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Over 200 bills approved in 2018 Regular Session

Staff Report
LRC Public Information

FRANKFORT -- The Kentucky General Assembly's 2018 Regular Session ended on April 14, capping off a session in which lawmakers approved 203 bills, including the state's next two-year budget and numerous other measures that will affect people throughout the state.

Most new laws – those that come from bills that don't contain emergency clauses or different specified effective dates – will go into effect in mid-July.

A partial list of bills approved this year by the General Assembly include measures on the following topics:

Abortion. House Bill 454 will prohibit a certain type of abortion procedure, known as a D & E, if a woman is more than 11 weeks pregnant. The legislation does not ban other types of abortion procedures. (Enforcement of this new law has been temporarily halted by a federal judge until motions challenging the measure are heard in June.)

Abstinence Education. Senate Bill 71 will require the inclusion of abstinence education in any human sexuality or sexually transmitted diseases curriculum in Kentucky high schools.

Bicycle safety. House Bill 33 will require drivers to keep vehicles at least three feet away from bicyclists during an attempt to pass. If that much space isn't available, the driver must use "reasonable caution" when passing cyclists.

Breweries. House Bill 136 will increase what breweries can sell onsite to three cases and two kegs per customer. Another provision will allow breweries to sell one case per customer at fairs and festivals

in wet jurisdictions.

Budget. House Bill 200 will guide state spending for the next two fiscal years. The plan fully funds the state's main public pension systems at the levels recommended by actuarial analysis. It calls for 6.25 percent baseline cuts for most state agencies, although some agencies are spared. Agencies that will avoid cuts include the Department of Veterans' Affairs, Kentucky State Police, and local school-based Kentucky Family Resource and Youth Services Centers. The budget plan will boost base per-pupil funding for K-12 education to a record level of \$4,000 per student in each fiscal year. It also includes more than \$60 million in new revenue to help implement proposed adoption and foster care reforms and tens of millions of dollars to hire more social workers.

Dyslexia. House Bill 187 will require the state Department of Education to make a "dyslexia toolkit" available to school districts to help them identify and instruct students who display characteristics of dyslexia.

Financial literacy. House Bill 132 will require Kentucky high school students to pass a financial literacy course before graduating.

Foster Care and Adoption. House Bill 1 intends to reform the state's foster care and adoption system to ensure that a child's time in foster care is limited and that children are returned to family whenever possible. It would expand the definition of blood relative for child placement and ensure that children in foster care are reunified with family or placed in another permanent home in a timely manner.

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Senate, House override budget and revenue bill vetoes

by Rebecca Hanchett and Jim Hannah
LRC Public Information

FRANKFORT – The Kentucky House and Senate overrode the governor's vetoes of the state's two-year, \$22 billion budget and an accompanying revenue measure on April 13.

The veto of the budget bill, known as House Bill 200, was overridden in the Senate 25-12 and in the House 66-28. The budget includes 6.25 percent baseline cuts for most state agencies, although some agencies are spared.

"House Bill 200 ensures we fully fund the Department of Veterans' Affairs, that we fully fund the Kentucky State Police, that we ensure the request for new cruisers and rifles for the Kentucky State Police is fully funded," said Senate Appropriations and Revenue Committee Chairman Christian McDaniel, R-Taylor Mill. "House Bill 200 makes sure the Commonwealth will not open and does not allocate money for private prisons."

McDaniel said HB 200 would boost base per-pupil funding for K-12 education to a record level of \$4,000 per student in each fiscal year while providing money for school buses. HB 200 also includes more than \$60 million in new revenue to help implement

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Vetoed,

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proposed adoption and foster care reforms, he said, adding additional money for social workers and prosecutors is also included.

"It makes sure we fully fund the request of the Kentucky Teachers' Retirement System for a full pension contribution," McDaniel said. "I could go on and on, but we've all had nearly two weeks to go through House Bill 200 to know what it is about."

A senator who didn't vote to override the veto of HB 200 was Morgan McGarvey, D-Louisville.

"This budget does do some good things," he said. "We have to admit that. That is what makes this at times a tough vote, but there is nothing in this budget that is a gift. It still plays a magic act where we ask you to look over here at the good things and not address the fact that we are very much still picking winners and losers."

During the House debate on HB 200, State Government Chair Jerry Miller, R-Louisville, said he supported the override because the budget finally addressed the underfunded pensions. He said prior budgets contained money for local projects without properly funding the initiatives.

"Unfortunately we have at least \$43 billion underfunded (our pension systems)," said Miller. "We had to take action because since 1943, candy has been given without being fully paid for. And that's why I'm going to vote to override the veto."

One of the representatives who voted to uphold the governor's veto was Jim Wayne, D-Louisville, who said the General Assembly had a chance to do better.

"We need to take this budget, and defeat it – support the veto—and then together ... work on a common vision, shared high values, reaching out for the very best of who we are and what our people are," he said.

The veto of the accompanying revenue measure, known as House Bill 366, was overridden in the Senate 20-18 and in the House 57-40.

HB 366 creates a flat 5 percent rate for personal and corporate income taxes, expands the sales tax to some services such as car repairs and raises the cigarette tax 50 cents to \$1.10 per pack. The only itemized deductions allowed under HB 366 will be for Social Security income, mortgage income and charitable giving. And the inventory tax will also be phased out over a four-year period.

In the Senate, Majority Floor Leader Damon Thayer, R-Georgetown, said HB 366 will generate nearly a half of billion dollars in additional money for the state over the next two fiscal years.

"What this bill does is what Republicans have talked about for many years on tax reform," he said. "It lowers the rates and increases the base – moving away from taxes on production and moving to taxes on consumption."

Thayer said that has been part of a winning formula for Florida, Texas, Indiana and Tennessee. He said HB 366 would move Kentucky from 33rd in business competitiveness to 18th.



Rep. Kelly Flood, D-Lexington, speaks on the House floor during a vote to override a gubernatorial veto. The 2018-2020 biennial state budget is found in HB 200 while HB 366 is a tax reform measure. Vetoes were overridden on both measures.

"When we become more competitive, we create more jobs," Thayer said. "We then create more taxpayers with more money going into the coffers to pay for things like education."

Senate Minority Floor Leader Ray S. Jones II, D-Pikeville, spoke against the veto override.

"What this tax bill really does is raise \$436 million in taxes from the people who can least afford to pay more," he said.

During House debate of HB 366, Minority Leader Rocky Adkins, D-Sandy Hook, also spoke against the veto override.

"This bill is not tax reform. This bill is a tax shift. And it's a tax shift from the wealthy and the corporations to those least able to pay," he said.

Among the Representatives who voted to

override the veto of HB 366 was Jason Nemes, R-Louisville.

"This is an education bill. That's why our teachers demand an override. That's why our public employees demand an override," he said.

The General Assembly also overrode a veto of House Bill 362, a measure designed to give some county governments, municipalities and school districts relief from soaring pension costs this year. The House voted 94-2 to override while the Senate voted 34-4. The measure, sometimes referred to as a "rate-collar," will provide the pension relief government entities needed in order to phase in, over a maximum of 10 years, the full increase in rates passed by the Kentucky Retirement System board last December.

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Gangs. House Bill 169 will establish penalties for criminal gang-related crimes, especially those involving gang recruitment. The legislation will make gang recruitment a felony instead of misdemeanor for adults and make minors involved in such activity face felony charges in certain cases.

Jail security. House Bill 92 will allow jail canteen profits to be used for the enhancement of jail safety and security.

Organ donation. House Bill 84 will require coroners or medical examiners to release identifying and other relevant information about a deceased person to Kentucky Organ Donor Affiliates if the person's wish to be an organ donor is known and the body is suitable for medical transplant or therapy.

Pharmacies. Senate Bill 5 is aimed at ensuring that independent pharmacists are fairly reimbursed for filling prescriptions of Medicaid recipients. This measure will place the Kentucky Department for Medicaid Services in charge of setting the reimbursement rates for a pharmacist. The rate is currently set by pharmacy-benefit managers hired by the state's Medicaid managed-care organizations.

Police cameras. House Bill 373 will exempt some police body camera footage from being publicly released. It will exempt footage from certain situations from being released if it shows the interior of private homes, medical facilities, women's shelters and jails or shows a dead body, evidence of sexual assault, nude bodies and children.

Prescription medicines. Senate Bill 6 will require a pharmacist to provide information about the safe disposal of certain prescription medicines, such as opiates and amphetamines.

Price gouging. Senate Bill 160 will clarify laws aimed at preventing price gouging during emergencies. The bill specifies that fines could be imposed if a retailer suddenly increases the price of goods more than 10 percent when the governor declares a state of emergency.

Public pensions. Senate Bill 151 will make changes aimed at stabilizing public pension systems that face more than \$40 billion in unfunded liabilities. Changes proposed by the pension reform legislation include placing future teachers in a hybrid "cash balance" plan rather than a traditional benefits plan and limiting the impact of accrued sick leave on retirement benefit calculations.

Revenge porn. House Bill 71 will increase penalties for posting sexually explicit images online without the consent of the person depicted. The crime would be misdemeanor for the first offence and felony for subsequent offences. Penalties would be even more severe if the images were posted for profit.

Road Plan. House Bill 202 will authorize over \$2.4 billion for bridges, repaving and



Senate State and Local Government Committee Chair Joe Bowen, R-Owensboro, led pension debate in the Senate during the 2018 Regular Session of the Kentucky General Assembly.

other highway needs throughout Kentucky over the next two fiscal years.

Tax reform. Tax reform provisions included in House Bill 366 will generate about \$400 million in additional revenue over the next two years. The plan include a cigarette tax increase of 50 cents per pack and an expansion of the state sales tax to some services, such as landscaping, janitorial, laundry and small-animal veterinary services. It will also create a flat 5 percent tax for personal and corporate income taxes in Kentucky. The inventory tax would also be phased out over a four-year period. Under the plan, the only itemized deductions allowed would be for Social Security income, mortgage income and charitable giving. It would also disallow the deductions for such things as medical costs, taxes paid, interest expense on investments, and casualty and theft losses while removing the \$10 state personal income tax credit.

Teen marriage. Senate Bill 48 will prohibit anyone under the age of 17 from getting married. It would also require a district judge to approve the marriage of any 17-year-old. While current law states 16- and 17-year-olds can be married with parental consent, a district judge can approve the marriage of a child below the age of 16 if the girl is pregnant.

Terrorism. Senate Bill 57 will allow a person injured by an act of terrorism to file a claim for damages against the terrorist in state court.

Speaker Pro Tempore David Osborne, R-Prospect, at far right, confers with other House leadership during the 2018 Regular Session. Photographed with Rep. Osborne are, from left: House Minority Leader Rocky Adkins, D-Sandy Hook (second from left), House Majority Leader Jonathan Shell, R-Lancaster, and House Majority Caucus Chair David Meade, R-Stanford.



Foster care, adoption reform bill approved

by Rebecca Hanchett
LRC Public Information

FRANKFORT—A bipartisan legislative initiative to reform Kentucky's adoption and foster care system has been signed into law.

House Bill 1, sponsored by House Majority Caucus Chair David Meade, R-Stanford, and Rep. Joni Jenkins, D-Shively, reforms the state's foster care and adoption system to ensure that a child's time in foster care is limited and that children are returned to family whenever possible. The legislation is based on recommendations of the state House Working Group on Adoption, which met most of last year.

Meade, who is the father of both an adopted child and a biological child, explained the need for HB 1 when the bill first came to the House floor for a vote in February.

"We owe it to all these children, the parents, and the families across the state to start reforming a system in desperate need," Meade told his colleagues. "This is an opportunity to do something truly remarkable for the children and the families of this state and start changing lives for some of the most vulnerable."

More than 8,600 Kentucky children are now in foster care and awaiting permanent homes, accord-

ing to committee testimony this session.

HB 1 includes major provisions that would expand the definition of blood relative for child placement and ensure that children in foster care are reunified with family or placed in another permanent home in a timely manner. The legislation would also require more case reviews for each child in foster care, create a "putative father registry" so that a child's possible (but not verified) biological father can be notified of the child's prospective adoption, and allow the state to seek termination of parental rights for new mothers who won't seek drug treatment after giving birth to a drug-addicted baby.

Senate changes to HB 1 that made it into the final bill include provisions that would protect a mother from losing her parental rights if she was properly prescribed and using medication that could have caused her newborn's addiction. The amended bill would also clarify that foster parents and child placement agencies be given a 10-day notice before a foster child is reunified with his or her birth parents or placed in a new home.

HB 1 received final passage on April 2 on a vote of 90-1 in the House. It had passed the Senate unanimously earlier in the day.

The bill was signed into law by Gov. Matt Bevin on April 13.



House Majority Caucus Chair David Meade, R-Stanford, and Rep. Joni Jenkins, D-Shively, testify on House Bill 1 in committee during the 2018 Regular Session.

Tobacco settlement money is in - with more coming

by Rebecca Hanchett
LRC Public Information

FRANKFORT—Kentucky's latest share of a multi-billion-dollar national tobacco settlement agreement is \$102 million with more money on the way, says the Governor's Office of Agricultural Policy.

GOAP Executive Director Warren Beeler told the General Assembly's Tobacco Settlement Agreement Fund Oversight Committee on May 2 that the \$102 million, received in April, will provide around \$28.4 million in 2018 for state and county agricultural projects funded through the Kentucky Agricultural Development Fund, or KADF. And more funds are expected, thanks to a reformulation of settlement funds by the tobacco companies making the payments.

The reformulation—based on actions taken by the companies to ensure compliance with the two-decades old settlement agreement entered into between 46 states, including Kentucky, and the nation's largest cigarette manufacturers—will boost the \$28.4 million to around \$40 million over the biennium, said Beeler. For counties, that means a 40 percent increase in available funds.

"So you can tell your counties, the county money's going up 40 percent," he told lawmakers on the committee.

The recently-passed state budget, however,

"That money's worked like a dream. If you could go with me, you'd see what I see. It's been absolutely terrific."

*Governor's Office of Agricultural Policy
Executive Director Warren Beeler*

will divert around \$13 million in 2019-2020 for agricultural improvements to the state fairgrounds in Louisville, leaving less money for other projects and programs. And while that means less money in some other areas, Beeler said he considers the improvements "an investment in agriculture."

The budget provision will have little impact otherwise, said Beeler. Even with \$7 million gone in 2019, he said tobacco dollars for state projects funded through the KADF will be within \$100,000 of this

year's total. "So we came through it as good as anybody," said Beeler.

Overall, Beeler said Kentucky has grown its farm gate cash receipts – or sales from Kentucky agricultural operations – by around \$2 billion, year after year, with \$560 million in tobacco settlement money it has spent on agriculture to date.

"That money's worked like a dream. If you could go with me, you'd see what I see. It's been absolutely terrific," he said.

2018

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INTERIM JOINT COMMITTEE ON NATURAL RESOURCES AND ENERGY

Minutes of the 7th Meeting
of the 2017 Interim
December 7, 2017

Call to Order and Roll Call

The 7th meeting of the Interim Joint Committee on Natural Resources and Energy was held on Thursday, December 7, 2017, at 1:00 PM, in Room 149 of the Capitol Annex. Representative Jim Gooch Jr., Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Jared Carpenter, Co-Chair; Representative Jim Gooch Jr., Co-Chair; Senators C.B. Embry Jr., Ernie Harris, Ray S. Jones II, Christian McDaniel, John Schickel, Brandon Smith, Johnny Ray Turner, and Robin L. Webb; Representatives John Blanton, McKenzie Cantrell, Tim Couch, Jeffery Donohue, Daniel Elliott, Kelly Flood, Chris Fugate, Dennis Keene, Reginald Meeks, Marie Rader, Jim Stewart III, Jim Wayne, and Jill York.

Guests: Senator Brandt Hershman, Majority Floor Leader, Indiana State Senate; Adam Benshoff, Deputy General Counsel, Regulatory Affairs, Edison Electric Institute; Matt Partymiller, Member, Kentucky Solar Energy Industry Association (KYSEIA); Jamie Clark, Member KYSEIA; and Ken Scott, Ph.D., P.E., Owner, Wilderness Trace Solar.

LRC Staff: Stefan Kasacavage, Janine Coy-Geeslin, Tanya Monsanto, and Rachel Hartley.

Net Metering Reform Efforts in Indiana

Senator Hershman stated Indiana's focus was on developing a broad energy policy that incorporated all relevant changes in the regulatory environment and would make the energy sector as competitive as possible. There are coal, wind, and now solar generation installations in Senator Hershman's district.

Indiana reexamined net metering in the 1990s and allowed some net metering, but at very low caps. The caps were as low as 10 kilowatts, but have now increased to one megawatt. Caps were also added to baseload generation so participants in net metering could not exceed one percent of the summer peak capacity. There were significant incentives to participate, but the only issue was how much you could sell back to the electric utilities and at what rate. If a small number of people net meter then they are required to purchase at the retail rate. In Indiana, the retail rate is 300-350 percent more than the wholesale price. Any business that has to pay three times more for raw materials is forced to shift the cost to the customer.

As technology advances the cost of solar panels has decreased significantly. It has become cheaper to independently produce power. In Indiana, the rate of adoption of solar power is increasing by 1000 percent

a year. The participants in net metering will have a distortive impact on the wholesale price.

Senate bill 309 promoted agriculture business, co-generation, and transparency in the review process for net metering. Indiana supported alternative energy and wanted more participants to generate their own power. The baseload cap was increased to 1.5 percent from 1 percent. All current participants in net metering and those who installed by the end of 2017 would continue to receive the full retail compensation for 30 years. Participants who install within the next five years would receive the full retail compensation for 10 years and those who install after the next five years would be compensated at the average wholesale price plus 25 percent.

Senator Hershman believes net metering is a broad energy policy that is not always in the interest of all consumers, and he conducted research that supported this finding. The Massachusetts Institute of Technology issued a 330 page report detailing how net metering is not in the best interest of solar technology. An excessive subsidy will create an eventual cost shift and consumers would face a financial burden.

In response to Representative Gooch, Senator Hershman said with the current state of technology and types of power production, the issue is the sun and the wind are not always available. The backup capacity is important to meet the excessive demand. A few years ago there was a rolling brown out in Texas due to renewable energy sources not generating enough electricity. Conversely, in California there is an issue with over capacity of renewable energy in the marketplace. The capacity cap at 1.5 percent of baseload generation is not likely to be enough to have a negative impact on their ability to generate power. The issues with net metering are how many participants will be allowed and what their compensation rate will be for excess power. The only aspect that is lacking for broad expansion of renewable generation is a robust storage capacity to reserve power for peak demand. In Indiana, solar panels are installed on households, schools, and commercial businesses and cannot be owned by a third party.

In response to Representative Wayne, Senator Hershman stated utilities can receive a cheaper rate during peak demand than they are paying to private generators. There are times when the reverse is true, which is why Indiana looked at the wholesale rate over time. The compensation rate in Indiana will take effect in five years so there will be opportunity to amend. The one percent cap was to limit the number of participants. The utilities have not reached that cap; however, the rate of growth is increasing.

Representative Gooch stated there was currently no bill for net metering, and the purpose of the meeting was to educate the committee members on issues regarding net metering.

Updating Net Metering Policies

Adam Benshoff provided a basic understanding of net metering. The rate construct of net metering is

not new.

Mr. Benshoff stated there are three myths regarding net metering. One is that owning a private solar energy system means you can be totally off the grid. Another myth is there is no cost shifting caused by net metering, and if there is, the value of clean energy is a benefit that justifies it. Lastly, it is a myth that net metering is not a problem when private solar energy penetration is low. In reality, net metering customers continue to use and have a need for the energy grid, because if you are not connected to the energy grid, you cannot buy or sell power. Also, rates can be designed in a fair, equitable, technology-neutral manner, while still protecting necessary energy grid investment.

For a private solar energy customer, the rooftop system will not meet all the energy needs. The customer will still use the energy grid in the morning and evening, during cloud shear and during high loading times.

There are two key components regarding the cost shift. One is determining the appropriate rate to buy and sell electricity. The second is ensuring that private solar energy customers are contributing their equal share to the upkeep of the energy infrastructure.

Volumetric based rates create a cost price mismatch. Residential rates are typically designed to cover most of the costs of residential service on the basis of energy consumption, with most fix costs and capacity-related costs rolled into a volumetric charge. Net metering at the retail rate perpetuates this cycle of payment for volume rather than service. The net metering customers are underpaying for the essential grid service they utilize.

Rocky Mountain Power in Utah performed a study on the extent of the net metering cost shift. In 2014, there were 3,000 rooftop solar connects with a \$1.1 million annual cost shift to non-rooftop customers. By 2020, Utah is projected to have 50,500 rooftop solar connects with an estimated \$26.5 million annually cost to non-rooftop customers.

Two studies in California and Louisiana show that the cost shift is regressive. In California, the median annual income for customers with private solar is \$90,000 while customers without was \$54,000. In Louisiana, the median annual income for customers with private solar is \$60,460 while customers without was \$44,673.

There are several states that are looking at options beyond retail net metering that still provide incentives for new energy, but keep costs fair for everyone.

In response to Representative Wayne, Mr. Benshoff stated he does not have any statistics for Kentucky regarding the wholesale price during peak times and that it is much lower than what they are paying to private solar energy generators. One of the common misconceptions is power must be the most expensive when demand is highest. When the power is the most expensive, the private solar energy is not producing.

Kentucky Solar Energy Industry Association

Matt Partymiller operates Solar Energy Solutions in Lexington and provided the perspective of the solar industry.

The Kentucky Solar Energy Industry Association

(KYSEIA) was founded in 2017 to represent the interests of the solar industry. The current membership is primarily local, small solar installers. The goal is to promote affordable energy through sound, free-market policy.

Kentucky is approaching around 1,000 Kentuckians that participate in net metering tariffs with their monopoly utility. Of those, a percentage produces excess energy during especially sunny periods of the day and are credited for that energy, which they draw back in the evening or other times of high household consumption. Net metering is a transaction in which energy is swapped with the utility. Customers are never paid for excess production, and they have no incentive to produce more energy than they use. Net metering is conducive to introducing competition into a market otherwise devoid of choice. The current net metering market is the whole state of Kentucky, with the exception of the area served by the Tennessee Valley Authority.

There are currently 23 different monopoly utilities in various regions in the state. They all file their own rate structures in periods that range from a couple years to multiple decades. The KYSEIA is certain that increased regulation of the solar industry will result in a large monopoly and private businesses will not be able to participate in the market. This means less private solar, which benefits the utility monopolies owned by out-of-state utility investors.

When regulatory proceedings are constantly introduced there is a resulting element of business uncertainty. No new solar business wants to operate in a market where only monopolies are granted certainty.

For most Kentuckians, solar is the first choice they have had in determining the source of their electricity. It is also an option that would allow them to ensure their energy bills do not increase. Eliminating consumer options will only benefit monopoly utilities. The policy that will work best will follow principles of the free market that allows for competitive markets.

Net metering is currently a very small market. There is still time to study the issue and have the right solar policy. Data from the Kentucky Energy and Environment Cabinet show that solar is 0.00009 percent of the current energy sources. The current net metering statute limits solar generation to one percent of a utilities consumption. The one percent needs to increase to ensure a free market. Regulation without a guaranteed rate of return will result in failure.

Solar energy is rapidly becoming the least cost energy source. It has been roughly one-third of all new power generation nationally since 2013 and more than one-half in 2016. Solar and other generation sources will increasingly need to co-exist.

In response to Representative Gooch, Mr. Partymiller stated the intent of his presentation was to express that KYSEIA was weary of any legislation that would cause their industry to be involved in regulatory proceedings. They do not want to hire lawyers to participate in rate cases. Their goal is to find a way to continue to participate in generating power.

Ken Scott stated the changes made to net metering affected Wilderness Trace Solar. They formed in April 2015 and their mission is to design,

install, and service grid solar power systems. They also manufacture, install, and service off-grid solar power kits. They also manufacture specialty solar panels.

The effects of major changes in net metering policy include the residential solar power market would be destroyed, the for-profit businesses would be damaged, the employment opportunities in the solar industry would reduce, the solar companies would be affected financially, and it would reduce Kentucky utilization of renewable energy.

Jamie Clark stated he hears the same talking point regarding net metering. The current law has poor people subsidizing the utility bills of rich people with solar panels. He believes this is a very misleading statement. The vast majority of solar energy customers are retirees who want energy independence.

Solar panels will generate more electricity than a household requires. The excess is fed to a net meter and is bought by the utilities for \$1. The utilities then give the customer \$1 in credit. The utilities are selling the excess power at the same rate to non-solar customers. It is not a subsidy because it is a dollar for dollar transfer.

In response to Representative Gooch, Mr. Clark stated federal tax incentives are a subsidy; however, net metering is not. In Kentucky, there are more lobbyists working for the utilities than people working for the solar industry. The regulation is not necessary and will only create a utility monopoly.

Documents distributed during the meeting are available in the LRC Library.

There being no further business, the meeting was adjourned.

INTERIM JOINT COMMITTEE ON HEALTH AND WELFARE AND FAMILY SERVICES

Minutes of the Seventh Meeting of the 2017 Interim

December 13, 2017

Call to Order and Roll Call

The seventh meeting of the Interim Joint Committee on Health and Welfare and Family Services was held on Wednesday, December 13, 2017, at 10:00 a.m., in Room 129 of the Capitol Annex. Senator Julie Raque Adams, Co-Chair, called the meeting to order at 10:09 a.m., and the secretary called the roll.

Present were:

Members: Senator Julie Raque Adams, Co-Chair; Representative Addia Wuchner, Co-Chair; Senators Ralph Alvarado, Julian M. Carroll, Denise Harper Angel, and Reginald Thomas; Representatives Danny Bentley, Robert Benvenuti III, George Brown Jr, Jim Gooch Jr., Russ A. Meyer, Kimberly Poore Moser, Melinda Gibbons Prunty, and Russell Webber.

Guest Legislators: Senator Morgan McGarvey and Representative Tom Burch.

Guests: Wayne Cooper, MD; Steve Guenther, President and Principal Financial Officer, Almost Family; Gary Albers, Chief Operating Officer, Imperium Health Management; Praveen Arla, MD, MPH, Chief Medical Officer, Imperium Health Management and Medical Director, Bullitt County; Aaron Thompson, Ph.D., Council on Postsecondary Education; Jessica Fletcher, Education Director,

Education and Workforce Development Cabinet; Linda Hampton, Executive Director, Governor's Office of Early Childhood; Sally Shepherd, Manager, School Readiness Branch, Kentucky Department of Education; Kate Akers, Executive Director, Kentucky Center for Education and Workforce Statistics, Education and Workforce Development Cabinet; Christa Bell, Director, Division of Child Care, Department for Community Based Services, Cabinet for Health and Family Services; Molly Lewis, Cabinet for Health and Family Services; Denis Fleming; Kelli Williams, Accenture; Trudi Matthews, University of Kentucky; Donna Barney, Legislative Research Commission; and Jill Lee, Office of Inspector General.

LRC Staff: DeeAnn Wenk, Ben Payne, Jonathan Scott, Chris Joffrion, and Gina Rigsby.

Extension for Community Healthcare Outcomes (ECHO)

Wayne Cooper, MD, stated that in 2003, Sanjeev Arora, M.D. created Project ECHO® at the University of New Mexico Health Sciences Center. It is an educational program created that uses videoconferencing technology to create communities of learning focused on specialists sharing their expertise with community providers, who can give their patients improved care in their own communities. Project ECHO® moves knowledge, not patients. Project ECHO® is a lifelong learning and guided practice model that revolutionizes medical education and exponentially increases workforce capacity to provide best practice specialty care and reduce health disparities through its hub-and-spoke knowledge sharing networks. Project ECHO® uses technology to leverage scarce resources, shares best practices to reduce disparity, uses case based learning to master complexity, and uses a web-based database to monitor outcomes. Project ECHO® benefits primary care providers, the health system, and the Medicaid budget. Patients are able to get care from providers they know and trust, which creates improved outcomes, improves quality of life, reduces pain and anxiety, and reduces complications. Fewer visits to specialists saves co-pay and insurance fees. Healthcare dollars are spent in the community and not elsewhere. The ability to provide specialty care in a small town attracts businesses and doctors. Clinician satisfaction and engagement creates a happier, more productive workforce and environment. Clinicians engaged in ongoing learning are less isolated and less likely to leave. Providers receive continued medical education (CME) for free without travel costs or inconvenience. Learning is ongoing, relevant, and interactive. A provider has the ability to take care of patients more effectively with better knowledge, skills, and quick access to specialists for consults when needed. Project ECHO® creates opportunities for research and teaching and professional development across faculties. Higher patient function reduces Medicaid and Medicare and disability payments.

In response to questions by Senator Raque Adams, Dr. Cooper stated that 36 other states currently involved in Project ECHO®. The program could be provided through a private provider, a local health department or a federally qualified health center. Project ECHO® is a tool to use videoconferencing to mentor and train people to provide specific services.

The UNM has developed over 40 ECHO® projects and the information already developed is provided at no cost to states. Kentucky can use Project ECHO® for any specialty such as the opioid crisis.

In response to a question by Senator Julian Carroll, Dr. Cooper stated that he was unaware of any states that have addressed cannabidiol (CBD) oil in its Project ECHO® investment.

In response to questions by Senator Alvarado, Dr. Cooper stated that it could cost \$400,000 for 2 to 3 ECHO® projects. Approximately 50 percent of the cost would be given to the University of Kentucky and University of Louisville telehealth networks to collect and monitor data for analysis and outcomes. The other 50 percent could be used for reimbursement of the operational team who would be responsible for all ECHO projects. The managed care organizations (MCOs) could help fund the project by paying a percent or base rate per recipient. The federal government is giving targeted money through Medicaid for the opioid crisis, and part of this money could be used to develop an opioid use disorder ECHO® project in Kentucky.

In response to questions by Representative Moser, Dr. Cooper stated that the University of Kentucky and the University of Louisville could sign a contract with the University of Mexico, at no cost to either university, to acquire software and information about Project ECHO®. Participation for a provider is free so a contract is not needed. Information on a case from providers can be submitted to the University of New Mexico to review before an ECHO® conference call where the case will be presented. The UNM would then send recommendations on the case to the provider by email. To his knowledge, no liability case has ever been brought against the University of Mexico, because its only function is to be a consultant with the provider. The provider would be liable for the care of the patient.

In response to a question by Representative Wuchner, Dr. Cooper stated that part of the overall cost of the ECHO® project is the operational cost to the telehealth network or the university for staff who collect, categorize, and store the data. The same staff would be responsible for all ECHO® projects. One barrier to ECHO® is if an organization is not committed to improving quality and improving patient care.

Senator Morgan McGarvey stated that Project ECHO® is good for taxpayers, patients, providers, and universities. The University of Kentucky and the University of Louisville support the project. A \$400,000 investment by Kentucky can start three programs and would start to see the savings immediately.

Post-Acute ValueBased Initiatives in Kentucky: Can Successful Kentucky-Based Physician-Led Medicare Accountable Care Organizations (ACOs) be a Model for Lower Medicaid Expenditures and Better Patient Care?

Steve Guenther, President, Almost Family, stated that ACOs are a value-based payment, care delivery, and coordination models that try to help all disparate types of providers come together and collaborate on best practices and sharing information based on primary care. All Medicare claims data in

the ACO are studied and analyzed to find practice patterns and patient flows to look for ways to lower the overall savings. When the Medicare program spends less money, the ACO gets a share of the savings. Quality measures are in place to make it work properly. In traditional payment models, providers are reimbursed a rate based on volume of services provided. The 1915(c) Home and Community Based (HCBS) waiver is not based on whether value is added but the provision of the service. HCBS services built around primary physician care are really key to managing overall costs. Dually eligible beneficiaries qualified for Medicare and Medicaid services consume a disproportionately large amount of resources in both programs. When chronic conditions are not managed properly, the patients go in and out of hospitals and skilled nursing facilities until eventually they are in either a Medicare or Medicaid skilled nursing facility bed. The dually eligible patients and chronically ill patients are where the best opportunity exists for coordination of care and getting the most savings.

In response to a question by Senator Raque Adams, Mr. Guenther stated that the approximately 50 percent of the Medicare population lives at 200 percent of the federal poverty level or below. Approximately half of these individuals have cognitive impairments and do not understand the difference between Medicare and Medicaid. Praveen Arla, MD, MPH, Chief Medical Officer, Imperium Health Management, and Medical Director, Bullitt County, stated that it is very difficult to be primary care physicians because they are the nucleus for the total care of patients, which is not very easy especially when patients have multiple, complicated issues. Data provided by an ACO is more organized than data being supplied by Medicaid. The data from Medicaid is not being operationalized in an intelligent fashion. Mr. Guenther stated that the challenge is in the United States Title 18 of the Social Security Act that covers Medicare and Title 19 which covers Medicaid. Things that Kentucky can do in Title 19 can impact hospitalizations and the costs of hospitalizations in Title 18. There are things that can be done in Title 18 that will impact whether a patient ultimately the primary entry to Medicaid nursing home care is through Medicare nursing home care and can be prevented by preventing the hospitalization and save money on the Title 19 side. Setting up risk models on both sides that are focused toward the same goal is the best start because the United States Congress will not have to change the Social Security Act.

Gary Albers, Chief Executive Officer, Imperium Health Management, stated that to move to value-based reimbursement sounds like a very easy concept, but to install the disciplines physicians need to be successful at better quality and better outcomes has taken his company approximately three years. Imperium saved Kentucky \$20 million in the Medicare program last year by using these disciplines. There is an opportunity to do the same in the Medicaid program. Patients need to be treated the exact same way whether they have commercial insurance, Medicare, or Medicaid. A coordination of the continuum of care to expand access to primary care providers need to be replicated in the Medicaid program.

In response to questions by Senator Alvarado, Mr. Guenthner stated that the Centers for Medicare and Medicaid Services contracts directly with ACOs not insurance companies. Mr. Albers stated that six ACOs have over 400 providers in Kentucky who provide services to 70,000 Medicare patients. Several hospitals, home health network, large multi-specialty clinics are part of the ACOs. Realizing savings is a continuing process. Patients need to be educated on how to be involved in their health care so doctors are able to treat them to the best of their ability. Dr. Arla stated that ACOs show physicians how to create efficiencies in operations to get to the end goal. Physician practices are different and need to be standardized into quality and outcomes that have never been done before with data on the back end. Applying this to the Medicaid program will allow increased savings, increased quality, and improved long-term outcomes. Aligning the Medicaid program and shifting resources onto the Medicaid program will produce a huge windfall. The classic Medicaid program will never be able to get the buy-in on the physician level. Mr. Guenthner stated that a Medicare-shared savings model is driven by the primary care physician making better decisions, patients getting better, and costs go down. Dr. Arla stated that the primary care physician is the gatekeeper. Having the right information can change the way a physician chooses to treat a patient.

Minutes

A motion to approve the minutes of the November 15, 2017 meeting was made by Senator Alvarado, seconded by Representative Gibbons Prunty, and approved by voice vote.

Consideration of Referred Administrative Regulations

A motion to amend the agenda to add the following referred administrative regulation was made by Representative Wuchner, seconded by Representative Moser, and approved by voice vote: **201 KAR 2:380** – establishes procedures for board authorized protocols by which pharmacists may initiate the dispensing of non-controlled medications or other professional services. Craig Martin from the Kentucky Board of Pharmacy stated the administrative regulation would allow pharmacists under protocol with physicians to initiate the dispensing of certain medications. A motion to approved **201 KAR 2:380 as amended** was made by Representative Bentley, seconded by Representative Wuchner, and approved by voice vote.

Dyslexia Assessment

Jessica Fletcher, Education Director, Education and Workforce Development Cabinet, stated that all children need to read on level by the third grade. Poor readers are at a disadvantage in the workforce, because 93 percent of employers say reading and writing skills are mandatory for employment. Between 15 and 20 percent of students are dyslexic.

Representative Addia Wuchner, stated that during the 2012 Regular Session, House Bill 69 was codified into law that defined dyslexia and required administrative regulations be promulgated for district-wide reporting on the use of Kindergarten through third grade response-to-intervention (RTI) implementation in reading, mathematics, and

behavior. During the 2017 Regular Session, House Bill 307 revised the definition of dyslexia and required each school district to develop a policy related to its response-to-intervention (RTI) system was not enacted. Approximately 70 to 80 percent of people with poor reading skills are likely to be dyslexic, and 1 in 5 students has a language-based learning disability. A bill will be introduced during the 2018 Regular Session relating to dyslexia and response to interventions that improve student learning known as the Kentucky Ready to Read Act 2018. Investment in appropriate and effective interventions provide a significant return on investments for schools and society over the course of a child's lifetime. Assessment and evidence-based screening allows teachers to identify and adjust instruction with appropriate interventions that are essential to struggling readers. In education, RTI is an approach to academic and behavioral intervention used to provide early, systematic, and appropriately intensive assistance to children, screening, and interventions for children who are at risk for or are already underperforming as compared to grade appropriateness. All children deserve the opportunity to succeed in school and life. Children with reading problems need to have a different way to learn.

Aaron Thompson, Ph.D., Council on Postsecondary Education, stated that the 2018 legislation provides the ability to put skills in place to help all teachers identify problems and be able to intervene earlier. It will be a continuous process to learn and develop the skills.

Senator Raque Adams stated that most schools are not equipped to deal with the problems caused by dyslexia.

In response to questions by Representative George Brown, Mr. Thompson stated that dyslexia is a brain disorder. A large number of children have problems but go undiagnosed. Allot of children with reading problems have found other ways to learn so no one will know about the problem.

The Race to the Top-Early Learning Challenge Grant-Update

Linda Hampton, Executive Director, Governor's Office of Early Childhood, stated that in December 2013, the Governor's Office of Early Childhood was awarded a four-year, \$44.3 million Race to the Top-Early Learning Challenge (RTT-ELC) grant from the United States Department of Education and the federal Department of Health and Human Services. The purpose of the grant was to improve access to high quality early care and education for more children through seven RTT-ELC projects. The projects were grants management, redesigning the Tiered Quality Rating and Improvement System (TQRIS), integrating Kentucky early childhood standards, United Way Born Learning Academies, Kentucky Strengthening Families, responsive professional development, and integrating data into the Kentucky Longitudinal Data System. The Kentucky Governor's Office of Early Childhood partnered with the Education and Workforce Development Cabinet, the Cabinet for Health and Family Services, and the Kentucky Department of Education. House Bill 234 from the 2015 Regular Session implemented a quality-based graduated early care and education program rating

system for providers.

At the beginning of 2016, Kentucky had only spent 13 percent of the grant funding in two full years of grant implementation. After intervention from the Education and Workforce Development Cabinet, in partnership with federal project officers from the United States Department of Education, and the federal Department for Health and Human Services, Kentucky had spent 35 percent by the end of 2016. In January 2016 a Corrective Action Plan was implemented, and Kentucky continued to show growth in its spending pattern spending more in 2017 than the first three years of the grant combined.

In August 2017, Kentucky applied and received a no cost extension to extend grant deliverables to December 31, 2018 for the grants management, redesigning the TQRIS, and the United Way Born Learning Academies projects. A validation plan is due June 30, 2018. The sustainability plan's purpose is to communicate goals, obstacles, and resources and plan the next steps for acquiring resources.

Christa Bell, Director, Division of Child Care, Department for Community Based Services, Cabinet for Health and Family Services, stated that 93 percent of the \$44 million grant was allocated to build and redesign a new tiered quality rating and improvement system and to help all types of child care providers, both licensed child care providers, public preschool and Headstart, to improve quality of care and education in the classroom. In January 2017, 6.79 percent of programs on the child care side were at high quality in Kentucky, but as of December 2017, 38.9 percent of programs have attained high quality as a result of the efforts of the grant. The goal for the grant is for Kentucky to have 45 percent of child care providers at high quality by June 30, 2018. The cabinet partnered with Lakeshore Early Learning to provide actual classroom materials to help providers score better in rating on the environment rating scale. Approximately \$12,547,030 of non-monetary incentives was invested into developmental screening tools, classroom learning materials, curriculum and assessment tools, and no-cost training sessions to help achieve a higher quality rating.

A Level 1 provider meets regulatory standards. Everything above Level 1 means a provider has demonstrated additional things that fall in the standards that would indicate that the provider is at a higher quality than just meeting the regulatory standards. There are eight child care service regions with 2,212 programs as of December 5, 2017. Northern Bluegrass, The Eastern Mountain, and Cumberland regions have crossed the 45 percent threshold for high quality.

In response to a question by Representative Wuchner, Ms. Bell stated that in 2018, the focus on the three regions are additional supports in the curriculum and screening assessment tool. Regions have different cultures that hinder progress.

Total incentives paid to providers for 2017 was \$5,665,973. County data was not recorded for some payments made prior to January 2017. There is a cost to provide quality care and education. Additional incentives are paid for programs who serve children in the child care assistance program (CCAP).

Sally Shepherd, Manager, School Readiness

Branch, Kentucky Department of Education (KDE), stated that the KDE targeted specific areas of need based on the environment rating scale and also through feedback from the five regional training centers across Kentucky who are the professional learning technical assistance part of KDE for early child care. Trainings were created around block play centers, dramatic play centers, and visual and performing arts centers, because children learn best through play. Teachers and staff members were trained on how to incorporate literacy into every single area in the classroom. Administrators are being trained on early childhood in general, Kentucky All STARS, and preschool. Staff were also train in Kentucky's initiative in social emotional development. Because preschool regulations regulate quality, all preschool programs automatically come into the Kentucky All STARS at a level 3. For the grant, public preschools were required to be at 65 percent statewide at the highest quality, and it has already been exceeded.

Ms. Hampton stated that the 170 Born Learning Academies was allocated \$989,325 to encourage families to take an active role in getting their child read for kindergarten starting from birth and offer practical ideas to turn everyday moments into learning opportunities. Through a series of six free workshops, parents, families, and caregivers learn about child development and how to spark learning opportunities during ordinary routines like bath times and grocery trips. The workshops are open to all families with children from birth to age five.

Kate Akers, Executive Director, Kentucky Center for Education and Workforce Statistics (KCEWS), Education and Workforce Development Cabinet, stated that KCEWS operates and maintains Kentucky's longitudinal data system that collects and integrates education and workforce data so policymakers, practitioners, and the general public have access to the data that is needed to make informed decisions. KCEWS system includes information from public kindergarten through 12th grade, public and private postsecondary institutions, teacher preparatory institutions, workforce data, and now early childhood providers. The privacy and confidentiality of the data is very important. KCEWS has a data sharing agreements with each entity. The data is brought into the system and then given back as aggregate outcomes about the individuals in each program. The building of the longitudinal system on the early childhood, kindergarten through 12th grade, and workforce sides is very critical. The Early Childhood report is an interactive report online to find information about a specific county, the challenges and successes of early childhood, and general population information for each county.

Representative Wuchner stated that The KIDS NOW initiative was established in House Bill 706 and was sponsored by Representative Tom Burch. The Interim Joint Committee on Health and Welfare heard testimony from national experts at every meeting in 1999 on early childhood issues to educate members on the importance of early childhood education. House Bill 706 passed unanimously by both legislative chambers in the 2000 legislative session. At that time, it was the most comprehensive package of early childhood legislation in the nation,

addressing the needs of the whole child – health care, family assistance, high quality education, and community involvement. The initiatives in the bill were funded with 25 percent of the Kentucky Tobacco Settlement Funds. Kentucky was the only state to appropriate tobacco settlement funds to early childhood education. Representative Burch has supported early childhood issues throughout his 33 years as a state legislator and continues to do so today. He has received several awards for his service and we honor him again today for his service to the children of Kentucky. On behalf of the Early Childhood Advisory Council, Ms. Hampton presented Representative Tom Burch with a certificate of appreciation for his six years on the council and his tireless dedication to early childhood development. Representative Burch thanked the co-chairs and the committee, and the council. It was not well known at the time how much information a baby starts taking in starting at birth. There was unanimous support from all stakeholders and legislators. The most important value in this world is children, because the children are future leaders.

Adjournment

There being no further business, the meeting was adjourned by 12:30 p.m.

GOVERNMENT CONTRACT REVIEW COMMITTEE

Committee Minutes

December 12, 2017

Call to Order and Roll Call

The Government Contract Review Committee met on Tuesday, December 12, 2017, at 10:00 AM, in Room 131 of the Capitol Annex. Representative Stan Lee, Chair, called the meeting to order, and the secretary called the roll.

Present were:

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

Guests: Deck Decker, Johann Herklotz, Allen Sizemore, Angela Burrows, Doug Hendrix, Phillip Brown, Blaine Gilmore, Adam Caswell, Lisa Lang, and Kirk Pomper.

LRC Staff: Kim Eisner and Jarrod Schmidt.

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

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

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

A motion was made by Senator Wise to consider as reviewed the Memoranda of Agreement List, with exception of those items selected for further

review by members of the committee. Representative Fugate seconded the motion, which passed without objection.

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

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

THE FOLLOWING PERSONAL SERVICE CONTRACTS WERE REVIEWED WITHOUT OBJECTION:

DEPARTMENT FOR BEHAVIORAL HEALTH, DEVELOPMENTAL AND INTELLECTUAL DISABILITIES

Sources of Strength, Inc., 1800000464; Train for Change, Inc., 1800000775.

FINANCE AND ADMINISTRATION CABINET - DIVISION OF ENGINEERING

Facility Commissioning Group, Inc., 1800000588; Ross Tarrant Architects, Inc., 1800000590.

KENTUCKY EMPLOYERS MUTUAL INSURANCE

Milliman, Inc., 18-MIL-001.

KENTUCKY STATE UNIVERSITY

McCarthy Strategic Solutions, LLC, 18-07; Dr. Julie Bebak, 18-09; Sturgil, Turner, Barker & Maloney, PLLC, 18-11.

KY RACING COMMISSION

Advanced Investigative Sol, Inc., 1800000661.

LEGISLATIVE RESEARCH COMMISSION

Middleton Reutlinger, 17/18-28; Ransdell Roach & Royse, PLLC, 17/18-30.

MURRAY STATE UNIVERSITY

Boehl, Stopher & Graves, LLP, 016-18; Goldberg Simpson, LLC, 017-18.

NORTHERN KENTUCKY UNIVERSITY

Omni Architects, 2018-11.

STATE POLICE, DEPARTMENT OF

Billy K. Collins, 1800000957; Marc H. Carter, 1800000960; Ronnie R. Reynolds, 1800000964; Russell Roberts, 1800000965.

TRANSPORTATION CABINET

Cambridge Systematics, Inc., 1800000528; Aecom Technical Services, Inc., 1800000898; QK4, Inc., 1800000899; Palmer Engineering County, 1800000900; Integrated Engineering, 1800000901; HDR Engineering, Inc., 1800000902.

UNIVERSITY OF KENTUCKY

Ross Tarrant Architects, Inc., A181120; Stags & Fisher Engineers, A181130; Smith Management Group, K18-135; Rainforest Alliance, K18-136; Palmetto Engineering & Consulting, LLC, K18-137.

UNIVERSITY OF LOUISVILLE

Lockett and Farley, 18-045.

VETERANS AFFAIRS, DEPARTMENT OF

Mark Tackett, MD, 1800000886; Multi, 1800000896.

WESTERN KENTUCKY UNIVERSITY

Huron Consulting Group, 171823.

THE FOLLOWING PERSONAL SERVICE AMENDMENTS WERE REVIEWED WITHOUT OBJECTION:

FINANCE AND ADMINISTRATION CABINET - DIVISION OF ENGINEERING

URS Corporation, 1100002668; Third Rock Consultants, LLC, 1200003126; URS Energy & Construction, Inc., 1300001891; Patrick D. Murphy Company, Inc., 1300002659; CMTA, Inc., 1400000547; EOP Architects, PSC, 1500001370; John L Carman and Associates, Inc., 1600001100; Paladin, Inc., 1600001124; John A. Newman Consulting Engineers, PLLC, 1700001543; Ross Tarrant Architects, Inc., 1700002129.

KY RACING COMMISSION

Stoll Keenon Ogden, PLLC, 1600002152.

MEDICAL LICENSURE, BOARD OF

Multi, 1600002744.

MOREHEAD STATE UNIVERSITY

Bitsalt Digital, LLC, 18-033.

NORTHERN KENTUCKY UNIVERSITY

Adams, Stepner, Woltermann & Dusing, PLLC, 2017-196.

POST SECONDARY EDUCATION, COUNCIL

ON

Blue & County, LLC, 1700001711.

SOCIAL WORKERS, BOARD OF EXAMINERS

OF

Mary E. Martins, 1700000259; Richard Welsh, 1700000264; Edwin Hackney, 1700000808.

TRANSPORTATION CABINET

HRV Conformance Verification, 1100000720; Bureau Veritas Company, 1300000345; Strand Associates, Inc., 1300001849; Fogle Keller Purdy, PLLC, 1700002237.

UNIVERSITY OF KENTUCKY

SSR Cx, LLC, A161190; Sherman Carter Barnhart, A171160; T2 Design, K17-202.

UNIVERSITY OF LOUISVILLE

Sherman Carter Barnhart, PSC, 09040; TEKsystems, 17-012.

THE FOLLOWING MEMORANDA OF AGREEMENTS WERE REVIEWED WITHOUT OBJECTION:

AGRICULTURE, DEPARTMENT OF

University of Kentucky, 1800000800.

CABINET FOR HEALTH AND FAMILY SERVICES

Office of the Governor, 1800000857.

DEPARTMENT FOR BEHAVIORAL HEALTH, DEVELOPMENTAL AND INTELLECTUAL DISABILITIES

University of Kentucky Research Foundation, 1800000576.

DEPARTMENT FOR ENVIRONMENTAL PROTECTION

Botanica, Inc., 1700002848; Louisville/Jefferson County Metro Government, 1800000031.

EDUCATION, DEPARTMENT OF

Advance Education, Inc., 1800000195; Daviess County Public Schools, 1800000474; Warren County Board of Education, 1800000484; University of Louisville Research Foundation, 1800000574; Eastern Kentucky University, 1800000747; Kentucky Valley Education, 1800000767; Literacy Design Collaborative, Inc., 1800000812; Kentucky School

Boards Association Educational Foundation, Inc., 1800000866; Carter County Board of Education, 1800000872; Western Kentucky University Research Foundation, Inc., 1800000880; University of Louisville Research Foundation, 1800000884; Green River Regional Education, 1800000889; Green River Regional Education, 1800000890; Kentucky Educational Development Corporation, 1800000892; Western Kentucky University Research Foundation, Inc., 1800000894; West Kentucky Education Cooperative, 1800000895.

MILITARY AFFAIRS, DEPARTMENT OF

Multi, 1800000580; Boyd County Fiscal Court (Pa), 1800000718; Boyd County Fiscal Court (Pa), 1800000721; Boyd County Fiscal Court (Pa), 1800000723.

OFFICE OF THE GOVERNOR, DEPARTMENT FOR LOCAL GOVERNMENT

City of Millersburg, 1800000863; Campbell County Fiscal Court, 1800000870; Union County Fiscal Court, 1800000878; City of Auburn, 1800000885; Carter County Fiscal Court, 1800000904.

STATE POLICE, DEPARTMENT OF

Kentucky Medical Service, 1800000801.

THE FOLLOWING MEMORANDA OF AGREEMENT AMENDMENTS WERE REVIEWED WITHOUT OBJECTION:

AGRICULTURE, DEPARTMENT OF

Multi, 1700001659; Multi, 1700001857.

ATTORNEY GENERAL, OFFICE OF THE

Kentucky State Police, 1700001547.

DEPARTMENT FOR AGING & INDEPENDENT LIVING

Multi, 1700002631.

DEPARTMENT FOR BEHAVIORAL HEALTH, DEVELOPMENTAL AND INTELLECTUAL DISABILITIES

Kentucky Housing Corporation, 1600001699; NAMI Kentucky, 1600001719; NAMI Lexington (Kentucky, Inc.), 1600001720; Four Rivers Behavioral Health, 1700001521; Pennyroyal Mental Health Mental Retardation Board, 1700001522; Green River Regional Mental Health Mental Retardation Board, 1700001523; Lifeskills, Inc., 1700001524; Centerstone of Kentucky, Inc., 1700001526; Northern Kentucky Regional Mental Health Mental Retardation Board, 1700001527; Comprehend, Inc., 1700001528; Pathways, Inc., 1700001529; Mountain Comp Care Center, 1700001530; Lake Cumberland Mental Health Mental Retardation Board, 1700001533; Bluegrass. Org, 1700001534; University of Kentucky Research Foundation, 1700002738.

DEPARTMENT FOR COMMUNITY BASED SERVICES

Family and Children First, 1600001314; Kentucky Association of Sexual Assault Programs, 1600001348; Big Sandy Area Development District, 1600001912; University of Kentucky Research Foundation, 1600001997; Community Action Kentucky, Inc., 1700002734; Employment Solutions, 1800000430.

DEPARTMENT FOR ENVIRONMENTAL PROTECTION

Boone County Conservation District, 1500002370; Sanitation District 1, 1700001586.

DEPARTMENT FOR FAMILY RESOURCE CENTERS & VOLUNTEER SERVICES

Multi, 1700001827.

DEPARTMENT FOR PUBLIC HEALTH

Kentucky Hospital Research & Education Foundation, 1600002281; DMA Kentucky Community Crisis Board, 1600002437.

EDUCATION, DEPARTMENT OF

Jefferson County Board of Education, 1700002772; Jefferson County Board of Education, 1700002774.

OFFICE OF THE GOVERNOR, DEPARTMENT FOR LOCAL GOVERNMENT

City of Mount Sterling, 1100000700; City of Wheelwright, 1400000277; City of Auburn, 1400001679; City of Morehead, 1500000015; City of Catlettsburg, 1500002891; Floyd County Fiscal Court, 1600000206; Caldwell County Fiscal Court, 1600000308; City of Arlington, 1600000330; Monroe County Fiscal Court, 1600000352; Butler County Fiscal Court, 1600000354; Union County Fiscal Court, 1600000433; City of Highland Heights, 1600000953; City of Newport, 1600000954; City of Wilmore, 1600001291; Nicholas County Fiscal Court, 1600001568; City of Hustonville, 1600001571; Christian County, 1600001891; City of Guthrie, 1600002407; Crittenden County Fiscal Court, 1600002545; Clark County Fiscal Court, 1600002633; Edmonson County Fiscal Court, 1600003495; Hancock County Fiscal Court, 1600003536; City of Livermore, 1600003539; City of Wayland, 1600003841; City of Berea, 1700000148; Floyd County Fiscal Court, 1800000539; Floyd County Fiscal Court, 1800000541; Floyd County Fiscal Court, 1800000542; Floyd County Fiscal Court, 1800000567; Floyd County Fiscal Court, 1800000568; Floyd County Fiscal Court, 1800000569.

WORKFORCE INVESTMENT, OFFICE OF

Pennyrile Area Development District, 1600001464; Green River Area Development, 1600001496.

THE FOLLOWING FILM TAX INCENTIVES WERE REVIEWED WITHOUT OBJECTION:

TOURISM DEVELOPMENT CABINET

Stargazer - MHW, LLC, 1800000932; Wicked Films, LLC, 1800000933; One Hlwd Kentucky, LLC, 1800000934.

THE FOLLOWING PERSONAL SERVICE CONTRACTS WERE SELECTED FOR FURTHER REVIEW:

CABINET FOR HEALTH AND FAMILY SERVICES

Feldesman Tucker Leifer Fidell LLP, 1800000843. Deck Decker and Johann Herklotz discussed the contract with the committee. A motion was made by Representative St. Onge to consider the contract as reviewed. Senator Carroll seconded the motion, which passed.

EASTERN KENTUCKY UNIVERSITY

Huron Consulting Services, 18-218. Allen Sizemore and Angela Burrows discussed the contract with the committee. A motion was made by Senator Carroll to consider the contract as reviewed. Senator Wise seconded the motion, which passed.

FINANCE AND ADMINISTRATION CABINET

Gambrel & Wilder Law Offices, PLLC,

1800000839; Tooms, Dunaway & Webster, PLLC, 1800000840. Doug Hendrix and Phillip Brown discussed the contracts with the committee. A motion was made by Senator Carroll to consider the contracts as reviewed. Representative Fugate seconded the motion, which passed.

KENTUCKY STATE UNIVERSITY

Judith K. Jones-Toleman, 18-12. Lisa Lang and Kirk Pomper discussed the contract with the committee. A motion was made by Senator Carroll to consider the contract as reviewed. Representative Fugate seconded the motion, which passed.

THE FOLLOWING PERSONAL SERVICE AMENDMENTS WERE SELECTED FOR FURTHER REVIEW:

NORTHERN KENTUCKY UNIVERSITY

Isaacson Miller, Inc., 2017-201. Blaine Gilmore and Adam Caswell discussed the contract with the committee. A motion was made by Representative St. Onge to consider the contract as reviewed. Senator Wise seconded the motion, which passed.

EXEMPTION REQUESTS:

OFFICE OF HOMELAND SECURITY

The Office of Homeland Security requests an exemption from the committee's routine review process for all agreements issued as instruments of obligation for funds under State and Federal Homeland Security Grant Programs and will provide quarterly reports; and requests an exemption from two year contracting restrictions for State and Federal Homeland Security Grant Programs. A motion was made by Senator Wise to grant the request to June 30, 2020. Senator Carroll seconded the motion, which passed without objection.

DEPARTMENT OF MILITARY AFFAIRS

The Department of Military Affairs requests an exemption from the committee's routine review process for Federally funded Chemical Stockpile Emergency Program (CSEPP) agreements, Emergency Management Performance Grant (EMPG) agreements, and FEMA funded MOAs and Grants for declared emergencies, and will provide the committee with quarterly reports. A motion was made by Senator Wise to grant the request to December 31, 2018. Senator Carroll seconded the motion, which passed without objection.

There being no further business, the meeting adjourned at 11:30 a.m.

CAPITAL PROJECTS AND BOND OVERSIGHT COMMITTEE Minutes

December 19, 2017

Call to Order and Roll Call

The Capital Projects and Bond Oversight Committee meeting was held on Tuesday, December 19, 2017, at 1:00 PM, in Room 169 of the Capitol Annex. Senator Stan Humphries, Chair, called the meeting to order, and the secretary called the roll.

Present were:

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

Guests: Mr. Scott Aubrey, Director, Real Properties; Mr. Craig Turner, CEO, CRM Companies;

Mr. Ryan Barrow, Executive Director, Office of Financial Management; Ms. Ashley Adams, Financial Analyst, Kentucky Infrastructure Authority.

LRC Staff: Katherine Halloran, Committee Staff Administrator; Julia Wang, Legislative Analyst; and Jenny Wells Lathrem, Committee Assistant.

Approval of Minutes (November 21, 2017)

A motion was made by Representative Brown to approve the minutes of the November 21, 2017 meeting. The motion was seconded by Representative Coursey and approved by voice vote.

Lease Report from the Finance and Administration Cabinet

Mr. Aubrey introduced Mr. Turner who presented specifics regarding the Capital Plaza redevelopment project in downtown Frankfort. The presentation referenced the demolition of the Frankfort Convention Center and the Capital Plaza Tower as well as the construction of the five story, about 77,000 square feet per floor, office building and connected parking garage, comprised of about 1,200 parking spaces. The LEED certified office building will be similar to the 300 Building on Sower Boulevard in Frankfort, for which CRM/D.W. Wilburn was also the developer. The annual rent will be about \$7.3 million, \$18.86 per square foot for 385,500 square feet.

A motion was made by Representative Brown to approve the lease, seconded by Representative Coursey, and approved by unanimous roll call vote.

Mr. Aubrey next reported one new lease renewal under the same terms and conditions through June 30, 2026 for the Cabinet for Health and Family Services, Magoffin County, \$10.78 per square foot for \$11,203 square feet.

A motion was made by Representative Moffett to approve the lease, seconded by Representative Brown, and approved by unanimous roll call vote.

Report from the Office of Financial Management

Ms. Adams presented various Kentucky Infrastructure Authority loan requests.

The Regional Water Resource Agency, Daviess County, requested a \$5,619,274 Fund A (Clean Water State Revolving Fund Loan Program) loan to finance the David W. Hawes Treatment Plant and Ragu Pump Station project.

The Mercer County Sanitation District requested a \$278,194 Fund A loan increase to finance the Kennedy Bridge Road Sewer Improvements project, resulting in a revised loan amount of \$701,694. The increase was due to project delays and higher than estimated construction bids.

The Fund A loan and loan increase were for 20 years with a 1.75 percent interest rate.

The City of Lewisburg requested a \$250,000 Fund B (Infrastructure Revolving Loan Program) planning and design loan for the Sewer System Upgrade project. The loan is for five years with a 2.75 percent interest rate.

Ms. Adams submitted five Fund C (Governmental Agencies Program) loans to refinance 20 year Fund F (Drinking Water State Revolving Fund Loan Program) loans as follows: Carroll County Water District No. 1, \$800,281 refinanced for approximately \$24,000 in savings over the remaining seven years; the City of Bowling Green, \$988,979 and

\$2,284,113 refinanced for approximately \$51,000 and \$97,000 in savings over the remaining five and ten years, respectively; the City of Eddyville, \$738,605 refinanced for approximately \$25,000 in savings over the remaining eight years; and the City of Ashland, \$1,784,102 refinanced for approximately \$60,500 over the remaining eight years.

The interest rates were reduced from 3 percent to 2.25 percent, with the exception of the \$988,979 loan for the City of Bowling Green, for which the interest rate was reduced from 3.8 percent to 2 percent [the higher Fund F interest rate was due to the earlier loan origination date and the lower Fund C interest rate was based on the shorter term of the loan].

The City of Morehead requested a \$1,297,200 Fund F planning and design loan for the Regional Water Treatment Plant construction project. The loan is for five years with a 2.75 percent interest rate.

In response to questions from Senator McDaniel regarding the Fund A loan increase, Ms. Adams affirmed that contracts for water and sewer projects are overseen by the Division of Water.

In response to questions from Representative Moffett regarding the Fund C loans, Ms. Adams stated that KIA recently restructured its Fund C program (loans were previously 3 percent regardless of term) to offer lower interest rates for shorter term loans.

A motion was made by Representative Moffett to roll the KIA loans into one roll call vote, seconded by Representative Brown, and approved by voice vote.

Senator McDaniel stated that he wished to record a pass vote for the Mercer County Sanitation District Fund A loan increase due to ambiguity regarding increased costs and supplemental federal funding.

A motion was made by Representative Moffett to approve the KIA loans, seconded by Representative Coursey. The motion passed by a roll call vote of 6 yeas for all KIA loans with the exception of the Fund A loan increase for the Mercer County Sanitation District Fund A loan increase which recorded a roll call vote of 5 yeas, 1 pass.

Mr. Barrow submitted the Kentucky Economic Development Authority (KEDFA) Hospital Revenue Bonds, Series 2017C (Baptist Healthcare System Obligated Group), a conduit refinancing transaction not to exceed \$73,415,000. As a conduit borrower, Baptist Healthcare System will use KEDFA to secure tax-exempt status for the bond issue, which is not an extension of the Commonwealth's credit, and is projected to result in approximately \$8.1 million in present value savings. This transaction will price prior to December 31, 2017; after which proposed federal legislation, terminating tax-exempt advance refundings, will go into effect.

In response to questions from Representative Moffett, Mr. Barrow confirmed that reviews of conduit transactions are commensurate with the fact that they not a liability of the Commonwealth and that, in the event of default, the Commonwealth is not obligated to make debt service payments.

A motion was made by Representative Brown to approve the bond, seconded by Representative Moffett, and approved by a roll call vote of 5 yeas, 1 nay.

Senator McDaniel explained his vote, stating

that while the Commonwealth is not legally obligated to provide financial support when conduit borrowers do not have sufficient revenue to make payments on conduit bonds, they could approach the Commonwealth for assistance nonetheless.

Mr. Barrow submitted the Kentucky Higher Education Student Loan Corporation (KHESLC) Student Loan Backed Notes, Series 2017-1, in an amount not to exceed \$175 million. The Direct Purchase Notes (DPNs) with Bank of America will refinance KHESLC's variable rate demand obligations under the 2008 trust indenture and finance Federal Family Education Loan Program (FFELP), including rehabilitated, student loans. The projected average annual debt service is about \$14.5 million.

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

Mr. Barrow submitted the Kentucky Housing Corporation (KHC) Conduit Revenue Bonds (Jackson Green Apartments Project), Series 2018, in an amount not to exceed \$30 million. The transaction is typical of KHC multi-family conduit issues that are submitted to the committee each month. Jefferson Green Apartments is a 312 unit property located in Louisville, Kentucky. A public hearing was conducted in June 2017. The deal is scheduled to price and close in January 2018. The developer is responsible for payment of the debt service.

A motion was made by Representative Coursey to approve the bond issue, seconded by Representative Moffett, and approved by a roll call vote of 5 yeas, 1 nay.

Mr. Barrow submitted the University of Kentucky General Receipts Bonds, 2018 Series A and 2018 Taxable Series B. Series A will be approximately \$182 million with an estimated interest rate of 3.7 percent and Series B will be about \$54.3 million with an estimated interest rate of 3.77 percent. Proceeds will finance additional renovations within the existing hospital footprint as well as renovations to the chemistry-physics, journalism, and law buildings. Typical of nearly all postsecondary financings, the bonds will be issued via competitive sale.

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

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

Ms. Halloran reported a \$5.2 million bond issue for the Shelby County School District to finance the purchase a facility for its Big Picture Learning Academy. A tax increase was not necessary for the purchase.

Updated Debt Issuance Calendar

The debt issuance calendar is included in the members' packets.

With there being no further business the meeting adjourned at 1:30 p.m.

TOBACCO SETTLEMENT AGREEMENT FUND OVERSIGHT COMMITTEE

Minutes

December 6, 2017

Call to Order and Roll Call

The 10th meeting of the Tobacco Settlement Agreement Fund Oversight Committee was held on Wednesday, December 6, 2017, at 10:00 AM, in Room 129 of the Capitol Annex. Representative Myron Dossett, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator C.B. Embry Jr., Co-Chair; Representative Myron Dossett, Co-Chair; Senators Stephen Meredith, Dennis Parrett, and Robin L. Webb; Representatives Rick Rand and Brandon Reed.

Guests: Warren Beeler, Executive Director, Governor's Office of Agricultural Policy (GOAP); Bill McCloskey, Deputy Executive Director, GOAP; and Kimberly Richardson, Director, Kentucky Division of Conservation (KDC).

LRC Staff: Stefan Kasacavage, Tanya Monsanto, Kelly Ludwig, and Rachel Hartley.

The November 1, 2017, minutes were approved by unanimous voice vote.

Governor's Office of Agricultural Policy Report

Warren Beeler stated the Governor's Office of Agricultural Policy (GOAP) has initiated an intern program. The applicant must be enrolled in college and work through the summer.

There is a potential project with the Water Resource Board that will involve water harvesting and quality.

Mr. Beeler discussed his schedule for the months of November through January.

In response to Representative Dossett, Mr. Beeler stated GOAP is utilizing social media to recruit interns for its program. GOAP has contacted universities throughout the state. Two interns will be selected to participate in the program.

Bill McCloskey described the Agricultural Development Board's projects for November. Mr. McCloskey highlighted programs including the County Agricultural Investment Program (CAIP), Deceased Farm Animal Removal Program, Next Generation Beginning Farmer Pilot Program, and Youth Agriculture Incentives Program.

Requested program amendments discussed included:

Warren County Conservation District requested an additional \$20,076 in Warren County Funds for CAIP. The board recommended approval, which would bring the program total to \$245,660.

Metcalf County Conservation District requested an additional \$25,438 in Metcalf County funds for CAIP. The board recommended approval, which would bring the program total to \$199,689.

Nelson County Conservation District requested an additional \$14,285 in Nelson County funds for CAIP. The board recommended approval, which would bring the program total to \$111,454.

Hancock County Conservation District requested an additional \$8,526 in Hancock County funds for

CAIP. The board recommended approval, which would bring the program total to \$69,722.

Green County Cattlemen's Association, Inc. requested an additional \$49,000 in Green County funds for CAIP. The board recommended approval, which would bring the program total to \$234,000.

Buffalo Trace Area Development District requested an additional \$52,632 in Mason County funds for CAIP. The board recommended approval, which would bring the program total to \$252,632.

Projects discussed included:

Kentucky Nutrition Service, Inc. was approved for a loan of up to \$500,000 in state funds to build a new facility, purchase software, and purchase mineral blending equipment. The loan will be at a fixed rate of two percent for a term of 15 years with payments of principal and interest due monthly. In response to Senator Parrett, Mr. Beeler stated a fertilizer or seed dealer interested in opening a commercial business in agriculture is benefitting farmers. Mr. McCloskey stated the board is loaning the money.

Beef and Bacon Custom Processing, LLC was approved for up to \$9,825 in state and McLean and Daviess County funds to transition from a custom processing facility to a United States Department of Agriculture inspected facility.

Pulaski County Cattlemen's Association, Inc. was approved for \$2,502 in Pulaski County funds to purchase a cargo trailer for mobile cooking, serving, and marketing at agricultural events.

Pulaski County Conservation District was approved for \$1,645 in Pulaski County funds to purchase grain bin rescue equipment.

Vance Mills Farms, Inc. was approved for \$8,269 in state and Simpson County funds to conduct a study on the marketing and economic feasibility of a conventional and organic livestock processing facility.

St. Mary School was approved for \$1,799 in Bourbon County funds to purchase and install a greenhouse.

CCGJ, LLC doing business as Versailles Brewing Company Restaurant, LLC was approved for \$50,000 in Woodford County funds to purchase equipment for a new restaurant that will source locally grown food to serve.

In response to Senator Webb, Mr. Beeler stated the board is loyal to county boards with high priority projects. There is an assumption that the county understands the local economy better than the state.

Kentucky Soil Erosion and Water Quality Cost Share Program

Kimberly Richardson stated the Kentucky Soil Erosion and Water Quality Cost Share Program was established in 1994 with funding from the general fund and from Pesticide Product Registration fees from the Kentucky Department of Agriculture. The program began receiving funds from the Tobacco Master Settlement Fund in 2000.

The purpose of the program is to provide financial and technical assistance to individuals to implement best management practices on farm and forest operations to improve soil and water quality, assist landowners who have received a notice of violation from the Division of Water under

the corrective measures protocol, and to provide Conservation District Environmental grants.

The program is implemented by 121 conservation districts. The program offers year-round sign-ups, which allows farmers to immediately begin planning their resource concerns. The Conservation District serves as the point of contact when a notice of violation has been issued.

The Kentucky Division of Conservation's (KDC) recent projects include stream crossings, heavy use areas, pipeline and tanks, fencing, and pasture and hay land renovation.

Initial program funding began in 1994 with \$650,000, and funding totals have been as high as \$11.5 million in 2001. The past fiscal year the budget was \$5 million. There are currently 1,845 applications that amount to \$14.6 million. In 2017, 1,201 applications were approved for best management practices. The KDC staff reconciled all projects from past years to determine if there was a remaining balance that could be reallocated to farmers. The balance was determined to be around \$5 million.

The KDC improved its ranking system, which has delayed the cutoff date for applications to February 2018. The applications are ranked and KDC makes recommendations to the Soil and Water Conservation Commission in March 2018. Farmers can begin implementing practices in March 2018 and have one year to complete, with the option of two six month extensions.

The KDC is able to leverage state cost share dollars through different initiatives including the Regional Conversation Partnership Program. The partners are the Kentucky Natural Resources Conservation Service (KNRCS), Kentucky Dairy Development Council, Kentucky Beef Network, and the University of Kentucky College of Agriculture, Food, and Environment. The KDC also partners with the Division of Water on Non-Point Source Pollution Grants. The landowner also leverages funds since they pay full cost up front and are reimbursed 75 percent.

From 1995 to 2017 the KDC managed \$7.6 million in general funds, \$12.8 million in restricted funds from the Kentucky Department of Agriculture, \$126.5 million from the Master Settlement Agreement, and \$300,000 of federal funds. A total of 52,225 applications were received with \$409 million requested. There were 17,948 landowners approved for \$155 million.

The United States Geological Survey conducted a study to determine the amount of nutrients that are entering and leaving Kentucky. This study aids in determining the efficacy and continued need for KDC services. The preliminary findings show that nitrogen and phosphorus decreased as the water went through the state.

In response to Senator Webb, Ms. Richardson stated there will be a budget cut across the board. The KNRCS is experiencing budget cuts and consolidation of services. It provides technical assistance for the state cost share program. The KDC is working to address the loss of technical assistance by accepting a technical assistant grant and a training program for employees from the National Association of Conservation Districts.

The next meeting of the Tobacco Agreement

Oversight Committee will be scheduled at the call of the chair during session. Documents distributed during the meeting are available in the LRC Library.

There being no further business, the meeting was adjourned.

PUBLIC PENSION OVERSIGHT BOARD

Minutes of the 10th Meeting of the 2017 Interim

December 18, 2017

Call to Order and Roll Call

The 10th meeting of the Public Pension Oversight Board was held on Monday, December 18, 2017, at 1:00 PM, in Room 154 of the Capitol Annex. Representative Jerry T. Miller, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Joe Bowen, Co-Chair; Representative Jerry T. Miller, Co-Chair; Senators Jimmy Higdon, Christian McDaniel, Gerald A. Neal, Dennis Parrett, and Wil Schroder; Representatives Ken Fleming, James Kay, Brian Linder, Arnold Simpson, and Russell Webber; J. Michael Brown, John Chilton, Mike Harmon, James M. "Mac" Jefferson, and Sharon Mattingly.

Guests: Brad Gross and Bo Cracraft, Legislative Research Commission

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

Approval of Minutes

Senator Parrett moved that the minutes of the November 2, 2017, meeting be approved. Senator Bowen seconded the motion, and the minutes were approved without objection.

Recommendations

Senator Bowen opened with a discussion of 2017 Public Pension Oversight Board (PPOB) recommendations. He highlighted that that a great majority of the recommendations made by the PPOB in 2016 were enacted into law during the 2017 Regular session. Senate Bill 2 was a comprehensive transparency accountability proposal signed into law by the Governor on March 10, 2017. Senate Bill 3 required the disclosure of retirement benefit information for current and former members of the General Assembly. Senate Bill 104 addressed many issues related to pension spiking, while House Bill 173, which was a Kentucky Retirement System (KRS) housekeeping bill, was also passed. Senator Bowen noted five recommendations from the 2016 report had not been enacted in law, which he recommended the PPOB re-adopt as recommendations for 2017. The recommendations included:

Adoption of the Teachers' Retirement System (TRS) housekeeping bill, similar to provisions included in House Bill 446 during the 2017 Regular Session;

Legislation to eliminate the option for Legislators' Retirement Plan (LRP) participants to "spike" their legislative pension from salary earned through other public employment should be enacted;

General Assembly should evaluate the findings

and recommendations of the performance audit conducted by the PFM group and adopt a financially sound approach to address the funding issues facing the state-administered retirement systems. It should also evaluate how to best allocate the funds in the Kentucky Permanent Pension Fund among the state-administered retirement systems;

PPOB supports measures that would provide additional funding to improve the financial health and cash flow issues facing the Kentucky Employees Retirement System (KERS) nonhazardous pension fund and the State Police Retirement System (SPRS) pension fund;

PPOB supports measures that would provide additional funding to improve the financial health of the TRS pension fund and that would include a long-term statutory funding plan to pay the actuarially required contribution.

Senator Bowen noted that much of the interim period had been consumed by efforts to craft legislative plans, which would fully fund the pension systems over the long term and implement a sustainable retirement benefit for future teachers, public employees, and retirees. Senator Bowen recognized the obvious philosophical differences regarding how this should be accomplished and noted that some of those differences were represented among the PPOB. Senator Bowen stated a belief that the 2017 PPOB meetings, which included a review of specific pension reform proposals, laid important ground work for the difficult task facing the General Assembly during the 2018 Regular Session.

Senator Higdon recommended two additional administrative recommendations for the board to adopt:

PPOB should reexamine the fiduciary responsibilities and liabilities of pension board members and actuaries; and

PPOB should examine the effectiveness of the 2017 pension transparency reforms and determine if additional transparency and accountability measures should be recommended.

Senator Bowen moved that the 2017 Recommendations be approved. Sharon Mattingly seconded the motion, and the recommendations were approved without objection.

Senator Parrett moved that the draft PPOB 2017 Annual Report be approved subject to the addition of the recommendations just approved and any technical edits needed. Representative Fleming seconded the motion, and the draft PPOB 2017 Annual Report was approved without objection.

2017 Actuarial/Financial Update

Brad Gross and Bo Cracraft, Legislative Research Commission staff, provided a year end actuarial and financial update. Mr. Gross began with a summary of the various state retirement systems, which included both pension and retiree health plans administered by KRS, TRS, and the Judicial Form Retirement System (JFRS). Mr. Gross provided a comparison of the total unfunded liability for all plans in 2007 and 2017. In 2007, the total combined unfunded liability for all plans was \$26.5 billion, with just over 54 percent of the amount being attributed to the retiree health plans. Moving to 2017, the total unfunded liability has grown to \$43.8 billion, with 86 percent accounted for by the pension plans. Mr. Gross noted that over the

course of those ten years the pension liability have essentially tripled, while the retiree health liabilities have fallen.

Mr. Cracraft discussed the 2017 actuarial valuation results for each of the state-administered systems and provided a summary of the funding level percentages and unfunded liabilities for each system/plan across both pension and retiree health funds. At a high level, the result reflected a deterioration within the KRS plans, which was largely due to assumption changes, while the TRS and JFRS plans experienced some actuarial improvement.

Mr. Cracraft provided a more detailed review of key changes in the financial health of the three largest plans, which accounted for 90 percent of the total unfunded liabilities. With regards to the KERS and CERS plans, the deterioration in funding levels and additional unfunded liability was primarily due to the assumption change with regards to the assumed rate of return. On the pension side, the change accounted for roughly 90 percent of the unfunded liability growth, while on the insurance side, the assumption changes more than offset positive retiree health premium experience, which caused liabilities to increase from the prior year. With regards to the TRS plans, the unfunded liability was reduced from \$14.5 billion to \$14.3 billion, which was driven by positive investment experience and lower than expected salary increases. Mr. Cracraft noted that the TRS pension plan did have some negative amortization, or actuarial backloading, which served to partially offset those positive factors. The TRS insurance funds, much like the KRS plans, did see positive retiree health premium experience, which drove the improved funding and reduced liability.

Senator Bowen made a statement to emphasize to members of the Public Pension Oversight Board (PPOB) that the referenced assumption changes were a board decision and not a legislative decision.

In response to a question from Senator Bowen, Mr. Gross noted that with the additional funding in the current budget for TRS, a contribution shortfall was not listed as an unfunded liability growth factor as it had been in the 2016 actuarial valuation review.

In response to a question from Representative Miller, Mr. Cracraft confirmed that, while the KRS boards did decide to reduce their return assumptions, the TRS board choose to keep their assumptions the same.

Mr. Gross discussed the historical trend of the KERS nonhazardous pension and health plans from 2000 through 2017. Looking back at the 2000 fiscal year, the pension fund was nearly 140 percent funded and had a surplus to the unfunded liability of nearly \$2 billion. In 2017, the pension fund is 13.6 percent funded and has an unfunded liability of nearly \$13.5 billion. On the retiree health side, the plan was 27.4 percent funded and had an unfunded liability of \$1.1 billion in 2000 and is now 30.7 percent funded with an unfunded liability of \$1.9 billion.

Mr. Gross reviewed employer contribution rates for KERS nonhazardous. Looking back in 2001/2002, the Actuarial Required Contribution (ARC) was just 5.89 percent of pay and given the pension funding levels, all contributions went to fund the retiree health plan. Starting in FY 2003, the budgeted amount was

less than the ARC until FY 2015. For the current FY 2018 budget, the ARC is 49.47 percent of pay. There is an additional general fund appropriation above the ARC of \$67.6 million. Looking forward, based upon changes to the return and payroll growth assumptions made by the KRS board, the ARC requested for FY 2019 is going to be 83.43 percent of pay. In terms of dollars, KRS has projected an ARC of roughly \$844 million for FY 2018 and \$1,292 million for FY 2019 for KERS nonhazardous. That represents roughly a \$440 million difference, of which half typically comes from general fund dollars.

In response to a question from Senator Bowen, Mr. Gross stated that for FY 2018 and 2019 combined, total employer contributions to KERS would equal roughly \$2 billion dollars, with an estimated \$1 billion coming from the general fund over those two fiscal years.

Mr. Gross discussed the historical trend of the CERS nonhazardous pension and health plans from 2000 through 2017. Noting the similarity to the KERS nonhazardous plans, the CERS pension plan had moved from a 156.9 percent funded status in 2000, to its current funding levels, and the unfunded liability had grown over the time period by about \$8 billion. The retiree health is better funded than the KERS nonhazardous funds, but a similar trend of growth and improvement can be seen.

Mr. Gross discussed the CERS nonhazardous employer contribution rates. Mr. Gross noted that, with the exception of a small component within the judicial branch, the CERS employer rates are not specified or directly impact the state budget. Looking at employer rates over time, a similar trend of rates increasing is seen, but not as high as the KERS nonhazardous fund. Looking forward, based upon changes to the return and payroll growth assumptions made by the KRS board, the ARC for FY 2019 will increase from 19.18 percent to 28.05 percent for local governments. Lastly, Mr. Gross reviewed a summary of the projected employer contributions across all five KRS plans for FY 2018 and FY 2019. The projections, which were calculated by KRS' actuary, showed the total difference in dollar terms based on the new valuation and assumptions.

Mr. Gross discussed the historical trend of the TRS pension and health plans from 2000 through 2017. Much like the KRS plans, over the time period the funding level and health of the plan has deteriorated. In 2000, the pension was roughly 95.7 percent funded and while there has been some recent improvement, the fund currently is 56.4 percent funded with a \$14.31 billion unfunded liability. The retiree health fund is similar to the KRS retiree health funds relative to the trend. Mr. Gross also discussed recent GASB requirements, which results in TRS having to report two significantly different funding levels and liabilities for accounting and traditional funding purposes.

Senator Bowen and Senator Higdon made statements emphasizing how GASB has highlighted how a plans funding levels and the unfunded liability can change as a result of the assumed investment return. Mr. Gross agreed and referenced previous testimony from the state budget director before the board that calculated the plans unfunded liabilities

across multiple return assumptions.

In response to a question from Senator McDaniel, Mr. Gross and Mr. Cracraft confirmed the lower assumed rate used for GASB purposes was driven by the plan having a projected date of insolvency, which forced actuaries to use a blended assumed return. As a plan develops a funding policy and the date of insolvency is pushed further into the future or eliminated, the plan can use their higher assumed rate of return. In the case of TRS, the date of insolvency was 2038 in 2017, which was one year further than the prior year's valuation.

Mr. Gross discussed the funding mechanism for TRS, which differs from the KRS plans. Instead of a single value for the ARC, TRS operates under a fixed employer contribution plus additional direct state appropriations and employer funding. First, there is a fixed employer contribution rate, set by statute, of 13.105 percent of pay for pension and health costs, which has generally been 85 to 90 percent paid by the general fund. In addition to the fixed rate, over time TRS has been receiving additional direct state appropriations, which are funded fully by the general fund. The direct state appropriations include amortized payments for sick leave, ad hoc colas, as well as the state's portion of the "shared solution" for health care passed in 2010. More recently, beginning in 2007, TRS has also requested additional funds above the fixed statutory rate to fund the pension ARC due to growth in the unfunded liability. During the most recent biennium, an additional \$973 million was appropriated in response to the additional request from TRS. Lastly, as part of the "shared solution" passed in 2010, local school districts are contributing an additional 3 percent of pay for retiree health benefits. When combined, in FY 2017, TRS received total employer contributions of roughly \$1.24 billion, with \$1.06 billion coming from the general fund. Looking at the upcoming biennium budget, Mr. Gross noted total projected employer contributions requested by TRS would increase by \$104 million and \$71 million for FY 2019 and FY 2020, respectively, above the current fiscal year.

Mr. Cracraft began a discussion on cash flow, beginning with a review of the various components that serve as inflows to a fund, such as contributions and investment income, and outflows to the fund which consist of benefits and expenses. When considering the cash flow of a plan, several factors are either fixed or driven by markets, which serves to put pressure on employer contributions, typically known as the ARC. For example, if assumptions are changed or actual experience is negative or positive, the ARC will adjust accordingly.

Mr. Cracraft provided a historical review of cash flow for the KERS nonhazardous pension fund from FY 2000 to FY 2017. Looking back towards the year 2000, the fund was 140 percent funded, thus little to no employer contributions is seen at this time. In 2001, total outflows grew pretty consistently through 2009, which is largely the result of the plan maturing and a legislative enacted retirement window. Also in 2001 and 2002, investment markets experienced the tech telecom or IPO bubble and the corresponding asset losses. However, while payouts were growing, the strong investment returns of 2004 through 2007

served to partially mask some of the benefit payment growth and the asset base continued to grow. By FY 2009, the plans were experiencing the great recession, payouts more than doubled, and as a result the asset base of the plan cuts almost in half. The result is a much smaller plan, which had less ability to generate investment income and thus more pressure was placed on the employer. From 2010 to 2017, while employer contributions had increased fairly consistently, the total asset value had continued to decline due to level of payouts.

In response to a question from Representative Fleming regarding the asset allocation of KRS during the 2009 time frame, Mr. Cracraft referenced a 2008 Public Pension Working Group that hired a consultant to evaluate the asset allocation for both KRS and TRS. At that time, both plans were invested fairly heavily in public equity, which was one of the worst performers during the market downturn. During the Working Group, there was much discussion regarding the alternative assets classes, which served to be less volatile or risky during the Great Recession. In the end, one of the outcomes from the Public Pension Working Group was a recommendation that KRS and TRS become more diversified, specifically outside public assets. Since that working group, KRS has moved fairly aggressively in that direction, adding real return, private equity, and hedge funds. TRS has also moved in that direction, but a bit more conservatively, stepping into private equity and more private assets over time.

Mr. Cracraft continued with a more detailed review of cash flow for the KERS nonhazardous fund over the two most recent fiscal years, noting two primary takeaways. First, the gap between the total payouts of the fund and total contributions has gotten smaller as a result of the additional employer contributions in FY 2017. Given the size of the fund and its payout ratio, a critical need of the fund would be to reach a point where it could cash flow just on contributions and retain any investment income or asset gains. Secondly, Mr. Cracraft highlighted that if the recommended ARC of 71.03 percent of pay (amount dedicated to pension only) for FY 2019 could be budgeted, the fund would likely reach a point where it would cash flow just on employer contributions. All employee contributions and investment income could be retained to help the fund grow.

Mr. Cracraft moved to a similar discussion on the historical cash flow of the CERS nonhazardous plan from FY 2000 to FY 2017. When compared to the KERS plan, a significant difference between the two is the payout ratio and the asset gain component for CERS. Both plans experienced significant losses in 2001-2002, but CERS was able to capture much of the positive returns over the 2004 to 2007 timeframe as a result of their lower payout ratio. Similarly, after the great recession, while KERS has had to sell almost all their gains to meet payouts, the CERS plan has been able to retain the majority. As a result, over the past several years, the CERS plan has seen total assets grow, while KERS has consistently declined. Mr. Gross added the difference was also a byproduct of the KERS nonhazardous fund rapidly maturing versus CERS, which had a more level growth in benefit payments.

Mr. Cracraft provided a snapshot of cash flow over the past two fiscal years, which highlighted the impact from CERS being able to grow the asset base. Given the larger base of assets, although both plans had similar results, the amount of dollars CERS was able to generate was much larger. From a pure cash flow standpoint, the CERS plan did have some slight negative cash flow over the 2017 fiscal year, as a portion of the asset gains were used to meet total payouts. Much like the KERS plan, if recommended ARC rates for FY 2019 are met, the CERS plan would be projected to cash flow from just contributions.

Mr. Cracraft discussed the historical cash flow for TRS from FY 2000 to FY 2017. Much like the CERS plan, the TRS did not have to sell assets during the market downturns in 2008-2009, and was able to capture most of the upside experienced in 2010 through 2015. More recently, when looking at 2013 and on, total payouts have continued to grow and the fund has had to sell some asset gains to meet payouts.

Much like the KERS fund, when looking at a more detailed review of the most recent two fiscal years, Mr. Cracraft noted that additional TRS employer contributions in FY 2017 had closed much of the gap between total payouts and contributions. However, without the asset gains in FY 2017, the fund did have a slight negative cash flow in the sense it did require a portion of the asset gains to meet benefit payments.

Lastly, Mr. Cracraft referenced sensitivity analysis that is provided within the TRS valuation. While TRS did not change the investment return or payroll growth assumptions like KRS, the sensitivity analysis does give an indication of what would happen to the ARC if the assumptions were to change. Mr. Cracraft discussed a summary of the analysis, which indicated a one percentage point decline in the return assumption would require an additional \$300 million in contributions, while moving the payroll growth assumption to zero would require \$392 million in additional employer contributions. Mr. Cracraft highlighted that if both of these changes were incorporated, the additional contributions of just under \$700 million would put the fund in a position where it cash flowed solely from contributions.

In response to a question from Representative Miller regarding GASB 67, Mr. Gross confirmed that if a funding plan was developed and provided in statute, the GASB and funding values would come together regardless of the assumed rate of return. Mr. Cracraft stated that the GASB number is effectively based on a 4.5 percent assumed rate of return and the sensitivity analysis is based on 6.5 percent, however if the reduce assumed rate of return were to continue, the sensitivity analysis would project a similar level of funding to that of GASB.

In response to a question from Senator Bowen, Mr. Gross stated that GASB is a standardized approach to provide consistent accounting values across all governmental entities. Mr. Cracraft stated that GASB also has to do with multi-employer plans where each employer has to report their portion of the net pension liability on their financial statements. It effectively is supposed to give a more conservative value of their risk and liability.

In response to a question from Senator Parrett,

Mr. Gross stated that no actuarial analysis considering another market downturn similar to 2008-2009 had been conducted. This is something that ultimately would have to be systems actuaries. Considering the size of the plans, it would have a larger impact on the funds with more assets.

In response to questions from Senator Higdon, Mr. Gross stated that there is a statutory 1.5 percent Cost of Living Adjustment (COLA) for all TRS retirees and beneficiaries. In years past, the TRS Board would recommend that additional funding be appropriated to provide ad hoc COLAs above this 1.5 percent amount. If awarded, there would be an additional general fund appropriation to pay off one particular ad hoc COLA over a 20 year amortization period. In regards to the COLA formula, Mr. Gross stated that actuaries build valuations based upon assumptions. There is a prefunded cost built in to the normal cost calculation for the 1.5 percent COLA.

In response to questions from Senator Schroder, Mr. Gross stated that at no time in the past did the General Assembly borrow from KERS or CERS to put money into the general fund, road fund, or any other fund. In regards to TRS, Mr. Gross stated that there has been no money directly taken and provided to the general fund, road fund, or any other fund, but there was a situation in 1998 which changed slightly in 2004 where the retiree health fund did not have enough money coming in from a small statutory rate to pay the health benefits set by the TRS board. The TRS Board initially redirected funding and then in 2004 there was a provision put into place that redirected funds from the pension fund to help fund retiree health benefits. A provision was put into place to pay that redirected money back at the assumed rate of return of 7.5 percent and the balance was paid off with a bond issue in 2010.

In response to a question from Representative Miller, Mr. Gross stated that 13.105 percent of pay for pension and health costs for TRS has been in statute since before 2000.

In response to a question from Representative Kay, no members of the board were able to provide an update or status on any pending pension legislation.

Public Comment

Gregg Riggs, a retired fire fighter and state employee provided comment. Mr. Riggs stated that pensions cannot be fixed without addressing tax reform and there has to be a revenue stream. He read an editorial that was published in the Frankfort State Journal on October 5, 2017 in regards to a special session that pension reform and tax reform must be considered together. He commented that legislative retirement needed to be merged into KERS and he asked that a recommendation be made that money put into pension funds not able to be touched by legislators.

Senator Bowen stated that function of the PPOB Board is oversight and not in the business of drafting legislation. He states that legislation has been drafted up to this point that legislators' retirement fund be part of KRS.

With no further business, the meeting was adjourned.

MEDICAID OVERSIGHT AND ADVISORY COMMITTEE

Minutes

December 13, 2017

Call to Order and Roll Call

The Medicaid Oversight and Advisory Committee meeting was held on Wednesday, December 13, 2017, at 1:30 PM, in Room 131 of the Capitol Annex. Representative Kimberly Poore Moser, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Representative Kimberly Poore Moser, Co-Chair; Senator Morgan McGarvey; and Representative Melinda Gibbons Prunty.

Guest Legislators: Representatives Ken Fleming and C. Wesley Morgan.

Guests: Steve Miller, Commissioner, Jill Hunter, Deputy Commissioner, and Donna Little, Senior Policy Advisor, Department for Medicaid Services, Cabinet for Health and Family Services; Rosemary C. Smith, R.Ph., Co-Founder, Kentucky Independent Pharmacist Alliance, Jordan Drug, Inc.; Trevor Ray, PharmD, Midway Pharmacy, Independent Pharmacist; Dr. Robert Couch, MD, Emergency Physician; Chris Callis, Systems Director, Physician Contracting, Baptist Healthcare System, Inc.; Luther Smith, Kentucky Independent Pharmacist Alliance, Jordan Drug, Inc.; Frank Miller, Jr., Gateway Health; Tori Ames, Cincinnati Children's Hospital Medical Center; Kelli Williams, Accenture; Annette Gervais, Kentucky Home Care Association; Koleen Slusher, Director, Department for Behavioral Health, Developmental and Intellectual Disabilities, Cabinet for Health and Family Services; Trudi Matthews, Managing Director, Kentucky Regional Extension Center, University of Kentucky; Neville Wise, Assistant Director, Revenue Management, University of Kentucky; Sarah S. Nicholson, Kentucky Hospital Association; and Nancy Galvagni, Kentucky Hospital Association.

LRC Staff: Jonathan Scott, Chris Joffrion, and Becky Lancaster.

2017 Department for Medicaid Services Budget and 2018 Session Budget

Steve Miller, Commissioner, Department for Medicaid Services (DMS), Cabinet for Health and Family Services (CHFS), stated that the Centers for Medicare and Medicaid Services (CMS) is close to approving the 1115 Kentucky HEALTH Waiver. DMS has approximately 1,414,000 participating members in Kentucky Medicaid including 456,000 children. There are 40,700 enrolled providers in Kentucky Medicaid. Kentucky Medicaid has an \$11 billion budget. The Medicaid Expansion in 2014 was proposed and budgeted with expectations of adding 180,000 members by 2021. There has been approximately 480,000 members added to the Medicaid program. The current Managed Care Organizations (MCOs) contract extension is through June 30, 2018. All MCOs are subject to 90 percent Medical Loss Ratio (MLR). In 2015, the MCOs underwriting ratio or profit was 11.3 percent and in 2016, the MCOs underwriting ratio was 2.5 percent.

DMS mandated, as part of the Affordable Care Act (ACA), coverage of the 10 Essential Health

Benefits and to align with Kentucky's Benchmark Plan as determined by Department of Insurance. DMS aligned benefit packages into one plan for both expansion and traditional populations. Ninety percent of Medicaid enrollees in Kentucky are covered by one of the five MCOs and 10 percent of the enrollees are covered using the fee-for-service program. State funding for the two year budget cycle that ended in June of 2016 was approximately \$3.1 billion. For the two year budget cycle that will end in June of 2018, the state will spend approximately \$3.65 billion. The total expenditures of the state and federal money combined in the 2018 budget will be over \$11 billion. Seventy percent, or \$7.2 billion, of the budget is spent on managed care. In 2017, the average cost per beneficiary per member per month was \$600.83.

Jill Hunter, Deputy Commissioner, Department for Medicaid Services, Cabinet for Health and Family Services, stated that the administration costs in Kentucky Medicaid continue to rise as the number of enrollees increase. DMS spent approximately 1.53 percent of every dollar received on administration costs, salaries, and supplies in state fiscal year (SFY) 2017. DMS is working daily to prepare for the 1115 Kentucky HEALTH Waiver. The entire benefit program with authorization from CMS will move forward in July of 2018. The Office of Administrative and Technology Services (OATS) team is working on the development and implementation of a Medicaid enterprise management system (MEMS). DMS is developing an electronic visit verify (EVV) system as mandated by federal law in the 21st Century Cures Act.

Commissioner Miller stated that the federal government pays 100 percent of the Children's Health Insurance Program (CHIP) however, federal funds have not been reissued as of October 1, 2017. Kentucky had a surplus in the CHIP grant funds from the previous year and expects coverage of CHIP through March 10, 2018.

Medicaid Emergency and Specialty Coverage in Communities Situated with Multi-State Borders

Deputy Commissioner Hunter stated that a Medicaid member with a medical emergency who is traveling or has crossed state lines should seek care at the closest facility. Out-of-state emergency care is covered. Medicaid does allow out-of-state providers to enroll in most provider types. Out-of-state providers must be enrolled to receive reimbursement. CMS does not allow DMS to reimburse any provider not enrolled with Medicaid. Out-of-state providers are subject to the same reimbursement and participation requirements as in-state providers.

In response to questions from Representative Gibbons Prunty, Commissioner Miller stated that if the Medicaid expansion did not happen there could possibly be about 900,000 people in the program. The 1115 Kentucky HEALTH Waiver would help able-bodied adults transition off Medicaid and go to commercial insurance. DMS has projected that, over five years, 85,000 members would be able to transition off of Medicaid and move to commercial insurance.

Prefiled Legislation

BR 127, AN ACT relating to service delivery improvements in managed care networks, sponsored by Representative Ken Fleming.

Representative Fleming summarized BR 127, which deals with the provider credentialing processes within the Kentucky Medicaid system. MCOs take 90 to 180 days to credential providers. BR 127 would centralize the credentialing process to a single verification organization managed by DMS. He hopes to reduce the credentialing timeframe to 45 days. BR 127 has an exception that will allow hospitals to continue with existing credentialing procedures. BR 127 includes a provision to require the MCOs personnel to be available eight hours a day and five days a week for authorizations and claims. BR 127 would require MCOs to respond to any claim or grievances submitted by providers within a 30 day timeframe.

Dr. Robert Couch, MD, Emergency Physician, testified that within his group of physicians and staff a large amount of time, energy, and resources are spent reforming non-clinical activities. The activities are required by the payors before the physicians can see patients or receive reimbursements for the services rendered. The administrative duties increase costs for the patients and the businesses. Credentialed providers may participate in that particular MCO's network. The provider will have to negotiate a business contract and complete the enrollment process with Medicaid and the MCOs. It routinely takes a provider six months or longer to get credentialed which creates a problem because many MCOs have a six month claim limit. If a new physician who is not credentialed writes a prescription for a Medicaid patient, the prescription cannot be filled by the pharmacy and Medicaid cannot pay for the prescription.

Chris Callis, Systems Director, Physician Contracting, Baptist Healthcare System, Inc., stated that his experience with credentialing is on the administrative side of the process. Many providers trying to complete the credentialing process have gone beyond a 180 day timeframe. BR 127 will expedite the credentialing process and improve the provider's ability to deliver healthcare to communities in a more timely fashion without the burden of additional administration expense and effort.

BR 173, AN ACT relating to public assistance, sponsored by Representative C. Wesley Morgan.

Representative Morgan summarized BR 173, which relates to drug testing recipients of public assistance programs. He gave an example of how drug testing helped to resolve issues within his businesses. Approximately 15 states have passed similar legislation. The drug testing could also include unemployment insurance recipients. Individuals on public assistance could receive job training or begin working to commence paying into the system.

In response to questions from Representative Moser, Representative Morgan stated that he left the language open for the secretary of CHFS to make the policy regarding individuals who are in treatment for substance use disorders. He does not object to individuals who test positive for drugs and enroll in a substance abuse program returning to work.

In response to questions from Senator McGarvey, Representative Morgan stated that there have been approximately 15 states to pass similar laws. Available data that indicates there is only a small percentage

of benefit to the states. The law has given states the right to drug test, but the implementation of the law has caused debate in other states. A sunset provision may be added to BR 173 to allow the legislature to review and update the bill. He does not want to test public assistance recipients for the use of alcohol.

BR 216, AN ACT relating to pharmacy benefits in the Medicaid program, sponsored by Senator Max Wise.

Rosemary Smith, Owner, Jordan Drug, Kentucky Independent Pharmacist Alliance (KIPA), stated that there has been reimbursement changes and unsustainable cuts to pharmacy reimbursements by the Pharmacy Benefit Managers (PBMs) in the Kentucky Medicaid program. She has received an email and letter from CVS Caremark, also a PBM in Kentucky, seeking to purchase her independent pharmacy businesses. Independent pharmacies have been cut significantly since managed care was put into place. There has been under-reimbursement of drug costs by PBMs to move Medicaid members to mail-order pharmacies. About 85 percent of her prescription reimbursements are being set by her competitor, who is also the PBM in four of the five MCOs. She has sent surveys to KIPA members to gather information regarding the number of independent pharmacy closings due to under-reimbursement. West Virginia has moved pharmacy benefits out of managed care and back to the state Medicaid department, saving the taxpayers millions of dollars. Ohio has faced almost identical issues of under-reimbursement costs with Medicaid PBMs. Ohio, similar to Kentucky, has five MCOs, and four of which have the same PBM--CVS Caremark.

Trevor Ray, PharmD, Midway Pharmacy, Independent Pharmacist, stated that an independent pharmacy in Hardin County closed specifically due to under-reimbursement. In rural areas, pharmacy closures can become an access problem for members. The 90 percent MLR required of MCOs is not required of the PBMs. The MLR not extending to the PBMs makes it difficult to do a strict analysis to know how much money is being lost by the state as PBM profit. If the pharmacy benefit management is returned to DMS, the state can do a cost analysis and DMS can retain the money that could have been profited by PBMs. Kentucky has an opportunity to be proactive, get ahead of the problem, and prevent destruction of the independent pharmacies.

Adjournment

There being no further business, the meeting was adjourned at 3:03 PM.

PUBLIC PENSION OVERSIGHT BOARD

Minutes

January 22, 2018

Call to Order and Roll Call

The 1st meeting of the Public Pension Oversight Board was held on Monday, January 22, 2018, at 1:00 PM, in Room 154 of the Capitol Annex. Senator Joe Bowen, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Joe Bowen, Co-Chair; Representative Jerry T. Miller, Co-Chair; Senators

Jimmy Higdon and Wil Schroder; Representatives James Kay and Arnold Simpson; J. Michael Brown, John Chilton, Timothy Fyffe, Mike Harmon, James M. "Mac" Jefferson, and Sharon Mattingly.

Guests: Donna Early, Executive Director, Judicial Form Retirement System, Justice VanMeter, Kentucky Supreme Court; Beau Barnes, Deputy Executive Director, Teachers' Retirement System; David Eager, Interim Executive Director, and Rich Robben, CFA, Interim Executive Director, Office of Investments, Kentucky Retirement Systems.

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

Approval of Minutes

Auditor Mike Harmon moved that the minutes of the December 18, 2017, meeting be approved. Representative Miller seconded the motion, and the minutes were approved without objection.

Investment, Cash Flow, and Budget Update

Donna Early, Executive Director, Judicial Form Retirement System (JFRS) and Justice VanMeter, Kentucky Supreme Court represented JFRS. Mr. VanMeter opened with a review of investment performance for the judicial retirement plan (JRP) as of December 2017, highlighting the defined benefit plans 10- and 20-year returns of 8.74 percent and 7.40 percent respectively. The total market value of the JRP defined benefit plan was \$403 million, which compared to an actuarial liability \$414 million as of July 1, 2017. Mr. VanMeter also reviewed performance for the JRP hybrid cash balance plan, which has similar results to the defined benefit plans since its inception about 2.5 years ago. While the plans are managed and allocated similarly, Mr. VanMeter noted the defined benefits were actively managed, while the hybrid cash balance plans were invested in passive, index funds. Mr. VanMeter referenced performance for the legislative defined benefit and hybrid cash balance retirement plans, which had produced virtually identical results. Lastly, Mr. VanMeter highlighted the low investment fees of JFRS, which utilizes Hilliard Lyons Trust Company as their sole investment advisor.

Mr. VanMeter pointed out that JFRS has approximately 29 judges who are in the hybrid cash plan under Kentucky Retirement System (KRS) and for the upcoming biennium KRS is going to charge 84 percent of payroll for those 29 judges, which is over \$3.6 million. JFRS has 26 judges in the hybrid cash plan with a cost in the upcoming biennium of \$200,000, which is a difference of almost \$3 million. He believes the difference is because JFRS has kept the hybrid cash money separate as opposed to combined funds. Mr. VanMeter also stated JFRS had reduced their ARC by almost \$13 million over the past four years.

Ms. Early provided a review of cash flow for the first half of the 2017 fiscal year. With regards to JRP, the plan had 350 benefit recipients, totaling approximately \$2.1 million monthly for retirement and insurance benefits. Ms. Early also highlighted the funds year to date investment gains of \$27 million, noting it included a realized gain of almost \$20 million that was the result of the plan rebalancing their equity portfolio from 77 percent to its target of 70 percent. Ms. Early provided a similar review of cash flows for LRP, which had outgoing monthly benefit payments

of \$447,000 across 221 recipients. Much like JRP, \$5.3 million of the \$7.8 million investment gain during the fiscal year was due to rebalancing the equity portfolio.

Ms. Early reviewed the 2019-2020 budget amounts for JFRS. As noted by Justice VanMeter, the annual required contribution (ARC) for both plans has declined from the prior biennium.

In response to questions from Senator Higdon regarding the hybrid cash balance plans, Mr. VanMeter and Ms. Early stated actuarial valuation of the plans resulted in a required contribution that is less than 4 percent for the coming biennium.

Investment, Cash Flow, and Budget Update

Beau Barnes, Deputy Executive Director, Teachers' Retirement System (TRS) discussed preliminary pension investment returns as of December 2017, highlighting the plans net returns over the trailing 1-, 3-, 5-, 10-, and 20-years. Over the trailing 30-year period, the pension plan has provided a compounded gross return of 8.5 percent. Mr. Barnes also provided preliminary net of fee results for the medical trust fund over a trailing 1-, 3-, and 5-year period. Mr. Barnes noted the medical fund was a relatively new fund, largely driven by the shared solution of 2010, when retiree health care transitioned from pay-as-you-go to a prefunded plan.

Mr. Barnes provided a cash flow update and compared the first half of FY2018 with the prior year, highlighting total cash inflows, outflows, and net cash flow before asset gains or losses. Mr. Barnes noted the fund did experience some slight negative cash flow if asset gains were not considered, but indicated it was very manageable compared to what TRS was dealing with before the additional \$973 million in the current budget. Mr. Barnes noted the positive investment gains for the fund and reported the pension funds total market value as of December 31 was approximately \$19.8 billion.

Mr. Barnes provided a review of TRS budget request and the Governor's recommended budget. He pointed out a request of \$69 million for FY 2019 and \$76.5 million for FY 2020 for retiree medical contributions for post July 1, 2010 non-Medicare eligible retirees was not included in the Governor's budget. Mr. Barnes noted the additional funding requested by TRS to meet the actuarial determined employer contribution (ADEC) was included in the executive budget. In total, including statutory contributions funded through the Department of Education, the executive budget provided a total over \$1.086 billion and \$1.073 billion in FY 2019 and 2020, respectively.

In response to a question from Senator Bowen regarding opposition expressed by many within the teaching profession to the executive budget, Mr. Barnes indicated that much of the concern he had heard from people in the education community centered on the uncertainty or lack of funding for medical insurance needs. Senator Bowen noted that retiree medical insurance is outside the scope of the inviolable contract and in years past the state's cost has been a special appropriation by the General Assembly.

In response to a follow up question from Senator Bowen, Mr. Barnes stated that under KRS 161.675, TRS is required only to provide access to group

coverage, but the statute does provide the board shall provide coverage to the extent funding is available. The board is responsible for determining how much and what plan is provided and how much members are charged for coverage. If the final budget did not provide any additional funding for insurance, the board would likely have the actuary look at the impact, provide options, and ultimately decide what they felt was most diligent.

In response to a question from Representative Miller, Mr. Barnes indicated it is common for TRS to have discussions on what is and what is not covered by the inviolable contract. Staff have traveled throughout the state to speak with both active and retired teachers and Mr. Barnes himself has given presentations that included a summary of what is and is not covered. With regards to retiree insurance, staff clearly communicates the benefit is not a guarantee and members may be required to cover the full cost.

In response to a follow up question from Representative Miller, Mr. Barnes stated that the non-single subsidy is a subsidy provided by the Commonwealth through the Kentucky Employees Health Plan (KEHP) that helps pay a portion of the cost for active teachers, active state employees, and retired teachers who have couple, parent plus, or family health insurance coverage. In the proposed executive budget it states that the non-single subsidy shall no longer be provided. Mr. Barnes indicated that about 3,500 retired members of TRS would be affected. Lastly, Mr. Barnes stated that retired teachers under the age of 65 participate in the same plan as active teachers, but retired teachers are required to contribute a portion of the KEHP premium cost that is equivalent to the Medicare Part B premium cost, which is \$134 per month that the active teachers do not pay. This was part of the 2010 shared solution.

In response to a question from Senator Bowen, Mr. Barnes stated that he believes most teachers understand that health insurance is not guaranteed once retired, but believes there are likely some, regardless of the message and education provided by TRS, that believe it is part of the inviolable contract.

Representative Kay asked the State Budget Director, John Chilton, if any insight could be shared as to why the Governor's recommended budget had no appropriation for the state's portion of the shared responsibility for retiree medical funding. Mr. Chilton responded that there just was not enough funding to satisfy all the needs and desires of the budget and given the benefit was not subject to the inviolable contract, funding was not provided.

Representative Kay made a comment and expressed concern over a budget that focuses on only what can legally be done and does not invest or make additional effort to help the professionals that run the state. Teachers are not going to be happy if their retiree health insurance is not funded and employees in this Commonwealth hope for a job where there is medical insurance. Medical insurance is expensive and will likely continue to get more expensive, but the General Assembly should hope to provide health insurance for everybody that works for the Commonwealth regardless if it is in the inviolable contract.

In response to a question from Mr. Chilton regarding member contributions and state/employer

matching contributions for cash inflows, Mr. Barnes stated that payroll is not going down, but that the lowered totals in FYTD 2018 is attributed to timing and posting of contributions.

Investment, Cash Flow, and Budget Update

David Eager, Interim Executive Director, and Rich Robben, CFA, Interim Executive Director, Kentucky Retirement Systems provided the update. Mr. Eager opened with some general remarks, most notably the continued improvement in cash flow, recent asset growth due to strong investment markets, and the considerable increase in future employer contribution rates as a result of the board's adoption of more realistic assumptions. Regardless, the challenge is real and will take a long term commitment to tackle.

Mr. Robben reviewed recent investment trends and indicated that recent strong performance had continued into the current fiscal year. As of November 2017, the combined pension fund had returned 5.84 percent, while the insurance fund returned 6.01 percent. Mr. Robben indicated KRS was continuing to see divergence in performance between the underlying systems, primarily driven by a more conservative asset allocation that has been adopted for the Kentucky Employees Retirement System (KERS) non-hazardous and State Police Retirement System (SPRS) pension plans given their current funded status. At a system level, pension returns over the 1-year time frame have ranged from 14.3 percent (for KERS nonhazardous) to 16.5 percent (County Employees Retirement System (CERS) nonhazardous). The insurance fund has less divergence, with most plans returning approximately 16.5 percent over the trailing 1-year.

In response to a question from Representative Miller regarding the divergence of returns, Mr. Robben stated that the CERS and insurance plans are being invested fully as the Board and staff would desire. The KERS and SPRS plans cannot quite tolerate some of illiquidity or risk, so staff has to adjust the allocation of those plans, or tone down the portfolio from a risk standpoint. CERS is what staff would consider the flagship fund of staff's investment efforts.

Mr. Eager provided a cash flow update and compared the first five months of FY2018 with the prior year. He used the KERS non-hazardous fund to highlight total cash inflows, outflows, asset gains or losses, and net changes in plan assets. Thus far in FY2018, while in most cases total benefit payments have risen slightly, all ten pension and insurance plans have experienced a net gain in cash flows. Mr. Eager referenced similar cash flow data provided for the insurance plans and stated the trend was pretty similar to the pension funds, but at a much smaller scale. He reminded the board that the insurance fund were better funded in large part, on average around 60 percent funded.

Mr. Eager reviewed the employer contributions rates incorporated in the executive budget. As a result of the new assumptions utilized in the actuarial process, on average, the employer rates are increasing about 50 percent for FY 2019 versus 2018. For example, the contribution rate for KERS nonhazardous was 49.47 percent in 2018 and will be 83.43 percent in 2019.

In response to a question from Representative

Simpson, Mr. Eager referenced the KRS Summary Annual Financial Report (SAFR) and highlighted the allocation of employer contribution rates for the KERS nonhazardous plan. If the plan were fully funded, the contribution rate would be 7.45 percent for pension and 2.7 percent for insurance. The remaining portion, 72 percent of pay, when pension and insurance are combined, is the cost of paying off the unfunded liability. In addition, if looking at cost per tier, the normal cost for Tier 3 for pensions is 2.26 percent.

In response to a question by Senator Bowen regarding current market expectations, Mr. Robben stated the KERS plan was indeed allocated more conservatively, meaning it has less stock investments and more bonds. But, even for the more healthy funds, KRS is looking to peel back, or reduce their exposure to stocks. In fact, in July, when changes were made to the investment return assumption, that was in part due to a revised and new asset allocation. Over the next few months, staff will be moving from what used to be an allocation of roughly 63 percent stocks, down to roughly the mid-40 percent.

With no further business, the meeting was adjourned.

GOVERNMENT CONTRACT REVIEW COMMITTEE

Committee Minutes

January 9, 2018

Call to Order and Roll Call

The Government Contract Review Committee met on Tuesday, January 9, 2018, at 4:00 PM, in Room 131 of the Capitol Annex. Representative Stan Lee, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Stephen Meredith, Co-Chair; Representative Stan Lee, Co-Chair; Senators Julie Raque Adams, Julian M. Carroll, and Paul Hornback; Representatives Chris Fugate and Diane St. Onge.

Guests: Michael Brown and Holly McCoy Johnson.

LRC Staff: Kim Eisner and Jarrod Schmidt.

ELECTION OF SENATE MEMBER CO-CHAIR:

Ms. Kim Eisner opened the floor for nominations from a Senate member for the position of co-chair.

Senator Hornback made a motion to nominate Senator Meredith as co-chair. Senator Carroll seconded the motion.

Senator Raque Adams made a motion that nominations for the co-chair cease and that Senator Meredith be elected by acclamation. Senator Carroll seconded the motion. Senator Meredith was elected by acclamation.

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

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

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

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

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

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

THE FOLLOWING PERSONAL SERVICE CONTRACTS WERE REVIEWED WITHOUT OBJECTION:

CORRECTIONS, DEPARTMENT OF
Charles T. Mitchell Company, 1800000855.
CRIMINAL JUSTICE TRAINING,
DEPARTMENT OF

Bobby Day, 1800000774.
DEPARTMENT FOR COMMUNITY BASED SERVICES

Environment Rating Scales Institute, 1800000883.

EASTERN KENTUCKY UNIVERSITY
Tom Chaves, 18-219.

EDUCATIONAL TELEVISION, KENTUCKY
Michelle Grant, 1800001036.

FINANCE AND ADMINISTRATION
CABINET - DIVISION OF ENGINEERING

K. Norman Berry Associates, 1800000098; Omni Architects, 1800000919; Third Rock Consultants, LLC, 1800000968.

KY PUBLIC SERVICE COMMISSION
Mary Christina Whelan, 1800000937.

NORTHERN KENTUCKY UNIVERSITY
Stantec Consulting Services, Inc., 2018-105.

TRANSPORTATION CABINET
Stantec Consulting Services, Inc., 1800000974; Stantec Consulting Services, Inc., 1800000989; American Engineers, Inc., 1800001005; HMB Professional Engineers, Inc., 1800001009; Kimley-Horn and Associates, Inc., 1800001041.

UNIVERSITY OF KENTUCKY
The Expo Group, Inc., K18-138; Helbling & Associates, K18-139; Shield Environmental Services, K18-140.

UNIVERSITY OF LOUISVILLE
American Association of Collegiate Registrars and Admission Officers, 18-051.

VETERANS AFFAIRS, DEPARTMENT OF
Multi, 1800000955.

WESTERN KENTUCKY UNIVERSITY
Ross Tarrant Architects, Inc., 171827.

THE FOLLOWING PERSONAL SERVICE AMENDMENTS WERE REVIEWED WITHOUT OBJECTION:

CORRECTIONS, DEPARTMENT OF
Brian Williams, 1600001448.

DEPARTMENT FOR BEHAVIORAL HEALTH,
DEVELOPMENTAL AND INTELLECTUAL
DISABILITIES

Pharmacy Systems, Inc., 1600001613; AMS Temporaries, Inc., 1700001511; Crown Services, Inc., 1700001512; Guardian Angel Staffing Agency, 1700001513; Guardian Healthcare Providers, 1700001514; M. S. M. Solutions, 1700001515.

DEPARTMENT FOR ENVIRONMENTAL PROTECTION

Stantec Consulting Services, Inc., 1600001285.
DEPARTMENT FOR PUBLIC HEALTH

Multi, 1700002138.
EARLY CHILDHOOD ADVISORY COUNCIL

Ghazvini Consulting Services, 1700002396.
FINANCE AND ADMINISTRATION

CABINET - DIVISION OF ENGINEERING

Patrick D. Murphy Company, Inc., 1300002659; Paladin, Inc., 1400001412; CMTA, Inc., 1500000925; Omni Architects, 1500001238.

JUVENILE JUSTICE, DEPARTMENT OF
Lindsey Apple, 1700001069.

MEDICAL LICENSURE, BOARD OF
Multi, 1600002744.

PERSONNEL BOARD
E. Patrick Moores, 1600002657; John Ryan, 1600002660.

TRANSPORTATION CABINET
HMB Professional Engineers, Inc., 1100001265;

Florence & Hutcheson, Inc., 1100003026; Strand Associates, Inc., 1200000019; American Engineers, Inc., 1200000220; PB Americas, Inc., 1200000666; HMB Professional Engineers, Inc., 1200000964; Stantec Consulting Services, Inc., 1300001683; Integrated Engineering, 1300001848; Palmer Engineering Company, 1300001866; American Engineers, Inc., 1300002003; Burgess and Niple, Inc., 1300002065; Florence & Hutcheson, Inc., 1300002157; HMB Professional Engineers, Inc., 1300003153; J M Crawford & Associates, Inc., 1400000195; Hanson Professional Services, Inc., 1400000257; Palmer Engineering Company, 1400000343; QK4, 1400001951; CDP Engineers, Inc., 1400002855; Palmer Engineering Company, 1500002150; Integrated Engineering, 1500002153; Integrated Engineering, 1500002236; Stantec Consulting Services, Inc., 1500002760; American Engineers, Inc., 1600000437; CDP Engineers, Inc., 1600000438; Palmer Engineering Company, 1600000444; Palmer Engineering Company, 1600000467; Hanson Professional Services, Inc., 1600000599; Michael Baker International, Inc., 1600000799; CDP Engineers, Inc., 1600000982; Parsons Brinckerhoff, Inc., 1600000993; Bacon Farmer Workman Engineering & Testing, Inc., 1600002442; HDR Engineering, Inc., 1600002465; Palmer Engineering Company, 1700000012; Burgess and Niple, Inc., 1700000177; Palmer Engineering Company, 1700001263; Embry Merritt Shaffar Womack, PLLC, 1700002235; E A Partners, PLLC, C-99005249-5.

UNIVERSITY OF KENTUCKY
GBBN, LLC, A171100; CMTA, Inc., A171140; Ekhoﬀ, Ochenkoski, Polk Architects, Inc., A171180.

UNIVERSITY OF LOUISVILLE
Embry, Merritt, Shaffar, Womack, PLLC, 17-003; Walker Parking Consultants, Inc., 17-082.

THE FOLLOWING MEMORANDA OF AGREEMENTS WERE REVIEWED WITHOUT OBJECTION:

ADMINISTRATIVE OFFICE OF THE COURTS

Morehead State University, 1800001090; Morehead State University, 1800001092; Cumberland River Behavioral Health, Inc., 1800001093; Bluegrass Prevention Center Regional Mh-Mr Board, Inc., 1800001094; Chrysalis House, Inc., 1800001095.

DEPARTMENT FOR BEHAVIORAL HEALTH,
DEVELOPMENTAL AND INTELLECTUAL
DISABILITIES

Department of Corrections, 1800000781.
DEPARTMENT FOR COMMUNITY BASED SERVICES

Department of Workforce Investment, 1800000856; Our Lady of Peace, 1800000897.

DEPARTMENT FOR MEDICAID SERVICES
University of Louisville Research Foundation, 1800000845.

EDUCATION, DEPARTMENT OF

Teach for America, 1800000453; University of Louisville Research Foundation, 1800000815; University of Kentucky Research Foundation, 1800000818; Jefferson County Board of Education, 1800000877; University of Kentucky Research Foundation, 1800000918; Oldham County Board of Education, 1800000990.

JUSTICE CABINET
Unlawful Narcotics Investigations, Treatment and Education, 1800001031.

MILITARY AFFAIRS, DEPARTMENT OF
Louisville & Jefferson MSD, 1800000724; Louisville & Jefferson MSD, 1800000732; Louisville & Jefferson MSD, 1800000735; Louisville & Jefferson MSD, 1800000750; Louisville & Jefferson MSD, 1800000773; Oldham County EM, 1800000802; University of Kentucky Research Foundation, 1800000836.

OFFICE OF THE GOVERNOR, DEPARTMENT FOR LOCAL GOVERNMENT

Webster County Fiscal Court, 1800000879; Floyd County Fiscal Court, 1800000910; Henderson County Fiscal Court, 1800000941; Christian County Fiscal Court, 1800000942; City of Taylorsville, 1800000952; Pike County Fiscal Court, 1800001006; City of Albany, 1800001008; City of Bonnieville, 1800001021; City of Clay, 1800001022; City of Winchester, 1800001030; City of Paducah, 1800001038.

TRANSPORTATION CABINET
Marshall University Research Corporation, 1800001020; Kentucky Center for African American Heritage, 1800001026.

UNIVERSITY OF KENTUCKY
Kentucky Justice and Public Safety Cabinet, 005-18.

WORKFORCE INVESTMENT, OFFICE OF
Multi, 1800000930.

THE FOLLOWING MEMORANDA OF AGREEMENT AMENDMENTS WERE REVIEWED WITHOUT OBJECTION:

AGRICULTURE, DEPARTMENT OF
Multi, 1700001857.

DEPARTMENT FOR BEHAVIORAL HEALTH, DEVELOPMENTAL AND INTELLECTUAL DISABILITIES

Wellspring, Inc., 1600001723; Welcome House of Northern Kentucky, 1600002413; Arc of Kentucky, Inc., 1700001203; Kentucky River Community Care, 1700001531.

DEPARTMENT FOR COMMUNITY BASED SERVICES

Big Sandy Area Development District, 1600001912; Ramey Estep Homes, Inc., 1700001432; Multi, 1700002530.

EDUCATION, DEPARTMENT OF

Kentucky Center for the Arts, 1700002400.

EDUCATION, OFFICE OF THE SECRETARY

Multi, 1800000280.

OFFICE OF THE GOVERNOR, DEPARTMENT FOR LOCAL GOVERNMENT

City of Cynthiana, 0800010040; Union County Fiscal Court, 1500002513; City of Columbus, 1600000327; City of Pembroke, 1600000479; Bell County Fiscal Court, 1600000948; Knott County, 1600000986; City of Lebanon, 1600001292; City of Trenton, 1600002168; City of Dawson Springs, 1600002405; Warren County Judge Executive, 1600003297; City of Adairville, 1600003547; Boyd County Fiscal Court, 1600004005; City of McHenry, 1700000116; Martin County Fiscal Court, 1700000666.

PHYSICAL THERAPY, BOARD OF

Occupations and Professions, 1800000220.

WORKFORCE INVESTMENT, OFFICE OF

Buffalo Trace Area Development District, 1600001958; Bluegrass Area Development District, 1700000412; Bluegrass Area Development District, 1700000414.

THE FOLLOWING FILM TAX INCENTIVES WERE REVIEWED WITHOUT OBJECTION:

TOURISM DEVELOPMENT CABINET

Film Services, LLC, 1800000985; Asbury Park the Movie, LLC, 1800001013; Post Time Audiovisual Services, Inc., 1800001039; Post Time Audiovisual Services, Inc., 1800001040; Alltech, Inc., 1800001042.

THE FOLLOWING PERSONAL SERVICE CONTRACTS WERE SELECTED FOR FURTHER REVIEW:

ATTORNEY GENERAL, OFFICE OF THE

Morgan & Morgan Kentucky, PLLC, 1800000868. Michael Brown and Holly McCoy Johnson discussed the contract with the committee. A motion was made by Senator Carroll to lay on the table. With no second, the motion failed. A motion was made by Senator Meredith to disapprove the contract as reviewed. Senator Hornback seconded the motion, which passed, with Senator Carroll voting no.

EXEMPTION REQUEST:

CABINET FOR HEALTH AND FAMILY SERVICES

The Cabinet for Health and Family Services (CHFS) requests an exemption from the committee's routine review process for CHFS Intra-Agency

Agreements and will provide semi-annual reports. A motion was made by Senator Raque Adams to grant the request to June 30, 2020. Representative St. Onge seconded the motion, which passed without objection.

There being no further business, the meeting adjourned at 4:45 p.m.

ADMINISTRATIVE REGULATION REVIEW SUBCOMMITTEE

Minutes of the January Meeting

January 8, 2018

Call to Order and Roll Call

The January meeting of the Administrative Regulation Review Subcommittee was held on Monday, January 8, 2018, at 1:00 PM, in Room 149 of the Capitol Annex. Senator Ernie Harris, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Ernie Harris, Co-Chair; Representative David Hale, Co-Chair; Senators Julie Raque Adams, Perry B. Clark, and Alice Forgy Kerr; Representatives Mary Lou Marzian, Jason Petrie, and Tommy Turner.

Guests: Becky Gilpatrick, Higher Education Assistance Authority; Stafford Easterling, Personnel Board; Todd Renner, Lisa Swiger, Department of Revenue; Julie Campbell, Quincy Ward, Board of Hairdressers & Cosmetologists; Nathan Goldman, Board of Nursing; Shan Dutta, Elizabeth Morgan, Board of Medical Imaging & Radiation Therapy; Amber Arnett, David Bruce, Karen Waldrop, Department of Fish and Wildlife Resources; Sean Alteri, Melissa Duff, Aaron Keatley, Division for Air Quality; Amy Barker, Office of Legal Services; William Codell, LaShana Harris, Department of Juvenile Justice; Ann D'Angelo, Jeff Wolfe, Department of Transportation, Kevin Brown, Amy Peabody, Earl Simms, Board of Education; Todd Allen, Amanda Ellis, Department of Education, Stephen Humphress, Department of Alcoholic Beverage Control; Patrick O'Connor, Department of Insurance; Joe Donohue, Department of Financial Institutions.

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

The Administrative Regulation Review Subcommittee met on Monday, January 8, 2018, and submits this report:

Administrative Regulations Reviewed by the subcommittee:

HIGHER EDUCATION ASSISTANCE AUTHORITY: Division of Student and Administrative Services: Kentucky Higher Education Assistance Authority

11 KAR 4:080. Student aid applications. Becky Gilpatrick, director of student aid, represented the authority.

Kentucky Educational Excellence Scholarship Program

11 KAR 15:090. Kentucky Educational Excellence Scholarship (KEES) program.

In response to questions by Co-Chair Harris, Ms. Gilpatrick stated that, in the case of dual credit, the weighted college-level grade was used toward calculating scholarship qualification. Generally,

for a student taking a dual-credit class at a specific institution and if the student later enrolled in that institution, the grade and credit earned during the dual-credit period was credited toward the student's transcript at that institution. For a student transferring to a different institution, most institutions applied the credit, but not the grade, to the student's transcript. The authority had established counseling to assist students with the ramifications of dual-credit scholarships.

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

PERSONNEL BOARD

101 KAR 1:325. Probationary periods. Stafford Easterling, general counsel, represented the board.

In response to a question by Co-Chair Harris, Mr. Easterling stated that changes to probationary periods were initiated by the appropriate cabinets and consolidated into this administrative regulation.

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

FINANCE AND ADMINISTRATION CABINET: Department of Revenue: Income Tax; Corporations

103 KAR 16:240. Nexus standard for corporations and pass-through entities. Todd Renner, executive director, and Lisa Swiger, tax policy consultant, represented the department.

A motion was made and seconded to approve the following amendments: (1) to amend Section 3 to comply with the drafting and formatting requirements of KRS Chapter 13A; and (2) to amend Section 4 to add "member" and "shareholder" to the provision that one is "doing business" in Kentucky if he or she is a partner in a pass-through entity that is doing business in Kentucky. Without objection, and with agreement of the agency, the amendments were approved.

GENERAL GOVERNMENT CABINET: Board of Hairdressers and Cosmetologists

201 KAR 12:100. Sanitation standards. Julie Campbell, board administrator, and Quincy Ward, counsel, represented the board.

A motion was made and seconded to approve the following amendments: to amend Sections 2 through 5 and Sections 8, 11, and 14 to comply with the drafting and formatting requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

Board of Nursing

201 KAR 20:095. Retired nurse licensure status. Nathan Goldman, general counsel, represented the board.

201 KAR 20:400. Delegation of nursing tasks.

A motion was made and seconded to approve the following amendments: to amend Sections 1 through 3 and 5 to comply with the drafting requirements of KRS Chapter 13A. With-out objection, and with agreement of the agency, the amendments were approved.

Board of Medical Imaging and Radiation Therapy

201 KAR 46:010. Definitions for 201 KAR Chapter 46. Shan Dutta, assistant attorney general, and Elizabeth Morgan, executive director, represented the board.

In response to a question by Co-Chair Harris, Ms. Morgan stated that the independent study program was implemented long ago, prior to the availability of formal education related to medical imaging and radiation therapy. The program was no longer appropriate.

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

201 KAR 46:020. Fees.

201 KAR 46:035. Practice standards, scopes of practice, and ethical standards.

A motion was made and seconded to approve the following amendments: to amend the NECESSITY, FUNCTION, AND CONFORMITY paragraph and Sections 3 and 4 to comply with the drafting and formatting requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

201 KAR 46:081. Limited x-ray machine operator.

A motion was made and seconded to approve the following amendments: to amend the NECESSITY, FUNCTION, AND CONFORMITY paragraph and Sections 4, 7, 11, and 12 to comply with the drafting and formatting requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

201 KAR 46:095. Administrative subpoena.

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

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

301 KAR 5:010. License agent applications and agreements. Amber Arnett, counsel; David Bruce, director of engineering and IT; and Karen Waldrop Deputy Commissioner, represented the department.

In response to questions by Representative Turner, Ms. Waldrop stated that the department was initiating a new licensing system. Licensing agents remained, but the terminal system was being replaced with a Web-based, online system. Mr. Bruce stated that initially some agents were opposed to the new system, but after introduction to the ease of use, many agents changed to support the system. A few smaller stores elected to not renew as licensing agents due to the new system. The department had anticipated that approximately twenty (20) percent of licensing agents would not renew due to the changes; however, the actual loss was only around fourteen (14) percent.

Representative Turner stated that he was concerned that some small, rural stores without online capabilities would lose sales because of opting

out of the new system, thus having reduced store traffic. Ms. Waldrop stated that the new system had some features that might increase store traffic. For example, with the new system a discount coupon toward purchases could be printed out with the license. Representative Turner requested to be recorded as voting in opposition to 301 KAR 5:010 and 5:020.

In response to questions by Co-Chair Harris, Ms. Waldrop stated that the letter to the subcommittee from the department (relating to the fee increase for the senior or disabled combination hunting and fishing license for residents) was revised to correct language regarding the commission. The department's commitments in the letter remained the same.

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

301 KAR 5:020. License agent requirements and responsibilities.

A motion was made and seconded to approve the following amendments: to amend the NECESSITY, FUNCTION, AND CONFORMITY paragraph and Sections 1 and 5 to comply with the drafting requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

ENERGY AND ENVIRONMENT CABINET: Department for Environmental Protection: Division of Air Quality: New Source Standards

401 KAR 59:015. New indirect heat exchangers. Sean Alteri, division director, and Aaron Keatley, commissioner, represented the division.

In response to questions by Co-Chair Harris, Mr. Alteri stated that these administrative regulations applied to industrial boilers, boilers that produced heat or processed steam, and boilers for chemical processes. The division amended these administrative regulations after comments to clarify workplace practice standards during periods of startup and shutdown.

Existing Source Standards

401 KAR 61:015. Existing indirect heat exchangers.

JUSTICE AND PUBLIC SAFETY CABINET: Law Enforcement Council

503 KAR 1:140. Peace officer, telecommunicator, and court security officer professional standards. Amy Barker, assistant general counsel, represented the council.

In response to a question by Co-Chair Harris, Ms. Barker stated that more staff were retiring than being hired. There was also limited availability for basic training. This administrative regulation allowed trained, experienced staff to be hired without as many basic academy hours required.

A motion was made and seconded to approve the following amendments: to amend the NECESSITY, FUNCTION, AND CONFORMITY paragraph and Sections 10 and 15 to comply with the drafting requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the

amendments were approved.

JUSTICE AND PUBLIC SAFETY CABINET: Department of Juvenile Justice: Child Welfare

505 KAR 1:170. Department of Juvenile Justice Policies and Procedures: Prison Rape Elimination Act of 2003 (PREA). William Codell, attorney, and LaShana Harris, assistant director, represented the department.

In response to questions by Co-Chair Harris, Ms. Harris stated that implementation of this administrative regulation would cost the department approximately four (4) million dollars and require approximately eighty (80) new staff. Mr. Codell stated that the primary penalty for failure to comply with federal PREA regulations was a five (5) percent reduction in the amount of certain federal grant funds. Funds were still available if the department certified that, upon release of the funds, that money would be used exclusively to comply with federal PREA requirements. The penalty funding that would be withheld for failure to comply was in the low six (6) figures, much lower than the four (4) million that would be required to implement this administrative regulation.

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

TRANSPORTATION CABINET: Department of Highways: Division of Traffic Operations: Traffic

603 KAR 5:025. Fully controlled access highways. Ann D'Angelo, assistant general counsel, and Jeff Wolfe, division director, represented the division.

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

EDUCATION AND WORKFORCE DEVELOPMENT: Kentucky Board of Education: Department of Education: Charter Schools

701 KAR 8:010. Charter school student application, lottery, and enrollment. Kevin Brown, general counsel and associate commissioner; Amy Peabody, attorney; and Earl Simms, charter schools division director, represented the department.

Representative Marzian requested to be recorded as voting in opposition to 701 KAR 8:010, 8:020, 8:030, and 8:040.

A motion was made and seconded to approve the following amendments: (1) to amend the RELATES TO paragraph to add citations; and (2) to amend the NECESSITY, FUNCTION, AND CONFORMITY paragraph and Sections 1 through 4 to comply with the drafting and formatting requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

701 KAR 8:020. Valuation of charter school authorizers.

A motion was made and seconded to approve the following amendments: (1) to amend the

RELATES TO paragraph to add statutory citations; and (2) to amend the NECESSITY, FUNCTION, AND CONFORMITY paragraph and Sections 1 through 5, 7, 8, 10, and 11 to comply with the drafting requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

701 KAR 8:030. Charter school appeal process.

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

701 KAR 8:040. Conversion charter school petition, conversion, and operation.

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

Office of Instruction

704 KAR 3:370. Kentucky framework for personnel evaluation. Kevin Brown, general counsel and associate commissioner, and Todd Allen, deputy general counsel represented the office.

A motion was made and seconded to approve the following amendments: to amend the NECESSITY, FUNCTION, AND CONFORMITY paragraph and Sections 1, 2, and 4 through 10 to comply with the drafting requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

PUBLIC PROTECTION CABINET:

Department of Alcoholic Beverage Control: Licensing

804 KAR 4:241. Repeal of 804 KAR 4:240. Stephen Humphress, general counsel, represented the department.

Alcoholic Beverage Control Board

804 KAR 6:011. Repeal of 804 KAR 6:010.

Malt Beverage Equipment, Supplies, and Service
804 KAR 11:010. Equipment and supplies.

In response to questions by Co-Chair Harris, Mr. Humphress stated that KRS 446.080(3) stated that a law was not retroactive unless specifically stated to be retroactive. Licensees that provided coolers prior to the change were "grandfathered in" in this administrative regulation. These were not the large coolers, such as in grocery stores, but the smaller, point-of-purchase coolers usually located near register checkout areas.

A motion was made and seconded to approve the following amendments: to amend Section 5 to comply with the drafting requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

Department of Insurance: Commissioner's Office: Group and Blanket Health Insurance

806 KAR 18:011. Repeal of 806 KAR 18:010. Patrick O'Connor II, deputy commissioner, represented the office.

806 KAR 18:030. Group health insurance

coordination of benefits.

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

Department of Financial Institutions: Division of Depository Institutions: Credit Unions

808 KAR 3:050. Conduct. Joe Donohue, general counsel, and Charles Vice, commissioner, represented the division.

In response to a question by Co-Chair Harris, Mr. Donohue stated that the fee frequency was changed to comply with legislation from the 2017 regular session of the General Assembly.

A motion was made and seconded to approve the following amendments: (1) to amend the RELATES TO paragraph to add citations; and (2) to amend the RELATES TO and NECESSITY-TY, FUNCTION, AND CONFORMITY paragraphs and Sections 1, 3, 4, and 6 through 8 to comply with the drafting requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

Other Business: Co-Chair Harris introduced Representative David Hale who was appointed to the subcommittee to fill the House vacancy. Representative Marzian made a motion, seconded by Representative Turner, that Representative Hale be nominated for House Co-Chair. Representative Hale accepted the nomination. Representative Marzian made a motion, seconded by Representative Turner, to end House Co-Chair nominations. Representative Hale was unanimously endorsed by all House subcommittee members as House Co-Chair of the subcommittee-tee.

Representative Hale stated that he was honored by the nomination and confidence of his colleagues. He looked forward to working with this subcommittee.

The following administrative regulations were deferred or removed from the January 8, 2018, subcommittee agenda:

EDUCATION AND WORKFORCE
DEVELOPMENT CABINET: Education Professional Standards Board: General Administration

16 KAR 1:016. Standards for certified teacher leader.

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

501 KAR 6:280. Risk and needs assessment.

CABINET FOR HEALTH AND FAMILY
SERVICES: Office of Health Benefit Exchange:
Kentucky Health Benefit Exchange

900 KAR 10:031. Repeal of 900 KAR 10:030 and 900 KAR 10:100.

Office of Health Policy: Certificate of Need

900 KAR 6:130. Certificate of Need criteria for physician exemption.

Department for Public Health: Office of Inspector General: Division of Healthcare: Health Services and Facilities

902 KAR 20:016. Hospitals; operations and services.

Department for Medicaid Services: Managed Care

907 KAR 17:005. Definitions for 907 KAR Chapter 17.

907 KAR 17:010. Managed care organization requirements and policies relating to enrollees.

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

907 KAR 17:020. Managed care organization service and service coverage requirements and policies.

907 KAR 17:026. Repeal of 907 KAR 17:025 and 907 KAR 17:030.

907 KAR 17:035. External independent third-party.

Department for Community Based Services: Division of Family Support: K-TAP, Kentucky Works, Welfare to Work, State Supplementation

921 KAR 2:040 & E. Procedures for determining initial and continuing eligibility.

Division of Family Support: Division of Child Care: Daycare

922 KAR 2:160 & E. Child Care Assistance Program.

922 KAR 2:260 & E. Child care service appeals.

The subcommittee adjourned at 1:50 p.m. until February 12, 2018, at 1 p.m.

GOVERNMENT CONTRACT REVIEW COMMITTEE Committee Minutes

February 13, 2018

Call to Order and Roll Call

The Government Contract Review Committee met on Tuesday, February 13, 2018, at 4:25 PM, in Room 131 of the Capitol Annex. Senator Stephen Meredith, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Stephen Meredith, Co-Chair; Representative Stan Lee, Co-Chair; Senators Julie Raque Adams and Paul Hornback; Representatives Chris Fugate and Diane St. Onge.

Guests: David Byerman, David Floyd, Joy Kiser, Greg Woosley, Julia Roberts, Lindsay Jackson, and Steve Miller.

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

A motion was made by Representative Lee to approve Minutes of the January 2018, meeting of the committee. Representative Fugate seconded the motion, which passed without objection.

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

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

A motion was made by Representative Lee to

consider as reviewed the Memoranda of Agreement List, with exception of those items selected for further review by members of the committee. Representative St. Onge seconded the motion, which passed without objection.

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

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

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

THE FOLLOWING PERSONAL SERVICE CONTRACTS WERE REVIEWED WITHOUT OBJECTION:

DEPARTMENT FOR INCOME SUPPORT

Jane F. Brake, 1600003540-1; M. Allen Dawson, 1600003673-1; Robert Brown, 1600003814-1; Alexis M Guerrero MD, 1600003818-1; Humildad Anzures, 1700001149-1; Bhawan N. Yamraj, 1800000823.

DEPARTMENT OF INSURANCE

McDaniels Accounting & Auditing, LLC, 1800001066; RRREVIEW, LLC, 1800001114.

EASTERN KENTUCKY UNIVERSITY

BKD, LLP CPA's and Advisors, 18-240.

ELECTIONS, BOARD OF

McBrayer, McGinnis, Leslie and Kirkland, 1800001007.

FINANCE AND ADMINISTRATION CABINET

Blue & County, LLC, 1600002239-1; Pamela K. Clay-Young, 1800001054.

LEGISLATIVE RESEARCH COMMISSION

Stoll, Keenon, Ogden, PLLC, 17/18-34.

MILITARY AFFAIRS, DEPARTMENT OF

Federal Resources Supply Company, 1800000797.

MURRAY STATE UNIVERSITY

Dean Dorton Allen Ford, PLLC, 018-18.

PERSONNEL-OFFICE OF THE SECRETARY

Alight Solutions, LLC, 1800000963.

SECRETARY OF STATE, OFFICE OF THE

Kinthead and Stilz, PLLC, 1800000999.

STATE POLICE, DEPARTMENT OF

Martin Wesley, 1800001049; Samuel O. Shacklette, 1800001050; Gary Travis, 1800001133; Donald L. Holliday, 1800001171.

TRANSPORTATION CABINET

Stephen G. Raleigh, 1800001010; Mackey Group, LLC, 1800001053; QK4, Inc., 1800001139; American Engineers, Inc., 1800001152.

UNIVERSITY OF KENTUCKY

Murphy Group Architects, A181140; THP Limited, Inc., A181150; Smith Management Group, K18-141; Vimarc, K18-142; Trimeric Corporation,

K18-143; Trimeric Corporation, K18-144; JMIS Kentucky, K18-145; Heidrick & Struggles, Inc., K18-146.

WESTERN KENTUCKY UNIVERSITY

Isaacson Miller, Inc., 171831.

THE FOLLOWING PERSONAL SERVICE AMENDMENTS WERE REVIEWED WITHOUT OBJECTION:

DEPARTMENT FOR ENVIRONMENTAL PROTECTION

Aecom Technical Services, Inc., 1600001323.

DEPARTMENT FOR INCOME SUPPORT

Julie B. Jones, 1600001546; Rebecca B. Luking, 1600001548; Paul Anthony Ebben, PsyD, 1600001549; Tonya R. Gonzalez, 1600001550; Michelle D. Bornstein, 1600001553; Robert Culbertson, MD, 1600001555; Jose T. Lorenzo, 1600001556; Jane F. Brake, 1600003540; Jane F. Brake, 1600003540; Kavka Stephen, 1600003541; Sudideb Mukherjee, 1600003542; John M. Reed, MD, 1600003543; Jo Anne Sexton, 1600003544; Marina T. Yarbrow, 1600003545; Edward A. Ross, 1600003617; Parandhamulu Saranga, 1600003618; Nick Watters, PsyD PLC, 1600003619; Anna L. Demaree, 1600003673; Anna L. Demaree, 1600003673; Ilze A. Sillers, 1600003674; Anna L. Demaree, 1600003693; Dan K. Vandiver, 1600003695; Shambra Mulder, 1600003696; R. Kendall Brown, 1600003814; R. Kendall Brown, 1600003814; Bruening & Associates, 1600003815; Laura M. Cutler, 1600003816; Larry Freudenberger, 1600003817; Alexis M. Guerrero, 1600003818; Alexis M. Guerrero, 1600003818; Lea J. Perritt PhD, 1600003822; Thompson H. Prout, 1600003823; Ed Stodola, 1600003825; Dr. William Underwood, 1600003826; John M. Reed MD, 1600003829; Drive Timothy Gregg, 1700000357; Lisa Pfitzer, M.D., 1700000359; Danelle Stevens-Watkins, PhD., PLLC, 1700000360; Angelita Luz-Tobias, 1700000361; Marietta E. Enriquez, MD, 1700000868; G. Stephen Perry, EDD, 1700000876; Clarissa Roan-Belle, 1700000878; Benjamin Kutnicki MD, 1700001148; Humildad Anzures, 1700001149; Humildad Anzures, 1700001149.

DEPARTMENT FOR PUBLIC HEALTH

Market Decisions, LLC, 1700001548.

EDUCATION, DEPARTMENT OF

John Ellis, 1600002307; Central Kentucky Interpreter Referral, Inc., 1700000353.

FINANCE AND ADMINISTRATION CABINET

PFM Group Consulting, LLC, 1700000539.

FINANCE AND ADMINISTRATION

CABINET-DIVISION OF ENGINEERING

Third Rock Consultants, LLC, 1200003126; CMTA, Inc., 1400000547; Clotfelter Samokar, PSC, 1500000669; Ross Tarrant Architects, Inc., 1500001017; Hafer Associates, 1500001053; Myers Jolly Architects, 1500001832; Stantec Consulting Services, Inc., 1700001105; Omni Architects, C-05256615.

TRANSPORTATION CABINET

Municipal Engineering Company, 0600002598; Community Transportation Solutions, 0900012152; T.H.E. Engineers, Inc., 1000001409; HMB Professional Engineers, Inc., 1000003205; HDR Engineering, Inc., 1200000534; Palmer Engineering Company,

1200003574; American Engineers, Inc., 1300000977; GRW Engineers, Inc., 1300001196; HMB Professional Engineers, Inc., 1300001320; T. H. E. Engineers, Inc., 1300002985; Municipal Engineering Company, 1300003012; HDR Engineering, Inc., 1400000573; Lochner H.W. Consulting, Inc., 1400000808; EA Partners, PLC, 1400001234; CDP Engineers, Inc., 1500001103; Palmer Engineering County, 1500001696; Greenman-Pedersen, Inc., 1500001964; URS Corporation, 1600000641; URS Corporation, 1600000934; HDR Engineering, Inc., 1600000936; Integrated Engineering, 1600000938; CDM Smith, Inc., 1600001119; Palmer Engineering County, 1700002768; H. A. Spalding, Inc., C-99005052-6.

UNIVERSITY OF KENTUCKY

Champlin Architecture, A151270; Champlin Architecture, A181070; JRA Architects, A181080; Benson Law Offices, K17-174; APAX Software, K17-244.

THE FOLLOWING MEMORANDA OF AGREEMENTS WERE REVIEWED WITHOUT OBJECTION:

DEPARTMENT FOR BEHAVIORAL HEALTH, DEVELOPMENTAL AND INTELLECTUAL DISABILITIES

Cumberland River Behavioral Health, Inc., 1800001032; Centerstone of Kentucky, Inc., 1800001098; Volunteers of America Mid-States, Inc., 1800001106.

DEPARTMENT FOR COMMUNITY BASED SERVICES

Centerstone of Kentucky, Inc., 1600002475-1; Goodwill Industries of Kentucky, Inc., 1800000921; Brighton Center, Inc., 1800000938.

EDUCATION, DEPARTMENT OF

Jefferson County Board of Education, 1800000477; University of Kentucky Research Foundation, 1800000782; Campbell County Board of Education, 1800000792; Jefferson County Board of Education, 1800000881; Central Kentucky Educational Cooperative, 1800001123; West Kentucky Education Cooperative, 1800001124; Green River Regional Education, 1800001125; Northern Kentucky Cooperative for Educational Services, Inc., 1800001127; Kentucky Educational Development Corporation, 1800001128; Jefferson County Board of Education, 1800001129; Ohio Valley Educational Cooperative, 1800001130; Southeast/Southcentral Educational Cooperative, 1800001131; Kentucky Valley Education, 1800001144; Collaborative for Teaching, 1800001148.

INFRASTRUCTURE AUTHORITY

Barren River Area Development District, 1800001051; Bluegrass Area Development District, 1800001068; Kentuckiana Regional Planning & Development Agency, 1800001072; Kentucky River Area Development, 1800001074; Lake Cumberland Area District, 1800001075; Lincoln Trail Area Development District, 1800001076; Northern Kentucky Area Development District, 1800001077; Pennyryle Area Development District, 1800001078; Purchase Area Development District, Mayfield First National Bank, 1800001079; Buffalo Trace Area Development District, 1800001080; Gateway Area Development District, 1800001081; Green River Area Development, 1800001082.

KENTUCKY COMMISSION ON MILITARY AFFAIRS

Kentucky Science & Technology Corporation, 1800001194.

MILITARY AFFAIRS, DEPARTMENT OF
Multi, 1800001015.

OFFICE OF THE GOVERNOR, DEPARTMENT FOR LOCAL GOVERNMENT

Breathitt County Fiscal Court, 1800001001; City of Cadiz, 1800001073; Knott County Fiscal Court, 1800001107; City of Beattyville, 1800001109; Martin County, 1800001138; City of Somerset, 1800001176; Kentucky Department of Parks, 1800001235.

THE FOLLOWING MEMORANDA OF AGREEMENT AMENDMENTS WERE REVIEWED WITHOUT OBJECTION:

ADMINISTRATIVE OFFICE OF THE COURTS

Boulware Mission, Inc., 1700002925.

AGRICULTURE, DEPARTMENT OF

Multi, 1700001659; Multi, 1700001857.

CORRECTIONS, DEPARTMENT OF

University of Kentucky Research, 1600001370; Powell County Fiscal Court, 1700001455.

DEPARTMENT FOR AGING & INDEPENDENT LIVING

Multi, 1700002627; Multi, 1700002628.

DEPARTMENT FOR BEHAVIORAL HEALTH, DEVELOPMENTAL AND INTELLECTUAL DISABILITIES

Mountain Comprehensive Care Center, 1600001696.

DEPARTMENT FOR COMMUNITY BASED SERVICES

Seven Counties Services, Inc., 1600002475; KVC Behavioral Health Care/Croney & Clark, 1700001431; Kentucky Housing Corporation, 1700002733.

DEPARTMENT FOR ENVIRONMENTAL PROTECTION

University of Louisville, 1800000875.

DEPARTMENT FOR MEDICAID SERVICES

Cabinet for Workforce Development, 1700001840.

DEPARTMENT FOR PUBLIC HEALTH

Health Kentucky, 1600002298.

EDUCATION, DEPARTMENT OF

Trustees of Indiana University, 1700002708; Carter County Board of Education, 1700002851; Grant County Board of Education, 1700002858; McCreary County Board of Education, 1700002869; Scott County Board of Education, 1700002873; Madisonville Community College, 1800000388; Hopkins County Board of Education, 1800000525; Carter County Board of Education, 1800000872.

JUSTICE CABINET

Project Unite, 1600003567; Project Unite, 1700002783.

OFFICE OF THE GOVERNOR, DEPARTMENT FOR LOCAL GOVERNMENT

Webster County Fiscal Court, 1500001606; Martin County Fiscal Court, 1700000666; Leslie County Fiscal Court, 1700001323; McLean County Fiscal Court, 1800001000.

TRANSPORTATION CABINET

University of Kentucky Research Foundation, 1600001833; Kentucky Transportation Center,

1700001672.

WORKFORCE INVESTMENT, OFFICE OF
Council On Developmental Disabilities, Inc., 1600002728.

THE FOLLOWING FILM TAX INCENTIVES WERE REVIEWED WITHOUT OBJECTION:

TOURISM DEVELOPMENT CABINET

Sunshine Films Derby State, LLC, 1800001115; Houa, LLC, 1800001116; Eden Productions, LLC, 1800001134; Stargazer-2018A, LLC, 1800001159; Chroma Travel, LLC, 1800001160; Three HLWD Kentucky, LLC, 1800001187.

THE FOLLOWING FILM TAX INCENTIVE AMENDMENTS WERE REVIEWED WITHOUT OBJECTION:

TOURISM DEVELOPMENT CABINET

Loos Change Films, LLC, 1700002066; The Haunted Doll Company, LLC, 1800000827.

THE FOLLOWING PERSONAL SERVICE CONTRACTS WERE SELECTED FOR FURTHER REVIEW:

LEGISLATIVE RESEARCH COMMISSION

Dinsmore & Shohl, LLP, 18/19-01. David Byerman, David Floyd, Joy Kiser, and Greg Woosley discussed the contract with the committee. A motion was made by Senator Raque Adams to consider the contract as reviewed. Representative St. Onge seconded the motion, which passed.

WESTERN KENTUCKY UNIVERSITY

Multi, 171828. Julia Roberts discussed the contract with the committee. A motion was made by Representative Lee to consider the contract as reviewed. Representative St. Onge seconded the motion, which passed.

THE FOLLOWING PERSONAL SERVICE AMENDMENTS WERE SELECTED FOR FURTHER REVIEW:

DEPARTMENT FOR MEDICAID SERVICES

Wakely Consulting Group, 1700001276. Lindsay Jackson and Steve Miller discussed the contract with the committee. A motion was made by Senator Hornback to consider the contract as reviewed. Senator Raque Adams seconded the motion, which passed.

There being no further business, the meeting adjourned at 4:50 P.M.

CAPITAL PROJECTS AND BOND OVERSIGHT COMMITTEE

Minutes

February 20, 2018

Call to Order and Roll Call

The Capital Projects and Bond Oversight Committee meeting was held on Tuesday, February 20, 2018, at 7:00 PM, in Room 169 of the Capitol Annex. Representative Phil Moffett, Chair, called the meeting to order, and the secretary called the roll.

Present were:

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

Guests: Ms. Janice Tomes, Deputy State Budget Director; Mr. Scott Aubrey, Director, Real Properties; Ms. Donna McNeil, Executive Director, Kentucky

Infrastructure Authority; Mr. Mark Bunning, Deputy Secretary, Finance and Administration Cabinet; and Mr. Ryan Barrow, Executive Director, Office of Financial Management.

LRC Staff: Katherine Halloran, Committee Staff Administrator; Julia Wang, Legislative Analyst; and Jenny Wells Lathrem, Committee Assistant.

Approval of Minutes (December 19, 2017)

A motion was made by Representative Rudy to approve the minutes of the December 19, meeting. The motion was seconded by Representative Brown and approved by voice vote.

Representative Moffett said that members would limit the meeting to only items that need to be voted upon by the committee.

Project Report from the Finance and Administration Cabinet

Ms. Tomes presented two projects from the Department of Military Affairs (DMA). The first was the Bardstown National Guard Armory HVAC and Lighting in the amount of \$612,135.92, 50 percent in federal funds and 50 percent from DMA's 2016-2018 Maintenance Pool, submitted pursuant to KRS 45.760(7). The project involved the installation of a new HVAC and mechanical ventilation system as well as a lighting system that meets energy efficiency standards.

The second was the Boone National Guard Center Indoor Firing Range, funded with private funds. DMA worked closely with the Department for Facilities and Support Services; developing a Request for Proposal (RFP) for a private partner, leasing state-owned land, to construct and operate a public facility that also will support the requirements for military troops and local state police.

Ms. Tomes submitted one project from the Kentucky Community and Technical College System; the Welding Facility Renovation and Training Lab Addition at Hopkinsville Community College in the amount of \$2,674,734; \$2.3 million in bond funds from the Workforce Development Construction Pool and \$321,180 from restricted funds. The use of restricted funds resulted in an appropriation increase under 15 percent; therefore, the project was presented pursuant to 45.760(6).

A motion was made by Representative Rudy to roll the three projects into one roll call vote, seconded by Representative Brown, and approved by voice vote.

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

Lease Report from the Finance and Administration Cabinet

Mr. Aubrey submitted two leases. The first was for the Department of Corrections in Christian County. The department needed additional space and the City of Hopkinsville offered a facility with 7,263 square feet at \$14 per square foot for a total annual cost of \$101,682; through June 30, 2025.

The second lease is for the Cabinet for Health and Family Services in Harrison County. The cabinet submitted a supplemental space request due to an increase in staff and client traffic. The lease was procured through advertisement in which the sole respondent offered a facility with 6,419 square feet at

\$18 per square foot for a total annual cost of \$115,542; through June 30, 2025.

A motion was made by Representative Rudy to roll the leases into one roll call vote, seconded by Representative Brown, and approved by voice vote.

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

Report from the Office of Financial Management

Ms. McNeil and Mr. Bunning presented the Fund C (Governmental Agencies Program) Federal Surplus Equipment Loan Pilot program. Ms. McNeil stated that one of the frequent concerns of governmental agencies/utilities during her tenure with the Kentucky Rural Water Association, providing technical assistance to drinking water systems throughout the commonwealth, was obtaining equipment such as generators and maintenance vehicles; which she would suggest acquiring through the Finance and Administration Cabinet's Federal Surplus Properties program.

Upon her appointment as Executive Director of KIA about a year ago, Ms. McNeil researched the possibility of KIA financing those federal surplus equipment purchases since there is demand, particularly from smaller utilities. As an example, she mentioned that the mayor of Hindman was quoted \$25,000 for four generators and was considering funding through KIA.

With KIA's new program, a governmental agency/utility may apply for a line of credit of up to \$50,000 for listed, eligible types of equipment once it becomes a member of the Federal Surplus Property program. On the loan application; the agency/utility lists the equipment, cost estimate, and justification.

In December 2017, KIA's Board of Directors authorized the Executive Director to approve federal surplus equipment loans, which the Executive Director then reports at the following board meeting. Upon approval, the agencies/utilities work with the Finance and Administration Cabinet's Division of Surplus Properties to procure the equipment. Agencies/utilities have five years to repay the loan after funds are drawn.

Ms. McNeil stated that KIA sought the committee's endorsement of the federal surplus equipment loan program, with KIA reporting the equipment loan assistance agreements as well as any expenditures associated with the program.

In response to queries from Representative Moffett, Ms. McNeil confirmed that KIA has the \$500,000 available in the Fund C program for lines of credit of up to \$50,000 for individual governmental agencies/utilities. The lines of credit would be open for two years, allowing governmental agencies/utilities to attain the equipment. If the governmental agency/utility does not purchase equipment within the two years, then KIA will close the line of credit. After the governmental agency/utility purchases equipment, it will have five years to pay back the principal and interest. The repayments of those governmental agencies/utilities would replenish the original \$500,000; enabling further financing. A governmental agency/utility may have only one loan open at a time.

Representative Moffett entertained a motion for the committee to endorse the allocation of \$500,000 for KIA's Federal Surplus Equipment Loan Pilot program and to approve the subject assistance agreements, pursuant to KRS 222A.100, contingent upon their submittal after execution at the following monthly committee meeting. Ms. McNeil verified that she would report the assistance agreements.

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

Ms. McNeil next presented various KIA loan requests.

The Kentucky Department of Parks requested a Fund B (Infrastructure Revolving Loan Program) loan in the amount of \$796,000 (Taylorsville Lake Sewer System Improvements project) which will eliminate a wastewater package treatment plant and provide sewer service to the state park, marina, and existing homeowners. The loan is for 20 years with a 1.75 percent interest rate.

A motion was made by Representative Rudy to approve the Fund B loan, seconded by Senator Girdler, and approved by unanimous roll call vote.

The City of Albany requested a Fund B loan in the amount of \$53,000 to complete financing with an ARC (Appalachian Regional Commission) grant and local funding for new customers on Rowena Marina [Rowena Marina Water System Extension project]. The loan is for 20 years with a .5 percent interest rate.

The City of Flemingsburg requested a Fund B loan in the amount of \$132,046 to complete financing with an ARC grant for a sewer rehabilitation project [Flemingsburg Marys Avenue & Tinnerman Drive Sewer Replacement project]. The loan is for 20 years with a .5 percent interest rate.

Marshall County Fiscal Court requested a Fund A (Clean Water State Revolving Fund Loan Program) loan in the amount of \$3,066,988 for the expansion of the Draffenville sewer system [Draffenville Sewer Expansion Phases 1-3 project]. The fiscal court is combining the two existing sanitation districts into a new sanitation district. The loan is for 20 years with a 2.75 percent interest rate.

The City of Elkton requested a Fund A planning and design loan in the amount of \$500,000 for a wastewater rehabilitation project [Wastewater System Rehabilitation and Improvements project]. The loan is for five years with a 2.75 percent interest rate.

A motion was made by Representative Rudy to roll the four KIA loans into one roll call vote, seconded by Representative Brown, and approved by voice vote.

A motion was made by Representative Rudy to approve the four KIA loans, seconded by Representative Brown, and approved by unanimous roll call vote.

The Green-Taylor Water District requested a Fund F (Drinking Water State Revolving Fund Loan Program) loan in the amount of \$1,842,071 for better water turnover and drinking water compliance [System Improvements in Taylor County project]. The District filed a rate case with the Public Service Commission (PSC) in January of this year. The loan is for 20 years with a 1.75 percent interest rate.

Representative Moffett recommended that approval of the Fund F loan be contingent upon PSC's

approval of the requested rate increase. A motion was made by Representative Rudy to approve the Fund F loan contingent upon PSC's approval of the requested rate increase, seconded by Representative Brown, and approved by unanimous roll call vote.

Lastly, the City of Lebanon requested a Fund F loan in the amount of \$2,641,680 for distribution and treatment improvements [Lebanon Water Works System Improvements project]. The loan is for 30 years with a .5 percent interest rate.

A motion was made by Senator Humphries to approve the Fund F loan, seconded by Representative Rudy, and approved by unanimous roll call vote.

Mr. Barrow reported one new bond issue: KIA Wastewater and Drinking Water Revolving Fund Program Revenue Bonds, Series 2018A in an aggregate principal amount not to exceed \$60,000,000. \$35 million and \$25 million will finance Fund A and F loans, respectively. This negotiated transaction with Morgan Stanley is proposed for an interest rate just under 3 percent for both series.

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

Mr. Barrow submitted eleven school district bond issues with School Facilities Construction Commission (SFCC) debt service participation. The approximately \$88.6 million (9.9 percent SFCC participation) will finance improvements and renovations in the following school districts: Caldwell County, Danville Independent (Boyle County), Hancock County, Kenton County, Knox County, Pike County, Robertson County, Russellville Independent (Logan County), Shelby County, Spencer County, and Wayne County. As federal tax reform terminated tax-exempt advance refundings; there will likely be fewer refundings in the next year or two.

A motion was made by Representative Rudy to approve the school district bond issues, seconded by Senator Humphries, and approved by a roll call vote of 5 yeas, 1 nay.

With there being no further business the meeting was adjourned at 7:26 p.m.

ADMINISTRATIVE REGULATION REVIEW SUBCOMMITTEE

Minutes of the February February 12, 2018

Call to Order and Roll Call

The February meeting of the Administrative Regulation Review Subcommittee was held on Monday, February 12, 2018, at 1:00 PM, in Room 149 of the Capitol Annex. Representative David Hale, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Representative David Hale, Co-Chair; Senators Perry B. Clark and Alice Forgy Kerr; Representatives Mary Lou Marzian, Jason Petrie, and Tommy Turner.

Guests: John Fields, Lauren Graves, Education Professional Standards Board; Tom Crawford, Lisa Swiger, Department of Revenue; Joseph Bowman, Katherine Rupinen, Retirement Systems; Steve Bullard, Wayne Burd, Department of Military Affairs

Emergency Management; Leanne Diakov, Board of Medical Licensure; Julie Campbell, Board of Hairdressers and Cosmetologists; Louis Kelly, Board of Physical Therapy; Mary Harville, Rick Kelley, Lottery Corporation; Amber Arnett, Steve Beam, Karen Waldrop, Department of Fish and Wildlife Resources; Joe Bilby, Brent Burchett, Doris Hamilton, Clint Quarles, Department of Agriculture; Amy Barker, Department of Corrections; Todd Allen, Kelly Foster, Department of Education; Mike Pettit, Kristi Redmon, Brooken Smith, Labor Cabinet; Joseph Donohue, Shonita Bossier, Department of Financial Institutions; Drew Conners, Marc Guilfoil, Horse Racing Commission; Stephanie Brammer-Barnes, Donna Little, Alan Sisk, Office of Human Resource Management; Melea Rivera, John Watkins, Office of Health Benefit Exchange; Christa Bell, Doug Decker, Keitha Harris Phillip Smith, Department for Community Based Services.

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

The Administrative Regulation Review Subcommittee met on February 12, 2018, and submits this report:

Administrative Regulations Reviewed by the subcommittee:

EDUCATION AND WORKFORCE DEVELOPMENT CABINET: Education Professional Standards Board: General Administration

16 KAR 1:016. Standards for certified teacher leader. John Fields, deputy executive director, and Lauren Graves, executive staff advisor, represented the board.

A motion was made and seconded to approve the following amendments: (1) to amend Section 1 to comply with the drafting requirements of KRS Chapter 13A; and (2) to add a new section incorporating by reference the Teacher Leader Model Standards. Without objection, and with agreement of the agency, the amendments were approved.

Administrative Certificates

16 KAR 5:040. Admission, placement, and supervision in student teaching.

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

FINANCE AND ADMINISTRATION CABINET: Department of Revenue: Ad Valorem Tax; Administration

103 KAR 5:230. Information to be provided by the sheriff when transferring delinquent property tax bills to the county clerk. Tom Crawford, director, and Lisa Swiger, tax policy consultant and regulation coordinator, represented the department.

In response to a question by Representative Petrie, Mr. Crawford stated that there had been conflict regarding tax bill processing between vendors that served sheriff's offices and vendors that served county clerks. This administrative regulation established consistency with tax bill processing as delinquent bills moved from sheriff's offices to county clerks.

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

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

Kentucky Retirement Systems: General Rules

105 KAR 1:140 & E. Employer's administrative duties. Joseph Bowman, general counsel, and Katherine Rupinen, general counsel, represented the systems.

A motion was made and seconded to approve the following amendments: to amend the STATUTORY AUTHORITY and NECESSITY, FUNCTION, AND CONFORMITY paragraphs and Sections 1, 7, 9, and 10 to comply with the drafting requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

DEPARTMENT OF MILITARY AFFAIRS: Division of Emergency Management: Disaster and Emergency Services

106 KAR 1:350. Rescue squad minimum equipment. Wayne Bird, Colonel, retired, Assistant Director of Operations for Kentucky Emergency Management, and Brigadier General, retired, Steve Bullard, director of administrative services and legislative liaison, represented the division.

In response to questions by Co-Chair Hale, Mr. Bird stated that rescue squad equipment was inspected annually to assess compliance with these administrative regulations. There was also a quarterly inventory report. There were currently 114 approved, affiliated teams in Kentucky.

A motion was made and seconded to approve the following amendments: to amend Sections 1, 2, 4, 7, 8, and 12 to comply with the drafting and formatting requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

106 KAR 1:390. Search and rescue training requirements.

A motion was made and seconded to approve the following amendments: to amend Section 8 to comply with the drafting requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

GENERAL GOVERNMENT: Board of Medical Licensure

201 KAR 9:480. Fee schedule regarding genetic counselors. Leanne Diakov, general counsel, represented the board.

In response to a question by Senator Clark, Ms. Diakov stated that genetic counselors were a new category of licensees. Genetic counselors were not physicians, but often worked with physicians in affiliation with university medical systems.

A motion was made and seconded to approve the following amendments: (1) to amend the NECESSITY, FUNCTION, AND CONFORMITY paragraph to comply with the drafting requirements of KRS Chapter 13A; and (2) to amend Section 1 to establish the temporary licensure fee as required by KRS 311.695(2) (a)2. Without objection, and with agreement of the agency, the amendments were approved.

Board of Hairdressers and Cosmetologists

201 KAR 12:030. Licensing, permits, and examinations. Julie Campbell, board administrator, represented the board.

A motion was made and seconded to approve

the following amendments: (1) to amend Section 2 to clarify that the 1,000 hours of curriculum shall apply to all instructors; (2) to amend Section 4 to clarify that a student shall register with the board for the examination date for the given time periods prior to graduation of: (a) eight (8) months for a cosmetology student; (b) seventy-five (75) days for a nail technician student; and (c) six (6) months for an esthetician student; (3) to amend Section 12 to clarify what constitutes good cause for extending the time period of completing an inspection; (4) to amend Section 17 to: (a) add provisions pertaining to demonstration permits removed from 201 KAR 12:060; (b) incorporate by reference the Demonstration Permit Application; and (c) update the Salon Application form; and (5) to amend the NECESSITY, FUNCTION, AND CONFORMITY paragraph and Sections 2 through 4, 8 through 12, and 17 to comply with the drafting and formatting requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

201 KAR 12:041. Repeal of 201 KAR 12:020, 201 KAR 12:025, 201 KAR 12:031, 201 KAR 12:040, 201 KAR 12:045, 201 KAR 12:050, 201 KAR 12:055, 201 KAR 12:065, 201 KAR 12:070, 201 KAR 12:080; 201 KAR 12:083; 201 KAR 12:085, 201 KAR 12:088, 201 KAR 12:101, 201 KAR 12:105, 201 KAR 12:110, 201 KAR 12:120, 201 KAR 12:125, 201 KAR 12:130, 201 KAR 12:140, 201 KAR 12:150, 201 KAR 12:180, 201 KAR 12:190, 201 KAR 12:220, 201 KAR 12:230, 201 KAR 12:250, and 201 KAR 12:270.

A motion was made and seconded to approve the following amendments: to amend the TITLE and Section 1 to delete the repeal of 201 KAR 12:085, 201 KAR 12:088, 201 KAR 12:120, 201 KAR 12:140, 201 KAR 12:180, 201 KAR 12:190, 201 KAR 12:230 and 201 KAR 12:250. Without objection, and with agreement of the agency, the amendments were approved.

201 KAR 12:060. Compliance.

A motion was made and seconded to approve the following amendments: (1) to amend the TITLE to comply with KRS 13A.221; (2) to amend the RELATES TO and NECESSITY, FUNCTION, AND CONFORMITY paragraphs and Sections 1 and 3 to comply with the drafting and formatting requirements of KRS Chapter 13A; (3) to delete Section 4 pertaining to demonstration permits because those provisions have been added to 201 KAR 12:030; and (4) to delete Sections 6 through 10 containing provisions on different topical areas. Without objection, and with agreement of the agency, the amendments were approved.

201 KAR 12:260. Fees.

A motion was made and seconded to approve the following amendments: (1) to amend the RELATES TO paragraph and Sections 2, 5, and 6 to comply with the drafting and formatting requirements of KRS Chapter 13A; and (2) to amend Section 5 to establish the apprentice instructor restoration fee of seventy-five (75) dollars. Without objection, and with agreement of the agency, the amendments were approved.

Board of Physical Therapy

201 KAR 22:170. Physical Therapy Compact Commission. Louis Kelly, general counsel, represented the board.

A motion was made and seconded to approve the following amendments: (1) to amend the NECESSITY, FUNCTION, and CONFORMITY paragraph and

Section 1 to comply with the drafting requirements of KRS Chapter 13A; and (2) to amend Section 1 to incorporate by reference the Physical Therapy Compact Commission Rules and Bylaws. Without objection, and with agreement of the agency, the amendments were approved.

LOTTERY CORPORATION

202 KAR 3:030. Retailers. Mary Harville, general counsel, and Rick Kelley, vice president of finance and administration, represented the corporation.

In response to a question by Representative Petrie, Ms. Harville stated that this administrative regulation was being amended to make technical corrections and for compliance with the Red Tape Reduction Initiative. Representative Petrie requested to be recorded as voting in opposition to this administrative regulation.

In response to a question by Co-Chair Hale, Mr. Kelley stated that this administrative regulation gave retailers the ability to pay larger cash outs of up to \$25,000 for certain retailers. Consumers would have less distance to travel to collect cash outs.

A motion was made and seconded to approve the following amendments: to amend the RELATES TO paragraph and Sections 1 through 6, 8, 9, and 12 to comply with the drafting requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

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

301 KAR 2:195. Falconry, raptor take, and raptor propagation. Amber Arnett, counsel, and Karen Waldrop, deputy commissioner, represented the department.

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

GENERAL GOVERNMENT: Department of Agriculture: Office of Agricultural Marketing

302 KAR 50:011. Repeal of 302 KAR 50:010. Joe Bilby, general counsel; Brent Burchett, director; and Clint Quarles, staff attorney, represented the department.

In response to questions by Senator Clark, Mr. Bilby stated that the department currently had approximately 250 licensed industrial hemp growers and fifty-seven (57) licensed industrial hemp processors, all licensed pursuant to Senate Bill 218 of the Regular Session of the 2017 General Assembly.

302 KAR 50:020. Policies and procedures for growers.

A motion was made and seconded to approve the following amendments: to amend the RELATES TO and NECESSITY, FUNCTION, AND CONFORMITY paragraphs and Sections 1 through 31 to comply with the drafting and formatting requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

302 KAR 50:030. Policies and procedures for processors and handlers.

A motion was made and seconded to approve the following amendments: to amend the RELATES TO and NECESSITY, FUNCTION, AND CONFORMITY paragraphs and Sections 1 through 25 to comply with the drafting and formatting requirements of KRS

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

302 KAR 50:040. Affiliated universities and colleges.

A motion was made and seconded to approve the following amendments: to amend the NECESSITY, FUNCTION, AND CONFORMITY paragraph and Sections 1 through 9 to comply with the drafting and formatting requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

302 KAR 50:050. THC sampling and testing; post-testing actions.

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

302 KAR 50:060. Fees and forms.

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

302 KAR 50:070. Prohibited products.

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

302 KAR 50:080. Materials incorporated by reference.

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

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

501 KAR 6:280. Risk and needs assessment. Amy Barker, assistant general counsel, represented the department.

In response to questions by Representative Petrie, Ms. Barker stated that an assessment was established in 2012 to address issues associated with inmate reentry. This administrative regulation revised assessment tools and included matters related to home incarceration.

EDUCATION AND WORKFORCE DEVELOPMENT CABINET: Board of Education: Department of Education: Office of Instruction

704 KAR 3:540. Uniform academic course codes. Todd Allen, deputy general counsel; Amanda Ellis, associate commissioner, Office of Teaching and Learning; and Kelly Foster, associate commissioner, Office of Continuous Improvement Support, represented the department.

In response to a question by Senator Clark, Ms. Ellis stated that this administrative regulation applied

to traditional public and charter schools.

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

Office of Learning Support Services

704 KAR 7:090. Homeless Children and Youth Education Program.

In response to questions by Senator Clark, Ms. Foster stated that the McKinney – Vento Homeless Education Act was a federal program. For the 2016 – 2017 academic year, Kentucky had 26,826 students who met the definition for homelessness.

In response to questions by Representative Petrie, Ms. Foster stated that the department would follow up with information regarding the percentage of Kentucky students who met the definition for homelessness.

In response to questions by Co-Chair Hale, Ms. Foster stated that the homeless census was based on numbers from the local school districts. The department believed the census was accurate because there were criteria and training for the counting.

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

DEPARTMENT OF WORKPLACE STANDARDS: Division of Occupational Health and Safety Compliance: Division of Occupation Safety and Health Education and Training: Occupational Safety and Health

803 KAR 2:505 & E. Cranes and derricks in construction. Mike Pettit, standards safety specialist, and Brooken Smith, chief of staff, represented the division.

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

Department of Financial Institutions: Division of Securities

808 KAR 10:082. Repeal of 808 KAR 10:080 and 808 KAR 10:310. Shonita Bossier, director, and Joseph Donohue, general counsel, represented the division.

Kentucky Horse Racing Commission: Harness Racing

811 KAR 1:215. Kentucky Standardbred Development Fund and Kentucky Standardbred Breeders' Incentive Fund. Drew Connors, program coordinator, and Marc Guilfoil, executive director, represented the commission.

Representative Petrie requested to be recorded as voting in opposition to this administrative regulation and 811 KAR 1:220.

A motion was made and seconded to approve the following amendments: to amend the NECESSITY, FUNCTION, AND CONFORMITY paragraph and

Sections 1 through 3, 5, 8, 11, 12, 15, 16, 18, 19, and 21 to comply with the drafting requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

811 KAR 1:220. Harness racing at county fairs.

A motion was made and seconded to approve the following amendments: to amend the NECESSITY, FUNCTION, AND CONFORMITY paragraph, and Sections 10 and 11 to comply with the drafting requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

CABINET FOR HEALTH AND FAMILY SERVICES: Office of Human Resource Management: Administration

900 KAR 1:009. Employee Access to Federal Tax Information (FTI). Stephanie Brammer-Barnes, regulation coordinator, and Alan Sisk, executive director, represented the office.

In response to a question by Representative Petrie, Ms. Brammer-Barnes stated that this administrative regulation was not being amended in response to a particular problem, but for compliance with a federal mandate.

Office of Health Policy: Certificate of Need

900 KAR 6:130. Certificate of Need criteria for physician exemption. Stephanie Brammer-Barnes, regulation coordinator, represented the office.

Office of Health Benefit Exchange: Kentucky Health Benefit Exchange

900 KAR 10:031. Repeal of 900 KAR 10:030 and 900 KAR 10:100. Melea Rivera, assistant director, and John Watkins, acting executive director, represented the office.

Department for Community Based Services: Division of Family Support: K-TAP, Kentucky Works, Welfare to Work, State Supplementation

921 KAR 2:040 & E. Procedures for determining initial and continuing eligibility. Christa Bell, director, Division of Childcare, and Deck Decker, director, Office of Technology Services, represented the division.

Division of Family Support: Division of Child Care: Daycare

922 KAR 2:160 & E. Child Care Assistance Program. Christa Bell, director, and Phillip Smith, branch manager, represented the division.

A motion was made and seconded to approve the following amendments: to amend the RELATES TO paragraph and Sections 1 and 7 to comply with the drafting requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

922 KAR 2:260 & E. Child care service appeals.

The following administrative regulations were deferred or removed from the February 12, 2018, subcommittee agenda:

EDUCATION AND WORKFORCE DEVELOPMENT CABINET: Education Professional Standards Board: Teaching Certificates

16 KAR 2:010. Kentucky Professional and Provisional Teacher Certificates.

Administrative Certificates

16 KAR 5:030. Proficiency evaluation.

FINANCE AND ADMINISTRATION CABINET: Department of Revenue: General Administration

103 KAR 1:010. Protests and appeals.

Board of Podiatry

201 KAR 25:090. Prescribing and dispensing controlled substances.

COMMUNITY AND TECHNICAL COLLEGE SYSTEM: Board of Emergency Medical Servicers

202 KAR 7:501. Ambulance agency licensure.

202 KAR 7:545. License classifications.

202 KAR 7:550. Required equipment and vehicle standards.

202 KAR 7:555. Ground agencies.

202 KAR 7:560. Ground vehicle staff.

202 KAR 7:565. Clinical pilot programs.

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

601 KAR 2:030 & E. Ignition interlock.

PUBLIC PROTECTION CABINET: Department of Alcoholic Beverage Control: Quotas

804 KAR 9:051. Repeal of 804 KAR 9:010, 804 KAR 9:040, and 804 KAR 9:050.

PUBLIC PROTECTION CABINET: Department of Insurance: Commissioner's Office: Insurance Contract

806 KAR 14:006. Property and casualty insurance form filings.

Casualty Insurance Contracts

806 KAR 20:010. Declination, cancellation, and nonrenewal of property and casualty insurance.

806 KAR 20:021. Repeal of 806 KAR 20:020.

ENERGY AND ENVIRONMENT CABINET: Public Service Commission: Utilities

807 KAR 5:022. Gas service.

807 KAR 5:026. Gas service; gathering systems.

807 KAR 5:027. Gas pipeline safety; reports of leaks; drug testing.

807 KAR 5:081. Repeal of 807 KAR 5:023 and 807 KAR 5:031.

CABINET FOR HEALTH AND FAMILY SERVICES: Department for Public Health: Office of Inspector General: Division of Healthcare: Health Services and Facilities

902 KAR 20:016. Hospitals; operations and services.

902 KAR 20:058. Operation and services; primary care center.

902 KAR 20:145. Operations and services; rural health clinics.

Department for Medicaid Services: Managed Care

907 KAR 17:005. Definitions for 907 KAR Chapter 17.

907 KAR 17:010. Managed care organization requirements and policies relating to enrollees.

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

907 KAR 17:020. Managed care organization service and service coverage requirements and policies.

907 KAR 17:026. Repeal of 907 KAR 17:026 and 907 KAR 17:030.

907 KAR 17:035. External independent third-party.

Division of Family Support: Division of Child Care: Daycare

922 KAR 2:280 & E. Background checks for

child care staff members, reporting requirements, and appeals.

The subcommittee adjourned at 1:45 p.m. until March 12, 2018, at 1 p.m.

ADMINISTRATIVE REGULATION REVIEW SUBCOMMITTEE

Minutes of the December Meeting

December 12, 2017

Call to Order and Roll Call

The December meeting of the Administrative Regulation Review Subcommittee was held on Tuesday December 12, 2018, at 1:00 PM, in Room 154 of the Capitol Annex. Representative Ken Upchurch, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Ernie Harris, Co-Chair; Representative Ken Upchurch, Co-Chair; Senators Julie Raque Adams, Perry B. Clark, and Alice Forgy Kerr; Representatives Jason Petrie and Tommy Turner.

Guests: Emily Dennis, Registry of Election Finance; Jeremy Branham, Todd Renner; Department of Revenue; Steve Hart, Board of Pharmacy; Julie Campbell, Quincy Ward, Board of Hairdressers and Cosmetologists; Nathan Goldman, Board of Nursing; John Marcus Jones, Board of Alcohol and Drug Counselors; Steve Beam, Larry Clarke, John Hast, Gregory Johnson, Karen Waldrop, Department of Fish and Wildlife Resources; William Codell, Miranda Denney, Department of Juvenile Justice; Ann Dangelo, Godwin Onodu, Scott Shannon, Department of Transportation; Brooken Smith, Labor Cabinet; Jim Vicini, Division of Mine Safety; Nancy Atkins, Patrick O'Connor, Department of Insurance; Donna Little, Department of Medicaid; Elizabeth Caywood, Krista Quarles, Maribeth Schneber-Rhemrev; Department of Community Based Services; Ron Gagliardi, Jason Luparus, Bruce Mitchell, Michael Muller, John Sabbak, Doug Morgan.

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

The Administrative Regulation Review Subcommittee met on Tuesday, December 12, 2017, and submits this report:

Administrative Regulations Reviewed by the subcommittee:

DEPARTMENT OF STATE: Registry of Election Finance: Reports and Forms

32 KAR 1:045 & E. Election Finance Statement – State Executive Committee Building Fund. Emily Dennis, general counsel, represented the registry.

A motion was made and seconded to approve the following amendments: (1) to amend Sections 1 and 2 to comply with the drafting and formatting requirements of KRS Chapter 13A; and (2) to revise the State Executive Committee – Building Fund Election Finance Statement form. Without objection, and with agreement of the agency, the amendments were approved.

FINANCE AND ADMINISTRATION CABINET: Department of Revenue: Income Tax; General Administration

103 KAR 15:050. Filing dates and extensions.

Jeremy Branham, tax consultant, and Todd Renner, executive director, represented the department.

In response to questions by Co-Chair Harris, Mr. Renner stated that digital property included previously tangible media that was now digitized, such as music, books, movies, and video gaming. KRS 139.200 established that sales tax applied to digital property. Because sales tax was already being applied to digital property based on the statute, these administrative regulations were being updated to add digital property to the list of sales taxable items. There were no public comments received during the public comment period for these administrative regulations.

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

Income Tax; Withholding

103 KAR 18:070. Supplemental wages and other payments subject to withholding.

Sales and Use Tax; Service and Professional Occupations

103 KAR 26:120. Advertising agencies.

A motion was made and seconded to amend Sections 2 and 3 to comply with the drafting requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

Sales and Use Tax; Miscellaneous Retailer Occupations

103 KAR 27:180. Vending machines.

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

Sales and Use Tax; Miscellaneous Retail Transactions

103 KAR 28:051. Leases and rentals.

A motion was made and seconded to approve the following amendments: to amend Sections 2, 5, 6, 9, and 10 to comply with the drafting requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

Sales and Use Tax; General Exemptions

103 KAR 30:235. Sales to the federal government.

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

Sales and Use Tax; Administration and Accounting

103 KAR 31:030. Direct pay authorization.

A motion was made and seconded to approve the following amendments: (1) to amend the RELATES TO paragraph to add statutory citations;

and (2) to amend the NECESSITY, FUNCTION, AND CONFORMITY paragraph and Sections 1, 2, 4, 5, and 10 to comply with the drafting requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

103 KAR 31:102. Rebate for governmental public facility.

103 KAR 31:111. Sales and purchases for resale.

A motion was made and seconded to approve the following amendments: (1) to amend the RELATES TO paragraph to add a statutory citation; and (2) to amend Sections 1 through 4 to comply with the drafting and formatting requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

103 KAR 31:170. Disaster area relief sales and use tax refunds.

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

BOARDS AND COMMISSIONS: Board of Pharmacy

201 KAR 2:390 & E. Third-party logistics provider. Steve Hart, executive director, represented the board.

In response to questions by Co-Chair Harris, Mr. Hart stated that third-party logistics providers contracted with companies to store legend and nonlegend pharmaceutical products without taking ownership of the products. Third-party logistics providers also shipped and delivered pharmaceutical products. Kentucky was home to the nation's largest third-party logistics provider, UPS, located in Louisville. This administrative regulation was being amended to comply with federal requirements and established licensure for third-party logistics providers for autonomy in shipping throughout the United States. Ninety (90) to ninety-five (95) percent of pharmaceuticals consumed on the east coast passed through Louisville before delivery.

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

201 KAR 2:400 & E. Outsourcing facility.

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

Board of Hairdressers and Cosmetologists

201 KAR 12:082 & E. Education requirements and school administration. Julie Campbell, board administrator, and Quincy Ward, executive advisor, represented the board.

In response to questions by Co-Chair Harris, Ms.

Campbell stated that the board's authorizing statute was amended to reduce the minimum-required curriculum hours. This administrative regulation was being amended to comply with that statutory change. The board notified all education facilities of this change and did not receive any public comments. Kentucky previously had more minimum-required curriculum hours than many surrounding states, and this change would make Kentucky requirements more comparable, thus incentivizing students to come from other states.

A motion was made and seconded to approve the following amendments: (1) to amend Section 15 to establish what constitutes satisfactory proof of error for an amended report; (2) to amend the RELATES TO and STATUTORY AUTHORITY paragraphs to insert statutory citations; and (3) to amend the NECESSITY, FUNCTION, AND CONFORMITY paragraph and Sections 1, 3 through 5, 7, 8, 12 through 15, 17, 19, 20, 25, and 27 through 29 to comply with the drafting and formatting requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

Board of Nursing

201 KAR 20:065. Professional standards for prescribing Buprenorphine-Mono-Product or Buprenorphine-Combined-with-Naloxone by APRNs for medication assisted treatment for opioid use disorder. Nathan Goldman, general counsel, represented the board.

In response to questions by Senator Clark, Mr. Goldman stated that this administrative regulation allowed APRNs to prescribe Buprenorphine-Mono-Product or Buprenorphine-Combined-with-Naloxone for opioid treatment if the APRN met federal standards to obtain a DEA waiver. Opinions differed as to the success of this type of treatment program.

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

Board of Alcohol and Drug Counselors

201 KAR 35:040. Continuing education requirements. Marcus Jones, assistant attorney general, represented the board.

A motion was made and seconded to approve the following amendments: to amend Sections 2, 4, 5, 9, and 10 to comply with the drafting requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

201 KAR 35:055. Temporary registration or certification.

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

201 KAR 35:070. Supervision experience.

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

301 KAR 2:075. Wildlife rehabilitation permit.

Gregory Johnson, commissioner, and Karen Waldrop, deputy commissioner, represented the department.

A motion was made and seconded to approve the following amendments: to amend the NECESSITY, FUNCTION, AND CONFORMITY paragraph and Section 3 to comply with the drafting and formatting requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

301 KAR 2:081. Transportation and holding of live native wildlife.

A motion was made and seconded to approve the following amendments: to amend the NECESSITY, FUNCTION, AND CONFORMITY paragraph and Sections 2 and 8 to comply with the drafting requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

Hunting and Fishing

301 KAR 3:022. License, tag, and permit fees. Ron Gagliardi, Commonwealth Chapter, Quail Forever and Long Run Sportsmen's Club, and Jason Lupardus, field manager, National Wild Turkey Federation and other conservation organizations, appeared in support of this administrative regulation.

Representative Turner proposed an amendment to reduce the fee for the senior or disabled combination hunting and fishing license for residents from the agency-proposed eighteen (18) dollars to twelve (12) dollars. Mr. Johnson stated that the department agreed to the amendment.

Mr. Lupardus stated that many sportsmen supported this administrative regulation.

A motion was made and seconded to approve the following amendments: (1) to amend Sections 1 and 5 to comply with the drafting requirements of KRS Chapter 13A; and (2) to amend the fee for the senior or disabled combination hunting and fishing license for residents from the agency-proposed eighteen (18) dollars to twelve (12) dollars. Without objection, and with agreement of the agency, the amendments were approved.

301 KAR 3:120. Commercial nuisance wildlife control.

A motion was made and seconded to approve the following amendments: to amend the NECESSITY, FUNCTION, AND CONFORMITY paragraph and Sections 1 through 3, 6, and 7 to comply with the drafting requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

JUSTICE AND PUBLIC SAFETY CABINET: Department of Juvenile Justice: Child Welfare

505 KAR 1:130. Department of Juvenile Justice Policies and Procedures: juvenile services in community. William Codell, attorney, and Miranda Denney, deputy commissioner, represented the department.

In response to questions by Representative Petrie, Mr. Codell stated that the primary change to this administrative regulation was to clarify that the out-of-home maximum provisions were determined at disposition, rather than after adjudication, for a youth committed to residential treatment with the department. The change was based on Kentucky statutes, rather than a federal mandate. Previously

this administrative regulation was silent as to if the out-of-home maximum was based on adjudication.

TRANSPORTATION CABINET: Department of Vehicle Regulation: Division of Motor Vehicle Licensing: Certification of Title

601 KAR 23:020. Military surplus vehicle. 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 the STATUTORY AUTHORITY paragraph to add statutory citations; and (2) to amend Sections 2 and 4 to comply with the drafting requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

Department of Aviation: Airport Development
602 KAR 15:030. Fees for services and facilities of the Capitol City Airport.

A motion was made and seconded to approve the following amendments: (1) to amend Section 3 to specify the "cost per square foot" to be used in calculating hangar fees; (2) to amend Sections 4 and 7 to require the airport to review rates and charges prior to the beginning of each fiscal year and compare with rates in effect at non state-owned airports in the geographical region; (3) to amend Sections 5 and 10 to correct web addresses; and (4) to amend Sections 3 and 7 to comply with the drafting and formatting requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

LABOR CABINET: Department of Workplace Standards: Division of Wages and Hours: Collective Bargaining and Arbitration

803 KAR 3:051. Repeal of 803 KAR 3:050. Brooken Smith, chief of staff, represented the division.

ENERGY AND ENVIRONMENT CABINET: Department for Natural Resources: Division of Mine Safety: Miner Training, Education and Certification

805 KAR 7:020. Training and certification of inexperienced miners. Jim Vicini, director, represented the division.

In response to a question by Co-Chair Harris, Mr. Vicini stated that most changes to these administrative regulations were technical name changes.

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 TITLE; NECESSITY, FUNCTION, AND CONFORMITY paragraph; and Sections 1 and 2 to comply with the drafting and formatting requirements of KRS Chapter 13A; and (3) to amend Section 2 and establish new Sections 3 and 4 to clarify required training topics to obtain a permit as an inexperienced underground or surface miner. Without objection, and with agreement of the agency, the amendments were approved.

805 KAR 7:030. Annual retraining.

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 TITLE; NECESSITY, FUNCTION, AND CONFORMITY paragraph; and Sections 1 through 3 to comply with the drafting and formatting requirements of KRS

Chapter 13A; and (3) to amend Section 2 to establish annual re-training requirements for surface miners. Without objection, and with agreement of the agency, the amendments were approved.

805 KAR 7:040. Training of newly employed miners.

A motion was made and seconded to approve the following amendments: (1) to amend the RELATES TO and STATUTORY AUTHORITY paragraph to correct statutory citations; (2) to amend the TITLE; NECESSITY, FUNCTION, AND CONFORMITY paragraph; and Section 1 to comply with the drafting and formatting requirements of KRS Chapter 13A; and (3) to amend Section 1 and establish a new Section 2 to clarify mine-specific training requirements for new employed inexperienced and experienced miners. Without objection, and with agreement of the agency, the amendments were approved.

805 KAR 7:050. Training of miners for new work assignments.

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; and (2) to amend the TITLE; NECESSITY, FUNCTION, AND CONFORMITY paragraph; and Sections 1 and 2 to comply with the drafting and formatting requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

805 KAR 7:060. Program approval.

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; and (2) to amend the TITLE; NECESSITY, FUNCTION, AND CONFORMITY paragraph; and Sections 1 through 3 to comply with the drafting and formatting requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

Sanctions and Penalties

805 KAR 8:030. Criteria for the imposition and enforcement of sanctions against certified miners.

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

805 KAR 8:040. Criteria for the imposition and enforcement of sanctions against owners and part-owners of licensed premises.

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

805 KAR 8:050. Criteria for the imposition and enforcement of sanctions against noncertified personnel.

A motion was made and seconded to approve the following amendments: (1) to amend the RELATES

TO paragraph to add a statutory citation; and (2) to amend the NECESSITY, FUNCTION, AND CONFORMITY paragraph and Section 1 to comply with the drafting requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

PUBLIC PROTECTION CABINET:
Department of Insurance: Motor Vehicle Repairs (No-fault)

806 KAR 39:030. Kentucky No-Fault Form. Nancy Atkins, commissioner, and Patrick O'Connor, deputy commissioner, represented the department.

A motion was made and seconded to approve the following amendments: (1) to amend Sections 2 through 5 to comply with the drafting requirements of KRS Chapter 13A; (2) to amend Sections 2 and 3 to establish who shall execute the form for a minor under age eighteen (18) years of age; (3) to amend Sections 2 and 5 to clarify that the date of filing for a rejection shall be indicated by the department file stamp; and (4) to revise the Kentucky No-Fault Rejection Form. Without objection, and with agreement of the agency, the amendments were approved.

CABINET FOR HEALTH AND FAMILY SERVICES: Department for Medicaid Services: Division of Policy and Operations: Payment and Services

907 KAR 3:005. Coverage of physicians' services. Donna Little, deputy executive director, Office of Legislative and Regulatory Affairs, represented the division.

907 KAR 3:010. Reimbursement for physicians' services.

A motion was made and seconded to approve the following amendments: to amend Section 12 to also allow supplemental payments for a medical school faculty physician at a state university school of medicine that is part of a university health care system. Without objection, and with agreement of the agency, the amendments were approved.

Department for Community Based Services: Division of Family Support: Supplemental Nutrition Assistance Program

921 KAR 3:045. Issuance procedures. Elizabeth Caywood, executive advisor; Krista Quarles, branch manager; and Maribeth Schneber - Rhemrev, director, represented the division.

A motion was made and seconded to approve the following amendment: to amend Section 7 to comply with the drafting requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendment was approved.

921 KAR 3:090 & E. Simplified assistance for the elderly program or "SAFE".

OTHER BUSINESS

806 KAR 12:095. Unfair claims settlement practices for property and casualty insurance. Nancy Atkins, commissioner, and Patrick O'Connor, deputy commissioner, represented the department. Bruce Mitchell and Michael Muller, Covenant Roofing and Construction, and John Sabbak, Owens Corning, appeared in support of amending this administrative regulation to clarify standards.

Senator Raque Adams stated that a constituent expressed concern regarding Section 9 of this administrative regulation because the language

seemed vague. The constituent's insurer replaced some, but not all, roofing shingles with cheaper shingles that did not match the remaining roofing. The department was requested to appear at this subcommittee meeting to consider clarifying the standards in Section 9 of this administrative regulation.

Ms. Atkins stated that there was a formal complaint process if a consumer believed an insurer was in violation of a standard established in this administrative regulation. The constituent in this matter filed a formal complaint. An investigator was dispatched to determine if insurer repairs to the constituent's roof were in compliance with Section 9 of this administrative regulation, which required a "reasonably uniform appearance."

Mr. O'Connor stated that the department had guidance materials to determine compliance with this administrative regulation. There was also significant case law to aid in making determinations as to what constituted a "reasonably uniform appearance." Federal district courts had interpreted "reasonable match" or "reasonably uniform appearance" to mean comparable in uniformity, not necessarily a complete match. Amending this administrative regulation to clarify the standards might be difficult and create unintended consequences, such as insurers paying cash value for damages rather than for repairs. Care needed to be taken in revising this language, and the department would investigate similar provisions in other states in considering an amendment. The department agreed to consider an amendment to clarify standards in this administrative regulation.

Mr. Muller stated that he was appearing on behalf of Senator Adams' constituent. Pursuant to Section 9 of this administrative regulation, the dilemma for roofing repairs was that shingle color faded over time, making a comparable match very difficult. Most insurers realized that, in the majority of cases pertaining to roofs in which most of the roof can be seen from the ground, if one (1) portion of a roof required repair, all shingles needed to be replaced. Kentucky was a color-matching state; therefore, premiums were higher, but home values were protected. In the case of Senator Adams' constituent, the department determined that it was reasonable for the insurer to only replace shingles on some, but not all, slopes of the roof. Mr. Muller requested that this administrative regulation be amended to clarify that, if more than one (1) side of a roof was visible at a line of sight and replacement shingles did not match, all shingles shall be replaced.

Mr. Mitchell stated that, as general manager of Covenant Roofing and Construction, it was customary if two (2) sides of a roof could be seen simultaneously and repairs were needed, all shingles were replaced for uniformity. As a former realtor and real estate appraiser, mismatched slopes negatively affected curb appeal and value of a home.

In response to questions by Co-Chair Harris, Mr. Mitchell stated that in six (6) years in the roofing and construction industry, this was the first time he had witnessed an insurer fail to replace all shingles for uniformity. This insurance company seemed to be failing to acknowledge what other insurance agencies routinely acknowledged, that it was often necessary to replace all shingles for uniform appearance. Rates

were already higher to account for Kentucky being a color-matching state; therefore, clarifying the standards in this administrative regulation should not lead to higher rates.

Senator Adams stated that clarifying requirements in this administrative regulation did not mean that insurance rates would automatically increase. This was a good example of a situation that has happened once and could happen again; therefore, a proactive consideration of this administrative regulation seemed prudent.

Mr. Sabbak, who had worked in the roofing and construction industry for over twenty-nine (29) years, stated that shingle discoloration over time occurred due to ultraviolet degradation of the composite granules. As a result, over time, even the exact same new shingle would not be reasonably uniform with existing shingles. The standards required "like type quality or color," rather than "like type quality and color." Because a home was the most expensive item most consumers purchased, it was important to protect that investment by amending this administrative regulation for clarity.

The following administrative regulations were deferred or removed from the December 12, 2017, subcommittee agenda:

FINANCE AND ADMINISTRATION CABINET: Department of Revenue: Income Tax; Corporations

103 KAR 16:240. Nexus standard for corporations and pass-through entities.

ENERGY AND ENVIRONMENT CABINET: Department for Environmental Protection: Division of Air Quality: New Source Standards

401 KAR 59:015. New indirect heat exchangers. Existing Source Standards

401 KAR 61:015. Existing indirect heat exchangers.

JUSTICE AND PUBLIC SAFETY CABINET: Department of Juvenile Justice: Child Welfare

505 KAR 1:170. Department of Juvenile Justice Policies and procedures: Prison Rape Elimination Act of 2003 (PREA).

EDUCATION AND WORKFORCE DEVELOPMENT: Kentucky Board of Education: Department of Education: Charter Schools

701 KAR 8:010. Charter school student application, lottery, and enrollment.

701 KAR 8:020. Valuation of charter school authorizers.

701 KAR 8:030. Charter school appeal process.

701 KAR 8:040. Conversion charter school petition, conversion, and operation.

Office of Instruction

704 KAR 3:370. Kentucky framework for personnel evaluation.

PUBLIC PROTECTION CABINET: Department of Alcoholic Beverage Control: Malt Beverage Equipment, Supplies, and Service

804 KAR 11:010. Equipment and supplies.

CABINET FOR HEALTH AND FAMILY SERVICES: Office of Health Benefit Exchange: Kentucky Health Benefit Exchange

900 KAR 10:031. Repeal of 900 KAR 10:030 and 900 KAR 10:100.

Department for Community Based Services:

Division of Family Support: K-TAP, Kentucky Works, Welfare to Work, State Supplementation

921 KAR 2:040 & E. Procedures for determining initial and continuing eligibility.

Department for Community Based Services: Division of Family Support: Division of Child Care: Daycare

922 KAR 2:160 & E. Child Care Assistance Program.

Division of Child Care: Daycare

922 KAR 2:260 & E. Child care service appeals.

The subcommittee adjourned at 2 p.m. until January 8, 2018, at 1 p.m.

GOVERNMENT CONTRACT REVIEW COMMITTEE

Committee Minutes

March 13, 2018

Call to Order and Roll Call

The Government Contract Review Committee met on Tuesday, March 13, 2018, at 5:12 PM, in Room 131 of the Capitol Annex. Representative Stan Lee, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Stephen Meredith, Co-Chair; Representative Stan Lee, Co-Chair; Senators Julie Raque Adams and Paul Hornback; Representatives Chris Fugate and Diane St. Onge.

Guests: Deck Decker, Phillip Brown, Doug Hendrix, Pat McGee, Andrew English, Scott Whitaker, and Brad Holajter.

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

A motion was made by Senator Hornback to approve Minutes of the February 2018, meeting of the committee. Senator Meredith seconded the motion, which passed without objection.

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

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

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

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

A motion was made by Senator Hornback to consider as reviewed the Film Tax Incentive List, with exception of those items selected for further

review by members of the committee. Representative Fugate seconded the motion, which passed without objection.

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

THE FOLLOWING PERSONAL SERVICE CONTRACTS WERE REVIEWED WITHOUT OBJECTION:

CRIMINAL JUSTICE TRAINING, DEPARTMENT OF

Ricks International Consulting, Inc., 1800001211; Andrew M. Gruler, 1800001290.

DEPARTMENT FOR INCOME SUPPORT

Julie B. Jones, 1600001546-1; Paul Anthony Ebben, 1600001549-1; Sudhideb Mukherjee MD, 1600003542-1; Edward A. Ross, Jr PhD, 1600003617-1; Parandhamulu Saranga MD, 1600003618-1; Ilze A. Sillers PhD, 1600003674-1; Anna L. Demaree PhD, 1600003693-1; Vandivier and Associates PSC, Mary K. Thompson, 1600003694-1; Vandivier and Associates PSC, 1600003695-1; Abundant Living Psychological and Coaching Services, 1600003696-1; Laura Cutler, 1600003816-1; Larry Freudenberger, 1600003817-1; H. Thompson Prout PhD, 1600003823-1; Ed Stodola PhD, 1600003825-1; Clarissa Renee Roan-Belle, 1700000878-1.

EDUCATIONAL TELEVISION, KENTUCKY

Sarah Kadish, 1800001311.

FINANCE AND ADMINISTRATION CABINET

Wanda Ballard Repasky, Attorney At Law, 1800001238.

FINANCE AND ADMINISTRATION CABINET - DIVISION OF ENGINEERING

Ross Tarrant Architects, Inc., 1800001197; Sherman Carter Barnhart Architects, PLLC, 1800001200; EOP Architects, PSC, 1800001295.

KENTUCKY LOTTERY CORPORATION

Volta, Inc., 18-027.

MILITARY AFFAIRS, DEPARTMENT OF

Safe Transportation, LLC, 1800001241.

TRANSPORTATION CABINET

Bluegrass Valuation Group, LLC, 1700002487; Baumgardner and Associates, PSC, 1700002491; Tamplin and County, 1700002496; DLZ Kentucky, Inc., 1800000124; Thomas Ray Garner, 1800001014; Disa Global Solutions, Inc., 1800001018; Belinda Shouse d/b/a Brandis, Inc., 1800001035; John Daniel Lyons, 1800001212; HMB Professional Engineers, Inc., 1800001263; Bluegrass Valuation Group, LLC, 1800001272; Gresham, Smith and Partners, 1800001340; Applied Pavement Technology, Inc., 1800001349; Strand Associates, Inc., 1800001355; QK4, Inc., 1800001478; Michael Baker International, Inc., 1800001479; Palmer Engineering County, 1800001480.

UNIVERSITY OF KENTUCKY

Trimeric Corporation, K18-147; Bond, Schoeneck & King, PLLC, K18-148; The Stelter Company, K18-149.

UNIVERSITY OF LOUISVILLE

Clifton Larson Allen, LLP, 18-064; Huron Consulting Services, LLC, 18-065; Swope Design Group, 18-066.

VETERANS AFFAIRS, DEPARTMENT OF
Multi, 1800001215.

Workers Claims, Department of

Fair Health, 1800001307.

THE FOLLOWING PERSONAL SERVICE AMENDMENTS WERE REVIEWED WITHOUT OBJECTION:

ACCOUNTANCY, BOARD OF

8700 Corporation, 1600003976.

CORRECTIONS, DEPARTMENT OF

Correct Care Solutions, LLC, 1600001268; Mid America Health, Inc., 1600002923; Correct Care Solutions, LLC, 1600002930.

DEPARTMENT FOR COMMUNITY BASED SERVICES

Edward L. Palmer, 1700001422.

DEPARTMENT FOR INCOME SUPPORT

Julie B. Jones, 1600001546; Visions Group 2020, LLC, 1600001547; Paul Anthony Ebben Psy.D., 1600001549; Kay Barnfield Psy.D. PSC, 1600001551; Psych, Inc., 1600001552; Sudideb Mukherjee, 1600003542; Edward A. Ross, 1600003617; Parandhamulu Saranga, 1600003618; Ilze A. Sillers, 1600003674; Anna L. Damaree, 1600003693; Mary Thompson PhD, 1600003694; Mary Thompson PhD, 1600003694; Dan K. Vandiver, 1600003695; Shambra Mulder, 1600003696; Laura M. Cutler, 1600003816; Larry Freudenberger, 1600003817; Olegarios J. Ignacios, Jr., 1600003820-1; Thompson H. Prout, 1600003823; Ed Stodola, 1600003825; Howard D. Markowitz, MD, PLLC, 1700000358; G. Stephen Perry, EDD, 1700000876; Frances Janelle McNeal, 1700000877; Clarissa Roan-Belle, 1700000878.

DEPARTMENT FOR PUBLIC HEALTH

Multi, 1700002108.

EASTERN KENTUCKY UNIVERSITY

McBrayer, McGinnis, Leslie & Kirkland, PLLC, 18-058.

ECONOMIC DEVELOPMENT - OFFICE OF THE SECRETARY

Finn Weisse, 1600003028.

FINANCE AND ADMINISTRATION CABINET - DIVISION OF ENGINEERING

Patrick D. Murphy Company, Inc., 1300002656; Omni Architects, 1500000941; Bowser-Morner, Inc., 1500001064; Sherman Carter Barnhart, 1500001342; Stantec Consulting Services, Inc., 1500002881; Sustainable Streams, LLC, 1600000034; AMEC Foster Wheeler Environment & Infrastructure, Inc., 1600000665; Stantec Consulting Services, Inc., 1600001022; Clotfelter Samokar PSC, 1700001117.

KENTUCKY HIGHER EDUCATION STUDENT LOAN CORPORATION

Weltman, Weinberg & Reis Co., L.P.A., 17-001.

MURRAY STATE UNIVERSITY

Sturgill, Turner, Barker & Moloney, PLLC, 007-17.

NORTHERN KENTUCKY UNIVERSITY

Multi, 2017-100; Beyond Consulting Group, LLC d/b/a INCompliance, 2018-103; Buffalo Trace Surveying, LLC, 2018-110.

PSYCHOLOGISTS, BOARD OF EXAMINERS OF

David Dale Lanier, 1600002956.

TRANSPORTATION CABINET

Michael Baker Jr., Inc., 0700004078; Palmer

Engineering Company, 1100001520; URS Corporation, 1200002258; Palmer Engineering Company, 1400000073; QK4, 1400000074; Vaughn & Melton Consulting Engineers, Inc., 1400000537; Michael Baker Jr., Inc., 1400003290; Michael Baker, Jr., Inc., 1500002763; Palmer Engineering County, 1600000349; Secon, Inc., 1600001562; Palmer Engineering, 1600003081; Michael Baker International, Inc., 1600003185; Stantec Consulting Services, Inc., 1700000621; HMB Professional Engineers, Inc., 1700000809; Parsons Brinckerhoff, Inc., 1700001590; Michael Baker International, Inc., 1700001989; Burgess and Niple, Inc., 1700002659; T. H. E. Engineers, Inc., C-00233372-2; ICA Engineering, C-01228504-1.

UNIVERSITY OF KENTUCKY

Sworn Testimony, K17-151.

UNIVERSITY OF LOUISVILLE

QK4, Inc., 16-016.

VETERINARY EXAMINERS, BOARD OF

Brian Fingerson Rph, Inc., 1600003596; C. Lorán Wagoner, 1600003711.

WESTERN KENTUCKY UNIVERSITY

Multi, 161807.

THE FOLLOWING MEMORANDA OF AGREEMENTS WERE REVIEWED WITHOUT OBJECTION:

AGRICULTURE, DEPARTMENT OF

Knott County Fiscal Court, 1800001137; Crittenden County Fair, 1800001140; Meade County Fair, Inc., 1800001141; Bullitt County Fair, 1800001142.

ATTORNEY GENERAL, OFFICE OF THE

Kentucky State Police, 1800001017; University of Louisville, 1800001089.

DEPARTMENT FOR BEHAVIORAL HEALTH, DEVELOPMENTAL AND INTELLECTUAL DISABILITIES

Bluegrass.Org, 1800001033; Chrysalis House, Inc., 1800001101; Transitions, Inc., 1800001102; Communicare, Inc., 1800001104; Lifeskills, Inc., 1800001105.

DEPARTMENT FOR COMMUNITY BASED SERVICES

Kentucky Center for Education and Workforce Statistics, 1800000844; Boys and Girls Club, Inc., 1800000929.

DEPARTMENT FOR MEDICAID SERVICES

National Opinion Research Center, Inc., 1800001016.

EDUCATION, DEPARTMENT OF

Advanced - Kentucky, 1800000876; Johns Hopkins University, 1800000987.

INFRASTRUCTURE AUTHORITY

Cumberland Valley Area Development District, Inc., 1800001070.

MILITARY AFFAIRS, DEPARTMENT OF

Bluegrass Area Development District, 1800000995; Pike County Fiscal Court, 1800001172.

OFFICE OF THE GOVERNOR, DEPARTMENT FOR LOCAL GOVERNMENT

Laurel County Fiscal Court, 1800001286; Lawrence County Fiscal Court, 1800001287; Mercer County Fiscal Court, 1800001442.

PARKS, DEPARTMENT OF

City of Taylorsville, 1800001204.

THE FOLLOWING MEMORANDA OF AGREEMENT AMENDMENTS WERE REVIEWED WITHOUT OBJECTION:

AGRICULTURE, DEPARTMENT OF

Multi, 1700001857.

COMMISSION FOR CHILDREN WITH

SPECIAL HEALTH CARE NEEDS

Hear Here for Little Ears, Inc., 1700001861.

DEPARTMENT FOR AGING &

INDEPENDENT LIVING

Multi, 1700002624; Multi, 1700002625; Multi, 1700002629; Multi, 1700002630; NKCES, 1700002638; Multi, 1800000566.

DEPARTMENT FOR COMMUNITY BASED SERVICES

Our Lady of Peace, 1800000897.

DEPARTMENT FOR MEDICAID SERVICES

University of Louisville Research Foundation, 1600003893.

DEPARTMENT FOR PUBLIC HEALTH

University of Kentucky Research Foundation, 1600001907.

EDUCATION, DEPARTMENT OF

Kentucky Science and Technology Corporation, 1600003686; Hart County Board of Education, 1700001596; Shelby County Board of Education, 1700001608; Jessamine County Board of Education, 1700001819; Lexington Hearing and Speech Center, 1700002116; Heuser Hearing & Language Academy, Inc., 1700002125; Visually Impaired, 1700002231; Eastern Kentucky University, 1700002398; KCTCS, 1700002834; Boyd County Board of Education, 1700002849; Fayette County Board of Education, 1700002855; Franklin County Board of Education, 1700002857; Henderson County Board of Education, 1700002860; Johnson County Board of Education, 1700002862; Muhlenberg County Board of Education, 1700002870; Powell County Board of Education, 1700002872; Eastern Kentucky University, 1700002880; Western Kentucky University, 1700002886.

OFFICE OF THE GOVERNOR, DEPARTMENT FOR LOCAL GOVERNMENT

Harlan County Fiscal Court, 1500000698; Clay County Fiscal Court, 1500001270; Union County Fiscal Court, 1600000433; Pike County Fiscal Court, 1700000653; Leslie County Fiscal Court, 1700001324; Perry County Fiscal Court, 1700002818; Perry County Fiscal Court, 1700002827; Perry County Fiscal Court, 1700002829; Perry County Fiscal Court, 1700002833; Floyd County Fiscal Court, 1800000539; Floyd County Fiscal Court, 1800000541; Floyd County Fiscal Court, 1800000542; Floyd County Fiscal Court, 1800000567; Floyd County Fiscal Court, 1800000568; Floyd County Fiscal Court, 1800000569.

TRANSPORTATION CABINET

Graves County Fiscal Court, 1600001878; Buffalo Trace Covered Bridge Authority, 1600002631.

WORKFORCE INVESTMENT, OFFICE OF

Pennyriple Area Development District, 1600001464.

THE FOLLOWING FILM TAX INCENTIVES WERE REVIEWED WITHOUT OBJECTION:

TOURISM DEVELOPMENT CABINET

Yates House Studios, Inc., 1800001274; The Haunted Doll Company, LLC, 1800001275; JJB

Investment Management, LLC, 1800001283; Two HLWD KY, LLC, 1800001315; Post Time Audiovisual Services, Inc., 1800001405; Post Time Audiovisual Services, Inc., 1800001406; Post Time Audiovisual Services, Inc., 1800001408; Post Time Audiovisual Services, Inc., 1800001409; Post Time Audiovisual Services, Inc., 1800001429; Post Time Audiovisual Services, Inc., 1800001431; Post Time Audiovisual Services, Inc., 1800001437; Post Time Audiovisual Services, Inc., 1800001438; Post Time Audiovisual Services, Inc., 1800001439; Wecu Productions, LLC, 1800001469; Mental State Productions, LLC, 1800001471; Kentucky All Access, LLC, 1800001473; London Calling KY, LLC, 1800001474; Stargazer - 2018b, LLC, 1800001475; Hook Interactive, LLC, 1800001476.

THE FOLLOWING PERSONAL SERVICE CONTRACTS WERE SELECTED FOR FURTHER REVIEW:

KENTUCKY COMMUNICATIONS NETWORK AUTHORITY

Whitehouse Asset Management, Inc., 1800001218. Phillip Brown and Doug Hendrix discussed the contract with the committee. A motion was made by Senator Raque Adams to consider the contract as reviewed. Senator Meredith seconded the motion, which passed.

KENTUCKY COMMUNICATIONS NETWORK AUTHORITY

Ice Miller, 1800001276. Phillip Brown and Doug Hendrix discussed the contract with the committee. A motion was made by Senator Meredith to consider the contract as reviewed. Senator Hornback seconded the motion, which passed.

THE FOLLOWING PERSONAL SERVICE AMENDMENTS WERE SELECTED FOR FURTHER REVIEW:

CABINET FOR HEALTH AND FAMILY SERVICES

Red Buffalo Ventures, LLC, 1700002106. Deck Decker discussed the contract with the committee. A motion was made by Senator Meredith to consider the contract as reviewed. Representative Fugate seconded the motion, which passed.

FINANCE AND ADMINISTRATION CABINET

Morgan & Pottinger, P.S.C., 1600002279. Pat McGee discussed the contract with the committee. A motion was made by Senator Raque Adams to consider the contract as reviewed. Representative Fugate seconded the motion, which passed.

THE FOLLOWING MEMORANDA OF AGREEMENTS WERE SELECTED FOR FURTHER REVIEW:

JUVENILE JUSTICE, DEPARTMENT OF

Louisville Metro Government, 1700002113. Andrew English, Scott Whitaker, and Brad Holajter discussed the contract with the committee. A motion was made by Senator Hornback to consider the contract as reviewed. Senator Raque Adams seconded the motion, which passed.

EXEMPTION REQUESTS:

CABINET FOR HEALTH AND FAMILY SERVICES

The Office of Administrative and Technology Services requests an exemption from the two year

contracting restrictions for eleven Kentucky Civil Money Penalty Contracts to be used in quality initiatives for Certified Nursing Facilities in Kentucky Long Term Care Facilities. A motion was made by Representative Fugate to grant the request to June 30, 2021. Representative Lee seconded the motion, which passed without objection.

There being no further business, the meeting adjourned at 5:36 PM.

CAPITAL PROJECTS AND BOND OVERSIGHT COMMITTEE

Minutes

March 20, 2018

Call to Order and Roll Call

The Capital Projects and Bond Oversight Committee meeting was held on Tuesday, March 20, 2018, at 6:40 PM, in Room 169 of the Capitol Annex. Senator Stan Humphries, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Stan Humphries, Co-Chair; Representative Phil Moffett, Co-Chair; Senator Rick Girdler; Representatives Larry Brown and Will Coursey.

Guests: Ms. Janice Tomes, Deputy State Budget Director; Mr. Scott Aubrey, Director, Real Properties; Ms. Donna McNeil, Executive Director, Kentucky Infrastructure Authority; and Mr. Ryan Barrow, Executive Director, Office of Financial Management.

LRC Staff: Katherine Halloran, Committee Staff Administrator; Julia Wang, Legislative Analyst; and Jenny Wells Lathrem, Committee Assistant.

Approval of Minutes (February 20, 2018)

A motion was made by Representative Moffett to approve the minutes of the February 20, 2018 meeting. The motion was seconded by Representative Brown and approved by voice vote.

Information Item

Ms. Halloran referenced the weekly debt issuance calendar in the members' packets.

Project Report from the University of Kentucky

Ms. Halloran reported a medical equipment purchase for UK Albert B. Chandler Hospital; a Cobas 6000 Analyzer with \$311,315 in restricted funds. The analyzer for the satellite lab in the new patient care facility will allow on-site evaluation of clinical samples for referral of patients to the appropriate area from the emergency department. No action was required.

Project Report from the Finance and Administration Cabinet

Ms. Tomes presented two emergency repair, maintenance, or replacement projects. The first was the King Air Overhaul project in the amount of \$400,000; \$297,055 from the Emergency Repair, Maintenance, or Replacement Account and \$102,945 from the Aviation Maintenance Pool, for various maintenance needs including the landing gear, engine cowling, brakes, cabin floor supports and panels, fuel pump and mount pads, and fuel cell.

The second was the Barrel Vault Roof and Ceiling Repairs project in the amount of \$1,123,520;

91 percent from Fire and Tornado Insurance Fund proceeds and nine percent from the Kentucky Center of the Arts' maintenance pool, for repairs due to storm and water damage. No action was required.

Ms. Tomes submitted an appropriation increase, pursuant to KRS 45.760(6), in the amount of \$4,967,900 for the Renovate/Expand Student Services Facility project at Morehead State University, authorized in the 2014-2016 appropriations act with \$49,679,000 in bond funds. The increase, 10 percent of the original project scope and funded from institutional funds, will bring the total project scope to \$55,646,900. The additional funds were for security infrastructure, furnishings, and equipment as well as restoration of the project's contingency funds.

A motion was made by Representative Moffett to approve the increase, seconded by Representative Brown, and approved by unanimous roll call vote.

Lease Report from the Finance and Administration Cabinet

Mr. Aubrey submitted four new leases with an annual cost exceeding \$100,000 for privately leased space in various counties, all expiring June 30, 2025. The first three were for the Cabinet for Health and Family Services (CHFS), Division of Community Based Services (DCBS). The first, in Greenup County, was due to an increase in staff and client traffic. The lease, including 63 reserved parking spaces, is for 11,324 square feet at \$19 per square foot for a total annual cost of \$215,156.

The second, in Muhlenberg County, was to consolidate staff currently located in two buildings, accommodate additional staff, and provide for a call center. The lease is for 16,104 square feet at \$13 per square foot for a total annual cost of \$209,352.

The third, in Clay County, was due to the lessor of the current facility requesting a rate increase and the accommodation of intake stations and additional staff. The lease, including 75 reserved parking spaces, is for 14,326 square feet at \$13.39 per square foot for a total annual cost of \$191,825.

The fourth was replacement space for the Justice and Public Safety Cabinet, Department of Juvenile Justice, in Daviess County. The lease is for 9,903 square feet at \$12 per square foot for a total annual cost of \$118,836.

A motion was made by Representative Moffett to roll the new leases into one roll call vote, seconded by Representative Brown, and approved by voice vote.

A motion was made by Representative Moffett to approve the new leases, seconded by Senator Girdler, and approved by unanimous roll call vote.

Report from the Office of Financial Management

Ms. McNeil submitted a Fund B (Infrastructure Revolving Loan Program) loan increase and a Fund F (Drinking Water State Revolving Fund Loan Program) loan for the Kentucky Infrastructure Authority. The City of Bardstown requested an increase of \$129,000 due to higher than expected bids, resulting in a new loan amount of \$1,129,000, for the conversion of chlorine to chloramine disinfectant at its treatment plant [Water Treatment Plant Disinfection Conversion project]. The loan is for 20 years with a 1.75 percent interest rate.

The City of South Shore requested a Fund F loan

for \$879,000 for the extension of waterline to serve 40 residents as well as distribution, security, and hydraulic improvements [Water Improvement System Improvements Project]. The loan is for 20 years with a 0.5 percent interest rate.

A motion was made by Representative Moffett to roll the two KIA loans into one roll call vote, seconded by Representative Brown, and approved by voice vote.

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

Mr. Barrow reported three previously approved transactions. The first was the Kentucky Housing Corporation (KHC) Tax-Exempt Conduit Multifamily Housing Revenue Bonds (Arlington Lofts Apartments project), Series 2018. As with other KHC conduit transactions routinely reported to the committee, the developer is responsible for payment of the debt service rather than the commonwealth. No action was required.

The second was the University of Kentucky General Receipts Bonds, 2018 Series A and 2018 Taxable Series B. Bond proceeds financed the law building, healthcare facilities, and deferred maintenance and modernization projects authorized in prior budget sessions. The approximately \$212.5 million Series A and \$10 million taxable (private use) Series B priced at 3.3 percent [30 year term] and 2.7 percent [20 year term], respectively. The issue was sold competitively, as with other university transactions, and Wells Fargo and Robert Baird were the respective purchasers of the Series A and B. No action was required.

The third was the Certificates of Participation, Series 2018A and Taxable Series 2018B (Commonwealth of Kentucky State Office Building Project). The Certificates of Participation (COPs) was the financing component of the built-to-suit lease award procured by the Department for Facilities and Support Services [and approved by the committee on December 19, 2017] for the Capital Plaza Redevelopment project.

The issuer of the COPs was the trustee [as the issuer wasn't a state agency, the Office of Financial Management was not statutorily obligated to report the COPs issue]. The lease agreement securing the debt is essentially the same as for all other appropriation-supported debt reported to the committee. The transaction priced on February 13, 2018 and closed on February 22, 2018. The developer brought in the financing team and KeyBanc was the underwriter. No action was required.

Mr. Barrow submitted three school district bond issues with School Facilities Construction Commission (SFCC) debt service participation for new projects in the Breathitt County, Owsley County, and Somerset Independent (Pulaski County) school districts. Consistent with the anticipated decrease in refunding transactions due to the federal legislation terminating tax-exempt advance refundings, no refunding transactions were submitted to the committee this month. The amount to be issued for the new projects is an estimated \$14.7 million with just under 15 percent SFCC debt service participation. There was no tax increase for two of the three

transactions. Breathitt County passed a recallable nickel tax in 2017.

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

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

Ms. Halloran reported five local school district bond issues with 100 percent local debt service support for renovation projects in the Jessamine County, Meade County, Newport Independent, Campbell County, and Owen County school districts; and district wide energy improvements in the Warren County school district. No tax increases were necessary to finance those projects.

Senator Humphries and Representative Moffett stated that the next meeting will be held on Friday, April 13 instead of the regularly scheduled date of Tuesday, April 17.

With there being no further business the meeting adjourned at 7:01 p.m.

ADMINISTRATIVE REGULATION REVIEW SUBCOMMITTEE

Minutes of the March Meeting

March 12, 2018

Call to Order and Roll Call

The March meeting of the Administrative Regulation Review Subcommittee was held on Monday, March 12, 2018, at 1:00 PM, in Room 149 of the Capitol Annex. Senator Ernie Harris, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Ernie Harris, Co-Chair; Representative David Hale, Co-Chair; Senators Perry B. Clark and Alice Forgry Kerr; Representatives Mary Lou Marzian.

Guests: Brent Gregory, Lisa Swiger, Department of Revenue; Leanne Diakov, Board of Medical Licensure; Angela Evans, Board of Emergency Medical Services; Amber Arnett, Ron Brooks, Gabe Jenkins, Karen Waldrop, Department for Fish and Wildlife Resources; Aaron Keatley, Department for Environmental Protection; Anthony Cotto, Department of Insurance; John Lyons, John Parks, Public Service Commission; Stephanie Brammer Barnes, Steve Davis, Office Inspector General; Donna Little, Ann Tyler Morgan, Catherine York, Department for Medicaid Services.

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

The Administrative Regulation Review Subcommittee met on Monday, March 12, 2018, and submits this report:

Administrative Regulations Reviewed by the subcommittee:

FINANCE AND ADMINISTRATION CABINET: Department of Revenue: General Administration

103 KAR 1:010. Protests and appeals. Brent Gregory, executive director, Office of Property Valuation, and Lisa Swiger, tax policy consultant and regulations administrator, represented the department.

A motion was made and seconded to approve

the following amendments: to amend the TITLE; the RELATES TO and NECESSITY, FUNCTION, AND CONFORMITY paragraphs; and Sections 1 through 5 to comply with the drafting and formatting requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

GENERAL GOVERNMENT: Board of Medical Licensure

201 KAR 9:310. Continuing medical education. Leanne Diakov, general counsel, represented the board.

COMMUNITY AND TECHNICAL COLLEGE SYSTEM: Board of Emergency Medical Services

202 KAR 7:501. Ambulance agency licensure. Angela Evans, general counsel, and Chuck O'Neal, deputy director, represented the board.

A motion was made and seconded to approve the following amendments: to amend the RELATES TO and NECESSITY, FUNCTION, AND CONFORMITY paragraphs and Sections 2 through 5, 7, and 8 to comply with the drafting requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

202 KAR 7:545. License classifications.

In response to questions by Co-Chair Harris, Mr. O'Neal stated that this administrative regulation prohibited an EMS agency from holding more than one (1) license per level of classification in one (1) geographic service area because a ground ambulance service with a defined geographic service area only needed one (1) license. The board previously had problems with agencies obtaining multiple licenses to sell to competitors, to stall local government processes, or for the purposes of avoiding disciplinary repercussions. An agency with more than one (1) license number for the same level of classification in one (1) geographic service area could use the second license number to avoid disciplinary measures placed on the other license. An agency could also use the second license to circumvent licensure revocation as a disciplinary penalty. Licenses were determined based on geographic service area through the certificate of need process.

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

202 KAR 7:550. Required equipment and vehicle standards.

In response to questions by Co-Chair Harris, Mr. O'Neal stated that Class I emergency vehicles were usually for emergency and nonemergency services within a geographic service area. Class III emergency vehicles were usually for specialty care transport between medical facilities. The different classes of emergency vehicles did not always carry the same equipment because some equipment was only for specialty care transport. Class III emergency vehicles were emergency and nonemergency vehicles but were only used for transport between medical facilities.

A motion was made and seconded to approve the following amendments: to amend the

RELATES TO and NECESSITY, FUNCTION, AND CONFORMITY paragraphs and Sections 1 through 4, 6, 9, 10, and 12 to comply with the drafting and formatting requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

202 KAR 7:555. Ground agencies.

In response to questions by Co-Chair Harris, Mr. O'Neal stated that the requirement that a ground agency respond within ten (10) minutes meant that the vehicle was fully ready and had begun the response, not that the vehicle had to be at the destination by that time limit. Prior authorization was usually not needed for emergency services between geographic service areas. Prior authorization was sometimes required for nonemergency transport between medical facilities between geographic service areas. That authorization was usually facilitated within seconds or minutes.

A motion was made and seconded to approve the following amendments: to amend the RELATES TO and NECESSITY, FUNCTION, AND CONFORMITY paragraphs and Sections 1 through 3 to comply with the drafting and formatting requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

202 KAR 7:560. Ground vehicle staff.

A motion was made and seconded to approve the following amendments: (1) to amend the NECESSITY, FUNCTION, AND CONFORMITY paragraph and Section 1 to comply with the drafting and formatting requirements of KRS Chapter 13A; and (2) to amend Section 1(7)(c)4. to add a registered nurse to the list of licensed health professionals authorized to serve as an "additional attendant" in a Class III Neonatal Specialty Care Ambulance. Without objection, and with agreement of the agency, the amendments were approved.

202 KAR 7:565. Clinical pilot programs.

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

301 KAR 1:015. Boat and motor restrictions. Amber Arnett, counsel; Ron Brooks, fisheries director; Gabe Jenkins, elk program manager; and Karen Waldrop, deputy commissioner represented the department.

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

Game

301 KAR 2:132. Elk hunting seasons, permits, zones, and requirements.

In response to questions by Co-Chair Hale, Ms. Waldrop stated that a person drawn for an elk quota hunt shall be ineligible to be drawn for any elk quota hunt for the following three (3) years thereafter, regardless of the sex of elk for which the person was drawn. Requirements regarding taking an antlerless elk with a crossbow were not changed as part of this amendment.

A motion was made and seconded to approve the following amendments: to amend the NECESSITY, FUNCTION, AND CONFORMITY paragraph and Sections 2 and 7 to comply with the drafting requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the

amendments were approved.

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

401 KAR 8:510. Disinfectant residuals,
disinfection by-products, and disinfection by-
product precursors. Aaron Keatley, commissioner,
represented the division.

PUBLIC PROTECTION CABINET:
Department of Insurance: Commissioner's Office:
Insurance Contract

806 KAR 14:006. Property and casualty
insurance form filings. Anthony Cotto, executive
advisor, represented the office.

A motion was made and seconded to approve the
following amendments: (1) to amend Section 2 to add
procedures for filing electronically; and (2) to amend
the RELATES TO and NECESSITY, FUNCTION,
AND CONFORMITY paragraphs and Sections 1 and
5 to comply with the drafting requirements of KRS
Chapter 13A. Without objection, and with agreement
of the agency, the amendments were approved.

Casualty Insurance Contracts

806 KAR 20:010. Declination, cancellation, and
nonrenewal of property and casualty insurance.

A motion was made and seconded to approve the
following amendments: (1) to amend Section 1(2)
to no longer require an insurer to give the specific
reason for declination of a policy pursuant to KRS
304.20-040 relating to automobile liability insurance
policies; and (2) to amend the TITLE; the RELATES
TO and STATUTORY AUTHORITY paragraphs; the
NECESSITY, FUNCTION, AND CONFORMITY
paragraph; and Section 1 to comply with the drafting
requirements of KRS Chapter 13A. Without objection,
and with agreement of the agency, the amendments
were approved.

806 KAR 20:021. Repeal of 806 KAR 20:020.

ENERGY AND ENVIRONMENT CABINET:
Public Service Commission: Utilities

807 KAR 5:027. Gas pipeline safety; reports
of leaks; drug testing. John Lyons, deputy executive
director, and John Parks, staff attorney, represented
the commission.

A motion was made and seconded to approve the
following amendments: to amend the NECESSITY,
FUNCTION, AND CONFORMITY paragraph and
Section 3 to comply with the drafting requirements
of KRS Chapter 13A. Without objection, and with
agreement of the agency, the amendments were
approved.

807 KAR 5:081. Repeal of 807 KAR 5:023 & 807
KAR 5:031.

CABINET FOR HEALTH AND FAMILY
SERVICES: Department for Public Health: Office of
Inspector General: Division of Healthcare: Health
Services and Facilities

902 KAR 20:058. Operation and services;
primary care center. Stephanie Brammer-Barnes,
regulation coordinator, and Steve Davis, inspector
general, represented the division.

In response to questions by Co-Chair Harris,
Mr. Davis stated that the cabinet was unaware of any
negative impact that could result from physicians not
having hospital privileges. Providers were in support
of the change. Ms. Brammer-Barnes stated that this
administrative regulation was amended upon request
by the Primary Care Association's Technical Advisory
Committee. The changes in visitation provisions were

for conformity with federal standards.

902 KAR 20:145. Operations and services; rural
health clinics.

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

Department for Medicaid Services: Managed
Care

907 KAR 17:005. Definitions for 907 KAR
Chapter 17. Donna Little, deputy executive director;
Anne-Tyler Morgan, deputy commissioner; and
Catherine York, deputy general counsel, represented
the department.

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

907 KAR 17:010. Managed care organization
requirements and policies relating to enrollees.

A motion was made and seconded to approve the
following amendments: to amend the RELATES TO
paragraph and Sections 1, 2, 4 through 6, 9, 11, and
13 to comply with the drafting requirements of KRS
Chapter 13A. Without objection, and with agreement
of the agency, the amendments were approved.

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

907 KAR 17:026. Repeal of 907 KAR 17:026 and
907 KAR 17:030.

907 KAR 17:035. External independent third-
party.

Ms. Little stated that the agency amendment to
this administrative regulation included provisions
established in the budget bill, 2016 through current,
and in the House version of the budget. Because the
provisions were not budgetary, they were moved into
this administrative regulation.

A motion was made and seconded to approve
the following amendments: (1) to amend the
RELATES TO paragraph to add a statutory citation;
(2) to add a new Section 6(1) to specify that an appeal
from a denial of service shall, upon request of the
recipient, include a review by a board-eligible or
board-certified physician in the appropriate specialty
or subspecialty area; (3) to add a new Section 6(2)
to specify that a denial of a health care service
rendered by a chiropractor or optometrist shall be
made respectively by a chiropractor or optometrist
duly licensed in Kentucky; and (4) to add a new
Section 6(3) to require use of a reviewer who did not
participate in the initial review and denial of service
and was not the provider of the service at issue.
Without objection, and with agreement of the agency,
the amendments were approved.

The following administrative regulations were
deferred or removed from the March 12, 2018,
subcommittee agenda:

EDUCATION AND WORKFORCE
DEVELOPMENT CABINET: Education Professional
Standards Board: Teaching Certificates

16 KAR 2:010. Kentucky Professional and
Provisional Teacher Certificates.

Administrative Certificates

16 KAR 5:030. Proficiency evaluation.

GENERAL GOVERNMENT: Board of Podiatry
201 KAR 25:090. Prescribing and dispensing
controlled substances.

JUSTICE AND PUBLIC SAFETY CABINET:
Department of Corrections: Office of the Secretary
501 KAR 6:020. Corrections policies and
procedures.

Capital Punishment

501 KAR 16:290. Preliminary and post-execution
procedures concerning condemned person.

501 KAR 16:300. Execution procedures
concerning attorneys representing the condemned,
witnesses, visitors, and demonstrators.

501 KAR 16:310. Pre-execution medical actions.

501 KAR 16:330. Lethal injection protocols.

501 KAR 16:340. Electrocution protocol.

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

601 KAR 2:030 & E. Ignition interlock.

PUBLIC PROTECTION CABINET:
Department of Alcoholic Beverage Control: Quotas
804 KAR 9:051. Repeal of 804 KAR 9:010, 804
KAR 9:040, and 804 KAR 9:050.

CABINET FOR HEALTH AND FAMILY
SERVICES: Department for Public Health: Office of
Inspector General: Division of Healthcare: Health
Services and Facilities

902 KAR 20:016. Hospitals; operations and
services.

Department for Medicaid Services: Managed
Care

907 KAR 17:020. Managed care organization
service and service coverage requirements and
policies.

Department for Community Based Services:
Division of Family Support: K-TAP, Kentucky Works,
Welfare to Work, State Supplementation

921 KAR 2:015 & E. Supplemental programs for
persons who are aged, blind, or have a disability.

Department for Community Based Services:
Division of Child Care: Daycare

922 KAR 2:280 & E. Background checks for
child care staff members, reporting requirements, and
appeals.

The subcommittee adjourned at 1:30 p.m. The
next meeting of the subcommittee is tentatively
scheduled for April 12, 2018, at 1 p.m.

ADMINISTRATIVE REGULATION REVIEW SUBCOMMITTEE

Minutes of the April Meeting

April 12, 2018

Call to Order and Roll Call

The April meeting of the Administrative
Regulation Review Subcommittee was held on
Thursday, April 12, 2018, at 1:00 PM, in Room 149 of
the Capitol Annex. Representative David Hale, Chair,
called the meeting to order, and the secretary called
the roll.

Present were:

Members: Senator Ernie Harris, Co-Chair;
Representative David Hale, Co-Chair; Senator Forg
Kerr; Representatives Jason Petrie and Tommy
Turner.

Guests: Margaret Walton, State Board of

Elections; Anthony Cotto, Patrick Flannery, Mitch Mattingly, Claims Commission; Morgan Ransdell, Board of Nursing; Lora Arnold Parks, Board of Dietitians and Nutritionists, Matt James, Board of Licensed Diabetes Educators; Amber Arnett, Steve Beam, Karen Waldrop, Department of Fish and Wildlife Resources; Clint Quarles, Department of Agriculture; Amy Barker, Department of Corrections; David Couch, Amy Peabody, Department of Education; Molly Lewis, Office of Health Policy; Matt Kleinert, Donna Little, Department for Medicaid Services; Christa Bell, Elizabeth Caywood, Department for Community Based Services and David McMahan, National Background Check Program.

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

KENTUCKY STATE BOARD OF ELECTIONS: Statewide Voter Registration

31 KAR 3:010 & E. Current address of Kentucky registered voters and distribution of voter registration lists. Margaret Walton, counsel, represented the board.

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

PUBLIC PROTECTION CABINET: Kentucky Claims Commission: Claims and Awards

107 KAR 1:011. Repeal of 107 KAR 1:005, 107 KAR 1:010, 107 KAR 1:015, 107 KAR 1:025, 107 KAR 1:030, and 107 KAR 1:040. Anthony Cotto, executive advisor; Patrick Flannery, interim executive director; and Mitch Mattingly, staff attorney, represented the commission.

Sexual Assault Examination Program

107 KAR 2:011. Repeal of 107 KAR 2:010.

In response to questions by Co-Chair Harris, Mr. Mattingly stated that funding for the program came from the General Fund and a federal fund. The program representatives were unaware of the current status of the sexual assault kit analysis backlog.

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

Board of Claims: Practice and Procedure

108 KAR 1:011. Repeal of 108 KAR 1:010, 108 KAR 1:030, and 108 KAR 1:040.

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

GENERAL GOVERNMENT CABINET: Board of Nursing

201 KAR 20:501. Repeal of 201 KAR 20:500. Morgan Ransdell, staff attorney supervisor, represented the board.

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

of the agency, the amendment was approved.

201 KAR 20:506. Nurse licensure compact.

In response to questions by Co-Chair Harris, Mr. Ransdell stated that Kentucky had been a party to the Nurse Licensure Compact for over eight (8) years. Due to insufficient growth, a new compact with stronger qualification requirements was promulgated. The new compact was successful in bringing new states into the compact. West Virginia was a new member of the compact, while Tennessee was a long-standing member. Indiana was considering joining the compact; however, Ohio was not considering joining.

A motion was made and seconded to approve the following amendments: to amend the STATUTORY AUTHORITY and NECESSITY, FUNCTION, AND CONFORMITY paragraphs; Sections 1 through 14; and material incorporated by reference to comply with the drafting requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

Board of Licensure and Certification for Dietitians and Nutritionists

201 KAR 33:070. Telehealth and telepractice. Matt James, assistant attorney general, and Lora Parks, chair, represented the board.

201 KAR 33:080. Scope of practice.

In response to questions by Co-Chair Harris, Ms. Parks stated that the last update to licensee standards was in 2012. Dietary and nutrition standards were based on national standards and continuing education recommendations. Recommendations were from medical associations and were based on solid scientific research.

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

Board of Licensed Diabetes Educators

201 KAR 45:001. Definitions for 201 KAR Chapter 45. Matt James, assistant attorney general, represented the board.

In response to questions by Co-Chair Hale, Mr. James stated that the fifteen (15) hours of required continuing education was provided by an agency approved in accordance with another of the board's administrative regulations. The board's intent was to clarify how continuing education hours factored in as work experience. Licensees functioned in many venues, including hospitals, clinics, physician offices, and other health-care facilities. Senator Kerr stated that she had sponsored the legislation to ensure that Kentucky had licensed diabetes educators. Kentucky lead the nation in the number of cases of diabetes. Logan Gregory, who was chosen as the American Diabetes Association spokesperson, in a prior meeting with Senator Kerr and Senate President David Williams, explained how a diabetes educator saved her life. Co-Chair Hale stated that his granddaughter had just been diagnosed with Type 1 diabetes; therefore, this issue was very important to him.

A motion was made and seconded to approve the following amendments: to amend the NECESSITY, FUNCTION, AND CONFORMITY paragraph and Section 1 to comply with the drafting and formatting

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

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

301 KAR 2:178. Deer hunting on Wildlife Management Areas, state parks, other public lands, and federally controlled areas. Amber Arnett, staff attorney; Steve Beam, division director; and Karen Waldrop, deputy commissioner, represented the department.

A motion was made and seconded to approve the following amendments: to amend Sections 6 and 8 to comply with the drafting requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

GENERAL GOVERNMENT CABINET: Department of Agriculture: Office of Agricultural Marketing: Agricultural Marketing

302 KAR 38:011. Repeal of 302 KAR 38:010. Clint Quarles, staff attorney, represented the department.

In response to questions by Senator Harris, Mr. Quarles stated that there was not a membership fee for the Kentucky Proud program. A membership fee might be considered in the future. Promotional materials were provided at cost.

Marketing and Product Promotion

302 KAR 39:011. Repeal of 302 KAR 39:010.

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

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

In response to a question by Co-Chair Harris, Ms. Barker stated that placement of incarcerated LGBTI inmates was determined by a number of factors, such as, for example, the identity stated by the inmate and security considerations. Placement was based on the federal Rape Elimination Act, which established that protective custody was an option but should not be the first unit considered.

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

EDUCATION AND WORKFORCE DEVELOPMENT CABINET: Kentucky Board of Education: Department of Education: Office of Chief State School Officer

701 KAR 5:110. Use of local monies to reduce unmet technology need. David Couch, associate commissioner, and Amy Peabody, attorney, represented the department.

A motion was made and seconded to approve the following amendments: to amend the NECESSITY, FUNCTION, AND CONFORMITY paragraph and Sections 1 through 4 to comply with the drafting requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

Claims before the Commission **PUBLIC PROTECTION CABINET:** Kentucky Claims Commission: Tax Appeals

802 KAR 1:010. Tax appeal procedures. Anthony Cotto, executive advisor; Patrick Flannery, interim executive director; and Mitch Mattingly, staff attorney, represented the commission.

A motion was made and seconded to approve the following amendments: to amend the STATUTORY AUTHORITY and NECESSITY, FUNCTION, AND CONFORMITY paragraphs and Sections 2, 3, and 5 to comply with the drafting requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

802 KAR 2:010. Negligence claims before the Kentucky Claims Commission.

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

Crime Victim Claims

802 KAR 3:010. Crime victim's compensation.

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

802 KAR 3:020. Payment schedule for sexual assault examinations.

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

CABINET FOR HEALTH AND FAMILY SERVICES: Office of Health Policy: Certificate of Need

900 KAR 6:121. Repeal of 900 KAR 6:120. Molly Lewis, executive director, represented the office.

Department for Medicaid Services: Managed Care

907 KAR 17:020. Managed care organization service and service coverage requirements and policies. Matthew Kleinert, assistant to the secretary, and Donna Little, deputy executive director, Office of Legislative and Regulatory Affairs, represented the department.

A motion was made and seconded to approve the following amendments: (1) to amend the RELATES TO paragraph to comply with the drafting requirements of KRS Chapter 13A; and (2) to amend Section 1 to revise the utilization criteria used in determining medical necessity to comply with a court order and HB 69 of the 2018 Regular Session of the General Assembly. Without objection, and with agreement of the agency, the amendments were approved.

Department for Community Based Services: Division of Child Care: Day Care

922 KAR 2:280 & E. Background checks for child care staff members, reporting requirements, and appeals. Christa Bell, director, and Elizabeth Caywood, chief of staff, represented the division.

A motion was made and seconded to approve the following amendments: to amend the NECESSITY, FUNCTION, AND CONFORMITY paragraph and Sections 1 and 6 to comply with the drafting and formatting requirements of KRS Chapter 13A. Without objection, and with agreement of the agency,

the amendments were approved.

The following administrative regulations were deferred or removed from the April 12, 2018, subcommittee agenda:

EDUCATION AND WORKFORCE DEVELOPMENT CABINET: Education Professional Standards Board: Teaching Certificates

16 KAR 2:010. Kentucky professional and provisional teacher certificates.

Administrative Certificates

16 KAR 5:030. Proficiency evaluation.

GENERAL GOVERNMENT: Board of Podiatry

201 KAR 25:090. Prescribing and dispensing controlled substances.

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

501 KAR 6:270. Probation and parole policies and procedures.

Capital Punishment

501 KAR 16:290. Preliminary and post-execution procedures concerning condemned person.

501 KAR 16:300. Execution procedures concerning attorneys representing the condemned, witnesses, visitors, and demonstrators.

501 KAR 16:310. Pre-execution medical actions.

501 KAR 16:330. Lethal injection protocols.

501 KAR 16:340. Electrocutation protocol.

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

601 KAR 2:030 & E. Ignition interlock.

PUBLIC PROTECTION CABINET: Department of Alcoholic Beverage Control: Quotas

804 KAR 9:051. Repeal of 804 KAR 9:010, 804 KAR 9:040, and 804 KAR 9:050.

CABINET FOR HEALTH AND FAMILY SERVICES: Department for Public Health: Office of Inspector General: Division of Healthcare: Health Services and Facilities

902 KAR 20:016. Hospitals; operations and services.

Department for Community Based Services: Division of Family Support: K-TAP, Kentucky Works, Welfare to Work, State Supplementation

921 KAR 2:015 & E. Supplemental programs for persons who are aged, blind, or have a disability.

Department for Community Based Services: Division of Child Care: Day Care

922 KAR 2:090 & E. Child-care center licensure.

922 KAR 2:100 & E. Certification of Family Child-Care Homes.

Day Care

922 KAR 2:111E. Repeal of 922 KAR 2:110.

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

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

922 KAR 2:190 & E. Civil penalties.

The subcommittee adjourned at 1:35 p.m. The next meeting of the subcommittee is tentatively scheduled for May 8, 2018, at 1 p.m.

EDUCATION ASSESSMENT AND ACCOUNTABILITY REVIEW SUBCOMMITTEE

Minutes of a Special Meeting of the 2018 Regular Session

February 26, 2018

Call to Order and Roll Call

The 1st meeting of the Education Assessment and Accountability Review Subcommittee was held on Monday, February 26, 2018, at 2:30 PM, in Room 149 of the Capitol Annex. Senator Max Wise, Co-Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Max Wise, Co-Chair; Senators Alice Forgy Kerr, Gerald A. Neal, and Mike Wilson; and Representative Steve Riley.

Guests: Erin Klarer, KHEAA.

LRC Staff: Joshua Collins, Lauren Busch, Caroline Alexander, and Chris White.

Senator Wise said today's meeting includes a discussion of Kentucky Board of Education Administrative Regulation 703 KAR 5:270, to which the subcommittee may defer with the agency's consent, amend with the agency's consent, or find the regulation deficient. Copies of the regulation, an agency amendment, and a staff review were included in members' folders.

Kentucky Department of Education (KDE) Commissioner Stephen Pruitt and Associate Commissioner for Assessment and Accountability Rhonda Simms presented "Kentucky's New Accountability Model" report. The requested agency amendment modifies the regulation extending more flexibility to school districts. Mr. Pruitt said the regulation aligns Kentucky with Senate Bill 1 (2017) and more closely with the federal Every Student Succeeds Act (ESSA). The amendment moves Kentucky from focusing primarily on test scores and school rankings and accomplishes the goal of cutting the achievement gap in half over the next 13 years.

As a result of negotiations between KDE and the US Department of Education (USED) on ESSA details and regulations regarding flexibility, Ms. Simms said the agency amendments incorporate legislative and ESSA concerns into Senate Bill 1 and reflect changes expected by USED and approved by the Kentucky Board of Education.

Senate Bill 1 requires testing on writing once in elementary, middle, and high school. Because writing in Kentucky is not tested every year in the same pattern as reading, USED determined it cannot be used as an academic measure. While Kentucky will continue to assess and report writing and include it in school accountability, it will not be labeled as an academic indicator. Agency amendments required by USED include writing as a separate academic indicator for reporting purposes, adjusting range of weights in high schools to ensure proficiency and graduation rate combined are greater than 50 percent, altering opportunity and access to a reported measure by removing locally-determined measures, and clarifying all Kentucky indicators are used to identify low performing schools and the English learner (EL) calculation.

Kentucky believes opportunity and educational experiences go far beyond test scores. Because federal language does not allow the flexibility Kentucky

requested, the amendment removed many items to remain in compliance with ESSA. Kentucky's plan will identify low-performing schools and will provide clarifications on the calculations of English learners.

KDE wants students to be well-rounded, transition-ready, and prepared with the knowledge, skills, and essential dispositions to successfully pursue the pathway of their choice after high school graduation. Key goals for the new system promote higher levels of student learning and achievement; reduce achievement gaps and ensure quality; establish opportunity and access for students to receive a quality education; build a culture of high expectations and continuous improvement; and communicate a clear and honest understanding of strengths and opportunities for improvement in schools and districts.

Ms. Simms said the model for Kentucky schools include growth, achievement gap closure, proficiency, other academic indicators, transition readiness, opportunity, and success. Focus will be placed on gap closure for student groups and opportunity and access for student success. Kentucky provided the USED additional detail and clarifications to align the amendments with federal expectations.

Individually, accountability indicators will focus on student success regarding proficiency, separate academic indicators, growth indicators for elementary and middle school, graduation rates for high school, and transition readiness. The dashboard model will be used to communicate quality and for gauging student groups.

State testing determines proficiency in reading and math. The separate academic indicator includes science, social studies, and writing. Reaching the desired level of knowledge and skills as measured on academic assessment sets a high-level academic benchmark with the same rigorous expectations for all students.

Growth measures include elementary and middle student levels in reading and math and evaluates progress for English learners (EL). Each student's growth is projected and evaluated as to whether the student is "catching up," "keeping up," or "moving up." Ms. Simms said these concept are simple in terms but critical for the importance of student performance and moving kids forward.

Mr. Pruitt said that each child gets their own growth trajectory as opposed to the previous system which measured with a band approach.

Ms. Simms said the graduation rate reports successful completion of Kentucky's graduation requirements. Kentucky uses a four- and five-year adjusted cohort rate in accountability and a four-year adjusted cohort rate to identify the lowest performing schools, required by both Senate Bill 1 and federal standards. Graduation rates will be based on students' final enrollment location.

Transition readiness is determined by the attainment of necessary knowledge and having the skills and dispositions to successfully transition to the next level of career or education. A transition readiness benchmark is set at elementary and middle school levels and goes beyond high school to demonstrate academic or career readiness. The transition readiness in high school includes EL proficiency.

Reducing the disparity between the performances of student groups will close the achievement gap by moving all students to higher levels and moving those

students at the lowest levels more rapidly.

Opportunity and access is provided by equitable availability to research-based student experiences and school factors that impact student success using required measures in the accountability rating of school and districts. Reported measures are not used in the rating of the school but are displayed in the school report card. Reported measures are not included in 703 KAR 5:270.

The required areas of opportunity and access include a curriculum with access to standards-based, visual and performing arts; health and physical education; science; social studies; Career and Technical for middle and high school; cultural studies and/or world languages in high school; and essential skills in middle and high school. A proportionate student group must have access to gifted and talented services as well as rigorous and advanced courses. School quality and safety includes chronic absenteeism, behavior events, and restraint and seclusion.

The reported areas of opportunity and access include whole child supports, state-funded preschool rating, percentage of students in half-day versus full-day kindergarten, percentage of teacher turnover and first-year teachers, student group out-of-school suspensions, and proportionate group enrollment. KDE will report achievement gap closure information and other segments of opportunity and access that are new and different.

During the fall of 2018 the new reporting dashboard will be introduced using available data to identify the lowest performing schools, as required by USED and ESSA, and will be reporting and modeling the new data collections.

The overall accountability rating based on strengths of performance on system indicators will be introduced in the fall of 2019. The ratings, 1 to 5 stars, will indicate performance levels of very low to very high and will be based on standards of excellence instead of a normative comparison of schools. Kentuckians will set the performance standard levels, beginning with a standard setting process during the summer of 2018 and continuing in the summer of 2019. Language in the regulation will cap the performance rating of a facility with significant achievement gaps at a 3-star rating, with an emphasis on achievement gaps reduction. Kentucky proposed a range of weights to give standard setters a relative emphasis of each area, the agency amendment increases the weight on high school proficiency and the graduation rate, which when combined must be greater than 50 percent. Ms. Simms said Kentucky has been honest and transparent in setting their range goal. The regulation has three charts that gives an overview of the pattern of performance expected to be seen from the indicators at elementary/middle, high school, and district level.

Senator Neal said the presentation brings a clarity to individual students being targeted for improvement and is more consistent with the original Kentucky Education Reform Act (KERA). When Senator Neal expressed concerned of the possibility of one child being left behind, Mr. Pruitt said accountability should be a spotlight for displaying positive results and a flashlight shining on areas that need improvement. Kentucky can begin to identify and focus attention on areas that require the most support and intervention. While many states use

minimum groups of 30 students, Kentucky chose to group only 10 students, a further protection to prevent a student from being left behind.

Representative Riley questioned the .25 percent difference between distinguished and proficient status when the other statuses are separated by .5 percent. Ms. Simms said the distinguished scale was designated at a lower rate so as not to skew overall achievement status numbers. In response to Representative Riley's questions regarding aligning safety with a teacher's fear of hurting accountability measures, Mr. Pruitt stressed student safety should be the most important measure.

In response to Representative Riley's question, Mr. Pruitt said the Armed Services Vocational Aptitude Battery (ASVAB) is not part of accountability in its current form.

In response to Senator Wise's question, Ms. Simms said the dashboard profile performance is unique to Kentucky. While California uses a methodology profile system without any ratings, Kentucky's has a more visual and less complicated format.

In response to a question from Senator Wise, Ms. Simms said some of the concerns were specific to military, but the majority of concerns related to performing arts, specialty teachers, and a concern of having a test-oriented measure for Arts and Humanities.

On a motion by Senator Neal and a second by Representative Riley, the agency amendment was passed by voice vote.

There being no further business, the meeting adjourned at 3:25 p.m.

GOVERNMENT CONTRACT REVIEW COMMITTEE

Committee Minutes

April 10, 2018

Call to Order and Roll Call

The Government Contract Review Committee met on Tuesday, April 10, 2018, at 10:00 AM, in Room 131 of the Capitol Annex. Senator Stephen Meredith, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Stephen Meredith, Co-Chair; Representative Stan Lee, Co-Chair; Senators Julian M. Carroll and Paul Hornback; Representatives Chris Fugate and Diane St. Onge.

Guests: David McFadden, Jay Hall, Jennifer Linton, Doug Hendrix, Phillip Brown, Jeremy Ratliff, Steve Davis, Jamie Gitzinger, and Michelle Mitchell.

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

A motion was made by Senator Carroll to approve Minutes of the March 2018, meeting of the committee. Senator Hornback seconded the motion, which passed without objection.

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

A motion was made by Senator Carroll to consider as reviewed the Personal Service Contract Amendment List, with exception of those items

selected for further review by members of the committee. Representative Fugate seconded the motion, which passed without objection.

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

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

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

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

THE FOLLOWING PERSONAL SERVICE CONTRACTS WERE REVIEWED WITHOUT OBJECTION:

DEPARTMENT FOR INCOME SUPPORT
Bornstein Psychological Services, Inc., 1600001553-1.

EARLY CHILDHOOD ADVISORY COUNCIL
Environment Rating Scales Institute, 1800001339.

EASTERN KENTUCKY UNIVERSITY
National Science Teacher's Association, Inc., 18-246.

ENERGY AND ENVIRONMENT CABINET, DEPARTMENT FOR NATURAL RESOURCES, DIVISION OF MINE SAFETY

Mine Safety Services, LLC, 1800001334.
FINANCE AND ADMINISTRATION CABINET - DIVISION OF ENGINEERING

Stantec Consulting Services, Inc., 1800001103; CMTA, Inc., 1800001196; Clotfelter Samokar PSC, 1800001327.

JUVENILE JUSTICE, DEPARTMENT OF
Community Resources for Justice, Inc., 1800001305; Symphony Diagnostics Services No.1, LLC, 1800001328.

KENTUCKY COMMISSION ON MILITARY AFFAIRS

Sarah Nicole Gossett, 1800001401; Russell R. Watts II, 1800001402.

KENTUCKY HIGHER EDUCATION STUDENT LOAN CORPORATION

Dean Dorton Allen Ford, PLLC, 19-002.
KENTUCKY HOUSING CORPORATION
BLX Group, LLC, 2019-1; McBrayer, McGinnis, Leslie & Kirkland, PLLC, 2019-10; Regulatory Solutions, LLC, 2019-4; Valbridge Property Advisors, 2019-9.

KENTUCKY LOTTERY CORPORATION
SeNet International Corporation, 18-032.

KENTUCKY RETIREMENT SYSTEMS
Zielke Law Firm, PLLC, 1800001499.

KY RACING COMMISSION
LGC Science, Inc., 1800001175.

NORTHERN KENTUCKY UNIVERSITY
Russ Potts Productions, Inc., 2018-113; Isaacson Miller, Inc., 2018-115; Superior Management Group, 2019-111.

STATE POLICE, DEPARTMENT OF
Mitchell D. Holliman, 1800001332; Brooks E. Young, 1800001333.

TRANSPORTATION CABINET
Tammy L. Barnes, 1700002482; Intequal-Duncan Appraisal, 1800001260; Edward L. Beck, 1800001261; Sloan Appraisal & Realty Services, 1800001516; Glaus, Pyle, Schomer, Burns & Dehaven, Inc., 1800001539; American Engineers, Inc., 1800001540; Stantec Consulting Services, Inc., 1800001566; Geotechnology, Inc., 1800001759.

UNIVERSITY OF KENTUCKY
Advanced Fiber Technologies, Inc., K18-150; Grant Cooper & Associates/Grant Cooper Healthcare, K18-151; Grant Cooper & Associates / Grant Cooper Healthcare, K18-152; Epic Technologies, K18-153; Smith Management Group, K18-154; Koch Modular Process Systems, K18-155; Worley Parsons Group, Inc., K18-156.

UNIVERSITY OF LOUISVILLE
Snell & Wilmer, LLP, 18-074; Integrity HR, Inc., 18-077.

VETERANS AFFAIRS, DEPARTMENT OF
Management Registry, Inc., 1800001249; Trimen Solutions, LLC, 1800001250; Cross Country Staffing, Inc., 1800001251; Gifted Nurses, LLC, 1800001252; Premier Integrity Solutions, 1800001459; Dietary Consultants, Inc., 1800001534; Symphony Diagnostics Services No.1, LLC, 1800001537.

THE FOLLOWING PERSONAL SERVICE AMENDMENTS WERE REVIEWED WITHOUT OBJECTION:

CORRECTIONS, DEPARTMENT OF
Secon, Inc., 1600001802; Allen Veterinary Services, PLLC, 1600002257; Henry County Animal Clinic, 1600002565; Correct Care Solutions, LLC, 1600002933; American Correctional Association, 1700002445.

DEPARTMENT FOR BEHAVIORAL HEALTH, DEVELOPMENTAL AND INTELLECTUAL DISABILITIES

Reach of Louisville, Inc., 1700000032.
DEPARTMENT FOR INCOME SUPPORT
Michelle D. Bornstein, 1600001553; Lisa D. Beihn, 1600003692; Diosdado Irlandez, 1600003821; Donna Fay Sadler, 1600003824; Lisa D. Beihn, 1600003828; Andres C. O. Crame, 1700000356; Joel C. Stephenson, 1700001834.

DEPARTMENT FOR PUBLIC HEALTH
Multi, 1700002138; Multi, 1700002194.
DEPARTMENT OF INSURANCE

Lewis and Ellis, Inc., 1600002569.
EASTERN KENTUCKY UNIVERSITY

Hardy, Carey, Chautin & Balkin, 18-136.
EDUCATION, DEPARTMENT OF
Interpreting Service of the Commonwealth, LLC, 1700000354.

FINANCE AND ADMINISTRATION CABINET - DIVISION OF ENGINEERING

Florence & Hutcheson, 1200001112; URS Energy & Construction, Inc., 1300001891; EOP Architects, PSC, 1400000675; Omni Architects, 1500001238; URS Corporation, 1500001991; THP Limited, Inc., 1500002870; Stantec Consulting

Services, Inc., 1600001022; Paladin, Inc., 1600001124; Stantec Consulting Services, Inc., 1700001105; Staggs and Fisher Consulting Engineers, Inc., 1700002742; Staggs and Fisher Consulting Engineers, Inc., 1700002742; Stantec Consulting Services, Inc., 1800001103; Sustainable Streams, LLC, 1800001506.

JUVENILE JUSTICE, DEPARTMENT OF
Keith Hardison, 1600002755; Quality Mobile X-Ray Services, Inc., 1600003008; Pharmacy Alternatives, LLC, 1600004011.

KENTUCKY HOUSING CORPORATION
Stierle and Rettig, PLLC, 2018-38; Regulatory Solutions, LLC, 2018-4.

MEDICAL LICENSURE, BOARD OF
Multi, 1600002744; Multi, 1600002744.
TRANSPORTATION CABINET

GRW Engineers, Inc., 0600002125; H W Lochner Consulting Inc., 0700006607; S&ME, Inc., 1100000552; Palmer Engineering Company, 1100001196; Stantec Consulting Services, Inc., 1300001683; GRW Engineers, Inc., 1400000506; QK4, 1400000709; ICA Engineering, Inc. f/k/a Florence & Hutcheson, Inc., 1400000810; Palmer Engineering Company, 1500000221; Palmer Engineering Company, 1500001037; QK4, 1500001396; Palmer Engineering County, 1500001636; Palmer Engineering County, 1600000931; QK4, Inc., 1600000935; Family Medicine Associates of Flemingsburg, 1600001970; Youthful Essence Medical Center, 1600002041; Tim Long MD, PSC, 1600002054; Kentuckyworx, 1600002241; St. Elizabeth Business Health, 1600002772; Michael Baker International, Inc., 1700000260; McMurphy and Livingston, 1700002250; Burgess and Niple, Inc., 1800000607.

UNIVERSITY OF KENTUCKY
Omni Architects, A141210; Omni Architects, A181090; Kari Maloney Photography and Design, K17-203.

WESTERN KENTUCKY UNIVERSITY
Multi, 161807.

THE FOLLOWING MEMORANDA OF AGREEMENTS WERE REVIEWED WITHOUT OBJECTION:

AGRICULTURE, DEPARTMENT OF
University of Kentucky Research Foundation, 1800001291.

CABINET FOR HEALTH AND FAMILY SERVICES

Office of Procurement Services, 1800001541.
CORRECTIONS, DEPARTMENT OF
U of L Research Foundation, Inc., 1800000939.

DEPARTMENT FOR BEHAVIORAL HEALTH, DEVELOPMENTAL AND INTELLECTUAL DISABILITIES

Pathways, Inc., 1800000994.
DEPARTMENT FOR MEDICAID SERVICES
Cabinet for Workforce Development, 1800001088.

EDUCATION, DEPARTMENT OF
Bluegrass Community and Technical College, 1800000377; American Youth Policy Forum, Inc., 1800000988; University of Kentucky Research Foundation, 1800001503.

OFFICE OF THE GOVERNOR, DEPARTMENT FOR LOCAL GOVERNMENT

City of Mortons Gap, 1800000443-1; Mason County Fiscal Court, 1800000685; City of Maysville,

1800000687; City of Louisa, 1800001119; Whitley County Fiscal Court, 1800001300; Letcher County Fiscal Court, 1800001301; University of Kentucky Research Foundation, 1800001336; City of Elkhorn City, 1800001342; Union County Fiscal Court, 1800001348; Newport Millennium Housing Corporation Iii, 1800001472; Knott County Fiscal Court, 1800001504; City of Booneville, 1800001542; Newport Millennium Housing Corporation Iii, 1800001546; City of Pikeville, 1800001575; Pulaski County Fiscal Court, 1800001576; Clay County Fiscal Court, 1800001577; Rockcastle County Fiscal Court, 1800001586; Pike County Fiscal Court, 1800001588; Ohio County Fiscal Court, 1800001590; City of Coal Run Village, 1800001593; City of Olive Hill, 1800001626; Kenton County Fiscal Court, 1800001701; Boone County Fiscal Court, 1800001777; Harlan County Fiscal Court, 1800001785; Warren County Fiscal Court, 1800001786; Perry County Fiscal Court, 1800001792.

PUBLIC PROTECTION CABINET

Department of Insurance, 1800000426.

WORKFORCE INVESTMENT, OFFICE OF

KET Foundation, 1800001521; KCTCS, 1800001523.

THE FOLLOWING MEMORANDA OF AGREEMENT AMENDMENTS WERE REVIEWED WITHOUT OBJECTION:

ADMINISTRATIVE OFFICE OF THE COURTS

Bluegrass Prevention Center Regional Mh-Mr Board, Inc., 1800001094.

AGRICULTURE, DEPARTMENT OF

Multi, 1700001659; Multi, 1700001659; Multi, 1700001857.

DEPARTMENT FOR AGING & INDEPENDENT LIVING

Multi, 1700002630; Kentucky Nonprofit Network, Inc., 1800000379; Multi, 1800000579.

DEPARTMENT FOR BEHAVIORAL HEALTH, DEVELOPMENTAL AND INTELLECTUAL DISABILITIES

Center for Human Entrepreneurship, 1600002463; Four Rivers Behavioral Health, 1700001521; Pennyroyal Mental Health Mental Retardation Board, 1700001522; Green River Regional Mental Health Mental Retardation Board, 1700001523; Lifeskills, Inc., 1700001524; Communicare, Inc., 1700001525; Northern Kentucky Regional Mental Health Mental Retardation Board, 1700001527; Comprehend, Inc., 1700001528; Pathways, Inc., 1700001529; Mountain Comp Care Center, 1700001530; Cumberland River Behavioral Health, Inc., 1700001532; Lake Cumberland Mental Health Mental Retardation Board, 1700001533; Bluegrass.Org, 1700001534; Eastern Kentucky University, 1700001624.

DEPARTMENT FOR ENVIRONMENTAL PROTECTION

Western Kentucky University Research Foundation, 1600003033.

DEPARTMENT FOR FAMILY RESOURCE CENTERS & VOLUNTEER SERVICES

Multi, 1800000078; Multi, 1800000303; Green River Area Development District, 1800000327.

DEPARTMENT FOR MEDICAID SERVICES

University of Kentucky Research Foundation,

1600000805.

DEPARTMENT FOR PUBLIC HEALTH

University of Louisville, 1700002276.

EARLY CHILDHOOD ADVISORY COUNCIL

Eastern Kentucky University, 1600002551.

EDUCATION, DEPARTMENT OF

Kentucky Valley Education, 1700000660; Hopkins County Board of Education, 1700001618; Campbellsville Independent Board of Education, 1700001637; Jefferson County Board of Education, 1700001664; Boone County Board of Education, 1700001736; Department of Agriculture, 1700001748; Eastern Kentucky University, 1700002232; Collaborative Center for Literacy Development, 1700002835; Jessamine County Board of Education, 1700002861; Newport Independent Board of Education, 1700002871; Union County Board of Education, 1700002876; Morehead State University, 1700002885.

MILITARY AFFAIRS, DEPARTMENT OF

Kentucky Division of Water, 1700001419.

NURSING, BOARD OF

Center for Nonprofit Excellence, Inc., 1800001048.

OFFICE OF THE GOVERNOR, DEPARTMENT FOR LOCAL GOVERNMENT

Harlan County Fiscal Court, 1300001701; Union County Fiscal Court, 1600000433; Knott County, 1600000986; Pike County Fiscal Court, 1700000653; Floyd County Fiscal Court, 1700000707; Knox County Fiscal Court, 1700001960; Perry County Fiscal Court, 1700002819; Perry County Fiscal Court, 1700002820; Perry County Fiscal Court, 1700002821; Perry County Fiscal Court, 1700002830; Bell County Fiscal Court, 1800000570; Breathitt County Fiscal Court, 1800001001; Lee County Fiscal Court, 1800001233.

TRANSPORTATION CABINET

Kentucky Transportation Center, 1600001900.

THE FOLLOWING PERSONAL SERVICE CONTRACTS WERE SELECTED FOR FURTHER REVIEW:

EASTERN KENTUCKY UNIVERSITY

Assured Partners NL, LLC, 20-002. David McFadden discussed the contract with the committee. A motion was made by Representative Lee to consider the contract as reviewed. Senator Carroll seconded the motion, which passed.

EASTERN KENTUCKY UNIVERSITY

Employee Network, Inc., 20-003. David McFadden discussed the contract with the committee. A motion was made by Representative Lee to consider the contract as reviewed. Representative Fugate seconded the motion, which passed.

EDUCATION, DEPARTMENT OF

Nelson Mullins Riley Scarborough, LLP, 1800001037. A motion was made by Representative Lee to defer the contract to the May 2018 meeting of the committee. Representative St. Onge seconded the motion, which passed.

FINANCE AND ADMINISTRATION CABINET - DIVISION OF ENGINEERING

Vaughn and Melton, 1800001350; Vaughn and Melton, 1800001351; American Engineers, Inc., 1800001352; American Engineers, Inc., 1800001353; QK4, Inc., 1800001411. Jennifer Linton, Doug Hendrix, and Phillip Brown discussed the contracts with the committee. A motion was made by Senator

Hornback to consider the contracts as reviewed. Senator Carroll seconded the motion, which passed.

KENTUCKY HOUSING CORPORATION

Multi, 2019. Jeremy Ratliff discussed the contract with the committee. A motion was made by Senator Carroll to consider the contract as reviewed. Senator Hornback seconded the motion, which passed.

KENTUCKY HOUSING CORPORATION

Caine Mitter & Associates, 2019-2; Gibson Consulting, LLC, 2019-5; T. Ronald Brown: Research and Analysis, 2019-6; Vogt Santer Insights, Ltd., 2019-7; Value Tech Realty Services, Inc., 2019-8. Jeremy Ratliff discussed the contracts with the committee. A motion was made by Senator Carroll to consider the contracts as reviewed. Representative Lee seconded the motion, which passed.

OFFICE OF INSPECTOR GENERAL

U of L Research Foundation, 1800000928. Steve Davis, Jamie Gitzinger, and Michelle Mitchell discussed the contract with the committee. A motion was made by Representative Lee to consider the contract as reviewed. Representative St. Onge seconded the motion, which passed.

THE FOLLOWING FILM TAX INCENTIVES WERE SELECTED FOR FURTHER REVIEW:

TOURISM DEVELOPMENT CABINET

Chronicle Cinema, LLC, 1800001477; Post Time Audiovisual Services, Inc., 1800001490; Little Angel Film, LLC, 1800001491; Stargazer - 2018b, LLC, 1800001519; Post Time Audiovisual Services, Inc., 1800001528; Post Time Audiovisual Services, Inc., 1800001529; Post Time Audiovisual Services, Inc., 1800001531; Post Time Audiovisual Services, Inc., 1800001532; Post Time Audiovisual Services, Inc., 1800001533; Post Time Audiovisual Services, Inc., 1800001535; Bravo Media Productions, LLC, 1800001545; Loos Change Films, LLC, 1800001598; The Haunted Doll Company, LLC, 1800001599; Baldino Productions, LLC, 1800001763; Frank E. Johnson, 1800001804; The Haunted Doll Company, LLC, 1800001815; The Haunted Doll Company, LLC, 1800001816; Loos Change Films, LLC, 1800001819; Loos Change Films, LLC, 1800001862; Chronicle Cinema, LLC, 1800001863. Jay Hall discussed the contracts with the committee. A motion was made by Senator Hornback to defer the contracts to the May 2018 meeting of the committee. Representative Lee seconded the motion, which failed with Senator Carroll, Senator Meredith, and Representative St. Onge voting no. A motion was made by Senator Carroll to consider the contracts as reviewed. Representative St. Onge seconded the motion, which passed, with Senator Hornback, Representative Fugate, and Representative Lee voting no.

EXEMPTION REQUESTS:

TRANSPORTATION CABINET

The Transportation Cabinet requests an exemption from the committee's routine review process for the KYTC's Aviation Economic Development Grant Agreements and will provide quarterly reports. A motion was made by Representative Lee to grant the request to June 30, 2020. Representative St. Onge seconded the motion, which passed without objection.

DEPARTMENT OF AGRICULTURE

The Department of Agriculture requests an exemption from Committee Policy Statement #99-

4 which prohibits contracts and agreements for extending beyond the biennium for the purpose of BSE; Avian Influenza testing. A motion was made by Representative Lee to grant the request to March 31, 2019. Representative St. Onge seconded the motion, which passed without objection.

CABINET FOR HEALTH AND FAMILY SERVICES

The Cabinet for Health and Family Services (CHFS) requests an exemption on behalf of the Department for Commission for Children with Special Health Care Needs from the Committee Policy Statement #99-4, which prohibits contracts and agreements from extending beyond the biennium for Early Hearing Detection and Intervention (EHDI) Program contracts. A motion was made by Representative Lee to grant the request to March 31, 2020. Representative St. Onge seconded the motion, which passed without objection.

CABINET FOR HEALTH AND FAMILY SERVICES

The Cabinet for Health and Family Services (CHFS) requests an exemption on behalf of the Department for Behavioral Health, Developmental and Intellectual Disabilities from Committee Policy Statement #99-4, which prohibits contracts and agreements from extending beyond the biennium for KORE contracts. A motion was made by Representative Lee to grant the request to April 30, 2019. Representative St. Onge seconded the motion, which passed without objection.

There being no further business, the meeting adjourned at 11:57 A.M.

CAPITAL PROJECTS AND BOND OVERSIGHT COMMITTEE

Minutes

April 13, 2018

Call to Order and Roll Call

The Capital Projects and Bond Oversight Committee meeting was held on Friday, April 13, 2018, at 9:00 AM, in Room 171 of the Capitol Annex. Representative Phil Moffett, Chair, called the meeting to order, and the secretary called the roll.

Present were:

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

Guests: Ms. Janice Tomes, Deputy State Budget Director; Mr. Scott Aubrey, Director, Real Properties; Ms. Donna McNeil, Executive Director, Kentucky Infrastructure Authority; and Mr. Ryan Barrow, Executive Director, Office of Financial Management.

LRC Staff: Katherine Halloran, Committee Staff Administrator; Julia Wang, Legislative Analyst; and Jenny Wells Lathrem, Committee Assistant.

Approval of Minutes (March 20, 2018)

A motion was made by Representative Brown to approve the minutes of the March 20, 2018 meeting. The motion was seconded by Senator Girdler and approved by voice vote.

Information Items

Ms. Halloran reported four information items. The first was the advertisement notice to lease space in Hardin County for the Cabinet for Health and Family Services.

The second was the 42nd semi-annual report of the Kentucky Asset/Liability Commission (ALCo).

The third was the quarterly capital projects status reports submitted by the Administrative Office of the Courts, the Finance and Administration Cabinet (with the Commonwealth Office of Technology reporting independently), and the postsecondary institutions managing their own capital construction programs.

The fourth was the weekly debt issuance calendar compiled by the Office of Financial Management.

Project Report from the Finance and Administration Cabinet

Ms. Tomes submitted a pool project with an appropriation increase for the Tourism, Arts and Heritage Cabinet's Department of Parks. The project was the Taylorsville Lake Sewer System Improvements, for which the committee approved a Kentucky Infrastructure Authority (KIA) Fund B (Infrastructure Revolving Loan Program) loan during its February 2018 meeting. House Bill 303, Part II, (4) allows state agencies to use allocations from the Kentucky Infrastructure Authority for capital projects not specifically identified in an appropriations bill and KRS 45.760(6) allows money to be added to an existing capital project. The total funded amount is \$856,000; with \$796,000 from the Kentucky Infrastructure Authority and \$60,000 from the 2016 general fund appropriation in House Bill 10. The allocations will finance the rebuild of one pump station and the demolition of a package treatment plant and two pump stations.

A motion was made by Representative Brown to approve the project, seconded by Senator Humphries, and approved by unanimous roll call vote.

Lease Report from the Finance and Administration Cabinet

Mr. Aubrey reported an emergency lease for the Department of Military Affairs (DMA), Kentucky Army and Air National Guard for warehouse and operations space. The Division of Real Properties identified ten potential properties for the Special Tactics Squadron located near Standiford Field in Jefferson County, with one fulfilling DMA's requirements. The resulting lease is for 43,696 square feet at \$4.55 per square foot for a total annual cost of \$198,816.80 through June 30, 2023. No action was required.

Report from the Office of Financial Management

Ms. McNeil submitted multiple Kentucky Infrastructure Authority loan requests.

The Lexington-Fayette Urban County Government (LFUCG) requested a \$31,944,188 Fund A (Clean Water State Revolving Fund Loan Program) loan increase for a total loan amount of \$67,944,188, to complete [Phase I of the West Hickman Wastewater Treatment Plant Wet Weather Storage] project, which will reduce sanitary sewer overflows for compliance with the federal Consent Decree. The loan is for 20 years with a 1.75 percent interest rate.

The LaGrange Utilities Commission requested a \$3,121,200 Fund A loan [Pump Station and Interceptor Sewer Upgrade project] for construction of a lift station and interceptor sewer upgrades, to eliminate a sanitary sewer overflow for compliance with state enforcement action. The loan is for 20 years with a 1.75 percent interest rate.

The City of Pineville requested a \$146,000

Fund A planning and design loan [Virginia Avenue and Courthouse Square Utility Replacement and Revitalization project] to eliminate a sanitary sewer overflow for compliance with state enforcement action. The loan is for five years with a 2.75 percent interest rate.

The City of Paducah requested a \$4,610,667 Fund A loan [Paducah Pump Station #2 (6th Street) Rehabilitation project] to rehabilitate a major flood wall pump station serving downtown Paducah. The loan is for 20 years with a .5 percent interest rate.

The City of Guthrie requested a \$1,163,825 Fund B loan [Water/Sewer System Rehabilitation/Improvements project] for a sewer system evaluation survey and upgrades in both the drinking and wastewater systems. The loan is for 30 years with a .5 percent interest rate.

The Whitley County Water District requested a \$37,204 Fund F (Drinking Water State Revolving Fund Loan Program) loan increase [Water System Improvements project], for a total loan amount of \$969,704 to replace water lines. The loan is for 20 years with a .75 percent interest rate.

The Frankfort Electric and Water Plant Board requested a \$4 million Fund F loan [Water Storage Improvement project] to construct a new storage tank, replacing two leaking storage basins over 125 years old. The loan is for 20 years with a 1.75 percent interest rate.

The City of Louisa requested a \$834,430 Fund F loan [Downtown Water Rehab project] to replace and upgrade water lines. The loan is for 20 years with a .5 percent interest rate.

In response to several questions from Senator McDaniel regarding LFUCG's loan increase, Ms. McNeil said that LFUCG decided to use loan proceeds rather than cash as originally planned to complete Phase I since KIA funding was available. LFUCG can borrow from KIA at a lower interest rate than accessing the capital markets directly and as LFUCG's sewer system debt is AA-rated, its borrowing helps maintain the credit quality of KIA's loan portfolio, one of the contributing factors to the AAA rating for KIA's leverage debt. \$35 million to complete Phase I of the project was listed in the [2018 Clean Water State Revolving Fund] Intended Use Plan (IUP) and LFUCG was invited to apply for a \$11 million loan. For four previous KIA loans, LFUCG will not need \$20.9 million of the requested loan amounts due to lower than expected bids and other cost saving measures. Upon close out of those four previous loans, June for three of the loans and December for the fourth, loan repayments will begin.

KIA will apply the \$20.9 million balance to the requested loan increase. With the \$11 million dollars, Phase I of the project will be fully funded.

McNeil said that LFUCG will pay 1.75 percent interest rather than the 2.75 percent standard rate as the project is for Consent Decree compliance.

Ms. McNeil stated that for this year's [Clean Water State Revolving Fund] funding cycle, seven systems serving a population of 3,300 or below plan to borrow 29 percent of available funds and three systems serving a population between 3,300 and 10,000 plan to borrow 19 percent of available funds. Although the loan for this project was 20 percent of available funds, KIA factors needs of smaller entities when reviewing annual IUPs, which include the project priority list set by the Division of Water (DOW).

A motion was made by Senator Girdler to roll the KIA loans into one roll call vote, seconded by Representative Brown, and approved by voice vote.

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

Mr. Barrow submitted two new State Property and Buildings Commission bond issues. The first was the State Property and Buildings Commission Agency Fund Revenue Bonds, Project No. 118 for the Kentucky River Authority (KRA). The original budget language included both Dam 10 and the lock; however the KRA Board voted to reconstruct Dam 10 only. Bids to reconstruct Dam 10 were consistent with the approximately \$28.2 million to be issued. The annual debt service of about \$2 million will be paid with a Tier II rate increase effective July 1, 2018; from \$.13 per 1,000 gallons to \$.22 per 1,000 gallons, adding \$.36 per month to the average customer bill. The repair of Dam 10 will provide an essential service by protecting Winchester's water supply.

The second was the State Property and Buildings Commission Revenue Bonds, Project No. 119 and Agency Fund Revenue Refunding Bonds Project No. 120. Project No. 119, a general fund transaction, will finance \$300 million of projects authorized in prior appropriations bills. Project No. 120 is an agency fund revenue refunding in three series, with projected savings of about \$1.4 million, for DMA. The negotiated transaction with Citigroup is estimated to price at about 3.86 percent.

In response to several questions from Senator McDaniel regarding Project No. 118, Mr. Barrow said that the lock is not being repaired because it would give recreational access to only a small portion of the river as the adjacent locks are not functional. Most of the locks on the Kentucky River are owned by the commonwealth, with the few remaining to be transferred to the state by the U.S. Army Corp of Engineers.

A motion was made by Representative Brown to roll the two bond transactions into one roll call vote, seconded by Senator Humphries, and approved by voice vote.

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

Mr. Barrow reported two previously approved transactions. The first was the Kentucky Housing Corporation (KHC) Tax-Exempt Conduit Multifamily Housing Revenue Bonds (Winterwood HPW Portfolio), Series 2018. OFM verified that there wasn't any language in the documents obligating the commonwealth financially. The transaction, which financed properties in several locations, sold in February with net proceeds of \$9.3 million. No action was required.

The second was the Kentucky Infrastructure Authority (KIA) Wastewater and Drinking Water Revolving Fund Revenue Bonds, Series 2018A. The \$60 million issued to finance KIA loans priced in mid-March at 2.9 percent. No action was required.

Mr. Barrow submitted four school district bond issues with School Facilities Construction Commission (SFCC) debt service participation for new projects in the Bourbon County, Carroll County, Estill County, and Fayette County school districts. The amount to be issued for the new projects is just

above \$41 million with slightly over 20 percent, approximately \$8.3 million, SFCC debt service participation. No tax increases were necessary to finance those projects.

A motion was made by Representative Brown to roll the school district school bond issues into one roll call vote, seconded by Senator Girdler, and approved by voice vote.

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

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

Ms. Halloran reported three local school bond issues with 100% local debt service support for roofing projects in the Erlanger-Elsmere Independent (Kenton County) and Estill County school districts and energy improvements in the Franklin County school district. No tax increases were necessary to finance those projects.

With there being no further business the meeting adjourned at 9:22 a.m.

TOBACCO SETTLEMENT AGREEMENT FUND OVERSIGHT COMMITTEE

Minutes of the 1st Meeting of the 2018 Interim May 2, 2018

Call to Order and Roll Call

The 1st meeting of the Tobacco Settlement Agreement Fund Oversight Committee was held on Wednesday, May 2, 2018, at 10:00 AM, in Room 129 of the Capitol Annex. Representative Myron Dossett, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Representative Myron Dossett, Co-Chair; Senators Dennis Parrett, Robin L. Webb, and Whitney Westerfield; Representatives Kim King, Phillip Pratt, Rick Rand, and Brandon Reed.

Guests: Warren Beeler, Executive Director, Governor's Office of Agricultural Policy (GOAP), and Bill McCloskey, Deputy Executive Director, GOAP.

LRC Staff: Nathan Smith, Tanya Monsanto, Kelly Ludwig, and Rachel Hartley.

The December 7, 2017, minutes were approved by unanimous voice vote.

Governor's Office of Agricultural Policy Report

Warren Beeler provided highlights from the January and the February reports and Bill McCloskey provided highlights from the March Report. Mr. Beeler also discussed the 2018-2019 state budget.

Bill McCloskey described the Agricultural Development Board's projects for April. Mr. McCloskey highlighted programs including the County Agricultural Investment Program (CAIP), Deceased Farm Animal Removal Program, Shared-use Equipment, and Youth Agriculture Incentives Program.

Requested program amendment discussed:

Casey County Conservation District requested an additional \$200,000 in Casey County funds for the CAIP Program. The board recommended approval, which would bring the program total to \$420,000.

Projects discussed included:

Pendleton County Extension District Foundation, Incorporated, was approved for \$2,000 in Pendleton County funds for improvements to the farmers' market, including restrooms, handwashing station, and on-site marketing storage.

Magoffin County Extension District Board was approved for \$10,000 in Magoffin County funds and \$115,000 in state funds for a permanent farmers' market facility in Salyersville.

Glades Christian Church, Incorporated, was denied \$2,500 in Madison County funds for improvements to their community garden. The committee recommended no funding due to county funds not being committed and the project was given a low priority.

My Kentucky Honey was denied \$730 in state funds for beehive expansion. The committee recommended no funding as the project is eligible under the County Agriculture Investment Program.

In response to Senator Parrett, Mr. Beeler stated the farm at St. Catharine College is still in operation. The failed loans included a winery project, an equine project, and a grain project. Mr. Beeler stated that poultry loans never fail.

In response to Senator Webb, Mr. Beeler stated the equine project was for a riding arena for sport horses in Scott County.

In response to Representative Dossett, Mr. Beeler stated the growth in poultry is partly due to increased investment and lower retail poultry prices for consumers. Contract farming has also added to the growth, because it is low-risk to the farmer. The farmer only furnishes the building and labor.

Mr. McCloskey stated the last board meeting was April 20, 2018, and the next board meeting will be May 18, 2018.

The next meeting of the Tobacco Agreement Oversight Committee will be June 6, 2018. Documents distributed during the meeting are available in the LRC Library.

There being no further business, the meeting was adjourned.

2018 Interim

LEGISLATIVE RECORD

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2018 Interim

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