimously.

KENTUCKY COMMUNITY & TECHNICAL COLLEGE SYSTEM:

Thorn Run Partners, LLC, 461. Tim Burcham, David Holcomb and Philip Brashear discussed the contract with the committee. A motion was made by Representative Horlander to consider the contract as reviewed. Representative Crenshaw seconded the motion, which passed unanimously.

KENTUCKY COMMUNITY & TECHNICAL COLLEGE SYSTEM:

Appalachian Regional Healthcare Incorporated, 471. Tom Pope, David Holcomb and Philip Brashear discussed the contract with the committee. A motion was made by Representative Crenshaw to consider the contract as reviewed. Representative Horlander seconded the motion, which passed unanimously.

KENTUCKY HIGHER EDUCATION STUDENT LOAN CORPORATION:

Strothman & Company, 11-006. Diana Barber and Jodell Renn discussed the contract with the committee. A motion was made by Representative Horlander to consider the contract as reviewed, but at the statutory hourly rate of $125 and not the contract amount of $250. Representative Crenshaw seconded the motion, which passed unanimously.

KENTUCKY LOTTERY CORPORATION:

Blue & Company, LLC, 11-08-050. Mike Denney, Chris Polston and Shannon Loyd discussed the contract with the committee. A motion was made by Representative Montell to consider the contract as reviewed, but at the statutory hourly rate of $125 and not the contract hourly rate of $225. Senator Gibson seconded the motion, which passed unanimously.

KENTUCKY STATE UNIVERSITY:

MML&K Government Solutions, 11-03. Steve Mason, Kathrine Napier and Gary Meiseles discussed the contract with the committee. A motion was made by Representative Crenshaw to consider the contract as reviewed. Representative Montell seconded the motion, which passed unanimously.

TRANSPORTATION CABINET:

Bowles Rice McDavid Graff & Fred E. Fugazzi Jr., 1000002197; Kohnen & Patton, LLP, 1000002240; Reed Weitkamp Schell & Vice, 1000002250; Stoll Keenon Ogden, PLLC, 1000002253; Sturgill Turner Barker & Moloney, PLLC, 1000002298; Taylor Keller Dunaway & Tooms, PLLC, 1000002299; Walther, Roark & Gay, 1000002301; Weber & Rose, 1000002302; Carl J. Bensinger & Associates, 1000002334; Davis Law, PSC, 1000002382; Fulkerson & Kinkel, PLLC, 1000002384; Kim Hunt Price, 1000002385; Vanantwerp, Monge, Jones, Edwards & McCann, LLP, 1000002386; Johnson & Repasky, PLLC, 1000002387; L. Forgy & Associates, PLLC, 1000002394; Hazelrigg & Cox, 1000002395; Stoll Keenon Ogden, PLLC, 1000002396; Fox Wood Wood & Estill, 1000002398; Sturgill Turner Barker & Moloney, PLLC, 1000002399; McMurry & Livingston, 1000002401; Logan & Gaines, 1000002402; Kerrick Stivers Coyle & Vanzant, PLC, 1000002403; Edward Worland, Jr., PSC, 1000002405; Morgan & Pottinger, 1000002409; Taylor Keller Dunaway & Tooms, PLLC, 1000002410; Gess Mattingly & Atchison, 1000002413; Borowitz & Goldsmith, PLC, 1000002414; Barber & Banaszynski, 1000002415; Reed Weitkamp Schell & Vice, 1000002416; Kohnen & Patton, LLP, 1000002421; Zielke Law Firm, PLLC, 1000002422; Pedley & Gordinier, PLLC, 1000002423; Ward, Hocker & Thorton, PLLC, 1000003266; Larry E. Rogers Attorney-at-Law, PLLC, 1000003268; Ferreri & Fogle, 1000003269; Fulton & Devlin, 1000003271; Chevalier, Fox & Ginn, PSC, 1000003272; Whitlow Roberts Houston & Straub, 1000003273; Wyatt Tarrant & Combs, LLP, 1000003274; Jeffrey Eastham, 1000003275; Sutton Rankin Law, PLC & Braden, PLC, 1000003276; Jones, Walters, Turner & Shelton, 1000003277; Walther, Roark & Gay, 1000003279; Weber & Rose, 1000003280. Todd Shipp, Rebecca Goodman and Peggy Stratton discussed the contracts with the committee. A motion was made by Representative Crenshaw to consider the contracts as reviewed. Senator Tori seconded the motion, which passed unanimously.

UNIVERSITY OF KENTUCKY:

Stites & Harbison, PLLC, K11-110. Frank Butler and Bill Harris discussed the contract with the committee. A motion was made by Representative Crenshaw to consider the contract as reviewed. With no second having been made, the motion failed, however the contract moved forward.

UNIVERSITY OF KENTUCKY:

Wyatt Tarrant & Combs, LLC, K11-111. A motion was made by Representative Crenshaw to consider the contract as reviewed. Representative Montell seconded the motion, which passed unanimously.

UNIVERSITY OF KENTUCKY:

Walther Roark & Gay, PLC, K11-112; Stidham & Associates, K11-113; Denney Morgan Rather & Gilbert, K11-114; Baker Kriz Jenkins Prewitt & Jones, PSC, K11-115. A motion was made by Representative Crenshaw to consider the contracts as reviewed. Representative Montell seconded the motion, which passed unanimously.

UNIVERSITY OF KENTUCKY:

Midgett & Preti, PC, K11-116. Frank Butler and Bill Harris discussed the contract with the committee. A motion was made by Representative Crenshaw to consider the contract as reviewed. Senator Tori seconded the motion, which passed with Representative Montell electing to abstain (PASS) and Senator McGaha voting NO.

WORKER'S COMPENSATION FUNDING COMMISSION:

The Bank of New York Mellon, 1000002604; Smithbarney First Trust, 1000002659; Intech Investment Management, LLC, 1000002774; Cramer Rosenthal McGlynn, LLC, 1000002801; Cramer Rosenthal McGlynn, LLC, 1000002802; Chase Investment Counsel Corporation, 1000002804; Invesco Advisers Incorporated, 1000002805; Invesco Advisers Incorporated, 1000002806. J.R Wilhite and Frank Dickerson discussed the contracts with the committee. A motion was made by Representative Crenshaw to consider the contracts as reviewed. Representative Montell seconded the motion, which passed unanimously.

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

KENTUCKY STATE UNIVERSITY:

Wyatt Tarrant & Combs, 10-07. Steve Mason, Kathrine Napier and Gary Meiseles discussed the contract with the committee. A motion was made by Representative Crenshaw to consider the contract as reviewed. Senator Tori seconded the motion, which passed with Representative Montell electing to abstain (PASS) and Senators McGaha and Gibson voting NO.

MOREHEAD STATE UNIVERSITY:

Kay Collier McLaughlin, 11-003. Jane Fitzpatrick discussed the contract with the committee. A motion was made by Representative Crenshaw to consider the contract as reviewed. With no second having been made, the motion failed, however the contract moved forward.

PERSONNEL-OFFICE OF THE SECRETARY:

Susan M. Turner, 1000002849. Walt Gaffield and Mary Hook discussed the contract with the committee. A motion was made by Representative Crenshaw to consider the contract as reviewed. Representative Montell seconded the motion, which passed unanimously.

THE FOLLOWING MEMORANDUM OF AGREEMENT WAS SELECTED FOR FURTHER REVIEW:

DEPARTMENT FOR COMMUNITY BASED SERVICES:

Louisville/Jefferson County Metro Government, 1000001670. Renee Close and David Gayle discussed the contract with the committee. A motion was made Representative Crenshaw to consider the contract as reviewed. Senator Gibson seconded the motion, which passed unanimously.

EDUCATION, DEPARTMENT OF:

Montgomery County Board of Education, 1000002797; Madison County Board of Education, 1000002798; Corbin Independent Board of Education, 1000002916; Carter County Board of Education, 1000002917; Pulaski County Board of Education, 1000002920; Letcher County Board of Education, 1000002922; Letcher County Board of Education, 1000002929; Madison County Board of Education, 1000002933; Paris Independent Board of Education, 1000002952; Larue County Board of Education, 1000002985; Pike County Board of Education, 1000002986; Glasgow Independent Board of Education, 1000002987; Green County Board of Education, 1000002994; Shelby County Board of Education, 1000003255; Shelby County Board of Education, 1000003257; Shelby County Board of Education, 1000003259; Campbellsville Independent Board of Education, 1000003260; Shelby County Board of Education, 1000003261; Scott County Board of Education, 1000003282; Danville Independent Board of Education, 1000003283; Todd County Board of Education, 1000003284; Bell County Board of Education, 1000003287; Frankfort Independent Board of Education, 1000003288; Campbellsville Independent Board of Education, 1000003289; Fayette County Board of Education, 1000003566; Fayette County Board of Education, 1000003567; Fayette County Board of Education, 1000003568; Fayette County Board of Education, 1000003569; Treasurer Fleming County Board of Education, 1000003570; Daviess County Board of Education, 1000003571; Trigg County Board of Education, 1000003602; Boyle County Board of Education, 1000003605; Perry County Board of Education, 1000003639; Jefferson County Board of Education, 1000003640; Madison County Board of Education, 1000003649; Knott County Board of Education, 1000003710; Pike County Board of Education, 1000003711; Carter County Board of Education, 1000003759; Woodford County Board of Education, 1000003777; Shelby County Board of Education, 1000003812; Metcalfe County Board of Education, 1000003814. Hiren Desai and Terry Holliday discussed the contracts with the committee. A motion was made by Representative Crenshaw to consider the contracts as reviewed. Representative Horlander seconded the motion, which passed unanimously.

EDUCATION, DEPARTMENT OF:

VSA Arts of Kentucky, 1000003315. Hiren Desai and Toyah Robey discussed the contract with the committee. A motion was made by Representative Crenshaw to consider the contract as reviewed. Representative Horlander seconded the motion, which passed unanimously.

WORKFORCE INVESTMENT, OFFICE OF:

KCTCS, 1000003768; Eastern Kentucky University, 1000003769; Morehead State University, 1000003770. Tommy Goins and Debora Almgren discussed the contracts with the committee. A motion was made by Representative Crenshaw to consider the contracts as reviewed. Senator Gibson seconded the motion, which passed unanimously.

THE FOLLOWING MEMORANDA OF AGREEMENTS AMENDMENTS FOR $50,000 AND UNDER WERE SELECTED FOR FURTHER REVIEW:

DEPARTMENT FOR ENVIRONMENTAL PROTECTION:

Southern Illinois University, 1000003702. Allan Bryant, Amy Metzger and Edward Winner discussed the contract with the committee. A motion was made by Senator Gibson to consider the contract as reviewed. Representative Crenshaw seconded the motion, which passed unanimously.

DEPARTMENT FOR NATURAL RESOURCES:

University of Kentucky Research Foundation, 1000003596. Steve Kull and Diana Olszowy discussed the contract with the committee. A motion was made by Representative Crenshaw to consider the contract as reviewed. Representative Montell seconded the motion, which passed unanimously.

EDUCATION, DEPARTMENT OF:

North Central Kentucky (AHEC) Community & Technical College System, 1000001631. Hiren Desai and Denise Hagan discussed the contract with the committee. A motion was made by Representative Crenshaw to consider the contract as reviewed. Representative Horlander seconded the motion, which passed unanimously.

With no further business before the committee, the meeting adjourned at 2:45 PM.

JOINT MEETING
TASK FORCE ON MEDICAID COST CONTAINMENT
MEDICAID OVERSIGHT AND ADVISORY COMMITTEE

Minutes of the 2nd Meeting of the 2010 Interim

July 20, 2010

Call to Order and Roll Call

A joint meeting of the Task Force on Medicaid Cost Containment and the Medicaid Oversight and Advisory Committee was held on Tuesday, July 20, 2010, at 10:00 AM, in Room 131 of the Capitol Annex. Representative Jimmie Lee, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Katie Kratz Stine, Co-Chair; Representative Jimmie Lee, Co-Chair; Senators Walter Blevins, Julie Denton, Dan Seum, Denise Harper Angel, Bob Leeper, and David L. Williams; Representatives Tom Burch, Bob DeWeese, Joni Jenkins, Rick Rand, David Watkins, and Jill York.

Guests: Don Putnam for PROOF; Dwayne Johnson, Eric Clark and Ruby Jo Lubarsky for the Kentucky Association of Health Care Facilities; Bernie Vonderheide and Bryce McGowan for Kentuckians for Nursing Home Reform; Jeff Presser for Dean Dorton Ford; Marty White and Bill Doll for the Kentucky Medical Association; and Anne Joseph for Covering Kentucky Kids and Families.

LRC Staff: Mike Clark, Miriam Fordham, Lashae Kittinger, DeeAnn Mansfield, Cindy Murray, Cindy Smith, Pam Thomas, and Frank Willey.

Approval of Minutes

The minutes of the November 23, 2009 Medicaid Oversight and Advisory Committee were approved without objection by the members of the Medicaid Oversight and Advisory Committee.

Medicaid Overview

Betsy Johnson, Commissioner, Department for Medicaid Services, Cabinet for Health and Family Services, gave an overview of Medicaid. Medicaid is the nation's major public health program for low-income Americans. It finances health and long-term care services for more than 50 million people. Medicaid spending enables the program to make significant contributions to state economies in terms of jobs, income, and overall economic activity. Medicaid provides coverage to over 798,493 of Kentucky's most vulnerable citizens and provides coverage to over 59,798 children who are enrolled in the Kentucky Children's Health Insurance Program (KCHIP). For every dollar received, the Department for Medicaid Services spends approximately 2.2 percent for administrative costs. Unprecedented growth in the number of new enrollees is due to a weakening economy. During the last biennium, Medicaid added over 3,000 new recipients each month compared to 930 per month in the prior biennium. Medicaid is the largest payer for long-term care services both in Kentucky and the nation. Medicaid has 40,345 enrolled providers. Medicaid is the primary payer of healthcare in Kentucky.

Discussion of Medicaid Cost Drivers

Betsy Johnson, Commissioner, Department for Medicaid Services, Cabinet for Health and Family Services, testified in regard to Medicaid cost drivers. Medicaid cost drivers include extraordinary events, unprecedented eligibility growth, and cost and utilization growth. New waivers contribute to Medicaid cost drivers. These include the Michelle P. Waiver, implemented in November, 2008; Money Follows the Person, implemented in October, 2008; and the ABI Long Term Care Waiver, implemented in November, 2008. Also, there has been increased KCHIP enrollment from 53,186 to 59,798 from October, 2008 to May, 2010. Charts were discussed that showed the growth in Medicaid eligibility and Medicaid benefit expenditures average cost per eligible per month from 2007-2010.

Discussion of Medicaid Cost Containment Measures

Betsy Johnson, Commissioner, Department for Medicaid Services, Cabinet for Health and Family Services, testified in regard to Medicaid cost containment measures. Numerous Medicaid efficiencies were discussed. These include post payment pharmacy audits; prior authorization for certain drugs; changes to the early refill limit; requiring that only prescriptions written by a Medicaid enrolled provider are filled; modifying coverage of over-the-counter medications; an enhanced lock-in program; discontinuing payments for hospital acquired conditions; purchase of diabetic supplies through pharmacy instead of durable medical equipment; new program integrity support vendor; and payment of health insurance premiums if Medicaid recipients are eligible for group health insurance.

Discussion of Medicaid Pharmacy Benefit Administration

Betsy Johnson, Commissioner, Department for Medicaid Services, Cabinet for Health and Family Services, testified in regard to Medicaid pharmacy benefit administration. Pharmacy is an optional service under the federal Medicaid rules. It is the largest optional service before accounting for rebates and totaled $508 million for SFY 2009, which is about 9 percent of the total Medicaid dollars. Pharmacy costs for dispensing fees are $5.00 for generic drugs and $4.50 for name brand drugs. The Pharmacy and Therapeutics (P&T) Committee and the Drug Management Review Advisory Board were discussed. The requirements for both groups are set forth in administrative regulations. Both committees consist of 15 members, with thirteen of those being voting members.

In response to a question by Representative Lee, Commissioner Johnson said that in regard to post payment pharmacy audits, the Cabinet works closely with the PBA, does desk audits, and reviews files. If something is found to be amiss, letters are sent to the pharmacies involved. Quarterly audits are done, and they look at pharmacies with high spending that is out of the norm.

In response to a question by Representative Lee, Commissioner Johnson said that if a prescription is written for a name brand drug, there is no prior authorization because if it is not on the list then it is not covered. If the prescription drug has the same therapeutic value, that drug would also be covered.

In response to a question by Representative Lee, Commissioner Johnson said there are currently 600 recipients enrolled in the lock-in program, and the Cabinet is expecting up to 4,000 to come out after the claims analysis is done.

In response to a question by Senator Denton, Commissioner Johnson said that the lock-in program does not include dental, but the department can look into adding that.

In response to a question by Senator Williams, Commissioner Johnson said that tracking is done by the Division of Program Integrity and they have access to the KASPER system. The department also manages drugs through the PDL and data analysis through prescriber patterns, and also manages preferred drug lists.

In response to a question by President Williams, Commissioner Johnson said that the audits by Magellan are a service required under the contract with Magellan.

In response to a question by Senator Leeper, Commissioner Johnson said that cost savings due to the change in the refill time limits is noticed over time. The longer refill time helps to avoid the diversion of drugs. She also noted that she did not have the figures with her on behavioral health drugs, but she would get that to the committee.

In regard to a question by Senator Leeper, Commissioner Johnson said the Cabinet is continuing to look at the problem of people that are on too many drugs, sometimes in excess of 20 different prescriptions per month. She said it is a difficult issue to fix because certain health issues require a number of different drugs. The Cabinet plans to work with the P&T Committee to address it further.

In response to a question by Representative Stacy, Commissioner Johnson said that the results from studies on cost driver by diagnoses will be discussed at a future meeting.

In response to a question by Representative DeWeese, Commissioner Johnson said that once people are locked-in to a certain hospital, if they use a different emergency room, that hospital will be paid only the assessment fee. It will be the job of the hospital to send them on to their primary physician.

In response to a question by President Williams, Commissioner Johnson said that if a Medicaid recipient qualifies for group insurance through their employer, the money will go directly to the employer for payment. Also, she noted that Medicaid is always the second payer if a recipient has other health insurance.

In response to a question by Senator Williams, Commissioner Johnson said that an analysis is done to determine if Medicaid is going to pay the reimbursement.

In response to a question by Senator Denton, Commissioner Johnson said that the Cabinet is looking for ways to focus on those over-utilizing emergency rooms. She noted that it would not be appropriate for all Medicaid eligibles to be in the lock-in for hospitals. Senator Denton said that emergency room overutilization needs to be a main focus of the Cabinet, and they need to work aggressively to find a solution.

In response to a question by Senator Stine, Commissioner Johnson said that Medicaid does pay dispensing fees for over-the-counter drugs because they are paying for the services since there has to be a prescription from the providers for over-the-counter drugs to be reimbursed.

In response to a question by Representative DeWeese, Commissioner Johnson said that it is complex to compare different states' Medicaid programs. Costs depend on what drugs are covered and what the rebate issues are.

Medicaid Rebates

Rob Coppola from Magellan testified in regard to Kentucky's Medicaid Drug Rebate Program. The Medicaid Drug Rebate Program was created by the Omnibus Budget Reconciliation Act (OBRA) of 1990. It requires drug manufacturers to enter into a National Rebate Agreement to ensure that their drugs are covered by Medicaid agencies. Approximately 550 pharmaceutical manufacturers currently participate. The program also establishes minimum rebate amounts. The rebate program in Kentucky is administered by Magellan Medicaid Administration. It is a fee-based contract with 100 percent of the revenue being returned to Kentucky. In Kentucky, the OBRA rebates averaged $51.7 million per quarter in 2009. The supplemental rebates averaged $7.3 million per quarter in 2009.

In response to questions by Representative Lee, Mr. Coppola responded that Magellan is a pharmacy benefits administrator. Magellan makes recommendations to the Cabinet and the P&T committee as to what drugs should be on the formulary. Magellan currently negotiates with 26 states. Magellan receives no additional benefit from the state other than what the contract states, and they have no other sidebar contracts if they use particular companies. Its reward is a renewal of its contract. All contracts are fee based with no additional benefits to Magellan.

In response to a question by President Williams, Mr. Coppola said that Magellan provides formulary management for 25 states and is the pharmacy benefits administrator for Kentucky and eight other states. There are four other companies that provide the same services. Different states get different rebates, depending on the program they opt-in to. There are 11 states in the national program. Compared to private insurance, Medicaid rates are the best due to best price.

The meeting was adjourned at 11:55 a.m.

PROGRAM REVIEW AND INVESTIGATIONS COMMITTEE

Minutes

July 8, 2010

Call to Order and Roll Call

The Program Review and Investigations Committee met on Thursday, July 8, 2010, at 10:00 AM, in Room 131 of the Capitol Annex. Representative Kelly Flood, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Representative Kelly Flood, Co-Chair; Senators Jimmy Higdon, Vernie McGaha, R.J. Palmer II, Joey Pendleton, Brandon Smith, and Katie Kratz Stine; Representatives Dwight D. Butler, Leslie Combs, Terry Mills, David Osborne, Ruth Ann Palumbo, Rick Rand, and Arnold Simpson.

Legislative Guest: Representative Derrick Graham.

Guests: Bill Scott, Executive Director; Teresa Combs, Director of Legal Training Services; Kentucky School Boards Association (KSBA). Debra Keelan, Parent; Caren Gardner, Parent; Kentucky Families with Food Allergies. Bob Babbage; Leslie Scott, Assistant Professor, University of Kentucky College of Nursing; American Diabetes Association. Sharon Mercer, Practice Consultant, Kentucky Board of Nursing. Mike Burnside, Executive Director; Brent Aldridge, Director of Alternative Investments and Interim Chief Investment Officer; Kentucky Retirement Systems. Jim Voytko, President and Senior Consultant; Tony Johnson, Senior Consultant; RVKuhns & Associates, Inc. Don Dampier, Retired Kentucky State worker.

LRC Staff: Greg Hager, Committee Staff Administrator; Rick Graycarek; Christopher Hall; Colleen Kennedy; Van Knowles; Lora Littleton; Jean Ann Myatt; Sarah Spaulding; Katherine Thomas; Cindy Upton; Stella Mountain, Committee Assistant.

Staff Report: School Health Services for Students With Chronic Health Conditions in Kentucky

Van Knowles summarized the updates to the report. He said that questions were raised at the June 10 meeting about some aspects of the report. The committee requested feedback from interested parties.

There are several policy issues and statutory clarifications regarding legal requirements for school health services that the General Assembly might wish to address. There is misunderstanding about the schools' responsibilities and deficiency in how they are carried out. Recommendation 3.3 asks the Kentucky Department of Education (KDE) to monitor how schools carry out their responsibilities. The recommendation is also key because it calls on the regulatory agencies and other stakeholders to provide clear guidance and to advise the General Assembly if statutory changes are necessary.

Funding is complex and most districts do not have a way to separate school health from other services. Much of the funding is outside the scope of the report because it includes services beyond chronic health conditions.

Additional information from Medicaid indicates that health department nurses would not be able to bill for services if school districts contracted for the nurses to work under district supervision. Therefore, the arrangement is not a practical solution to the problem of sharing information. The description of the problems with sharing health and educational records was updated accordingly.

Staff reviewed model policies and procedures from the Kentucky School Boards Association. Some aspects of the models are commendable and others need improvement. Regardless of the written policies and procedures, Chapter 3 demonstrates the need to better implement school district responsibilities. The association could be especially helpful by joining with regulatory agencies and other parties in carrying out Recommendation 3.3.

The Department of Insurance and other sources identified barriers to a state mandate for coverage of school health services in addition to the discussion in the previous draft report. Chapter 4 was modified to describe the federal laws, such as ERISA [Employee Retirement Income Security Act], that limit the state's options. Considering the barriers and potential costs, the General Assembly might consider whether it remains worthwhile to act. The formal recommendation was removed.

Information about grants from Passport Health Plan was added to the report. Staff calculated that an amount roughly comparable to the health department reimbursements in the rest of Kentucky would be $10.8 million annually for the Passport region.

An explanation was added to address the question of possible surpluses in health department school health programs. Health departments receive an enhanced reimbursement rate in order to support other public health programs. This permits the state to apply $2.33 in federal funds for every $1 in state funds based on the 70 percent federal match prior to the American Recovery and Reinvestment Act (ARRA).

Information was added about a funding approach used in South Carolina, which permits school districts to contract with the state health department. Using the health department's Title V status, school districts bill Medicaid. Federal Medicaid authorities have questioned this arrangement because the schools actually receive no Title V funds. Depending on the outcome of the federal review, this might be a model for Kentucky to consider.

Mr. Knowles concluded by saying that there was a recent change in Medicaid reimbursement that did not make it into the revised draft. On July 1, Kentucky Medicaid ceased paying the state share of health department claims. The health departments will have to cover that portion, which currently is 20 percent and may revert to 30 percent unless Congress extends the enhanced federal match. It is not clear what effect this will have on health departments' school nursing services.

In response to questions from Senator Stine, Mr. Knowles said that the issue of who takes calls in the evening was not covered in the report. The school is only responsible for services during the school day or during school activities. School nurses should communicate with the primary provider when something happens at school. This was not discussed specifically in the report but is covered by Recommendation 3.3. The report addressed the medical home issue but that the issue has not been resolved.

Senator Higdon said that in most instances Passport works well but that Kentucky should not have a model that excludes the 16 counties in the Passport region. He would like to see that problem addressed. In response, Mr. Knowles said that the report has a recommendation that the parties get together to resolve this issue.

Senator McGaha said that prior to ARRA the Medicaid matching rate was $2.33 per $1. In response to a question from Senator McGaha, Mr. Knowles said that under ARRA the federal government pays 80 percent and the state pays 20 percent. There is no mention of the Medicaid matching rate in the healthcare reform, so the rate would go back to $2.33 per $1.

Bill Scott, Executive Director of the Kentucky School Boards Association (KSBA) gave an overview of the association and introduced Teresa Combs, Director of Legal Training Services.

Ms. Combs said KSBA assists school districts in seeking reimbursement for covered health services listed in Individual Education Plans (IEP) for children who are eligible under both IDEA [Individuals with Disabilities Education Act] and Medicaid. KSBA has 136 districts enrolled that recovered $3.8 million last fiscal year. She gave an overview of the types of services that the districts are allowed to bill Medicaid for reimbursement.

KSBA provides guidance on policy and procedures to school districts with the primary purpose of keeping them in compliance with federal and state law. Many policies and procedures are in place for the 173 school districts participating in the policy service. KSBA's policy and procedure service provides updates for school districts as new laws and regulations are created and school personnel are trained accordingly. The model policy has been updated to cover KDE's new regulation on administration of medication.

According to federal law, school districts need to provide health services in schools for which a physician is not needed. KRS 156.502 allows health services to be delegated by licensed personnel who have trained unlicensed personnel to perform these health services in the school setting.

Special Education and Section 504 law are very complicated. KSBA has a Special Education Service under the KSBA Training Services, which is a subscription service to which all the school districts belong. Districts have unlimited access to legal consultation and receive training and updated information as the law changes. Ms. Combs explained IDEA and Section 504.

A finding in the Program Review report is that there should be more appropriate care and fewer limitations with school nurses. The Kentucky Board of Nursing's advisory opinion is that a nurse shall not delegate injections such as for diabetes to someone who is unlicensed. KRS 156.502 generally says that licensed medical staff may train and delegate these functions to unlicensed school personnel. Without adequate funding from the legislature it would be extremely burdensome to school districts to have a specific ratio of nurses to students. School districts need maximum flexibility to provide school health services. Lack of funds prevents school districts from having enough licensed personnel in the schools.

Representative Flood asked Debra Keelen and Caren Gardner from Kentucky Families with Food Allergies to respond to the report. Ms. Keelen said that they support standardized guidelines and minimum guidelines for food allergies. They are also supportive of nurses in schools but realize more funding is needed.

Bob Babbage said he represents ADA. He introduced Dr. Leslie Scott, an assistant professor at the University of Kentucky College of Nursing and a nurse practitioner.

Dr. Scott said she has witnessed the struggles and injustices families of children with diabetes endure when it comes to ensuring safe and proper care of their child's diabetes while in school and school-related activities. Dr. Scott strongly supports the ADA's goals of ensuring that all students with diabetes are able to effectively manage their disease at school and at school-related activities and most importantly, have equal access to all educational opportunities.

The inequity of healthcare services provided to Kentucky children with diabetes as well as the lack of equal access to all educational opportunities has been particularly problematic for the past decade. This is primarily due to the fact that at that time a significant change in diabetes-care regimens was implemented in the care of children due to advancements in available insulin and delivery devices/systems.

The Program Review report should incorporate more explicit and forceful recommendations on how the needs of students with diabetes are to be met. For example, the report needs to make stronger recommendations on how to resolve inconsistencies in services among districts.

One of the biggest obstacles yet to be overcome is having appropriate personnel to administer insulin, particularly for those children who are too young or unable to self-administer insulin.

According to the report, state law does not allow unlicensed personnel to administer insulin at school. The proper reading of the statute is that medication administration should be considered a nursing function only if it requires substantial specialized knowledge, judgment and nursing skill. The Board of Nursing advises that injectables such as insulin and the task of carbohydrate counting can only be performed by licensed personnel, but insulin administration and carbohydrates counting by unlicensed personnel are safe and do not require this level of specialized knowledge or skill. These particular opinion statements from the board are the crux of many children in Kentucky schools not having adequate access to their diabetes medications and adequately trained school personnel.

Insulin delivery devices such as pens and pumps are designed to be used by nonmedical lay persons. Laypeople commonly administer insulin safely and accurately and can be trained quickly and easily. Carbohydrate counting cannot be said to require specific nursing judgment or skill; all that is required is reading a food label or guide and performing simple arithmetic.

If the state law cannot be interpreted to allow administration by unlicensed personnel, then the law needs to be changed. The report provides a great deal of useful information about the care being provided to students with diabetes in Kentucky schools and the policies in place to govern this care, but it does not go far enough in recommending what specific changes need to be implemented. The report should be revised accordingly or the legislature should adopt these needed changes into law.

Sharon Mercer from the Board of Nursing said she was concerned about the delegation process. [This topic is covered in the Board of Nursing's latest response to the report.]

In response to a question from Representative Flood, Ms. Mercer indicated that she had not been referring to the administration of insulin. Advisory opinion statements do not have the force of law and can be changed by the board. She would recommend someone ask the board to revisit this issue.

Representative Palumbo explained that she does not want her child's health to go before a committee.

In response to a question from Senator Stine, Representative Flood replied that there was no fiscal note or a source of funding.

Upon motion made by Representative Palumbo and seconded by Senator Palmer, the School Health Services for Students With Chronic Health Conditions in Kentucky report was approved by roll call vote.

Approve Minutes for June 10, 2010

Upon motion made by Senator Pendleton and seconded by Representative Simpson, the minutes of the June 10, 2010 meeting were approved by voice vote, without objection.

Presentation on Kentucky Employee Retirement Systems Asset/Liability Studies

Mike Burnside introduced Brent Aldridge, Jim Voytko, and Tony Johnson.

Mr. Voytko said they are investment consultants under contract to the Kentucky Retirement System (KRS), Board of Trustees. Asset liability studies were done for the four state plans. Today's presentation covers the study for the Kentucky Employee Retirement System only.

The bottom line of the studies is that the current benefit program; existing accumulated unfunded obligations that the system has; the growing retirement population; the savings policy in place in House Bill 1, which controls contribution levels; and growing restrictions that negative cash flows place on the fund's investment program results in a large current pension funding problem for Kentucky. This is likely to grow considerably over the next 5 to 15 years. Each plan is different but this equation applies to all plans studied.

Mr. Voytko illustrated House Bill 1 through the example of paying off a mortgage on a bridge over time. A normal mortgage payment is constant over a period of time, paying off the interest and amount borrowed at the same time. Using a payment schedule based on HB 1, initial payments are lower but the unpaid interest in the initial period is added to the balance, resulting in a significantly higher total cost compared to making the same payment each time period.

In response to a question from Representative Graham, Mr. Voytko said benefits in the presentation means the nonhazardous defined pension plan.

In response to a question from Representative Graham, Mr. Burnside said that at the time when HB 1 [2008 Special Session] was discussed, the KRS's actuary had said that HB 1 would have an effect but not for several years. He was not sure if KRS was asked to comment on the payment schedule.

In response to questions from Representative Flood, Mr. Burnside said that the actuary looks at 30-year window when making projections. The actuary assumed a 3.5 percent increase annually in payroll over 30 years. No money had ever been borrowed from KRS, but the system was underfunded for 17 years.

Mr. Voytko said that the next generation is when you will see benefits of a new tier of controlling contributions. He noted that the asset liability study is not an actuarial study of the system's liabilities, a prescription for plan benefits, or an assessment of the affordability of contribution levels.

A pension fund's funding comes from a savings program and an investment program, which can only work if there are assets to invest. The savings program is by far the largest driver of the financial future for these plans. The analysis of the future outcome of the plans presented today assumes investments returns are guaranteed, the board's goal being 7.75 percent.

Over the next 20 years, money flowing out of the fund will increase steadily with the retired population growing, yet the money flowing in by contribution will stay steady. This pattern is not unusual and is seen in retirement plans across the country. Cash flow will be negative until 2020, at which point contributions and payouts will be the same. Contributions increase from the year 2020 because HB 1 reaches the actuarially required amount. By that time, the required amount has grown because of shortfalls in the previous 10 years. In the later years, the contribution rates as a percentage of payroll increase dramatically.

This pattern creates problems. First, assuming that 7.75 percent is earned on investments, the payout ratio is very high, almost 50 percent, which makes it very hard to run an investment program.

In response to a question from Senator McGaha, Mr. Voytko said that earned income is not included directly on the slide showing projected contributions and benefit payments.

In response to a question from Representative Rand about the 7.75 percent goal ever having been achieved historically, Mr. Burnside said in the fiscal year to date, they had earned 17.73 percent; in the year ended in May 2010, 17.84 percent; -2.6 percent for the past 3 years; 3.85 percent for the past 5 years; and 3.59 percent for the past 10 years.

Representative Rand said that there have been good investment years but performance does not seem to be what it should have been. In response, Mr. Burnside said that the 10-year performance is below the 7.75 percent assumed rate of return but that it was above this rate for 15 years. The actuary's assumptions are based on 30 years.

Mr. Voytko said there was nothing unusual nationally with a return of 3 percent over the past 3 years; the 7.75 percent return was not available to anyone due to the economy.

In response to a statement from Representative Rand, Mr. Voytko said he would not describe the system as unsustainable but that it might be surprising as to how expensive it gets. Representative Rand replied he was already surprised.

In response to questions from Senator McGaha, Mr. Voytko said the KRS Board of Trustees sets the allocation of assets. The board typically accepts their recommendations and monitors the allocation of assets.

In response to questions from Senator McGaha, Mr. Burnside said that KRS has an internal compliance officer who monitors and reports on a monthly basis. KRS's fiduciary bank also has responsibility for monitoring. Changes in asset allocation do not require changes in statute or regulation; the board makes those changes. Target allocations have not changed since 2006.

Representative Flood noted that this topic was covered in the committee's Research Report 352.

In response to a question from Representative Graham, Mr. Burnside said the report came out just before the 2008 Special Session in which HB 1 was adopted.

In response to a question from Representative Graham, Mr. Voytko returned to his presentation. The first problem is that the liquidity ratio of the fund becomes high. The second problem is that contribution rates rise to over 40 percent of salary or higher. The third problem is a growing unfunded liability. The fourth problem is that the funding ratio – the percentage of assets that are in place versus the percentage that your actuary says you need in place to fund benefits that are accrued and due – is the same at the end of the period as it was at the beginning. The second part to the study, which is much more complicated, is what happens if 7.75 percent is not fixed. [This part was not covered due to time constraints.]

Mr. Dampier, who is retired from

state government, submitted a written statement. He summarized by noting that retirees are a renewable resource. As state employees, they were taxpayers and as retirees they continue to pay taxes and contribute to the economy and society. It is essential that each retiree has a reasonable retirement income that is steady and reliable.

In response to a question from Senator Higdon, Mr. Voytko said that the slide covering projected contributions as a percentage of salary did not include the insurance fund; there is a separate study for that. Including insurance would add 22 percentage points of salary to the peak 48 percent projected contributions reached in 2029.

In response to Representative Graham's earlier question about the equation, Mr. Voytko said the benefits are as written. Changes in new hires and their pension benefits will take the better part of a generation to have a material effect. Accumulated unfunded obligations cannot be changed. Nothing can be done about the growing retirement population. The savings policy in HB1 is the legislature's decision and is under its control. The growing restrictions on the fund's investment program will largely depend on the cash flow. More cash flow in gives investment staff more assets to work with.

Representative Rand said benefit levels should be of concern. In response to a question from Representative Rand, Mr. Burnside said benefit levels are set in statute. Based on the inviolable contract, benefits cannot be decreased once a person begins employment.

Representative Rand said the General Assembly has honored its commitment under HB 1 in a difficult budget year. He is not advocating cuts in benefits but it is not possible to address pension funding without considering benefits. In response, Mr. Burnside said he did not disagree. It is a difficult situation. Stopping spending is not an option due to the inviolable contract. The unfunded COLA [cost of living adjustment/allowance] is an issue. HB 1 reduced it to 1.5 percent, but even 1.5 percent increases the unfunded liability.

Representative Rand said that he had not been told that HB 1 would increase the unfunded liability.

Representative Graham said that many state employees retired having made relatively low salaries and that reducing the COLA hurts them. It is not just an investment issue; the system was underfunded for 17 years.

Senator Smith said he wanted to change his "yes" vote for approving the report to "not voting." He understands this issue as a parent but also from the perspective of schools that may face additional costs.

Mr. Voytko concluded by saying that the board faces decisions in the coming years relating to the tradeoff between long term investments to increase returns and having sufficient assets to pay ongoing obligations to beneficiaries.

Meeting adjourned at 12:18 p.m.

TOBACCO SETTLEMENT AGREEMENT FUND OVERSIGHT COMMITTEE

Minutes

July 7, 2010

Call to Order and Roll Call

The meeting of the Tobacco Settlement Agreement Fund Oversight Committee was held on Wednesday, July 7, 2010, at 10:00 AM, in Room 129 of the Capitol Annex. Senator Carroll Gibson, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Carroll Gibson, Co-Chair; Representative Dottie Sims, Co-Chair; Senators David E. Boswell, and Vernie McGaha; Representatives Royce W. Adams, James R. Comer Jr., Charlie Hoffman, Tom McKee, and Tommy Turner.

Guests: Roger Thomas, Michael Judge, Joel Neaveill, Jennifer Hudnall, Christi Marksbury, and Angela Blank, Governor's Office of Agricultural Policy; Rodney Dick, Agricultural Development Board member; Annette Bridges, Division of Early Childhood Development; Patrick Smith, REACH of Louisville.

LRC Staff: Lowell Atchley, Biff Baker, Tom Middleton, and Kelly Blevins.

Minutes of the June 2 meeting was approved by voice vote and without objection on a motion made by Senator Boswell and seconded by Chairman Gibson.

Governor's Office of Agricultural Policy Report

Mr. Roger Thomas, Executive Director, Governor's Office of Agricultural Policy (GOAP), Mr. Joel Neaveill, GOAP Chief of Staff, and Mr. Michael Judge, GOAP Director of Operations reported on the actions of the Agricultural Development Board (ADB) at its June meeting.

Following a survey of the County Agricultural Investment Program (CAIP) and Share-use Equipment Program projects from the previous month, Mr. Judge reviewed the state projects approved by the board in its previous session.

During the Cumberland Farm Products Association discussion, Representative Comer questioned the need for the project, for which the board approved $20,000 to remodel an existing warehouse for lease to a full-service farm supply store. The Wayne County Council identified a general farm supply store as their No. 1 priority, Mr. Judge explained.

The GOAP officials responded to several questions, mainly from Senator McGaha, Representative McKee, and Chairman Gibson about the need and manner of funding for the Breckinridge County project, which was granted $6,120 by the board to develop a welding training program for area farm producers. According to Mr. Judge, the total budget for the project was actually $21,300, with a large portion of that amount to be made up of in-kind services contributed by welding instructors and administrators.

GOAP staff members also revealed to the committee that they had discussed creation of a standalone program for counties that desire to fund the welding classes.

Discussion also turned to the guidelines that county councils use in determining what preference must be given to current or former tobacco growers who apply for tobacco settlement funds locally. The GOAP officials indicated they would forward a copy of their CAIP tobacco-dependency policy to committee members.

They responded to Chairman Gibson's observation regarding the lack of membership turnover on county councils. Mr. Thomas pointed out that legislation enacted in the 2009 legislative session established a process to require rotation of council member terms and to achieve more diversity on councils. Those changes were to take effect in July of this year.

A project that was denied funding, the Owen County Historical Society, and one that the board delayed for additional information, the Kentucky Association of Food Banks, both prompted committee discussion.

The GOAP officials responded to several questions from Representative Adams regarding the board's denial of funding for the Owen County applicant, which had sought $4,000 in tobacco settlement funds to pay for some murals that would be painted on barns as part of a tobacco heritage trail. The board agreed with a GOAP staff recommendation of no funding because of lack of direct producer impact.

Representative Adams explained that the funds would have benefitted a tourism project to attract visitors to Owen County. According to Representative Adams, the tobacco heritage trail had been studied extensively and had considerable backing from Owen County community leaders.

Later in the meeting, Mr. Thomas said they would provide information about the Owen County project to committee members and indicated a desire to work with the applicants should they desire to reapply.

The GOAP staff members also responded to several questions from committee members about the Kentucky Association of Food Banks proposal to purchase Kentucky-grown surplus produce and distribute the food commodities to low-income clients. GOAP staff had originally recommended funding the application for $150,000 in state funds, with the applicant urged to secure remaining funds of $100,000 from county councils. But the board delayed the project.

Senator McGaha and Representative Comer questioned the benefits of the project to producers. Senator McGaha indicated it might be a better process to give $250,000 directly to county councils and have them purchase the food and distribute it. Representative Comer mentioned the desirability of obtaining county commitments.

Representative McKee noted that the project is related to legislation passed in 2009 creating a statewide program aimed at distributing farm produce to food banks. He described the program as a "win-win" undertaking, but allowed that current budget constraints are problematic.

Mr. Thomas mentioned a similar, albeit smaller, pilot project that operated with tobacco settlement funds last year. During the discussion, he also mentioned that GOAP staff had met with the applicants in an attempt to scale down the budget for the latest project.

Senator McGaha indicated he did not want to appear callous, but he said the amount sought would not be significant on a statewide basis. He suggested that local gardeners could make available their surplus foodstuffs.

The discussion prompted a suggestion from Senator Gibson, who proposed that regional detention centers could grow produce that ultimately could be donated to local food banks.

On other issues, the GOAP officials described their recent fact-finding trip to North Carolina to visit with officials with the Gold Leaf Foundation, which was established to provide tobacco settlement funds for economic impact assistance to economically distressed or tobacco-dependent regions that state. It also was revealed that Mr. Judge will be leaving the GOAP to return to Eastern Kentucky University, where he taught for several years before joining the Department of Agriculture and then later the GOAP.

Division of Early Childhood Development Report

Ms. Annette Bridges, Director, Division of Early Childhood Development, reported on the activities of the agency. Joining her was Mr. Patrick Smith, a Community Planner and Evaluation Researcher with REACH of Louisville, who discussed an economic evaluation of KIDS NOW, a major part of the Early Childhood Development Initiative.

In remarks preceding Mr. Smith's presentation, Ms. Bridges gave an overview of the Early Childhood Development Initiative and its three main components – Assuring Maternal and Child Health, Supporting Families, and Enhancing Early Care and Education.

Next, Mr. Smith provided an overview of the study, which was sought by the Kentucky Department of Education and the Early Childhood Development Authority. The report focused mainly on the direct cost savings, such as savings achieved through the avoidance of medical treatments, hospital costs, or reduction of special education costs.

Mr. Smith told the committee that their study estimated $88 million in cost savings (costs avoided) for KIDS NOW programs for which data were available in 2008. He noted that they applied conservative estimates in their work.

Following Mr. Smith's segment, Ms. Bridges responded to committee members' questions. She indicated she would need to respond later to Chairman Gibson's question regarding many people work for the Early Childhood Development program, both in the Department of Education and in the Cabinet for Health and Family Services. She responded the Senator Gibson that they hoped there is no overlap or duplication of other programs, although the initiative may partially pay for services offered by other programs.

Co-chair Sims pointed out that agencies will appear before committees and many times are unable to provide administrative costs for legislators. Later in the meeting, Ms. Bridges pointed out that Mr. Smith's research showed the initiative's administrative costs were 6 percent.

Responding to Representative Adams, Ms. Bridges said their programs extend statewide. Also, grants funds are given out on a proportional basis, based on the size of counties.

She responded to Senator McGaha, who followed up on Senator Gibson's questions, saying that, while Early Childhood Development receives approximately $25 million per year in tobacco settlement funds, those funds are used in tandem with, or an extension of, other funds received by programs.

Senator McGaha pointed out that a budget sheet provided to the committee did not list the separate programs, although the sheet showed month-by-month revenues and expenses. Noting a copying problem, Ms. Bridges promised to get a new budget sheet to committee members.

Responding also to Senator McGaha, she described how funds are spent to correct dental caries that develop in younger children.

Representative McKee said the $88 million in savings was "very impressive."

As the meeting was ending, Ms. Bridges responded to Chairman Gibson, who asked what would happen if $25 million in tobacco settlement funds were no longer available. Ms. Bridges said they hoped to "make a case" for funding, but indicated that they realize the tobacco funds will not last forever. If funds are spent on early childhood development, then perhaps the state will avoid some costs later, she indicated to the committee, pointing out that coordination will need to improve.

Documents distributed during the committee meeting are available with meeting materials in the LRC Library. The meeting adjourned at approximately 11:45 a.m.

TOBACCO SETTLEMENT AGREEMENT FUND OVERSIGHT COMMITTEE

Minutes

August 6, 2010

Call to Order and Roll Call

The meeting of the Tobacco Settlement Agreement Fund Oversight Committee was held on Friday, August 6, 2010, at 10:00 AM, in Room 129 of the Capitol Annex. Representative Dottie Sims, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Carroll Gibson, Co-Chair; Representative Dottie Sims, Co-Chair; Senators David E. Boswell and Damon Thayer; Representatives Royce W. Adams, James R. Comer Jr., Charlie Hoffman, Tom McKee, and Tommy Turner.

Guests: Roger Thomas, Joel Neaveill, and Bill McCloskey, Governor's Office of Agriculture Policy; Irene Centers, Bobbye Gray, Dennis Peyton, Mark Sizemore, Department for Public Health; Van Ingram, Amy Andrews, Heather Wainscott, Office of Drug Control Policy; Rose Johnson, Derrick Johnson, Staci Nurse, and Emily Johnson.

LRC Staff: Lowell Atchley, Biff Baker, and Kelly Blevins.

Minutes of the July 7 meeting were approved by voice vote and without objection on a motion made by Senator Boswell and seconded by Chairman Gibson.

At the outset of the meeting, the committee adopted a resolution memorializing and honoring the late Janet Lynn (Coleman) Harris, the wife of Senator Ernie Harris.

Governor's Office of Agricultural Policy Report

Mr. Roger Thomas, Executive Director, Governor's Office of Agricultural Policy (GOAP), Mr. Joel Neaveill, GOAP Chief of Staff, and Mr. Bill McCloskey, Director of Financial Services, reported on the actions of the Agricultural Development Board (ADB) at its July meeting. Mr. Thomas noted that Mr. McCloskey would be taking on additional duties with the agency following the recent departure of Michael Judge.

After a short report on the County Agricultural Investment Program (CAIP) and other programs, Mr. Thomas briefed the committee on a World Health Organization proposal to ban certain distinctively flavored ingredients in tobacco products. It has been pointed out the WHO guidelines would eliminate the entire category of traditional American blend tobacco that contain burley tobacco. Contending the proposal would have an adverse effect on burley farmers, Mr. Thomas indicated the Governor has sent a letter to an official in Norway, a country that has taken the lead in pushing for the tobacco regulation, and Agricultural Commissioner Richie Farmer has issued a press release on the issue.

During discussion, Mr. Thomas indicated to Senator Boswell that the proposal should not affect burley tobacco used in research, rather the type of leaf used in manufacturing cigarettes.

Following that initial discussion, the committee, acting on a motion by Representative Hoffman, went on record in asking WHO to exempt burley tobacco from the proposal.

In subsequent comments, Representative McKee pointed out that burley tobacco can be seen growing now in parts of central Kentucky. He indicated that singling out burley does little to help anyone.

Tobacco Prevention and Cessation Program Report

Ms. Irene Centers, Program Manager, appeared before the committee to report on the activities of her agency in utilizing tobacco settlement funds. She reviewed agency budget figures for FY 2010 and FY 2011, smoking rate data, agency anti-smoking activities, other programs aimed at reducing tobacco use, and profiled the activities of the Barren River District Health Department.

Ms. Centers responded to questions from Senator Gibson in two instances during the meeting. In initial responses, she told the committee Co-chair that the agency reduced its FY 2010 budget by $230,000 by monitoring internal expenses. According to Ms. Centers, they dealt with a second budget reduction late in the fiscal year, which would have affected funding to health departments, by using some federal grant funds. She also said a carry-over should help maintain funding levels at local departments in early FY 2011. Later in the meeting, Ms. Centers reviewed the agency's main funding sources for the fiscal year -- Master Settlement Agreement funds, federal grant funds, and a federal stimulus grant. She indicated the federal stimulus grant funds are specific regarding how they can be used.

Responding to Representative Adams, who asked how cessation funds are divided between adults and young people, Ms. Centers indicated that about $2.27 million is allocated to health departments, which, in turn aim much of their anti-tobacco work at youth prevention and community based activities.

She told Representative McKee that adult smoking rates in Kentucky stand at to 25-26 percent. She predicted the rates will be comparable in 2010. She said youth smoking rates have been declining, with the current rate for middle school students in Kentucky at 9.7 percent. She stressed the role of legislators, who can have an impact on school curricula and also stand as role models for young people.

Kentucky Agency for Substance Abuse Policy Program Report

Three officials with the Kentucky Agency for Substance Abuse Policy (KY-ASAP) appeared to brief the committee on that agency's use of MSA funds. Speaking to the committee was: Mr. Van Ingram, Executive Director, Office of Drug Control Policy, Ms. Amy Andrews, KY-ASAP State Coordinator, and Ms. Heather Wainscott, Branch Manager, Office of Drug Control Policy (ODCP).

In initial remarks, Mr. Ingram indicated that KY-ASAP also was required to reduce its budget in the last fiscal year. Because funds were committed to local boards when the budget reductions were initiated, KY-ASAP met the shortfall by using some ODCP funds and some carry-over moneys, according to Mr. Ingram. In subsequent remarks, Ms. Andrews noted that while local, single-county boards received grants of only $15,600, they are able to raise local funds for substance abuse efforts. In her remarks, Ms. Wainscott pinpointed some individual efforts, such as the Partnership for a Drug-Free Kentucky.

Responding to Senator Gibson, Ms. Andrews outlined how local boards are to be structured. Senator Gibson stressed the need to include as many youth on the local boards as possible. In response, Ms. Andrews gave some examples of regional and county programs that attempt to place attention on under age alcohol and drug use.

In responses to Representative Adams, they stressed that the $128,800 given to the Northern Kentucky board is spent evenly in all eight counties, even though some counties are more populous than others.

Responding to Co-chair Sims, Mr. Ingram, a former law enforcement officer, indicated that drug use is constantly evolving. Currently, he said, prescription drug abuse is a problem among young people. He said one in five young people have admitted using prescription drugs not prescribed to them. He noted a positive aspect KY-ASAP is that it allows local boards to generally attack problems at the community level.

Mr. Ingram responded to Co-chair Sims that people tend to establish their own journey into drug use.

Documents distributed during the committee meeting are available with meeting materials in the LRC Library.

The meeting adjourned at approximately 11:30 a.m.

Medicaid,
from page 3

better pharmacy managers, Folkemer said as she shared recommendations other states have made to prepare for the future of Medicaid.

"We're getting questions about what is going to happen between now and 2014 that nobody can really answer yet," she said. "We're really very much beginning the process of understanding the opportunities and challenges for states."

Task Force Co-Chair Rep. Jimmie Lee, D-Elizabethtown, said it is clear a lot of questions about the new federal law remain.

"I've read this (law) five or six times, and every time I read it I'm totally amazed you can put together that large a piece of legislation without a clue on how to implement it," said Lee. He added that in his view, many provisions of the law will never be enacted.

"To those of us who are looking at huge deficits in our Medicaid program, when there are so many unknowns that are going to happen next year and the year, after or the year after that…you won't be able to establish any permanency," said Lee, who said there will be two systems--traditional Medicaid and the new eligibles under 133 percent of poverty—and, in some instances, the systems will overlap.

How to overcome many of those challenges will be up to the states, said Folkemer.

"There are a whole range of decisions…that you at the state level will need to make," she said.

LRC Publications

Informational Bulletins

232 General Assembly Action 2010 Regular Session

231 Final Committee Reports of the Interim, Joint, Special, and Statutory Committees

230 Issues Confronting the 2010 Kentucky General Assembly

229 General Assembly Action 2009 Regular Session

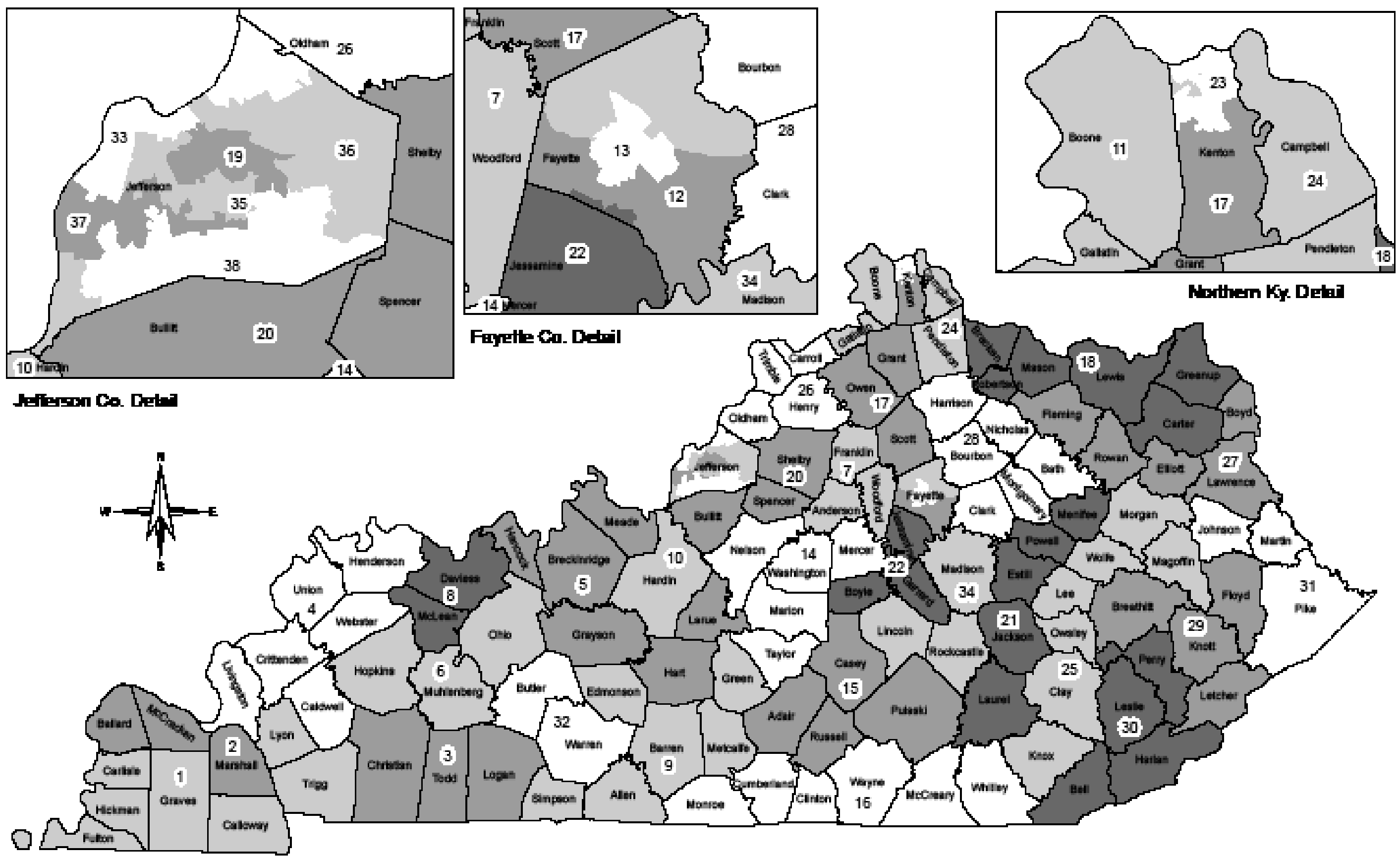
228 Final Reports of the Interim Joint, Special, and Statutory Committees 2008

227 Issues Confronting the 2009 General Assembly An update of Informational Bulletin No. 224 (2008)

226 General Assembly Action, Regular Session 2008

225 Final Reports of the Interim Joint, Special and Statutory Committees (2007)

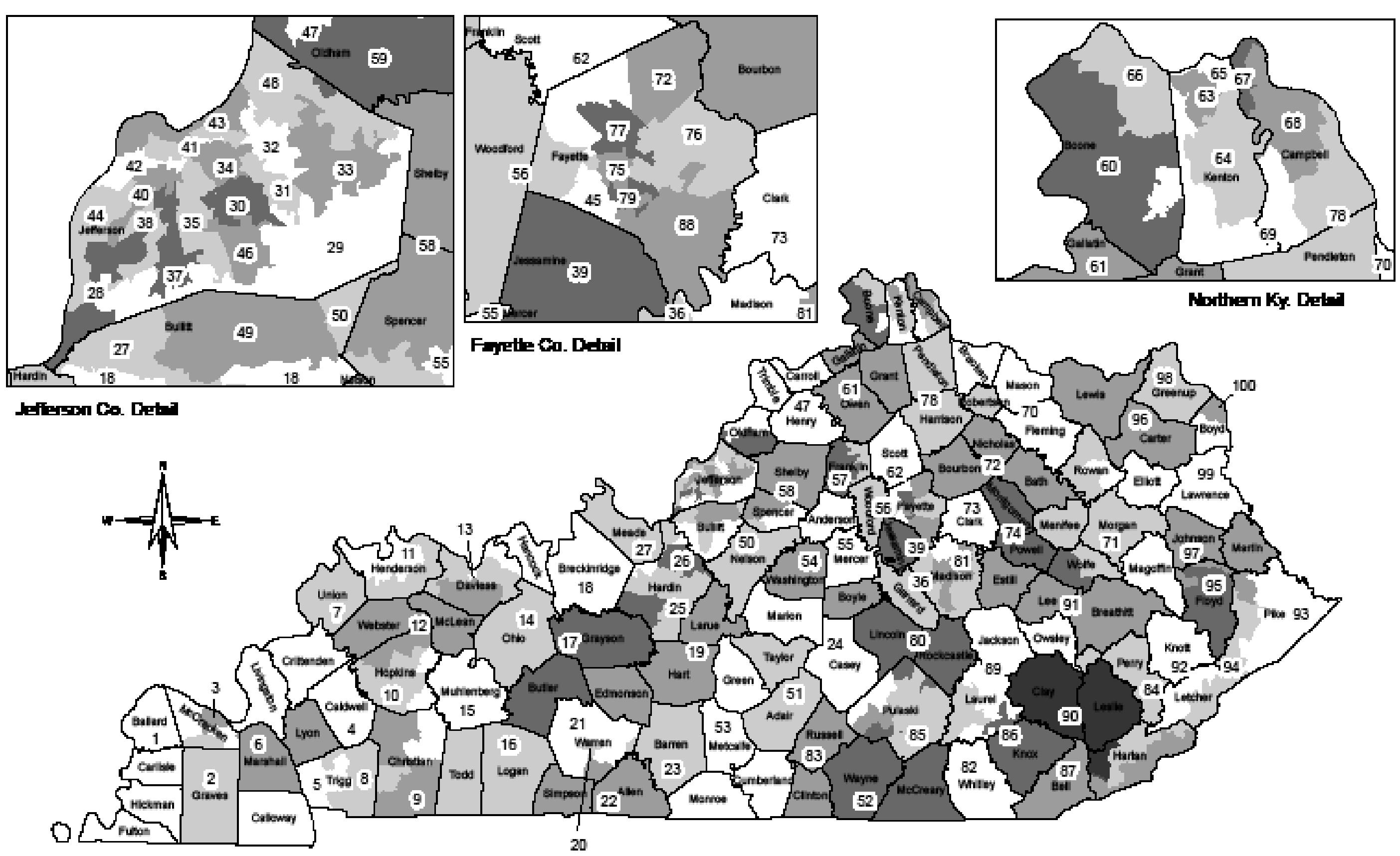
224 Issues Confronting the 2008 General Assembly



2002 Kentucky Senate Districts

Senate Plan (SH001A09) became law (KRS 5.101 - 5.138) January 31, 2002, with enactment of House Bill 1.

Produced by the Legislative Research Commission Geographic Information Systems Office, 700 Capitol Ave., Frankfort, KY, 40601, 502-564-8100, gis@lrc.ky.gov



2002 Kentucky House Districts

House Plan (HH001A11) became law (KRS 5.201 - 5.300) January 31, 2002, with enactment of House Bill 1.

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