2011 Interim
LEGISLATIVE RECORD

Volume 24, No. 4
July 2011
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State revenue growth shows promise, official says

by Rebecca Mullins Hanchett
LRC Public Information

Third quarter growth of the state's General Fund in fiscal year 2011 was strong, with $113.6 million in growth in May alone, a state budget official told a legislative committee on June 23.

Greg Harkenrider with the State Budget Director's Office told the Interim Joint Committee on Appropriations and Revenue that General Fund growth was 17.8 percent in May. Individual income tax receipts—which accounted for an increase of $93 million—showed the most growth, he said. Corporate income tax and coal severance tax revenues are also doing well with the state running in excess of projected revenues, he added.

"The third quarter was a great quarter, and it looks good going forward," said Harkenrider.

Improvement has been shown despite Kentucky's lag in personal income, he said. Recent growth in personal income for the U.S. was 5.6 percent compared to 4.7 percent for Kentucky. But that Harkenrider said that does not bother him much.

Revenue improvement has been shown despite a lag in personal income.

"We never were hurting as badly as the rest of the U.S. during the recession," he said. "The fact that we had lower growth does not (overly concern) me."

In fact, he told lawmakers, continued growth was expected in June although how much growth remained to be seen. Housing growth has been slow, but he expects the housing market to grow as jobs expand through increased production.

Committee Co-Chair Rep. Rick Rand, D-Bedford, mentioned that Federal Reserve Chairman Ben Bernanke had expressed concern with the national economy earlier today. Rand asked Harkenrider if he remains optimistic considering Bernanke's comments. Recent supply disruptions aside, Harkenrider said he thinks most economists do not expect there to be a "double dip" recession that would hinder economic recovery.

House Appropriations and Revenue Committee Chairman Rep. Rick Rand, D-Bedford, fields questions at the June meeting.

Once the books are closed on fiscal year 2011, Rand said Kentucky officials will be able to determine if there will be any state budget surplus. Rand said surplus funds would be classified as non-budgeted necessary government expenses for emergency needs or placed in the state's Budget Reserve "rainy day" trust fund to be appropriated later.

Rep. Ron Crimm, R-Louisville, said any surplus must be carefully protected.

"Here we are with Medicaid trouble…and we need to guard (that money)," Crimm said.

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Auditor reviews pension report with lawmakers

by Chuck Truesdell
LRC Public Information

Placement agents have not presented a financial drain on the state employee pension system, but present numerous issues to address, state Auditor Crit Luallen told a panel of lawmakers one day after publicly releasing her office's findings.

The audit made 92 recommendations in three areas: the use of placement agents, internal audit procedures, and general governance and operations. Kentucky Retirement Systems Board chair Jennifer Elliott told members of the Interim Committee on State Government on June 29 that the board and administrative staff agreed with each recommendation and planned to implement all of them.

One area addressed in particular by the audit was the ability of one placement agent to act in effect as an unpaid agent of Kentucky Retirement Systems, soliciting business from multiple investment funds, with the knowledge of the then-Chief Investment Officer. Traditionally, placement agents work on behalf of investment funds, seeking large institutional investors like pension funds to put money in their care. The placement agent then receives a fee from the fund for their successful work.

Luallen noted that no criminal action was apparent. "Based on the information they reviewed, auditors saw no evidence of a 'pay to play' scheme involving placement agents," she said. No KRS officials benefited, as has resulted in criminal charges in other states, and KRS did not incur any higher costs or fees because of their use. The close relationship between the former CIO and one placement agent, both of whom did not speak with auditors or make their records available, has been referred to the U.S. Securities and Exchange Commission.

Kentucky Retirement Systems oversees around $13 billion in retirement funds on behalf of 330,000 retirees and active workers. "There is not another public agency in Kentucky that has such

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a significant fiduciary responsibility affecting as great a number of people as the Kentucky Retirement Systems," Luallen said.

Several of the 92 recommendations contained in the audit were included in legislation filed this past legislative session, said Committee Co-Chair Rep. Mike Cherry, D-Princeton.

Both Cherry and Co-Chair Sen. Damon Thayer, R-Georgetown, said they were hopeful the recommendations could be made law during the 2012 session.

Among the recommendations suggested by the audit were the need for placement agents to file with the Executive Branch Ethics Commission and for placement agent disclosure forms to include political contributions to state officials.

The audit also suggested detailed information for the KRS board's investment committee on recommended investments, which could have alerted members to the relationship between the former CIO and a placement agent.

The audit also suggested more transparency in the area of KRS

Rep. Kevin Bratcher, R-Louisville, asks questions during the June 29 meeting of the Interim Joint Committee on State Government in Frankfort.

spending, allowing board members to see KRS staff expenditures in relations to its budget on a quarterly basis.

Thayer noted growing expenses as one reason for the pension fund's unfunded liability.

Thayer also told members of the panel that he hoped one meeting later in the interim would focus on efforts to move state workers to a 401(k)-style defined contribution system rather than the current defined benefit plan.

Revenue,
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The state Road Fund is also doing well, Harkenrider said. Revenue from the state motor fuels tax and state usage tax (or sales tax paid on motor vehicles when purchased) has increased, with usage tax revenue exceeding budget estimates by $18.4 million.

State census data was also shared with the committee by Ron Crouch of the state Office of Employment and Training. Crouch's data indicates that Kentucky is one of four states (Tennessee, North Carolina and Virginia are the other three) that have real potential for growth as the Midwest and Northeast fall into decline. The data also shows a return in manufacturing jobs to the U.S. due to demographic shifts in China and elsewhere, Crouch said.

The U.S. manufacturing sector has been in decline for years. designated workers, she said, but added that early intervention—specifically placing mental health counselors in schools so children have access to such care—should be considered.

Retired law enforcement official and State Sen. John Schickel, R-Union, said that detention of status offenders can be helpful. In fact, he said, it can save a child's life based on his experience as a law enforcement officer and former U.S. Marshal. Other lawmakers said hiring more social workers and putting mental health workers in schools is a good route to take.

"It is our fault as legislators that we have not faced reality and increased revenue (to hire more caseworkers)," said Rep. Mary Lou Marzian, D-Louisville. Marzian said there are not enough caseworkers to handle all the children who need their help.

Committee Co-Chair Sen. Tom Jensen, R-London, said the committee will have another meeting on the issue and invite the Department for Community Based Services in the Cabinet for Health and Family Services to comment, among others. Fellow Co-Chair Rep. John Tilley, D-Hopkinsville, said although state budgets will be tight over the next few years, there are possible solutions to the problem.

"(We can) create savings to reinvest," Tilley said.

State energy policies get legislative review

by Rebecca Mullins Hanchett
LRC Public Information

Kentucky's energy policies have created what state officials say is the largest investment in energy efficiency in the state's history.

Kentucky Deputy Commissioner of Energy Development and Independence John Davies told the Special Subcommittee on Energy on July 15 that policies born from legislation passed by the Kentucky General Assembly over the past several years have led to substantial investment in energy efficiency in public schools and state buildings, including over $27 million for energy management in public schools statewide.

In 2008, only 17 schools in the state were certified by Energy Star—a federal program that distinguishes a building as highly energy efficient, Davies said. Today, 105 schools are Energy Star certified.

"It's by no mistake that energy efficiency is the first strategy in the

Special Subcommittee on Energy Co-Chair Sen. Brandon Smith, R-Hazard, comments during the subcommittee's July 15 meeting in Frankfort.

governor's (energy) plan," Davies said. The energy plan, unveiled in 2008, focuses on seven strategies: improving energy efficiency; fostering renewable energy; sustainably increasing production of biofuels; developing a coal-to-liquid industry; increasing natural gas supplies; initiating carbon capture and sequestration projects; and examining the use of nuclear power to generate electricity in Kentucky.

Another show of Kentucky's energy efficiency policy's success is the Commonwealth's distinction of being the only state with two near net-zero energy user schools: Turkey Foot Middle School in Kenton County and Richardsville Elementary in Warren County. Davies said Turkey Foot's kilowatt usage for May-June was a negative 2,000 kilowatt hours.

State buildings are being made more energy efficient through assistance by the Green Bank of Kentucky, a state program that provides low interest revolving loans for energy efficiency projects and contracts. Davies said $14 million in federal Recovery Act funds provided capital for the revolving loan fund.

"As these loans are repaid, the funds will be recycled to support new energy saving performance contracts in state facilities," said Davies.

Another success story is the Energy Star appliance rebate program of 2010, which Davies said provided over $3.4 million in rebates to over 34,000 Kentuckians on $51 million in appliance sales. The sales generated $3 million in sales tax revenue, with clothes washers and refrigerators

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'11/11/11' veterans program in works

by Chuck Truesdell
LRC Public Information

State legislators were brought up to speed July 14 on the planning for months of programs and activities for Kentucky's veterans and their sacrifices, a project known as the "11/11/11" initiative.

The program, unveiled by Gov. Steve Beshear on Memorial Day, will include a series of events culminating in a celebration at the State Capitol on Veterans Day — 11/11/11 — to honor the 339,000 Kentucky men and women who have served in the armed forces.

Over the next four months, programs will be conducted in conjunction with USA Cares, schools, the business community, and volunteer organizations, among others.

Plans are being made to make sure the Capitol finale event does not conflict with programs run by the Kentucky Historical Society or veterans groups. "We don't want to interfere with anything that been going on historically," Larry Bond, Beshear's Deputy Chief of Staff, told members of the Interim Joint Committee on Veterans, Military Affairs, and Public Protection.

Ken Lucas, Commissioner of the Kentucky Department of Veterans Affairs, noted that there will also be special efforts coordinated with the chambers of commerce in Louisville and Lexington to hold job fairs targeted at veterans. "This thing is being fleshed out as we go," Lucas said, inviting lawmakers to take part in the planning of the many activities.

The KFC Yum! Center in Louisville will host a USO concert on July 26 as well. "It's unusual to have a USO show here," Lucas said. Veterans services organizations have been given tickets for distribution to military and their families."

"Any way we can call attention to the needs of our veterans and call attention to their service and have an opportunity to thank them, we want to participate in that," said Committee Co-Chair Rep. Tanya Pullin, D-South Shore.

Energy, from page 2

being the most popular purchases.

Having a more diverse energy portfolio—or more diverse ways to generate power—could also benefit the state, which Davies said now relies on coal-fired power for 94 percent of electricity generation. "In the future, primarily relying on one power of electricity may not be prudent," he said, adding that regulatory and other pressures will place new demands on the coal industry and the coal it exports to other states.

Kentucky exported around 74 percent of total coal produced here to other states in 2009, he said. Most of those states were in the Southeast. "These are the same states that will be affected by the federal EPA regulations that may damper their demand for imported coal," said Davies, who then explained how biomass, biofuels, clean coal technologies and other energy sources are being used to benefit the state.

"We have made a strong start, but there is much more to do," he said.

Several lawmakers asked officials from the state Energy and Environment Cabinet what the Executive Branch's position is on federal regulatory changes affecting Kentucky's coal industry. Senate Majority Floor Leader Robert Stivers, R-Manchester, said the coal industry's economic impact on Kentucky is at least three times greater than the impact of the horse industry, which is known as Kentucky's signature industry.

"Last time I looked at the statistics on coal we had over $5.5 billion in sales, which is greater than the total economic impact of the horse industry, so if you do an equivalent multiplier, we probably have close to a $15 billion impact in this state and I would suggest it is probably higher than that," Stivers said.

House Majority Floor Leader Rep. Rocky Adkins, D-Sandy Hook, comments on federal regulatory plans at the July 15 meeting of the Special Subcommittee on Energy.

Karen Wilson of the Energy and Environment Cabinet said the administration has sent letters, testified before Congress and sued the U.S. Environmental Protection Agency to show "displeasure" with its policies, including a lawsuit filed last year on the EPA's permitting policies affecting coal mining.

"We would like to see some sensible time frames for the various regulations that are either coming out now or are going to be coming out," said Wilson, including regulations concerning greenhouse gases and coal ash.

Some lawmakers voiced concern that non-elected officials at a federal agency—namely the EPA—are effecting environmental policy on coal, which remains a dominant energy source nationwide. "I think many of us believe and are concerned…they are legislating on their own," said subcommittee Co-Chair Sen. Brandon Smith, R-Hazard.

"It's a problem when an agency snubs its nose at Congress…," said House Majority Leader Rocky Adkins, D-Sandy Hook. "It's not their job to make the law." Adkins said "common sense" regulations are needed, not regulations that will negatively impact the economy and jobs.

Lawmakers continue study of status offenders

by Rebecca Mullins Hanchett
LRC Public Information

The average age of a child committed to state child protection in Kentucky for a status offense—including being habitually truant—is 16. Many enter the system at age 13 or 14, state lawmakers were told July 1 by the state Department for Community Based Services, and many go to foster care.

Of the 1,221 status offenders committed to the department as of January 2011, 945 were placed in "out of home care," or foster care, said DCBS Commissioner Pat Wilson. They included victims of substantiated abuse or neglect, children with attention deficit disorders, victims of school bullying, substance abusers, or those who felt marginalized by society in some way, she said.

Foster care is one way to help these youth, but a course of action Wilson said DCBS does not favor for habitual truants is juvenile detention, or jailing of students. Habitual truancy, which Wilson said is the most common status offense in Kentucky, is defined by state law as six or more unexcused school absences per school year and is subject to action by the courts.

"We certainly agree that the detention of youth is not the answer to the problem," Wilson told the Interim Joint Committee on Judiciary.

Only seven of the 1,221 children committed to DCBS in January were in juvenile detention facilities, she said, although that number only reflects the number of children under DCBS. It does not include status offenders who are detained before being committed to DCBS.

Wilson and Patrick Yewell, who is the executive officer of the Administrative Office of the Courts Department of Family and Juvenile Services, both seemed to favor diversion programs for truants that allow children to work through their issues with their school and the state

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Committee Meetings

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LEGISLATIVE RESEARCH COMMISSION

Minutes of the 533rd Meeting
July 6, 2011

Call to Order and Roll Call

The 533rd meeting of the Legislative Research Commission was held on Wednesday, July 6, 2011, at 1:30 PM, in Room 125 of the Capitol Annex. Senator David L. Williams, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator David L. Williams, Co-Chair; Representative Greg Stumbo, Co-Chair; Senators Carroll Gibson, R.J. Palmer II, Dan "Malano" Seum, Katie Kratz Stine, Robert Stivers II, and Johnny Ray Turner; Representatives Rocky Adkins, Larry Clark, Robert R. Damron, Bob M. DeWeese, Danny Ford, Jeff Hoover, and Tommy Thompson.

LRC Staff: Robert Jenkins and Christy Glass.

Senator Williams called the meeting to order and the secretary called the roll. There being a quorum present, Senator Williams called for a motion to approve the minutes of the October 6, 2010, meeting; accept items A. through V. under Staff and Committee Reports; refer prefiled bills and administrative regulations as indicated and approve items C. through AA. under New Business; and accept and refer as indicated items 1. through 91. under Communications. Representative Clark asked for clarification on Item L. under New Business. He asked if LRC were ratifying the RFP and not actually hiring a vendor, to which Senator Williams answered yes. A motion was made by Representative Stumbo and seconded by Representative Adkins. A roll call vote was taken, and the motion passed unanimously. The following items were approved, accepted, or referred:

The minutes of the October 6, 2010 meeting were approved.

STAFF AND COMMITTEE REPORTS

Information requests for October through December 2010 and January through June 2011.

Committee Activity Reports for May and June 2011.

Reports of the Administrative Regulation Review Subcommittee meetings of October 12, November 9, and December 14, 2010, and January 11, February 14, March 8, April 12, May 10, and June 14, 2011.

Committee review of administrative regulations by the Interim Joint Committee on Health and Welfare during its meetings of October 20, November 17, and December 15, 2010, and June 15, 2011.

Committee review of administrative regulations by the Interim Joint Committee on Education during its meetings of October 11, and November 8, 2010.

Committee review of administrative regulations by the Interim Joint Committee on Appropriations and Revenue during its meeting of December 2, 2010.

Committee review of administrative regulations by the Interim Joint Committee on Veterans, Military Affairs, and Public Protection during its meeting of November 22, 2010.

Committee review of administrative regulations by the Senate Standing Committee on Education during its meetings of February 3, and March 1, 2011.

Committee review of administrative regulations by the House Standing Committee on Education during its meetings of February 2, and March 1, 2011.

Committee review of administrative regulations by the Interim Joint Committee on Education during its meeting on June 13, 2011.

Committee review of FY 2011 Community Mental Health Services Block Grant by the Interim Joint Committee on Health and Welfare during its meeting of November 17, 2010.

Committee review of FY 2011 Small Cities Services Block Grant Application by the Senate Standing Committee on State and Local Government and House Standing Committee on Local Government during their meeting of March 2, 2011.

Committee review of SFY 2012 Social Services Block Grant by the Interim Joint Committee on Health and Welfare during its meeting of June 15, 2011.

Committee review of FFY 2012-2013 Child Care and Development Fund Plan Application by the Interim Joint Committee on Health and Welfare during its meeting of June 15, 2011.

Committee review of Executive Reorganization Order 2010-856 by the Interim Joint Committee on Education during its meeting of December 6, 2010.

Committee review of Executive Reorganization Order 2010-927 by the Interim Joint Committee on Education during its meeting of December 6, 2010.

Committee review of Executive Reorganization Order 2011-351 by the Interim Joint Committee on Education during its meeting on June 13, 2011.

Committee review of Executive Reorganization Order 2011-355 by the Interim Joint Committee on Education during its meeting on June 13, 2011.

Committee review of Executive Reorganization Order 2011-356 by the Interim Joint Committee on Education during its meeting June 13, 2011.

Memorandum from Teresa Arnold submitting the Update on the Practice of Denturitry in Kentucky as directed by 2010 House Bill 179. (Staff suggested committee referral: Health and Welfare) .

From the Task Force on the Penal Code and Controlled Substances Act: Report of the Task Force pursuant to 2010 House Concurrent Resolution 250. (Staff suggested committee referral: Judiciary).

Memorandum from Teresa Arnold submitting staff study of Certification and Escrow Requirements Associated With the Tobacco Master Settlement Agreement as directed by 2009 Senate Bill 48. (Staff suggested committee referrals: Appropriations and Revenue and Agriculture.)

NEW BUSINESS

Referral of prefiled bills to the following committees: **BR 8** (relating to taxation) and **BR 31**(relating to the promotion of organ and tissue donation) to **Appropriations and Revenue**; **BR 22** (relating to out-of-state durable medical equipment providers) to **Health and Welfare**; **BR 9** (relating to judicial sales) and **BR 30** (relating to crimes and punishment) to **Judiciary**.

Referral of the administrative regulations to the following committees for secondary review pursuant to KRS 13A.290(6): **103 KAR 15:195 & E** (Endow Kentucky Tax Credit) and **907 KAR 1:715** (School-based health services) to **Appropriations and Revenue**; **16 KAR 6:030** (Examination prerequisites for principal certification) to **Education**; **201 KAR 8:550 & E** (Anesthesia and sedation), **900 KAR 6:030** (Certificate of need expenditure minimums), and **900 KAR 7:030** (Data reporting by health care providers) to **Health and Welfare**; **505 KAR 1:130** (Department of Juvenile Justice policies and procedures; juvenile services in community) to **Judiciary**; **815 KAR 20:070** (Plumbing fixtures) to **Labor and Industry**; **811 KAR 2:190** (Kentucky Quarter Horse, Appaloosa, and Arabian Development) and **815 KAR 20:030** (License application; qualifications for examination, examination requirements, expiration, renewal, revival or reinstatement of license) to **Licensing and Occupations**; **301 KAR 2:300** (Black bears), **401 KAR 10:030** (Antidegradation policy implementation methodology) to **Natural Resources and Environment**; and **101 KAR 1:325** (Probationary periods) to **State Government**.

From Senate President David L. Williams and House Speaker Gregory D. Stumbo: Memorandum regarding the selection of Peggy Hyland as the 2010 Vic Hellard Jr. Award recipient. Also included please find a letter of gratitude from Ms. Hyland.

From Senate President David L. Williams and House Speaker Gregory D. Stumbo: Memorandum regarding the appointment of Hon. Gail Russell to the National Conference of Commissioners on

Uniform State Laws upon the resignation of Brad Cowgill.

From Bobby Sherman: Memorandum regarding redistricting issues and staff recommendations.

From Senate President David L. Williams and House Speaker Gregory D. Stumbo: Memorandum authorizing and appointing the membership of the 2011 Task Force on the Penal Code and Controlled Substances Act.

From Senator Julie Denton and Representative Tom Burch, Co-Chairs, Interim Joint Committee on Health and Welfare: Memorandum requesting authorization and the appointment of members to the Families and Children Subcommittee and to the Health Issues and Aging Subcommittee of the Interim Joint Committee on Health and Welfare.

From Senate President David L. Williams and House Speaker Gregory D. Stumbo: Memorandum authorizing and appointing the membership of the Task Force on Childhood Obesity.

From Bobby Sherman: Memorandum regarding appointment of Representative Leslie Combs as a non-voting ex officio member of the Budget Review Subcommittee on Economic Development and Tourism, Natural Resources, and Environmental Protection of the Interim Joint Committee on Appropriations and Revenue.

From Senator Damon Thayer and Representative Mike Cherry, Co-Chairs, Interim Joint Committee on State Government: Memorandum requesting approval to meet on July 21, rather than the regularly scheduled meeting date of July 27. There are ten potential conflicts.

From Senator Damon Thayer and Representative Mike Cherry, Co-Chairs, Interim Joint Committee on State Government: Memorandum requesting approval to meet on November 16, rather than the regularly scheduled meeting date of November 23. There are four potential conflicts.

From Senate President David L. Williams and House Speaker Gregory D. Stumbo: Memorandum authorizing the issuance of a Request for Proposals for a consultant to study the effectiveness of economic development initiatives (2011 HJR 5).

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

From Senator Ken Winters and Representative Carl Rollins, Co-Chairs, Interim Joint Committee on Education: Memorandum requesting authorization and the appointment of members to the Subcommittee on Postsecondary Education and the Subcommittee on Elementary and Secondary Education of the Interim Joint Committee on Education.

From Senate President David L. Williams and House Speaker Gregory D. Stumbo: Memorandum removing Representative Tommy Turner as a member and appointing Representative Julie Adams as a liaison member of the Budget Review Subcommittee on Postsecondary Education of the Interim Joint Committee on Appropriations and Revenue.

From Senator Ken Winters and Representative Carl Rollins, Co-Chairs, Interim Joint Committee on Education: Memorandum requesting approval to meet on August 1, rather than the regularly scheduled meeting date of August 8. There are no apparent conflicts.

From Senate President David L. Williams and House Speaker Gregory D. Stumbo: Memorandum appointing Senator R. J. Palmer to the Interim Joint Committee on Transportation.

From Senate President David L. Williams and House Speaker Gregory D. Stumbo: Memorandum authorizing and appointing membership to the Subcommittee on Kentucky Waterways of the Interim Joint Committee on Transportation.

From Senate President David L. Williams and House Speaker Gregory D. Stumbo: Memorandum appointing Representative Steven Rudy to the Subcommittee on Kentucky Waterways of the Interim Joint Committee on Transportation.

From Senator Tom Buford and Representative Jeff Greer, Co-Chairs, Interim Joint Committee on Banking and Insurance: Memorandum requesting approval to meet October 20 in conjunction with the Kentucky Credit Union League annual meeting, rather than the regularly scheduled meeting date of October 25. There are seven potential conflicts.

From Senator Bob Leeper and Representative Rick Rand, Co-Chairs, Interim Joint Committee on Appropriations and Revenue: Memorandum requesting authorization and appointment of membership to the Subcommittee on 2012-2014 Budget Preparation and Submission of the Legislative Research Commission.

From Senate President David L. Williams and House Speaker Gregory D. Stumbo: Memorandum listing the membership of the Special Subcommittee on Energy.

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

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

From Senator Julie Denton and Representative Tom Burch, Co-Chairs, Interim Joint Committee on Health and Welfare: Memorandum requesting approval to meet on September 13 in conjunction with activities of Prevent Child Abuse Kentucky, rather than the regularly scheduled meeting date of September 14. There are five potential conflicts.

From Senator David Givens and Representative Tom McKee, Co-Chairs, Interim Joint Committee on Agriculture: Memorandum requesting approval to meet on August 25 in Louisville at the Kentucky State Fair Board, rather than the regularly scheduled meeting date of August 10. This will be the third out-of-town meeting. There are 14 potential conflicts.

From Senator David Givens and Representative Tom McKee, Co-Chairs, Interim Joint Committee on Agriculture: Memorandum requesting approval to meet on September 9 in Lexington at the University of Kentucky, rather than the regularly scheduled meeting date of September 14. This will be the fourth out-of-town meeting. There are five potential conflicts.

COMMUNICATIONS

From Senator Jimmy Higdon and Representative Fitz Steele, Co-Chairs, Program Review and Investigations Committee: Opportunity for LRC appointment of ex officio members for study topics.

From the Office of the Attorney General: Constitutional Challenge Reports for the months of August, September, October, and November 2010 and January, February, March, and April 2011.

From the Cabinet for Economic Development, Department of Financial Incentives: Loan data sheets for each loan approved as of the quarters ending September 30 and December 31, 2010, and March 31, 2011.

From the Teachers' Retirement System: In-state Investment Report for FY 2010.

From the University of Kentucky, Office of the Treasurer: University of Kentucky Capital Construction Report for FY 2010.

From the Auditor of Public Accounts: Report entitled Registered Sex Offender Address Comparisons Can Strengthen the Monitoring Process for Child Care and Out-of-Home Placement Providers.

From the Kentucky Personnel Cabinet: FY 2010 Annual Report.

From the Cabinet for Health Services: Kentucky Council on Developmental Disabilities 2010 Annual Update.

From the Energy and Environment Cabinet: Listings of Agency Owned Lands Open and Closed to Hunting.

From the Finance and Administration Cabinet, Office of the Controller: Surtax Receipts Statements for the Law Enforcement and Professional Firefighters Foundation Fund Programs for the months of September, October, November, and December 2010 and year-to-date activity for FY 2010; and for the months of January, February, March, April, and May 2011 and year-to-date activity for FY 2011.

From the Kentucky Personnel Board: Annual Report for FY 2010.

From the Finance and Administration Cabinet: Monthly Investment Income Report for the months of September, October, November, and December 2010 and January, February, March, April, and May 2011:

From the Kentucky's Resource Center for Environmental Sustainability: 2009-2010 Annual Report.

From the University of Kentucky, Kentucky Geological Survey, Kentucky Interagency Groundwater Monitoring Network: FY 2010 Annual Report.

From the Kentucky Labor Cabinet, Division of Workers' Compensation Funds: Report for Kentucky Coal Workers' Pneumoconiosis Fund, Quarters Ending September 30 and December 31, 2010, and March 31, 2011.

From the Cabinet for Health and Family Services: FY 2011 Substance Abuse Prevention and Treatment (SAPT) Block Grant Summary.

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

From the Auditor of Public Accounts: Examination of Allegations of Potential Fraud and Other Related Issues Regarding Procurement Practices of Lexington-Fayette Urban County Government.

From the Cabinet for Economic Development: Kentucky Enterprise Initiative Act Annual Report for FY 2010.

From the Finance and Administration Cabinet: FY 2009 Report on Energy Efficiency in Leased-In Facilities.

From Eastern Kentucky University: FY 2010 Financial Report.

From the Cabinet for Health and Family Services, Office of the Inspector General: Medicaid Fraud and Abuse Report for FY 2010.

From State Budget Director Mary E. Lassiter: September 2010 monthly update on ARRA formula funding.

From the Cabinet for Economic Development: Bluegrass State Skills Corporation Annual Report FY 2010.

From the Personnel Cabinet: Semi-annual reports (October 27, 2010, and May 15, 2011) of all Non-Merit Positions for Selected Qualifications.

From the Finance and Administration Cabinet, Kentucky Higher Education Assistance Authority: Annual Actual Valuation of the Prepaid Tuition Trust Fund for Kentucky's Affordable Prepaid Tuition for FY 2010.

From the Kentucky Department of Fish and Wildlife: The Status of Chronic Wasting Disease (CWD) in animals.

From the Personnel Cabinet: Statewide Turnover Report for the 3rd Quarter, 2010.

From the Kentucky Office of Homeland Security: 2010 Annual Report.

From the Cabinet for Economic Development: Kentucky Enterprise Initiative Act Annual Report for FY 2010.

From the Department of Education: FY 2010 Physical Activity Report.

From the Department of Education: Energy Efficient School Design Within Kentucky's Education System FY 2010.

From Kentucky Employers' Mutual Insurance Authority: Quarterly Statement and Financial Status for the periods ending September 30, 2010, and March 31, 2011.

From the Auditor of Public Accounts: Letter to Dr. James R. Ramsey regarding Examination Findings of University Health Care, Inc., DBA Passport Health Plan.

From the Auditor of Public Accounts: Examination of Certain Policies, Procedures, Controls, and Financial Activity of University Health Care, Inc., DBA Passport Health Plan, and Its Affiliation with the University of Louisville and the Cabinet for Health and Family Services.

From the University of Kentucky: Audited Financial Statements of the University of Kentucky and its affiliated corporations for FY 2010.

From the University of Kentucky, Kentucky Tobacco Research & Development Center: Quarterly Report for the period July 1 through September 30, 2010.

From the Transportation Cabinet: Minutes of the Kentucky Public Transportation Infrastructure Authority (KPTIA) for meetings conducted during FY 2010.

From the Kentucky Judicial Form Retirement System: Audited Financial Statements of the Kentucky Judicial Form Retirement System for FY 2009 and FY 2010.

From the Kentucky Judicial Form Retirement System: GASB Disclosure Report as of July 1, 2010, for the Kentucky Judicial Retirement Plan and GASB Disclosure Report as of July 1, 2010, for the Kentucky Legislators Retirement Plan.

From the Finance and Administration Cabinet, Kentucky Higher Education Assistance Authority: FY 2010 Audited Financial Statements for the Kentucky Higher Education Assistance Authority, Kentucky Higher Education Student Loan Corporation, and the Kentucky Affordable Prepaid Tuition Program.

From Northern Kentucky University: FY 2010 Financial Report.

From the Cabinet for Health and Family Services, Department for Community Based Services: Child Abuse and Neglect Annual Report of Child Fatalities and Near Fatalities, September 2010.

From the Kentucky Employers' Mutual Insurance: 2011 Administrative Budget, Third Quarter 2010 Financial Statements; Statement of Assets, Liabilities, and Policyholder Surplus; Statement of Income; Statement of Solvency; and Statement of Actuarial Opinion for the year ended December 31, 2009.

From the Cabinet for Health and Family Services: Report of the Department for Community Based Services Tuition Waiver Program for Youth for the reporting period September 2009-September 2010.

From the Horse Racing Commission: 2008-2009 Biennial Report.

From the Transportation Cabinet: Pursuant to 10 SS HB 3, Report of Maximization of Road Fund Resources Achieved Through the Review of Contract Expenditures.

From the Cabinet for Economic Development: Incentives for Energy Independence Act Annual Report, October 2010.

From the Justice and Public Safety Cabinet, Department of Corrections: Response and Implementation of Audit Recommendations found in the report entitled Examination of the Kentucky Department of Corrections' Food Service Contract with ARAMARK Correctional Services, LLCC.

From the Finance and Administration Cabinet: Report of Contract Efficiencies due to rebidding or renegotiation for FY 2011.

From the Kentucky Retirement Systems: FY 2010 Financial Statements.

From the Kentucky Legislative Ethics Commission: FY 2009-2010 Annual Report.

From the Finance and Administration Cabinet: Memorandum regarding Insurance Premiums Surcharge pursuant to KRS 136.392.

From the Public Protection Cabinet, Department of Insurance: Report of Kentucky Access, January 2011.

From the Cabinet for Health and Family Services: 2010 Child Fatality Review Annual Report.

From the Personnel Cabinet, Department of Employee Insurance: Kentucky Employees' Health Plan Tenth Annual Report.

From the Public Protection Cabinet, Department of Insurance: FY 2010 Annual Report of the Kentucky Health Care Improvement Authority.

From the Public Service Commission: An Investigation of Natural Gas Retail Competition Programs, pursuant to 10 RS HJR 141.

From the Kentucky Labor Cabinet: 2010 Annual Report.

From the Justice and Public Safety Cabinet, Department of Corrections: Report on the Commonwealth's need for correctional facilities in response to 10 SS HB 1.

From the Kentucky Geological Survey, University of Kentucky: 2009-2010 Annual Report.

From Murray State University: FY 2010 Annual Financial Report.

From the Cabinet for Health and Family Services: 2010 Report on federally licensed blood establishments in Kentucky.

From the Cabinet for Health and Family Services: FY 2008 and 2009 Domestic Violence Batterer Intervention Provider Program Annual Report.

From the Cabinet for Health and Family Services: SWIFT Adoption Teams Report for the third quarter of 2010.

From the Auditor of Public Accounts: Examination of Certain Policies, Procedures, Controls, and Financial Activity of the Mountain Water District.

From the University of Kentucky, Kentucky Tobacco Research & Development Center: FY 2010 Annual Report.

From the Personnel Cabinet: 2010 Turnover Reporting, 4th Quarter Reports:

From the Personnel Cabinet: 2010 Annual Turnover Report.

From the Kentucky State Nature Preserves Commission: 2011 Biennial Report.

From Senator Jack Westwood and Representative Ted Edmonds, Co-Chairs, Education Assessment and Accountability Review Subcommittee: Memorandum acknowledging the approval of the 2011 Office of Education Accountability (OEA) study agenda and authorizing the use of NTAPAA by OEA.

From the Cabinet for Economic Development: 2010 Annual Report for the Business Information Clearinghouse.

From the Kentucky Pollution Prevention Center: KEEPS 2010 Annual Status Report.

From the Public Protection Cabinet, Department of Alcoholic Beverage Control: 2008-2009 Annual Report.

From the Public Protection Cabinet, Department of Alcoholic Beverage Control: 2009-2010 Annual Report.

From Kentucky Employers' Mutual Insurance: Annual Statement and Letter of Actuarial Opinion for the year ended December 31, 2010.

From the Cabinet for Health and Family Services: 2010 Kentucky Colon Cancer Screening Advisory Committee Annual Report.

From the Cabinet for Health and Family Services: FY 2009 Kentucky Women's Cancer Screening Program Annual Report.

From the Tourism, Arts, and Heritage Cabinet, Kentucky Department of Fish and Wildlife Resources: FY 2010 Hunger Relief Program Report.

From the Auditor of Public Accounts: Report of the Audit of the McCracken County Fiscal Court for FY 2009.

From the Auditor of Public Accounts: Examination of Certain Policies, Procedures, Controls, and Financial Activity of Dismas Charities, Inc.

From the Finance and Administration Cabinet, Department of Revenue, Office of Property Evaluation: 2011 Real Property Exempt List.

From the Office of State Budget Director: 2012-2014 Branch Budget Request Manual.

From the University of Kentucky, College of Agriculture: Kentucky Tobacco Research and Development Center Quarterly Report for the period January 1 through March 31, 2011.

From the Kentucky Employers' Mutual Insurance: First Quarter 2011 Financial Statements; Statement of Assets, Liabilities, and Policyholder Surplus; Statement of Income; and Statement of Solvency as of March 31, 2011.

From Kentucky Employers' Mutual Insurance: 2010 Annual Report.

From Murray State University: Regulations adopted by the Murray State University Board of Regents pursuant to KRS 164.367.

From the Cabinet for Economic Development: Semi-annual Report of Riverport Marketing Assistance for the period January 1 through June 30, 2011.

From the Kentucky State Board for Proprietary Education: Update on the implementation of recommendations contained in Report of the Audit of the Kentucky State Board for Proprietary Education, April 20, 2011.

From the Cabinet for Health and Family Services, Department for Aging and Independent Living: FY 2010 Traumatic Brain Injury Trust Fund Program Annual Report.

From the Cabinet for Health and Family Services: 2010 Annual Report of the Kentucky Spinal Cord and Head Injury Research Board.

ADJOURNMENT

There being no further business, the meeting was thereby adjourned at 1:48 p.m.

LEGISLATIVE RESEARCH COMMISSION

Subcommittee on 2012-2014 Budget Preparation and Submission Minutes of the 1st Meeting of the 2011 Interim

June 23, 2011

Call to Order and Roll Call

The first meeting of the Subcommittee on 2012-2014 Budget Preparation and Submission of the Legislative Research Commission was held on Thursday, June 23, 2011, at 3:00 PM, in Room 149 of the Capitol Annex. Representative Rick Rand, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Bob Leeper, Co-Chair; Representative Rick Rand, Co-Chair; Senators David Givens, and Katie Kratz Stine; Representatives Sannie Overly and Arnold Simpson.

Guests: John Hicks, Deputy State Budget Director, Office of State Budget Director.

LRC Staff: L. Bart Hardin and Spring Emerson.

Chairman Rand began by thanking the subcommittee members for their presence. He then introduced John Hicks, Deputy State Budget Director, Office of State Budget Director (OSBD), and asked him to provide an overview of proposed

changes to the Executive Branch budget instructions.

Chairman Rand asked if the baseline budget was always the ending of the current fiscal year. Mr. Hicks replied in this case it is the fiscal year 2012 enacted budget less spending reductions that have taken place this biennium as a part of the enacted budget. It is lower than the appropriation in the bill because it has been reduced by spending reductions. He added that typically there is a deadline for restricted and federal fund appropriations increases in order to set the baseline.

Chairman Rand inquired about proposed personnel changes. Mr. Hicks explained the snapshot date for personnel vacancies is August 1st for forecasting purposes. He said in the past the only positions the agencies could ask for were those included in the baseline or those already filled, even if they could afford more. The new proposal states that they can only request positions they can afford, even if they are currently vacant. Chairman Rand wondered if it would be a good exercise to require agencies to justify every position. Mr. Hicks stated that they consider the budget process to be justification for positions, even those that are filled. Chairman Rand asked if there could be a problem with agencies having vacancies. Mr. Hicks said he didn't think so, due to the fact that the information agencies provide is an input to the decision-making process.

Senator Givens asked if the baseline budget is the enacted previous year's budget. Mr. Hicks replied in the affirmative. Senator Givens asked if an agency or department has money left at the end of the year, would it impact their baseline budget. Mr. Hicks answered that due to the biennium budget timelines, the agencies would not know the answer to that question when they submit their budget requests. He explained that OSBD staff and Budget Review staff also look backwards as part of the analysis process. Senator Givens asked if there were any incentives or mechanisms built in that would motivate an agency to spend less money. Mr. Hicks said that it would be difficult to do within the budget request process due to agencies estimating their costs when submitting them.

Chairman Rand requested a motion to direct the Co-Chairs to work with LRC staff to finalize the 2012-2014 Budget Instructions and formally present them to LRC for adoption. A motion was made by Representative Simpson, seconded by Representative Overly, and the motion carried without objection or discussion.

Chairman Rand requested a motion to direct staff to send out Defined Calculations letters to specific agencies before 2012-2014 Budget Instructions are finalized. A motion was made by Representative Simpson, seconded by Senator Stine, and the motion carried without objection or discussion.

There being no further business before the subcommittee, the meeting was adjourned at 3:35 PM.

INTERIM JOINT COMMITTEE ON AGRICULTURE

Minutes of the 1st Meeting of the 2011 Interim

June 8, 2011

Call to Order and Roll Call

The 1st meeting of the Interim Joint Committee on Agriculture was held on Wednesday, June 8, 2011, at 10:00 AM, at the Perkins Building, Eastern Kentucky University, Richmond, Kentucky. Representative Tom McKee, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator David Givens, Co-Chair; Representative Tom McKee, Co-Chair; Senators Paul Hornback, Dennis Parrett, Joey Pendleton, Damon Thayer, and Robin L. Webb; Representatives Royce W. Adams, John "Bam" Carney, James R. Comer Jr., Will Coursey, Jim DeCesare, Myron Dossett, C. B. Embry Jr., Kim King, Martha Jane King, Michael Meredith, Brad Montell, Fred Nesler, David Osborne, Sannie Overly, Tom Riner, Steven Rudy, Rita Smart, Wilson Stone, Tommy Turner, and Susan Westrom.

Guests: Rep. John Will Stacy; Sen. Jared Carpenter; Rep. Rocky Adkins; Dr. Jana Vice, Provost, Eastern Kentucky University; Tim Hughes, Director, Division of Biofuels, Energy and Environment Cabinet; Roger Thomas, Executive Director, Governor's Office of Agricultural Policy; Dr. Bruce Pratt, Director, EKU Center for Renewable and Alternative Fuel Technologies; and Don Pasley, Commissioner of Rural Roads, Transportation Cabinet.

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

Discussion of Biofuels and Bioenergy:

Tim Hughes, Director, Division of Biofuels, Energy and Environment Cabinet, and Roger Thomas, Executive Director, Governor's Office of Agricultural Policy, gave a presentation on energy-related projects and their relation to the Kentucky Agricultural Development Fund, the American Recovery and Reinvestment Act (ARRA), and the Department for Energy Development and Independence. (For more information, a copy of the presentation can be found in the LRC Library)

Mr. Hughes talked about the state's energy program as a part of the ARRA. He explained that the program is designed to ensure effective coordination among local, state, and Federal energy efficiency, renewable energy, and alternative transportation fuel programs within the Commonwealth. The program promotes and encourages energy awareness through public education and by introducing energy-saving technologies in the industrial building, transportation, and utility sectors. The program also encourages and conducts energy audits, promotes the adoption of integrated energy plans, promotes energy efficiency as part of economic development, trains and educates building designers and contractors, supports feasibility studies, and encourages the use of renewable energy technologies.

Mr. Hughes and Mr. Thomas stated that one area that ARRA funds have been invested in is for on-farm energy efficiency and production projects. So far, 100 applications are pending approval. Those projects are valued at approximately $8 million and are projected to generate energy savings of approximately $800,000.

Mr. Thomas discussed projects that the Kentucky Agricultural Development Fund and the Kentucky Agricultural Finance Corporation have been involved in, including Commonwealth Agri-Energy and Owensboro Grain Biodiesel.

Discussion of Agri-Energy Relation Activities:

Dr. Bruce R. Pratt, of the Center for Renewable and Alternative Fuel Technologies (CRAFT), gave an overview of what the Department of Agriculture at Eastern Kentucky University (EKU) was doing. He also discussed the energy-saving performance contract at EKU, a $27 million project to upgrade energy efficiency on campus through lighting upgrades, HVAC retrofits, steam heating system upgrades, and water conservation programs. He said the guaranteed energy savings on the project should be approximately $7,900 per day.

Dr. Pratt explained the process involved in converting biomass to biofuels, and what EKU is doing in that field at the CRAFT center. He also discussed the waste Plastic Energy Recovery project, a project developed by General Atomic. They have developed a fuel that mixes dissolved plastics into 100 percent biodiesel and can run in conventional diesel engines.

In conclusion, he stated that the EKU Department of Agriculture is developing Agri-energy options to help students prepare for emerging technologies for on-the-farm energy efficiency and bio-energy production.

There being no further business, the meeting was adjourned.

INTERIM JOINT COMMITTEE ON APPROPRIATIONS AND REVENUE

Minutes of the 1st Meeting of the 2011 Interim

June 23, 2011

Call to Order and Roll Call

The 1st meeting of the Interim Joint Committee on Appropriations and Revenue was held on Thursday, June 23, 2011, at 1:00 PM, in Room 154 of the Capitol Annex. Representative Rick Rand, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Bob Leeper, Co-Chair; Representative Rick Rand, Co-Chair; Senators Joe Bowen, Tom Buford, Denise Harper Angel, Ernie Harris, Jimmy Higdon, Paul Hornback, Ray S. Jones II, Vernie McGaha, Joey Pendleton, Brandon Smith, Jack Westwood, and Mike Wilson; Representatives Royce W. Adams, John A. Arnold Jr., John "Bam" Carney, Jesse Crenshaw, Ron Crimm, Mike Denham, Bob M. DeWeese, Danny Ford, Derrick Graham, Richard Henderson, Jimmie Lee, Sannie Overly, Marie Rader, Jody Richards, Sal Santoro, Arnold Simpson, Tommy Turner, Alecia Webb-Edgington, Susan Westrom, and Brent Yonts.

Guests: Mr. Greg Harkenrider, Deputy Executive Director for Policy Research, Office of the State Budget Director; Mr. Ron Crouch, Office of Employment and Training, Kentucky Education & Workforce Development Cabinet; Representative Rocky Adkins.

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

Revenue Report

Mr. Greg Harkenrider, Deputy Executive Director of the Governor's Office for Economic Analysis, presented the third quarter of fiscal year 2011 update. He discussed Kentucky's current economic status and provided an overview of General Fund and Road Fund revenues for the third quarter of 2011. He discussed the most recent economic update, stating that the two most important items that revenue is driven by are wages and personal income. Personal income has increased by 4.7 percent and wages has increased 4.8 percent. These numbers are less than those seen on a national level, but Kentucky was spared the full brunt of the economic downturn, so it would follow that Kentucky's percentages would show less dynamic growth. The manufacturing sector is expected to grow by 3.3 percent which is outpacing the sector on a national level.

Mr. Harkenrider discussed the General Fund revenues and interim forecast, stating there has been strong revenue growth during the third quarter, and this growth is expected to continue into the fourth quarter. The growth has been in the individual income tax, corporate tax, and coal severance tax segments. Corporate income tax is expected to surpass the Consensus Forecasting Group (CFG) estimate, and the increase in individual income tax is seen in declaration payments and net returns. The overage seen in the coal severance tax does not go to the General Fund total, but instead is distributed among the coal severance counties according to statutory formula. The General Fund showed a total increase of $95.7 million, but after subtracting the $31.1 million for coal severance distribution, the net general fund increase was $64.6 million for the third quarter.

Mr. Harkenrider discussed the state's Road Fund revenues and interim forecast, stating that the fund has the largest gain in percentage of actual incoming revenue

as compared to CFG estimates. The motor fuels tax and motor vehicle usage tax have increased, giving the fund higher than expected growth. The motor fuels tax increased $55.3 million over the CFG projection, while the motor vehicle usage tax had a $18.4 million increase over projected. The total Road Fund revenue is $75.6 million over estimate, and when $26.6 million is removed for motor fuels tax sharing, the Road Fund showed a net revenue increase of $49 million for the third quarter.

Mr. Harkenrider stated that since the third quarterly report the General Fund has grown by 7.9 percent in April and 17.8 percent in May. May produces a nominal revenue increase of increase of $113.6 million. This was accomplished by a 37.5 percent single month growth in individual income tax, with the withholding component growing by 12.3 percent for May. The coal severance tax also grew sharply in May, increasing by 37.1 percent with a nominal revenue increase of $9.0 million.

In response to a question from Chairman Rand, Mr. Harkenrider stated that the nation's economy will eventually recover, but the more important issue is how long will the economy remain at the lowest point of the recession. He believes that Kentucky is poised to recover as well as, or possibly better than, the national average, with the strongest recovery seen in the state's manufacturing sector. He believes the continued difficulties in the housing market are caused by the decrease in jobs and more stringent credit underwriting practices.

In response to a question from Representative Lee, Mr. Harkenrider replied that the Road Fund estimates do include additional revenues raised by the statutory increase in the gasoline tax.

In response to a question from Representative Ford, Mr. John Hicks, Deputy State Budget Director, answered that the receipts received from the sale of state surplus property are included in the third quarterly report statistics. Most surplus items are first offered for sale to other state and local governmental agencies, and the remaining property is offered for sale to the public at auction.

In response to a question from Representative Crimm, Mr. Harkenrider said that the revenue increases discussed in the presentation do not represent a budget surplus, but rather increased revenues to go towards necessary government expenses (NGEs) and the remainder would be deposited into the Budget Reserve Trust Fund. The executive branch does not have the authority to spend any additional revenues outside those appropriations contained within the state budget.

In response to a question from Senator Buford, Mr. Harkenrider said that the forecasted sales tax revenue figure was high in his opinion, and with economic recovery sluggish consumer confidence is low which is leading to lower sales tax revenues.

Kentucky Census Data Results

Mr. Ron Crouch, Director of Research and Statistics for the Office of Employment and Training of the Kentucky Education and Workforce Development Cabinet, discussed Kentucky's census data results, including data regarding population, employment, income and economic realities. Nationwide, the northeast, southwest, and midwest are in major decline, the northwest is in moderate decline, and the southeast is poised to become the economic engine of the nation. He discussed worldwide population trends, stating that there is only 12 percent in the under 25 years of age population, as compared to over 500 percent growth in population age 80 or older. Longevity is driving the world's population growth, but most developed world countries have seen population replacement decline.

Mr. Crouch discussed Kentucky specific trends, providing data in the following areas: percentage change in population from 2000 through 2010; change in employment by industry from 2001 through 2010; the ratio of employment to population among ages 15 to 64 for all Kentucky counties; median income by county; average monthly earnings by county; average monthly earning including healthcare and social assistance; percentage of births to unmarried mothers by county; and current personal transfer receipts for the state by county.

In response to a question from Chairman Rand, Mr. Crouch stated that Kentucky's interstate system and improvements in the educational system are advantages in economic development. The group aged 25 to 45 has been the hardest hit by the economic downturn. Mr. Crouch then discussed the reasons for the probable rebound in Kentucky's manufacturing sector.

In response to a question from Senator Bowmen, Mr. Crouch said it is important to bring a state's immigrant population to legal status and invest in their education. Across the nation, all population growth is from immigration, and the largest sector of that growth is Hispanic immigrants.

In response to a question from Representative Adkins, Mr. Crouch discussed improvements in the road system and education in east Kentucky and the impact of those improvements on the region's future economic development.

Chairman Rand informed the committee that the next meeting will be held on Thursday, July 28, 2011 in Room 154 of the Capitol Annex.

Being no further business, the meeting was adjourned at 3:35 p.m. All meeting materials and a cassette tape of the meeting in its entirety can be found in the LRC Library.

INTERIM JOINT COMMITTEE ON APPROPRIATIONS AND REVENUE

Budget Review Subcommittee on Postsecondary Education
Minutes of the 1st Meeting of the 2011 Interim

June 23, 2011

Call to Order and Roll Call

The 1st meeting of the Budget Review Subcommittee on Postsecondary Education of the Interim Joint Committee on Appropriations and Revenue was held on Thursday, June 23, 2011, at 10:00 AM, in Room 129 of the Capitol Annex. Representative Arnold Simpson, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Representative Arnold Simpson, Co-Chair, Derrick Graham, Co-Chair; Senator Vernie McGaha, Representatives Julie Raque Adams, Jody Richards, Melvin B. Henley, Carl Rollins II, Rita Smart, John "Bam" Carney, Dennis Horlander, Charles Miller, and John Will Stacy.

Guests: Paul E. Patton, Chair, Council on Postsecondary Education, and President, Pikeville College; and Robert L. King, President, Council on Postsecondary Education.

LRC Staff: Greg Rush, Tom Willis, Linda Ellis, and Amie Elam.

Chairman Simpson introduced Paul Patton, President of Pikeville College, and noted his diligent work in the area of education reform. Chairman Simpson also stated his appreciation for the Kentucky Postsecondary Improvement Act of 1997 (HB1), and stated the importance of revisiting the issues within the bill due to length of time that has elapsed since its passing.

Discussion of Postsecondary Education Reform in Kentucky

Representative Graham commended Mr. Patton and his former administration for the bold leadership and service. In response to a question from Representative Graham, Mr. King stated that House Bill 160 in 2010 addressed credit transfer issues including general education and majors. Mr. Patton stated that there are always adjustments that need to be made over time regarding education. He also stated that the Council on Postsecondary Education (CPE) will make recommendations in a timely manner.

Representative Richards stated that all of the postsecondary institutions have grown and improved dramatically since HB 1 was enacted. Kentucky has the best cadre of university presidents in quite some time and the right team leading the CPE. The second part of the Education Reform Act of 1990 was extremely important. He thanked the university presidents, the General Assembly, Mr. King, and Mr. Patton for making the necessary changes to the education system.

In response to a question asked by Representative Rollins, Mr. Patton stated that CPE is a properly balanced coordinating agency. Representative Rollins stated that universities want to expand, but they seem to never get rid of any programs. Mr. Patton said that if the General Assembly wanted CPE to take on the role of evaluating capital expenditures and program expansion and make with recommendations that fit the overall needs of the state, it is important for the General Assembly to have confidence in CPE. He stated that CPE, as an advisor to the legislature, is only worth the confidence that the General Assembly has in it.

Representative Smart stated that vocational education has not been valued appropriately. She added that young people need to understand the importance of technology as it relates to labor jobs.

Representative Henley stated that he read an article thirty-five years ago regarding the North Carolina experience, outlining how the state began a renaissance by emphasizing technical education. Through this emphasis, North Carolina was able to attract companies that needed expertise in these particular fields. Governor Patton agreed that workforce development is as equally important as the research component in furthering the economy.

2011-2015 Postsecondary and Adult Education Strategic Agenda: Stronger by Degrees

In response to a question asked by Representative Simpson, Mr. King answered that affordability is a huge part of student success. It is extremely important to make college more accessible, while still using caution when admitting students, so that under-qualified students are not getting admitted and then being left with debt they cannot repay and no diploma. State funding bears no relation to the growth of enrollment at each institution.

In response to a question from Representative Simpson, Mr. King stated that postsecondary institutions are starting to be more selective in their admission processes. Institutions want to get out of the business of remediation and are far more likely to deny admittance to students with more than one remedial need.

In response to a question from Representative Rollins, Mr. King stated that all students requiring remediation received it before graduation. High schools are becoming more responsible for pinpointing students with remediation needs and making sure that the students receive the remediation before they move on to postsecondary institutions.

In response to a question from Representative Henley, Mr. King answered that the remedial subjects most required by students are English, math, and science.

Representative Carney stated that teachers have come a long way in getting students prepared for postsecondary education. While it is important to cut back on the need for remediation, it is also

important not to leave students behind that may still need a little push. Math standards are so strict on the high school level that students may be lost before they even get to college. Mr. Patton stated that the maturity and willingness of a student to work plays a major part in student readiness for postsecondary education.

Representative Graham stated that study skills are lacking in curriculums. There should be a course offered in which students learn the most effective ways of studying. Mr. King stated that many students are working jobs more than twenty hours a week. These work obligations are forcing students to choose work over school. Financial resources are the single most persistent challenge students face regarding staying in school. CPE needs to find ways to encourage students to finish more quickly.

In response to a question from Representative Graham, Mr. King stated that there is a high percentage of Kentucky college students that attend in-state. Representative Graham stated that there is a need to expand programs for less fortunate families that have never attended colleges in order to encourage them to attend college. Mr. King said the funding for these programs is eroding due to the economy.

Senator McGaha stated it is troubling that there are good programs that need to get started, but to implement the programs the Council must act almost like a used car salesman to sell them to the universities. He asked Mr. King if there were anything the legislature could do to enable CPE to have an easier time getting these programs started. Mr. King stated that faculty is the heart and soul of an institution, and if the legislature could find a way to link funding to the achievement of these objectives, that would help to encourage success in these areas. Mr. Patton stated that, if the university presidents realize that the General Assembly values CPE's advice they will be more likely to look to CPE's advice. The university presidents must realize that CPE will come to the table with what is best for all of Kentucky.

Representative Simpson stated his appreciation for Mr. Patton, Mr. King, and the committee. There being no further business before the subcommittee, the meeting was adjourned at 12:27 p.m.

INTERIM JOINT COMMITTEE ON APPROPRIATIONS AND REVENUE

Budget Review Subcommittee on Primary and Secondary Education
Minutes of the 1st Meeting of the 2011 Interim
June 23, 2011

Call to Order and Roll Call

The 1st meeting of the Budget Review Subcommittee on Primary and Secondary Education of the Interim Joint Committee on Appropriations and Revenue was held on Thursday, June 23, 2011, at 10:00 AM, in Room 129 of the Capitol Annex. Representative Arnold Simpson, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Representative Derrick Graham, Co-Chair; Senator Vernie McGaha, Representatives John "Bam" Carney, Dennis Horlander, Charles Miller, and John Will Stacy.

Guests: Paul E. Patton, Chair, Council on Postsecondary Education, and President, Pikeville College; and Robert L. King, President, Council on Postsecondary Education.

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2011-2015 Postsecondary and Adult Education Strategic Agenda: Stronger by Degrees

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Representative Simpson stated his appreciation for Mr. Patton, Mr. King, and the committee. There being no further business before the subcommittee, the meeting was adjourned at 12:27 p.m.

INTERIM JOINT COMMITTEE ON APPROPRIATIONS AND REVENUE

Budget Review Subcommittee on Transportation
Minutes of the 1st Meeting of the 2011 Interim
June 23, 2011

Call to Order and Roll Call

The first meeting of the Budget Review Subcommittee on Transportation of the Interim Joint Committee on Appropriations and Revenue was held on Thursday, June 23, 2011, at 10:00 AM, in Room 154 of the Capitol Annex. Representative Sannie Overly, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Jimmy Higdon, Co-Chair; Representative Sannie Overly, Co-Chair; Senator Ray S. Jones II; Representatives Hubert Collins, Tim Couch, Danny Ford, Jim Gooch Jr., Dennis Keene, Sal Santoro, John Short, and Jim Stewart III.

Guests: Representatives Tom Burch, Larry Clark, Ron Crimm, Wade Hurt, Joni Jenkins, Charlie Miller, Michael Nemes, Darryl Owens, and Tom Riner. Secretary Mike Hancock; Gary Valentine, KY Project Manager, Louisville-Southern Indiana Ohio River Bridges Project; David Talley, Branch Manager, Office of Budget and Fiscal Management; and Russ Romine, Executive Staff Advisor, Office of the Secretary; Transportation Cabinet.

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

Chair Overly welcomed members of the Jefferson County House Delegation who had been invited to hear testimony regarding the Louisville-Southern Indiana Ohio River Bridges project (LSIORB). She then invited Transportation Cabinet officials to provide a brief overview of the LSIORB project scope and cost changes.

LSIORB Potential Cost Savings and Project Scope Changes

Cabinet Secretary Mike Hancock introduced Russ Romine, Executive Advisor, Office of the Secretary; David Talley, Branch Manager, Office of Budget and Fiscal Management; and Gary Valentine, Kentucky LSIORB Project Manager. Mr. Valentine outlined the potential cost savings and project scope changes for LSIORB.

In response to a question from Representative Crimm, Mr. Valentine said one side of the parallel bridges travels north while the other travels south.

In response to a question from Representative Owens regarding project sequencing, Secretary Hancock said that LSIORB is considered to be two bridges, but one project. Mr. Valentine added that work would be done concurrently at both locations. Secretary Hancock said, due to the complex magnitude of the project, the East End bridge may open first. Due to Spaghetti Junction being more difficult, it could take longer.

In response to a question from Representative Burch, Mr. Valentine stated that there is ongoing litigation between the Federal Highway Administration (FHWA) and plaintiffs. Representative Burch asked how long it took to build the bridge in Owensboro. Secretary Hancock replied that it was built over three construction seasons.

Representative Clark asked if the federal government would need to approve the environmental update and if so, how long would it take to get that approval. Mr. Valentine replied in the affirmative, adding that the goal is to have it complete within the next year. Representative Clark asked if construction could be started prior to final approval. Mr. Valentine said no. Representative Clark stated that everything needs to be approved and in place before the General Assembly meets in January, if funding is to be discussed. Secretary Hancock said the cabinet should have a clear picture in January.

In response to an inquiry from Representative Jenkins, Secretary Hancock said the LSIORB project was approached with an eye toward future needs.

In response to a request from Representative Collins, Mr. Valentine explained that the $2.9 billion represents approximately $2 billion in Kentucky costs and approximately $900 million in Indiana costs. Secretary Hancock said the initial cost had been $4.1 billion. After deducting the cost for scope reductions, $250 million came from Indiana's share of the original $4.1 billion.

Chair Overly inquired about Kentucky's savings. Secretary Hancock replied that Kentucky saved approximately $900 million and Indiana saved approximately $300 million. In response to a question from Chair Overly, Mr. Valentine explained that the financial plan would be presented to the General Assembly by the end of this calendar year.

In response to a question from Chair Overly, Mr. Valentine replied that the Louisville Southern Indiana Bridges Authority (LSIBA) is working to establish toll amounts. Representative Collins asked if the tolls would be different on each bridge. Secretary Hancock replied that no decision regarding toll amounts has been made. Mr. Valentine added that there were different price ranges to be considered. Representative Collins wondered if a less expensive toll on one bridge would cause a traffic overload. Mr. Valentine stated that was a possibility. In response to a question from Representative Collins, Secretary Hancock said there were two other bridges in the immediate area without tolls: the Sherman Minton Bridge and the Clark Bridge on Second Street. They both are heavily utilized, so the amount of diversion to those two bridges is constrained by what they can actually handle.

Representative Clark asked if commercial trucks had been considered when conducting the environmental cost analysis. Mr. Valentine replied in the affirmative.

In response to a question by Senator Higdon, Secretary Hancock said everything would come together throughout the process of presenting the next Road Plan, and any use of dollars for highway projects would be shown in the Road Plan. Revenue sources would be identified. Senator Higdon asked if toll revenues would be used to retire the debt instead of coming out of the road fund every year. Secretary Hancock replied that the hope is to maximize the ability to use tolls as a revenue source. His hope is that tolls would pay a proportionate share, but it is too early to tell at this point. The cabinet is evaluating how current road fund dollars for LSIORB are moving forward.

Representative Owens thanked Chair Overly on behalf of the Louisville House Delegation for inviting them to the meeting. He then inquired about toll projections and what would happen if actual revenues do not meet the projections. Secretary Hancock replied that those are things to be determined. Some risk could be transferred to the builder, and if so, the costs would increase, or the state could choose to keep some of the risk.

Road Fund Update

David Talley, Branch Manager, Office of Budget and Fiscal Management, Transportation Cabinet outlined road fund revenues.

In response to a request from Representative Collins regarding constraints on revenues, Mr. Talley explained that in the 2009 Special Session, the General Assembly enacted a $25 million motor vehicle usage tax credit, the majority of which was used in fiscal year 2010. Some of the growth shown in 2010-11 was due to the absence of that tax credit.

In response to a question from Representative Ford, Mr. Talley said the Department of Revenue conducts a quarterly survey to determine the average wholesale price of gasoline, and the results are used to set the excise tax rate. Representative Ford asked if there had been any decreases in the past five or six years. Mr. Talley replied that in the second quarter of fiscal year 2011, three tenths of a cent in collections was lost due to a reduction in the average wholesale price.

In response to a question from Representative Collins regarding projected usage tax revenues, Mr. Talley replied that the average wholesale price changes quarterly.

In response to a question from Senator Higdon regarding electric cars becoming more popular, Secretary Hancock said the cabinet would have to determine how to offset erosion of the road fund resulting from loss of revenues. Representative Keene commented that he had been to Europe recently and noticed the same amount of traffic, but with smaller cars, and remarked that it would be a good idea to learn how Europe deals with the issue. Secretary Hancock agreed.

Road Project Update

Secretary Hancock stated that, at the conclusion of the presentation, staff would provide a handout to the members showing a project-by-project breakdown.

In response to an inquiry from Chair Overly regarding the cabinet's recommendation to the General Assembly, Secretary Hancock said the cabinet does not have a clear picture at this point due to bills moving through Congress. There will be another SAFETEA-LU extension deadline this fall, and the cabinet should have a clearer indication from Congress at that time.

In response to a question from Representative Collins, Secretary Hancock said the low bids are running about 19 percent below average engineering estimates.

In response to a comment from Representative Gooch, Secretary Hancock said the cabinet works with Area Development Districts throughout the planning process to better define projects before they get too far along.

Representative Couch expressed his opinion that subcommittee members should be notified when the Transportation Districts meet with Area Development Districts.

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

INTERIM JOINT COMMITTEE ON ECONOMIC DEVELOPMENT AND TOURISM

Minutes of the 1st Meeting of the 2011 Interim

June 16, 2011

Call to Order and Roll Call

The 1st meeting of the Interim Joint Committee on Economic Development and Tourism was held on Thursday, June 16, 2011, at 1:00 PM, in Room 154 of the Capitol Annex. Representative Leslie Combs, Chairperson, called the meeting to order, and the secretary called the roll.

Present were:

Members: Representative Leslie Combs, Co-Chair; Senators Jared Carpenter, Julian M. Carroll, Julie Denton, Denise Harper Angel, Ernie Harris, Tim Shaughnessy, Jack Westwood, and Ken Winters; Representatives Julie Raque Adams, Royce W. Adams, Linda Belcher, John "Bam" Carney, Larry Clark, Will Coursey, Mike Denham, Myron Dossett, Ted Edmonds, Mike Harmon, Melvin B. Henley, Dennis Horlander, Wade Hurt, Dennis Keene, Thomas Kerr, Kim King, Martha Jane King, Donna Mayfield, Tom McKee, Terry Mills, Fred Nesler, David Osborne, Ruth Ann Palumbo, John Short, Fitz Steele, Wilson Stone, Tommy Thompson, Addia Wuchner, and Jill York.

Guests: Harold Workman, President and Chief Executive Officer, Kentucky State Fair Board; John S. Petterson, Senior Vice President of Operations and Michael Kane, Vice President of Manufacturing, Tiffany & Co.

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

KFC Yum! Center

Harold Workman, President and Chief Executive Officer of the Kentucky State Fair Board, explained that the Fair Board manages the arena on behalf of the Authority. He said the arena's success has exceeded all expectations. Since opening October 2010, the arena has hosted 38 basketball games, 79 practice season games, 28 concerts and family shows, and 136 miscellaneous events that include meetings, food functions, and various other activities. The arena is a magnet for downtown Louisville and has generated a great deal of economic development in the area. In addition to the University of Louisville's basketball program, the arena has hosted a number of entertainers including sold out concerts by The Eagles, Lady Gaga, Kid Rock, and Elton John, along with performances by Georgie Strait, Michael Buble, and Justin Bieber.

Mr. Workman said the international trade publication *Venues Today* rated the KFC Yum! Center 42nd among the top 50 ticket sales venues worldwide. Following the arena's one year anniversary, an economic impact analysis will be conducted. Media reports on development in the area have been positive.

Mr. Workman explained that the arena is supported by sponsorships. To date, with a value over $50 million, there are over 60 sponsorships with agreements ranging from 1-10 years.

With the opening of the area, new venues have come to the area. Eight new restaurants have opened nearby, including Bluegrass Brewing Company, Doc Crow's Southern Smokehouse and Raw Bar, and Eddie Merlot's. Prior to the arena being built, major conventions could not be held downtown for lack of a large gathering place. The Louisville International Convention Center has the capacity for meetings but not for large gatherings. Now, large conventions can be held in the new arena, which seats over 20,000, while break-out meetings and meal functions can be held at the convention center.

Chair Combs noted the committee's interest in the economic impact report when it is completed.

Responding to Representative Denham, Mr. Workman said with most concerts now being held at the new arena, Freedom Hall Exposition Center has been affected. Through negotiations with the Arena Authority, beginning in 2011, the authority agreed to make up for any decrease in revenue at the Freedom Hall Exposition Center, using 2009 revenues as a base line because that was the Center's last full year of operation. Mr. Workman said once the newness of the area fades, some events will return to Freedom Hall. The Exposition Center has maintained many of its events, including the Kentucky State Fair and the National Farm Machinery Show. The Center is currently working with local athletic groups to draw sporting events to the center.

Responding to Representative Carney's question, Mr. Workman said the Future Farmers of America National Convention will return to Louisville for three years in 2013. The convention rotates between Indianapolis and Louisville every three years. He said the major factor was the Kentucky Fair and Exposition Center.

In response to Representative McKee, Mr. Workman said contrary to earlier concerns, parking is a nonissue due to an excellent parking plan put together by staff, the university, and Louisville metro police.

Senator Shaughnessy asked for an update on Kentucky Kingdom Theme Park. Mr. Workman said the citizens of Louisville want the park open. The previous owners, Six Flags Entertainment Corporation, did not maintain the park and closed or removed some rides before deciding not to renew the lease. Based on an analysis of the park, a significant investment is required to return the park to good status. The Fair Board is working diligently to establish a public/private partnership. The Fair Board is also working with Louisville Metro Government to establish the funding needed to open the park in 2012. Mr. Workman said it would take $23 million in loans and assistance from Louisville Metro Government to open the park at 80 to 85 percent capacity in 2012. In 2012, the board will ask the legislature for the $20 million needed to bring the park up to 100 percent and to bring in needed additional rides. Mr. Workman said it is vitally important to reopen the park, which will create a minimum of 1,000 full-time jobs. If funding is not found soon, the park will be unable to open in 2012. The key to theme park success is the introduction of new rides and major experiences at least every other year. With the success of this plan, the park can return to 1997 income levels of $1.2 million.

Tiffany & Co., Lexington Manufacturing Facility

John Petterson, Senior Vice President of Operations, Tiffany & Co., said Tiffany & Company's mission is enriching the lives of customers by creating enduring objects of extraordinary beauty that will be cherished for generations. He explained that while the company has some cutting-edge products, it is not a fashion house but rather a luxury house of jewelry. In 2012, Tiffany & Co. celebrates its 175th anniversary.

Mr. Petterson explained that for a period of time the company was owned by Avon Products. Avon advanced the company technologically by introducing new warehouse operations, point of service operations, and turned a one-store operation into a growth opportunity. In 1984, senior management orchestrated a leveraged buyout followed by an initial public offering in 1987. In 1997, the company eclipsed $1 billion in sales. 2011 sales will reach $3.5 billion. Key strategies include expanding multiple channels of distribution. Fifty-two percent of sales come from the Americas but international sales are growing rapidly. By the end of 2011, there will be 250 Tiffany & Co. stores in 24 countries. Although the company has moved to a regionalized approach, headquarters, merchandising, marketing, and supply management are still located in New York.

Mr. Petterson said high quality product is very important. The cornerstone is the shopping and customer service experience. Tiffany & Co. does not offer price promotions and only sells its products at full value. He explained that Tiffany & Co. has great control over its diamond supply by having arrangements with selected mines to buy all diamonds and then sell off those of lesser quality. Stones are cut and polished, and then delivered to manufacturing to be set. The company has taken a strong stance in controlling its supply chain. Mr. Petterson said Tiffany & Co.'s efforts on social and environmental practices are the best in the luxury industry. He explained that the famous Tiffany ring setting, which is now being made in Lexington, remains the number one selling product. Mr. Petterson noted that Tiffany & Co.'s "fashion forward" products have been hugely successful. He outlined the functions of each of Tiffany & Co.'s facilities. He said 60 to 65 percent of Tiffany jewelry merchandise is made by Tiffany & Co. employees in America.

Mike Kane, Vice President of Manufacturing gave a profile of Tiffany & Co.'s current facilities. The company leases or owns eight manufacturing centers—all in the United States. The 900 factory employees are mainly craftspeople. He expressed confidence in the Kentucky facility, which will help provide better results in quality, delivery, and the bottom line.

Mr. Kane said the new Lexington factory reflects the future of Tiffany & Co. In other locations, bench jeweler work is generational. The Lexington facility, however, is trend setting with the use of microscopes and high definition television to set diamonds and for polishing operations. The Lexington facility also houses computer programmers who program machines at other locations through networks.

Mr. Kane said construction of the new 25,000 square foot facility in Bluegrass Park has been hampered by the weather; however, it should be move-in ready by the end of July. Tiffany is pursing Leadership in Energy and Environmental Design (LEED) certification as well. Mr. Kane said the Lexington facility will include a training center for new hires and retraining, if necessary.

Mr. Petterson said consumer focus groups concluded that customers expect Tiffany & Co. products to be made in the United States. In 2009, Mike Mullis presented 50 locations for a new facility which were narrowed down to five. He said with every site having pros and cons, it ultimately came down to people. The company needed people who could be trained to preserve and cultivate the Tiffany & Co.'s culture. Mr. Petterson said Lexington's arts, values, and the sincerity of its people brought it to the forefront. He noted the helpful and accommodating nature of state and local officials during the decision making process. Mr. Petterson said the 90 employees hired have done an excellent job. He noted that staff would increase to 125 once in the new facility. The Lexington facility can double in size if warranted. He said Tiffany & Co. views Lexington as a critical point of its operations.

Representative Palumbo thanked the representatives for coming to Kentucky. Responding to her question about the Tiffany's sales chart in the PowerPoint presentation, Mr. Petterson said catalog and e-commerce sales, wholesale and emerging markets were six percent of total worldwide sales. Of this, e-commerce in Canada, the United States, Australia, the United Kingdom and eight other EU countries represent the majority of these sales. The company has high expectations for continued ecommerce growth.

Responding to Representative Palumbo's question about retraining, Mr. Petterson said if the need occurs people can be pulled from their workbenches and then retrained and returned. There is no other jewelry company that manufactures to Tiffany's extent that uses the approach of a training center centrally located in a production setting. The company is willing to stop manufacturing for retraining. He noted that the quality of Tiffany & Co. is too important to the brand to release substandard product.

In response to Representative Palumbo, Mr. Petterson said there are currently 82 Tiffany & Co. stores in the United States. Based on several factors, a Tiffany & Co. store is on the horizon for Lexington—the question is when and where.

Responding to Representative Stone's questions, Mr. Kane said attributes of a Tiffany & Co. employee include dexterity, strength, hand/eye coordination, a willingness to learn, physical stamina, and being a team player. Employees are tested in these areas. The company is especially interested in those with a background in jewelry making and electronics. Employees come from varied backgrounds including sales clerks and truck drivers. Mr. Kane said while other training may be helpful, each employee is trained in specific techniques at Tiffany & Co.

Responding to Representative Kim King's question, Mr. Petterson said Mr. Kane has moved Tiffany & Co. manufacturing to a sophisticated level. While it uses advanced technology in production, there will always be the need for bench jewelers to maintain Tiffany & Co. quality standards.

In response to Representative York's question, Mr. Kane explained that discussions are in place to begin manufacturing some components in Lexington, but there are no plans for start-to-finish products in Lexington.

Responding to Representative Short's question, Mr. Kane said bench workers make $18 per hour. Employees make less during training but, upon graduation, they receive a substantial raise with the ability to advance based on performance.

Other Business

Chair Combs announced that the August committee meeting will be held in Murray.

There being no further business, the meeting adjourned at 2:15 PM.

INTERIM JOINT COMMITTEE ON EDUCATION

Minutes of the 1st Meeting of the 2011 Interim

June 13, 2011

Call to Order and Roll Call

The first meeting of the Interim Joint Committee on Education was

held on Monday, June 13, 2011, at 1:00 PM, in Room 149 of the Capitol Annex. Representative Carl Rollins II, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Ken Winters, Co-Chair; Representative Carl Rollins II, Co-Chair; Senators Walter Blevins Jr., Jared Carpenter, David Givens, Denise Harper Angel, Jimmy Higdon, Alice Forgy Kerr, Vernie McGaha, Gerald A. Neal, R.J. Palmer II, Johnny Ray Turner, Jack Westwood, and Mike Wilson; Representatives Linda Belcher, John "Bam" Carney, Leslie Combs, Jim DeCesare, Ted Edmonds, C. B. Embry Jr., Bill Farmer, Kelly Flood, Jim Glenn, Derrick Graham, Donna Mayfield, Reginald Meeks, Charles Miller, Rick G. Nelson, Ruth Ann Palumbo, Marie Rader, Jody Richards, Tom Riner, Rita Smart, Wilson Stone, Ben Waide, Alecia Webb-Edgington, Addia Wuchner, and Jill York.

Guests: Hiren Desai, Associate Commissioner, Kentucky Department of Education; LeaAnn Atherton, Teacher, Carlisle County Schools; Tanya Bromley, Kentucky Music Educators Association; Julian Tackett, President, Kentucky High School Athletic Association; Wayne Young, Kentucky Association of School Administrators; Clyde Caudill, Kentucky Association of School Administrators; Jim Thompson, Education and Workforce Development Cabinet; Cindy Heine, Prichard Committee; and Sharon Steele, Education Delivery Institute, Washington, D.C.

LRC Staff: Ken Warlick, Sandy Deaton, Janet Stevens, Janet Oliver, and CJ Ryan.

Teacher Effectiveness and Evaluation

Terry Holliday, Commissioner of the Kentucky Department of Education (KDE), said that revising the procedures to evaluate teachers and other educational leaders to more accurately reflect their professional growth and effectiveness has been a controversial issue in Kentucky and nationwide. Teachers, administrators, and other affected stakeholders have been involved in developing the new process in Kentucky.

Larry Stinson, Associate Commissioner, Office of Next Generation Schools and Districts, KDE, said that two separate steering committees were established to provide guidance to KDE on the design, development, and implementation of a teacher and a principal professional growth and evaluation system. The Kentucky Board of Education is also monitoring the process and providing input as the systems are developed. The first phases included defining effective teachers and leaders; developing methods to measure effectiveness; and implementing processes to support all educators in refining the knowledge, skills and behaviors that support effective practice. The new system will use rubrics with multiple measures and descriptors that can be validated and used to establish a system of continuing improvement of skills and professional growth throughout the educator's career. The evaluation systems will be standard throughout all districts. Mr. Stinson said the steering committees are receiving assistance from Edvantia design teams and other education experts in teacher and principal effectiveness. KDE representatives have provided input but not governed the process.

Ramona Davis, Principal, Corbin Middle School, said development of the principal rubric has been a collaborative effort, with many principals and educators providing input, to create a new and effective tool to evaluate principal effectiveness.

LeaAnn Atherton, a teacher at Carlisle County Schools and member of the teacher steering committee, said she believes the new teacher evaluation system will be an effective tool in measuring teacher performance in the classroom. It will also help postsecondary students preparing for a career in the teaching profession to know what will be expected of them and make it easier to transition from college into the profession.

Mr. Stinson said that the evaluation systems were field tested in 25 districts during the past year and up to 50 districts will field test them in the upcoming school year. The plan is to fully implement the evaluation systems in the fall of 2013. Validation of the rubrics is a critical part of the process since teacher and principal effectiveness will be measured and future employment decisions and other high stakes conclusions may be affected by evaluation results.

Mr. Stinson said Kentucky was one of 30 states invited by the Council of Chief State School Officers to participate in a State Consortium on Educator Effectiveness (SCEE) to eliminate duplicative efforts and share ideas to improve the effectiveness of the nation's educators. He said SCEE hosted a National Summit on Educator Effectiveness in April to share promising practices and ideas and that Representative Rollins was the only state legislator who attended the conference. Kentucky's progress in development of the new evaluation systems and updates on various other topics related to educator effectives are available on the KDE Website. Mr. Stinson said that a statewide survey identified as TELL Kentucky was recently conducted with approximately 80 percent of Kentucky educators responding. The results of the survey are available at http://www.tellkentucky.org/reports.

In response to a question from Representative Waide, Ms. Atherton said teacher effectiveness will be measured by: how well the teacher plans instruction; more frequent principal observations; teacher documentation, such as artifacts and student work; and instruction creativity. Mr. Stinson said principal observation, professional growth activities, peer coaching, student learning outcomes, and other aspects will all be used in measuring effectiveness. The weight given to each component will be completed in the next phase of developing the systems. Representative Rollins said the evaluation systems are being revised to improve the performance of teachers through feedback and professional development with the ultimate goal of improving student performance through effective teaching methods.

In response to a question from Representative Waide about which student assessments will be used to measure teacher effectiveness since myriad testing instruments are used and vary from district to district, Commissioner Holliday said that 2009 Senate Bill 1 mandates that tests be administered in math, language arts, social studies, science, and writing and other subject areas, such as arts and humanities, be assessed through program reviews. Local school districts will still have the option of administering other formative-type assessments.

In response to questions from Representative Belcher, Ms. Davis said the new evaluation systems are not intended to be burdensome but a routine way to identify where professional development is needed and how to improve student achievement through various parameters set forth in the rubrics. Commissioner Holliday said that KDE created a desktop application during its Race to the Top application that would assist teachers and principals in collecting data that can be used in evaluations. He said even though Kentucky was not successful in the Race to the Top funding, KDE has continued to apply for grants and a major grant will be announced in the next few days that will be used to improve student performance.

Representatives Carney and Rollins expressed concern with the use of peer review. Commissioner Holliday said peer observations will only be used for formative feedback and not as an evaluation criterion.

In response to questions from Senator Givens, Commissioner Holliday said that the No Child Left Behind (NCLB) Act contains a definition for highly qualified teachers. Many of the 175 districts in Kentucky currently have different criteria for measuring effectiveness and 98 percent of teachers in Kentucky have been meeting the standards that currently exist, although survey results showed that many tenured and non-tenured teachers reported receiving minimal or no feedback on improving performance. Commissioner Holliday reiterated that during the next phase of development, weighting will be assigned to various components of the rubrics. When the statewide evaluation system is ready to be implemented, the Kentucky Board of Education (KBE) will approve regulatory changes and the regulation will be promulgated through normal procedure. Commissioner Holliday said individual teacher data will not be made public.

In response to an inquiry from Representative Webb-Edgington on how schools were selected to pilot the systems, Mr. Stinson said pilot districts were selected based on geographic location and student population with both county and independent districts participating. Commissioner Holliday added that some of the districts had persistently low achieving schools and additional districts will pilot the systems in the upcoming year.

Representative Rollins asked how content knowledge will be evaluated. Ms. Atherton responded that some of the detailed bullets in the rubric relate to how the teacher displays content knowledge and it will also be evident in some of the artifacts that the teacher is collecting. She said one of the most difficult portions of the criteria to word was how to show the craft of the teacher insofar as relationships with students and how content is taught.

In response to a question from Senator Wilson, Commissioner Holliday said a teacher's growth plan will be based on annual self-assessments. Student academic achievement results or low performance on any of the indicators in the rubric would activate a more holistic, independent evaluation of the teacher.

Commissioner Holliday, in responding to questions from Senator Neal, said that additional information will be provided in the future about the weights given to each component of the rubric. He said that in the Race to the Top application, 50 percent of teacher effectiveness was to be connected to student results on state standardized tests. Kentucky's model will use overall student growth rather than just the percent of students scoring proficient, to accommodate other factors such as students requiring special education. Commissioner Holliday said he anticipates final weighting for student growth to be in the 25-50 percent range.

Program Review Update

Ms. Felicia Cummings Smith, Associate Commissioner, Office of Next Generation Learners, said the program reviews outlined in 2009 Senate Bill 1 provide a systematic way for assessing instruction in arts and humanities, practical living and career studies, and writing to ensure quality programs are in place. A rubric is being developed to set forth expectations and only paper-pencil assessments will be used in these areas to test student knowledge. Affected stakeholders have been involved in the process including representatives from various associations, such as the Kentucky Music Educators Association. Performance levels will include needs improvement, proficient exemplary, or distinguished.

Ms. Smith said a document will soon be released that provides stronger guidance to ensure that program reviews are conducted school-wide so other teachers will be intimately involved in the process of evaluating and self-reporting on those areas. The rubric was piloted in the 2009-2010 school year in volunteer

districts; a mandatory field test will be done in the 2011-2012 school year; and full implementation with reporting for accountability will occur in the 2012-2013 school year.

Representative Rollins said there was no intent in 2009 Senate Bill 1 to weaken or place less emphasis on areas to be assessed with program reviews, but only that they be evaluated using a different format. Ms. Smith said she is fully confident that the rigor of the subject areas will be addressed in the new design and evaluation process.

In response to a question from Senator Winters, Ms. Smith said that guidance to the districts is that teachers of program review areas be deeply involved in the development of all processes and included in all communications regarding professional development. Commissioner Holliday said 70 percent of all teachers are in program review areas and student proficiency cannot be achieved unless minimum regulatory requirements are met. He said school councils will be held accountable if staffing decisions are made that do not allow students to reach proficiency in program review areas which will be included in the school accountability rating.

Representative Graham said recently a decision was made by the Franklin County High School council to eliminate the band director position but the situation has been resolved, after much public outcry, to retain the position. He encouraged the department to review decisions being made by the local school councils. He said he plans to introduce legislation in the next session that would require parent representatives on a council to be a local taxpayer of the district. Commissioner Holliday said the TELL Kentucky survey included questions about school councils and many responses were received. He said that statutes relating to school councils also affect what percentage end-of-course assessment results will be included in a student's final grade. Some of the school councils have already indicated they want to continue using open response questions although an instrument will not be available to validate the answers to those questions in subject areas using end-of-course assessments.

Representative Rollins said he would like any school council legislation to include language that only teachers with tenure can serve on councils.

Assessment Update

Ms. Rhonda Sims, Director of the Division of Support and Research, KDE Office of Assessment and Accountability, provided an update on assessments. She said Grades 3-8 will be assessed using a blended model of criterion referenced test (CRT) items based on Kentucky standards and norm referenced test (NRT) items based on national comparative standards. The new assessment program will be called the Kentucky Performance Rating for Educational Progress (K-PREP). Senate Bill 1 requires on-demand writing be measured twice at the high school level and editing and mechanics measured once at the high school level. Grades 3-8 assessments and the writing assessments are being developed by NCS Pearson, which is a major vendor that has contracts in 25 states and does work for the US Department of Education. Grades 3-8 content areas to be assessed are reading, writing, mathematics, science and social studies. The NRT portion will be the Stanford Achievement Series (Stanford 10). The test formats will consist of multiple choice with some constructed response. The on- demand writing assessment will use passage-based and situational prompts. K-PREP must be administered in the last fourteen instructional days of the district's calendar and a district will use five days maximum to complete the testing in that period. Grades 3-8 will receive student and school reports. The reports will include national percentile rankings for NRT items and novice, apprentice, proficient, and distinguished student performance levels for the combination NRT and CRT items.

Jennifer Stafford, Policy Advisor, KDE Office of Assessment and Accountability, said the end-of-course (EOC) assessments will be administered in Grades 9-12. The assessments will be purchased from a nationally recognized company and results can be compared to other states. They are to be administered at the end of the course to allow for quick feedback to the student. The Kentucky Board of Education (KBE) recommends that school council's use assessment results to account for a minimum of 20 percent of a student's final grade, although each individual council has final authority. In response to a question from Representative Rollins, Commissioner Holliday said that a district's board of education may require consistent grading across all its high schools, but it is ultimately a local council decision to determine what percentage the assessments will be of a student's final grade.

Ms. Stafford said that ACT *QualityCore®* examinations will be used for English II, Algebra II, Biology, and U.S. History. ACT used empirical data from the highest performing high schools in the nation to develop the assessments and course syllabi. The student's scores on those assessments will also be an indicator of how the student will score on the ACT. The assessments will consist of a combination of multiple choice and constructed response. The multiple choice portion will be available online or in paper-pencil format. If the multiple choice portion is completed online, it can be done in two 45 minute sessions or one 90 minute session. The constructed response questions will only be available in paper-pencil format. KDE staff is currently working with the districts to develop multiple testing windows based on the type of scheduling being used in the various districts. Online assessment scores are immediately available and results for paper-pencil assessments will be available within ten (10) days of receipt of the examination by ACT.

In response to a question from Representative Rollins, Ms. Stafford said ACT developed the assessments using data from schools throughout the country whose students scored highest on the ACT or were performing at a high level during the first year of college.

Representative Richards said that on-demand writing results will be meaningless if a student has not been instructed in proper techniques and grammar, which is an ongoing process. Commissioner Holliday said the core standards adopted by Kentucky integrate writing across all subjects and all teachers will receive professional development to assist them in teaching good writing techniques. Ms. Sims said the on-demand assessment of writing will be scored by a professional vendor and discussions have been initiated about coding information in the scoring process to provide feedback to the student and teachers on where improvement is needed.

In response to questions from Representative Graham, Ms. Sims said that the end-of-course assessments are to be administered very close to the end of instruction. It is anticipated that five windows will be available to correspond with various schedules, such as block or trimester scheduling, as well as a summer school window. Commissioner Holliday said the department will recommend that the end-of-course examinations replace other year-end examinations currently being used in some school districts and that content and rigor of the courses be standardized across Kentucky.

In response to a question from Representative Farmer, Commissioner Holliday said KDE has been canvassing all districts on technology and broadband availability and it appears most districts will have the necessary technology to do online assessments in the four high school subjects. Reporting of test scores for Grades 3-8 will take longer since testing will be done with the paper-pencil traditional assessments.

In response to a question from Senator Westwood on whether the National Technical Advisory Panel on Accessibility and Accountability (NTAPAA) provided input on the development of assessments, Ms. Sims said KDE has shared the plan with NTAPAA and she was not aware of any unresolved issues.

Representative Waide said teachers in his district have shared that everything being taught is driven by what is on the assessments and most teachers are no longer teaching cursive writing. He said he would like to ensure that cursive writing is a robust part of the writing curriculum. Commissioner Holliday said the department will gather information and report back on this issue.

In response to a question from Representative Wuchner, Commissioner Holliday said that the department will strongly encourage districts to plan remediation activities for students scoring low on assessments. He said the results from ACT and Plan assessments identify areas needing remediation and all high school seniors not meeting benchmarks are already receiving instruction to overcome their academic weaknesses.

Representative Carney said his district has performance-based education in which students often have opportunities to follow career pathways that do not require them to take all of the subjects to be tested with end-of-course examinations. Commissioner Holliday said more testing windows may be necessary for those districts.

Review of Executive Orders

Hiren Desai, Associate Commissioner, KDE, explained Executive Order 2011-351 relating to the reorganization of the department. The order changed the organizational structure by decreasing the number of associate commissioners from eight to seven. It also changed District 180 from a division to an office. The Office of District 180 works with faculty from the University of Louisville, Western Kentucky University, and Eastern Kentucky University to help districts with low performing schools improve performance. Mr. Desai said career and technical education has been merged into the Division of Program Standards to provide a more integrated approach to student learning. Commissioner Holliday said that, based on a recommendation of the Governor's Task Force on Transforming Education in Kentucky, a study group has been established that includes three senators, three representatives, and practitioners to develop recommendations for integrating academic and career and technical education and to ensure that teachers for both disciplines are treated fairly and equally.

Senator Winters said a representative will be at the July interim meeting to provide further information on the task force; in September, the committee will be touring a new careers pathway school in Scott County; and the task force report will be given at the November meeting. In response to a question from Senator Winters about the reorganization chart, Mr. Desai said that career and technical education is under Next Generation Learners headed by Associate Commissioner Felicia Cummings Smith.

Upon motion by Representative Palumbo, seconded by Senator Palmer, Executive Order 2011-351 relating to the reorganization of KDE was accepted by voice vote.

Ryan Green with the Education and Workforce Development Cabinet said Executive Order 2011-355 regarding the Kentucky Governor's Scholar's Program transfers oversight of the program for the Governor's Office to the Education and Workforce Development Program as directed in the 2010-12 biennial budget enacted by the General Assembly.

In response to a question from

Representative Belcher, Mr. Green said $1.9 million in General Funds was appropriated for the scholar's program.

Upon motion by Representative Palumbo, seconded by Representative Richards, Executive Order 2011-355 relating to reorganization of the Governor's Scholar's Program was accepted by voice vote.

Mr. Ron Carson with the Council on Postsecondary Education said Executive Order 2011-356 directs that the Council report to the Governor through the office of the Secretary of the Cabinet instead of the Education and Workforce Development Cabinet.

Upon motion by Representative Palumbo, seconded by Senator Winters, Executive Order 2011-356 was accepted by voice vote.

Commonwealth Diploma

Representative DeCesare said since Senate Bill 1 emphasized pursuit of a postsecondary education for all students, he was disappointed to learn that the Kentucky Board of Education has decided to eliminate the Commonwealth Diploma program. Commissioner Holliday said the Commonwealth Diploma was established in 1987 to promote advanced placement classes. The Board has directed the department to develop an improved model that not only focuses on advanced placement but other areas, such as performing arts. He said many universities did not give the Commonwealth Diploma any recognition and there was no scholarship money tied to it. Also, the $250,000 allocated for the program was not sufficient to reimburse all districts for expenditures related to the program. Representative DeCesare said even though no money was tied to the diploma, receiving it boosted student resume and self-esteem. Representative Stone said the department used an inopportune time to announce discontinuance of the Commonwealth Diploma when students were actually receiving them.

Senator Kerr commended the KDE staff who assisted Midway College instructors on how to communicate with students seeking degrees in the teaching profession. She also recommended that members and others visit the Khan Academy website to view its YouTube tutorial on teaching math and science.

Review of Administrative Regulation

Mr. Kevin Brown, General Counsel and Associate Commissioner, KDE; and Julian Tackett, Commissioner/CEO, and Chad Collins, General Counsel, Kentucky High School Athletic Association discussed the changes to 702 KAR 7:065 relating to the designation of agent to manage high school interscholastic athletics. Mr. Brown said that KHSAA is the department's agent for high school athletics and the regulatory changes reflect changes in KHSAA's bylaws. Mr. Tackett said the changes relate to the number of games that can be played in volleyball and basketball and incorporated legislative action relating to sports safety. He said scheduling changes for various sports may be necessary to accommodate the new academic testing schedule.

Adjournment

There being no further business to discuss, the meeting adjourned at 3:30 PM.

INTERIM JOINT COMMITTEE ON EDUCATION

Minutes of the 2nd Meeting of the 2011 Interim

July 11, 2011

Call to Order and Roll Call

The second meeting of the Interim Joint Committee on Education was held on Monday, July 11, 2011, at 1:00 PM, in Room 154 of the Capitol Annex. Senator Ken Winters, Co-Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Ken Winters, Co-Chair; Representative Carl Rollins II, Co-Chair; Senators Walter Blevins Jr., Jared Carpenter, David Givens, Denise Harper Angel, Jimmy Higdon, Alice Forgy Kerr, Vernie McGaha, Gerald A. Neal, R.J. Palmer II, Johnny Ray Turner, Jack Westwood, and Mike Wilson; Representatives Hubert Collins, C. B. Embry Jr., Derrick Graham, Donna Mayfield, Reginald Meeks, Charles Miller, Ruth Ann Palumbo, Ryan Quarles, Marie Rader, Jody Richards, Tom Riner, Wilson Stone, Ben Waide, Addia Wuchner, and Jill York.

Guests: Dale Winkler, Office of Career and Technical Education; Charlie Harman, Kentucky Department of Education; Jim Thompson, Education and Workforce Development Cabinet; Clyde Caudill, Kentucky Association of School Superintendents and Jefferson County Public Schools; Sue Cain and Jillian Starman, Council on Postsecondary Education.

LRC Staff: Janet Stevens, Jo Carole Ellis, Ben Boggs, Sandy Deaton, C.J. Ryan, and Lisa W. Moore.

Subcommittee Reports

Senator McGaha reported that the Subcommittee on Elementary and Secondary Education met and heard a discussion on the Kentucky National Energy Education Development Project, commonly called the NEED Project. The mission of the project is to promote energy awareness through the delivery of education programs.

Ms. Karen Reagor, Director, Kentucky NEED Project, explained that the project supports workshops and professional development programs on energy education for K-12 teachers and makes available a model curriculum for the teachers to use with their students. All materials are science-based and provide an "Energy 101" class for all students. The materials are free and available on-line.

Senator McGaha said several members expressed the importance of energy awareness and energy conservation. It was noted that Kentucky's coal industry could help the country become more energy independent. He said a discussion followed regarding energy managers and the importance of new and existing school buildings being more energy efficient. It was suggested that the Kentucky Department of Education (KDE) could review the energy use in all school buildings identified as Category 3, 4, and 5 and report their findings back to the subcommittee.

Representative Meeks said the Subcommittee on Postsecondary Education met and heard presentations from the Council on Postsecondary Education (CPE) and the Kentucky Higher Education Assistance Authority (KHEAA) about postsecondary outreach initiatives to under-represented, at-risk, and non-traditional students.

Ms. Lee Nimocks, Chief of Staff, highlighted the bachelor degree attainment gaps for low-income, underprepared, and minority students and provided information on the at-risk population by geographic region across the Commonwealth.

Dr. Rana Johnson, CPE's Chief Diversity Officer, presented information and a video about the annual "Academically Proficient African-American High School Junior and Senior Conference," which provides information and assistance to students on transitioning to postsecondary education. Dr. Johnson also discussed the Governor's Minority Student College Preparation Program, which offers academic enrichment and college preparation assistance to students in grade six through eight.

Dr. Yvonne Lovell, Executive Director of Kentucky Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR UP), discussed the impact of Kentucky GEAR UP programs, which are federally-funded and designed to create a college-going culture in schools with at-risk populations.

Ms. Susan Hopkins, KHEAA Director of Outreach Services, provided information about KHEAA outreach programs, including the College Access Challenge Grant, the College Info Road Show, the new KHEAA College Cost and Planning Report, and the College Coaches Program. Mr. Keith Ritchie, a KHEAA College Coach at Lewis County High School, gave a spirited testimony about his work with at-risk students at the school and the successes he has seen during the first year of the program.

Approval and Motion to Amend Minutes from the June 13, 2011, Meeting

Senator Winters made the motion to strike the sentence "A rubric is being developed to set forth expectations and only paper-pencil assessments will be used in these areas to test student knowledge" from the minutes on June 13, 2011. Representative Graham seconded the motion. The minutes were amended and approved by voice vote.

Governor's Transforming Education in Kentucky Task Force

Joseph U. Meyer, Secretary, Kentucky Education and Workforce Development Cabinet, and Dr. Terry Holliday, Commissioner, KDE, introduced Mr. Dale Winkler, Executive Director of the new Office of Career and Technical Education. Mr. Winkler discussed plans to implement recommendations made by the Governor's Task Force on Transforming Education in Kentucky. A steering committee has been formed that has been appointed jointly by Secretary Meyer and Commissioner Holliday. Mr. Winkler will lead career and technical education in KDE as well as in the Workforce Investment Cabinet.

Mr. Winkler said he is excited to make career and technical education a critical component of Kentucky's college and prereadiness initiative. He attended an area technology center and was an officer of a career and technical student organization. He feels this background prepared him for postsecondary education and the workforce. He said the members of the Governor's Task Force on Transforming Education in Kentucky want to find ways to improve career and technical education throughout the state. Career and technical education should be included in the high school reform effort and equip students with the 21st century skills necessary for college and a career.

The steering committee is comprised of 25 individuals representing the Education and Workforce Development Cabinet, business and industry, education, professional associations, and the legislature. They will review best practices in career and technical education nationwide and recommend a new model for Kentucky. The steering committee will rely on work from six subcommittees including sector strategy, curriculum and program development, assessment and accountability, professional development, Perkins fund management, and operations. He noted all the work would be facilitated by the National Center for Career and Technical Education housed at the University of Louisville. A final report will be submitted to the Legislative Research Commission in October 2011.

The Leader in Me Program

Senator Wilson was recognized for recommending the presentation on the FranklinCovey "Leader in Me" Program. He said Bowling Green Independent and the Warren County School District have implemented a pilot program and he felt the committee should be aware of its impact in the school district.

Nolan Marx, FranklinCovey Client Partner, said that 80 percent of the most in- demand jobs require postsecondary education. In order to be competitive, Kentucky will need to have an additional 120,000 degrees attained by 2020. One out of every three college students does not return for the sophomore year of school and this issue has to be addressed.

He said the "Leader in Me" program gives students a mindset, skillset and toolset to demonstrate leadership skills to address the graduation and readiness crisis in the United States.

Mr. Marx said the "Leader in Me" program began at a failing school located in Raleigh, North Carolina. He noted 50 percent of the students were eligible for free and reduced lunch and 26 percent spoke a foreign language as the first language in the home. The program incorporates the seven habits of highly effective people written by Steven Covey, a national respected leadership expert, who has worked with CEO's of major corporations. After seven years of implementing the "Leader In Me" program, the failing school in North Carolina was rated as the number one magnet school in America.

Mr. Marx showed the committee student testimonials in a video. He said consistent trends of the "Leader in Me" program are student improvement in math and reading; increased parental involvement; increased teacher satisfaction; and enhanced student self confidence. There is also a marked reduction in discipline referrals in schools that implement the program.

Mr. Tim Murley, Superintendent, Warren County Schools, said eight elementary schools are participating in the "Leader in Me" pilot project in his school district. He said Warren County has a high number of English as a Second Language (ESL) population and many transient students. The pilot project is completely voluntary and has yielded positive results and fewer discipline issues in the participating schools. He said the program will have to be implemented slowly because it is being paid for out of the general fund. He said the program is making a difference in students' lives and gets children to be proactive in their education at an early age.

Dr. Jane Knight, FranklinCovey, said she trains the trainers for the "Leader in Me" program. She is a huge advocate for changing the culture within a school. She said the program empowers students to be proactive and be a leader. She also said the business community is strongly supportive of the qualities the students learn in the program.

In response to questions from Representative Waide, Mr. Murley said Warren County is a participant in the positive intervention behavior support (PIBS) program. It teaches children upfront positive behaviors and expectations on their arrival at school. He said they have an in-house state trainer for the behavioral system program.

Mr. Marx said that the "Leader in Me" program's saturation point is working with the Bowling Green Independent Schools, eight schools in Warren County, one school in Jefferson County, and a few in Fayette County. The process of implementing the program is a three year process because it involves changing a culture, which does not happen overnight. The first component is training the educators by outside consultants and the second component is building sustainability. The total cost of the program for a school is between 25,000 and 70,000 dollars, depending on the size and how many students are served. He said it operates on a "pay as you go cycle," which is typically split between three or four funding cycles.

In response to a question from Representative Richards, Mr. Marx said the initial cost of the program can be broken down in three major components: 1) bringing in consultants to work with the educators, teachers, and staff; 2) training materials for educators; and 3) training materials for the students. He said the recurring costs include purchasing the materials for students on an annual basis. He also noted the program has to have community buy-in to create sustainability in order for it to be successful.

In response to a question from Representative Rollins, Mr. Marx said "The Leader in Me" program has been instilled at NASA and they worked with the transition team of President Bush and Obama. He said the program could be used for legislators as well.

In response to a question from Senator Kerr, Dr. Knight said most parents observe the most noticeable difference in their child's language skills. The children are confident and proactive at home. She also said there are materials available for the parents on the website that they can download at no cost. Mr. Marx said that some schools provide parent training, but programs need to be diligent in obtaining parent buy-in up front.

In response to a question from Representative Palumbo, Mr. Marx said he would get the names of the schools in Fayette County participating in the "Leader in Me" program to her. He said Mill Creek was one. He will also forward her a copy of the video with the children's songs.

In response to a question from Representative Graham, Dr. Knight said children can take materials to the parents if there is not an internet connection in the home. She has found that parents learn more from their children's behaviors than from materials. The children get excited to tell their parents what they are learning.

In response to a question from Senator Givens, Mr. Marx said the biggest roadblocks to success have occurred when total buy-in was not created in each school. He said the program has been withdrawn and denied to schools that did not have the initial buy-in up front.

In response to a question from Representative Riner, Dr. Knight said habit number four demonstrates the golden rule to children by teaching them to think win, win. She said school children as early as kindergarten are introduced to the rule through children's literature examples.

In response to a question from Representative Wuchner, Mr. Marx said business leaders are more apt to help fund the program because of the benefits they receive from the qualities the students learn to prepare for the workforce. He said business and community leaders are invited to the schools to see the programs firsthand and discuss fundraising events.

In response to a question from Representative York, Mr. Marx said there is no long-term data on how successful students were after participating in the program in their adult life. He said the first group of students that participated is just now entering college. He noted that children make a decision in eighth grade whether or not they will graduate high school and that is why it is so important to implement the program in the early years. He said FranklinCovey has a research team in place and has partnered with Sullivan University to track goals and measure results.

Senator Wilson said business leaders are supportive of the program and would like to see it replicated in all schools.

AdvanceKentucky

Senator Winters said AdvanceKentucky, is a statewide math-science initiative dedicated to helping Kentucky's students reach new heights in rigorous academic achievement. Begun in 2007, this is a six-year partnership between Kentucky Science and Technology Corporation (KSTC) and the National Math and Science Initiative (NMSI). He said under conditions of matching over the next six years, NMSI has committed $13.2 million to the program through funding from Exxon Mobil Corporation and the Dell and Gates Foundations.

Ms. Joanne Lang, Executive Director, AdvanceKentucky, said all students can learn and perform at high levels in math and science. She said AdvanceKentucky is designed to dramatically expand student access and participation in accelerated learning in Kentucky high schools as measured by results on rigorous, national Advance Placement (AP) math, science and English (MSE) exams. This design is based on a proven model of success for over 10 years.

Mr. Ron Geoghegan, Chairman, Kentucky Science and Technology Corporation (KSTC), said AdvanceKentucky is about innovation and getting the most out of students. He said instead of Kentucky trailing the national averages, AdvanceKentucky demonstrates its students are as capable as any in the nation when given the opportunity, high-quality teaching and rigorous materials to support their efforts.

Ms. Lang said partnerships and critical endorsements from the executive and legislative branch of Kentucky's State Government were crucial to the start-up of the program. Key partners include: NMSI; 64 participating Kentucky schools; KDE; the United State Department of Education Advanced Placement (AP) Incentive Program through KDE; Appalachian Regional Commission; CPE; Lockheed Martin Corporation; Kentucky Downs; KSTC; and the Kentucky Higher Education Assistance Authority (KHEAA).

Ms. Lang showed members a PowerPoint presentation that highlighted detailed graphs showing the progress of the students in cohorts one and two and some preliminary new data for cohort three. The first 12 schools (cohort one) showed an 80 percent increase in MSE exams in the first year. The next 16 schools (cohort two) had a 62 percent increase in their very first year as compared to the state and the nation, which is below 10 percent. Cohort three students showed a 140 percent increase in one year of passing MSE exams. The graphs also includes data on 2010 overall gains, gains by cohort, achievement by minority students, female student achievements, low-income student achievements, 2010 state rankings and 2010 national rankings. A copy of the graphs is located in the meeting folder in the Legislative Research Commission (LRC) library.

Ms. Lang said the NMSI model has demonstrated its proven ability in Kentucky schools to dramatically increase access to and accelerate learning in rigorous MSE courses, as shown by qualifying scores (QS) on AP exams, particularly among underrepresented student populations. On the most recent 2010 AP exams, the 28 AdvanceKentucky schools alone contributed 43 percent of all new QS earned across Kentucky and 69 percent of new QS earned by minority students. These early participants performed at up to 12 times the national rate of one-year growth in student performance.

Ms. Lang said each year AdvanceKentucky adds a new cohort of Kentucky high schools. For the 2011-2012 school year, 64 high schools are participating involving 17,000 enrollments in AP MSE being taught by 480 AP teachers. Schools have to apply to get the program and then site visits are made. By 2014, program goals are to serve 50 percent of Kentucky's public high schools. She noted in fiscal year 2012, Kentucky will reach almost one-third of public high schools and 30 percent of districts. The goal for 2020 is to serve 100 percent of interested schools within ten cohorts.

Dr. Lang said the average cost per year per school is $100,000. Some programs are much higher or much lower to implement depending upon the number of enrollments and the number of teachers. Monique Morton, mathematics content director, and Tina Rose, English content director, talked about the return on investment that schools receive from the program.

In response to a question from Senator Winters, Ms. Lang said AdvanceKentucky is a voluntary program. It takes very hard work on the part of the school, but it is so worthwhile for the benefit of students. She said there are 40 more schools currently interested in implementing the program, but there is not enough federal grant money to cover the expense. She said adding 25 schools at a time is plenty expansion. She would be in favor of adding more if three times the staff was available.

In response to a question from Representative Waide, Ms. Lang said the AP is a national exam offered in Kentucky schools designed by qualified high school teachers and university faculty that meets national standards. She said if students receive a qualifying score on the exam, which is 3 or above, they can earn college credit. She said there is national research that proves that students who enroll in the AP course, take the exam, and earn a qualifying score are more likely to graduate high school, attend college, and graduate from college.

Representative Quarles said he was an AP student and was able to skip an entire semester at the University of Kentucky. He said AP courses save taxpayers money. It also saves parents time and money when their children earn college credit in high school.

In response to questions from Representative Stone, Ms. Lang said she is currently working with the P-20 to get Kentucky data to make the correlation between high school grade point averages (GPA), ACT scores, and AP exam scores. She said national research supports the fact that students receive higher GPA's and ACT scores if they participated in an AP class and received a qualifying score on the exam. She said her vision is to give all students access to AP courses, but not require it. If students receive four years of Kentucky Educational Excellence Scholarship (KEES) money, but have not had the courses needed to be successful in college and they do not return to college for their sophomore year, they have wasted their KEES money anyway. If students take the AP exam and receive the AP bonus they will be more prepared and more likely to stay in college.

Senator Winters said avoidance of rigorous math, science and English courses at the postsecondary level will increase if AP courses are not emphasized at the high school level. Students need adequate preparation to succeed at the next level. The AP courses are a great indicator whether students can master the materials at the postsecondary level.

Senator Givens said Barren County High School utilizes a different approach to AP. He said the parents of juniors and seniors have to opt their children out of the AP courses instead of opting in. He is anxious to see the official results in the data released in September 2011.

In response to a question by Senator Givens, Ms. Lang said the goal of the program is for her to leave and the school to take ownership of the program. The programs will have to be sustained and funded for the long-term.

Representative Meeks said he would like Ms. Morton's math organization to connect to groups in Louisville through community events. Ms. Morton said she is always looking for ways to outreach to new areas of students.

In response to a question from Representative Richards, Ms. Lang distributed the list of participating schools to the members. She said the official data results would be released in September 2011.

Review of Administrative Regulation

Mr. Robert Brown, Director for the Division of Professional Learning and Assessment, Education Professional Standards Board, explained 16 KAR 6:030 relating to the examination prerequisites for principal certification. In response to questions from Senator Westwood, Mr. Brown said this test is the same examination used for certification as a school principal, but some new questions have been added. A passing score will not be established until data can be collected for validation of the score by the Education Testing Service (ETS). He said the principal applicants will have a pass score until a cut score is received. He also noted that principal applicants would not have to retake this test, but would still be required to pass the School Leadership Licensure Assessment (SLLA) exam. There was no action taken on the administrative regulation by the committee.

New Business

Senator Winters announced to members that the next meeting has been approved to be one week earlier on Monday, August 1st. He said the request was made to avoid conflicts with the National Legislative Summit sponsored by the National Conference of State Legislatures.

Adjournment

The meeting adjourned at 3:35 PM.

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INTERIM JOINT COMMITTEE ON EDUCATION

Subcommittee on Elementary and Secondary Education
Minutes of the 1st Meeting of the 2011 Interim

July 11, 2011

Call to Order and Roll Call

The first meeting of the Subcommittee on Elementary and Secondary Education of the Interim Joint Committee on Education was held on Monday, July 11, 2011, at 10:00 AM, in Room 129 of the Capitol Annex. Representative Ted Edmonds, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Vernie McGaha, Co-Chair; Representative Ted Edmonds, Co-Chair; Senators Jimmy Higdon, and Jack Westwood; Representatives John "Bam" Carney, Hubert Collins, Derrick Graham, Marie Rader, Carl Rollins II, Wilson Stone, Ben Waide, and Jill York.

Guest Legislator: Representative John Will Stacy.

Guests: Clyde Caudill, legislative agent for Kentucky Association of School Administrators and Jefferson County Public Schools; Chris Baker, Kenton County Schools; Carolyn Bergs, Education Coordinator, Kentucky National Energy Education Development (NEED) Project; Rob Haney, Kenton County Schools; Greg Guess, Director, Division of Energy and Conservation, Kentucky Department for Energy Development and Independence; and Karen Reagor, State Director, Kentucky NEED Project.

LRC Staff: Janet Stevens, Ben Boggs, CJ Ryan, and Janet Oliver.

Recognition of New Subcommittee Members

Representative Edmonds announced that Senator Denise Harper Angel and Representatives Dwayne Bunch, Ruth Ann Palumbo, and Ben Waide have been appointed to serve on the Elementary and Secondary Education Subcommittee.

The Kentucky National Energy Education Development (NEED) Project

Representative Edmonds said the mission of the NEED Project is to promote energy awareness through education for K-12 teachers and students. He asked Karen Reagor, Director, Kentucky NEED Project, to discuss the program and its impact on Kentucky's schools.

Ms. Reagor said Kentucky was recently named "state of the year" by the National Energy Education Development (NEED) Project Board of Directors and received recognition at an awards ceremony in Washington, DC, in June. The national NEED Project was established by a joint congressional resolution in 1980 and is active in all 50 states. Kentucky's NEED Project has been in existence for 15 years. NEED is a non-profit organization that focuses on promoting energy awareness and conservation measures through education involving a network of students, educators, business leaders, government representatives, and interested citizens. The NEED Project partners with the Kentucky Department for Energy Development and Independence (DEDI), the Kentucky Energy Efficiency Program for Schools, the Green and Healthy Schools Program, and other energy conscious programs and organizations to fully develop energy education programs for Kentucky's schools.

Ms. Reagor said that NEED recommends that schools follow eight steps to provide a strong energy education program. Step one educates students on the science of energy, including how it is transmitted and changed through various processes to produce the energy used in classroom and buildings. Step two involves helping students identify various natural resources used to produce energy and the pros and cons of the various sources of energy. The curriculum material is updated annually and is available to teachers at no charge and can be downloaded from the NEED Website. Students learn about electricity and magnetism in step three which involves in-depth discussions about coal and hydropower because they are the two major resources in Kentucky. Students are provided information in step four about fuels needed for transportation.

The Kentucky Clean Fuels Coalition is developing curriculum related to a hybrid electric school bus project. Students learn about energy efficiency and conservation measures in step five. Kenton County initiated a pilot project in which student energy teams used tools provided in the NEED energy management kits to conduct research, collect data, and make recommendations for changes that can be initiated within their schools to conserve energy. Other districts have completed similar projects using the NEED blueprint for school energy teams. In step six students synthesize what they have learned and reinforce that knowledge through various projects. Step seven is a system of evaluation through polls and question banks and step eight recognizes students for what they have accomplished. Ms. Reagor said Kentucky's students have received state and national awards for their activities.

Ms. Reagor said the Kentucky NEED Project has now completed an "Energy 101" curriculum course relating to the foundations of energy for the Kentucky Department of Education (KDE) that will be a hands-on science-based technical education course for freshman and sophomore students. Teachers may participate in a variety of activities to help them understand the various types and aspects of energy and learn the curriculum and methods that can be used to teach students. Educators also receive free materials to help them fully understand the curriculum. Examples were a DVD produced by the University of Kentucky regarding coal and a book on oil and natural gas that was produced through a partnership between NEED and engineers who work in the industry. The NEED project and DEDI conduct high performance school workshops for design professionals, school administrators, school board members, and others to provide information on cost effective renovation projects that can be done to decrease energy consumption. Ms. Reagor said there are over one hundred energy star schools in Kentucky.

Ms. Reagor reiterated that the Kentucky NEED project is a non-profit organization and relies on contributions from various sources to continue its activities. Last year and in the current year DEDI provided American Recovery and Reinvestment Act (ARRA) funds that have been used to hire additional staff including four regional coordinators, one of whom is a specialist in career and technical education. DEDI also helps fund workshops and other activities for teachers and students. Louisville Gas and Electric and Kentucky Utilities sponsor activities in their service areas for K-8 schools and Duke Energy and Kentucky Power also provide support. The NEED project serves all schools in Kentucky including private and parochial schools.

The packet of information provided to committee members by Ms. Reagor included an annual report, resource

catalog, curriculum materials, workshop brochures, and other information related to the NEED Project and its services.

In response to a question from Representative Stone about how savings are measured when districts use geothermal energy, Ms. Reagor said that NEED relies on statistics from the U.S. Energy Information Administration. Representative Stone said it is important to know the number of districts actually using geothermal energy and the total amount it is saving those districts in energy costs. Chris Baker, the energy systems coordinator for Kenton County Schools, said that the district currently has three schools using geothermal energy and some of those schools also use other energy saving measures, such as daylight harvesting and efficient kitchens, which makes it difficult to measure actual savings from just the geothermal energy.

In response to a question from Representative Stone regarding the energy curriculum, Ms. Reagor said the curriculum has been correlated with the Kentucky core content. The foundations of energy course created for KDE is designed for 9th and 10th grade students for science credit either in career and technical education or traditional high school. Ms. Baker said that Kenton County is using a science, technology, engineering, and mathematics (STEM) consultant to provide course curriculum related to renovation and construction processes including energy.

Representative Waide asked if any of the curriculum focuses on source differentiation. He said that various sources of energy, such as wind and solar, are affected by climate and weather which would not produce enough baseload to run a city 24 hours a day. He said conservation is important but the processes and materials needed to use alternative energy sources are very expensive and not practical in certain climates which adds emphasis to the importance of Kentucky's natural resources, including coal, petroleum, and hydroelectric power. Ms. Reagor said the NEED project educates students on all sources of energy, including natural resources. She said students learn about the importance of Kentucky's natural resources, such as coal, and its economic impact, including low utility rates. She said that even though nuclear power cannot be developed in the state at this time, students still learn about that energy source. Representative Waide reiterated that it is important for students to know that it is physically impossible for wind and solar to produce the needed baseload. Rob Haney, Director of Support Operations for Kenton County Schools, said student energy teams attended bid openings for construction of the new school, which included solar panels, and are made aware of costs associated with energy use and production.

In response to a question from Representative Waide regarding the curriculum, Ms. Reagor said the NEED curriculum developed for KDE is based on National Science Standards.

In response to a question from Senator Higdon, Ms. Reagor said that the cost for construction of high performance energy schools is relatively close to traditional construction costs. Mr. Haney said that the solar panel roof construction for the new Turkeyfoot Middle School in Kenton County was $20 higher per square foot but it is anticipated that the additional costs will be recovered through energy savings in a short period of time. Actual data on energy costs savings will not be available until the school has been occupied for at least one year. Ms. Baker said data on Kenton County's first two high performance schools showed savings in the $35,000-$40,000 range when compared to traditional built schools of comparable size in the district. Ms. Reagor said that a vending machine project using vending misers is being conducted and results have already shown savings in energy costs.

Senator Higdon asked if members of the committee could receive a copy of the DVD produced by UK. Mr. Greg Guess, Director, Division of Energy and Conservation, DEDI, said he would provide a copy to the committee members.

In response to a question from Representative Collins, Mr. Haney said energy generated in Kenton County's net zero school is being returned to the grid. Ms. Reagor said credit is given to the school by the energy company. Ms. Baker related that energy cannot be stored unless there is a battery backup which would significantly increase the cost of a solar energy system.

Representative Collins said it is important that any energy curriculum be based on unbiased scientific data and does not include opinions espoused by groups who oppose certain forms of energy. He said the coal industry continues to be attacked even though great improvements have been made in reducing the environmental effects of producing coal. Ms. Reagor said the NEED curriculum is based on science and concrete facts. Representative Collins said the research used should come from unbiased, factual sources. He said that the recent nuclear incident in Japan will probably delay the development of nuclear energy and coal will continue to be a critical natural energy resource.

Representative Edmonds left the meeting to attend another engagement and Senator McGaha assumed the chair.

In response to a question from Representative Carney about rural school participation in energy projects, Ms. Reagor said schools other than those listed in the material provided to the committee are using the NEED curriculum. The material only provided a list of schools that had students who submitted an energy education project.

Representative Carney asked how many districts have an energy manager. Mr. Guess said DEDI, working with the Kentucky School Boards Association (KSBA), used ARRA funds to employ 36 energy managers who work with 131 districts. Districts that had already employed energy managers cannot be paid using ARRA funds. ARRA funds are also being used to fund two part-time and two full-time curriculum coordinators who work with the 14 districts that already had energy coordinators on their staff. The salaries of the 36 energy managers were paid during the first year by 75 percent ARRA funds and 25 percent district funds. During the current fiscal year, the split will be 50/50. Mr. Guess said it is anticipated that the districts will save enough money through energy conservation to continue the employment of the energy managers. He said schools currently expend about $170 million dollars a year on energy costs, $135 million for K-12 school buildings and the remainder in diesel fuel for buses. He said an effective program can save 10-15 percent in energy costs without major capital improvements. The most effective energy managers have been those whose sole responsibility has been energy management.

In response to a question from Senator McGaha, Mr. Guess said that an energy manager job description was developed and included specific qualifications. When the jobs were announced, more than 900 applications were received with many of the applicants being extremely qualified. The energy managers were hired by the local districts with KSBA providing input during the selection process. He said the University of Louisville's Kentucky Pollution Prevention Center provides technical advice and expertise on request to the energy managers. David Baird with the Kentucky School Boards Association said KSBA has received many positive comments from district personnel about the energy managers, although fiscal considerations may affect the number of managers retained after ARRA funds have been expended. He said that KSBA would not be opposed to the development of regulations to establish qualifications and job descriptions for energy managers.

Carolyn Bergs, regional coordinator for the NEED Project, said she works with the energy managers on curriculum and methods to affect behavioral changes in the workplace to achieve conservation. Ms. Baker said the NEED program has helped bridge the gap between energy managers and teachers and school administrators and Mr. Haney said having an energy curriculum in high schools is promoting student interest in pursuing careers in energy related fields. Mr. Guess related that Eastern Kentucky University is developing college level energy curriculum for both pre-service and in-service teachers.

In response to a question from Senator McGaha, Mr. Baird said the average annual salary for energy managers is $40,000-$45,000.

Representative Waide said fundamental concepts pertaining to energy should be taught and agreed with Representative Collins that the curriculum must be based on unbiased scientific facts. He said that since 1977 emissions from coal-fired power plants have been reduced by 83 percent and new technology has enabled the amount of coal used to produce the same amount of electricity to be cut in half. Ms. Reagor said that type of information is included in the Secondary Energy Infobook. Representative Waide encouraged the presenters to ensure that the stark differences between energy sources be taught. Ms. Baker said there are many things that can be done to conserve energy and help lessen the reliance on coal since it is more expensive to build generation plants than it is to reduce consumption.

Senator McGaha recognized Representative Stacy and allowed him an opportunity to comment. Representative Stacy said the nation needs energy independence to ensure national security and coal will continue to be a critical part of that independence. He said the representatives of the various entities providing testimony should be working with KDE on the school facilities study regarding Category 3, 4, and 5 schools and make recommendations on how to lessen energy consumption and institute conservation measures. Mr. Baird agreed with Representative Stacy that a review of energy components and usage and recommendations should be part of the Categories 3-5 school study. He said KSBA also works closely with KDE in reviewing facility plans submitted by local districts. Mr. Haney related that regulations already exist that require school districts to make projections for utility consumption for new construction projects with the goal of building net zero annual energy use facilities. Districts must also provide written justification if the new construction will not be a net zero energy design.

Ms. Baker said that a three-year study is being conducted by Northern Kentucky University in cooperation with Eastern Kentucky University on what impact the net zero energy sources had on student attendance and academic performance at the new Turkeyfoot Middle School. Mr. Guess said a few districts are installing or plan to install some of the hardware needed for solar panels during new construction so they will be ready to complete installation when funds become available. ARRA funds were used to help Kenton County pay for the solar array at Turkeyfoot Middle School and at Richardsville Elementary School in Warren County.

Representative Stacy asked if it would be possible for some of the subcommittee members to meet with representatives from KDE and the energy department to develop recommendations so that some preference could be given to districts building net zero energy facilities which may be tied to available funding in the next biennium.

Representative Stone said that energy managers should be able to quickly identify measures that can be taken without incurring additional costs and the

measures institutionalized so they become the norm. He asked if an energy manager would still be needed in net zero facilities and in existing facilities once energy conservation measures are in place, since consultants may be able to provide the same service on a periodic basis. Mr. Baird said very few districts employ full time energy managers but districts have shared the costs of an energy manager. He said the energy manager also assists with student education which will be crucial to ensuring future energy conservation. Mr. Baird said that $5 million was the initial outlay for the energy manager program and $2 million in energy savings has already been realized in the first year of the program and the total $5 million may be completely offset by energy savings in the second year.

Adjournment

Senator McGaha announced that the next meeting will be on August 1, 2011. There being no further business to discuss, the meeting adjourned at 11:50 AM.

INTERIM JOINT COMMITTEE ON EDUCATION

Subcommittee on Postsecondary Education
Minutes of the 1st Meeting of the 2011 Interim
July 11, 2011

Call to Order and Roll Call

The first meeting of the Subcommittee on Postsecondary Education of the Interim Joint Committee on Education was held on Monday, July 11, 2011, at 10:00 AM, in Room 131 of the Capitol Annex. Representative Reginald Meeks, Co-Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Alice Forgy Kerr, Co-Chair; Representative Reginald Meeks, Co-Chair; Senators Jared Carpenter, Gerald A. Neal, R.J. Palmer II, Johnny Ray Turner, Mike Wilson, and Ken Winters; Representatives C. B. Embry Jr., Donna Mayfield, Ryan Quarles, Jody Richards, Tom Riner, Carl Rollins II, and Addia Wuchner.

Legislative Guests: Representatives Derrick Graham and John Will Stacy.

LRC Staff: Jo Carole Ellis, Sandy Deaton, and Lisa W. Moore.

Postsecondary Outreach Initiatives

Ms. Lee Nimocks, Chief of Staff, Council on Postsecondary Education (CPE), said President King regretted not attending the meeting but had a long standing meeting commitment with campus leadership regarding performance targets. She said the Kentucky Higher Education Assistance Authority (KHEAA) and CPE work closely to help clear pathways and help students navigate their way to postsecondary education. This could be an apprenticeship, vocational, or certificate program, or any opportunity for students to move forward with their education after high school graduation.

Ms. Nimocks said the CPE is addressing potential challenges to the at-risk population. A handout was included in members' folders that provided a range of data points to identify challenges and opportunities in specific geographic regions. The data points included per capita income; poverty, Medicaid, unemployment and college readiness rates; education attainment levels; and many others. She said CPE is working on closing the gaps between the low-income population, the underprepared, and the underrepresented minority groups and obtaining a bachelor's degree.

Dr. Rana Johnson, Chief Diversity Officer, CPE, said it is important to educate parents, as well as students, on the importance of the underprepared and minority students receiving a college degree. It is equally important to provide support and assistance to those parents and students who are unfamiliar with the public postsecondary education system.

Dr. Johnson said the Annual Academically Proficient African-American High School Junior and Senior Conference assists students in transition from high school to postsecondary education. It offers Kentucky colleges and universities opportunities to recruit promising minority students in their junior and senior years. It informs rising high school sophomores and juniors about the college admissions process and provides students and parents the opportunity to visit campuses.

Dr. Johnson said since 1993, the conference has been open to both students and parents from various racial and ethnic backgrounds. The conference has been hosted by Kentucky's eight public universities, as well as several of the private and independent institutions. Parents and students receive a preview of all the special opportunities and programs that the host institution offers.

Dr. Johnson said the conference allows parents and students to visit the campus and see if the institution is a good fit for the student before making a commitment. The conference is free, but there is a nominal charge of 10 to 12 dollars for the students and parents to stay overnight.

Dr. Johnson said the largest turnout for the conference was in Louisville in 2007. The second largest turnout was at Transylvania University in 2003, and the third largest turnout was at Morehead State University in 2011. She said there were 45 to 50 parents who attended in 2011, which is significant considering Morehead State University is located in a rural area.

Dr. Johnson said parents and students see many advantages to attending the conference. Most campus visits last a day and a half. There is also an opportunity for parents and students to meet one-on-one with the university president, faculty members, and department heads. The benefits for students are dialogue with campus representatives, a guided tour, overnight stay, workshops, and the college and career fair. Advantages for parents include understanding the admission process, information sessions, question and answer opportunities with administrators, locating campus resources, and finding the best fit. Members were shown a short video of highlights from the 2011 conference.

Dr. Johnson said the Governor's Minority Student College Preparation Program (GMSCPP) was created in 1986 by Governor Martha Layne Collins to increase the number of prepared minority students in the pipeline. It offers academic enrichment to students in grades six through eight in computer and technology skills, cultural diversity, math, science, and reading. It administers pre and post tests to assess academic skill levels, and includes a Science, Technology, Engineering, and Mathematics (STEM) component. With KHEAA's assistance, the program overviews student aid and other financial resources and encourages parental involvement. GMSCPP served 8,952 students between 2003 and 2010.

Representative Meeks said these programs are important to all students and parents in the Commonwealth, not just minority students.

In response to a question from Senator Kerr, Dr. Johnson responded that her programs were not currently affiliated with the Governor's Scholar Program, but they are discussing possible future collaborations.

Dr. Yvonne Lovell, Executive Director, Kentucky Gaining Early Awareness and Readiness for Undergraduate Programs Outreach (GEAR UP), said GEAR UP in Kentucky was authorized by Congress in 1998. The goal of the program is to increase the college-going rate of low-income students and provide college outreach and support services. Funding is supported by a combination of federal and non-federal funds and is a dollar-for-dollar match. The average annual award for Kentucky programs is $5.5 million.

Dr. Lovell said GEAR UP relies on support and contributions from partnerships. The partnerships are designed to expand services in areas where they do not exist and supplement programs that currently exist. There are seven host sites that help CPE administer the program. She noted 13,000 students are served under the current grant in 52 middle schools and 30 high schools. This compares nationally to 1,000,000 students served in over 5,000 schools.

Dr. Lovell said GEAR UP provides resources and builds capacity in schools to increase college awareness and planning, improve academic preparation, foster parents' engagement, promote educational aspirations, enrich teaching practices, and provide scholarships. There was a significant increase in the percentage of students in 2010 who knew their postsecondary plans as compared in 2000 because GEAR UP is creating a college-going culture.

Dr. Lovell said CPE is writing its new GEAR UP grant application. Congress is discussing making further reductions to the program, reducing Kentucky's chances to one in three of receiving additional funding. Forty-seven states are currently funded for GEAR UP, and only 15 states will be awarded the new grants.

In response to a question from Representative Riner, Dr. Lovell said a student on scholarship who must drop out of college for personal hardships may be able to work with the guidance counselor at the institution to make connections with other universities or attend on a part-time basis. Ms. Nimocks said KHEAA can provide assistance to these students with barriers. Most cases are handled on a case-by-case basis by student and institution.

Ms. Susan Hopkins, Director of Outreach Services, KHEAA, said KHEAA was created in 1966 and is a state government agency within the Finance and Administration Cabinet. It provides students with financial aid, informational services, and savings programs, particularly the Kentucky Education Savings Plan Trust.

Ms. Hopkins said the College Access Challenge Grant is federally funded. KHEAA was designated by Governor Beshear as the agency to administer the grant in Kentucky. Funding allows KHEAA to enhance the array of services provided to students and partners. KHEAA uses field staff, publications, and the internet to promote outreach services.

Ms. Hopkins said the College Info Road Show improves access to higher education by providing critical services to students and parents in their own communities. It uses technology to connect students with the information they need to research, pursue, and succeed in education beyond high school. An onboard counselor helps students learn about careers, choose a college or trade school, apply for admissions and financial aid, and avoid common application mistakes. There are 12 computer workstations with automatic internet access that allow students to explore kheaa.com and helpful websites, check their Kentucky Educational Excellence Scholarship (KEES) account online and search for colleges that match their interests. An external monitor is used for outdoor events.

Ms. Hopkins said KHEAA administers the Gotocollege.ky.gov website. It serves as a one-stop portal to college information for middle and high school students, adults returning to school, military families, online and transfer students, and GED students. The KHEAA College Cost and Planning Report is a college planning tool that provides a personalized breakdown of college costs and anticipated financial aid at up to six nationwide institutions of the student's choosing. It also helps families make informed decisions about their higher education options.

Ms. Hopkins said "It's Money Baby" is a financial literacy resource designed to teach students to manage finances. It

helps students make wise decisions about matters that affect their credit and financial well-being. Key topics include budgeting, saving, credit, and college money.

Ms. Hopkins said the new Kentucky College Coaches Program is a result of a recommendation from the Governor's Higher Education Work Group. It is a partnership involving Area Technology Centers, Berea College, CPE, GEAR UP, Kentucky Campus Compact, and KHEAA. Near-peer college advisors work one-on-one with students at select schools. KHEAA's participating schools are selected according to low-income and college-going-rate statistics. KHEAA is in the process of gathering data from the first year of the program, and an independent evaluation will be conducted.

Mr. Keith Ritchie, Kentucky College Coach, Lewis County High School, testified testimony about the college coach program in Vanceburg, Kentucky. He said poverty is a huge issue, and the median household income is approximately $15,000 a year. Seventy-five percent of the students in the high school are eligible for the free and reduced lunch program. Students' attitudes are changing about postsecondary education, and more students are enrolling for college as a result of the program.

Ms. Hopkins said the Kentucky College Coaches Program targets 50 students in each high school, which is equivalent to 12 or 13 students in each grade level participating. Students are selected by the school counselor and have been identified as at-risk. The program targets 50 core students, but also works with whole school populations. KHEAA will report data results at a later time as this is the program's first year of implementation.

Ms. Hopkins said there are several factors KHEAA uses as indicators of success for its outreach programs. These include college participation rates, participation rates of low-income students, postsecondary enrollment, adults enrolling in college, change in number of students applying for financial aid, and use of online tools. Student surveys are distributed to receive factual information and success stories. Final analysis should indicate that outreach activities are altering participants' attitudes and expectations toward higher education, and the information presented is alleviating students' anxieties about being able to afford college. Participants should gain a significantly better base of knowledge regarding what types of aid are available, how to apply for aid, and awareness of resources.

In response to questions from Representative Richards, Ms. Hopkins said there are 65 positions available throughout the state for the Kentucky College Coaches program. Some positions are full-time and others part-time depending on the needs of the school or area technology center in the district. Funding for the positions is partially provided by AmeriCorps, and includes health insurance, child care assistance, and $5,350 for educational expenses at the end of service. The education award can be used for graduate school or to repay student loans, or it may be shared with a sibling or family member. Partners of KHEAA provide matches for the coach's living stipend.

Mr. Ritchie said that his contract will be finished when funding is depleted through AmeriCorps. He coordinates his efforts with the guidance counselor, principal, and KHEAA representative on a regular basis. Young men need to be encouraged to go to college and not feel like they need to get a job immediately after graduating high school. It is critical that these students be aware of financial aid and to understand that they can work and attend school at the same time.

In response to a question from Representative Richards, Ms. Hopkins said she did not have details about the Kentucky Education Savings Plan Trust participation. The program is advertised through mailings to hospitals, physician offices, and daycare centers. At the request of Ms. Hopkins, Ms. Jo Carole Ellis, Education Legislative Analyst and former employee of KHEAA, said that 9,000 or 10,000 families are enrolled in the program, but it is necessary to check with KHEAA for an official number.

In response to a question from Senator Winters, Ms. Hopkins said home-school students are a difficult group to reach. She suggested communicating with them through community events because they do not have access to guidance counselors. Parents should be aware of the website, kheaa.com. Home school students are not eligible for the KEES funds based on grade point averages. They are, however, eligible to receive the bonus KEES awards that are based on ACT scores.

In response to a comment from Representative Wuchner, Ms. Hopkins said KHEAA would look into the wording on page four of the "2010 KHEAA Outreach Annual Report." Representative Wuchner would like to change the word "breeds" in the sentence "this environment breeds a social culture that does not often see the value of higher education."

In response to a question from Representative Meeks, Ms. Hopkins said members can contact her directly to ensure KHEAA's presence is available at local fairs and community events. There is a map including KHEAA's outreach counselors' names and phone numbers located in the members' meeting folders.

Representative Meeks said the next subcommittee meeting would be Monday, August 1, 2011. He told members to take note that this is a change from the regular meeting schedule.

With no further business before the committee, the meeting adjourned at 11:40 a.m.

SPECIAL SUBCOMMITTEE ON ENERGY

Minutes of the 1st Meeting of the 2011 Interim

June 22, 2011

Call to Order and Roll Call

The 1st meeting of the Special Subcommittee on Energy was held on Wednesday, June 22, 2011, at 10:30 AM, at the Boone County Campus of Gateway Community and Technical College. Senator Brandon Smith, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Brandon Smith, Chair; Senators Ernie Harris, Ray S. Jones II, Katie Kratz Stine, Johnny Ray Turner, and Robin L. Webb; Representatives Royce W. Adams, Dwight D. Butler, Leslie Combs, Tim Couch, Will Coursey, Jim Gooch Jr., Wade Hurt, Sannie Overly, Tom Riner, Kevin Sinnette, John Will Stacy, Fitz Steele, and Brent Yonts.

Guests: Representative Addia Wuchner; Senator John Schickel; Steve Stevens, President, Northern Kentucky Chamber of Commerce; Dr. Ed Hughes, President, Gateway Community and Technical College; Cabinet for Health and Family Services representatives Virginia Carrington, Branch Manager, Division of Family Support, and Elizabeth W. Caywood, Policy Analyst, Department for Community Based Services; Dan McKenzie, Energy Program Director, Community Action of Kentucky; Jack Burgess, Director of Coal Facilities and Origin Sales, CSX Transportation; Russ Rogers, President, Transkentucky Transportation Railroad, Inc., and Mr. John Stevenson, private citizen.

LRC Staff: D. Todd Littlefield, Stefan Kasacavage, and Susan Spoonamore, Committee Assistant.

Discussion of Low Income Home Energy Assistance Program (LIHEAP) Block Grant Application for SFY 2012

Virginia Carrington and Elizabeth W. Caywood from the Cabinet for Health and Family Services and Dan McKenzie from Community Action of Kentucky gave testimony on the LIHEAP program.

Ms. Carrington and Ms. Caywood discussed the allocation of funds, LIHEAP eligibility and application requirements, and subsidy and emergency components of the program.

Mr. McKenzie explained that Community Action of Kentucky services all of Kentucky's 120 counties. Community Action has assisted 700,000 households with residential heating, weatherization, and other cost-effective energy related home repair.

In response to Representative Adams's question, Mr. McKenzie said that he would like to meet with Representative Adams to discuss safety concerns with propane consumers being forced to transport their own propane because it is not economically viable to commercially transport it to low-volume users. He stated that more flexibility in the subsidy component of the program may be needed to allow for paying for the cost of the commercial transportation of propane to reduce this safety risk.

In response to Representative Gooch and Senator Webb's concerns, Mr. McKenzie stated that the agency is trying to educate the applicants on weatherization and offer budget counseling.

Mr. John Stevenson, concerned citizen, asked for more flexibility within the program. He had been to Community Action requesting help, but was told that he did not meet the eligibility requirements because his income was $150 over the maximum.

In response to Representative Wuchner's question, Mr. McKenzie stated that home energy audits are done by certified energy auditors.

Representative Adams mentioned that the stimulus funds, which were made available to the Kentucky Housing Corporation, were used for weatherization.

Representative Couch asked for a report from the Kentucky Housing Corporation on the amount spent in each county for weatherization.

The proposed Findings of Fact for the LIHEAP Block Grant Application were approved, without objection, upon motion made by Representative Yonts, and seconded by Representative Combs.

Rail: A Vital Link in Transporting Kentucky Coal

Jack Burgess, Director of Coal Facilities and Origin Sales, CSX Transportation, explained why eastern Kentucky coal is so important to the region and what CSX is doing to best support the eastern Kentucky coal industry. He also discussed the challenges and opportunities for eastern Kentucky coal with respect to transportation. The main challenges for eastern Kentucky coal are the mining and environmental regulations being imposed at the federal level. It is important that the citizens of Kentucky, and not outsiders, define what is best for Kentucky. Kentucky has done a good job of encouraging eastern Kentucky coal though House Bill 3. He asked that Kentucky consider the inclusion of Class I railroads in the Maintenance Credit and suggested that raising the $1 million cap on the Fossil Energy Expansion Credit would boost economic activity. Also, legislation supporting favorable capital loan requirements would be helpful.

In response to Senator Stine's question, Mr. Burgess said that much of West Virginia's coal is exported.

In response to Representative Stacy's question, Mr. Burgess stated that a big competitive barrier for Kentucky coal in the export market is the longer distance it takes to move coal from eastern Kentucky

than from West Virginia.

In response to Senator Harris's question, Mr. Burgess stated that there is a difference between steam coal and metallurgical coal. He was not sure about the economics of shipping coal off the east coast and through the Panama Canal to reach Asian markets.

In response to Representative Riner's question, Mr. Burgess stated that the government is working on security technologies to monitor the rail transport of coal.

In response to Senator Stine's question, Mr. Burgess stated that Kentucky has some metallurgical coal. Kentucky coal cannot be shipped west due to the lack of infrastructure and cost.

There being no further business, the meeting was adjourned.

INTERIM JOINT COMMITTEE ON HEALTH AND WELFARE

Minutes of the 1st Meeting of the 2011 Interim

June 15, 2011

Call to Order and Roll Call

The first meeting of the Interim Joint Committee on Health and Welfare was held on Wednesday, June 15, 2011, at 1:00 p.m., at Kaleidoscope, Inc., Younger Adult Day Health Center, 10330 Bunsen Way, Louisville, Kentucky. Representative Tom Burch, Co-Chair, called the meeting to order at 1:07 p.m., and the secretary called the roll.

Present were:

Members: Senator Julie Denton, Co-Chair; Representative Tom Burch, Co-Chair; Senators Joe Bowen, Tom Buford, Perry B. Clark, David Givens, Denise Harper Angel, Dennis Parrett, Joey Pendleton, and Jack Westwood; Representatives Julie Raque Adams, Bob M. DeWeese, Brent Housman, Joni L. Jenkins, Mary Lou Marzian, Ben Waide, David Watkins, Susan Westrom, and Addia Wuchner.

Guest Legislator: Representative Ron Crimm.

Guests: H. James Richardson, President and Chief Executive Officer, Cedar Lake, Inc., Louisville; Darla Bailey, President, Kaleidoscope, Inc., Younger Adult Day Health Care Center, Louisville; Jacquelynn Engle, I.C.P.P, M.S., Prevention Specialist II, Kidsnow Plus and Reel Action Coordinator, Seven Counties Services, Inc.; Kyle and Rita Durbin, Lead Youth Creator for Best Editing Winner PSA Commercial, "Don't Burn Your Future"; Elizabeth Caywood, Internal Policy Analyst, Commissioner's Office and Robin Herring, Assistant Director, Division of Child Care, Department for Community Based Services, Cabinet for Health and Family Services; Murray Wood, Legislative Liaison, Cabinet for Health and Family Services; Nathan Goldman, Kentucky Board of Nursing; Jim Waters, Bluegrass Institute; Ellen Kershaw, Alzheimer's Association; Michelle Wade and Evelyn Tinker, KIPDA Area Agency on Aging; Mary Sanders, RN, Diane Stengel, Lana Brunner, Mary Alford, B.G. and Linda Kennedy, Steve and Martha Rudy, Karen King, Kim Keller, and Debbie Walph, Kaleidoscope Family Members; Howard Bracco, Seven Counties Services; Jodi Mitchell, Kentucky Voices for Health; Anne Hadreas, Kentucky Equal Justice Center; Jan Gould, Kentucky Retail Federation; Marty White, Kentucky Medical Association; Bailey Preston and David C. Harris, NMSS; Jackie Wisman, Jefferson County Public Schools; Karen Hublar, Community Coordinated Child Care; and Pam Perry, Amerigroup.

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

Retirement Resolution for Jim Richardson, President and Chief Operating Officer of Cedar Lake, Inc.

A resolution was presented to Jim Richardson upon his retirement from Cedar Lake, Inc. after 34 years of tireless and devoted service as President and Chief Executive Officer.

Referred Administrative Regulations

The following referred administrative regulation was on the agenda for consideration: 201 KAR 20:490 – establishes the scope of practice for administering medicine or treatment by a licensed practical nurse as it relates to intravenous therapy. A motion to accept the administrative regulation was made by Representative Westrom, seconded by Representative Jenkins, and adopted by voice vote.

Kaleidoscope, Inc.

The Kaleidoscope choir, led by the music therapist, Susan, sang My Old Kentucky Home and the Grand Old Flag. Darla Bailey, President, stated that there are 156 participants at Kaleidoscope with an average age of 35. The main focus is the allocation of state funds to help serve individuals with special needs in the community. Kaleidoscope is the only younger adult day health center in Kentucky. Participates live at home and are cared for by a spouse, parents, grandparents, extended family, family home provider, a staffed residence provider, or Hazelwood community home provider. Ms. Bailey answered a question by Representative Marzian by saying it cost $168 per day for an individual to stay in an institution. The money used in the Supports for Community Living (SCL) waiver funds are used and stay in the community. There are approximately 1,800 individuals on a waiting list for the SCL waiver who live at home and receive Home and Community Based Waiver (HCBW) services. The state only funds 50 HBCW slots per year, and there has been no movement on the list for a long time. Representative Burch stated that caregivers receive eight hours of respite while their loved one attends Kaleidoscope. More information is provided at www.kaleidoscopeservices.org.

Legislative Hearing on the SFY 2012 Social Services Block Grant

Elizabeth Caywood, Internal Policy Analyst, Commissioner's Office, Department for Community Based Services, Cabinet for Health and Family Services, stated the SSBG became effective October 1, 1981 in an effort to consolidate federal assistance for state social services program. The block grant provides federal funding to the Department for Community Based Services (DCBS) and, as a pass-through, the Department of Juvenile Justice (DJJ) for the last three quarters of State Fiscal Year 2012 and the first quarter of State Fiscal Year 2013. The DJJ receives approximately one-third of the federal allocation. The anticipated funds for Federal Fiscal Year 2012 are $23.8 million with $115.4 million state-matched funds. The funding provided through this block grant is considered a revenue source, not a particular program. The DCBS prioritizes the funding of services mandated by the Kentucky Revised Statutes, and are provided in accordance with promulgated administrative regulations. Services are offered in each county by DCBS staff or by contracted service agents. A motion that the block grant application does meet the standards and criteria set out in KRS 45.353 was made by Senator Parrett, seconded by Representative Jenkins, and approved by voice vote.

Legislative Hearing on the FFY 2012-2013 Child Care and Development Plan Block Grant

Elizabeth Caywood, Internal Policy Analyst, Commissioner's Office, and Robin Herring, Assistant Director, Division of Child Care, Department for Community Based Services, Cabinet for Health and Family Services, stated that the CCDF Block Grant was authorized under Child Care and Development Block Grant Act of 1990 and amended by the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA). The block grant replaced welfare-related child care funding streams. Under CCDF, states cannot spend more than five percent on administrative costs, but spend approximately four percent on activities to improve the quality and availability of child care, and demonstrate how they serve families who receive public assistance under the Temporary Assistance for Needy Families (TANF) Block Grant transitioning off public assistance or at risk of becoming eligible for public assistance. Kentucky's estimated funding under CCDF: FY 2012 CCDF allocation is $76,774,230; federal TANF transfer, $54,386,300; direct federal TANF spending on child care: $22,108,100; state maintenance-of-effort funds: $7,274,537; state matching funds, $9,546,233; and quality funds, $5,135,536. The DCBS has partnered with various state agencies, private consultants, the provider community, and advocates and developed the proposed state plan. The DCBS has identified three areas for the proposed funding: Child Care Assistance Program, comprehensive consumer education, and quality enhance initiatives. A motion that the block grant application does meet the standards and criteria set out in KRS 45.353 was made by Senator Buford, seconded by Representative Marzian, and approved by voice vote.

NECCO

Pam Priddy stated that Necco is a private, statewide, not-for-profit agency started in 1997 by Ed and Dorothy Necco that provides therapeutic foster care, independent living, alternatives to secure detention, and other community based services to children in the Commonwealth of Kentucky. Necco serves children ages birth to 21 years in both the child welfare and juvenile justice system and families in need. Offices are now located in Ashland, Bowling Green, Florence, Hazard, Lexington, Louisville, Owensboro, Paducah, and Somerset serving approximately 20,000 children since 1997. The staff include certified sex offender counselors, certified MAPP/GPS trainers, certified Safe Crisis Management trainers, certified drug and alcohol abuse counselors, certified STEP and 123 Magic staff, certified Prime for Life, Drug and Alcohol Abuse Prevention staff, certified first aid/CPR trainers, adoption assessors, licensed professional clinical counselors, licensed social workers, and licensed clinical social workers. Serving more than 600 children and nearly 300 foster families in 68 of Kentucky's 120 counties, it has established itself as the largest provider of therapeutic foster care in the state.

Services provided are therapeutic foster care, medically fragile foster care, alternatives to secure detention, electronic monitoring, prevention services, visitation, parenting education, independent and transitional living, adoption home studies, and outpatient mental health services. Recruiting and training foster care parents is a high priority. Ms. Priddy answered questions by Representative Jenkins by saying the annual budget is $16 million with approximately 85 percent government funding. Some of the contracts are with the Cabinet for Health and Family Services, the Department for Juvenile Services, and Prevent Child Abuse Kentucky. More information is provided at www.necco.org.

Local Youth Taking "Reel Action" To Prevent Underage Drinking

Jacquelynn Engle, I.C.P.P, M.S., Prevention Specialist II, Kidsnow Plus and Reel Action Coordinator, SevenCounties Services, Inc., stated the regional project began in 2008 and involves youth directly in prevention of underage drinking. The project is an environmental strategy which uses media as its main outreach and influential component. The primary goal is designed to provide counter-advertising and increase awareness of the consequences of underage drinking

through peer education, involvement and influence through youth-created 28 second Prevention of Underage Drinking video public service announcements (PSAs). The secondary goal is an awareness effort geared towards parents and care providers, creating written articles focusing on underage drinking information, preventative tips, and resources. Annually, over 500 youth from area schools and community groups create approximately 100 videos. The winners are announced at the World Premiere and Awards ceremony at Baxter Avenue Theatres in the Highland of Louisville. The grand prize winners are aired on MTV and other youth-oriented outlets in addition to winning cash prizes and other benefits. More information is provided at www.reelactionky.com.

Kyle Durbin, Lead Youth Creator for Best Editing Winner PSA Commercial, "Don't Burn Your Future", stated that the project changed his outlook on and motivation about his future. He had to do a lot of research preparing the video and it opened his eyes about underage drinking. Senator Denton stated that the videos have a positive impact on underage drinking.

Adjournment

There being no further business, the meeting adjourned at 2:13 p.m.

INTERIM JOINT COMMITTEE ON JUDICIARY

Minutes of the 2nd Meeting of the 2011 Interim

July 1, 2011

Call to Order and Roll Call

The 2nd meeting of the Interim Joint Committee on Judiciary was held on Friday, July 1, 2011, at 10:00 AM, in Room 171 of the Capitol Annex. Representative John Tilley, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Tom Jensen, Co-Chair; Representative John Tilley, Co-Chair; Senators Perry B. Clark, Carroll Gibson, Jerry P. Rhoads, John Schickel, Dan "Malano" Seum, Katie Kratz Stine, Robin L. Webb, and Jack Westwood; Representatives Joseph M. Fischer, Kelly Flood, Joni L. Jenkins, Mary Lou Marzian, Mike Nemes, Darryl T. Owens, Tom Riner, Steven Rudy, and Brent Yonts.

Guests: Joe Farless, Pennyrile Allied Community Services; Bruce B. Brown, Alicia Polston and Lisa Mann, Lake Cumberland Community Action; Kristine Frech and Florence Tandy, Northern Kentucky Community Action Commission; Rob Jones, Community Action Kentucky; James Ritchey; Joan Byer, Jefferson Family Court; Ronnie Nolan, Kentucky Educational Collaborative for State Agency Children; Teresa James and Michael Cheek, Department for Community Based Services; Lisa Gabbard, Statewide Citizen Review Panel; Travis Fritsch, DV Consulting Services; Michelle Kilgore, DBHDID; Paul Nelson, New Legacy Reentry Corporation; and Wayne Young, Kentucky Association of School Administrators.

LRC Staff: Norman Lawson Jr., Jon Grate, Joanna Decker, Ray Debolt, Jr., and Rebecca Crawley.

Programs for Status Offenders and Suggestions for Statutory Changes

Commissioner Pat Wilson, Department of Community Based Services, Cabinet for Health and Family Services said the department is responsible for the treatment and care of status offenders but not their detention. She described the manner in which cases arrive at the department: a report of child abuse or neglect; or a court commitment generally of a child with no prior record for being a runaway, truant, or being out of control. Commissioner Wilson attributed truancy referrals to stringent truancy laws that brand a child as a truant after three unexcused absences or tardy and being a habitual truant after the second or subsequent charges of truancy.

Commissioner Wilson reported the department is currently serving 1,221 youth, of which 945 were in out-of-home care (foster care). Twenty-one percent had a substantiated abuse or neglect report; the average stay in foster care was 21.6 months; the average age of a status offender in foster care was 16.9 years; and status offenders accounted for 13.5 percent of the foster care population. The number of children in foster care varies greatly by county with some counties having no children in foster care. Over 45 percent of the out-of-home placements are in private agency homes with the cost of foster care being $37 million, of which $12.5 million is General Fund dollars with the remainder coming from various federal programs. Commissioner Wilson said that detention and removal from the home are not the answer to solve the child's problems. There must be an assessment of the child's problems, not just the symptoms, and a multisystemic treatment plan developed that may include substance abuse treatment, mental health programs, behavior modification, and other interventions.

Commissioner Wilson noted the Administrative Office of the Courts' truancy diversion program has been very effective in reducing truancy and tardiness in the counties where it is utilized and has a very low recidivism rate. In response to a question from Senator Gibson about which federal programs are utilized, Commissioner Wilson responded that 4E funding, Medicare, and AFDC funding are utilized. She said intensive in-home counseling services cost $5,000 per year per family, much less than the cost of incarceration or foster care, and are 70 to 80 percent effective.

Representative Yonts asked why some schools are not using truancy diversion programs and other programs. Commissioner Wilson said that she did not know. Senator Schickel asked why children end up in DCBS care; Commissioner Wilson said these children might run from a placement, continue to be truant, or violate a court order, resulting in the court ordering them to detention. Senator Clark said these programs need to find the reason behind the child's problems and not just look at the symptoms. Senator Webb asked how many children were in intensive in-home treatment programs on a county by county basis, and Commissioner Wilson said she would check and provide the information to the committee. Representative Flood said judges need to know the reasons for the child's behavior prior to any hearing at which they may be ordered to foster care, detention, or various programs. Senator Stine asked if there is a correlation between truancy and the student dropout rate in Kentucky. Commissioner Wilson said she was unaware of a correlation.

Community Based Programs for Assisting Juvenile Status Offenders and Public Offenders; Suggestion for Statutory Changes

Robert Jones, Executive Director of Community Action Kentucky, said Community Action Kentucky is comprised of 23 regional programs that provide alternative programs for status offenders including life skills, anger management, family team building skills, GED and vocational programs. These programs are used by the courts and the Department of Community Based Services to help troubled youth.

Lisa Mann, Lake Cumberland Community Action Agency, described the programs as including mentoring, fatherhood services, a migrant program during crop growing season, carpentry training during which participants build low income housing, and working with the Department for Community Based Services. She indicated a need for more funding to expand and enhance their programs.

Joe Farless, Pennyrile Allied Community Services, described his agency's programs as including in-home programs, family preservation, abuse, neglect, and neglect, and beyond control programs. The programs receive families and children referred by the Department of Community Based Services, court designated workers, or self-referrals. The programs provide intensive in-home counseling and treatment. Mr. Farless described problems with regional mental health facilities as having more than they can handle with waits of several weeks for an assessment appointment and even longer waits for treatment. His agency utilizes the North Carolina Family Assessment scale and the Washington State homebuilders program. Every dollar invested in the programs saves $2.70 to $2.80 in other costs.

Kristine Frech, Northern Kentucky Community Action Commission, described the success of truancy mediation and diversion programs in northern Kentucky, particularly programs in Walton-Verona and Bellevue, which utilize in-home truancy intervention. Ms. Frech indicated the success of the truancy diversion programs required the cooperation of school boards, school principals, and pupil personnel officers. She also described a very successful job training program involving carpentry and related skills for youth in the building trades where they participate in the agency's weatherization programs. Senator Gibson asked about funding for these programs, and Ms. Frech responded that $17 million was provided by the federal home weatherization program and provided 847 jobs.

Court Programs for Juvenile Status and Public Offenders; Suggestions for Statutory Changes

Patrick Yewell, Executive Officer, Department of Juvenile Services, Administrative Office of the Courts and Eric Gray, Court Designated Worker Supervisor testified about the court designated worker program, established in 1986. The program deals with preliminary complaints against juveniles referred to the court system. In the past year, there were 40,000 new juvenile complaints with 10,590 of those being status offenses. The number one complaint was truancy and the number two complaint was being beyond control. Mr. Yewell reviewed programs administered by court designated workers. The programs are used both for status offenders and public offenders. The courts are using an evidence-based assessment tool to determine the child's needs and best course of treatment and intervention programs. He discussed the benefits of diversion programs versus other options such as detention and foster care.

Mr. Yewell said the truancy diversion programs are very successful but that only 61 counties, and 149 schools, utilize them with an overall success rate of 90 percent. Schools that use the program favor it, and it results in more money for the schools through higher average daily attendance. The Kentucky Supreme Court has recently adopted Family Court Rules of Practice and Procedure to ensure there is consistency throughout the state in the application of programs. Alternative services for juveniles are not available statewide. He urged that more funding be devoted to expansion of these highly successful programs.

Senator Jensen noted all of the counties in his district participate in the truancy diversion program, except Laurel County. Mr. Yewell said he personally presented the program to the Laurel County Board of Education, who declined to participate in the program. In response to a question from Senator Gibson, Mr. Yewell said court designated workers are college graduates. Senator Stine asked if truancy contributes to Kentucky's dropout problem, and Mr. Yewell said he feels there is a direct correlation between habitual truancy and dropouts.

Programs State Agencies Offer for Status Offenders, Public Offenders, and Other Children at Risk; Suggestions for Statutory Changes

Ronnie Nolan, Executive Director, Kentucky Educational Collaborative

for State Agency Children, said his program works with the Department of Juvenile Justice and the Department for Community Based Services to provide educational programs for institutionalized state agency children with assistance from 54 school districts which provide the teachers and teaching materials. He said institutionalized children attend school 210 days per year at an annual cost of $10.3 million. Forty-five percent of these children have an identified disability. Forty-two percent come from the Department of Juvenile Justice, 52 percent from the Department for Community Based Services, and four percent from mental health programs. The programs are successful with 75 percent improving in reading and math and 50 percent of participants improving by half a grade level. Representative Yonts said there is dissatisfaction with teaching methods, the focus on schools sending everyone to college, and neglecting vocational education. He described one company as having jobs for 80 welders and no students with welding skills to take them.

Review of 2011 House Bill 123 Relating to Status Offenders; Suggestion for Statutory Changes

Representative Flood asked that, due to time constraints, discussion of House Bill 123 and changes to it be delayed to a future meeting.

Kenton County Jailer Terry Carl said it is very expensive for counties to house status offenders. Police frequently take juveniles to detention, and the courts routinely order status offenders to detention. He said Kenton County spends between $100,000-120,000 per year for detention of status offenders, about $94 per day plus medical expenses for the detained juveniles. He believes there is a direct correlation between truancy and juveniles becoming adult criminals, and urged the adoption of treatment and community programs to divert children from detention. He cited the success of Campbell Lodge in providing residential treatment programs for juveniles.

Review of Executive Order 2011-350 Reorganizing the Justice and Public Safety Cabinet Programs

Charles Geveden, Deputy Secretary, Justice and Public Safety Cabinet, Commissioner LaDonna Thompson, Department of Corrections, and Tim Carmen, Director, Division of Probation and Parole, reviewed the provisions of Executive Order 20114-350, reorganizing the Justice and Public Safety Cabinet. The executive order was approved by voice vote without objection.

The meeting adjourned 12:15 p.m.

INTERIM JOINT COMMITTEE ON JUDICIARY

Minutes of the 1st Meeting of the 2011 Interim

June 3, 2011

Call to Order and Roll Call

The 1st meeting of the Interim Joint Committee on Judiciary was held on Friday, June 3, 2011, at 10:00 AM, in Room 171 of the Capitol Annex. Senator Tom Jensen, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Tom Jensen, Co-Chair; Representative John Tilley, Co-Chair; Senators Perry B. Clark, Carroll Gibson, Ray S. Jones II, John Schickel, Katie Kratz Stine, Robin L. Webb, and Jack Westwood; Representatives Kelly Flood, Sara Beth Gregory, Joni L. Jenkins, Mary Lou Marzian, Mike Nemes, Darryl T. Owens, Tom Riner, and Brent Yonts.

Guests: Terry Brooks and Tara Grieshop-Goodwin, Kentucky Youth Advocates; Daryl Baer; Clyde Caudill, Kentucky Association of School Administrators; Robert Jones, Community Action Kentucky; Shannon Stiglitz and Teresa Combs, Kentucky School Boards Association; Gary Wiseman, Paris Independent Schools; and Bill Doll and Marty White, Kentucky Medical Association.

LRC Staff: Norman Lawson Jr., Jon Grate, Joanna Decker, Ray Debolt, Jr., and Rebecca Crawley.

Problems relating to jailing of status offenders in Kentucky

The first speakers were Terry Brooks, Executive Director, and Tara Grieshop-Goodwin, Deputy Director, of Kentucky Youth Advocates. Mr. Brooks defined status offenses as misconduct that is not criminal and would not be illegal if committed by adults, such as skipping school, acting beyond control, running away, and tobacco and alcohol charges. Youth charged with status offenses in Kentucky are detained at the second highest rate in the nation, excluding Jefferson County which does not place status offenders in detention.

Mr. Brooks said detention of status offenders is not only the most expensive approach, but it is also the least effective, as youth who are detained face greater risk of poor education, work, and health outcomes, as well as future incarceration. Secure detention, though appropriate for some offenses, has not proved effective in addressing status offenses. Detention fails to address factors that contribute to the inappropriate behavior, and the costs of detention significantly outweigh other placement options that can address underlying problems. Last year, 1,541 status offenders were detained at a cost of $94 per day for a total cost of just under $1 million. Mr. Brooks discussed various alternatives to detention through programs operated by the Administrative Office of the Courts (truancy diversion), Department of Juvenile Justice, Department for Community Based Services, and private programs.

Mr. Brooks said Kentucky Youth Advocates recommends placing a time limit on probation for youth offenses (currently a child of 12 can be on probation until 18 and be punished for a new offense after many years of good behavior), ensuring judges have full information from court designated workers and school systems to show that all school-based and community services were attempted before judicial intervention, limiting the use of detention before a child is found to have committed the act, and requiring the document prepared for the judge on the appropriateness of secure detention to include all available alternatives to detention and any special education needs of the child.

One example cited by Mr. Brooks was the case of a child who violated the school cell phone rule for a second time, refused to go to the school office, was charged with being out of control, and was sentenced to 30 days of secure detention. Ms. Grieshop-Goodwin suggested that alternatives to detention, which are currently available but not being used, would result in better outcomes and should be tried prior to the use of the courts and detention.

The next speaker was Gary Wiseman, Superintendent of the Paris Independent School System, who said his goal is to have every child in school and not in detention. He said school systems must have tools to address excessive absences, and many times it is a parent issue. Courts can make parents comply with truancy regulations but school systems do not have that authority. Many communities do not have adequate community alternatives for status offenders, and said this might be a good opportunity to rewrite Kentucky's truancy laws. The county attorney, diversion programs, court designated workers, judges and parents must work in partnership to address status offenses, which many times are related to underlying issues in the home. Every school should have a school psychologist to deal with mental health issues in the home.

The next speaker was Teresa Combs, Kentucky School Boards Association, who said she recommends using the courts to force parents to comply with truancy regulations. She said parenting classes should be required for parents with children causing problems in the schools, and that sometimes secure detention is a valuable alternative. Representative Flood asked if children who are seven or eight years old should be sent to court, and Ms. Combs said she did not agree with that approach to children who may be acting beyond control.

Senator Schickel said in some cases detention may save a child's life. For example when a 14-year-old female runaway who looks like she is twenty-three is found at a truck stop along the interstate, law enforcement has no choice but to release her without secure detention. There is no other way to detain her until her parents can pick her up, sometimes from another state. He said there are many good parents out there who are frustrated with the current status offender system, and sometimes detention is the best thing that can happen to a child because it can save their life.

Juvenile law matters

Hasan Davis, Deputy Commissioner, Department of Juvenile Justice, said his agency is the final stop in the status offender system, responsible for providing secure detention placements for status offenders who have often been passed off by other agencies or the school systems. He said some school systems abuse the status offender system because they do not want to deal with problem children who skip school, act out of control, or run away from home. Many times they do not have the resources or alternatives to address the underlying problems these children face at home, including poor parenting, neglect, sexual abuse, domestic violence, and drug and alcohol abuse. Mr. Davis said school systems and other agencies, including the Department for Community Based Services, are not doing the job they should be doing to address status offenses and have come to rely on his agency to do the job for them. Everyone should be held accountable and the Department of Juvenile Justice needs more resources to provide suitable alternatives to detention of status offenders.

The next speakers were District Judges Karen Thomas of the 17th Judicial District, Robert Heaton of the 57th Judicial District, and John McCarty of the 38th Judicial District. They were accompanied by Assistant Christian County Commonwealth Attorney Duncan Cavanah, a juvenile prosecutor in the 3rd Judicial District. Judge Thomas said status offenders frequently have things going on at home, the result of poor parenting, abuse or neglect, and the child ends up in the court system. She described the Administrative Office of the Courts Truancy Diversion Program, a successful program for children with excessive absences, which keeps the children in school and preserves average daily attendance funding for the school systems. She noted the need for increased funding for court designated workers who work with status offenders in the court system and make recommendations to the judges. The courts do not have the money or the resources to act as social workers. The Department for Community Based Services needs to address the underlying problems these children are dealing with at home rather than passing them along to the court system.

Another problem cited by Judge Thomas is that school systems readily allow parents to withdraw their children and home school them, when many times, the parents have very little education and are not qualified to provide an education to their children. The parents no longer have to deal with the school system, the schools do not have to count them as truant, jeopardizing their daily student funding, but ultimately the children do not receive a quality education, because there is no state oversight for home schooling. Judge Thomas said the courts have limited options to force parents to comply with school regulations when it is the child who is before the court.

Judge Heaton agreed with Judge

Thomas and said a private Christian school in his area does not even require its students to attend school. He said there are 168 court designated workers to handle 40,000 status offense cases statewide, an unmanageable caseload. It is too easy for parents to take children out of public schools to home school them, as many parents only have a high school education, and often times even less education.

Judge McCarty said secure detention is sometimes used for the protection of the child. He said because there are very limited alternatives to detention, his court must go to other counties for alternative services. Lack of parenting or bad parenting is a very big problem in his area. The biggest impediment to accessing mental health services is the medical card and many times, the Department for Juvenile Justice is the entry point to access these services. Judges Thomas, Heaton and McCarty all agreed there is an incredible need for qualified mental health professionals in the school system.

Senator Jensen asked the judges and other participants to make a list of things they felt the General Assembly could do in terms of statutory changes.

Assistant Commonwealth Attorney Cavanah indicated Christian County faces the same problems and no one wants status offenders detained, but limited resources and services are a problem. To obtain alternatives to detention, he must send status offenders to McCracken County. Ankle monitors used by the Department for Juvenile Justice require land-line telephones, which many families no longer have, meaning children of those families are not eligible for home detention. He recommended the department switch to GPS monitors which do not require land-line telephones. There is inadequate funding for them even though they are cheaper than detention.

Representative Flood commended Deputy Commissioner Hasan Davis and the programs of the Department of Juvenile Justice. She questioned why no one from the Department of Community Based Services attended the meeting. The department must be involved in the discussion of status offenders. The department has stepped back because other agencies have stepped up to address this problem. She recommended the General Assembly statutorily require them to be the lead agency for treatment of status offenders in Kentucky. Senator Jensen told the committee the Department for Community Based Services was not asked to appear before the committee today, but it would be invited to a future meeting to continue the discussion of treatment of status offenders.

Representative Marzian said the Department for Community Based Services is completely overwhelmed and has lost many social workers because it cannot handle the huge caseloads or have been laid off. There is an obvious need to increase state funding for social workers. She was also concerned about the lack of regulation and oversight of home schooling. She suggested the comprehensive care centers throughout the state might be able to provide alternatives to detention for status offenders.

Senator Webb said another problem she has seen is when children pass the state required drop out age, the courts have no authority to force them to keep going to school. She noted a bill introduced in the 2011 Regular Session which would have increased the state drop out age did not pass. The Kentucky Bar Association should also be involved in the discussion of treatment of status offenders.

Judge Thomas said when status offenders enter the court system, counties bear the financial burden for their care and counties should be involved in the discussion of the issue. Deputy Commissioner Davis said the Department for Juvenile Justice is working on several pilot projects to offer 48-hour crisis care for status offenders, noting reductions in federal funding means states must use creative ideas to maximize limited resources.

Senator Stine suggested charter schools might offer a creative way to maximize limited state funding to reduce use of detention of status offenders. She noted Kentucky missed out on federal funding when it did not approve legislation authorizing charter schools and an open minded approach is needed.

Representative Jenkins said there is a need for law enforcement to document when children are witnesses to violence and domestic violence in the home, a small step toward reduction of violence in the home.

The next speaker was Robert Jones, Executive Director of Community Action Kentucky, an umbrella organization for Kentucky's 23 Community Action Centers. He said the statewide network of community action centers provide marriage counseling, parenting classes, GED classes, programs for students in crisis, and vocational training, and would like to expand their services to offer alternative programs to reduce detention of status offenders. Many courts are unaware of their programs. Community Action Kentucky would like to be included in the discussion of alternative programs for status offenders. In response to a request from Senator Jensen, he agreed to provide the committee with information about their services and locations in Kentucky.

Representative Flood acknowledged Patrick Yewell, Administrative Office of the Courts, and commended him for his dedication and hard work on behalf of court designated workers, who assist judges in determining solutions for status offenders. She thanked him for attending the meeting.

The next speaker was Daryl Baer, who urged the committee to examine the laws on bullying to prohibit victims of bullying in the schools from being charged with assault when they physically respond to the bully. He said bullying is a premeditated act and the schools are doing nothing about bullies, but are prosecuting children who are protecting themselves. His son was bullied in school, and the school system did nothing when the abuse was reported, but when his son responded to the bullying, he was charged with felony assault. The charge was reduced to a misdemeanor once the judge reviewed the circumstances, and he commended the judge for defending his child who was a victim of bullying. He has now been sued by the bully's parents. Mr. Baer also recommended school records be subject to expungement because information in those records can prevent a child from getting into college or receiving a scholarship, and there is no way to protect the child from inaccurate records. Senator Webb said she knew of a case where a bully continually bullied another child, but when the victim of the bullying responded, the victim was immediately lodged in secure detention while the school and the courts took no action against the bully. Senator Schickel thanked Mr. Baer for supporting the judge in his son's case and said it is important to preserve judicial discretion.

The meeting adjourned at 12:10 p.m.

INTERIM JOINT COMMITTEE ON LABOR AND INDUSTRY

Minutes of the 1st Meeting of the 2011 Interim

June 21, 2011

Call to Order and Roll Call

The 1st meeting of the Interim Joint Committee on Labor and Industry was held on Tuesday, June 21, 2011, at 10:30 AM, at the Mazak Corporation in Elsmere, KY. Senator Alice Forgy Kerr, Chair, called the meeting to order, and committee staff called the roll.

Present were:

Members: Senator Alice Forgy Kerr, Co-Chair; Senators Denise Harper Angel, Ernie Harris, Kathy W. Stein, and Jack Westwood; Representatives Will Coursey, C. B. Embry Jr., Bill Farmer, Richard Henderson, Dennis Horlander, Wade Hurt, Joni L. Jenkins, Adam Koenig, Terry Mills, Mike Nemes, Tom Riner, and Brent Yonts.

Guests: Ed Hughes, President, Gateway Community and Technical College; Richard Jordan, Chairman of the Board, Gateway Community and Technical College; Brian Papke, President, Mazak; Blair Schroeder, Northern Ky. Chamber of Commerce; Mike Vogt, Vice President for Human Resources, Mazak; Steve Stevens, President, Northern Ky. Chamber of Commerce; Senator David Williams

LRC Staff: Linda Bussell, Adanna Hydes, and Carla Montgomery.

Senator Kerr welcomed members and guests to the first meeting of the 2011 legislative interim and said Co-Chair Representative Rick Nelson was unable to attend the meeting because of the flooding in Middlesboro. Senator Kerr recognized and thanked Senator David Williams for attending the meeting.

Senator Kerr thanked the Northern Kentucky Chamber of Commerce for inviting the committee to meet in Northern Kentucky as part of its Northern Kentucky United event, and Mazak officials for hosting the meeting. Senator Kerr extended special thanks to Representative Koenig for facilitating the meeting at Mazak.

Northern Kentucky Chamber of Commerce

Steve Stevens, President, Northern Kentucky Chamber of Commerce, was recognized to make brief welcoming remarks to the committee. Mr. Stephens said he appreciated the committee travelling outside of Frankfort to learn more about another part of the state, especially the business community. He commented that Mazak was critical to the manufacturing sector of the economy in Northern Kentucky and was excited that the committee was meeting at the plant to learn more about Mazak and its economic impact in Kentucky.

Mr. Stevens said Northern Kentucky is making an economic recovery and the unemployment rate is not a good indicator of what is actually occurring. He said job postings maintained by the Chamber have increased remarkably over the past five months particularly in areas of distribution, logistics, and manufacturing. He said there has been a big increase in employer requests for bilingual workers which present a challenge because Northern Kentucky is not a very diverse population. He said increased employer participation at job fairs is another sign that the economy is recovering. At recent job fairs, employers representing a broad cross-section of industries all had positions they were trying to fill. This is a significant increase from last year.

Mazak Manufacturing Plant

Brian Papke, President of Mazak, said Mazak is headquartered in Japan. He said Mazak is widely recognized as the premier machine tool industry worldwide. Mazak manufactures precision metal-cutting machines that make other things. Mazak has been in Northern Kentucky since 1974 and has expanded its operations 14 times and employs about 600 people in Kentucky. The company has transformed from a "rust-bucket type of company" to a "high-tech company", which means that skilled workers are needed to do the jobs at Mazak.

Mr. Papke said Mazak represents agriculture, construction, and mining industries. He said businesses that make machinery in those industries are doing very well in this economy because there is currently a wonderful opportunity to export worldwide. Mazak is also a supplier of machines to medical, aerospace, automotive, oil and gas industries, and other companies that cut precision parts for machines.

Mr. Papke said one of major concerns of manufacturing companies, like Mazak, is the lack of skilled workers. He said individuals have been convinced not to go into manufacturing because of the belief that it was all going off-shore. He said this country, not China, still produces more goods and services than any country in the world. Manufacturing is coming back, but manufacturing today is high-tech and trained skilled workers are needed for those jobs.

Another concern is the airport in Northern Kentucky. Mr. Papke commented that the existing airport is no longer a first-class airport and transporting people from around the world in a timely manner is a concern.

Despite the concerns, Mr. Papke said the future appears bright for Mazak and manufacturing.

In response to a question from Senator Kerr, Mr. Vogt, Vice-President for Human Resources, Mazak, commented that welders, electrical and chemical assemblers, and machinists represent some of the skill-sets needed by Mazak. He said that Mazak has had a strong workforce and low worker turnover through the years, but many workers are retiring and that is adding to the difficulty of attracting and maintaining skilled workers. Mr. Vogt said the state is doing a better job in recognizing the need to invest in the existing manufacturing base in Kentucky. He said while such investment might not create one new job, it will greatly assist in retention and expansion of existing jobs. He commented that high school students are not getting the proper guidance about advanced manufacturing jobs.

Gateway Community and Technical College

Ed Hughes, President, Gateway Community and Technical College, and Richard Jordan, Chairman of the Board, made a presentation on the college as well as the needs of the manufacturing community. Mr. Jordan stated in order for manufacturers to be competitive, the labor needs have changed. Formerly, manufacturers needed 10% to 20% skilled workers; however, currently some manufacturers need 80% to 90% of their work force to be skilled workers. The average annual wages for these skilled workers is $51,000. Projections indicate that by 2018, 62% of all jobs will require some post-secondary education or training.

Some challenges in having a skilled workforce are that the workforce is aging and the image of manufacturing is poor.

Gateway has 45 to 50 apprenticeships with five different companies. Manufacturing jobs are available and Gateway's mission is to partner with manufacturers to get workers trained in appropriate skills.

In response to a question from Senator Kerr, Mr. Jordan stated that many companies use a temporary service to evaluate an employee's work ethic before hiring on a permanent basis. In response to a question from Senator Stein, Mr. Jordan said that students are paid while being trained by their employer. There were discussions of learning plans and evaluation of skills at an early age.

Representative Koenig thanked the committee and co-chairs for the meeting at Mazak.

Senator Kerr announced that the next meeting would be held on July 21 in Frankfort.

There being no further business the meeting adjourned.

Tour of Mazak Plant

INTERIM JOINT COMMITTEE ON LICENSING AND OCCUPATIONS

Minutes of the 1st Meeting of the 2011 Interim

June 10, 2011

Call to Order and Roll Call

The 1st meeting of the Interim Joint Committee on Licensing and Occupations was held on Friday, June 10, 2011, at 10:00 AM, in Room 129 of the Capitol Annex. Representative Dennis Keene, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator John Schickel, Co-Chair; Representative Dennis Keene, Co-Chair; Senators Julian M. Carroll, Julie Denton, Denise Harper Angel, Jimmy Higdon, Paul Hornback, Dan "Malano" Seum, Kathy W. Stein, Damon Thayer, and Robin L. Webb; Representatives Tom Burch, Larry Clark, Dennis Horlander, Wade Hurt, Charles Miller, Mike Nemes, Darryl T. Owens, Ruth Ann Palumbo, Carl Rollins II, Sal Santoro, Arnold Simpson, and Susan Westrom.

Guests: Crit Luallen, Auditor of Public Accounts; Jack Conway, Attorney General, Todd Leatherman, Director of Consumer Protection, Patrick Hughes Chief Deputy, Dana Nichols, Assistant Attorney General – Civil, Ryan Halloran and Della Justice Assistant Attorneys General; Shannon Tivitt, Executive Director, Division of Occupations and Professions; David Keene, member, Kentucky State Board for Proprietary Education; Greg Brotzge, Kentucky Association of Career Colleges and Schools; Roger Dalton, Vice President for Government Affairs, National College; and Anthony S. Bieda, Director of External Affairs, Accrediting Council for Independent Colleges and Schools (ACICS).

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

Proprietary Education Industry in Kentucky.

Auditor of Public Accounts, Crit Luallen, told committee members an audit report issued by her office dealt with the oversight role of the State Board of Proprietary Education and the administrative support that is provided to that board by the Office of Occupations and Professions in the Public Protection Cabinet. The issue of proprietary education and its oversight is a complex issue. Her office began the audit in January, 2011, based on reports in the media and a request by Representative Reginald Meeks, as well as a request from the boards then-executive director.

Ms. Luallen said the Board of Proprietary Education was created in 1976. It gets its revenue from licensing and other fees paid by proprietary schools that operate in Kentucky and issue degrees or certifications below a bachelors degree. In 1990, the General Assembly created a Student Protection Fund. The purpose of this fund is to pay off debts incurred by the closing of a school.

Ms. Luallen told the committee that the primary conclusion of the audit was that the State Board of Proprietary Education has not been adequately monitoring the proprietary schools that it oversees. The audit also notes numerous weaknesses in the Office of Occupations and Professions which collects the board's license applications, maintains a database of active licensees, issues license renewals and agent licenses, and processes reimbursements, claims payments and other expenditures on behalf of the board. The same staff provides support to twenty-one other professional boards.

Ms. Luallen said that the audit lists nine findings with 39 recommendations to ensure proper board oversight. Five of the findings rose to the level of a material weakness that could indicate serious non-compliance with state statutes governing the board. One finding involving the board calls for it to assess its operations and implement policies and procedures to insure that it is fulfilling its responsibilities. Another finding points to the need for the board to improve documentation and keeping adequate records and files; and its monitoring of existing schools, closed schools and schools, that are operating without a license.

Ms. Luallen said that the audit found at the time that there was no orientation program or manual for new or returning board members, and the board lacks a clear understanding of its role and responsibilities. The board should keep more detailed minutes, should establish policies to handle complaints from students, and should schedule periodic external audits. Two of the material weaknesses in the audit concerned the Office of Occupations and Professions. The audit revealed that the agency does not consistently keep original documentation, has had a high turnover in leadership, and does not properly monitor expenditures and revenues from license fees for the board.

Ms. Luallen said the audit reviewed internal controls over the student protection fund that the General Assembly created. The regulations and board policies for that fund are weak and that the staff has inadequate training to administer the fund. There are 70 pending claims before the board regarding the closing of Decker College. None of those claims has been paid, and the student protection fund has a positive balance. The audit suggests several ways to amend regulations in order to avoid complications in the future. The audit also made recommendations to replenish the fund because there is no process to replace money that is paid out by student claims.

Ms. Luallen told the committee that, if the audit's 39 recommendations are implemented, there will be improvement in board oversight and governance, and the administrative support offered by Occupations and Professions will be enhanced. More importantly, there will be more protection provided to the students. The board's formal response has been added to the audit, with each finding including the board's response and plans for corrective action. There have already been a number of steps taken since the audit was published. A new director of Occupations and Professions has been appointed, a board chairman has been elected and a commitment to follow recommendations has been established. It was important to ensure that every educational resource was available and functioning effectively to get students through educational programs that can further their opportunities in this economy. It was important for the board to protect the students, but it also has to protect reputable proprietary schools from unfair competitive practices of dishonest or disreputable institutions.

Shannon Tivitt, Executive Director of the Occupations and Profession Office (O and P), said O and P administers general services for 23 of the 43 regulatory boards for the state. Duties include compiling meeting packets, completing board minutes, processing applications and license renewals, and administering exams. The office also handles budget management, accounting, maintenance of the board website and technology services. The office employs 16 staff, eight of which are board administrators while the other six handle the operations in the office. She said that the office helps the boards license over 20,000 individuals and businesses throughout the state each year. She became Executive Director on February 1, 2011. Her charge is to identify and strengthen the functions of the office and to improve the day-to-day operations. The Auditor's recommendations provided a road map to make the operation of the office more effective and efficient for the boards. The relationship with the boards is unique in that they are independent authorities and O and P oversees their administrative operations. Her top priority was to establish policies and procedures for the office. About half of the Auditor's recommendations are board functions with about half O and P operations. The board and O and P have been working with the auditors. Executive staff from the Public Protection Cabinet will provide some oversight in implementing the corrective

action plan. She has received approval to reorganize the office into sections and to restructure management to ensure leadership. The Attorney General's office was helping with training sessions for staff members regarding open meetings, open records, and customer service. In the future, O and P will have a service agreement with all the boards as well as formalizing agreements between the boards and O and P. Board members are being advised to attend ethic's training. Later in the year, a new database will be implemented that will help record keeping and reporting to the boards.

Ms. Tivitt said the board of Proprietary Education has hired a new legal counsel who is in the process of overseeing audit recommendations such as reviewing administrative regulations, in particular recommendations relating to the student protection fund. The council is creating policies and procedures for this board to adopt. While the audit was particular to the proprietary board, she will use the recommendations as a road map for improving the operations of the other 23 boards. She was confident that O and P was moving in the right direction to provide services to the boards and she felt that the boards would see a positive improvement in these services.

In response to a question from Representative Larry Clark, Ms. Tivitt said there is a board investigator who travels around the state to inspect sites during the application or renewal process.

In response to Senator Kathy Stein, Ms. Tivitt said the board has 11 members appointed by the governor from a list of recommendations sent by the Kentucky Association of Career College Schools. The board has five members representing the public at large, three members representing privately owned educational institutions, and three members representing privately owned technical schools. The board is currently short one member representing privately owned schools. Additionally, there are 20 independent boards, and O and P has a unique relationship with the 23 boards for which it provides administrative assistance. She has sent a memo to the boards regarding FY 12 and feedback she has received has been positive. In response to Senator Stein's comment that Judge Shepherd, Franklin County Circuit Court had issued an opinion on the constitutionality regarding the General Assembly "sweeping" funds that were not intended to be used for general purposes, Ms. Tivitt declined to comment, stating that the state budget directors office should be monitoring the case and would be better able to respond.

In response to a question from Representative Burch, Ms. Tivitt said that the Kentucky Proprietary Education Board was responsible for auditing schools. Brenda Allen, Council for the Board of Proprietary Education, added that one of the board's responsibilities was to ensure that each school was financially able to operate. She said the board has the authority to look at a school's financial records at any time. The board has authority in statute to request a school's financial statement and their profit loss statement, certified by an independent accountant, to make sure that the school is operating in a financially sound manner. David Keene, board member, said that when a school received state grants, it must be an accredited institution and that schools receiving Title IV money are required to be audited annually by the federal Department of Education. Senator Harper-Angel told committee members that, when she was PVA of Jefferson County, Ms. Tivitt was her Chief of Staff and is very capable of carrying out all the Auditor's recommendations.

In response to a question from Representative Owens, Ms. Allen said that the board meets monthly with an agenda set by the chairman. In response to a question by Representative Keene, Ms. Tivitt said that there is a combination of industry, professional and public at large members on all 43 boards. In response to a question from Representative Clark, Ms. Tivitt said that board recommendations cover the two year and four year degrees in the split between privately owned technical school members and privately owned school members. In response to a question from Representative Westrom, Mr. Keene said that schools can be corporately owned, publically traded or individually owned.

Jack Conway, Attorney General of Kentucky, said that the Consumer Protection Act charges his office to uncover, penalize, and correct false, deceptive, and misleading business practices. He said that is the focus of an investigation into proprietary schools that is ongoing and, due to the ongoing nature of this investigation, his comments will be limited to what is already publically available. A large part of this investigation involved uncovering deceptive recruiting tactics the schools are using. As an example, he discussed how recruiters are trained to target potential students. Recruiters focus on the emotion of the potential student and explained that one recruiting manual employs the sales module known as the "pain funnel" to create a sense of urgency to make a change. School recruiters also profile potential students, targeting welfare moms with children, freshman dropouts, and people with recent life-changing crisis such as divorce or death.

Mr. Conway said that his office has an obligation to monitor the issue for the good of the proprietary schools who are doing good work. There are schools that have developed associations with employers to provide jobs after education. Civil Investigative Demands (CIDs), which are essentially requests for information, have been sent to only seven of the 141 proprietary schools in Kentucky.

Mr. Conway also said that his office has intervened to block collections by bankruptcy trustees to collect approximately $4 million in student loans in the 2005 failure of Decker College. He is working with Ms. Tivitt to ensure that the proper claims papers are being filed so that former students of Decker College can receive funds from the student protection fund. Mr. Conway said that, in 2008, the American Justice School of Law in Western Kentucky failed to obtain accreditation from the American Bar Association. Students of that school had acquired about $7.5 million in debt through Student Loan Express. His office has investigated and entered into an agreement with SLX to forgive approximately $3.6 million in loans. This amount equals 100 percent of the amount of credits that could not transfer to other ABA accredited institutions, as well as about 10 percent of living expenses. Mr. Conway told members there is one other active investigation that has not been named.

Mr. Conway said that, looking at the concerns of the Government Accountability Office and the U.S. Senate Education Committee regarding the for-profit industry, he decided to investigate this industry in Kentucky from a consumer protection standpoint. There are four criteria for beginning an investigation on a particular school: complaints from students and others; the school's type of accreditation; recruiting and advertising practices; and federal student loan default rates. The type of accreditation is important because it relates to how easily credits transfer. Kentucky's public universities are regionally accredited by the Southern Association for Colleges and Schools (SACS). Nationally accredited schools have a harder time transferring school credit hours. This is a concern from a consumer protection standpoint.

Mr. Conway told committee members that there was a multistate group of Attorneys General working collaboratively to investigate schools that are using deceptive tactics to increase enrollment at their schools. Common complaints are failures to provide a real or adequate education, credits that do not transfer, over-promising job opportunities, misinformation about the cost of the program and debt incurred, and improper handling of public student aid. Of the six schools with CIDs issued in December, five are cooperating and producing the information requested. One school has challenged the office's authority to issue a CID in Franklin Circuit Court and is seeking anonymous cover in the suit. The court has dismissed the motions to limit the Attorney General's authority and has ruled that this investigation is in the public interest.

Mr. Conway said proprietary education is a big dollar industry, where nine-tenths of the funding is coming from federal education dollars, as well as state education dollars. According to the U.S. Department of Education, there has been large growth in the for-profit college industry in the last ten years. Federal funds going to proprietary schools have more than doubled since 2006, including Pell Grants, Stafford Loans and other federal funds. For-profit schools received $30 billion in Pell Grants and Student Loans in 2009. For-profit schools account for 25 percent of the federal student loan dollars with half of those loans ending in default. Mr. Conway added that 1.2 percent of the money that proprietary schools receive comes from the Kentucky's College Access Program (CAP) and the Kentucky Tuition Grant (KTG), a need-based program administered by Kentucky Higher Education Assistance Authority (KHEAA). Need-based programs have in the past been oversubscribed by approximately 190 percent. Students received letters telling them they qualified for student loans but some KHEAA programs were not able to pay sufficient money due to declining state resources.

Mr. Conway said there is a distinction between a private non-profit and a private for-profit school. There is a discrepancy in the cost for degrees between for-profit and the not-for-profit sector. For a business management bachelors degree, the average for-profit cost is about $60,000, while at the University of Kentucky the cost is about $34,000. The cost of a medical billing diploma at a community college is approximately $3,000, while the cost for the same diploma at a for-profit school is about $14,000. Some students are non-traditional, and some students need the ability to take classes on-line that are often provided through proprietary schools. However, he feels that he has a duty, as a public servant, to ensure that students are told about the total cost, the potential debt burdens and all options available. Mr. Conway noted that federal student loan debt is not dischargeable in bankruptcy court.

Mr. Conway said that information provided to the U.S. Senate Education Committee from the major publically traded schools (Apollo Group, Inc., Education Management Corporation, Corinthian Colleges, Inc., Kaplan Higher Education, Inc., and ITT Educational Services, Inc.) regarding resources devoted to recruiting versus student services and career placement from 2007 to 20010, shows the number of students doubled. To achieve this, the schools employ about 22,000 recruiters but only 1,700 job placement staff. The for-profit school industry is very lucrative, generating a nearly 52 percent profit margin. On a per student basis, the largest amount of money is devoted to recruiting and profit.

Mr. Conway said there are concerns based on what his investigation has found. Students see these schools as a gateway to better employment opportunities. Information from the schools regarding employment after graduation has been inflated. There is a federal rule that no more than 90 percent of revenue can come from federal resources, and the proprietary industry is currently at 86 percent. Some proprietary schools in Kentucky do an outstanding job. There are 141 programs that cover barbering, cosmetology, and

two and four year programs. However, there are some legitimate concerns, and his office, under the Consumer Protection Act, can do right by the people of Kentucky.

In response to a question from Senator Carroll, Mr. Conway responded that one school has not been responsive to the civil subpoena but has gone to Franklin Circuit Court and requested anonymity. Franklin Circuit Court dismissed the request, and the school has appealed to a higher court. In response to a question from Representative Palumbo about the accredited data, Mr. Conway said the U.S. Senate Education Committee has not revealed names of schools included in their analysis of federal and state grants and that the schools are not necessarily in Kentucky. In response to a question from Representative Westrom, Mr. Conway said that because the investigation was ongoing and the school had asked Franklin Circuit Court for anonymity, he would not name the national school that was not cooperating. The school was present and intended to come before the committee. In response to another question about student loans, he said that getting a co-signer was particular to each contract signed. In response to a question from Senator Stein, Mr. Conway said that some schools have preferred lending arrangements, which are nondischargeable in bankruptcy, with companies such as Student Loan Xpress (SLX).

In response to a question from Senator Webb, Mr. Conway said the U.S. Senate Education Committee has provided information regarding the predatory practices of some proprietary schools. As the investigation becomes more complete, his office will come back to the committee with information. In response to a question from Senator Denton, Mr. Conway said there has been debate at the federal level regarding the Gainful Employment Rule that will allow the Department of Education to monitor which institution's students are working after graduation. Regarding the subject of credit transfers, he said there are problems due to accreditation of the schools. Mr. Conway said that the proprietary schools are targeting non-traditional students.

In response to a question from Senator Higdon, Mr. Conway said his current investigation is a formal civil investigation. He will supply Senator Higdon with information regarding associate degree retention numbers. Senator Thayer commented that he had not had complaints from his constituents regarding proprietary education and felt that these institutions were providing a valuable service with job training and placement for this economy. Senator Thayer further stated that he questioned why this investigation had been given higher priority than other investigations. Mr. Conway responded that he views his role as the Attorney General to encourage good corporate citizenship, and the fact that there are only seven subpoenas out of 147 schools shows that he is focused on schools that are not fulfilling their commitments.

Greg Brotzge, Government Affairs representative for the Kentucky Association of Career Colleges and Schools (KACCS), Anthony S. Bieda, Director of External Affairs for the Accrediting Council for Independent Colleges and Schools, and Roger Dalton, Vice President for Government Affairs, National College were present to speak to the committee. Mr. Brotzge told the members that KACCS is a voluntary association of career colleges and affiliated companies currently serving over 26,000 students in Kentucky. His association largely agrees with the Auditor's recommendations regarding the proprietary schools, and KACCS wants to work with the General Assembly to fix problems so that the schools are operating to the highest standards. Proprietary schools fill a gap in Kentucky's post secondary training for non-traditional students, in particular for those students who are already working. KACCS feels that they compare favorably with other sectors of higher education. There are legitimate concerns regarding proprietary education, and KACCS wants to be involved in all areas of the discussion.

Mr. Brotzge said there is support in making changes to the Proprietary Board of Education. The number of school representatives should be reduced so that a majority of the board comes from non-school sources in order to increase public confidence in the board while maintaining the expertise school representatives provide. There were questions regarding placing associate degrees under the Council for Post Secondary Education Department (CPE). If the proprietary board follows the Auditor's recommendations and implements changes, there would be no purpose to move those degrees. Schools that offer bachelor's degrees and above are already regulated by CPE. For the most part, they are regulated by the same standards as other sectors of post-secondary education. A general concern is the inconsistency in regulations that apply to proprietary institutions and other post-secondary institutions. The legislation proposed in 2011 (HB 125) would have placed burdensome requirements on proprietary schools. CPE has an advisory council made up of the Presidents Council (consisting of the Presidents of the public universities), KCTCS, and the Independent College Association. Proprietary schools should be represented on this council also.

Mr. Brotzge said it has been suggested to KACCS that it change to regional accreditation to resolve the transfer of credit issue. KACCS feels that it should be allowed develop its own process by administrative regulations, giving the schools the opportunity to address problems first. KACCS believes that all schools should make the data reported to the Integrated Post Secondary Education (IPEDS) data system available in electronic form as well as part of the admissions process. This allows prospective students to compare graduation and retention rates. Whatever regulatory entity is chosen to oversee proprietary schools, it should have clear regulations regarding compliance as well as fair fee structures. Financial aid does not go to the school but to the student, and KACCS students are provided with a means to improve their career choices.

Anthony S. Bieda, Director of External Affairs, Accrediting Council for Independent Colleges and Schools (ACICS), stated that ACICS is the largest accreditor of independent colleges and schools in the country, with more than 870 institutions, in 47 states, and nine foreign countries. More than 25,000 students are enrolled in 26 institutions accredited by ACICS in Kentucky. The U.S. Department of Education has recognized ACICS as an authority on institutional quality and integrity since 1956, and at the degree granting level by the Council for Higher Education Accreditation (CHEA). Those two entities are the only two that have a formal process for reviewing the authority and capability of accrediting agencies, and they review accrediting agencies every five years. These agencies also review the regional accreditors including the Southern Association of Colleges and Schools (SACS). Unlike the regional accreditation agencies, ACICS does not accredit any college or school that is publically organized or supported. The average retention rate for ACICS accredited colleges and schools in Kentucky was 68 percent in 2010, well above the required 60 percent threshold. The average job placement rate was 69 percent. If a college or school falls below the threshold set by ACICS, it could lose its accreditation and access to student financial aid.

Mr. Bieda said in other countries there are Ministries of Education that do accreditation, student financial aid, and consumer protection under one agency. In the United States there is, by design, a triad: 1) the U.S. Department of Education, whose primary role is to provide supplemental resources for K-12, and college education. It has its own standards and requirements regarding the stewardship of that money and audit schools annually to ensure compliance; 2) the accrediting agencies, whose job is quality assurance and institutional integrity; and 3) the state-based regulatory authority that has primary responsibility for consumer protection. All institutions that ACICS accredits have a mission to educate students in a manner that prepares them for an occupation or career. These obligations are required by ACICS and the U.S. Department of Education.

Mr. Bieda said the difference between ACICS and SACS is the focus on curriculum, delivery modes, and instruction that prepare graduates to successfully enter and persist in the work place. ACICS accredited schools have detailed operating policies that enable them to meet or exceed the accreditation standards imposed. The regionals tend to be much more general and vague in order to enable the creativity that is appropriate for accrediting a liberal arts education. ACICS accreditation teams visit institutions every three to five years, versus regional accrediting teams at schools every eight to ten years. They review student records, faculty credentials, and student financial aid, and verify student placement and retention rates. When a career college has a program that is not placing students at the rate required, it should discontinue the program and create a new program that is more reflective of the workforce needs in that community.

Mr. Bieda said regional accreditors do not require that colleges or schools prepare their graduates for occupations and careers, nor do they prescribe detailed standards for curriculum or delivery modes, nor do they require employer advisory mechanisms. This does not make regional accreditors inferior to national accreditors, just different. Regional accreditors have authority from the Secretary of Education to accredit colleges in six geographic areas, but national accreditors have the authority to accredit colleges across the United States. ACICS has not seen any authoritative data to demonstrate transferring credits from a regionally accredited school to another regionally accredited school is any easier than transferring credits from a nationally credited school. Requiring regional accreditation for career colleges and schools that operate as career preparation institutions creates a mismatch between the accreditation expertise and the institutional mission and purpose, thus creating a disservice to students who choose to enroll in career colleges that best meet their needs.

Roger Dalton, Vice President for Government Relations for National College, told the committee that National College is a 125 year old institution of higher education founded in Roanoke, Virginia, with six campuses in Kentucky offering a mix of one year diplomas, two-year associate degrees, and baccalaureate degrees. All six campuses are under the oversight of the Council on Post Secondary Education. Students and their well-being and success are National College's top priority. Last year, 56 of 107 post secondary institutions in Kentucky were career colleges. Of those 56, 42 offer two-year degrees, 12 offer four-year degrees, and 2 offer workforce readiness programs that can be completed within two years. This is the reason that most of National College's students chose to enroll there. These students are independent adults who are working to support families while going to school. A key need for these students is flexible class scheduling to work around career and family schedules to enable advancement in their local workforce as quickly as possible. National College offers extensive career guidance and placement services.

Mr. Dalton said a study by

CHMURA Economics & Analytics found that Kentucky's career colleges serve a niche of students who are underserved by traditional two-year and four-year colleges and universities. The study found that over half of career college students are over the age of 25, come from low to middle income households, and are minorities. Graduation rates compare equally with traditional, public colleges. These graduates make a vital difference in Kentucky's local communities, particularly in career fields that lack a trained workforce. Graduates hold degrees in health care support, business management, administrative support, and personal service occupations.

Mr. Dalton said that as career colleges continue to meet the needs in Kentucky's higher education and work force training environment, it is important to realize that national accreditation is a good fit for the niche National College fills. CHEA has issued a statement saying the accredited status of an institution is important, but not the sole factor to consider in transfer of credit decisions. Every regional and national accrediting agency has voiced agreement with that statement. SACS, the regional accreditor for Kentucky institutions of higher education, expressly states in one of its policy papers that the accreditation standards do not mandate that institutions accept transfer of credit only from regionally accredited institutions. Further, SACS encourages its institutions to consider ways to make the transfers easier. He felt it was in the best interests of the state and of the students for a receiving institution to provide a thorough and fair evaluation of credits that are submitted for transfer, rather than reject them based on the accrediting status. It costs the state and the student money to take or retake a course that could have transferred in.

Mr. Dalton said that career colleges are a significant economic driver for Kentucky, employing over 3,000 workers and generating an economic impact of more than $454 million, and more than $10 million in tax revenues. He is eager to work with them toward the betterment of all sectors of higher education.

Senator Schickel commented that in his district most of these schools were renting existing real estate that would otherwise be vacant and do not come to the General Assembly to request money for capital improvement.

In response to a question from Representative Rollins, Mr. Bieda replied that the requirements for faculty qualifications for nationally accredited schools are the same for all regionals, relative to general education requirements. Also, the faculty member must have a degree one level higher than the students they are teaching. Representative Rollins said that transferability between SACS and other regional accrediting agencies that are not quite as strict brought about legislation to require schools coming into the state to hold the same requirements regardless of their accreditor to be eligible for financial aid.

In response to a question from Senator Denton, Mr. Dalton replied that CHMURA took its data from the Integrated Post Secondary Education Data System (IPEDS), which is a federal system that holds education data such as graduation rates, retention rates, and placement rates. Mr. Brotzge added that the Attorney General's data was national and CHMURA data is state specific. Regarding costs, Mr. Dalton said that state subsidies factor into the cost. Whitney Smalls, researcher and data analyst, said that the amount in the CHMURA report was state aid and not state subsidies. Ms. Smalls said state appropriation is the amount of state aid the student receives from programs like CAPS. However, state subsidies are monies that are appropriated for those schools individually from the state budget. Mr. Dalton said that a national study conducted by Dr. Robert Shapiro, Harvard economist, found that it is more cost efficient for the taxpayer to produce a diploma from a career college than a public college. In response to a question from Senator Hornback, Mr. Dalton replied that the Gainful Employment regulation, which that has just been released, initially received comments stating that the regulation would be harmful to minority students and may close programs. The regulation was then amended. However, career college representatives still believe that the metric is flawed and punitive to their sector. Representative Horlander asked if the proprietary board could provide recommendations and forward information promised to the committee chairs in the form of a letter. Mr. Keene responded that was the primary goal of the board.

Representative Keene assured Mr. Dalton he would be included in discussions regarding future legislation.

Representative Keene asked the members not available for the August 12th meeting to let staff know.

There being no further business to come before the committee, the meeting was adjourned at 12:29 PM.

INTERIM JOINT COMMITTEE ON LICENSING AND OCCUPATIONS

Minutes of the 2nd Meeting of the 2011 Interim

July 8, 2011

Call to Order and Roll Call

The 2nd meeting of the Interim Joint Committee on Licensing and Occupations was held on Friday, July 8, 2011, at 10:00 AM, at the Chas Seligman Distributing Company in Walton, Kentucky. Senator John Schickel, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator John Schickel, Co-Chair; Representative Dennis Keene, Co-Chair; Senators Tom Buford, Julian M. Carroll, Jimmy Higdon, Dan "Malano" Seum, Damon Thayer, and Robin L. Webb; Representatives Tom Burch, Larry Clark, Dennis Horlander, Wade Hurt, Joni L. Jenkins, Adam Koenig, Reginald Meeks, Mike Nemes, David Osborne, Sal Santoro, Arnold Simpson, and Susan Westrom.

Guests: Jennifer Doring, Chas Seligman Distributing Company; Dawn Bellis, General Counsel, Department for Housing, Buildings, and Construction; Bill Walsh, Northern Kentucky business owner; Dan Meyer, Executive Director and General Counsel, Wine and Spirits Wholesalers of Kentucky; Gene McLean, Executive Director, Kentucky Beer Wholesalers Association; and Jason Baird, Executive Director, Kentucky Malt Beverage Council, Inc.

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

Approval of minutes

There was a motion from Senator Schickel, seconded by Senator Seum, and the minutes from the June 10, 2011 meeting and the November 23, 2010 meeting were adopted.

Welcoming comments

Jennifer Doring welcomed the committee to the Chas Seligman Distributing Company, giving a brief history of the family business and thanking the members for making the trip to the facility.

Electrical Inspectors

Representative Sal Santoro sponsored HB 487, AN ACT relating to electrical inspections and licensure during the 2011 regular session. The bill did not pass. He told the committee that there are three types of electrical inspectors licensed by the state: 1) state employed inspectors who inspect state facilities and hospitals, as well as performing inspections in counties where there is no local inspector; 2) cities and counties such as Louisville, Lexington and Boone County where electrical inspectors have contracts with local government to perform work; and 3) independent inspectors who are licensed by the state and operate a private business. Recently, the Department of Housing, Buildings and Construction (HBC) has received complaints regarding independent inspectors charging excessive inspection fees. There have also been allegations about inspectors charging a lower fee to simply sign off on an inspection. One of the biggest complaints received is the "call back inspection" where an inspector charges multiple fees by performing incomplete inspections during repeated visits. Another complaint involved inspectors telling electricians to take a class the inspectors were conducting so that they could get their permits. The implication was that if the electrician did not pay for the class they would have a great deal of difficulty passing an inspection. Complaints are handled through KRS Chapter 13B hearings that allow for an appeal process. House Bill 487 would have allowed more city and county control, allowing them to have a contract with the electrical inspector and giving the city or county recourse if an inspector behaved badly. House Bill 487 also set a fee structure to avoid overbilling.

Bill Walsh, a business owner in Boone County for 17 years told committee members about his experience with electrical inspectors. When he first started his business, he had his choice of electrical inspectors. Now he is being forced to use a company from Ohio to inspect his properties. He is failing inspections that were previously passed when local inspectors were hired. The Ohio company's fees are more costly. The Ohio company always requires a call back for re-inspection and requires a drive to Ohio to pay the fee and, once a property has passed, a drive to Ohio to pick up the permit. After filing a complaint with HBC, a resolution was reached.

In response to a question from Senator Webb, Representative Santoro said the Northern Kentucky Area Planning Commission entered into an exclusive contract with an Ohio company allowing this company to inspect businesses in the area. Dawn Bellis, General Counsel for HBC added that there is no prohibition to keep inspectors from outside the state coming into Kentucky if they are licensed and certified by Kentucky. HB 487 would have required counties to have a contract with an electrical inspector or to directly employ an electrical inspector. Also, the county would be allowed to hire more than one inspector. The state will have greater enforcement authority and accountability of these inspectors by establishing inspection protocol.

In response to a question from Representative Westrom, Ms. Bellis said if the actions by out-of-state inspectors took place in Kentucky, a lawsuit could be heard in a Kentucky court.

Representative Clark commented that House Bill 487 would have created a standardized fee structure, a maximum mileage reimbursement, and would encourage cities and counties to have jurisdiction of inspectors handled through fiscal court. This would create a uniform, state-wide system.

In response to a question from Representative Keene, Ms. Bellis said problems have arisen in the current system due to the uniqueness of the electrical inspector program, allowing inspectors who are not state inspectors or under contract to a local jurisdiction to be hired.

Kentucky's Three-tier System for Alcohol Sales

After a brief video on beer distributorship, Senator Higdon, Senator Thayer, and Representative Keene recognized distributors from their districts who were in attendance.

Gene McLean, Executive Director of the Kentucky Beer Wholesalers Association, gave a historical overview of the three-tier system. Before Prohibition, alcohol was unregulated. There were tied-houses, with strong connections between supplier and the retailer. In some

cases, the supplier owned the retailer, but the system did not work. There was no oversight, leading to illegal alcohol sales and abuse. Prohibition, an attempt to ban all alcohol sales, began in 1920 and ended in 1933. Prohibition was repealed by the 21st Amendment, giving states regulatory control over alcohol sales. States adopted different approaches. Eighteen states are defined as "control states," meaning that the state acts as the distributor and the retailer of alcoholic beverages. Kentucky is one of 31 states to mandate use of a three-tier system established by statutory authority. The first tier is the supplier or producer, the second is the wholesaler, and the third tier is the retailer. Tax dollars are collected on all three levels. The suppliers pay a federal excise tax. When the product moves to the wholesaler, states collect an excise tax. Kentucky has an 11 percent excise tax on wholesalers. At the retail level, Kentucky collects a 6 percent sales tax. The system ensures efficient tax collection. The three-tier system also encourages moderation and safety because Kentucky law prohibits suppliers from exclusive product placement in a particular retailer.

Dan Meyer, Executive Director and General Counsel for the Wine and Spirits Wholesalers in Kentucky, said the three-tier system works to provide public protection and provide the consumer with more choices. In other countries, there are problems with tainted alcohol and binge drinking due to no accountability. Nonetheless, the system has been under attack since Prohibition ended, with allegations that the laws are antiquated. Examples of attacks on the three tier system include a case in the late 1990s where wineries went to court in an effort to change laws that appeared to discriminate regarding shipments of wine directly to consumers from state to state. In 2005, the Supreme Court found that states may not discriminate against out-of-state wineries in favor of in-state wineries. In Texas, out-of-state retailers sued for their right to ship directly to consumers. The case, known as the Siesta Village case, was settled in favor of Texas' prohibition against receiving shipments from out-of-state retailers. In Washington state, a big box retailer (Costco) wanted to purchase directly from the manufacturer and sell to the consumer, without going through a wholesaler. A referendum on the issue was unsuccessful. Arguments against the referendum were that selling top brands at lower costs is not consumer friendly because it hurts other brands and ultimately leads to fewer consumer choices. Small package stores are hurt by this also. Wholesalers add value and efficiency to the distribution chain. By adding wholesalers, the number of transactions is reduced by approximately 31 percent.

Jason Baird, Executive Director of the State Malt Beverage Council, said that distributors remit taxes on a monthly basis, as defined under KRS chapter 243. Kentucky is one of two states that collect a wholesale tax. There has been a steady increase in collection of taxes on alcoholic beverages from just under $57 million in fiscal year 1993-94 to approximately $111 million in fiscal year 2009-10. Tax amounts differ from product to product. Thus far in fiscal year 2010-11, malt beverage taxes have amounted to $58.3 million, wine has contributed $14.5 million, and distilled spirits have contributed $38.7 million. Sales tax is not reported separately from wholesale and excise tax. The tax rate has also been increasing. In 2005, the legislature raised the wholesale tax from 9 percent to 11 percent. In 2009, the General Assembly imposed a 6% sales tax on all off premise retail sales. Today, Kentucky is one of the top five states in tax rates on alcoholic beverages. Of the contiguous states, only Tennessee's sales tax is higher. Distributors and wholesalers create about 1,900 jobs in Kentucky. They take their responsibility seriously to provide awareness programs such as "We I.D." The malt beverage education program has been successful in giving back funds to communities to support Project Graduation and other underage drinking prevention programs.

In response to a question from Representative Westrom, Gene McLean said that, after the tax increase in 2009, total sales dropped by approximately $2 million. Senator Carroll commented that the history of taxation in the industry had been glossed over. The General Assembly had made a promise to the industry when it increased the wholesale tax. The imposition of a retail tax in addition to the wholesale tax amounted to double taxation.

In response to a question from Senator Webb, Dan Meyer said a study would have to be done to develop an estimate for the loss of jobs and business closing if big box retailers were allowed to sell directly to consumers. Gene McLean added that the ability to track the number of sales for the product would be lost as well as regulatory power and oversight. In response to a question from Representative Koenig, Mr. McLean said there is a license for brew pubs that allows them to produce and sell their products on location; however, there is a gallonage cap. Because these are craft brews, they do not fall in the pre-Prohibition category of tied-houses. Clark Distributing in Versailles has 466 different craft brew products.

Senator Higdon commented that he appreciated the industry's participation, corporate sponsorship, and community support in responsible consumption, Project Graduation, and underage drinking prevention programs.

In response to a question from Senator Thayer, Gene McLean said since the tax increase in 2009 Kentucky has seen a drop of about one million cases of beer per year. Jason Baird said the excise tax collection was less in 2009-10 than in previous years and that there would be a proposal to address this in the near future. Dan Meyer added that another effect the industry was seeing is customers purchasing lesser brands. In response to a question from Senator Seum, Dan Meyer said big box retailers would not be able to purchase products without the approval of the supplier.

Representative Burch commented that Kentucky's tax increases are not the reason people drive to contiguous states to purchase products at a cheaper price.

Representative Clark said the General Assembly made a commitment to the industry during tax modernization that not just the liquor producers, but also the wholesalers, should be at the table. Casinos in Ohio and Indiana are costing Kentucky $800 million a year, and the national economy is hurting everyone.

In response to a question from Representative Jenkins, Dan Meyer said the number of dry territories has continued to shrink since the General Assembly passed a bill allowing local option elections for restaurants to sell liquor by the drink.

Senator Schickel asked if members had any other business to come before the committee. He said the next meeting of the committee will be Friday, August 12, 2011, and that on September 20 the meeting will be at Keeneland, pending approval.

A tour of the building and lunch were available for interested members.

There being no further business to come before the committee, the meeting was adjourned at 11:46 AM.

INTERIM JOINT COMMITTEE ON LOCAL GOVERNMENT

Minutes of the 1st Meeting of the 2011 Interim

June 21, 2011

Call to Order and Roll Call

The first meeting of the Interim Joint Committee on Local Government was held on Tuesday, June 21, 2011, at 1:00 PM, in the Navigation Room of Terminal 1 at the Cincinnati/Northern Kentucky International Airport in Covington, Kentucky. Senator Damon Thayer, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Damon Thayer, Co-Chair; Representative Steve Riggs, Co-Chair; Senators Walter Blevins Jr., Jimmy Higdon, John Schickel, Dan "Malano" Seum, and Johnny Ray Turner; Representatives Julie Raque Adams, Ron Crimm, Brent Housman, Adam Koenig, Tom McKee, Michael Meredith, David Osborne, Jody Richards, Arnold Simpson, and Rita Smart.

Guests: Senate President David Williams, Senate President Pro Tem Katie Stine, Representatives Joseph M. Fischer, Addia Wuchner, and Derrick Graham; Steve Arlinghaus, Kenton County Judge/Executive; Gary W. Moore, Boone County Judge/Executive; Steve Pendery, Campbell County Judge/Executive; Barbara Schempf, Cincinnati/Northern Kentucky International Airport; Representative Joe Fischer, Cindy Arlinghaus, Boone County PVA, Dennis Gordon, Northern Kentucky Area Planning Commission; Mayor Paul Meier, City of Crestview Hills; Brian Miller, Home Builders Association of Northern Kentucky; Mayor Tom Rouse and Chief of Police Mark Fields, City of Erlanger; Tom Logan, City of Covington Engineer; and Garth Kuhnhein and Tom Wurtz, Northern Kentucky Tea Party.

LRC Staff: Mark Mitchell, Joe Pinczewski-Lee, John Ryan, Kris Shera, and Ashlee McDonald.

Opening Remarks

Kenton County Judge Executive Steve Arlinghaus explained that the airport is owned by Kenton County and located in Boone County. The airport has hosted as many as 600 flights per day but currently hosts fewer than 200 flights per day. Delta is cutting flights to the airport by 10 percent. The proposed cut was announced last fall, and the airport made budget cuts accordingly.

The air board recently voted on a $31,000,000 renovation project in Terminal 3, Concourse A, which was part of the Delta terminal. This new expansion will allow new partnering opportunities and profits for both Northern Kentucky and Cincinnati. These partnerships will also benefit the Commonwealth.

Judge Executive Gary Moore explained "regionalism" and how it relates to Northern Kentucky. By breaking down county and city lines, Northern Kentucky has improved efficiency and effectiveness. Although there are questions concerning individual rates, most people realize that even though some rates are higher than preferable, they are lower than what they would be with 30 to 40 individual entities. Northern Kentucky tries to regionalize every opportunity it can. Last year, Boone County regionalized its water rescue department. Having one water rescue department patrolling the entire riverfront is much more efficient than having independent and separate entities. Northern Kentucky is debating whether to regionalize 911 dispatch. When Northern Kentucky evaluates the different entities and how efficiency can be improved, it often runs into state law barriers.

Mr. Moore asked that the legislators not pass any unfunded mandates to local governments. The legislature made positive changes to the pension system. In the Boone County budget, the pension cost is one of the greatest costs to the local taxpayers. Taxpayers are willing to pay more in Boone County in the short term if it will help the county in the long term.

Boone County is the 4th largest county in Kentucky, and its greatest challenge is economic development. The greatest revenue source is payroll taxes. The airport is a key contributor to the economy and job industry.

Campbell County Judge Executive Steve Pendery stated that while there are great strengths to be found in Northern Kentucky, with 36 cities and 3 counties, it is a challenge to find one voice to speak

for the entire area. The division along jurisdictional lines helps explain the desire for consolidation, but legislation is needed to overcome certain obstacles. As an example, neither the fire departments nor the Emergency Management offices are allowed to consolidate by law.

Another great strength of Northern Kentucky is the close proximity to Cincinnati, but it also creates some problems. While 2011 HB 463 is an asset to society, there is concern that the drug laws may not be as stiff in Kentucky as in Ohio. When looking at problems with local implications, the best thing is to free the locals to cope, rather than try to prevent them from failing.

Senator Schickel stated that the airport is the top priority for the Northern Kentucky Legislative Caucus, as demonstrated with the successful Senate passage of SB 48.

Cincinnati/Northern Kentucky International Airport

Barbara Schempf, Director of Public and Governmental Affairs, stated that the airport is going to reactivate and revitalize Concourse A. The renovation allows for growth, which with air service are tied closely to economic development and job retention and attraction. SB 48 is expected to be refiled in the 2012 session and is strongly supported for what it will do for the airport community.

The airport is also interested in a bill that after the Tourism and Development Act. A creative funding source is sought so the airport can use the existing revenue sources that are created to attract more air service.

These two bills would help the Northern Kentucky region and the entire Commonwealth by bringing in more air service, which is directly tied to job retention, attraction, and growth.

2011 HB 137 relating to the calculation of property tax rates relating to the provisions of HB 44

Chairman Thayer explained that 2011 HB 137 was filed to address the calculation of property tax rates as it relates to the provisions of 1979 HB 44. HB 137 should be kept in the forefront.

Representative Fischer, who is the sponsor of 2011 HB 137, stated that HB 44 was a reaction to what was occurring in the nation. Property taxes were rising in response to inflation. Presently, the problem is that property values are declining, yet taxpayers are being asked to pay more on that property.

Boone County PVA Cindy Arlinghaus brought this matter to his attention last year to explain the anomaly in HB 44. The bill was designed to prevent any property tax revenue greater than 4 percent without being subject to a recall. In HB 44, there are no limitations on local taxes; it just makes the tax increase subject to a local recall. It was amended in 1982 to allow local jurisdictions to raise tangible property taxes to compensate for a reduction in tangible property. The way the rates are calculated, the interaction between the compensating rates for real property and the compensating rate for personal property automatically allows for local governments and taxing districts to impose tax increases greater than 4 percent without a recall. The purpose of 2011 HB 137 was to address that particular anomaly. The result of the 1982 amendment contradicts the original purpose of HB 44.

Ms. Arlinghaus said that, if there is a disparity between real rates and personal property rates, the 4 percent revenue ceiling is not enforceable. There is a "however" clause within the statute that allows the taxing entities to use a "loophole" to collect more revenue than HB 44 intended.

In Warren County, when the fiscal court says it is taking the compensating tax rate, which should produce the same amount of tax revenue as the previous year, it is actually taking in 5.9 percent more. The compensating tax rate can be taken without a public hearing. Warren County Fiscal Court has the ability to take 5.9 percent more revenue, excluding new property, and call it a "compensating rate." Since Warren County is also allowed to take the mandated 4 percent, it has the ability to take 10.2 percent more revenue without having the possibility of voter recall. She also cited similar examples occurring in Madison County and Kenton County. Even though taxing districts have the ability to take more than the 4 percent, they may not always do so.

Ms. Arlinghaus had written to the Attorney General in regards to the tax rate calculation process. There has been discussion as to whether litigation would be the proper route. In the statute that defines a compensating rate, it specifically excludes personal property. The "however" clause allows it to include all property. The question that was asked of the Attorney General was how personal property could be included in this calculation, which is what causes the loophole, when it is specifically excluded in the statute. The answer was that the exclusion only applies to the first sentence and not the second sentence of the statute.

An Attorney General's opinion from 1980 was cited. In response to a question regarding whether a city could have different tax rates for personal and real property, the Attorney General said this is permissible because the clear and unambiguous intent was to place a ceiling upon real property tax rates, while specifically exempting personal property tax rates.

There is also a uniform taxation issue. This is thought to be permissible because the rates are based on local tax authority decisions. There has been some discussion on litigating the issue, but it would be an added expense.

The only thing that 2011 HB 137 does is change the wording to eliminate the loophole. There has been some discussion whether this will hurt the revenue of cities and counties. It does not hurt revenue because each county or city is guaranteed the same amount of money as last year.

Representative Fischer noted that Section 4 of HB 137 is the key part of that bill.

Representative Riggs requested that Ms. Arlinghaus note a letter from the Commissioner of the Department for Local Government, who made the point that the substitute rate and the compensating tax rate are the same.

Responding to a question from Representative Riggs, Ms. Arlinghaus said she believes the compensating and substitute rates are two different rates. When a tax district is given its tax rate calculation sheet, these rates are listed as two separate rates. The "however" clause does allow for the compensating tax rate to be defined as the substitution rate, but it allows for a much higher rate than what would have originally been if focus had been given on the true compensating rate.

When one looks at the tax calculation worksheet, there are three separate rates. The first is the compensating tax rate. The definition of compensating tax rate, according to the statute, includes a "however" clause. The Department for Local Government states that, because the statute includes the "however" clause, the higher rate, which is referred to as the substitute rate, is in actuality the compensating rate. Both rates are calculated separately. The "however" clause allows for that loophole to be considered as the first rate.

Representative Riggs noted concern because leaders of local governments inform the legislature that it will in fact reduce their revenue, and the local governments are concerned over cuts affecting their police departments and fire departments, as well as other parts of local governments. Ms. Arlinghaus stated that 2011 HB 137 will not reduce the local governments' revenue, but it may make it more difficult for local governments to collect the higher tax rate. The local governments are always guaranteed the revenue of last year.

Chairman Thayer expressed concern regarding the taxpayers' revenue and where their money comes from to pay the higher tax rate.

In response to a question from Senator Seum, Ms. Arlinghaus said fire districts and any entities that are using the highest statutorily permissible tax rate are exempt from the 4 percent taxing rule. Any school district she has observed took the 4 percent.

In response to another question from Senator Seum, Ms. Arlinghaus said that new additions to the property tax roll are always excluded from the 4 percent rate calculations, and taxes can be collected on the existing property and the new property. Senator Seum wanted to clarify that if a new property comes on line the next year, it can only be raised 4 percent. Ms. Arlinghaus explained that the revenue of the taxing district is looked at as a whole. For example, if the City of Covington acquired $100,000 last year, no matter what the assessments do, the most the city can take in is $104,000, plus revenue from new property.

In response to a question from Senator Schickel, Ms. Arlinghaus stated that she did not believe the 4 percent rate loophole issue applied to state taxes; it is more of a local issue.

In response to a question from Representative Simpson, Ms. Arlinghaus stated that she has had some dialogue with local government officials.

Representative Wuchner, a co-sponsor of HB 137, added that Farm Bureau had concern that there would be an increase of the 4 percent set point to that of a higher set point.

Representative Richards explained that the main reason the legislature passed HB 44 was that the property taxes in the state were escalating every year and there was a national move to reign in property taxes. At that time, it was a favored bill because it put a ceiling on property taxes, which in turn has made Kentucky's one of the lowest tax rates in the country.

Northern Kentucky Area Planning Commission (NKAPC)

Chairman Thayer stated that the NKAPC matter had first come to his attention when Representative Simpson filed an amendment to a senate bill during the 2011 Regular Session. Representative Simpson later withdrew that amendment.

Representative Simpson explained that the particular statute in KRS Chapter 147 is only utilized by one area planning commission, NKAPC. NKAPC began as a two-county entity with Kenton County and Campbell County until the latter withdrew. The commission has continued to act on behalf of the citizens of Kenton County. The amendment was filed because, after a multi-county commission loses one member, some individuals believed it was no longer legal. The amendment was intended to clarify that matter, not to harm the senate bill.

Northern Kentucky contains a plethora of communities. Local governments must demonstrate more efficiency prior to allowing tax increases. NKAPC is a vehicle of efficiency, and if the citizens lose this, it will cost the taxpayers more money.

Crestview Hills Mayor and Chair of the Kenton County Mayors Group, Paul Meier, said that his community is one of the 20 local governments in Kenton County that benefit from NKAPC. In the 1960s, the Northern Kentucky suburbs were booming but planning and zoning was scattered amongst 23 local planning and zoning commissions. There was no efficient way of planning and zoning in the overlapping local governments. Campbell County and Kenton County moved forward to create NKAPC in 1961, but Campbell County voted to leave the NKAPC in 1982. A 1983 lawsuit challenged NKAPC's legal existence. A special court judge ruled that NKAPC could continue to operate with only one county. In 2008, another

question of the NKAPC's existence was determined in court. In the ruling, a circuit judge ruled that he would not challenge NKAPC's validity. Today, NKAPC operates primarily out of Kenton County, an area of 20 urban, rural and suburban jurisdictions.

NKAPC is a prime example of reducing the size of the government, while also providing a wide range of services. Eliminating NKAPC would not only increase the size and cost of government, but it would do so at a time when budgets were already facing a crisis. For example, Independence would need to find approximately $400,000 to provide the services that the NKAPC provides them today.

Dennis Gordon, Executive Director of NKAPC, stated that the purpose of NKAPC is to provide for a more efficient planning operation. Each district contains a KRS Chapter 100 planning commission. Each NKAPC local government appoints one of its local officials to serve on the board. The board is responsible for approving NKAPC's annual work program and its budget. NKAPC's fiscal management is subject to review and approval by elected officials representing the taxpayers of the jurisdictions it serves. The staff of the NKAPC is divided amongst the jurisdictions. NKAPC provides staff responsibilities for long range planning for the comprehensive plan that is required by statute. NKAPC provides current planning experience that oversees administration of the zoning ordinances and engineering that oversees administration of subdivision regulations.

Part of NKAPC's responsibilities to the Kenton County Commission is the administration of 20 different zoning ordinances. NKAPC also provides street inspections for new subdivisions within the 20 jurisdictions. NKAPC's services to local governments provide examples of more efficient planning. Code enforcement, administration of a GIS system, and responsibilities for the Kentucky building code are expensive.

NKAPC's building inspectors championed a state law change so that Covington and other historic communities across the Commonwealth can facilitate job creation. Planners with NKAPC worked with local agricultural interests to get the Kenton County zoning ordinances amended to provide for agri-tourism and farmers markets in the rural area.

The Geographic Information System (GIS) staff works to keep the data in the digital mapping system current, which allows numerous local organizations to leverage the data as matches for governmental grants. On a yearly basis, this NKAPC service brings in more money to the jurisdictions than it takes to operate the GIS system.

NKAPC works to compare its expenditures to the expenditures of neighboring counties for the exact same services. NKAPC spends $26.26 per Kenton County resident for the same services while Boone County spends $23.73 for each Boone County resident. Campbell County's expenses could not be calculated because each of the nine planning commissions provide different services. NKAPC staff serves 136 local elected officials. Boone County serves fewer governments and local officials. NKAPC still delivers the efficiencies that were planned in 1961 when local officials met with legislators to create the area planning commission laws. NKAPC has met the same economic challenges as other entities across the Commonwealth. NKAPC had a $5.3 million dollar budget and 51 person staff when the economy collapsed. Since fiscal year 2008, the NKAPC's budget is down over $750,000 and ten staff through layoffs.

Mark Fields, Chief of Police, City of Erlanger, stated that, approximately five years ago, the Erlanger expanded the dispatch operations to include 11 cities in Kenton County. About 50 percent of Kenton County's dispatch is done through the Erlanger.

When the expanded dispatch process started, there were two main goals. The first was to have an information sharing tool for all departments. The second was to implement crime mapping. When the city partnered with NKAPC, NKAPC already used Web-Focus, which allowed the department to implement, at a greatly reduced cost, a crime mapping system. The chief hopes to share this crime information with the public. The city spent $70,000 on this service; without NKAPC, it would have cost the city between $200,000 and $300,000.

Another service NKAPC provides the city on a yearly basis is 911 coverage maps, which are given to the Commercial Mobile Radio Service Emergency Telecommunications Board. That is how the city's cell phone money is divided. If Erlanger had to provide that on its own, it could cost approximately $20,000 per map.

Tom Logan, City Engineer for Covington quoted Michael Dell, said that NKAPC's collaboration and innovation have lead to the successful launch of the enVista Infrastructure Management Software System. EnVista is an innovative map-based infrastructure coordinating tool that allows municipal organizations to communicate and coordinate work efficiently through proactive infrastructure management in real time. This saves taxpayer money.

Participants using this system include: 16 local governments; the Kentucky Transportation Cabinet; Duke Energy, the sanitation district; Northern Kentucky Water District; Cincinnati Bell; and Insight Communications. When critical infrastructure needs exceed available funding, this type of efficient government collaboration is essential.

Tom Rouse, Vice President of the Kentucky Bar Association and Mayor of Erlanger, stated that if the NKAPC ceased to exist, it would increase costs for the Erlanger and taxes would go up. Pension costs put more fiscal pressure on local government. The legislature should strongly consider Representative Simpson's amendment because NKAPC is a necessary tool that Erlanger greatly utilizes.

Brian Miller, Executive Vice President of Northern Kentucky Home Builders Association, stated that there were two planning commissions in Kenton County. One is the Kenton County Municipal Planning and Zoning Commission and the other is NKAPC. There has been discussion in the media regarding comprehensive plan updates, subdivision regulations, and zoning ordinances. Those are a statutory responsibility under KRS Chapter 100 of the Kenton County Municipal Planning and Zoning Commission. The services are contracted to the NKAPC. By statute those are not a first line responsibility under KRS Chapter 147.

Under the area planning commission enabling legislation, the commission must involve two counties. The population of one city within one county must have at least 50,000. There is language regarding the dissolution of a member in the planning commission. The commission functions after such withdraw with its boundaries consisting of the remaining counties' members. It contemplates a multi-county system. Further, in KRS 147.670, under additional powers and duties of the commission, the word "counties" is used, making it plural.

The Northern Kentucky Homebuilders Board made a unanimous decision to support any efforts to dissolve the NKAPC. It believes in strong, county-wide planning and zoning that should be done under KRS Chapter 100 under the Kenton County Municipal Planning and Zoning Commission with its own staff and resources. NKAPC is the only planning commission in the state that has the ability to directly levy a tax. The Homebuilders Board originally supported the legislation allowing NKAPC to exist, believing that it would operate in Boone, Kenton, and Campbell counties, and operate from a set of subdivision regulations across three counties. Boone County never joined and Campbell County eventually withdrew. NKAPC has been operating outside of the spirit of the enabling legislation. In addition, the regulations that NKAPC passes are cumbersome and inhibit growth and suppresses the economy. NKAPC services should continue but only under the Kenton County Municipal Planning and Zoning Commission.

Based upon staffing, population, costs to local governments, and contributions to NKAPC from those local governments, NKAPC is operating in an inefficient manner. Growth in residential construction in Kenton County is half that in Boone County. NKAPC is providing services at four times the cost and with less volume of residential work. Since NKAPC approves its own budget, there is little public oversight, which has resulted in a $4.79 million dollar NKAPC budget. Boone County's planning commission budget is $1.59 million. NKAPC conducts studies that cost taxpayers and should be bid out to private groups. The Northern Kentucky Homebuilders organization supports county-wide consolidation and planning services under the Kenton County Municipal Planning and Zoning Commission. Persons are sometimes paying twice for home inspections, conducted by NKAPC inspectors and considering home inspection fees coupled with the property tax that NKAPC receives.

According to the last census, there were around 69,000 households in Kenton County. In the last 10 years, the households in Kenton County have increased by 5,404. The full budget for the NKAPC is over $4.5 million dollars with $3.4 million from direct taxation. In Boone County, there are approximately 46,000 households with a growth of 12,803 in the last 10 years. An additional $506,000 is derived from code inspections. Boone County's planning commission budget is $1.5 million dollars. In Campbell County, there are around 40,000 households with a growth of 2,625 in the last 10 years. Its cumulative planning budgets equal $600,000. The budget for the Louisville Metro Planning Commission is $2.889 million dollars. It has 337,000 households and a growth of 31,781 in the last ten years. Its budget is $1.7 million less than the NKAPC's. Lexington-Fayette-Urban County Government has 135,000 households with a growth in ten years of 18,793. It budgets $1.696 million for planning.

Some cities in Kenton County have requested a breakdown of the actual services received for the amount of money that is being budgeted for the services. Upon review, the cities appear to be receiving less than 20 percent of the services accounted for. Some cities are beginning to assume control of inspection and plan review services from NKAPC indicating dissatisfaction with NKAPC. NKAPC's budget is under consideration for the year 2012. The county judge has asked that NKAPC's budget not be approved by the June 30th deadline in order to investigate the services that the cities and counties receive.

In response to a question from Senator Thayer regarding Kenton County's planning and zoning commission's current duties, Mr. Miller said that it does not have a staff; it employs its own attorney, and uses the staff of the Area Planning Commission.

Garth Kuhnhein, representing the Northern Kentucky Tea Party, explained the Tea Party's core principles: limited government, fiscal responsibility, and free markets. The Tea Party is involved in this discussion because NKAPC violates all of the Tea Party's principles.

NKAPC charges fees and levies a tax for what the Kenton County Planning Commission should be doing. NKAPC

employs 42 persons with slots for 55, while Boone County performs the same planning and zoning duties with 16 employees, and Campbell County performs planning and zoning duties with five employees.

NKAPC's budget is $4.7 million compared to surrounding counties of Boone, with a budget of $1.5, and Campbell, with a budget of $4.15 million. Boone and Campbell counties spend less per capita and less in their budgets. The Tea Party encouraged the mayors to look at how much work was being done by the NKAPC in relation to the money that was contributed. The Tea Party thinks that the cities get ten cents of work for each dollar contributed.

Kenton County has the highest tax rate and the highest poverty percentage in Northern Kentucky. Mr. Kuhnhein wondered if this high poverty rate is associated with the increased fees the citizens are paying to NKAPC, increased Sanitation District 1 charges, and increased water and utility rates. Mr. Kuhnhein questioned why the citizens would not support efforts to streamline government to decrease the amount of taxes, and to have inspections currently performed by NKAPC instead be performed by private inspectors. The private sector could be supported by having the inspections conducted by private inspectors.

In response to a question from Chairman Thayer, Mr. Kuhnhein explained that the legislation that enables NKAPC contains a mechanism for the citizens to invoke a ballot initiative to dissolve NKAPC. After the required signatures are obtained, prior to August 9 of this year, it will be placed on the November ballot.

Tom Wurtz, Northern Kentucky Tea Party, expressed his concern over the legality of NKAPC. Private entities existing or operating against the law are treated differently than government entities existing against the law. There is concern with the timing of the amendment to allow the commission to operate with one county instead of with two. If the courts have determined NKAPC to be operating legally, the necessity of legislation is questionable. Also, the specifications for road construction that NKAPC creates are inadequate and are costing the local governments money because the local governments have to replace the roads early. Fort Thomas was selected as the top place to live in Northern Kentucky. It is in Campbell County with fewer taxes and not Kenton County where NKAPC operates.

Representative Koenig responded to Mr. Wurtz's concerns by stating that, if two judges say one is acting legally, one is acting legally. Other counties contract with NKAPC for services they do not have access to, which adds to NKAPC's budget and makes it look bloated. The NKAPC also conducts inspections, which are fee based. Representative Koenig supports planning and zoning and realizes that not everyone supports it. The Tea Party should sit down with members of NKAPC.

In response to a question from Representative Koenig, Mr. Wurtz stated that the Tea Party would appreciate a meeting with the members of NKAPC since they are trying to educate themselves and other citizens.

Mr. Kuhnhein added that Tea Party members had attended a mayor's meeting where it was explained that the officers who approve NKAPC's budget meet twice a year. Approving a $5 million dollar budget with only two meetings a year causes concern.

Representative Koenig explained that the legislature often has "clean-up" legislation, which is legislation that is passed to conform to judicial rulings.

Representative Simpson explained that he filed the amendment late because that was when this matter was brought to his attention. His intention was to clarify the law. The amendment would not have affected the referendum process.

Senator Higdon stated that he was satisfied to see that in Kentucky there are remedies for these types of situations and several options for a solution.

Representative Riggs wanted to clarify whether the Northern Kentucky Home Builders Association or the Northern Kentucky Tea Party has had discussions with the board of NKAPC. Mr. Kuhnhein stated that the Tea Party had not met with the leaders of NKAPC. The petition would be to dissolve NKAPC. Asking NKAPC to dissolve itself would be unproductive.

Mr. Miller stated that the Northern Kentucky Home Builders Association has met with NKAPC on a regular basis just as it does with every planning commission in Northern Kentucky.

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

INTERIM JOINT COMMITTEE ON NATURAL RESOURCES AND ENVIRONMENT

Minutes of the 1st Meeting
of the 2011 Interim
June 2, 2011

Call to Order and Roll Call

The 1st meeting of the Interim Joint Committee on Natural Resources and Environment was held on Thursday, June 2, 2011, 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 Brandon Smith, Co-Chair; Representative Jim Gooch Jr., Co-Chair; Senators Joe Bowen, Ray S. Jones II, Bob Leeper, Dorsey Ridley, Katie Kratz Stine, Johnny Ray Turner, and Robin L. Webb; Representatives Hubert Collins, Tim Couch, Reginald Meeks, Tim Moore, Marie Rader, John Short, Fitz Steele, Jim Stewart III, and Jill York.

Guests: John Voyles, LG&E/KU; John Talbert, Big Rivers Electric Corporation; Nick Comer, East Kentucky Power Cooperative; Jimmy Keeton, AEP/Kentucky Power; and Dick Brewer, Duke Energy; Jeff Derouen, Stephanie Bell, and Richard Raff, Public Service Commission; Commissioner Jon Gassett, Dr. Karen Waldrop, and Mark Mangeot, Kentucky Department for Fish and Wildlife Resources; and Ms. Nancy Osborne.

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

Presentation by Electric Utility Representatives on Future Events Likely to Impact Electric Utility Rates

Mr. John Voyles, Vice President of Transmission and Generation, Louisville Gas and Electric/Kentucky Utilities, discussed several re-interpretations of existing federal environmental laws that will impact future electric utility rates including the Clean Air Act (CAA), the Clean Water Act (CWA), and the Resource Recovery and Conservation Act (RCRA). New federal rules issued under the CAA are the most impactive.

Changes to the National Ambient Air Quality Standards will reduce the emissions threshold for criteria pollutants such as sulfur-dioxide (SOx) and nitrogen-dioxide (NOx) from an 8-hour standard to a 1-hour standard. This change will place many areas out of compliance and force new state implementation plants to achieve compliance.

The Clean Air Transport Rule, which replaced the Clean Air Interstate Rule, proposes to lower SOx and NOx by 2012 and 2014 respectively. States upwind, presumed to be the primary emitters, must make collective reductions of 5 percent over 2009 levels for NOx to as much as 50 percent for SOx.

There are new rules that affect mercury emissions. A new rule on Maximum Achievable Technology for Hazardous Air Pollutants (HAPs) is expected in fall of 2011 which will create new thresholds for mercury emissions based on data from the nation's lowest emitters. There will be three years for each state to comply with the new standard. Finally, a rule regarding Carbon Dioxide (CO2) Best Available Control Technology (BACT) will have new performance standards.

New rules issues under RCRA will change the way utilities can dispose of coal combustion residuals (CCRs) and may result in CCRs being deemed hazardous materials. If this occurs then CCRs cannot be beneficially reused for wall board or highway materials. The rule changes will likely result in utilities managing CCRs in dry form rather than in wet ponds. Kentucky produces a sizable amount of coal ash, so this rule will be a significant factor in future rates.

There are two CWA rules that will deal with cold water withdrawl and with warm water returns. Generators use cold water for cooling and warm water, after treatment is returned to lakes and rivers. The warm water return is called the 316(b) rule and has not mandated use of a cooling tower, but it will require the utility to study the impacts to aquatic resources. A final rule is expected in 2012. There is also a discharge rule which will set effluent guidelines and maximum allowable loads of certain constituents in water. This rule may mandate water treatment systems for power plants.

The new rules are difficult to comply with because there are short and sometimes conflicting implementation timelines. There are various ways to cope with needed cost reductions through fuel switching and fuel blending. A representative from each of the incumbent electric utilities described their forward looking capital and operating costs as a result of costs associated with new the environmental laws.

Louisville Gas and Electric/KU disclosed $4 billion in new capital costs over 10 years and made a rate filing with the Kentucky Public Service Commission (PSC). John Talbot with Big Rivers Electric Corporation disclosed $758 million in capital costs and a wholesale rate impact of 40 percent. Retail customers would see roughly a 20 percent increase. One problem is that Big Rivers serves industrial customers such as aluminum smelters that are price sensitive. Nick Comer with East Kentucky Power Cooperative disclosed $40 million in capital costs and Jimmy Keaton representing AEP/Kentucky Power stated $40-$60 million in operating expenses. Dick Brewer representing Duke Energy disclosed $1 to $8 million in costs.

In response to a question regarding Big River's price competitiveness for attracting and keeping industrial customers, Mr. Talbot stated even though Kentucky's electric power rates are lower than the national average, the company is not the economic price leader internationally. The problems stemming from electric price increases will impact Kentucky's economy and electric utilities are trying to educate everyone. In response to a question about whether Kentucky would switch to renewable power, Mr. Voyles stated that unit by unit, it is cheaper for LG&E/KU to continue burning coal. The company will add new technology and request a rate increase.

In response to a question about the impact of environmental laws concerning fracking for natural gas, Mr. Voyles said that was a concern with respect to fuel switching to natural gas for electricity. The company is not looking to switch to natural gas for baseload generation. The company has been pushed towards use of noncoal alternatives.

In response to a question about the role of Kentucky's Department of Environmental Protection, Mr. Voyles stated that the department implements and enforces federal rules. Mr. Brewer added that state officials have been commenting on newly noticed federal rules and are trying to get the standards reduced.

In response to a question about informing the public about rate increases, Mr. Voyles stated that public notification occurs when a request for a rate increase is filed with the Kentucky Public Service Commission. There is a notice in the bill;

there are also inserts, open houses, and public forums.

Discussion by the Kentucky Public Service Commission on the Future Regulation of Electric Utilities

Jeff Derouen, executive director of the Kentucky Public Service Commission, identified the requests for rate increases by utility and furthered that more are expected. The two basic recovery mechanisms on rates are the environmental surcharge and the request for a certificate of convenience and necessity, commonly referred to as a CPCN or construction certificate.

In response to a question about self audit of the environmental surcharge to determine whether overcharges occur, Mr. Derouen stated there is a "true up" on the environmental surcharge every 6 months. Actuals are compared to requests. There can be charges added or retired throughout this process depending on the number of environmental mandates that raise the utility's cost of doing business. Surcharges do not work on a first in-first out (FIFO) basis.

In response to a question about the number of years a debt is amortized, Mr. Richard Raff, attorney with the PSC, replied that it is dependent on depreciation schedules set by the Internal Revenue Service.

In response to a question about which costs are recoverable through the environmental surcharge, Mr. Derouen explained that the costs must be "proven costs" and that companies are entitled to a reasonable rate of return. Mr. Raff added that the utility's cost of acquiring capital is a "capital cost" and is entitled to recovery through the environmental surcharge.

Rep. Gooch described a report from the United States Chamber of Commerce entitled Progress Denied which would be sent to members of the committee.

Kentucky Department of Fish and Wildlife Discussion of Sandhill Crane Populations in Kentucky

Dr. Jon Gassett, Commissioner of the Department of Fish and Wildlife, described the proposal for a hunting season for sand hill cranes. The proposed season will not jeopardize the crane population. Hunters have been involved in species recovery efforts in Kentucky and then limited hunting of that species occurred. Sandhill cranes are a migratory bird and hunting must be approved by the United States Fish and Wildlife Service. There are two plans, one for the state and one for the population as a whole.

Dr. Karen Waldrop explained that Kentucky falls into the eastern population management plan. There are 60,000 sand hill cranes in Kentucky and the plan is predicated on five year minimum populations to set yearly numbers that can be hunted. Kentucky's plan is more stringent than what is allowed by the United States Fish and Wildlife Service.

In response to a question about conflicts between bird watchers and hunters, Dr. Gassett stated the state plan does address opportunities for bird watchers. The hunting season will begin only after the popular bird watching season.

In response to a question about how hunting permits are issued, Dr. Gassett replied that permits will be allotted based on a quota hunt application. There will be no charge to apply, but the applicant must possess a valid Kentucky hunting license. In response to second question on whether only Kentucky residents would be allowed to participate, Dr. Gassett explained out-of-state applicants may apply but those applicants must possess a Kentucky license at the time of application. Because the license is required at time of application, it is likely that the largest number of participants will be Kentucky waterfowl hunters.

After a motion and a second the meeting adjourned at 3:25 PM (EDST).

INTERIM JOINT COMMITTEE ON NATURAL RESOURCES AND ENVIRONMENT

Minutes of the 2nd Meeting of the 2011 Interim

July 7, 2011

Call to Order and Roll Call

The 2nd meeting of the Interim Joint Committee on Natural Resources and Environment was held on Thursday, July 7, 2011, at 10:00 AM, at the Rio Tinto Alcan plant in Sebree, Kentucky. Senator Brandon Smith, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Brandon Smith, Co-Chair; Representative Jim Gooch Jr., Co-Chair; Senators Joe Bowen, Ernie Harris, Ray S. Jones II, Bob Leeper, and Dorsey Ridley; Representatives Tim Couch, Reginald Meeks, John Short, Fitz Steele, Jim Stewart III, and Jill York.

Legislative Guests: Representative Fred Nesler.

Guests: Stephane Leblanc, General Manager, and Pam Schneider, Human Resources Manager, Rio Tinto Alcan; Hugh McCormick, Henderson County Judge-Executive; Kevin Sheilley, Northwest Kentucky Forward; Mike Baker, Kentucky Aluminum Network; Kenny Allen, Armstrong Coal; Charlie Hiatt, USW Local 9443-00; and Ron Brooks, Kentucky Department of Fish and Wildlife Resources.

LRC Staff: Stefan Kasacavage, Biff Baker, and Kelly Blevins.

A quorum was present. After a motion and a second, the minutes for the June 2, 2011 meeting were approved.

Presentation by Alcan Regarding the Aluminum Industry and its Challenges

After Pam Schneider, Human Resources Manager for Rio Tinto Alcan, welcomed the committee and gave a safety briefing to the members, Henderson County Judge-Executive Hugh McCormick and Senator Ridley discussed the importance of both the Rio Tinto Alcan plant and coal to the economy of western Kentucky.

Kevin Sheilly, president and CEO of Northwest Kentucky Forward, explained that his group is the lead economic development organization for Henderson, Webster, Union, and McLean Counties. The mission of Northwest Kentucky Forward is to create wealth and opportunity for the people of northwest Kentucky in four main ways: business retention, business attraction, business creation, and workforce development. Rio Tinto Alcan helps create wealth and opportunity for the citizens of northwest Kentucky in all of these ways.

Mike Baker, director of the Kentucky Aluminum Network, stated that two of the nine aluminum smelters currently operating in the United States are in western Kentucky. The four main challenges currently facing the aluminum industry are access to cost-effective and available power, reasonable environmental regulation, aging infrastructure, and a depleted workforce as baby-boomers continue to reach retirement age. The General Assembly has been active in offering business incentives for investment in the aluminum industry in Kentucky and in adopting policies to promote workforce readiness, but challenges for the aluminum industry, especially access to affordable electricity, persist.

Kenny Allen, vice president of operations for Armstrong Coal, discussed the challenges that the coal industry faces in Kentucky and its importance to the aluminum industry. The aluminum industry's ability to survive is contingent on its ability to acquire affordable energy, and in Kentucky, that means energy produced from coal. Kentucky currently has the third lowest cost of energy of any state in the United States, but increased federal regulatory activity with regard to the coal industry imperils that status. The inexpensive electricity produced from coal is a vital component to Kentucky's economic competitiveness, and the General Assembly should be vigilant in defending it against overregulation at the federal level.

Chair Smith stated that he was keenly aware of the problems that the US EPA was causing for the coal industry in Kentucky, which is why he sponsored the coal sanctuary state bill during the last legislative session.

Charlie Hiatt, president of USW Local 9443-00, discussed the importance of the aluminum industry to the economy of the region. If the two aluminum smelting plants in the area were to close, it would cost the region 4,700 jobs and $176 million in lost wages. State and local governments would lose over $12 million annually in tax revenues. Environmental regulation is important, but Kentucky must maintain reasonably low electricity costs to maintain industry competitiveness in the global market.

Stephane Leblanc, general manager for Rio Tinto Alcan, gave a presentation on the economic challenges facing Rio Tinto Alcan as it competes to keep its costs low in the international aluminum market. There are three main cost components for aluminum production: the cost of the raw alumina used for smelting, the operating costs of the individual smelting plant, and the cost of electricity. The cost of alumina is set by the market and is the same for all aluminum producers. When compared to the operating costs of other aluminum smelting plants around the world, the Rio Tinto Alcan plant ranks very favorably. However, the Rio Tinto plant's overall operating costs relative to other smelting plants are increased greatly by the amount that it must pay for electricity. While Kentucky's residential electricity rates are low when compared to other states, its industrial rates compared to the global average that others smelters pay are quite high. The Rio Tinto plant pays $43.50/MWh for electricity, which is 65% higher than the global average electricity cost for smelters of $26/MWh. The more money that Rio Tinto Alcan must spend on electricity, the less it can invest in capital improvements that will keep it competitive in other aspects of aluminum production, and the less likely it will be able to maintain full production capacity in western Kentucky.

Mr. Leblanc asked that Kentucky join other states including Missouri, Ohio, West Virginia, and New York in offering discounted utility rates to its large industrial employers so that they can maintain viability within the state. Western Kentucky is a very attractive location for aluminum smelters due to its well-trained workforce, its easy access to channels of commerce, and its strong community support for the industry. However, lower electricity will be necessary to secure the future of the aluminum industry in the area.

In response to a question from Senator Leeper, Mr. Leblanc responded that the Rio Tinto plant and the Century aluminum smelting plant in Hawesville together use 70 percent of the electricity produced by Big Rivers. Big Rivers sells a portion of its power in the secondary market; not all of it is going to smelters and local residential users.

In response to a question from Representative Meeks, Mr. Leblanc responded that the main use for the aluminum produced at the plant was for radiator fabrication.

In response to a question from Co-chair Gooch, Ms. Schneider responded that she believed that about 85 percent of the aluminum in the country was recycled. Mr. Leblanc added that not as much energy is required to remelt the aluminum for recycling as is needed in the primary smelting process. He stated that the plant recycled it own aluminum scraps at the plant, and he would like to expand the recycling capacity.

In response to a question from

Representative York, Mr. Leblanc responded that governments at the local and regional level around the world have been offering incentives to their local aluminum smelting plants for years.

In response to a question from Senator Bowen, Mr. Leblanc responded that the advantage to locating an aluminum plant near a river is the ability to bring in the raw material needed for producing aluminum at low cost.

In response to a question from Chair Smith, Mr. Leblanc responded that aluminum components used in heavy-duty trucks were likely made at other plants.

In response to a question from Co-chair Gooch, Mr. Leblanc responded that none of the nine smelters located in the United States had been recently built. If the Rio Tinto plant were to be relocated, it would likely be in another country, not another state. The main consideration in building a new plant is the cost of electricity in the area.

Department of Fish and Wildlife Resources Discusses Asian Carp Problems in Kentucky

Ron Brooks, Fisheries Director for the Department of Fish and Wildlife Resources, discussed the need to reduce the overabundance of Asian carp in Kentucky waters. The Asian carp was introduced from China into Missouri and Illinois waters in the late 1960s and early 1970s to control plankton populations in those areas and has since become a nuisance species that has overpopulated our waters, disrupted local ecosystems, and crowded out indigenous species. Additionally, recreational use of Kentucky waters is comprised by the overabundance of Asian carp.

Mr. Brooks believes that with a $1 million investment from the General Assembly, a commercial fish processing facility could be built in Kentucky that could help curtail the Asian carp population and create a $1.2 billion annual economic benefit to the Commonwealth. The Chinese are already very interested in Asian carp, and a domestic fish meal market could demand 30,000 pounds of Asian carp daily. Building a fish processing facility for the Asian carp would help address the growing overpopulation problem, create jobs, and create a recurring economic benefit to the people of Kentucky.

There being no further business, the meeting was adjourned.

INTERIM JOINT COMMITTEE ON STATE GOVERNMENT

Minutes of the 1st Meeting
of the 2011 Interim
June 29, 2011

Call to Order and Roll Call

The first meeting of the Interim Joint Committee on State Government was held on Wednesday, June 29, 2011, at 1:00 PM, in Room 154 of the Capitol Annex. Representative Mike Cherry, Co-Chair, called the meeting to order, and the secretary called the roll. Senator Damon Thayer, Co-Chair, and Representative Cherry jointly chaired the meeting.

Present were:

Members: Senator Damon Thayer, Co-Chair; Representative Mike Cherry, Co-Chair; Senators Walter Blevins, Jr., Gerald Neal, R. J. Palmer II, John Schickel, Dan "Malano" Seum, and Johnny Ray Turner; Representatives Linda Belcher, Kevin Bratcher, Dwight Butler, Larry Clark, Leslie Combs, James Comer, Jr., Tim Couch, Will Coursey, Joseph Fischer, Danny Ford, Jim Glenn, Derrick Graham, Mike Harmon, Melvin Henley, Martha Jane King, Jimmie Lee, Mary Lou Marzian, Brad Montell, Sannie Overly, Tanya Pullin, Tom Riner, Carl Rollins II, Steven Rudy, Sal Santoro, John Will Stacy, John Tilley, Tommy Turner, and Brent Yonts.

Guests: Representative Jim Gooch; Crit Luallen and Brian Lykins, Office of Auditor of Public Accounts; Jennifer Elliott, Kentucky Retirement Systems Board of Trustees; William Thielen, Kentucky Retirement Systems; and Cathy McCully, U. S. Census Bureau.

LRC Staff: Judy Fritz, Brad Gross, Karen Powell, Bill VanArsdall, Greg Woosley, and Peggy Sciantarelli.

Auditor's Examination of Kentucky Retirement Systems (KRS)

Guest speakers were State Auditor Crit Luallen; Brian Lykins, Director of the Office of Technology and Special Audits; Jennifer Elliott, Chair, KRS Board of Trustees; and William Thielen, KRS Interim Executive Director. Ms. Luallen reviewed the KRS special audit, which was released June 28, 2011.

The audit makes 92 recommendations to strengthen the Board of Trustees' oversight and governance of KRS. The report did not identify any matters that appear to have impacted KRS' financial condition. The audit focused on the specific questions surrounding the use of placement agents, the internal audit process, and a broad review of Board policies and governance. A team of six auditors, led by Mr. Lykins, conducted more than 40 interviews, reviewed thousands of documents, and spent over 2,000 hours in the review. Based on the information reviewed, auditors saw no evidence of a "pay to play" scheme involving placement agents, no evidence of conflicts of interest that benefited KRS officials, and no evidence that KRS incurred any additional cost through the use of placement agents. However, the audit points out several troubling aspects regarding the use of placement agents and will be referred to the U. S. Securities and Exchange Commission (SEC), which has the authority to determine if further investigation is needed.

While the audit did not substantiate any specific evidence of wrongdoing, it pointed out a number of areas where the KRS Board could improve communications, accountability, and transparency. The audit recommendations offer numerous steps that KRS could take to strengthen Board governance.

After questions were raised regarding the use of placement agents, an internal audit was initiated at KRS and presented to the Board in August 2010. Placement agents are intermediaries—or third-party marketers—paid a fee by investment managers to solicit and secure potential investors. The internal audit found no wrongdoing in the use of placement agents, but KRS trustees questioned the internal audit process, as well as the fees that had been paid to placement agents. In August 2010, Governor Beshear sent a letter to the then-chair of the Board, suggesting that the Auditor of Public Accounts conduct an independent review of the adequacy of the internal audit process and other matters related to Board oversight. Subsequently, the Board of Trustees voted to request the review by the State Auditor's office. The audit found that the use of placement agents lacked transparency and may not have been in the best interest of KRS. One placement agent had an unusually close working relationship with KRS' former chief investment officer (CIO). That placement agent received a high percentage of the investment contracts, participated in seven of the 13 investment agreements in which placement agents were used, and could have earned a minimum of $1.3 million in fees on KRS investments. Additionally, firms with which he was affiliated could earn an additional $3 million from those investments. He appears to have acted as a representative of KRS, setting up appointments and making travel arrangements for the former investment officer. The relationship appears to have been different than that of other placement agents who typically contract with investment managers. In August 2009, the former CIO participated in the development of a placement agent disclosure policy, which was adopted by the Board of Trustees. Even after that policy was adopted to bring more transparency, the former CIO did not disclose the use of this same placement agent in a significant investment, thereby violating the new policy. The audit is being referred to the SEC primarily because of the questionable relationship and interaction between that placement agent and the former CIO. Both the former CIO, who resigned in July 2010, and the placement agent in question declined to be interviewed by the auditors, nor did the auditors have access to their personal financial records. The SEC has been conducting a review of placement agents around the country and has initiated an informal inquiry in Kentucky.

The audit recommends that the KRS investment staff and the Board's investment committee ensure consistent compliance with all established investment policies; that all information required by the placement agent disclosure policy be presented to the Board in a clear and transparent manner; and that disclosure statements include political contributions within the past two years by placement agents. The report further recommends that the General Assembly consider requiring placement agents to register as lobbyists with the Executive Branch Ethics Commission and that the Board's investment committee receive detailed information on all recommended investments.

Auditors followed up on allegations that meetings set up by the Governor's Office may have resulted in undue influence on KRS officials. Interviews and analysis of documentation found no evidence of pressure to use specific firms, and no firms identified as having contacts made on their behalf received business from KRS.

State auditors found that the internal audit had insufficient involvement from the Board, lacked transparency, and resulted in confusion and suspicion among the trustees. Auditors found no evidence that information from the internal audit was withheld or delayed with an intent to hide fraud or wrongdoing. The fact that executive staff sat in on certain meetings of the internal audit staff diminished the perception of independence of the internal audit, but there was no evidence that this influenced the outcome. It is recommended that the audit committee of the Board develop and approve detailed procedures for special audits and that the KRS Division of Internal Audit conduct all of its audit field work in an independent manner, separate from the influence of KRS management.

The audit includes numerous recommendations relating to Board governance and operational policies, with specific recommendations to strengthen policies governing budget, conflict of interest, travel, spending, anonymous reporting of concerns, and bringing consistency to the board member selection process. The Board should revise the conflict-of-interest policy to require the CIO, investment directors, and general counsel to file annual conflict-of-interest statements, and penalties should be established for breach of board policy. Materials provided to the Board should be more informative and valuable in providing oversight, including quarterly investment and budget-to-actual investment expenditure reports, as well as an annual report of executive staff salaries.

The audit recommends that the enacted budget should include all aspects of expenditures except benefits. Currently, and historically, certain expenditures for the health care portion of the budget are not included in the enacted budget. Term limits should be established for the board chair and vice-chair. The audit found that the Board could benefit from additional external auditing services, including scheduling of performance, compliance, and management audits, which is being done in many other states. Steps should be taken to make the board election and appointment process more consistent and stronger. Qualifications for gubernatorial appointees are dictated by statute, but

there are no qualification requirements for elected trustees. The same disclosure requirements and application process should be followed for both elected and appointed board members. Applicants should be required to detail how their specific qualifications prepare them to be an effective trustee. Elected trustees should authorize a background check prior to appointment, which is already required of gubernatorial appointees. All of this information should be made available to the Governor and the trustees as part of the election process.

Although the purpose of the audit was not to examine KRS financial statements or investment performance, the report includes a detailed background section on the history and financial viability of KRS. This can be a valuable tool for policymakers when addressing issues relating to the long-term viability and financial status of the funds. The audit emphasizes that the long-term viability of KRS has been dramatically impacted by the state's consistent underfunding of the employer contribution since 2003. Beginning in 1993, the employer contribution was not fully funded for 12 of 17 years. The reforms passed by the General Assembly in 2008 will be helpful to ensure future viability of the system, but it is critical that future governors and legislators honor the commitment in that pension reform legislation to continue increasing the employer contribution to fully fund the systems. Strong board oversight of KRS assets is absolutely critical. The audit provides a roadmap for the Board to ensure proper transparency and accountability in its critical fiduciary role.

Concluding her overview, Ms. Luallen said that her office looks forward to working with the State Government Committee on aspects of the audit report that may be implemented through legislative change.

Ms. Elliott thanked the Auditor and her staff for their fair and thoughtful report. She said that the Board and members of the KRS executive staff embrace the audit and in a month or so will be looking closely at the recommendations with the full intent to implement them as much as possible.

Representative Cherry explained that HB 480, which passed the House but was not enacted in the 2011 regular session, addressed ethics, term limits for all board members, transparency, and use of placement agents. He plans to introduce it again in the next regular session and will maintain an open door policy for working on the legislation.

When asked by Senator Schickel, Ms. Luallen explained the role of placement agents, pointing out that their fees are not paid by KRS. The placement agent in question appeared to be "shopping" KRS to a number of different investment managers, rather than being on contract with a particular investment manager, and may have been suggesting placements primarily based on his fees rather than the best interest of KRS. In California and New York, there have been scandals regarding placement agents involved in "pay to play" schemes.

Ms. Luallen confirmed Representative Cherry's statement that placement agents are now required to register with the SEC. The SEC had considered banning placement agents but instead adopted new guidelines to oversee their use. The SEC prohibits placement agents from receiving compensation in a state where they have contributed to certain elected officials or candidates for office in the past two years.

Responding to a question from Representative Yonts about placement agents' fees, Ms. Luallen explained that a comparison of KRS investments that were made both with and without placement agents indicated no apparent higher cost associated with the use of placement agents. In fact, after the placement agent controversy arose, KRS re-negotiated one particular investment to a lower level, which also lowered the placement agent's fee. Mr. Thielen added that KRS has no contracts with placement agents—that contractual arrangements are only between the investment manager and the placement agent.

Representative Bratcher expressed concern about funding of the system and asked whether there have been previous audits. Ms. Luallen said that each year KRS requests approval from the State Auditor's Office to hire an outside auditor for the annual financial audit. Her office typically grants this approval, monitors the process, and reviews the completed audit. A few years ago, her office also participated in a review conducted by a private CPA on contract with KRS relating to a land transaction controversy. Mr. Thielen added that the Auditor's office conducted a special audit of KRS' investment program about 15 years ago.

Ms. Luallen said her office is small, given the magnitude of the public funds spent in Kentucky, and must constantly decide which large audits would best be performed by internal staff versus the private CPA community. It was determined that the KRS financial audit was relevant and appropriate, comparable to other pension systems around the country. Representative Cherry noted that House Bill 480, as originally written, would require a state audit at least every five years, a provision which Ms. Luallen said she supports.

When Representative Gooch expressed doubt that requiring placement agents to register as lobbyists would sufficiently promote full disclosure, Ms. Luallen noted that the audit suggests ways to strength the Board's current placement agent disclosure policy. Ms. Elliott acknowledged that there may a need for additional policy improvements but said that, on suggestion by the new chief investment officer, KRS has strengthened a number of policies—including those related to conflict of interest and placement agents—to require everyone doing investment business with KRS to disclose any relationship with KRS staff or trustees, financial or otherwise.

To answer questions from Representatives Fischer and Lee, Mr. Thielen, Ms. Luallen, and Mr. Lykins discussed the general role of private placement agents and their use relative to KRS investment decisions. They noted that KRS is looking at the rate of return on investments involving the use of agents and that alternative investments usually comprise about 11 percent of the total portfolio. Ms. Elliott said that KRS has contracts with two outside consultants, and they are now being asked to sign off on all recommended investments. She said the Board has established guidelines for the percentage allocation of KRS fund investments.

Mr. Thielen said that, to his knowledge, placement agents have never made a presentation to the KRS Board or investment committee. Typically, an investment management company would dictate the amount of investment, to some extent, and look for a minimum investment of $50-100 million. The KRS Board has delegated to its five-member investment committee the authority to make investment decisions, but the Board must ratify the decisions.

Senator Thayer said the audit should help strengthen House Bill 480 when it is introduced in 2012 and that he looks forward to working with Representative Cherry and the Auditor's Office to move the legislation forward. He said that the actuarially recommended contribution (ARC) percentage since 2003 has increased 32.69 percent; yet 27.97 percent of that increase occurred for some reason other than the General Assembly not funding the recommended employer contribution rate. He stressed that there are multiple reasons for the underfunding. As noted in the audit, the reasons include investment return below the 7.75 percent assumed rate of return; changes in actuarial assumptions; higher than anticipated retirement rates; unfunded retiree COLAs (cost of living adjustments); and high medical inflation rates. Since 2003, when the General Assembly started to not make the full ARC payment, there is not a year where the General Assembly funded the system lower than what the Governor recommended; in fact, in FYs 2007, 2008, 2009, and 2010, the ARC was funded higher than the Governor's recommended rate. The full ARC payment was not affordable during those years, and it does not appear to be realistic that the ARC schedule set out in House Bill 1 can be met in the future, considering that the unfunded liability of the system during the past three years alone has grown by $3 billion.

Senator Thayer said that he and the majority of the Senate believe that KRS needs to move toward a 401K style plan. The Senate is committed to providing the benefits promised to current retirees and employees, but it is clear it will be a challenge to continue meeting the House Bill 1 ARC schedule. Adding new employees into a system where the state carries all the risk will increase the unfunded liability if investment returns are not met. He thanked the Auditor for the excellent work of her office and said he looks forward, at a future interim meeting, to a full discussion of the pros and cons of a 401K type benefit plan for future employees.

Representative Cherry said he is open to hearing both sides of the 401K issue but that it has not been proven that the retirement system would be better off with a defined contribution plan. He said that, at best, this is undetermined and will continue to be greatly debated. He agreed with Senator Thayer that there are multiple reasons for the system's underfunding.

Representative Cherry thanked the speakers. He also recognized Randy Overstreet, former KRS Board Chair, and acknowledged his hard work and contribution to the system during his tenure as chair.

Redistricting and Related Topics

Senator Thayer assumed the chair for the remainder of the meeting. Guest speaker was Cathy McCully, chief of the U. S. Census Bureau's Census Redistricting Data Office in Suitland, Maryland. Ms. McCully provided the Committee with the following handouts: copy of her PowerPoint presentation entitled "2010 Census Redistricting Data/What You Should Know"; two-page document entitled "Determination of Covered Areas for Voting Rights Bilingual Election Materials"; a July 2010 brochure entitled, "Strength in Numbers/ Your Guide to 2010 Census Redistricting Data from the U. S. Census Bureau;" and a copy of "Voting Rights Act Amendments of 1992, Determinations Under Section 203," from the Federal Register, Vol. 67, July 26, 2002 (Census Bureau Director's determination as to which political subdivisions are subject to the minority language assistance provisions of Section 203 of the Voting Rights Act).

Ms. McCully's presentation included information relating to the 2010 Census; 2010 resident population of the United States; apportionment of the U. S. House of Representatives based on the 2010 Census; numeric change in resident population for the 50 states, the District of Columbia, and Puerto Rico from 2000 to 2010; 2010 census data; Public Law 94-171, enacted in 1975; P. L. 94-171 support products and summary files; map files for the 2010 census; block assignment files; process for P. L. 94-171 data delivery; American Community Survey (ACS); advanced group quarters file; voting rights tabulations; release of 2010 census data through 2013; Section 203 language determinations; Phase 4 - collection of post-2010 census redistricting plans; and Phase 5 - evaluation and recommendations for 2020 Census. Following are key elements of Ms. McCully's presentation.

The Census is basically the "R & R"—"representation and revenue"—of the federal government and serves as a basis for apportionment of Congress, reapportionment of state legislatures, federal and state funding, and also the redrawing of county, city, and school district boundaries. Based on the numbers, Kentucky will retain six congressional districts. Michigan was the only state, along with the Commonwealth of Puerto Rico, that lost population between 2000 and 2010. It is estimated that $400 billion is distributed annually based on the federal Census.

Public Law 94-171, passed in 1975, requires the Census Bureau to work closely with state legislatures. Delivery of summary files to the states was completed March 24, 2011, before mandated delivery date of April 1. Block assignment files are files for non-TIGER (Topologically Integrated Geographic Encoding and Referencing) users who want to learn which blocks are associated with particular geographies. Map files for the 2010 Census include county block maps—which are the most detailed for association with data; voting district/state legislative district (VTD/SLD) reference maps; census tract reference maps; and—new for this Census—school district reference maps. Kentucky historically does not provide its voting districts to the Census Bureau, but the Bureau has maps that support the state's legislative boundaries prior to the 2010 Census. Block assignment files are assembled for congressional, state legislative, voting, and school districts, as well as incorporated places, census defined places, and American Indian (AIANNH) areas.

Summary files contain 100 percent enumeration data for multiple levels of geography. The data categories are: race alone; race combined with Hispanic/Latino origin; race alone 18+ (voting age); race combined with Hispanic/Latino origin 18+; and housing (counts of vacant and occupied units). By law, data is delivered in a nonpartisan manner to governors, majority and minority leaders of both parties, and also to commission directors and redistricting committees, if known. Data delivered to Kentucky reflects population growth of about 7.5 percent.

The American Community Survey (ACS) is an ongoing survey of 250,000 households every month. It replaces the traditional Census long form and plays an important role in the administration of federal programs. In December 2010, ACS five-year data for 2005-2009 was released, containing nationwide small-level demographics for legislative districts. Starting in December 2012 or 2013, via the ACS, legislators will be able to look at census data for newly drawn districts on an annual basis.

In addition to the maps, shapefiles and data, the Bureau has agreed to release the Advanced Group Quarters File, a table on group quarters that will facilitate redistricting and the Count Question Resolution Program. Group quarters include school dormitories, nursing homes, and prisons. Prison-based gerrymandering has become a national issue. Maryland, New York, and Delaware have passed laws to reallocate prisoners to their home area, and other states are also looking closely at the location of and demographics within their prisons. These data were made available to all the states in early 2011.

The Department of Justice asked the Bureau to prepare a special tabulation of citizenship by voting age/by race. This CVAP table was delivered in late January, 2011, and is now available on the Bureau's web site (www.census.gov/rdo/data).

Census data for 2010 will be released through 2013. Summary File 1, which contains detailed data down to the block level, is coming out now and will be delivered to Kentucky shortly. Summary File 2 will be released from December 2011 to April 2012. After the new congressional and legislative boundaries are drawn, the Bureau will retab the data and deliver new products for the newly-defined boundaries based on the 2010 Census numbers. This data will be rolled into the ACS.

Section 203 of the Voting Rights Act of 1965 provides for language assistance at the polls. Covered language minority groups are Hispanic, Asian, and American Indian. Since American Indian languages are not ordinarily provided in written format, counties that are covered under the American Indian provisions must provide translators in voting precincts. Minority group data will be available in the form of a Federal Register notice at the end of August. In 2002, Kentucky was not covered under the minority language assistance provision; however, because there are demographic changes in Kentucky, there is a possibility that there will be coverage in Kentucky in late August. This data will come from the ACS and is independent of the 2010 Census data.

Ms. McCully concluded her presentation with an overview of the Bureau's web site. She said that the Bureau this summer will begin an evaluation of how well the data was collected and how well it meets the needs of the states as they begin to redraw boundaries.

When Representative Cherry asked about Kentucky's lack of participation in the voting district data program, Ms. McCully said she does not think this puts Kentucky behind in any way and that Kentucky has never provided its voting district precincts for inclusion in that program. She said the precinct data layer is probably available in LRC's GIS internal files but is just not available through the census products for the public to use. Kentucky has all the other levels of geography available, including the census block, which is the tiniest piece of geography for which data is provided.

Representative Graham said that the 2010 Census undercounted the city of Frankfort by about 1,800, and he questioned how this could happen. Ms. McCully said it could have occurred for a number of reasons. Prior to the Census, the Bureau sends maps to the highest elected city officials in order to validate boundaries. It is possible that Frankfort city officials failed to notice that the map incorrectly portrayed the boundaries. The data—based on housing units, not persons—can be reallocated through the Count Question Resolution Program, but the process requires approximately four months from start to finish. For redistricting purposes, she usually advises proceeding as if the data had been correctly depicted, with the knowledge that the ensuing legislation will be appended with the new official counts subsequently provided by the Bureau. She cautioned, however, that it is essential that the correction be found valid. Also, the Bureau's report through the Count Question Resolution Program would only provide new housing unit and group quarter totals but not demographic characteristics.

There was discussion of states that lost congressional seats as a result of the Census. Representative Pullin noted that Ohio, which borders her community, lost two seats.

Representative Montell asked when the General Assembly expects legislative and congressional redistricting to take place. Senator Thayer stated his preference to do it during the 2012 regular session. He said that at this time he does not feel it necessary, nor the expense justified, to have a special redistricting session. Representative Cherry said that conducting redistricting during the regular session can be impacted by the election filing deadline. He said he has no problem with doing it during a special session, if agreeable to the Senate, and that he personally prefers a special session. Senator Thayer said that the January filing deadline is not until the 31st and that if an agreement is in place, he feels it would be better to redistrict in January rather than incur the cost of a special session. He noted, however, that the November 2011 gubernatorial election and the need to pass a budget in the next regular session are also issues to be considered. Senator Thayer thanked Ms. McCully for traveling to Frankfort to participate in the meeting.

Subcommittee Report and Adjournment

A motion was passed by unanimous voice vote to adopt the subcommittee report of the Task Force on Elections, Constitutional Amendments, and Intergovernmental Affairs. Business concluded, and the meeting was adjourned at 2:55 p.m.

INTERIM JOINT COMMITTEE ON STATE GOVERNMENT

Task Force on Elections, Constitutional Amendments, and Intergovernmental Affairs
Minutes of the 1st Meeting of the 2011 Interim

June 28, 2011

Call to Order and Roll Call

The 1st meeting of the Task Force on Elections, Constitutional Amendments, and Intergovernmental Affairs of the Interim Joint Committee on State Government was held on Tuesday, June 28, 2011, at 1:00 PM, in Room 171 of the Capitol Annex. Representative Darryl T. Owens, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Damon Thayer, Co-Chair; Representative Darryl T. Owens, Co-Chair; Senators Walter Blevins Jr., R.J. Palmer II, John Schickel, and Dan "Malano" Seum; Representatives Kevin D. Bratcher, Mike Cherry, Larry Clark, James R. Comer Jr., Joseph M. Fischer, Derrick Graham, Mike Harmon, Melvin B. Henley, Mary Lou Marzian, and John Will Stacy.

Guests: Elaine Walker, Secretary of State; Mary Sue Helm, Election Liaison & Administrator, Office of the Secretary of State; Sarah Ball Johnson, Executive Director, Sandy Milburn, Assistant Director, State Board of Elections; Sarah M. Jackson, Executive Director, Rhonda K. Farmer, Assistant Executive Director, and Emily Dennis, General Counsel, Registry of Election Finance.

LRC Staff: Judy Fritz, Karen Powell, Greg Woosley, Bill VanArsdall, and Terisa Roland.

Review of May 2011 Primary

Secretary of State Elaine Walker and staff of the State Board of Elections reviewed the 2011 primary. Secretary Walker noted that there was a relatively low 10.35 percent turnout, but it did not break the record for the lowest primary turnout. She commended the county clerks who administered the primary, given that there were 17 new county clerks and only a few minor issues across the state. One problem was major flooding in Livingston County, which brought to light the question of how to deal with an election during an emergency. This issue will be discussed at the August meeting of the State Board of Elections.

Discussion of Elections Issues for 2012 Regular Session

Secretary Walker and staff discussed a possible change to information required on nominating papers, specifically a new requirement for petitioners to include their legibly printed names on the potential candidates' lists of petitioners. She distributed copies of a draft nominating petition that would incorporate an entry line for a legibly printed name if the General Assembly passed a bill to include this new requirement, a copy of which is available in the Legislative Research

Commission library.

Several members of the Task Force posed questions as to the current procedures for accepting or rejecting nominating papers or the individual petitioners listed on those papers, and voiced their opinions and concerns on how the legibly printed name requirement might impact ballot access for candidates.

Secretary Walker and staff discussed the possible clarification of statutes applicable to exit polling and challengers, which was part of a large elections bill considered but not passed during the 2011 Regular Session. Sarah Ball Johnson of the State Board of Elections noted that the term "exit polling" is not defined in the statutes. This lack of definition is part of the difficulty for election officials attempting to comply with statutes applicable to exit polling. She noted that streamlining and clarifying the process of appointing challengers to elections would make it much easier for election officials to comply with statutes applicable to challengers. The statutes do not specify a particular form on which challengers must be identified, and there are limited training options for challengers appointed near the deadline before an election.

On both exit polling and challengers, several Task Force members posed questions and voiced opinions and concerns on how any statutory changes might impact candidates running for office, public participation, and the regulation of elections.

Discussion of Campaign Finance Issues for 2012 Regular Session

Sarah Jackson gave an overview of some of the major bills that have been considered the last several sessions but have not passed. These bills were derived from a task force on campaign finance report, but it was possible that the past bills may have had too many issues to achieve passage. A different approach may be to streamline the bill or bills to the few major issues that will make campaign finance regulation easier to follow for candidates and more efficient to administer for the Registry.

Ms. Jackson discussed the possibility of modifying the current three-tiered filing threshold structure to a single filing threshold. A single filing threshold would be easier for candidates to understand and comply with, and would reduce the time the Registry has to spend to explain the current three-tiered system. Additionally, Ms. Jackson reviewed some statistics on the numbers of reports filed at the current three-tiers compared with the overall number of filed reports.

Rhonda Farmer presented a summary of electronic filing of campaign finance reports. She gave some statistics on how many reports are filed electronically instead of traditional paper form. Higher rates of electronic filing would make the Registry more efficient in processing reports and presenting the data to candidates and the public. She gave a few options for modifying the system to increase the number of electronic reports that are filed by either requiring them in elections for particular offices or in campaigns that raise or spend above a specific dollar amount.

Emily Dennis presented a summary of current campaign finance statutes that amendments because of past court decisions. The specified clean-up items would make the statutory framework more understandable for candidates and more efficiently administered by the Registry, and possibly allow the Registry to avoid future litigation.

The Registry presented a handout summarizing the campaign finance issues they discussed and that could be considered for the 2012 Regular Session. A copy can be found in the Legislative Research Commission library.

On each of the topics, several members of the Task Force posed questions and voiced their opinions and concerns.

Business concluded, and the meeting was adjourned at 2:30 p.m.

INTERIM JOINT COMMITTEE ON TRANSPORTATION

Minutes of the 2nd Meeting of the 2011 Interim

July 5, 2011

Call to Order and Roll Call

The 2nd meeting of the Interim Joint Committee on Transportation was held on Tuesday, July 5, 2011, at 1:00 PM, in Room 154 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 Hubert Collins, Co-Chair; Senators Jimmy Higdon, Paul Hornback, Bob Leeper, R.J. Palmer II, John Schickel, Tim Shaughnessy, Brandon Smith, and Johnny Ray Turner; Representatives, Leslie Combs, Tim Couch, Jim DeCesare, David Floyd, Richard Henderson, Melvin B. Henley, Jimmie Lee, Donna Mayfield, Charles Miller, Terry Mills, Lonnie Napier, Rick G. Nelson, Tanya Pullin, Marie Rader, John Short, Arnold Simpson, Fitz Steele, Jim Stewart III, Tommy Turner, Alecia Webb-Edgington, and Addia Wuchner.

Guests: Mike Hancock, Secretary, Steve Waddle, State Highway Engineer, Tammy Branham, Office of Budget and Fiscal Management, Jeff Jasper, Transportation Engineer, Russ Romine, Executive Advisor, State Highway Engineer, Kentucky Transportation Cabinet; Joe Crabtree, Director, Chuck Knowles, PE Waterways Research Coordinator, Kentucky Transportation Center; Amy Babey, Acting Chief of Planning, Nate Moulder, Project Manager, United States Army Corps of Engineers

LRC Staff: Brandon White, Dana Fugazzi, and Jennifer Beeler

Consideration of the Committee's June 7, 2011 Minutes

Representative Collins made a motion to approve the minutes from the June 7, 2011 meeting as submitted. The motion was seconded by Representative Combs and adopted by voice vote.

Examination Asphalt vs. Concrete for Road Construction

Steve Waddle, State Highway Engineer, explained that the goal of the Transportation Cabinet when deciding which on the type of pavement is to pick the most cost-effective choice. The primary engineering factors in choosing a pavement type are traffic volume, traffic loading, subsurface conditions, initial cost, and long-term cost. Secondary factors in choosing pavement type are performance history and how well each pavement type has performed, and the type of pavement that exists adjacent to the project. After the engineers look over the primary and secondary factors for each job, they design a project and decide on the pavement type.

In response to Senator Harris, Jeff Jasper, Transportation engineer, stated that the life cycle for each type of pavement is different. To determine the maintenance needed for each pavement type, the cabinet looks at the 10, 20, and 30 year predicted wear and what maintenance would be needed. Concrete costs more initially, but it is a rigid pavement that will last longer. Therefore, the engineers look over a 40 year life cycle and try to compare the pavement types and decide which type will have the lowest cost in design and maintenance.

In response to Senator Harris, Mr. Jasper stated that over the years there have been changes in the additives that are mixed into the pavement types. The additives add to the strength and long-term durability for each pavement type.

In response to Senator Harris, Mr. Waddle said that for each design team there are members of the Transportation Cabinet, Kentucky Transportation Center, district representatives, and those of all design, construction, and maintenance fields.

In response to Representative DeCesare, Mr. Jasper stated that there is a certain amount of recycled asphalt that can go back into the new blend. When the old blacktop is brought up from an area, part of it is filtered into the new asphalt getting put down in order to add to the strength of the pavement.

In response to Representative Floyd, Mr. Waddle stated that asphalt roads can be constructed much faster and there is less need for traffic control because the time needed to block off those portions of road is less.

In response to Representative Combs, Mr. Waddle stated that, if there is no significant difference in pavement type cost, they design a project for both pavement types and then let the project contractor decide which to use. The Cabinet refers to this as an alternative bid.

In response to Senator Hornback, Mr. Jasper stated that when concrete is poured there are several layers. This is very deep, so that when one layer is ground up to expose another to make a ride smoother, it will not shorten the life of the concrete.

In response to Senator Turner, Mr. Jasper stated that in some cases concrete can be covered with asphalt. One of the main reasons is speediness of the project.

In response to Senator Leeper, Mr. Jasper stated that, in 2010, concrete attributed to 2.6 percent and asphalt to 30.1 percent of total construction price.

Cabinet's Pavement Management Efforts

Mr. Waddle discussed the pavement conditions on interstates, parkways, state primary and secondary roads, and rural secondary roads. In the last 20 years, the condition of each type of road has decreased slightly. The cabinet is trying to correct that.

In response to Senator Shaughnessy, Secretary Hancock stated that a rural secondary road is a road with a four digit number. For example, Route 1235 would be considered a rural secondary route.

Mr. Waddle discussed the Cabinet's goal to maintain all of its roadways at a condition of 92 percent or better. The pavement preservation need of the roadways is $918 million. After the Kentucky Transportation Center issued a customer survey, 87 percent of people surveyed stated that maintenance spending on pavement surfaces should be a moderately high to high priority within the state.

In response to Senator Leeper, John Wilcox, Division of Maintenance, stated that the determination of whether a pavement is in poor condition involves consideration of the pavement's smoothness and the traffic volume.

In response to Senator Leeper, Mr. Wilcox stated that the Cabinet keeps records on inspections using a pavement management system.

In response to Representative Mills, Mr. Wilcox stated that the Cabinet has started pre-treating the roadways with a salt brine application before a significant snowfall. If there is pre-treatment, there is a better chance of removing the snow. This is a much cheaper option than salt.

In response to Representative Couch, Secretary Hancock stated that the budget that for maintenance resurfacing projects is about $100 million a year.

Recently Announced Major Projects to Repair Storm Damage

Mr. Waddle briefly discussed how many roads were damaged by the 2010-2011 winter. There are 20 different proposed projects needing resurfacing due to the storm damage. Thirteen of the projects are priority 1, and 7 are priority 2.

In response to Representative Collins, Secretary Hancock stated that the use of reflectors within the center line is being done more sparingly.

In response to Senator Schickel, Secretary Hancock stated that the projected cost to cover all the resurfacing projects due to the winter storm would be $13.6 million statewide.

Explanation of Recent Fuel Tax Increase Triggered by Rise In Average Wholesale Price of Gasoline

Tammy Branham, Executive Director, Office of Budget and Fiscal Management gave a brief overview of the motor fuel tax. The current tax is 9 percent of the average wholesale price of a gallon of gasoline plus 5 cents, or 2 cents per gallon of special fuels levied on each gallon of fuel received in Kentucky. She stated the 9 percent gas tax is variable, adjusted quarterly, and capped at 10 percent growth from the last quarter of a fiscal year. She stated that 48.2 percent of the revenues are statutorily dedicated to the Revenue Sharing Program. She also stated that there is no risk of losing gas tax revenue due to falling prices, unless the average price of gasoline falls to around $3.00.

In response to Representative Floyd, Ms. Branham stated that there was currently a debt service payment made of $63 million. There is a semi-annual payment.

Memorandum of Agreement with the Kentucky Transportation Center and the US Army Corps of Engineers Including the Planning Center of Expertise for Inland Navigation

Joe Crabtree, Director, Kentucky Transportation Center gave a brief overview of the Kentucky Transportation Center (KTC).

Chuck Knowles, PE, Waterways Research Coordinator explained the current Kentucky Transportation Centers Inland Waterways Research project. The vision is to become a national center of excellence for inland waterway transportation research to enhance the safety, security, sustainability, and economic competitiveness of the nation's marine highways.

Mr. Knowles stated that recently the KTC and the USACE have come to a partnership agreement. The agreement requires sharing of data, knowledge, and technologies. They will engage business and community stakeholders to identify relevant waterways issues and provide high-value innovations and services that address these issues. They will identify economic development and environmental stewardship opportunities.

Mr. Knowles said that, relating to waterways research, KTC has met with barge/towing industry leaders. KTC is finalizing a waterways research agenda based on business and community input. It is preparing to conduct a non-highway modes study of other states to identify leading and innovative opportunities.

Amy Babey, Acting Chief of Planning, USACE stated that navigation is one of the primary missions of the corps. Keeping the navigation channels open and identifying navigational purposes are keys to commerce and transportation in the Commonwealth.

Report of the Subcommittee on Kentucky Waterways

Senator Leeper thanked the co-chairs for allowing the Subcommittee on Kentucky Waterways to be reauthorized to bring attention to what Kentucky can do with the waterways and infrastructure improvements. Senator Leeper presented the report from the subcommittee's July 5th meeting where the committee heard testimony regarding the 2011 Spring Flood and the effects it had on the Commonwealth. Representative Collins made a motion to approve the report from the July 5, 2011 meeting. The motion was seconded by Representative Henderson and adopted by voice vote.

Before adjournment, Chairman Harris informed the members that the committee will not meet in August, but that the next meeting will be held on September 6, 2011, in Frankfort.

With no further business before the Committee, the meeting adjourned at 2:40 p.m.

INTERIM JOINT COMMITTEE ON TRANSPORTATION

Subcommittee on Kentucky Waterways
Minutes of the 1st Meeting of the 2011 Interim

July 5, 2011

Call to Order and Roll Call

The 1st meeting of the Subcommittee on Kentucky Waterways of the Interim Joint Committee on Transportation was held on Tuesday, July 5, 2011, at 10:00 AM, in Room 154 of the Capitol Annex. Senator Bob Leeper, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Bob Leeper, Co-Chair; Senators Ernie Harris, R.J. Palmer II, and John Schickel; Representative Alecia Webb-Edgington.

Guests: Charles O'Neal, Assistant Director of Operations, Kentucky Division of Emergency Management; Colonel Keith Landry, Commander Louisville District, Steve Rager, Chief of Emergency Management and Security Branch, United States Army Corps of Engineers; Charles Winter, Chief of Staff, Kentucky Joint Field Office, Federal Emergency Management Agency (FEMA); Joe Crabtree, Director, Chuck Knowles, PE Waterways Research Coordinator, Kentucky Transportation Center.

LRC Staff: Brandon White, Dana Fugazzi, and Jennifer Beeler.

Discussion of the 2011 Spring Flood

Charles O'Neal, Assistant Director of Operations with the Kentucky Division of Emergency Management expressed his appreciation to the United States Army Corps of Engineers (USACE) as well as the Federal Emergency Management Agency (FEMA) in their group efforts to bounce back from the flooding that plagued the state this past spring. Without the partnerships with USACE and FEMA, the Division of Emergency Management would have been unable to be as quick with clean up and getting the citizens effected the help they needed.

Charles Winter, Chief of Staff, FEMA informed the committee of FEMA's mission statement, which is to support the citizens and first responders to ensure that the nation works together to build, sustain, and improve the capability to prepare for, protect against, respond to, recover from, and mitigate all hazards. He stated that FEMA represents 9 regions nationwide, and Kentucky is in region 4.

He stated that on April 12, 2011, high winds, tornadoes, hail, and heavy rains moved into the Commonwealth of Kentucky. The heavy rains continued as one weather system after another moved through. Some areas of the Commonwealth received over 20 inches of rain before the weather cleared. The historic rain amounts caused lakes and rivers to crest at unprecedented levels, resulting in historic flooding. Due to the series of events, 76 counties were designated for public assistance, and 22 counties were designated for individual assistance.

Mr. Winter discussed the Individual Assistance Program. The individuals and households program is a combined FEMA and Commonwealth program, at a 75/25 split. When a major disaster occurs, the program provides money and services to people in the declared area whose property has been damaged or destroyed and whose losses are not covered by insurance. The two main programs within the Individual Assistance Program are the Housing Assistance Program and the Other Needs Program. The Housing Assistance Program is a FEMA managed program that provides housing assistance, temporary housing, repair to a damaged dwelling, and replacement of a home. The Other Needs Assistance Program (ONA) is a Commonwealth managed program that provides coverage of medical, dental, and funeral expenses, and coverage for personal property, transportation, and moving and storage.

Mr. Winter said that, during this past disaster, there were Disaster Recovery Centers opened in 11 counties which received a total of 946 visits. These centers are provided to give citizens a chance to meet with FEMA representatives face to face and discuss how to receive benefits without having to speak with someone on the phone.

He said that, within the Individual and Household Assistance Programs, there were 1,992 registrations and $7,852,060 in approved assistance. To be approved for FEMA assistance, a citizen or business must first apply for a Small Business Administration (SBA) Loan. If that person is not approved for an SBA loan, FEMA will provide assistance. There were 954 home applications issued, 176 received, 58 approved, and $2,831,300 approved in assistance. There were 249 business applications issued, 6 received, 2 approved, and $284,600 approved in assistance.

Mr. Winter explained the second form of assistance, the Public Assistance Program. This program is available to Commonwealth, local, and tribal governments, and certain nonprofit organizations, and can fund the repair, restoration, reconstruction, or replacement of a public facility or infrastructure that is damaged or destroyed by a disaster.

He stated the Hazard Mitigation Grant Program refers to measures enacted to protect lives and property from repeated damages caused by disasters. The amount of funding is based on a legislated formula derived from the amount of total FEMA disaster assistance. Types of projects include acquisition, relocation, elevation, and flood proofing. Hazard mitigation outreach centers that were located in building supply stores provided assistance to a total of 729 people, including 25 contractors, and they referred 285 individuals to disaster relief centers in the Commonwealth.

In response to Senator Harris, Mr. Winters stated that if a family does not qualify for a SBA loan, FEMA will support the family with grants up to $30,000, based on need.

In response to Senator Leeper, Mr. Winters said that each community and area has its own set of laws and ordinances that have to be followed. FEMA tries to make sure that the citizens know about the rebuilding and repairing ordinances.

In response to Senator Leeper, Mr. O'Neal stated that local emergency management officials are in charge of making damage assessments in their communities. During the damage assessment process, there are Transportation Cabinet officials routinely present to determine if mitigation is necessary.

Colonel Keith Landry, Commander Louisville District with the United States Army Corps of Engineers, stated that the Louisville district is responsible for an area that spans from Cincinnati to Tennessee, and include portions of Ohio, Indiana, Illinois and a small bit of Tennessee. The district has 276 miles of levees, 20 miles of flood walls, 73 miles of non-federal levees, and 44 federally authorized local flood protection projects.

Colonel Landry stated that there has been some question as to the purpose of an emergency spillway, and whether water going through the spillway means the dam is not working correctly. He stated that is far from the case, that instead the emergency spillway is present to divert water from ever coming to the level of cresting the dam and will relieve pressure from behind the dam. Water that goes through the emergency spillways reunites with the tail water that ultimately ends up making its way through the dam.

Colonel Landry explained that, for all the corps districts that operate in Kentucky, the estimate for repair needs of navigable structures and flood risk management structures totals approximately $21 million.

He stated that the April 2011 rainfall event proved to be a record-breaking occurrence. Total precipitation accumulation from January 1 through May 24, 2011 measured more than 30 inches, which is the greatest event on record in Louisville since recordkeeping started in 1872. The Louisville District flood risk management projects provided substantial reductions to risks of human life, safety, and economic damages in Kentucky. Total economic damages prevented by 14 Louisville district urban local protection projects in the state is estimated at $225,142,000. Economic damages prevented by 8 Louisville district multi-purpose reservoir projects in the state is estimated at $59,277,000.

Colonel Landry discussed the impacts on the navigation industry due to the April 2011 flood. Of the 8 navigation locks and dams on the river systems in Kentucky, only the lock at Smithland dam was closed with no locking up or down river. All other locations had at least one working lock through the whole event. Only two locations were forced to stop locking, but tow traffic was allowed to pass over their respective fixed weirs.

In response to Senator Leeper, Colonel Landry stated that it took 24 hours to clear the cue, which means that it took 24 hours to get all the backed up boats through the locking process. It took 20 days to get Smithland in service again because it they had to wait until the water level was below the gears to make sure no debris got into the gears.

In response to Senator Leeper, Colonel Landry explained that when assessing the damages to the flood management structure, the corps looks at the erosion of walls and at the concrete that was under the tail water. It assesses the flood walls in each area to make sure there has been no structural damage.

In response to Senator Leeper, Colonel Landry stated that, to blow a levy, the corps detonates pre-measured quantities of liquid explosives that have been pumped into a preinstalled piping system. All the calculations are made ahead of time to make sure it blows with enough force to make a proper opening to relieve some of the stress of water in the effected river.

In response to Senator Harris, Colonel Landry stated that the determination of when flood waters start to recede is a function of how much water is currently in the river system. The reason there was so much flooding in the lower Ohio river is that the lower Mississippi river was full, causing the Ohio River to back up.

Memorandum of Agreement with the Kentucky Transportation Center and the US Army Corps of Engineers Including the Planning Center of Expertise for Inland Navigation

Joe Crabtree, Director, Kentucky Transportation Center, gave a brief explanation of the Kentucky Transportation Center (KTC) and its programs.

Chuck Knowles, PE, Waterways Research Coordinator, explained the current Kentucky Transportation Centers Inland Waterways Research project. The vision is to become a national center of excellence for inland waterway transportation research to enhance the safety, security, sustainability, and economic competitiveness of the nation's marine highways.

Mr. Knowles stated that recently the KTC and USACE have come to a partnership agreement. The terms require shared data, knowledge, and technologies. They will engage business and community stakeholders to identify relevant waterways issues and provide high-value innovations and services that address these issues. They will identify economic development and environmental stewardship opportunities.

Mr. Knowles said that, as to waterways research, the KTC has met with barge/towing industry leaders. KTC is finalizing a waterways research agenda based on business and community input, and is preparing to conduct a non-highway modal study of other states to identify leading and innovative opportunities.

In response to Representative Webb-Edgington, Mr. Knowles stated that a KTC survey is trying to identify any public or private port or terminal that has riverfront property and is loading or unloading cargo or commodity. There are a lot of private ports about which KTC is unaware, and thus the survey will help KTC identify those private ports and gather data to better understand the facilities that are on the river systems.

In response to Representative Webb-Edgington, Mr. Knowles said that KTC has a partnership with the University of Louisville and is helping conduct the survey and contacting people within the commonwealth. KTC is using aerial photography to identify ports along the river system.

In response to Representative Webb-Edgington, Mr. Crabtree stated that KTC is interested in security. There is a current emphasis on hazardous materials on the highways and the ability to track tier 1 highway sensitive materials. KTC would like for that tracking process to become national and used in all modes of transportation.

With no further business before the Subcommittee, the meeting was adjourned at 11:35 with the Chairman indicating the members would be informed as to when the next meeting would be held.

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

Minutes of the 1st Meeting of the 2011 Interim

June 21, 2011

Call to Order and Roll Call

The 1st meeting of the Interim Joint Committee on Veterans, Military Affairs, and Public Protection was held on Tuesday, June 21, 2011, at 2:30 PM, at the James A. Ramage Civil War Museum in Fort Wright, Kentucky. Senator Jack Westwood, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Jack Westwood, Co-Chair; Representative Tanya Pullin, Co-Chair; Senators Perry B. Clark and Dennis Parrett; Representatives Royce W. Adams, Tom Burch, Dwight D. Butler, Mike Cherry, Larry Clark, Leslie Combs, Tim Couch, Bill Farmer, Jeff Greer, Terry Mills, Tim Moore, Carl Rollins II, Sal Santoro, Ben Waide, and Alecia Webb-Edgington.

Guests: Steve Stevens, President, Northern Kentucky Chamber of Commerce; Jeanine Kreinbrink, Vice President of the Board, James A. Ramage Civil War Museum; Dr. Kevin T. Kavanagh, MD, MS, FACS; and Gene Kiser, Acting Executive Director, Kentucky Office of Homeland Security.

LRC Staff: Erica Warren, Tiffany Opii, Robert Proudfoot, and Rhonda Schierer.

Resolution

Representative Webb-Edgington read a fallen soldier resolution for Private First Class Brandon T. Pickering. A motion was made and seconded to adopt the resolution, and it was adopted by a unanimous voice vote.

Welcome Messages for Committee

Steve Stevens, President, Northern Kentucky Chamber of Commerce, welcomed the committee and spoke briefly about the Northern Kentucky area and also how important it is to have veterans returning home to live and work in their area by using their acquired skills for various jobs in the community.

Jeanine Kreinbrink, Vice President of the Board of the James A. Ramage Civil War Museum, on behalf of the city of Fort Wright and the museum, welcomed the committee and gave the a brief history of the land and the museum and invited members to tour it after the meeting.

Hospital Borne Infections

Dr. Kevin Kavanagh gave a power point presentation on healthcare acquired infections. He discussed the top ten causes of death in the United States. Dr. Kavanagh stated that hospital acquired infections affect approximately one in twenty patients, cost approximately $30 billion, and cause nearly 100,000 deaths in the United States each year. In Kentucky, there are 23,000 infections with almost 1,400 deaths, at a cost of approximately $400 million yearly. Dr. Kavanagh discussed the four pillars of controlling hospital infections: data for action, align incentives, adherence to evidence based prevention practices, and innovation research.

Dr. Kavanagh expressed the importance of data and how it is needed to design interventions to know what infections to target. He said such data creates a baseline to compare the results, write grants, know which antibiotics to develop, and motivate the community to change behavior such as hand washing and cleaning public restrooms and other facilities.

Dr. Kavanagh stated that Kentucky is not adequately reporting hospital infections and only outbreaks are reported. There were only four outbreaks reported from hospitals over a year's time. Dr. Kavanagh stated that despite the burden of reporting data, the hospital industry is profitable and the strongest sector in the economy. He gave examples of how public reporting can work.

Dr. Kavanagh stated that all facilities should give the public the same protection from Methicillin-Resistant Staphylococcus Aureus (MRSA) as the Veterans Administration (VA) hospitals provides for their patients. The rate of MRSA infections in the VA system was lowered 76 percent in the ICU setting and 28 percent in the non-ICU settings per 1,000 beds. These results involved 153 facilities and over 1 million patients. The VA hospitals are leaders in preventing adverse outcomes. One area of improvement is to change the VA's coding to denote if the adverse condition was present on admission of the patient.

Dr. Kavanagh discussed a poll taken by Senator Harper Angel in February 2010, which resulted in 91 percent of people supporting the requirement of hospitals to report all hospital-acquired infections to the state health department. He continued by stating that KRS 211.180 gives the Governor broad authority to control communicable diseases. Regulations could be enacted to require reporting of all healthcare acquired infections at Kentucky's facilities through the Center for Disease Control's National Healthcare Safety Network.

Dr. Kavanagh concluded that Kentuckians have the right to know what the MRSA rates are in their facilities, the benefit to society far outweighs the so-called "burden" to the healthcare industry, and the veil of secrecy regarding hospital and healthcare acquired conditions should be lifted.

In response to a question from Senator Parrett, Dr. Kavanagh stated that Senator Harper Angel had a bill during the 2010 session dealing with this issue, but it did not get heard because the committee ran out of time.

Representative Burch made a motion for the committee staff to do a resolution in honor of Representative Eddie Ballard. Representative Clark seconded the motion. The motion passed with a unanimous voice vote.

Due to impending inclement weather, the meeting adjourned.

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

Minutes of the 2nd Meeting of the 2011 Interim

July 14, 2011

Call to Order and Roll Call

The 2nd meeting of the Interim Joint Committee on Veterans, Military Affairs, and Public Protection was held on Thursday, July 14, 2011, at 1:00 PM, in Room 154 of the Capitol Annex. Representative Tanya Pullin, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Jack Westwood, Co-Chair; Representative Tanya Pullin, Co-Chair; Senators Carroll Gibson, Vernie McGaha, Dennis Parrett, Joey Pendleton, Kathy W. Stein, Katie Kratz Stine, and Mike Wilson; Representatives Tom Burch, Dwight D. Butler, Mike Cherry, Larry Clark, Tim Couch, Myron Dossett, Bill Farmer, David Floyd, Martha Jane King, Jimmie Lee, Terry Mills, Tim Moore, Rick G. Nelson, Fred Nesler, Tom Riner, Carl Rollins II, John Tilley, and Ben Waide.

Guests: Ken Lucas, Commissioner, Allen Workman, Internal Policy Analyst, Jeff Acob, Cemeteries Manager, Kentucky Department of Veterans' Affairs; Larry Bond, Deputy Chief of Staff, Governor's Office; Dave Jarrett, Chairman, Carlos Pugh, Legislative Liaison, Don Dixon, Marine Corp League, Doug Farley, American Legion Representative, and Frank Konerman, AMVETS, Joint Executive Council of Veteran Organizations (JECVO).

LRC Staff: Erica Warren, Clint Newman II, Tiffany Opii, Robert Proudfoot, and Rhonda Schierer.

Minutes

Senator Westwood moved to approve the July minutes. Representative Mills seconded the motion. The minutes were approved.

Resolution

Representative Nelson read a resolution in memory and honor of Representative Eddie Ballard. Representative Nelson moved to adopt the resolution, Representative Floyd seconded the motion, and the motion was adopted.

Kentucky Department of Veterans' Affairs: Update on the Veterans' Nursing Homes and Cemeteries

Ken Lucas, Commissioner, Jeff Acob, Cemeteries Manager, and Allen Workman, Internal Policy Analyst, Kentucky Department of Veterans' Affairs, gave a PowerPoint presentation update on the veterans' nursing homes and cemeteries. The presentation is a part of this record located in the Legislative Research Commission Library. Because of increasing costs, Commissioner Lucas indicated that KDVA will request additional funding for the Veteran Burial Stipend program, which is currently funded at $100,000.

In response to a question from Representative Cherry, Commissioner Lucas stated that there is about $500,000 in the veterans' trust fund, and there are still a few things earmarked for distribution. There is a new license plate that anyone can buy to support veterans that will help with the fund.

In response to a question from Representative Lee, Mr. Workman stated that the new nursing home to be located in Hardin County has had an increase in cost due to VA building requirements. The cost is estimated at $38-40 million.

Representative Moore announced that the new Garrison Commander at Fort Knox is Col. Bruce Jenkins as of today.

11/11/11 Initiative to Honor Veterans

Ken Lucas, Commissioner, Kentucky Department of Veterans' Affairs, and Larry Bond, Deputy Chief of Staff, Governor's Office, briefed the committee on the details of the 11/11/11 Initiative to Honor Veterans. Mr. Bond introduced Ashley Parrott of the Governor's Office, who is assisting in coordinating the 11/11/11 initiative.

Commissioner Lucas pointed out that a job fair with the Louisville and Lexington Chambers of Commerce will be held this fall, that General Tonini has put together a United Service Organizations (USO) show to be held at the Louisville KFC Yum! Center with Montgomery Gentry for active duty families, and that the Military History Museum is reopening.

In response to a question from Representative Clark, Mr. Bond stated that Ford Motor Company will be hiring 1,100 new employees for job openings in the Louisville plant and that veterans will be given priority for the positions.

Joint Executive Council of Veteran Organizations: Update and Legislative Priorities

Dave Jarrett, Chairman, gave an update on JECVO's list of priorities for the 2012 session. The priorities are: full funding for KDVA; charitable gaming to include the use of pull tab dispensing machines and electronic video gaming devices at VSO halls; state identification cards for veterans because many vendors are now asking for photo identification; strengthening safe haven laws to the greatest extent possible for military and veteran funerals to prevent protestors from disrupting funerals and funeral processions; and a reduction in state property tax paid by veteran service organizations through a partial property tax exemption.

Other JECVO representatives attending for comment or questions were: Carlos Pugh, Legislative Officer, Don Dixon, Marine Corps League, Dough Farley, American Legion Department Commander 2011-2012, and Frank Konerman, AMVETS.

Co-Chair Pullin accepted an award on behalf of the committee for the committee's service to veterans presented by Frank Konerman.

There being no further business, the meeting adjourned.

CAPITAL PLANNING ADVISORY BOARD

Minutes of the 2nd Meeting of the 2011 Calendar

June 17, 2011

Call to Order and Roll Call

The 2nd meeting of the Capital Planning Advisory Board was held on Friday, June 17, 2011, at 9:00 AM, in Room 169 of the Capitol Annex. Representative Melvin Henley, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Jack Westwood, Co-Chair; Representative Melvin Henley, Co-Chair; Senator Paul Hornback, Representative Ron Crimm; David Buchta, Charles Byers, Ben Fletcher, Carole Henderson, John Hicks, Bill Hintze, Ryan Keith, Mark Overstreet, and Carol Palmore.

Guests testifying before the Board: Hank List, Deputy Secretary, Bruce Scott, Director of Environmental Protection, and Tony Hatton, Director of the Division of Waste Management, Energy and Environment Cabinet; Peter Ervin, Executive Director, Office of Legal Services, Jamie Anderson, IT Director, and Mark Gilfold, Deputy Executive Director, Public Protection Cabinet; Charles Harman, Director, Division of Budget and Financial Management, Kentucky Department of Education; Joseph Meyer, Cabinet Secretary, Ryan Green, Executive Director, Office of Budget and Administration, and Stuart Johnston, Director and Information Technology Officer, Education and Workforce Development Cabinet; Beth Jurek, Executive Director, Office of Policy and Budget, Kathy Frye, Deputy Executive Director, Office of Administration and Technology, Rodney Murphy, Director, Division of Infrastructure and User Support, and Richard Dugas, Manager, Facilities Management Branch, Cabinet for Health and Family Services; Robert L. King, President, Dr. John Hayek, Vice President for Budget, Policy and Planning, Allen Lind, Vice President for Information and Technology, and Sherron Jackson, Associate Vice President, Budget, Policy and Planning, Council on Postsecondary Education; Eric Shaffer, Director for Facilities Management, Kentucky Community and Technical College System; John Osborne, Vice President of Campus Services and Facilities and Brian Russell, Director of Planning, Design and Construction, Western Kentucky University; Dr. Randy Dunn, President, Tom Denton, Vice President of Finance and Administrative Services, Kim Oatman, Chief Facilities Officer and Director, Facilities Design & Construction, Bob Jackson, Vice President, Development and Governmental Relations, Murray State University; Dr. Wayne Andrews, President and Michael Walters, Vice President of Administration and Fiscal Services, Morehead State University; Jack McNear, Associate Vice President for Capital Planning, Construction and Facility Operations and Joseph Gronefeld, Senior Project Manager, Capital Planning and Construction, Kentucky State University; James Street, Acting Executive Vice President for Administration, Eastern Kentucky University; Larry Blake, Assistant Vice President for Facilities Management, Dr. Denise Robinson, Dean, College of Health Professions, Dr. Bill Attenweiler, Professor of Psychology and Associate Dean of the College of Arts and Sciences, Northern Kentucky University; Angela Martin, Vice President for Financial Operations and Treasurer and Bob Wiseman, Vice President for Facilities Management, University of Kentucky; and Larry Owsley, Vice President for Business Affairs, University of Louisville.

LRC Staff: Shawn Bowen and Jennifer Luttrell

Approval of Minutes May 13, 2011

There was a motion made by Mr. Hicks, seconded by Mr. Buchta and adopted by voice vote to approve the minutes of the May 13, 2011 meeting.

Information Items

Ms. Bowen said included in members' folders were two information items submitted in response to member questions at the May meeting: a Request for Proposal for operation of a private hangar at the Capital City Airport in Frankfort, and Correspondence from Dr. Robert Tarvin, Executive Director, School Facilities Construction Commission, regarding the Bellewood Home for Children in Anchorage.

Review of Agency Capital Plans

Representatives from the Energy and Environment Cabinet included Hank List, Tony Hatton, and Tony Scott. Mr. List gave a brief overview of the Cabinet's capital plan, which included projects for the redesign of an information technology (IT) system for the Mine Safety, Licensing and Mapping project, purchase of replacement wild land fire suppression equipment and a two-way radio system; soil replenishment projects, and the acquisition and construction of a new tree nursery.

In response to a question from Representative Henley, Mr. Hatton said that the waste at Maxey Flats is considered a low level nuclear waste because it has alpha and beta emitters, primarily tritium which comes from nuclear reactors.

In response to a question from Mr. Hicks as to the current condition of Maxey Flats, Mr. Hatton indicated that an interim cap was placed on the site in 2003. Under the terms of an agreement the Commonwealth has with the potentially responsible parties, if the interim cap continues to work over a 10-year period, the Commonwealth will be responsible for putting the final cap on Maxey Flats.

Responding to a question from Representative Henley, Mr. List replied

that the National Guard provides helicopters capable of moving water to put out forest fires if the need arises.

Peter Ervin and Jamie Anderson, representing the Public Protection Cabinet, gave a brief overview of the Cabinet's capital plan. The Cabinet reported the need for one project, an information technology system for the Kentucky Horse Racing Commission.

In response to a question from Ms. Palmore, Ms. Anderson replied that the new system will be of benefit to the agency, as it will provide for much better communication between the Kentucky Horse Racing Commission, enforcement personnel, and race track personnel.

In response to a question from Mr. Hicks, Ms. Anderson stated that the Cabinet has identified a vendor to provide this "off-the-shelf" software.

The next plan to be reviewed was for the Kentucky Department of Education (KDE). Representing KDE was Charles Harmon. Mr. Harmon gave a brief overview of the capital plan, which included projects for the Kentucky School for the Blind in Danville, Kentucky, and the Kentucky School for the Deaf in Louisville, Kentucky.

In response to questions from Representative Henley, Mr. Harmon noted the Department has included two projects to replace instructional devices. He explained that the use of small handheld devices for reading electronic books (called Nooks) would save the state money by helping to reduce the costs of textbooks. The Department has not funded the cost of text books in the past; however, if a student cannot afford to buy textbooks, the district picks up that cost.

The next plan to be reviewed was for the Education and Workforce Development Cabinet. Representing the Cabinet were Joseph Meyer, Ryan Green, and Stuart Johnston. Mr. Meyer gave a brief overview of the Cabinet's capital plan, which included projects for Kentucky Educational Television (KET), and the Department for Libraries and Archives (KDLA).

In response to a question from Mr. Hicks regarding KDLA's plan to expand the Libraries and Archives Building, Mr. Johnston replied that the Cabinet has applied for two federal grants to help fund this project.

Relative to a question from Mr. Hicks regarding the Enterprise Case Management System, Mr. Meyer said the current system would be upgraded, not replaced. The system will be updated with the capability to provide information on the number of people receiving benefits.

In response to a question from Senator Westwood, Mr. Meyer replied that KDLA, in order to meet the current need for records storage space, has released a Request for Proposal (RFP) to expand and consolidate two offices for storage. He added that at this time, KDLA is not in danger of losing any permanent records.

In response to questions from Representative Henley, Mr. Meyer stated that a task force has been assembled by the Governor to further study career and technical education in Kentucky. The Cabinet also supports this initiative and has appointed a steering committee to look deeper into the concept of aligning, consolidating, and expanding the quality of VoTech programs.

The next plan to be reviewed was for the Cabinet for Health and Family Services. Representing the Cabinet were Beth Jurek, Kathy Frye, Rodney Murphy, and Richard Dugas. Ms. Jurek gave a brief overview of the Cabinet's capital plan, which focused on the top General Fund project requests of four departments within the Cabinet.

In response to questions from Representative Crimm, Ms. Jurek responded that the construction of new cottages at Hazelwood is nearly complete and patients will begin transitioning this fall. The old building will not be demolished, but will be used by Central State staff as administrative offices or by other state agencies as office space.

In response to questions from members regarding the number of generators the Cabinet owns, Ms. Jurek replied that the Cabinet is responsible for 23-30 generators statewide. This number has decreased over time as the power of each generator has increased. Mr. Dugas replied that the Federal Emergency Management Agency (FEMA) assisted with the cost of the generators for the Caney Creek Facility, but they do not expect any additional federal funds or homeland security funds.

In response to a question from Mr. Hintze, Mr. Dugas responded that the Eastern State Hospital project is 13 to 15 percent complete.

Relative to questions from Senator Westwood, Ms. Frye answered that the upgrades to the Radiation Health Lab and the Medicaid Eligibility System would be obsolete in ten years, but the system should still be usable. Ms. Jurek added that one of the features of the upgrade to the Medicaid Eligibility System would be the ability to share information electronically with other states.

Addressing a question from Senator Westwood regarding the Web Portal System project, Ms. Jurek stated that this project would create a significant savings across the state because it would expedite the time it takes to process a case.

In response to another question from Senator Westwood, Ms. Jurek replied that the Cabinet no longer constructs buildings with flat roofs; however, funding is needed to maintain older Cabinet-owned facilities that have flat roofs.

The next plan reviewed was for the Council on Postsecondary Education. Representing CPE were Robert King, Dr. John Hayek, Allen Lind, and Sherron Jackson. Mr. King gave a brief overview of the capital plan which included eight information technology projects required to maintain a statewide postsecondary and adult education database and provide access to the Kentucky Virtual Campus and the Kentucky Virtual Library.

In response to a question from Mr. Hicks, Mr. Lind stated that the statewide network infrastructure to support these projects has been in place for several years. He added that the National Broadband Plan calls for regional education networks to serve community anchor institutions such as public libraries, public safety locations, and health care providers.

Mr. Eric Schaffer, representing the Kentucky Community and Technical College System, gave a brief overview of the College's capital plan, noting that the plan mainly addresses future capacity, the adequacy of existing space for intended use, and maintenance and renovation needs.

The next plan reviewed was for Western Kentucky University. Mr. Osborne gave a brief overview of the capital plan which focused on restoring the architectural integrity of WKU's campus and emphasized capital renewal, replacement and renovation of existing facilities, and upgrading campus infrastructure.

In response to a question from Mr. Hicks regarding the Renovate Downing University Center-Phase V project, Mr. Osborne responded that student fees will cover 60 percent of the cost of this project, and the University's auxiliary services would cover the remaining 40 percent. The student government supported an increased University center fee for this project and a resolution to that effect was approved by the University's Board of Regents and the Council on Postsecondary Education. The University is now waiting on agency bond authorization.

The next plan reviewed was for Murray State University. Representing the university were Dr. Randy Dunn, Tom Denton, Kim Oatman, and Bob Jackson. Dr. Dunn gave a brief overview of the university's capital plan, including the highest priority projects that included general funds.

In response to a question from Representative Crimm regarding the need for a new university library (Construct New University Library, 2012-2014, $62,033,000), Dr. Dunn stated that even though academic libraries are moving towards the use of electronic libraries, there is still a tremendous need to provide a repository for written materials. The new library would not only house rare books and government documents, but it would also provide the opportunity for students to come together in work groups and teams. He added that there is not enough space in Melanie and Jones Halls to supply enough computer kiosks or stand-alone electronic libraries for students.

Relative to a question from Mr. Hicks regarding the Construct Paducah Regional Campus Facility project (2012-2014, $11,000,000), Dr. Dunn said this project will be funded primarily by bonds that would be sold by McCracken County. Also, there will be a contribution from each of the three entities in support of the debt service on the bonds and the university would also solicit gifts in the amount of $1,000,000.

The next plan reviewed was for Morehead State University (MoSU). Representing the university were Dr. Wayne Andrews and Mike Walters. Dr. Andrews discussed the highest priority capital projects for the university, including the Construct Enrollment, Retention, and Student Support Services Center project, the Renovate Combs Classroom Building project, the Construct Vet Tech Clinical Services Center project, and the Construct MSU Campus at Ashland Classroom Building project.

Representative Henley commented that the General Assembly should not have to oversee agency bonds for university projects.

Mr. Jack McNear and Mr. Joseph Gronefeld discussed Kentucky State University's capital plan. The university's highest priority projects include the expansion/renovation of the Betty White Nursing Building, the Central Boiler Plant Replacement project, the construction of three facilities - a Business and Technology Center, a Fine Arts building, and a pedestrian bridge across US 60.

Mr. James Street gave a brief overview of Eastern Kentucky University's capital plan. The discussion focused primarily on the university's top funding request, the Construct Science Building, Phase 2 project (2012-2014, $65,040,000).

Representatives from Northern Kentucky University included Mr. Larry Blake, Dr. Denise Robinson, and Dr. Bill Attenweiler. Mr. Blake said the University's top General fund project requests include the Construct Health Innovations/Renovate Old Science project, the Construct New College of Business project, a new Chiller Plant, and the renovation of the Civic Center building. The University has key projects for which agency bond authorization is needed in 2012-2014, including the Expand/Renovate Albright Health Center project, for which the students have approved a building fee that will fully fund the bonds for this project.

In response to a question from Senator Westwood, Mr. Blake replied that the HVAC in the Science Building is old and deteriorating, and the university will eventually have to close the building, but they are not sure when.

Senator Westwood noted that NKU turns away about 300-400 qualified students per year because there is not enough space to house students. He commented that it is distressing that the University must turn away qualified students.

The next plan reviewed was for the University of Kentucky. Representing the University were Angela Martin and Bob Wiseman. The highest priorities of the University include the completion of a new Patient Care Facility, the renovation of the Reynolds Building which currently houses

the College of Fine Arts, the construction of the Gatton Building Complex, the Law School Building, and a Bio-Medical Research Building.

In response to a question from Mr. Keith regarding the status of the Law School Building project, Mr. Wiseman responded that a new facility for the Law School is a top priority. The University has done preliminary planning on this project, and they are planning to use private funds for this project.

Mr. Hicks said the VFA study conducted in 2007 determined that some the university's student housing facilities have exceeded their useful life. He asked how the University plans to address this issue. Mr. Wiseman stated that the University is looking at privatization to complete the construction of new student housing buildings.

Mr. Larry Owsley gave a brief overview of the University of Louisville capital plan, including the Belknap Classroom/Academic Building project and several renovation projects.

Board Discussion of Planning Issues

Representative Henley stated that in addition to the project recommendations, the statewide capital plan typically includes policy recommendations made by members.

Senator Westwood said that the Board may want to consider policy recommendations regarding agency bond authority for the universities and updating the state leasing laws. He noted that more research is needed on both topics.

Mr. Hicks suggested that the Office of State Budget Director and the Capital Planning Advisory Board staff work together to develop a high priority list of capital renewal projects that members would vote upon.

Schedule of Future Meetings

Representative Henley stated that the next meeting is scheduled for Friday, July 29 starting at 9:00 AM.

Adjourn

With there being no further business to discuss, the meeting was adjourned at 3:01 PM.

CAPITAL PROJECTS AND BOND OVERSIGHT COMMITTEE

Minutes

June 21, 2011

Call to Order and Roll Call

The Capital Projects and Bond Oversight Committee met on Tuesday, June 21, 2011, at 1:00 p.m., in Room 169 of the Capitol Annex. Representative Jim Glenn, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Bob Leeper, Co-Chair; Representative Jim Glenn, Co-Chair; Senators Tom Buford and Julian M. Carroll; Representative Steven Rudy.

Guests: Representatives John Will Stacey and Jim Gooch; Bob Wiseman, University of Kentucky; John Hicks, Governor's Office of Policy Management; Winn Turney, Department of Aviation; Scott Shannon, Capital City Airport Division; Charles Bush, Division of Real Property; Katie Smith, Cabinet for Economic Development; Brett Antle, Office of Financial Management; and Tom Denton, Murray State University.

LRC Staff: Kristi Culpepper and Samantha Gange.

Approval of Minutes

Representative Rudy made a motion to approve the minutes of the May 17, 2011, meeting. The motion was seconded by Senator Carroll and approved by voice vote.

Correspondence Items

Representative Glenn asked Kristi Culpepper, Committee Staff Administrator, to discuss correspondence items. Ms. Culpepper said members' folders contained two items of correspondence. The first item of correspondence was a letter from the University of Kentucky (UK) notifying the committee that the university has initiated the Renovate and Upgrade Commonwealth Stadium project. This project will replace video boards at Commonwealth Stadium at a planned scope of $6.25 million, funded entirely with private funds.

The second item of correspondence was a notice of advertisement for leased space for the Cabinet for Health and Family Services. The cabinet is seeking replacement space for an existing lease in Hardin County. The proposed lease would provide 32,196 square feet of office space with 167 reserved parking spaces.

Information Items

Ms. Culpepper said members' folders contained three information items. The first information item was a report detailing the debt service the School Facilities Construction Commission has paid on behalf of school districts for fiscal years 2005 through 2010. The report also included the percentages of the state total for each district, enrollment numbers, and funding and enrollment rankings. The last two items were the staff and bond market updates.

Report of Unbudgeted Project from UK

Representative Glenn asked Bob Wiseman, Vice President for Facilities Management, UK, to present one item related to an unbudgeted project. Mr. Wiseman said UK is requesting approval of the Renovate Shively Sports Center project. The project scope is $950,000 in private funds. This project will renovate the Shively Sports Center locker, shower, restroom, and lounge facilities for the men's and women's track and baseball teams. The UK Board of Trustees approved the project at its May 3, 2011 meeting and the Council on Postsecondary Education approved the project on June 10, 2011.

In response to a question from Representative Glenn, Mr. Wiseman said the funds come in small donations from various private donors and go into a pool of private funds for the UK Athletic Association.

Senator Leeper made a motion to approve the unbudgeted project for UK. The motion was seconded by Representative Rudy and passed unanimously by roll call vote.

Report of Pool Allocation over $600,000 from the Finance and Administration Cabinet

Representative Glenn asked John Hicks, Deputy Director, Governor's Office of Policy Management, to present two items. Mr. Hicks said the first item was a report of a pool project in excess of $600,000 from the 2010-2012 Land Acquisition Pool for the Tourism, Arts, and Heritage Cabinet, Department of Fish and Wildlife Resources for the purchase of a 351-acre tract located in Harrison County. The appropriation is $1,450,000. This acquisition is in the target area outlined in the Department's Strategic Plan to provide increased opportunities for public access for purposes of hunting, fishing, and outdoor recreation. No committee action was needed.

Unbudgeted Capital Project from the Finance and Administration Cabinet

Mr. Hicks said the second item was an unbudgeted capital project for the Transportation Cabinet, Department of Aviation for a Privately Constructed Hangar. The Department of Aviation has issued a Request for Proposal (RFP) seeking a private developer to lease land at the Capital City Airport in Frankfort and construct a new hangar on the property. The developer / tenant would lease the land from the state for an initial period of 20 years, with two 5-year renewal options, and would be solely responsible for the cost of constructing the facility. At the end of the lease, all facilities would become property of the state. The scope of the request is $700,000, but may require adjustment once a contract award has been made.

In response to a question from Representative Glenn, Mr. Hicks said at the end of the lease term the state would take full ownership of the assets.

Senator Buford asked who would be using the facility and what the annual lease cost would be. Mr. Hicks said that information would not be available until the RFP process was completed and all bids were received.

Senator Carroll asked if there were representatives from the Department of Aviation to further discuss the project. Winn Turney, Commissioner, Department of Aviation; and Scott Shannon, Assistant Director, Capital City Airport Division, came to the table to discuss the project. Mr. Turney said there are private parties that are interested in the project and the winning bidder would be responsible for all investments related to constructing the hangar.

In response to a question from Senator Carroll, Mr. Shannon said the hangar being constructed for this project is not the same as the hangar that will be constructed for educational purposes. He indicated that those would be two separate projects.

Senator Carroll asked if the committee would have to give further approval once the bids are received [unless the bid is over the requested project scope]. Mr. Hicks said the committee would not have to give further approval. Senator Carroll said he would like a report back once the RFP process was completed and the award has been made.

Representative Glenn said the motion to approve the project would be made contingent upon the Finance and the Administration Cabinet and the Department of Aviation reporting back to the committee the results of the winning bid as well as all terms of the lease and costs associated with the project.

Senator Carroll made a motion to approve the unbudgeted capital project for the Department of Aviation contingent upon receiving all results related to the RFP. The motion was seconded by Senator Buford and passed unanimously by roll call vote.

Amortization of Leasehold Improvements Exceeding $50,000 from Division of Real Property

Representative Glenn asked Charles Bush, Director, Division of Real Property, Finance and Administration Cabinet, to report on an item related to leasehold improvements. Mr. Bush said the Department of Public Advocacy (DPA) in Fayette County (PR-5095) has submitted a request for additional space to accommodate new staff for the Eastern Region Capital Offense Unit. The DPA is currently housed in a state-owned facility that requires significant repairs and improvements that exceed $1,000,000. Suitable space was requested and the lessor advised that they are willing to lease the additional space at terms and conditions that exceed those associated with the current lease. This lease modification would decrease the rental rate by $.50 (from $15.00 to $14.50) per square foot, including utilities, add an additional 6,373 square feet of office space, as well as an additional four parking spaces. The annual rent would increase from $88,964 annually through June 30, 2018.

In response to a question from Senator Buford, Mr. Hicks said that the DPA was shielded from reductions in the last biennium budget. The state-owned facility that the DPA is currently housed in will be disposed of because of its condition.

Senator Buford asked if there were other state-owned facilities that would be disposed of. Mr. Bush responded affirmatively.

Representative Rudy made a motion to approve the lease modification for the DPA. The motion was seconded by Senator Buford and passed unanimously by roll call vote.

Kentucky Infrastructure

Authority (KIA) Grants

Representative Glenn asked Ms. Culpepper to report the KIA grants. Ms. Culpepper indicated that members' folders contained one coal grant from the 2002-04 budget and two non-coal grants from the 2008-10 budget. No further committee action was needed.

Economic Development (EDB) Pool Grants

Representative Glenn asked Katie Smith, Deputy Commissioner, Department of Financial Incentives, Cabinet for Economic Development, to present several items related to EDB grants. Ms. Smith said the cabinet is requesting approval of a new $500,000 EDB grant for the City of Harrodsburg in Mercer County for the benefit of Corning Incorporated to offset the cost of expanding its existing manufacturing facility by 30 percent. The expansion is necessary to meet demand for glass used in portable and handheld electronic devices. Pursuant to the EDB grant agreement, the company must create 80 new, full-time jobs for Kentucky residents with an average hourly wage of $25.00, including benefits. Additionally, the company also agrees to maintain these jobs, along with its existing workforce of 323 full-time positions, for three years.

Ms. Smith said the second request was a $500,000 EDB grant for the City of Harrodsburg in Mercer County for the benefit of Hitachi Automotive Systems Americas, Inc. to offset the cost of a 153,000 square-foot expansion to the company's existing 393,000 square-foot manufacturing facility. The expansion is necessary to manufacture new high-pressure fuel pump and automotive electronic products. Pursuant to the EDB grant agreement, the company must create 135 new, full-time jobs for Kentucky resident with an average hourly wage of $12.50, excluding benefits. Additionally, the company also agrees to maintain these jobs, along with its existing workforce of 626 full-time positions, for three years.

Representative Rudy made a motion to approve the two EDB grant requests. The motion was seconded by Senator Leeper and passed unanimously by roll call vote.

Ms. Smith said the third request was a $500,000 EDB grant for the City of Harrodsburg in Mercer County for the benefit of Wausau Paper Towel and Tissue, LLC. to offset the cost of expanding its existing 850,000 square-foot manufacturing facility by 187,200 square feet. Pursuant to the EDB grant agreement, the company must create 76 new, full-time jobs for Kentucky residents with average annual wage of $46,000, excluding benefits. Additionally, the company also agrees to maintain these jobs, along with its existing workforce of 389 full-time positions, for three years.

The Kentucky Economic Development Finance Authority (KEDFA) originally approved this grant with a retention requirement of 397 jobs. The company has since requested that KEDFA honor the requirement it would have under Kentucky Business Investment program, which would be 389 jobs.

Senator Carroll made a motion to approve the EDB grant contingent upon KEDFA approving the amended jobs requirements. The motion was seconded by Representative Rudy and passed unanimously by roll call vote.

New Bond Issue – Murray State University

Representative Glenn asked Brett Antle, Deputy Director, Office of Financial Management, to present several items. Mr. Antle said the first item was a new bond issue for Murray State University General Receipts Bonds 2011 Series A, General Receipts Refunding Bonds 2011 Series B (Bank Qualified), General Receipts Refunding Bonds 2011 Series C (Non-Bank Qualified). The par amount of the bonds is $28,740,000. Proceeds from this bond issue will provide new money to redesign and rebuild the interior finishes, doors, door frame systems; replace windows; replace roofing; upgrade mechanical, electrical, and plumping distribution systems; and restore bedrooms and support areas of the 45-year-old Elizabeth Hall to new condition. This transaction will also refund the university's outstanding Series M, N, O, P, and Q Housing and Dining Bonds at an estimate net present value savings of negative $198,399.

Tom Denton, Vice President of Finance, Murray State University, said the university has five outstanding housing and dining bond issues that are under the old indenture from the 1960's. He said Murray State is the last public university that has these bonds outstanding. He said the old housing and dining bonds require the university to have a debt service reserve as well as a maintenance reserve. The university would like to eliminate these reserves.

In response to a question from Senator Buford, Mr. Antle said the net loss from this bond issue is approximately $200,000 on a present value basis. However, the non-economic benefits to the university allowing them to eliminate the reserves out ways the net loss. Mr. Denton said the university would like to keep the negative net present value less than two percent.

Senator Leeper made a motion to approve the new bond issue for Murray State. The motion was seconded by Representative Rudy and passed unanimously by roll call vote.

New Bond Issue – KEDFA

Mr. Antle said the second item was a new bond issue for KEDFA Healthcare Facilities Revenue Bonds, Series 2011 (Masonic Homes Independent Living II, Inc.). The par amount of the bonds is not to exceed $50,000,000. Proceeds from this conduit bond issue will be used to acquire, construct, and equip independent living health care facilities on the Masonic Homes campus at 3701 Frankfort Avenue in Louisville.

Senator Buford made a motion to approve the new bond issue for KEDFA. The motion was seconded by Representative Rudy and passed unanimously by roll call vote.

Follow-up Report for Previously Approved Bond Issue

Mr. Antle said the third item was a follow-up report for Kentucky Housing Corporation (KHC) Housing Revenue Bonds Series A (Non-AMT), Series C, Subseries C-3 (Non-AMT). Proceeds from this bond issue will be used to finance single-family mortgage loans for low-to-moderate income households. No committee action was required.

School Bond Issues

Mr. Antle reported five school district bond issues with School Facilities Construction Commission (SFCC) debt service participation for Ashland Independent in Boyd County, Campbell County, Frankfort Independent in Franklin County, Henry County, and Pike County.

Senator Leeper made a motion to approve the new SFCC bond issues. The motion was seconded by Representative Rudy and passed unanimously by roll call vote.

Representative Glenn asked Ms. Culpepper to report new local school district bond issues. Ms. Culpepper said there were three local school district bond issues with 100 percent locally-funded debt service for Barren County, Harlan County, and Pike County.

With there being no further business, Senator Carroll made a motion adjourn the meeting. The motion was seconded and the meeting adjourned at 1:50 p.m.

ADMINISTRATIVE REGULATION REVIEW SUBCOMMITTEE

Minutes of the June Meeting

June 14, 2011

Call to Order and Roll Call

The June meeting of the Administrative Regulation Review Subcommittee was held on Tuesday, June 14, 2011, at 1:00 PM, in Room 149 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 Johnny Bell, Co-Chair; Senators David Givens, Alice Forgy Kerr, and Joey Pendleton; Representatives Danny Ford, and Jimmie Lee.

Guests: Alicia Sneed, Educational Professional Standards Board; Mark Sipek, Personnel Board; Doug Dowell, Laura Ferguson, Jeff Mosley, Department of Revenue; Brian Bishop, Board of Dentistry; Margaret Everson, Mark Mangeot, Karen Waldrop, Kentucky Department of Fish and Wildlife; Sandy Gruzesky, Abigail Powell, Bruce Scott, Department for Environmental Protection; Miranda Denny, Joslyn Olinger Glover; Department of Juvenile Justice; Marc A. Guilfoil, Tim West, Kentucky Horse Racing Commission; Dawn Bellis, Tim House, Department of Housing, Buildings and Construction; Chandra Venettozzi, Stuart Owen, Cabinet for Health and Family Services; and Randall K. Wells, Daymar College.

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

The Administrative Regulation Review Subcommittee met on Tuesday, June 14, 2011, and submits this report:

Administrative Regulations Reviewed by the Subcommittee:

EDUCATION PROFESSIONAL STANDARDS BOARD: Assessment

16 KAR 6:030. Examination prerequisites for principal certification. Alicia A. Sneed, director of legal services, represented the board.

In response to questions by Co-Chair Bowen, Ms. Sneed stated that a passing score minimum requirement would be determined after data was collected based on a defined framework. A percentile would be determined to be passing after the standard setting committee considered all aspects of scoring to ensure diversity and proficiency.

A motion was made and seconded to approve the following amendments: (1) to amend Sections 2 and 5 to comply with the drafting requirements of KRS Chapter 13A; and (2) to amend Section 9 to delete provisions that summarized KRS 161.030(4), as required by KRS 13A.120(2)(e) and (f). Without objection, and with agreement of the agency, the amendments were approved.

PERSONNEL BOARD: Board

101 KAR 1:325. Probationary periods. Mark Sipek, executive director, represented the board.

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

103 KAR 15:195 & E. Endow Kentucky Tax Credit. Doug Dowell, attorney manager; Laura Ferguson, attorney manager; and Jeff Mosley, general counsel, represented the office.

In response to a question by Co-Chair Bowen, Ms. Ferguson stated that Kentucky had established a nonrefundable tax credit for an endowment or donation to a qualified community program. The department gave preliminary approval prior to the endowment for the tax credit, which was limited to $10,000 or less. The taxpayer then had thirty (30) days to make the endowment gift, and ten (10) additional days to certify that the donation had been made before the credit was appropriated.

A motion was made and seconded to approve the following amendments: to amend Sections 1, 2, 6, 7, and 8 to comply with the drafting and formatting requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

GENERAL GOVERNMENT

CABINET: Board of Dentistry: Board

201 KAR 8:550 & E. Anesthesia and sedation. Brian Bishop, executive director, represented the board.

Co-Chair Bowen stated that this administrative regulation had been thoroughly vetted and he appreciated the board's communications.

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

301 KAR 2:300. Black bears. Margaret Everson, general counsel; Mark Mangeot, legislative liaison; and Dr. Karen Waldrop, wildlife director, represented the department.

A motion was made and seconded to approve the following amendment: to amend Section 9(2) to correct a cross-reference. Without objection, and with agreement of the agency, the amendment was approved.

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

401 KAR 10:030. Antidegradation policy implementation methodology. Sandy Gruzesky, director, and Bruce Scott, commissioner, represented the division.

Co-Chair Bowen thanked the division for working with stakeholders to develop amendments to this administrative regulation.

JUSTICE AND PUBLIC SAFETY CABINET: Department of Juvenile Justice: Division of Community and Mental Health Services: Child Welfare

505 KAR 1:130. Department of Juvenile Justice policies and procedures; juvenile services in community. Miranda Denney, division director, and Joslyn Olinger Glover, attorney, represented the division.

A motion was made and seconded to approve the following amendments: to amend Section 1 and the material incorporated by reference to update citations, for clarity, and to make technical corrections. Without objection, and with agreement of the agency, the amendments were approved.

PUBLIC PROTECTION CABINET: Kentucky Horse Racing Commission: Quarter Horse, Appaloosa, and Arabian Racing

811 KAR 2:190. Kentucky Quarter Horse, Appaloosa, and Arabian Development. Marc Guilfoil, deputy executive director, and Tim West, assistant general counsel, represented the commission.

A motion was made and seconded to approve the following amendments: (1) to amend Section 8 to clarify the distribution procedures; and (2) to amend the TITLE, the RELATES TO paragraph, and Sections 1 through 5, 7, 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.

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

815 KAR 20:030. License application; qualifications for examination, examination requirements, expiration, renewal, revival or reinstatement of license. Dawn Bellis, general counsel, and Tim House, director, Division of Plumbing, represented the division. Randall K. Wells, chief academic officer, Daymar College, appeared in support of this administrative regulation.

Mr. Wells thanked the division for working to amend this administrative regulation for the benefit of plumbing students.

A motion was made and seconded to approve the following amendment: to amend Section 5 to establish the list of courses approved for substitution of one (1) year of plumbing experience. Without objection, and with agreement of the agency, the amendment was approved.

815 KAR 20:070. Plumbing fixtures.

CABINET FOR HEALTH AND FAMILY SERVICES: Office of Health Policy: Certificate of Need

900 KAR 6:030. Certificate of need expenditure minimums. Chandra Venettozzi, health data administrator, represented the office.

In response to questions by Representative Ford, Ms. Venettozzi stated that Kentucky was required by statute to administer the certificate of need process. About thirty-five (35) states have mandated a certificate of need process. The office would follow up with information regarding the experiences of states that had repealed their certificate of need requirements.

In response to a question by Senator Givens, Ms. Venettozzi stated that the office was required by statute to amend this administrative regulation annually. Due to staff changes, this update was not made on a timely basis last year. The decrease in the expenditure minimum would affect purchases of major medical equipment, such as MRI equipment, and capital expenditures.

A motion was made and seconded to approve the following amendments: (1) to amend the RELATES TO paragraph to correct statutory citations; and (2) to amend Sections 1 and 2 to comply with the requirement in KRS 216B.130 that the expenditure minimums be updated to reflect changes in the prior twelve (12) month period, rather than twenty-four (24) month period, including to: (a) show that the minimums went from a 3.58 percent decrease to a 2.79 percent decrease; and (b) establish the minimums at $2,669,775, rather than $2,648,079. Without objection, and with agreement of the agency, the amendments were approved.

Data Reporting and Public Use Data Sets

900 KAR 7:030. Data reporting by health care providers.

In response to questions by Senator Givens, Ms. Vennettozzi stated that the office previously allowed records to indicate a race or "other" without limitations. In an effort to protect data integrity, the office previously changed that acceptable error rate from 100 percent to one (1) percent, but has since found the one (1) percent rate to be too restrictive. This amendment increases the acceptable error rate to three (3) percent.

A motion was made and seconded to approve the following amendments: to amend Sections 1, 3, 4, 7, 13, and 14 to comply with the drafting and formatting requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

Department for Medicaid Services: Division of Provider Operations: Medicaid Services

907 KAR 1:715. School-based health services. Stuart Owen, regulation coordinator, represented the department.

In response to questions by Senator Givens, Mr. Owen stated that school-based health services were federally mandated and outside the jurisdiction of managed care. School-based health services should not be at risk of being stopped. The division would follow up with more investigation regarding the effect of change to managed care on the school-based health services program.

A motion was made and seconded to approve the following amendments: (1) to amend Section 1 to insert a definition of "federal financial participation"; (2) to amend Sections 1, 2, and 4 to comply with the drafting requirements of KRS Chapter 13A; and (3) to create a new Section 7 to establish provisions regarding federal financial participation. Without objection, and with agreement of the agency, the amendments were approved.

Other Business: Co-Chair Bowen introduced and welcomed businessman, Terry Woodward. Staff introduced and welcomed new staff member, Betsy Cupp.

The following administrative regulations were deferred to the July 12, 2011, meeting of the Subcommittee:

PERSONNEL CABINET: Personnel Cabinet, Classified

101 KAR 2:095 & E. Classified service administrative regulations.

101 KAR 2:102 & E. Classified leave administrative regulations.

Personnel Cabinet, Unclassified

101 KAR 3:015 & E. Leave administrative regulations for the unclassified services.

GENERAL GOVERNMENT CABINET: Board of Interpreters for the Deaf and Hard of Hearing: Board

201 KAR 39:010. Definitions.

201 KAR 39:030. Application; qualifications for licensure; and certification levels.

201 KAR 39:040. Fees.

201 KAR 39:050. Renewal of licenses and extension of temporary licenses.

201 KAR 39:060. Reinstatement of license subject to disciplinary action.

201 KAR 39:070. Application and qualifications for temporary licensure.

201 KAR 39:080. Reciprocity.

201 KAR 39:090. Continuing education requirements.

201 KAR 39:100. Complaint procedure.

201 KAR 39:120. Code of ethics.

CABINET FOR HEALTH AND FAMILY SERVICES: Department for Community Based Services: Division of Protection and Permanency: Child Welfare

922 KAR 1:420 & E. Child fatality or near fatality investigations.

The Subcommittee adjourned at 1:35 p.m. until July 12, 2011.

EDUCATION ASSESSMENT AND ACCOUNTABILITY REVIEW SUBCOMMITTEE

Minutes

June 13, 2011

Call to Order and Roll Call

The first meeting of the Education Assessment and Accountability Review Subcommittee was held on Monday, June 13, 2011, at 10:30 AM, in Room 131 of the Capitol Annex. Senator Jack Westwood, Co-Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Jack Westwood, Chair; Senators Vernie McGaha, Gerald A. Neal, Jack Westwood, and Ken Winters; Representatives Linda Belcher, Ted Edmonds, Bill Farmer, and Mary Lou Marzian.

Guests: Clyde Caudill, Legislative Agent, Jefferson County Public Schools and Kentucky Association of School Administrators; Jim Thompson, Legislative Liaison, Education and Workforce Development Cabinet; Wayne Young, Legislative Agent, Kentucky Association of School Administrators, Sue Cain, Council on Postsecondary Education, and Marty White, Kentucky Medical Association.

LRC Staff: Sandy Deaton, Ken Warlick, Janet Stevens, C.J. Ryan, and Lisa Moore.

Introduction of New Members

Senator Westwood welcomed Representatives Linda Belcher, Ted Edmonds and Senator Gerald Neal to the committee.

Election of Co-Chairs for 2011-2013

Representative Marzian nominated Representative Edmonds to be elected as House co-chair. The motion was seconded by Representative Farmer. Representative Farmer made the motion that nominations cease and Representative Marzian seconded the motion. Representative Edmonds was elected House co-chair by voice vote.

Senator Winters nominated Senator Westwood to be elected as Senate co-chair. The motion was seconded by Senator McGaha. Senator McGaha made the motion that nominations cease and Senator Winters seconded the motion.

Senator Westwood was elected Senate co-chair by voice vote.

Approval of Minutes

Senator Winters made a motion that the minutes of the December 7, 2010, meeting be approved. Representative Farmer seconded the motion and the minutes were approved by voice vote.

Status Report on the Development of End of Course Assessments

Ms. Rhonda Sims, Director, and Ms. Jennifer Stafford, Policy Analyst, Office of Assessment and Accountability, Kentucky Department of Education (KDE), presented on end-of-course assessments. Ms. Sims said Senate Bill (SB 1) enacted in the 2009 Kentucky General Assembly, requires a new public school assessment program beginning in the 2011-2012 school year. The legislation allowed, with approval by the Kentucky Board of Education (KBE), an end-of-course (EOC) program at the high school level.

Ms. Sims said the EOC assessments establish a common rigor for core courses. EOC assessments when purchased from national providers can link performance of Kentucky students to national results. EOC assessments allow students to be assessed immediately after completing course work and to receive feedback quickly. EOC test results may be used for a percentage of a student's final grade in the course, as outlined in local policy. If that percentage is less than 20 percent, school districts will submit reports to KDE providing justification.

Ms. Sims said ACT, Inc. has been awarded the contract to provide EOC assessments for Kentucky. The ACT *QualityCore®* program is: syllabus-driven with curriculum and instruction support materials; based on research in high-performing classrooms that focus on the essential standards for college and career readiness; and connected to PLAN and ACT. English II, Algebra II, Biology, and U.S. History are the courses required for graduation.

Ms. Stafford said multiple testing windows will be available during the school year. The EOC assessments can be administered throughout the year as students earn credit in each course. The multiple-choice items may be completed online or on paper. The constructed response is paper only.

Ms. Stafford noted that the online administration of the multiple-choice items provides feedback within a day. The paper administration requires 10 days from the time ACT receives answer documents to process and post online reports. Electronic student and teacher reports will be available in the secure online system.

In response to questions from Representative Farmer, Ms. Sims said multiple test forms will be used annually and tests will not be repeated as in the past. Ms. Stafford said the EOC assessments will be based on standards and teachers are expected to teach the standards to the students.

Ms. Sims said the constructed response answers will show a student's work and will be evaluated on the process to get to the answer. She said multiple-choice questions just evaluate the correct answer regardless of method used. The EOC assessments will be a combination of constructed response and multiple-choice questions.

Senator Winters noted that SB 1 gives districts the option of utilizing EOC assessments, but does not require it. Ms. Sims noted the ACT is willing to work with Kentucky on aligning the United States History course with Kentucky standards. Biology is already a good match to Kentucky standards. She said there is work being done on establishing a multi-state set of standards for social studies and biology, as well as establishing national norms to compare Kentucky against.

In response to questions from Senator McGaha, Ms. Stafford said students can choose to complete the multiple-choice questions on-line or using paper and pencil. On-line results can be seen by students within 24 hours and paper administration requires 10 days from the time ACT receives documents to process and post online reports. Ms. Sims noted that there has to be hand scoring involved with the constructed response portion of the test. Senator McGaha noted that 10 days is not a long turnaround time for the scores except if it occurs at the end of the school year.

Ms. Sims said the KBE made the decision for EOC assessments to account for 20 percent of the student's grade. However, she said this is a suggestion and school districts still have the flexibility to decide how they will include the EOC exam score into a student's grade. Many schools will want to link the score to a student's grade in order to provide student accountability at the high school level.

Dr. Holliday said the KDE could not require school districts to use 20 percent as a mandatory percentage, but strongly encouraged them to use the 20 percent as a minimum threshold. Ms. Sims said it is important for the school districts to report what percentage they are using for the exam in the student's grade. Senator McGaha said the timeframe of reporting back scores and allowing school districts to determine what percentage the EOC exam will weigh in the student's grade is very troublesome. He would like to delay the implementation until these issues are resolved.

In response to a question from Senator Westwood, Dr. Holliday said it is extremely rare for schools to chose the paper and pencil option. KDE is helping school districts to implement the on-line assessments, and 90 percent of Kentucky schools have this capability. He noted that the constructed response scores will be used for school accountability, rather than student accountability. All districts and schools will be accountable for the same measures, including multiple-choice and constructed response.

In response to a question from Representative Belcher, Ms. Stafford said it is up to the teachers to print out individual score reports and distribute to students to share with their parents. Ms. Sims said she wants to work with ACT to allow parents to see student scores online.

In response to a concern from Senator Westwood, Dr. Holliday said the ACT covers national norms and ensures there is adequate student sampling. He said the National Technical Advisory Panel on Assessment and Accountability (NTAPPA) is an independent group appointed by the Education Assessment and Accountability Review Subcommittee (EAARS) that has also endorsed this approach. The state board has not finalized the school district accountability model, and anticipates it being finalized in the August 2011 meeting. He said one of the administrative regulations that will be sent to EAARS for regulatory review deals with EOC assessments.

Office of Education Accountability's 2010 Annual Report

Ms. Karen Timmel-Hatzell, Division Manager, Investigations, Office of Education Accountability (OEA), said KRS 7.410(2)(c)4 allows OEA to investigate allegations of wrongdoing; make referrals to other agencies with jurisdiction; recommend legislative action to EAARS; and submit reports to EAARS at each regular meeting. She said KRS 160.345(9)(b) allows OEA to investigate violations of the school-based decision making council (SBDM) statute, and resolve conflict or forward to KBE for action.

In response to questions from Senator Westwood, Ms. Timmel-Hatzell said the majority of cases that the OEA receives to investigate are not related to SBDM's. However, the complaints with SBDM's are generally associated with the principal trying to rush the election of the membership. She said the statute calls for the teachers to conduct their own election and the parent organization in the PTO will conduct their own elections. The principal should not have anything to do with who gets nominated unless there is a need to find a minority candidate.

Ms. Seiler encouraged the members to send requests for items to be researched to the OEA. She said it is important for OEA to receive the requests early because of data issues.

Dr. Ken Chilton, Director of Research, OEA, discussed the 2011 research agenda approved in December 2010. He said the "*Kentucky State Testing Data Validation: Processes, Missing, Pieces, and Results*" will describe Kentucky's current data validation processes at the development, implementation, and post-testing levels for each test. OEA will review literature for best practices for secure testing, methodologies for detecting potential problems, and actions to address outliers. A model will be developed for future data validation efforts and will discuss the fiscal implications. Finally, OEA will provide outlier results based on the most recent KCCT and EPAS analyses.

Dr. Chilton said on-behalf payments will be reviewed including analyzing KDE expenditures from 2006 through 2010. The review will focus on administrative fees, flex spending, health and life insurance, Kentucky teacher retirement, vocational education, School Facilities Construction Commission, technology, and school activity funds.

Dr. Chilton said funding equity would be researched and include an update of 2008 school finance report that used 2006 finance data. The report will measure funding equity by district wealth quintiles and focus on funding trends and equity implications in Kentucky during period of economic decline.

Dr. Chilton said the special education update will identify special education identification trends since publication of OEA's 2008 report. It will describe challenges facing districts and schools in appropriately identifying and meeting service needs of special education students. The OEA will explore revenue and expenditure trends for special education in Kentucky, and identify any changes in the assessment of special education students.

Dr. Chilton said OEA will compile a Kentucky Educational Excellence Scholarship (KEES) study using data from the Kentucky Higher Education Assistance Authority (KHEAA) and KDE. The study will analyze KEES' impact on: ensuring access to postsecondary education; encouraging and rewarding achievement; and retaining high achievers in Kentucky.

Dr. Chilton said OEA will use P-20 data to follow a cohort of students from 2009 high school seniors through their first year of college in 2010. College and career readiness will focus on persistence by race, income, and sex. The report will examine trends in two-year, four-year, and vocational education paths. It will explore relationships between ACT, GPA, and college performance, and demonstrate the strategic value of a P-20 system.

Dr. Chilton said OEA compiles and updates two annual reports: "*Kentucky District Data Profiles*" and the "*Compendium of State Education Rankings*". He reviewed the past research reports and explained to members that they can locate these reports on-line.

In response to questions from Senator Neal, Dr. Chilton said the College and Career Readiness study will focus on following high school seniors through postsecondary, vocational, military, or their career paths. It is basically linking the student's outcome from K-12 with their postsecondary paths. Ms. Seiler noted this is possible for the first time by accessing the P-20 data. She is not sure how comprehensive the data is at this point, but will let Senator Neal know. Dr. Chilton said the quality of the data will ultimately depend on data availability and how complete the data is.

Mr. Keith White, Research Analyst,

OEA, said the Senate Bill 1 (2009) initiative includes OEA making updates on common core standards and Kentucky's proposed accountability model. The revised accountability model will include a Next-Generation Learner's Model. Assessment development will include valid instruments and valid inferences. The new common core standards for reading and mathematics will hit Kentucky classrooms in the fall of 2011 and initial review of the revised standards, by testing and education professionals indicates that the new standards are more rigorous than current standards. The impact of this increase in rigor will become apparent as the new standards become part of classroom instruction and formative assessments.

District Data Profiles

Dr. Chilton said the purpose of the "*Kentucky District Data Profiles School Year 2009-2010*" study is to provide easy access to commonly used education data. It allows longitudinal analysis of district data trends, and can be used for comparative purposes.

The organization of the report is in the format of a data dictionary. It lists state and district profiles and highlights overview and trends, staffing, finance, performance, and comparative tables. At the end of the district profiles, a Kentucky-wide profile is included for comparative purposes. This is followed by five tables that sort districts by adjusted average daily attendance, free and reduced-price lunch percentage, per-pupil state revenue, per-pupil property assessment, and junior composite ACT average for the 2010 school year. These tables are provided to allow profile users to identify similar districts for comparative purposes.

Dr. Chilton said overall, the "*Kentucky District Data Profiles*", provides a basic snapshot of each school district. Given differences in district size, geography, and socioeconomic conditions, the profiles are not conducive to direct comparisons of district effectiveness. The profiles present a broad array of indicators across multiple areas of interest.

In response to a question from Senator Westwood, Dr. Chilton said they are using KDE's numbers for linking the demographic profiles and dropout rates for each school district. He noted the formula is the same for each school district.

Senator McGaha made the motion to accept the "*Kentucky District Data Profiles*" report and Representative Farmer seconded the motion. The report was adopted by voice vote.

Adjournment

With no further business before the committee, the meeting adjourned at 12:00 p.m.

GOVERNMENT CONTRACT REVIEW COMMITTEE

Committee Minutes

June 14, 2011

Call to Order and Roll Call

The Government Contract Review Committee met on Tuesday, June 14, 2011, at 10:00 AM, in Room 171 of the Capitol Annex. Representative Dennis Horlander, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Vernie McGaha, Co-Chair; Representative Dennis Horlander, Co-Chair; Senators Julian M. Carroll, Carroll Gibson, and Paul Hornback; Representatives Brent Housman and Brent Yonts.

Guests: Shannon Morgan, Michael Plumley, Roger Thomas, Lisa Beran, David Blackburn, Tom Harris, Dennis Finn, Tammy Bullock, Beth Jurek, Don Speer, Jerry Frantz, Brent Irvin, Ryan Green, Doug Roberts, Keith Stephens, Rene Close, David Gayle, Peggy Stratton, Kevin Damron, Mike Denney, Howard Kline, Kate Leverette, and Gary Ruskowski.

LRC Staff: Kim Eisner, Holly Harrod and Becky Brooker.

A motion was made by Representative Yonts to approve Minutes of the May 2011 meeting of the committee. Senator Carroll seconded the motion, which passed without objection.

DEFERRED ITEMS

A motion was made by Representative Yonts to defer the following contracts to the June 2011 meeting of the committee: DEPARTMENT FOR MENTAL HEALTH, DEVELOPMENT DISABILITIES & ADDICTION SERVICES: 1100001294, Crown Services Incorporated; 1100001295, Staff Easy, LLC; 1100001296, Medstaff Healthcare Solutions; 1100001396, Staff Easy, LLC; 1100001397, Crown Services Incorporated; 1100001398, Crown Services Incorporated. Senator Gibson seconded the motion, which passed without objection.

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

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

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

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

THE FOLLOWING PERSONAL SERVICE CONTRACTS WERE REVIEWED WITHOUT OBJECTION:

AUDITOR OF PUBLIC ACCOUNTS, OFFICE OF THE:

Crowe Horwath, LLP, 1100002381.

DEPARTMENT FOR MEDICAID SERVICES:

PricewaterhouseCoopers, 1100000695.

DEPARTMENT FOR NATURAL RESOURCES:

Asplundh Tree Expert Company, 1100002511.

EASTERN KENTUCKY UNIVERSITY:

Ellen C. Williams, LLC - Capital Network, 12-041.

ECONOMIC DEVELOPMENT - OFFICE OF THE SECRETARY:

Boyette Strategic Advisors, 1100002418.

EDUCATION, DEPARTMENT OF:

Kentucky Association of School Administrators (KASA), 1100002649.

FINANCE AND ADMINISTRATION CABINET:

Peck, Shaffer, & Williams, LLP, 1100002387.

FINANCE AND ADMINISTRATION CABINET - DIVISION OF ENGINEERING:

Stantec Consulting Services Incorporated, 1100001971; Paladin Incorporated, 1100002046.

FISH & WILDLIFE, DEPARTMENT OF:

Tec Incorporated, 1100001978.

KENTUCKY HOUSING CORPORATION:

Law Offices of Cecil F. Dunn, 2012-15.

KENTUCKY LOTTERY CORPORATION:

TEK Systems, 11-11-040; Blue & Company, LLC, 12-08-050; Delehanty Consulting, LLC, 12-09-055; TEK Systems, 12-11-040.

MOREHEAD STATE UNIVERSITY:

Dr. Kimberly J. Harris, 11-020; Dean Dorton Allen Ford, PSC, 11-021; University Accounting Services, LLC, 12-001; Sturgill, Turner, Barker & Moloney, PLLC, 12-002; Frost Brown Todd, LLC, 12-003.

MURRAY STATE UNIVERSITY:

Multi, 001-12; Capitol Solutions, LLC, 004-12; Robert Clark Harris, MD, 005-12; RubinBrown, LLP, 008-12; VPS Architecture, PSC, 013-11; Hastings & Chivetta Incorporated, 014-11.

NORTHERN KENTUCKY UNIVERSITY:

Geoff Smith, 2012-544-1; Dean Dorton Allen Ford, 2012-578; Max Stark & Associates Organizational Consulting, 2012-582.

PERSONNEL-OFFICE OF THE SECRETARY:

Blue & Company, LLC, 1100001991.

STATE POLICE, DEPARTMENT OF:

Kenneth Mayfield, 1100002102; Paul D. Oldham, 1100002420; Thomas A. Miller Jr., 1100002423; Roy Pace Jr., 1100002424; Jack Riley, 1100002425; Kenneth W. Perkins, 1100002427; Tony R. Wells, 1100002428; Ricky V. Underwood, 1100002429.

TRANSPORTATION CABINET:

Kerrick Stivers Coyle, PLC, 1100002382; QK4, 1100002433; Burgess and Niple Incorporated, 1100002545; Entran, PLC, 1100002551; Michael Baker, Jr., Incorporated, 1100002555; H. A. Spalding Incorporated, 1100002629; Burgess & Niple Incorporated, 1100002646.

UNIVERSITY OF KENTUCKY:

Sherman Carter Barnhart, A111120; Baptist Health Ventures d/b/a Baptist Leadership Group, K11-183; Norton Healthcare Incorporated, K11-184; Community Medical Associates & Norton Healthcare Incorporated, K11-185; R. Bruce Lankford, K12-101; Hewitt Associates Public Sector Consulting, LLC, K12-103.

UNIVERSITY OF LOUISVILLE:

Omni Associates Limited, 11-123; Aon Consulting, 12-007.

WESTERN KENTUCKY UNIVERSITY:

Multi, 101238.

THE FOLLOWING PERSONAL SERVICE AMENDMENTS WERE REVIEWED WITHOUT OBJECTION:

DEPARTMENT FOR BEHAVIORAL HEALTH, DEVELOPMENTAL AND INTELLECTUAL DISABILITIES:

Big Brothers Big Sisters Incorporated of South Central Kentucky, 1000001549.

DEPARTMENT FOR ENVIRONMENTAL PROTECTION:

Tetra Tech Incorporated, 0600002004; Mirotech Incorporated, 1000002853; Coyle & Associates, 1000003015.

DEPARTMENT FOR INCOME SUPPORT:

Julie B. Jones, 1000003250; Amanda Lange, 1000003665; R. Kendall Brown, 1000003670; Sudhideb Mukherjee, 1000003673; Marina T. Yarbro, 1000003694; Lisa D. Beihn, 1000003695; Maureen W. Khalil, MD, 1000003696; John I. Gedmark, 1000003698; Thompson H. Prout, 1000003699; Laura M. Cutler, 1000003701; John M. Reed, MD, 1000004035; W. Douglas Back, 1000004037.

DEPARTMENT FOR NATURAL RESOURCES:

Multi, 1000002784.

DEPARTMENT FOR PUBLIC HEALTH:

Reach of Louisville Incorporated, 1000002419.

EDUCATION, DEPARTMENT OF:

Bethune Institute, 1000002593; Center for Family & Community Services, 1000002634; Kenton County YMCA, 1000002722; Lighthouse Promise Incorporated, 1000002727; Pleasant

Green Baptist Church, 1000002750; R.C. Durr YMCA, 1000002754.

ENGINEERS & LAND SURVEYORS, KENTUCKY BOARD OF REGISTRATION FOR PROFESSIONAL:

Edmund S. Miller Jr., 1000002966; Robert S. Giles, 1000002967; Robert S. Thompson III, 1000002968.

FINANCE AND ADMINISTRATION CABINET - DIVISION OF ENGINEERING:

Murphy & Graves Architects, 0800010718; CMTA Incorporated Consulting Engineers, 1000000152; Vaughn & Melton, 1100001425; Murphy & Graves Architects, 1100001469; Godsey Associates Architects Incorporated, C-05190114-2.

HIGHER EDUCATION ASSISTANCE AUTHORITY, KENTUCKY:

Center for Rural Development, 1000003121.

HISTORICAL SOCIETY, KENTUCKY:

Solid Light Incorporated, 1100000658.

JUSTICE CABINET:

Fulkerson & Kinkel, PLLC, 1000004163.

JUVENILE JUSTICE, DEPARTMENT OF:

Keith Hardison, 1000003171.

MEDICAL LICENSURE, BOARD OF:

Multi, 1000002739.

PERSONNEL-OFFICE OF THE SECRETARY:

Winner Resources, LLC, 1000003320; Mercer Investment Consulting Incorporated, 1100000800.

PHYSICAL THERAPY, BOARD OF:

William A. Curley, 1000003011.

POST SECONDARY EDUCATION, COUNCIL ON:

Sturgill Turner Barker and Moloney, PLLC, 0700003228; Blue & Company LLC, 1000002022.

PSYCHOLOGISTS, BOARD OF EXAMINERS OF:

Stan Heck PsyD, 1000003191.

PUBLIC ADVOCACY, DEPARTMENT FOR:

Margaret O'Donnell, 1000004209.

REAL ESTATE APPRAISERS BOARD:

Thomas J. Hellmann, Attorney-at-law, PLLC, 1000002499.

TRANSPORTATION CABINET:

Burgess and Niple Incorporated, 0700003887; HRV Conformance Verification, 0800010333; PB Americas Incorporated, 1000002373; Kerrick Stivers Coyle & Vanzant, PLC, 1000002403; Kentucky Bridge Solutions LLC, 1000003102; J. M. Crawford & Associates Incorporated, 1000004236; Fulton & Devlin, 1100000105; Jones Walters Turner & Shelton, 1100000106; Gresham Smith & Partners, 1100002389; Palmer Engineering Company, C-01079886-5; Entran, PLC, C-01095569-2; Entran, PLC, C-03079326-1; Presnell Associates Incorporated d/b/a QK4, C-04536741-1; Michael Baker, Jr., Incorporated, C-05091322-4; GRW Engineers Incorporated, C-99004982-3; Vaughn & Melton, C-99005603-5.

UNIVERSITY OF KENTUCKY:

GBBN Architects, A061080; BFMJ, A111070.

UNIVERSITY OF LOUISVILLE:

Aon Consulting, 11-007.

WESTERN KENTUCKY UNIVERSITY:

The Regents of the University of California, 101128; Gelke & Associates, 101150.

WORKFORCE INVESTMENT, OFFICE OF:

Landor Associates, 1000004177.

THE FOLLOWING MEMORANDA OF AGREEMENTS WERE REVIEWED WITHOUT OBJECTION:

AGRICULTURE, DEPARTMENT OF:

Kentucky FFA Foundation Incorporated, 1100002439; Kentucky 4-H Foundation, 1100002440.

CORRECTIONS, DEPARTMENT OF:

Christian County Jail, 1100001905; Daviess County Detention Center, 1100002072; Fulton County Jail, 1100002083; Grant County Jail, 1100002084; Grayson County Jailer, 1100002085; Hopkins County Detention Center, 1100002087; Marion County Jail, 1100002089; Mason County Detention Center, 1100002098; Pike County Detention Center, 1100002103; Shelby County Detention Center, 1100002165; Powell County Fiscal Court, 1100002176; Pike County Detention Center, 1100002179; Hardin County Jail, 1100002192.

DEPARTMENT FOR ENVIRONMENTAL PROTECTION:

City of Bowling Green, 1100001817; City of Versailles, 1100002117.

DEPARTMENT FOR NATURAL RESOURCES:

UK Research Foundation, 1100002185.

EDUCATION, DEPARTMENT OF:

Anderson County Board of Education, 1100002011; Ashland Independent Board of Education, 1100002012; Calloway County Board of Education, 1100002014; Simpson County Board of Education, 1100002015; Jessamine County Board of Education, 1100002086; Fayette County Board of Education, 1100002099; Russell Independent Board of Education, 1100002100; Daviess County Board of Education, 1100002239; Letcher County Board of Education, 1100002242; Green County Board of Education, 1100002243; Paris Independent Board of Education, 1100002251; Letcher County Board of Education, 1100002252; Larue County Board of Education, 1100002253; Trigg County Board of Education, 1100002254; Danville Independent Board of Education, 1100002256; Daviess County Board of Education, 1100002263; Hopkins County Board of Education, 1100002580; Perry County Board of Education, 1100002582.

INFRASTRUCTURE AUTHORITY:

City of Corbin Utilities Commission, 1100002432.

KENTUCKY HOUSING CORPORATION:

Community Action Kentucky Incorporated, 2012-2.

KENTUCKY RIVER AUTHORITY:

U.S. Department of Interior Geological Survey, 1100002325; University of Kentucky Research Foundation, 1100002328.

MILITARY AFFAIRS, DEPARTMENT OF:

Multi, 1100001787; Kentucky State University, 1100001897; Spencer County Fiscal Court, 1100001907.

MURRAY STATE UNIVERSITY:

Hickman County Schools, 90012.

OFFICE OF THE GOVERNOR, DEPARTMENT FOR LOCAL GOVERNMENT:

Rowan County Fiscal Court, 1100001676; Knox County Fiscal Court, 1100002092; Harlan County Fiscal Court, 1100002094; Leslie County Fiscal Court, 1100002132; Floyd County Fiscal Court, 1100002137; Floyd County Fiscal Court, 1100002293; Floyd County Fiscal Court, 1100002294; Knott County Fiscal Court, 1100002297; Knott County Fiscal Court, 1100002299; Graves County Fiscal Court, 1100002320; City of Benton, 1100002321; City of Hartford Kentucky, 1100002322; City of Campton, 1100002326; Boone County Fiscal Court, 1100002327; Jackson County Fiscal Court, 1100002329; Knott County Fiscal Court, 1100002332; City of Dawson Springs, 1100002562; Madison County Fiscal Court, 1100002573; City of Loretto, 1100002610; Breathitt County Fiscal Court, 1100002611; Calloway County Fiscal Court, 1100002616; City of Liberty, 1100002620; City of Olive Hill, 1100002621; City of Paducah, 1100002622; City of Sharpsburg, 1100002624.

THE FOLLOWING MEMORANDA OF AGREEMENT AMENDMENTS WERE REVIEWED WITHOUT OBJECTION:

AGRICULTURE, DEPARTMENT OF:

Multi, 0900011602; Multi, 0900011666; Governor's Scholars Program Incorporated, 1000003725.

DEPARTMENT FOR AGING & INDEPENDENT LIVING:

Kentuckiana Regional Planning, 1000001994; Purchase Area Development District, 1000001996; Pennyrile Area Development District, 1000001997; Green River Area Development, 1000001998; Barren River Area Development District, 1000001999; Fivco Area Development District, 1000002004; Bluegrass Area Development District Title III, 1000002011.

DEPARTMENT FOR BEHAVIORAL HEALTH, DEVELOPMENTAL AND INTELLECTUAL DISABILITIES:

Pathways Incorporated, 1000001386; Four Rivers Behavioral Health, 1000001651; Comprehend Incorporated, 1000001658; Pathways Incorporated, 1000001659; Cumberland River Mental Health Mental Retardation Board Incorporated, 1000001662; University of Kentucky Research Foundation, 1000003584.

DEPARTMENT FOR COMMUNITY BASED SERVICES:

Eastern Kentucky University, 1000003574; Kentucky Domestic Violence Association, 1100001252.

DEPARTMENT FOR PUBLIC HEALTH:

University of Kentucky, 1000003991; University of Kentucky Research Foundation, 1000004034.

DEPARTMENT OF ENERGY DEVELOPMENT AND INDEPENDENCE:

Jackson Energy Cooperative, 1000001891; University of Kentucky Research Foundation, 1000004192; Platform Energy Group, LLC, 1000004198; University of Kentucky Research Foundation, 1000004215.

DEPARTMENT OF INSURANCE:

KCTCS Finance Department, 1000003340.

EDUCATION, DEPARTMENT OF:

Calloway County Board of Education, 1000002313; Ballard County Board of Education, 1000002591; Boone County Board of Education, 1000002595; Bourbon County Board of Education, 1000002600; Boyd County Board of Education, 1000002601; Carlisle County Board of Education, 1000002613; Casey County Board of Education, 1000002618; Clinton County Board of Education, 1000002639; Corbin Independent Board of Education, 1000002646; Cumberland County Board of Education, 1000002653; Fayette County Board of Education, 1000002656; Fulton County Board of Education, 1000002666; Garrard County Board of Education, 1000002669; Glasgow Independent Board of Education, 1000002671; Greenup County Board of Education, 1000002673; Hardin County Board of Education, 1000002675; Harlan County Board of Education, 1000002685; Henderson County Board of Education, 1000002695; Jackson Independent Board of Education, 1000002702; Jenkins Independent Board of Education, 1000002719; Lee County Board of Education, 1000002724; Letcher County Board of Education, 1000002725; Lincoln County Board of Education, 1000002728; Livingston County Board of Education, 1000002729; Lyon County Board of Education, 1000002731; Monticello Independent Board of Education, 1000002737; Morgan County Board of Education, 1000002738; Nicholas County Board of Education, 1000002744; Owen County Board of Education, 1000002745; Owensboro Independent Board of

Education, 1000002746; Paris Independent Board of Education, 1000002749; Pulaski County Board of Education, 1000002751; Raceland Worthington Independent Board of Education, 1000002752; Russell County Board of Education, 1000002759; Taylor County Board of Education, 1000002762; Wayne County Board of Education, 1000002768; Wolfe County Board of Education, 1000002771; Pulaski County Board of Education, 1000002920; University of Kentucky Research Foundation, 1000003555; Boyle County Board of Education, 1000003605; Todd County Board of Education, 1000003650; KASA, 1100000522; University of Louisville Research Foundation, 1100000596; Fayette County Board of Education, 1100000723; Kentucky Center for the Arts, 1100001416; Adair County Board of Education, 1100001656.

FISH & WILDLIFE, DEPARTMENT OF:

University of Kentucky Department of Forestry, 1000003346; Mississippi State University, 1000003364; University of Kentucky Forestry, 1000003365.

INFRASTRUCTURE AUTHORITY:

City of Sebree, 1100001417; Knott County Fiscal Court, 1100001474; Knott County Fiscal Court, 1100001475; City of White Plains, 1100001504; Letcher County Fiscal Court, 1100001541; City of Booneville, 1100001672; City of Pikeville, 1100001685; City of Pikeville, 1100001725; City of Salyersville, 1100001841; City of Salyersville, 1100001842; City of Salyersville, 1100001922; City of Salyersville, 1100001977; City of Louisa, 1100001993.

MILITARY AFFAIRS, DEPARTMENT OF:

Cumberland Valley Area Development District, 1000002442.

OFFICE OF THE GOVERNOR, DEPARTMENT FOR LOCAL GOVERNMENT:

Leslie County Fiscal Court, 0600002445; Floyd County Fiscal Court, 0700003574; Clay County Fiscal Court, 0700003945; City of Sturgis, 0700005009; City of Providence, 0700005312; Knott County Fiscal Court, 0700006453; Ohio County Fiscal Court, 0800010474; Knott County Fiscal Court, 0800010484; Martin County Fiscal Court, 0800010600; Martin County Fiscal Court, 0800011096; Knott County Fiscal Court, 0800011191; Lawrence County Fiscal Court, 0900011439; Knott County Fiscal Court, 0900011573; Knott County Fiscal Court, 0900011585; Floyd County Fiscal Court, 0900011828; Muhlenberg County Fiscal Court, 0900012559; Knott County Fiscal Court, 0900012957; Knott County Fiscal Court, 0900013023; Knott County Fiscal Court, 0900013024; Knott County Fiscal Court, 0900013188; Muhlenberg County Fiscal Court, 1000000520; City of Dawson Springs, 1000000529; Martin County Fiscal Court, 1000000724; Kentucky Housing Corporation, 1000001147; Johnson County Fiscal Court, 1000001219; Floyd County Fiscal Court, 1000001229; Muhlenberg County Fiscal Court, 1000001776; Muhlenberg County Fiscal Court, 1000001993; Muhlenberg County Fiscal Court, 1000002006; Muhlenberg County Fiscal Court, 1000002014; Muhlenberg County Fiscal Court, 1000002015; Muhlenberg County Fiscal Court, 1000002021; Martin County Economic Development Authority, 1000002152; Knott County Fiscal Court, 1000003122; Union County Fiscal Court, 1000003821; Floyd County Fiscal Court, 1000003833; Breathitt County Fiscal Court, 1000003834; Breathitt County Fiscal Court, 1000003995; Hart County Fiscal Court, 1100000448.

WORKFORCE INVESTMENT, OFFICE OF:

Madison County Board of Education, 1000002114; Bluegrass Area Development District, 1000003026.

THE FOLLOWING PERSONAL SERVICE CONTRACTS WERE SELECTED FOR FURTHER REVIEW:

DEPARTMENT FOR MEDICAID SERVICES:

Mercer Health & Benefits, LLC, 1100002647. The agency requested the contract be deferred. A motion was made by Representative Yonts to defer the contract to the July 2011 meeting of the committee. Senator Gibson seconded the motion, which passed unanimously.

GOVERNORS OFFICE OF AGRICULTURAL POLICY:

Goldberg Simpson, LLC, 1100002670. Shannon Morgan, Michael Plumley and Roger Thomas discussed the contract with the committee. A motion was made by Representative Yonts to consider the contract as reviewed. Senator Carroll seconded the motion, which passed unanimously.

KENTUCKY HOUSING CORPORATION:

Stierle & Stierle, Attorney-at-law, 2012-11; Goldberg Simpson, LLC, 2012-12. Lisa Beran discussed the contracts with the committee. A motion was made by Representative Yonts to consider the contracts as reviewed. Senator Carroll seconded the motion, which passed unanimously.

KENTUCKY LOTTERY CORPORATION:

Bandy Carroll Hellige, 12-09-042. Mike Denney, Howard Kline, Kate Leverette, and Gary Ruskowski discussed the contract with the committee. A motion was made by Representative Yonts to consider the contract as reviewed. Senator Gibson seconded the motion, which passed unanimously.

KENTUCKY LOTTERY CORPORATION:

GTECH Corporation, 12-10-001. Mike Denney, Howard Kline, Kate Leverette, and Gary Ruskowski discussed the contract with the committee. A motion was made by Representative Yonts to consider the contract as reviewed. Senator Carroll seconded the motion, which passed unanimously.

MURRAY STATE UNIVERSITY:

Multi, 003-12. David Blackburn discussed the contract with the committee. A motion was made by Representative Yonts to consider the contract as reviewed. Senator Carroll seconded the motion, which passed unanimously.

UNIVERSITY OF KENTUCKY:

Cornett Integrated Strategic Marketing, K12-102. Tom Harris and Dennis Finn discussed the contract with the committee. A motion was made by Representative Yonts to consider the contract as reviewed. Senator Carroll seconded the motion, which passed unanimously.

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

DEPARTMENT FOR MEDICAID SERVICES:

PricewaterhouseCoopers, 1100000695. Tammy Bullock, Beth Jurek and Don Speer discussed the contract with the committee. A motion was made by Representative Yonts to consider the contract as reviewed. Senator Carroll seconded the motion, which passed unanimously.

FAIR BOARD:

Harold Workman, 1000002520. Jerry Frantz discussed the contract with the committee. A motion was made by Representative Yonts to consider the contract as reviewed. Senator Carroll seconded the motion, which passed unanimously.

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

DEPARTMENT FOR COMMUNITY BASED SERVICES:

ADR Works, 1100002232. Beth Jurek and Brent Irvin discussed the contract with the committee. A motion was made by Representative Yonts to consider the contract as reviewed. Senator Carroll seconded the motion, which passed unanimously.

MURRAY STATE UNIVERSITY:

ERS Group, 104-12. David Blackburn discussed the contract with the committee. A motion was made by Senator McGaha to consider the contract as reviewed. Representative Yonts seconded the motion, which passed unanimously.

THE FOLLOWING MEMORANDUM OF AGREEMENT WAS SELECTED FOR FURTHER REVIEW:

EDUCATION, DEPARTMENT OF:

University of Oregon, 100001740. The agency requested the contract be deferred. A motion was made by Representative Yonts to defer the contract to the July 2011 meeting of the committee. Senator Hornback seconded the motion, which passed unanimously.

WORKFORCE INVESTMENT, OFFICE OF:

KCTCS, 1100001996. Ryan Green, Doug Roberts and Keith Stephens discussed the contract with the committee. A motion was made by Senator McGaha to consider the contract as reviewed. Representative Yonts seconded the motion, which passed unanimously.

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

DEPARTMENT FOR COMMUNITY BASED SERVICES

Lake Cumberland CSO Incorporated, 1000002350; NKCAC Incorporated, 1000002357; Tri County Community Action Agency, 1000002360. Rene Close, Beth Jurek and David Gayle discussed the contracts with the committee. A motion was made by Representative Yonts to consider the contracts as reviewed. Senator McGaha seconded the motion, which passed unanimously.

EXEMPTION REQUESTS

TRANSPORTATION CABINET:

The Kentucky Transportation Cabinet requested an exemption from the committee's routine review process for Right of Way Acquisition Service Agreements. Peggy Stratton and Kevin Damron discussed the exemption request with the committee. A motion was made by Senator McGaha to deny the exemption request. Representative Houseman seconded the motion, which passed with Representative Yonts electing to abstain (PASS).

DEPARTMENT OF JUVENILE JUSTICE:

The Department of Juvenile Justice requested an exemption from the committee's routine review for youth and specialized medical services and will provide the committee with quarterly reports. A motion was made by Representative Yonts to approve the request to December 31, 2011. Representative Horlander seconded the motion, which passed unanimously.

With no further business before the committee, the meeting adjourned at 12:30 PM.

GOVERNMENT CONTRACT REVIEW COMMITTEE

Committee Minutes

July 12, 2011

Call to Order and Roll Call

The Government Contract Review Committee met on Tuesday, July 12, 2011, at 10:00 AM, in Room 171 of the Capitol Annex. Senator Vernie McGaha, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Vernie McGaha, Co-Chair; Representative Dennis Horlander, Co-Chair; Senators Julian M. Carroll and Carroll Gibson; Representatives Brent Housman and Brent Yonts.

Guests: Tonia Wells, Bill Cooper, Joy Hoskins, Charles Kendell, David

Holcomb, Nicole McDonald, Dr. Preston Nunnelley, Mike Rodman, Steve Byars, Bill Harris, T Lynn Williamson, Jan Beauchamp, Paula Goff, Charlie Harman, Robin Chandler, Mike Hill, Keith Caudill, Robin Sprague, Roger Duvall, Laurie Dudgeon, Leslie Brown, Charles Geveden, Martha Slemp, David Gayle, Mike Cheek, Dr. Joe Crabtree, Mike Zawacki, and Brian Beaven.

LRC Staff: Kim Eisner, Matt Ross and Becky Brooker.

A motion was made by Representative Yonts to approve Minutes of the June 2011 meeting of the committee. Representative Horlander seconded the motion, which passed without objection.

JUNE 2011 DEFERRED LIST

EDUCATION, DEPARTMENT OF:

University of Oregon, 100001740. Robin Chandler and Amy Patterson discussed the contract with the committee. A motion was made by Representative Yonts to consider the contract as reviewed. Senator Carroll seconded the motion, which passed unanimously.

DEFERRED ITEMS

A motion was made by Representative Yonts to defer the following contracts to the August 2011 meeting of the committee: DEPARTMENT FOR MENTAL HEALTH, DEVELOPMENT DISABILITIES & ADDICTION SERVICES: 1100001294, Crown Services Incorporated; 1100001295, Staff Easy, LLC; 1100001296, Medstaff Healthcare Solutions; 1100001396, Staff Easy, LLC; 1100001397, Crown Services Incorporated; 1100001398, Crown Services Incorporated. Representative Horlander seconded the motion, which passed without objection.

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

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

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

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

THE FOLLOWING PERSONAL SERVICE CONTRACTS WERE REVIEWED WITHOUT OBJECTION:

ADMINISTRATIVE OFFICE OF THE COURTS:

Graydon Head & Ritchey, LLP, 1100003105.

AGRICULTURE, DEPARTMENT OF:

Miss Kentucky Scholarship Organization Incorporated, 1100002761.

AUDITOR OF PUBLIC ACCOUNTS, OFFICE OF THE:

Christian Sturgeon & Associates, PSC, 1100002902; Blue & Company, LLC, 1100002903; Ray, Foley, Hensley & Company, PLLC, 1100002904; Ross & Company, PLLC, 1100002905.

CORRECTIONS, DEPARTMENT OF:

Chrysalis House Incorporated, 1100002412.

DEPARTMENT FOR COMMUNITY BASED SERVICES:

Lake Cumberland Community Action Agency Incorporated, 1000004076-1; Goldberg & Simpson, PSC, 1100002074.

DEPARTMENT FOR ENVIRONMENTAL PROTECTION:

Stantec Consulting Services Incorporated, 1100001589; Falcon Engineering, 1100002628.

DEPARTMENT FOR PUBLIC HEALTH:

University of Louisville Hospital, 1100002048; Crown Services Incorporated, 1100002415.

DEPARTMENT OF WORKPLACE STANDARDS:

Blue & Company, LLC, 1100002508.

EASTERN KENTUCKY UNIVERSITY:

Davis-Mayo Associates, LLC, 12-043; Marsh USA Incorporated, 12-044; Neace Lukens Incorporated, 12-046; BioMedical Research Services, 12-047; Dinsmore & Shohl, LLP, 12-049.

EDUCATION, DEPARTMENT OF:

Open Education Solutions, 1100002955.

EDUCATIONAL TELEVISION, KENTUCKY:

Susan B. Hines-Brinker, 1100002843; James R. Slone, 1100003028; James Bugay, 1100003029; Roger M. Bondurant, 1100003030; Britt Davis, 1100003031; Michelle Larock, 1100003032.

FINANCE AND ADMINISTRATION CABINET:

GAB Robins North America Incorporated, 1100003015.

FINANCE AND ADMINISTRATION CABINET - DIVISION OF ENGINEERING:

URS Corporation, 1100002668.

HIGHER EDUCATION ASSISTANCE AUTHORITY, KENTUCKY:

Callan Associates Incorporated, 1200000001.

INFRASTRUCTURE AUTHORITY:

Peck Shaffer & Williams, LLP, 1100002758; American Municipal Tax-exempt Compliance Corporation, 1100003009; Kentucky Rural Water Associates, 1100003021; Blue & Company, LLC, 1100003110.

JUSTICE CABINET:

Britton Osborne Johnson, PLLC, 1100002899; Access To Justice Found, 1100003010; David W. Jones, 1100003144.

JUVENILE JUSTICE, DEPARTMENT OF:

Sylvia L. Kuster, 1100003037.

KENTUCKY COMMUNITY & TECHNICAL COLLEGE SYSTEM:

CedarCrestone Incorporated, 485; Dean Dorton Allen Ford, PSC, 486; Alamo Community College District, 487; Teachers College, Columbia University, 488; Cuyahoga Community College, 489; Danville Community College, 490; Henry Ford Community College, 491; Lansing Community College, 492; Spartanburg Community College, 493; Pellissippi State Community College, 494.

KENTUCKY EMPLOYERS MUTUAL INSURANCE:

Multi, 12-CLD-001; Conning Incorporated, 12-CON-001; Dean Dorton Allen Ford, PLLC, 12-DDF-001; Ridenour & Associates, LLC, 12-GAL-001; Hay Group Incorporated, 12-HMC-001; Towers Watson Pennsylvania Incorporated, 12-TIL-001; Underwriters Safety & Claims, 12-USC-001; Ward Financial Group, 12-WRD-001.

KENTUCKY HOUSING CORPORATION:

Lerner, Sampson & Rothfuss, 2012-10.

KENTUCKY LOTTERY CORPORATION:

Chase Bank, 12-06-026; Gaming Laboratories International, LLC, 12-09-031; GTECH Corporation, 12-095-089; Valenti, Hanley & Robinson, PLLC, 12-11-0371; Goldberg Simpson, LLC, 12-11-0372.

KENTUCKY STATE UNIVERSITY:

Dean Dorton Allen Ford, PLLC, 12-01; Johnson, True & Guarnieri, LLP, 12-02; MML&K Government Solutions, 12-03; Anthony G. Barnes, 12-04.

MEDICAL LICENSURE, BOARD OF:

Kentucky Physicians Health Foundation Incorporated, 1100002782.

MOREHEAD STATE UNIVERSITY:

Dean, Dorton, Allen, Ford, PSC, 12-006; Quality Medical Solutions, 12-008; Wellness Consultants, LLC, 12-009; Amelia L. Confides, 12-010; CG&B Marketing, LLC, 12-011.

MURRAY STATE UNIVERSITY:

VPS Architecture, PSC, 009-12; Hastings & Chivetta Incorporated 010-12; McClain Firm, PSC, 012-12; Baker & Associates, LLC, 013-12.

NORTHERN KENTUCKY UNIVERSITY:

Jeri Geisser, 2012-573-1; Stepping Stone Holdings, LLC, 2012-581.

PERSONNEL-OFFICE OF THE SECRETARY:

Reed Weitkamp Schell & Vice, 1100001893.

STATE BOARD FOR PROPRIETARY EDUCATION:

21st Management Corporation, 1100002813.

STATE POLICE, DEPARTMENT OF:

James Daniel Quarles, M.D., 1100002760.

TRANSPORTATION CABINET:

HMB Professional Engineers Incorporated, 1100002617; Wilbur Smith Associates, 1100002798; Patrick Law Firm, 1100002834; Strand Associates Incorporated, 1100002836; Florence & Hutcheson, 1100003011; American Engineers Incorporated, 1100003014; Florence & Hutcheson, 1100003026; URS Corporation, 1100003140.

UNIVERSITY OF KENTUCKY:

Omni Architects, A111130; 352 Media Group, K11-186; Strata-G, LLC, K12-104; Underwriters Safety & Claims, K12-105; Fellon-McCord & Associates Incorporated, K12-106; Greenwood/Asher & Associates Incorporated, K12-108; Huron Consulting Group, K12-110; Herald & Herald Attorneys-at-law, K12-117; Huron Consulting Group, K12-118; EnduraCare Acute Care Services, LLC, K12-119.

UNIVERSITY OF LOUISVILLE:

BA Engineers Incorporated, 12-003; Patrick D. Murphy Company Incorporated, 12-004.

WESTERN KENTUCKY UNIVERSITY:

Pae Tec Software Corporation, 111201; CMS Publishing Incorporated d/b/a R&R Newkirk Company, 111202; Pursuant Ketchum d/b/a The Pursuant Group, 111207.

WORKER'S COMPENSATION FUNDING COMMISSION:

Actuarial & Technical Solutions Incorporated, 1100002835.

WORKFORCE INVESTMENT, OFFICE OF:

Thomas P. Miller & Associates, 1100002739.

THE FOLLOWING PERSONAL SERVICE AMENDMENTS WERE REVIEWED WITHOUT OBJECTION:

ADMINISTRATIVE OFFICE OF THE COURTS:

Logan & Gaines, 1000000799; Littler Mendelson, P.C., 1000001740; Gess Mattingly & Atchison, 1000001744; Gess Mattingly & Atchison, 1000002339; Littler Mendelson, 1100001232; Gess Mattingly & Atchison, 1100001567.

AUDITOR OF PUBLIC ACCOUNTS, OFFICE OF THE:

Blue & Company, LLC, 1000002256; Dean Dorton Allen Ford, PLLC, 1100001651; Morgan Franklin, LLC, 1100001652; Tichenor & Associates, 1100001654.

COMMISSION FOR CHILDREN WITH SPECIAL HEALTH CARE NEEDS:

Patient Services Incorporated,

1000003987.

DEPARTMENT FOR BEHAVIORAL HEALTH, DEVELOPMENTAL AND INTELLECTUAL DISABILITIES:

Multi, 1000001638; National Toxicology Specialist Incorporated, 1000001668; Crown Services Incorporated, 1100000072; Reach of Louisville Incorporated, 1100000243.

DEPARTMENT FOR COMMUNITY BASED SERVICES:

Children's Home of Northern Kentucky, 1000002763; Father Maloney's Boys Haven, 1000002764; KVC Behavioral Healthcare Kentucky Assignee for Croney & Clark, 1000002765; Specialized Alternatives for Families & Youth of Kentucky Incorporated, 1000002766; Audubon Area Community Services d/b/a Helen Sears Family Development, 1000004065; Seven Counties Services Incorporated, 1000004066; Kentucky River Community Care, 1000004067; Presbyterian Child Welfare Agency, 1000004068; Sunrise Children's Services, 1000004069; Foothills Community Action, 1000004070; Licking Valley CAP, 1000004071; Community Action of Southern Kentucky Incorporated, 1000004072; Central Kentucky Community Action Council, 1000004073; Pennyrile Allied Community Services, 1000004074; KVC Behavioral Healthcare Kentucky, 1000004075; Lake Cumberland Community Action Agency, 1000004076; Foothills Community Action, 1000004237.

DEPARTMENT FOR ENVIRONMENTAL PROTECTION:

Tetra Tech NUS Incorporated, 1000002110; Chase Environmental Group, 1100000056.

DEPARTMENT FOR NATURAL RESOURCES:

R. M. Johnson Engineering Incorporated, 1000000937; Tee Engineering Company Incorporated, 1100000440.

DEPARTMENT FOR PUBLIC HEALTH:

Park Duvalle Neighborhood Health Center, 1000001599; Wendell Fosters Campus, 1100000110; Volunteers of America of Kentucky Incorporated, 1100000118; Matthew 25 AIDS Services Incorporated, 1100000120; Heartland Cares Incorporated, 1100000121; Volunteers of America of Kentucky Incorporated, 1100000264; AIDS Volunteers Incorporated, 1100000265; Matthew 25 AIDS Services, 1100000266; Heuser Hearing Institute Incorporated, 1100000650.

EASTERN KENTUCKY UNIVERSITY:

Sturgill, Turner, Barker & Moloney, PLLC, 12-034.

ECONOMIC DEVELOPMENT - OFFICE OF THE SECRETARY:

Kentucky Science & Technology Corporation, 1000004202.

EDUCATION, DEPARTMENT OF:

Boys & Girls Club of Greater Cincinnati, 1000002607; Metametrics Incorporated, 1000002689; The Riverside Publishing Company, 1000002692; Lotts Creek Community School, 1000002730; Multi, 1000003010; Tiedan Huang, 1000003128.

FINANCE AND ADMINISTRATION CABINET - DIVISION OF ENGINEERING:

Stantec Consulting Services Incorporated, 0700003463; Facility Commissioning Group, 0700004439; Arrasmith Judd Rapp Chovan Incorporated, 0900011608; Kersey and Kersey Incorporated, 1000000852; HMB Professional Engineers Incorporated, 1000001609; Omni Architects, 1100001498; Sherman Carter Barnhart, C-05236910.

FINANCIAL INCENTIVES, DEPARTMENT OF:

Aecom Technical Services, Incorporated, 1000003236.

HIGHER EDUCATION ASSISTANCE AUTHORITY, KENTUCKY:

Center for Rural Development, 1000003121.

JUSTICE CABINET:

Mark Bernstein, DDS, 1000004124; Regional Medical Center, 1000004183; St. Elizabeth Medical Center, 1000004200; Connie Branson, 1000004229.

KENTUCKY EMPLOYERS MUTUAL INSURANCE:

Multi, 11-CLD-002; Towers Watson Pennsylvania Incorporated, 11-TIL-002.

KY PUBLIC SERVICE COMMISSION:

BBC Research & Consulting, 1000003734; Jason Associates Corporation, 1000003741.

MEDICAL LICENSURE, BOARD OF:

Multi, 1000002739.

MOREHEAD STATE UNIVERSITY:

Kay Collier McLaughlin, 11-003; Scannell & Kurz, 11-018; Dr. Kimberly Harris, 11-020; Strand & Associates, 11-022.

MURRAY STATE UNIVERSITY:

Haverstock, Bell & Pittman, LLP, 105-12.

OFFICE OF THE GOVERNOR, DEPARTMENT FOR LOCAL GOVERNMENT:

Jeffrey P. Hanna, 1100000666.

OFFICE OF THE SECRETARY FOR THE LABOR CABINET:

Hurt Crosbie & May, 1000002841.

PERSONNEL-OFFICE OF THE SECRETARY:

Covington & Burling, 1000002501.

STATE POLICE, DEPARTMENT OF:

Healthlinx Incorporated, 1100001386.

TOURISM DEVELOPMENT CABINET:

Certec Incorporated, 1000003585.

TRANSPORTATION CABINET:

QK4, 0700004069; HMB Professional Engineers Incorporated, 0700004075; URS Corporation, 0700004076; PB Americas Incorporated, 0800006763; Community Transportation Solutions, 0900012152; HDR Engineering Incorporated, 0900012406; EA Partners, PLC, 0900012421; HMB Professional Engineers Incorporated, 0900012535; Sutton Rankin & Braden Law, PLC, 1100000109; J M Crawford & Associates Incorporated, 1100001188; Quest Engineering Incorporated, C-00256534-3; Florence & Hutcheson, C-01209283-2; GRW Engineers Incorporated, C-01232797-1; GRW Engineers Incorporated, C-01287285-2; Quest Engineering Incorporated, C-06190563; H A Spalding Incorporated, C-99005052-6.

UNIVERSITY OF KENTUCKY:

Midgett & Preti, PC, K11-116; Grant Cooper & Associates Incorporated, K11-126; Facility Commissioning Group, K11-129; Touchpoint Associates, K11-131; Shield Environmental Associates Incorporated, K11-158; Jeffrey L. Ashley & Associates, LLC, K11-171.

UNIVERSITY OF LOUISVILLE:

Staggs & Fisher Consulting Engineers, 11-031.

THE FOLLOWING MEMORANDA OF AGREEMENTS WERE REVIEWED WITHOUT OBJECTION:

ATTORNEY GENERAL, OFFICE OF THE:

Kentucky State Treasurer, 1100002677.

CORRECTIONS, DEPARTMENT OF:

Boyle County Detention Center, 1100001899; Breckinridge County Jail, 1100002177; Hardin County Jail, 1100002388; KCTCS, 1100002397; University of Kentucky Research Foundation, 1100002444; Communicare Incorporated, 1100002678; Kenton County Community Corrections Advisory Board Incorporated, 1100002680; 17th Judicial Circuit Community Correction Program Incorporated, 1100002683; Community Corrections-24th Judicial Circuit, 1100002686; 28th Judicial Circuit, 1100002711; Knott Drug Abuse Council Incorporated, 1100002712; NKU Research Foundation, 1100002717.

CRIMINAL JUSTICE TRAINING, DEPARTMENT OF:

Eastern Kentucky University, 1100003013.

DEPARTMENT FOR AGING & INDEPENDENT LIVING:

Northern Kentucky Cooperative Education Services, 1100001825; Pennyrile Area Development District, 1100002104; Green River Area Development, 1100002110; Bluegrass Area Development District Title Iii, 1100002112; Kentuckiana Regional Planning, 1100002116; Lake Cumberland Area Development District, 1100002130; Lincoln Trail Area Development District, 1100002150; Cumberland Valley Area Development District, 1100002161; Barren River Area Development District, 1100002163; Fivco Area Development District, 1100002164; Northern Kentucky Area Development District, 1100002166; Big Sandy Area Development District, 1100002174; Kentucky River Area Development District, 1100002178; Gateway Area Development District, 1100002181; Buffalo Trace Area Development District, 1100002182; Audubon Area Community Services Incorporated, 1100002188; Licking Valley CAA, 1100002189; Four Rivers Behavioral Health, 1100002197; Pennyroyal Mental Health, 1100002198; Green River Regional Mental Health Mental Retardation Board d/b/a Rivervalley Behavior, 1100002199; Lifeskills Incorporated, 1100002200; Communicare Incorporated, 1100002201; Seven Counties Services, 1100002202; Northern Kentucky Regional Mental Health Mental Retardation Board, 1100002203; Comprehend Incorporated, 1100002204; Pathways Incorporated, 1100002205; Mountain Comprehensive Care Center, 1100002206; Kentucky River Community Care, 1100002207; Cumberland River Mental Health Mental Retardation Board Incorporated, 1100002208; Lake Cumberland Mental Health Mental Retardation Board d/b/a The Adanta Group, 1100002209; Bluegrass Regional Mental Health Mental Retardation, 1100002210.

DEPARTMENT FOR BEHAVIORAL HEALTH, DEVELOPMENTAL AND INTELLECTUAL DISABILITIES:

Eastern Kentucky University, 1100000801; Eastern Kentucky University, 1100002183.

DEPARTMENT FOR COMMUNITY BASED SERVICES:

Audubon Area Community Services, 1100001850; Bell Whitley Community Action, 1100001851; Big Sandy Area Cap Incorporated, 1100001852; Blue Grass Community Action, 1100001853; Community Action Lexington Fayette, 1100001854; Central Kentucky CAC Incorporated, 1100001855; Daniel Boone Community Action Agency Incorporated, 1100001856; Gateway Community Services Organization Incorporated, 1100001857; Harlan County Community Action Agency, 1100001858; Kentucky Communities Economic Opportunity Council Incorporated, 1100001859; Foothills Community Action, 1100001860; Lake Cumberland CSO Incorporated, 1100001861; LKLP Community Action Council, 1100001862; Licking Valley Community Action Agency, 1100001863; Louisville / Jefferson County Metro Government, 1100001864; Middle Kentucky Community Action Partnership Incorporated, 1100001865; Multi Purpose Community Action Agency Incorporated, 1100001866; Northeast Kentucky Community Action Agency, 1100001867; NKCAC Incorporated, 1100001868; Pennyrile Allied Community Services, 1100001869; Community Action of Southern Kentucky Incorporated, 1100001870; Tri County Community

Action Agency, 1100001871; West Kentucky Allied Services, 1100001872; Barren River Area Child Advocacy, 1100001873; Big Sandy Children's Advocacy, 1100001874; Buffalo Trace Children's Advocacy Center, 1100001875; Children's Advocacy Center, 1100001876; Cumberland Valley Children's Advocacy, 1100001877; Children First, 1100001878; Gateway Children's Advocacy, 1100001879; Green River District Children's Advocacy Center, 1100001880; Hope's Place Incorporated, 1100001881; Kentucky River Children's Advocacy Center, 1100001882; Lake Cumberland CAC, 1100001883; Advocacy & Support Center, 1100001884; Northern Kentucky CAC, 1100001885; Purchase Area Sexual Assault Center, 1100001886; Pennyrile Child Advocacy Center, 1100001887; Community Action Kentucky Incorporated Action Incorporated, 1100001888; Kentucky Association of Sexual Assault Programs, 1100001889; Lexington Fayette Urban County Government, 1100001890; Administrative Office of the Courts, 1100002173; Administrative Office of the Courts, 1100002184; Seven Counties Services, 1100002191; Seven Counties Services, 1100002193; University of Kentucky Research Foundation, 1100002195.

DEPARTMENT FOR ENVIRONMENTAL PROTECTION:

U.S. Department of Interior, Geological Survey, 1100002781; University of Kentucky Health, 1100003064.

DEPARTMENT FOR FAMILY RESOURCE CENTERS & VOLUNTEER SERVICES:

Multi, 1100002630; Multi, 1100002631; Jefferson County Board of Education, 1100002632; Multi, 1100002633; Multi, 1100002634; Multi, 1100002635; Multi, 1100002636; Multi, 1100002637; Multi, 1100002638; Multi, 1100002639; Multi, 1100002640; Murray State University, 1100002641; Northern Kentucky Cooperative, 1100002642.

DEPARTMENT FOR INCOME SUPPORT:

Eastern Kentucky University, 1100003054.

DEPARTMENT FOR PUBLIC HEALTH:

Supervalu Incorporated, 1100001586; University of Kentucky Research Foundation, 1100002047; U of L Research Foundation, 1100002054; Pathways Incorporated, 1100002135; University of Kentucky Research Foundation, 1100002142; University of Kentucky Research Foundation, 1100002143; University of Kentucky Research Foundation, 1100002149; Western Kentucky University, 1100002153; U of L Research Foundation, 1100002167; University of Kentucky Research Foundation, 1100002171; University of Kentucky Research Foundation, 1100002172; Bluegrass Regional MH/MR Board Incorporated, 1100002212; Cumberland River Regional Mental Health Mental Retardation Board, 1100002214; Mountain Comp Care Center, 1100002218; Pennyroyal Mental Health, 1100002220; Seven Counties Services, 1100002221; U of L Research Foundation, 1100002278; U of L Research Foundation, 1100002411; Kentucky River Community Care, 1100002512; U of L Research Foundation, 1100003057.

DEPARTMENT OF ENERGY DEVELOPMENT AND INDEPENDENCE:

Southeast Education Foundation Series, 1100002376; Cedar Incorporated, 1100002377; University of Kentucky Research Foundation, 1100002379; University of Kentucky Research Foundation, 1100002742; Ecopower Generation, LLC, 1100002763; Eco Power Solutions, 1100002764; University of Kentucky Research Foundation, 1100002767; University of Kentucky Research Foundation, 1100002768; University of Kentucky Research, 1100002769; University of Kentucky Research Foundation, 1100002770; University of Louisville Research Foundation, 1100002868.

DEPARTMENT OF REVENUE:

Multistate Tax Commission, 1100002738.

EASTERN KENTUCKY UNIVERSITY:

Diabetes Center of Excellence/ Madison County Health Department, 12-007.

ECONOMIC DEVELOPMENT - OFFICE OF THE SECRETARY:

University of Louisville, 1100002806.

EDUCATION PROFESSIONAL STANDARDS BOARD:

Jefferson County Public Schools, 1100002707; Green River Regional Education Cooperative, 1100002709.

EDUCATION, DEPARTMENT OF:

Berea Independent Board of Education, 1100002013; University of Kentucky Research Foundation, 1100002017; Bell County Board of Education, 1100002234; Montgomery County Board of Education, 1100002235; Campbellsville Independent Board of Education, 1100002236; Frankfort Independent Board of Education, 1100002238; Pulaski County Board of Education, 1100002240; Shelby County Board of Education, 1100002241; Campbellsville Independent Board of Education, 1100002247; Boyle County Board of Education, 1100002248; Fayette County Board of Education, 1100002249; Shelby County Board of Education, 1100002250; Shelby County Board of Education, 1100002255; Pike County Board of Education, 1100002258; Glasgow In Board of Education, 1100002259; Fleming County Board of Education, 1100002260; Madison County Board of Education, 1100002261; Scott County Board of Education, 1100002262; Madison County Board of Education, 1100002264; Todd County Board of Education, 1100002575; Shelby County Board of Education, 1100002576; Monroe County Board of Education, 1100002577; Madison County Board of Education, 1100002578; Jefferson County Board of Education, 1100002579; Pike County Board of Education, 1100002581; Madison County Board of Education, 1100002583; Bracken County Board of Education, 1100002584; Carter County Board of Education, 1100002585; NKU Research Foundation, 1100002587; Metcalfe County Board of Education, 1100002588; Woodford County Board of Education, 1100002589; Boyle County Board of Education, 1100002590; Knott County Board of Education, 1100002591; Shelby County Board of Education, 1100002595; Mason County Board of Education, 1100002596; Owen County Board of Education, 1100002597; Scott County Board of Education, 1100002598; Madison County Board of Education, 1100002599; Shelby County Board of Education, 1100002600; Washington County Board of Education, 1100002601; Owen County Board of Education, 1100002602; Central Kentucky Educational Cooperative, 1100002659; Green River Regional Education, 1100002660; Kentucky Educational Development Corporation, 1100002661; Northern Kentucky Cooperative, 1100002662; Kentucky Valley Education, 1100002664; Ohio Valley Education Cooperative, 1100002665; SESC Educational Cooperative, 1100002666; West Kentucky Education Cooperative Special Education, 1100002667; VSA Arts of Kentucky, 1100002669; Murray State University, 1100002673; Washington County Board of Education, 1100002674; University of Louisville Research Foundation, 1100002681; NKU Research Foundation, 1100002687; University of Kentucky Research Foundation, 1100002740; University of Kentucky Research Foundation, 1100002755; University of Louisville Research Foundation, 1100002772; Eastern Kentucky University, 1100002775; University of Louisville Research Foundation, 1100002776; Western Kentucky University Research Foundation, 1100002777; Eastern Kentucky University, 1100002778; Eastern Kentucky University, 1100002867; Clark County Board of Education, 1100002880; Madisonville Community College, 1100003020; Fleming County Board of Education, 1100003023; Metcalfe County Board of Education, 1100003025; Eastern Kentucky University, 1100003027.

EDUCATIONAL TELEVISION, KENTUCKY:

Morehead State University, 1100002891.

ELECTIONS, BOARD OF:

Kentucky Disabilities Coalition, 1100003040.

ENERGY AND ENVIRONMENT CABINET, OFFICE OF THE SECRETARY:

Paducah Uranium Plant Asset Utilization Incorporated, 1100002844; University of Kentucky Research Foundation, 1100002845.

FISH & WILDLIFE, DEPARTMENT OF:

University of Tennessee, 1100001597.

INFRASTRUCTURE AUTHORITY:

Barren River Area Development, 1100003134; Bluegrass Area Development District, 1100003147; Big Sandy Area Development District, 1100003148.

JUSTICE CABINET:

University of Louisville, Department of Pathology, 1100002801; Department of Pathology & Laboratory Medicine, 1100002809; Project Unite, 1100003038.

JUVENILE JUSTICE, DEPARTMENT OF:

Barren County Board of Education, 1100002521; Bell County Board of Education, 1100002524; Boyle County Board of Education, 1100002525; Bullitt County Board of Education, 1100002526; Calloway County Board of Education, 1100002527; Campbell County Board of Education, 1100002528; Clark County Board of Education, 1100002529; Corbin Independent Board of Education, 1100002530; Franklin County Board of Education, 1100002531; Hopkins County Board of Education, 1100002532; Laurel County Board of Education, 1100002533; Lexington Fayette Urban County Government, 1100002534; Madison County Board of Education, 1100002535; Mercer County Board of Education, 1100002536; Ohio County Board of Education, 1100002537; Pike County Board of Education, 1100002538; Pulaski County Board of Education, 1100002539; Shelby County Board of Education, 1100002540; Warren County Board of Education, 1100002541; Louisville Metro Youth Detention Services, 1100002563; Cabinet for Workforce Development, 1100002564; DMA Youth Challenge Division Building, 1100002568; Louisville Metro Youth Detention Services, 1100002574; Jefferson County Board of Education, 1100002606; Eastern Kentucky University, 1100002878; Eastern Kentucky University, 1100002882; University of Kentucky Medical Center, 1100002884; University of Kentucky Medical Center Department of Psychiatry, 1100002885.

KY HORSE RACING AUTHORITY:

University of Kentucky Research Foundation, 1100002853.

KY PUBLIC SERVICE COMMISSION:

University of Kentucky Research Foundation, 1100002783; University of Louisville Research Foundation, 1100002793.

MILITARY AFFAIRS, DEPARTMENT OF:

Breckinridge County Road Fund, 1100002005.

OFFICE OF HOMELAND SECURITY:

Commonwealth Office of Technology, 1100003033.

OFFICE OF THE GOVERNOR, DEPARTMENT FOR LOCAL GOVERNMENT:

Knott County Fiscal Court, 1100002134; University of Louisville Research Foundation, 1100002317; City of Winchester, 1100002612; City of Richmond, 1100002699; Taylor County Fiscal Court, 1100002766; Campbell County Fiscal Court, 1100002827; City of Munfordville, 1100002852; University of Louisville Research Foundation, 1100002865; City of Prestonsburg, 1100002866; City of Berry, 1100002893; City of Georgetown, 1100002894; City of Coal Run Village, 1100002895; Caldwell County Fiscal Court, 1100002896; City of North Middletown, 1100002898; Nelson County Fiscal Court, 1100002900; Todd County Fiscal Court, 1100002901; Boyd County Fiscal Court, 1100003079.

POST SECONDARY EDUCATION, COUNCIL ON:

Eastern Kentucky University, 1100002872.

TOURISM DEVELOPMENT CABINET:

Multi, 1100002434.

TRANSPORTATION CABINET:

National Highway Institute, 1100002049; Kentucky State University, 1100002765; Mammoth Cave Resource Conservation & Development Area Incorporated, 1100002803; University of Kentucky Research Foundation, 1100002833.

TRAVEL, DEPARTMENT OF:

Multi, 1100002815; Multi, 1100002816; Multi, 1100002817; Multi, 1100002818; Multi, 1100002819; Multi, 1100002820; Multi, 1100002821; Multi, 1100002822; Multi, 1100002823.

UNIVERSITY OF KENTUCKY:

Gateway Community & Technical College, 001-12; Southeast Kentucky Community & Technical College, 002-12; St. Claire Regional Medical Center, 003-12.

WORKFORCE INVESTMENT, OFFICE OF:

Council On Postsecondary Education, 1100002194; Eastern Kentucky University, 1100002448; KCTCS, 1100002657; Department of Corrections, 1100003007; KCTCS, 1100003039; Morehead State University, 1100003047; Western Kentucky University, 1100003049.

THE FOLLOWING MEMORANDA OF AGREEMENT AMENDMENTS WERE REVIEWED WITHOUT OBJECTION:

ADMINISTRATIVE OFFICE OF THE COURTS:

Pennyroyal Mental Health, 1000003853; Pennyroyal Mental Health, 1000003853; Seven Counties Services Incorporated, 1000003931.

AGRICULTURE, DEPARTMENT OF:

Multi, 0900011602; Multi, 0900011666.

ATTORNEY GENERAL, OFFICE OF THE:

Family & Children First Incorporated, 1100000420.

COMMISSION FOR CHILDREN WITH SPECIAL HEALTH CARE NEEDS:

Eastern Kentucky University Training Resource Center, 1000003526.

DEPARTMENT FOR BEHAVIORAL HEALTH, DEVELOPMENTAL AND INTELLECTUAL DISABILITIES:

Northern Kentucky Regional Mental Health Mental Retardation Board, 1000001385; Pennyroyal Mental Health, 1000001652; Green River Regional Mental Health Mental Retardation Board, 1000001653; Lifeskills Incorporated, 1000001654; Communicare Incorporated, 1000001655; Seven Counties Services, 1000001656; Northern Kentucky Regional Mental Health Mental Retardation Board, 1000001657; Mountain Comprehensive Care Center, 1000001660; Kentucky River Community Care, 1000001661; Lake Cumberland Mental Health Mental Retardation Board, 1000001663; Bluegrass Regional Mental Health Mental Retardation, 1000001664; Bluegrass Regional Mental Health Mental Retardation, 1000001666.

DEPARTMENT FOR COMMUNITY BASED SERVICES:

Community Action of Southern Kentucky Incorporated, 1000001865; Kentucky Housing Corporation, 1000003165-1; University of Kentucky Research Foundation, 1000003527.

DEPARTMENT FOR FAMILY RESOURCE CENTERS & VOLUNTEER SERVICES:

Multi, 1000001672; Multi, 1000001674; Jefferson County Board of Education, 1000001675; Multi, 1000001676; Multi, 1000001677; Multi, 1000001678; Multi, 1000001679; Multi, 1000001680; Multi, 1000001681; Multi, 1000001682; Multi, 1000001683.

DEPARTMENT FOR INCOME SUPPORT:

Eastern Kentucky University, 1000003963; State of Rhode Island Department of Human Services, 1100000694.

DEPARTMENT FOR MEDICAID SERVICES:

Multi, 1000001186.

DEPARTMENT FOR PUBLIC HEALTH:

University of Kentucky Research Foundation, 1000004112; Food World Incorporated, 1100000328.

DEPARTMENT OF ENERGY DEVELOPMENT AND INDEPENDENCE:

Governor's Office of Agriculture Policy, 1000000146; Governor's Office of Agriculture Policy, 1000000776; University of Kentucky Research Foundation, 1000004191; Alliance To Save Energy, 1100001343.

EDUCATION, DEPARTMENT OF:

Calloway County Board of Education, 1000002313; Barren County Board of Education, 1000002592; Bullitt County Board of Education, 1000002609; Campbellsville Independent Board of Education, 1000002611; Carroll County Board of Education, 1000002616; Christian County Board of Education, 1000002638; Covington Independent Board of Education, 1000002649; Eminence Independent Board of Education, 1000002655; Grayson County Board of Education, 1000002672; Hancock County Board of Education, 1000002674; Hickman County Board of Education, 1000002698; Lewis County Board of Education, 1000002726; Marion County Board of Education, 1000002732; Metcalfe County Board of Education, 1000002733; Middlesboro Independent Board of Education, 1000002735; Nelson County Board of Education, 1000002740; Newport Independent Board of Education, 1000002742; Owsley County Board of Education, 1000002747; Paintsville Independent Board of Education, 1000002748; Robertson County Board of Education, 1000002757; Board of Education of Somerset School District, 1000002760; Washington County Board of Education, 1000002767; Whitley County Board of Education, 1000002770; Indiana University, 1000003642; Eastern Kentucky University, 1000003646; Lewis County Board of Education, 1100000826; Garrard County Board of Education, 1100000828; Knox County Board of Education, 1100000831; Lincoln County Board of Education, 1100000832; Covington Independent Board of Education, 1100001000; Jackson County Board of Education, 1100001010; University of Kentucky Research Foundation, 1100001202; Georgetown College, 1100001687.

FISH & WILDLIFE, DEPARTMENT OF:

Taylorsville Lake Marina, 1000002562.

INFRASTRUCTURE AUTHORITY:

Breathitt County Fiscal Court, 1100001223; City of Hazard, 1100001479; Prestonsburg City's Utilities Commission, 1100001516.

MILITARY AFFAIRS, DEPARTMENT OF:

Hopkinsville Surface & Storm Utility, 1000000056; Hopkinsville Surface & Storm Utility, 1000000072; Fort Knox Schools Food Service, 1100000569.

OFFICE OF THE GOVERNOR, DEPARTMENT FOR LOCAL GOVERNMENT:

Owsley County Fiscal Court, 0600002537; Owsley County Fiscal Court, 0600002541; Clinton County Fiscal Court, 0600002895; Letcher County Fiscal Court, 0600002930; Letcher County Fiscal Court, 0600002936; Harlan County Fiscal Court, 0700003421; Mountain Water District, 0700003703; Henderson County Fiscal Court, 0700003811; Letcher County Fiscal Court, 0700004134; Harlan County Fiscal Court, 0700004298; Henderson County Fiscal Court, 0700004483; Henderson County Fiscal Court, 0700004484; Lee County Fiscal Court, 0700004610; Pike County Fiscal Court, 0700004850; Pike County Fiscal Court, 0700004897; Pike County Fiscal Court, 0700004899; City of Morganfield, 0700004916; McLean County Fiscal Court, 0700004962; Owsley County Fiscal Court, 0700005398; Pike County Fiscal Court, 0700005638; Pike County Fiscal Court, 0700005640; Henderson County Fiscal Court, 0700005770; Pike County Fiscal Court, 0700005777; Perry County Fiscal Court, 0700006178; Knott County Water & Sewer, 0700006197; Knott County Water & Sewer, 0700006261; City of Lebanon, 0700006295; Greenup County Fiscal Court, 0700006461; Owsley County Fiscal Court, 0700006477; Harlan County Fiscal Court, 0700006491; Harlan County Fiscal Court, 0700006492; Leslie County Fiscal Court, 0700006651; Leslie County Fiscal Court, 0700006657; Letcher County Fiscal Court, 0700006672; Letcher County Fiscal Court, 0700006673; Letcher County Fiscal Court, 0700006717; Letcher County Fiscal Court, 0800006760; City of Covington, 0800007100; Mountain Water District, 0800007250; Pike County Fiscal Court, 0800008662; Pike County Fiscal Court, 0800008683; Pike County Fiscal Court, 0800008707; Pike County Fiscal Court, 0800008768; Pike County Fiscal Court, 0800008770; Pike County Fiscal Court, 0800008786; Letcher County Fiscal Court, 0800008791; Pike County Fiscal Court, 0800008799; Pike County Fiscal Court, 0800008808; Pike County Fiscal Court, 0800008827; Pike County Fiscal Court, 0800008830; Mountain Water District, 0800008852; Mountain Water District, 0800008856; City of Cynthiana, 0800010040; Muhlenberg County Fiscal Court, 0800010151; City of Mayfield, 0800010252; Perry County Board of Education, 0800010378; City of Wheatcroft, 0800010645; City of Madisonville, 0800010694; Carter County Fiscal Court, 0800010760; City of Hazard, 0800010930; City of Hazard, 0800010938; City of Hazard, 0800010939; Perry County Fiscal Court, 0800010963; Perry County Fiscal Court, 0800010964; Perry County Fiscal Court, 0800010969; Perry County Fiscal Court, 0800010971; City of Elkhorn City, 0800010986; City of Elkhorn City, 0800010987; Pike County Fiscal Court, 0800010989; Pike County Fiscal Court, 0800011025; Pike County Fiscal Court, 0800011031; Lincoln County Fiscal Court, 0800011035; Union County Fiscal Court, 0800011085; Jackson County Fiscal Court, 0800011130; Ohio County Fiscal Court, 0800011134; Pendleton County Fiscal Court, 0800011135; Rockcastle County Fiscal Court, 0800011149; Rockcastle County Fiscal Court, 0800011160; Louisville Metro Parks Athletics Office, 0800011251; Letcher County Fiscal Court, 0900011324; Letcher County Fiscal Court, 0900011325; Letcher County Fiscal Court, 0900011326; Lebanon Tourism & Convention Commission, 0900011341; Pike County Fiscal Court, 0900011376; Pike County Fiscal Court, 0900011377; Pike County Fiscal Court, 0900011378;

Pike County Fiscal Court, 0900011592; Pike County Fiscal Court, 0900011598; Franklin County Fiscal Court, 0900011599; City of Covington, 0900011659; Pike County Treasurer, 0900011687; Laurel County Fiscal Court, 0900011808; City of Monticello, 0900012126; Harlan County Fiscal Court, 0900012475; Harlan County Fiscal Court, 0900012479; City of Corbin, 0900012486; City of Elkhorn City, 0900012495; City of Elkhorn City, 0900012502; Magoffin County Fiscal Court, 0900012527; Harlan County Fiscal Court, 0900012583; Letcher County Fiscal Court, 0900012906; Letcher County Fiscal Court, 0900012930; Letcher County Fiscal Court, 0900012931; Letcher County Fiscal Court, 0900012933; Letcher County Fiscal Court, 0900012959; Wolfe County Fiscal Court, 0900013153; Letcher County Fiscal Court, 0900013166; Owsley County Fiscal Court, 0900013169; City of Murray, 1000000113; Webster County Fiscal Court, 1000000421; Christian County Fiscal Court, 1000000469; City of Olive Hill, 1000000524; Owsley County Fiscal Court, 1000000546; Housing Authority of Bowling Green, 1000000590; Reach Incorporated, 1000000713; Federation of Appalachian Housing Enterprises, 1000000714; Martin County Fiscal Court, 1000000726; Purchase Area Housing Corporation, 1000000751; Lee County Fiscal Court, 1000000783; Menifee County Fiscal Court, 1000000786; Owsley County Fiscal Court, 1000000787; Letcher County Fiscal Court, 1000000870; Harlan County Fiscal Court, 1000000904; Letcher County Fiscal Court, 1000000908; Letcher County Fiscal Court, 1000000909; Pike County Board of Education, 1000000914; City of Booneville, 1000000981; Webster County Fiscal Court, 1000001045; Regional Technology Authority Incorporated, 1000001108; Knox County Fiscal Court, 1000001136; Harlan County Fiscal Court, 1000001159; Letcher County Fiscal Court, 1000001160; Letcher County Fiscal Court, 1000001161; City of Olive Hill, 1000001173; Letcher County Fiscal Court, 1000001224; City of Pikeville, 1000001388; City of Pikeville, 1000001394; City of Morganfield, 1000001396; Harlan County Fiscal Court, 1000001404; City of Middlesboro, 1000001405; City of Middlesboro, 1000001406; City of Middlesboro, 1000001407; City of Middlesboro, 1000001408; Henderson County Fiscal Court, 1000001458; Big Sandy Regional Independent Development Authority, 1000001496; Webster County Fiscal Court, 1000001500; Carter County Fiscal Court, 1000001763; Knox County Fiscal Court, 1000001768; Harlan County Fiscal Court, 1000001912; Jackson County Fiscal Court, 1000002028; Wolfe County Fiscal Court, 1000002236; Wolfe County Fiscal Court, 1000002238; Community Action Council, 1000002439; Leslie County Fiscal Court, 1000003078; City of Corbin, 1000003082; Union County Fiscal Court, 1000003090; Ashland Independent Board of Education, 1000003103; City of London, 1000003116; Pike County Fiscal Court, 1000003133; City of London, 1000003192; Owsley County Fiscal Court, 1000003193; Owsley County Fiscal Court, 1000003195; Owsley County Fiscal Court, 1000003196; Owsley County Fiscal Court, 1000003198; Pike County Fiscal Court, 1000003223; Pike County Fiscal Court, 1000003224; Pike County Fiscal Court, 1000003225; Pike County Fiscal Court, 1000003227; Letcher County Fiscal Court, 1000003400; Letcher County Fiscal Court, 1000003453; Letcher County Fiscal Court, 1000003455; Wolfe County Fiscal Court, 1000003611; Wolfe County Fiscal Court, 1000003612; Magoffin County Fiscal Court, 1000003613; Magoffin County Fiscal Court, 1000003615; Magoffin County Fiscal Court, 1000003647; Union County Fiscal Court, 1000003794; Breathitt County Fiscal Court, 1000003834; Perry County Fiscal Court, 1000004027; Webster County Fiscal Court, 1100000123; Housing Authority of Henderson, 1100000881; Welcome House of Northern Kentucky Incorporated, 1100000883; City of Mount Vernon, 1100000897; City of Hyden, 1100001330; Muhlenberg County Fiscal Court, M-06042729-1; Letcher County Fiscal Court, M-06055506-1; Mountain Water District, M-06131736-1; City of Dixon, M-06162409; Mountain Water District, M-06193696-1; Letcher County Water & Sewer, M-06244009; Letcher County Water & Sewer, M-06244474.

WORKFORCE INVESTMENT, OFFICE OF:

Department of Corrections, 1100000117.

THE FOLLOWING PERSONAL SERVICE CONTRACTS WERE SELECTED FOR FURTHER REVIEW:

DEPARTMENT FOR AGING & INDEPENDENT LIVING:

Neurorestorative Carbondale d/b/a NeuroRestorative Kentucky, 1100001838; Neurobehavioral Resources Limited, 1100001839. Tonia Wells and Bill Cooper discussed the contracts with the committee. A motion was made by Representative Yonts to consider the contracts as reviewed. Senator Carroll seconded the motion, which passed unanimously.

DEPARTMENT FOR PUBLIC HEALTH:

Planned Parenthood of Kentucky Incorporated, 1100002004. Joy Hoskins and Charles Kendell discussed the contract with the committee. A motion was made by Representative Yonts to consider the contract as reviewed. Senator Carroll seconded the motion, which passed unanimously.

KENTUCKY COMMUNITY & TECHNICAL COLLEGE SYSTEM:

John N. Gardner Institute for Excellence in Undergraduate Education, 495. David Holcomb and Nicole McDonald discussed the contract with the committee. A motion was made by Representative Horlander to consider the contract as reviewed. Representative Yonts seconded the motion, which passed unanimously.

MEDICAL LICENSURE, BOARD OF:

C. W. Schmidt, 1100002672. Preston Nunnelley and Mike Rodman discussed the contract with the committee. A motion was made by Representative Yonts to consider the contract as reviewed. Senator Carroll seconded the motion, which passed unanimously.

UNIVERSITY OF KENTUCKY:

Selge Holdings & Ventures d/b/a Wheless Partners Executive Search Firm, K12-107. Steve Byars, Bill Harris, and T Lynn Williamson discussed the contract with the committee. A motion was made by Senator Carroll to consider the contract as reviewed. Representative Yonts seconded the motion, which passed unanimously.

UNIVERSITY OF KENTUCKY:

Walther, Roark & Gay, PLC, K12-111; Baker, Kriz, Jenkins, Prewitt & Jones, PSC, K12-112; Stidham & Associates, K12-113; Wyatt, Tarrant & Combs, LLP, K12-114; Sturgill, Turner, Barker & Moloney, PLLC, K12-115; Fulkerson & Kinkel, PLLC, K12-116. Steve Byars, Bill Harris, and T Lynn Williamson discussed the contracts with the committee. A motion was made by Representative Yonts to consider the contracts as reviewed. Senator Carroll seconded the motion, which passed unanimously.

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

DEPARTMENT FOR PUBLIC HEALTH:

National Jewish Health, 1000001737. Charles Kendell and J a n Beauchamp discussed the contract with the committee. A motion was made by Representative Housman to consider the contract as reviewed. Representative Horlander seconded the motion, which passed unanimously.

DEPARTMENT FOR PUBLIC HEALTH:

St. Elizabeth Medical Center, 1100000269. Charles Kendell and Paula Goff discussed the contract with the committee. A motion was made by Representative Yonts to consider the contract as reviewed. Senator Carroll seconded the motion, which passed unanimously.

EDUCATION, DEPARTMENT OF:

Career Cruising, 1000002466. Charlie Harman and Robin Chandler discussed the contract with the committee. A motion was made by Representative Yonts to consider the contract as reviewed. Senator Carroll seconded the motion, which passed unanimously.

TRANSPORTATION CABINET:

HMB Professional Engineers Incorporated, 100000320593; HMB Professional Engineers Incorporated, 1000003205. Mike Hill, Keith Caudill, and Robin Sprague discussed the contract with the committee. A motion was made by Senator Carroll to consider the contract as reviewed. Representative Yonts seconded the motion, which passed unanimously.

UNIVERSITY OF KENTUCKY:

Greenwood/Asher & Associates Incorporated, K11-172. Steve Byars, Bill Harris, and T Lynn Williamson discussed the contract with the committee. A motion was made by Senator Carroll to consider the contract as reviewed. Representative Yonts seconded the motion, which passed unanimously.

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

EASTERN KENTUCKY UNIVERSITY:

Hardy, Carey, Chautin & Balkin, LLP, 12-048. Roger Duvall discussed the contract with the committee. A motion was made by Senator Carroll to consider the contract as reviewed. Senator Gibson seconded the motion, which passed with Senator McGaha voting NO.

UNIVERSITY OF KENTUCKY:

Shea Chaney, 8800000062. Steve Byars, Bill Harris, and T Lynn Williamson discussed the contract with the committee. A motion was made by Representative Yonts to consider the contract as reviewed. Senator Carroll seconded the motion, which passed unanimously.

THE FOLLOWING MEMORANDUM OF AGREEMENT WAS SELECTED FOR FURTHER REVIEW:

ADMINISTRATIVE OFFICE OF THE COURTS:

Adanta Group, 1100003058; Four Rivers Behavioral Health Corporate Office, 1100003065; Seven Counties Services Incorporated, 1100003071; Northern Kentucky Area Development District, 1100003075; Lifeskills Corporation Offices, 1100003084; Bluegrass Prevention Center Regional Mental Health/Mental Retardation Board, Incorporated, 1100003088; River Valley Behavioral Health, 1100003092; Communicare Incorporated, 1100003106; Cumberland River Mental Health Mental Retardation Board Incorporated, 1100003107; Kentucky River Community Care Incorporated, 1100003120; Mountain Comprehensive Care Center, 1100003121; Pennyroyal Mental Health, 1100003122. Laurie Dudgeon and Leslie Brown discussed the contracts with the committee. A motion was made by Representative Yonts to consider the contracts as reviewed. Representative Housman seconded the motion, which passed unanimously.

CORRECTIONS, DEPARTMENT OF:

KCTCS, 1100002567. Charles Geveden and Martha Slemp discussed the contract with the committee. A motion was made by Representative Yonts to consider the contract as reviewed. Senator Carroll seconded the motion, which passed unanimously.

DEPARTMENT FOR COMMUNITY BASED SERVICES:

Eastern Kentucky University, 1100002010. David Gayle and Mike Cheek discussed the contract with the committee. A motion was made by Representative Yonts to consider the contract as reviewed. Representative Horlander seconded the motion, which passed unanimously.

POST SECONDARY EDUCATION, COUNCIL ON:

Southern Regional Education Board, 1100002615. A motion was made by Representative Housman to consider the contract as reviewed. Representative Yonts seconded the motion, which passed unanimously.

TRANSPORTATION CABINET:

University of Kentucky Research Foundation, 1100002838. Dr. Joe Crabtree, Tom Zawacki, and Brian Beaven discussed the contract with the committee. A motion was made by Senator Carroll to consider the contract as reviewed. Representative Yonts seconded the motion, which passed unanimously.

EXEMPTION REQUEST

EDUCATION AND WORKFORCE DEVELOPMENT CABINET, OFFICE OF VOCATIONAL REHABILITATION:

Education and Workforce Development Cabinet, Office of Vocational Rehabilitation requested for waiver of the Biennial Time Limit for various federally funded living centers throughout the commonwealth. A motion was made by Representative Yonts to approve the requested waiver. Senator Carroll seconded the motion, which passed without objection. The waiver will expire on September 30, 2012.

With no further business before the committee, the meeting adjourned at 12:23 PM.

TASK FORCE ON THE PENAL CODE AND CONTROLLED SUBSTANCES ACT

Minutes of the 1st Meeting of the 2011 Interim

June 3, 2011

Call to Order and Roll Call

The 1st meeting of the Task Force on the Penal Code and Controlled Substances Act was held on Friday, June 3, 2011, at 1:00 PM, in Room 171 of the Capitol Annex. Senator Tom Jensen, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Tom Jensen, Co-Chair; Representative John Tilley, Co-Chair; J. Michael Brown, Tom Handy, J. Guthrie True, and Tommy Turner.

Guests: Gary VanLandingham, Director, Results First, Pew Center on the States.

LRC Staff: Norman Lawson Jr., Jon Grate, Joanna Decker, Ray Debolt, Jr., and Rebecca Crawley.

Cost-Benefit Analysis Model

The first speaker was Mr. Gary VanLandingham, Director of the Results First program of the PEW Center on the States. The Results First program uses a cutting-edge cost-benefit analysis model to help guide state criminal justice policy. The model aggregates the best national research to identify evidence-based programs that work, applies the research findings to Kentucky's population to estimate policy impact of program options, and uses Kentucky data to predict the costs and benefits of program options. The end result is an estimated return on investment for each program examined. Mr. VanLandingham stated the cost-benefit model could be a significant resource as Kentucky considers investments in criminal justice programs.

The Pew Center on the States based its model on the Washington State Institute for Public Policy's cost-benefit model that examines multiple policy areas. Washington has used the model for many years to help achieve better outcomes at lower costs and has used it to analyze criminal justice programs to save the state $1.3 billion per biennium and achieve lower crime. The model determines what programs work and considers the budget and policy impacts in the state if certain policies were to be implemented.

The Results First model also enables policy makers to consider the net policy and fiscal effects of a wide range of policy choices, predicts system-wide impacts of both sentencing and treatment options, and helps states take a comprehensive, evidence-based approach to criminal justice policy and budget choices.

The program looks at a wide array of criminal justice programs, including those for adult offenders, juvenile offenders, and prevention. The model can also produce a portfolio analysis in which a state can input several interventions and their interactions to determine a collective estimate of what the impact would be on the crime rate and the budget.

Currently, five states are using the model, and 20 more are hoping to partner with Results First. The Results First program is seeking to provide the model and intensive technical assistance to implement the model in six to ten states.

The partner states' roles and responsibilities include a commitment to using the model to help inform policy decisions, a designated staff work group, a formal letter of commitment, cost sharing of $25,000 to $50,000, and access to state-specific data.

Key implementation steps include establishing a group of stakeholders to oversee the effort, designating a staff work group to manage the implementation process, developing an implementation plan, entering state data into the model and determining the level of customization, adding state-specific studies to the model's summary of national research, and identifying policy questions to explore using the model.

Mr. VanLandingham indicated an expanded version of the system would be available in July and would add other policy areas such as education, child welfare, substance abuse, health, public assistance, housing, and teen births. Several members asked for more details about funding, how far back information could be obtained, and implementation of the expanded program.

Representative Tilley said he learned about the program during an Annapolis, Maryland, meeting last year and was impressed by what it could to. Representative Tilley wants the state to participate, and Senator Jensen indicated that participation would require approval of legislative leadership. Secretary Brown indicated his cabinet contains the Statistical Analysis Center, which is currently providing similar information for the state, and is interested in participating in the Results First program.

Discussion of the Task Force Survey for Criminal Justice Stakeholders

Discussion then turned to a questionnaire provided by staff to solicit suggestions from stakeholders for changes to the Penal Code and Controlled Substances Act. There was general approval of the questionnaire, its format, and questions. County Judge-Executive Turner suggested stakeholder responses be returned to staff by a specific date for analysis and discussion at the July meeting.

Representative Tilley said he had spoken with the New Jersey drug czar about New Jersey's penal code efforts, and she indicated that its 1975 code contained 250 statutes which have grown in a random fashion to 1,300 statutes.

Discussion of the 2011 Task Force Goals and Meeting Plan

Senator Jensen asked the members for suggestions on issues to be addressed by the task force during the 2011 interim. Secretary Brown suggested a review of categories of offenses, including Class E and F felonies, and redistributing the penalties, and expungement of low level felonies. Mr. Handy agreed with the need to review felony classifications, and suggested improving the sentencing information given to victims to give a more accurate representation of the actual time an offender will serve before being released. It was pointed out that one of the provisions of House Bill 463 would require the Department of Corrections to implement an improved sentencing information system by 2013. Mr. Handy also recommended streamlining and improving the restitution collection system so that all parts of the criminal justice system are using the same system. Mr. True suggested removing the requirement to enter a guilty plea prior to entering pretrial diversion, implementing deferred prosecution, adjusting penalty levels, narrowing the violent offender and sex offender classifications and the percentage of time to be served prior to parole eligibility, removing restrictions on the hiring and licensing of felony offenders for certain types of employment, and limiting the hiring and licensing restrictions to the nexus of the offense and the employment.

Representative Tilley indicated the Task Force needs suggestions for potential statutory clean-up of the provisions in 2011 House Bill 463 for inclusion in the 2012 legislative proposals.

The meeting adjourned at 1:30 p.m.

PROGRAM REVIEW AND INVESTIGATIONS COMMITTEE

Minutes

July 14, 2011

Call to Order and Roll Call

The Program Review and Investigations Committee met on Thursday, July 14, 2011, at 10:00 AM, in Room 131 of the Capitol Annex. Representative Fitz Steele, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Jimmy Higdon, Co-Chair; Representative Fitz Steele, Co-Chair; Senators Perry B. Clark, Vernie McGaha, Joey Pendleton, John Schickel, Dan "Malano" Seum, and Katie Kratz Stine; Representatives Dwight D. Butler, Terry Mills, David Osborne, Ruth Ann Palumbo, Rick Rand, and Arnold Simpson.

Guests: Tim Burcham, Vice President of Advancement; Terri Giltner, Director of Marketing; Ken Walker, Vice President of Finance and Facilities; Kentucky Community and Technical College System (KCTCS).

LRC Staff: Greg Hager, Committee Staff Administrator; Rick Graycarek; Christopher Hall; Colleen Kennedy; Van Knowles; Lora Littleton; Jean Ann Myatt; Cindy Upton; Kris Harmon, Graduate Fellow; Stella Mountain, Committee Assistant.

Approve Minutes for June 9, 2011

Upon motion by Senator Pendleton and second by Representative Osborne, the minutes of the June 9, 2011 meeting were approved by voice vote, without objection.

Senator Stine said that she had questions for the Cabinet for Health and Family Services about the Medicaid follow-up report.

Kentucky Community and Technical College System: Marketing, Lobbying, and Administration Expenses

Cindy Upton presented the report. KCTCS is a collection of community and technical colleges with a statewide governing board and president. The only comparable systems with statewide governance are in Colorado, Louisiana, and Indiana. Comparisons among KCTCS and these systems are limited because marketing, lobbying, and administrative expenses are reported in a single "institutional support" line item.

KCTCS has the highest enrollment of undergraduates in Kentucky by far. Enrollment at KCTCS increased 23 percent from academic year 2006 to 2010, more than twice the rate of the fastest growing four-year universities. In comparison to the other states' systems,

KCTCS has more students, but the other systems' enrollments have been increasing at higher rates.

KCTCS's broad mandate suggests that it should market itself to increase awareness of the system and the value of its programs. Marketing expense from FY 2006 to FY 2010 was $12.2 million. Total marketing cost was about one half of 1 percent of KCTCS's operating expenses over the 5 years and includes $2.2 million in advertising at University of Kentucky (UK) and University of Louisville (U of L) sporting events, which started in FY 2008.

KCTCS states that it evaluates the effectiveness of its marketing activities by monitoring enrollment, requests for information, the number of applications, the number of positive news stories, the number of persons attending events, and the number of times a marketing segment was seen or heard. KCTCS also conducted long-term analysis through the use of marketing assessments in 2006 and 2011. It is impossible to know if students would enroll without the marketing activities.

KCTCS staff and other stakeholders such as students participate in public advocacy to influence legislative outcomes. The cost is included in KCTCS's marketing budget. KCTCS spent more than $1 million from state funds and some private donations from July 1, 2009 to February 26, 2010, on public advocacy. The $1 million includes $143,000 spent during the 2010 regular session of the General Assembly, including travel, giveaways, displays, T-shirts, receptions, signs, and fans.

KCTCS contracts with a government services firm for lobbying. Lobbying expenses for FY 2006 to FY 2010 were $636,000. This is less than 3/100 of 1 percent of operating expenses. KCTCS first contracted for state lobbying services in 2010. Federal lobbying requires registration and reporting of lobbyists' income. According to the database, KCTCS spent about the same amount on lobbying over the 5-year period as U of L and almost as much as UK. KCTCS's government services firm lobbied on issues related to student financial aid and workforce development. KCTCS credited several funding awards to the assistance of the firm.

Recommendation 1 is that, if it is the intent of the General Assembly that state funds not be used to pay for lobbying activities, the General Assembly may wish to prohibit the practice.

Administrative costs of a college or university are reported in the category "institutional support." Examples of institutional support expenses are: marketing and lobbying; KCTCS president and other systemwide executive, administrative, and managerial staff; college presidents and staff; KCTCS Board of Regents and college governing boards; systemwide information technology services; payroll and personnel services; finance and legal services; purchasing and maintenance of supplies and materials; and internal and external audits.

KCTCS spent more on institutional support in the 5-year period than any other state-supported institution – over $20 million more than UK. KCTCS also spent more than two of the three other states' community college systems. However, KCTCS had the smallest percentage increase in institutional support expense over the 5 years at 3.1 percent. The other states' systems had significantly higher increases with Colorado at almost 69 percent, Louisiana at 27.5 percent, and Indiana at 52.5 percent.

KCTCS has 16 colleges that incur administrative expenses in addition to the system office. The overall increase was only 3.1 percent because most of the increase at the college level was offset by a decrease of more than $11 million, almost 45 percent, at the system office.

Ms. Upton said that institutional support cost per student varied among the colleges, ranging from $342 at Owensboro to more than $800 at Big Sandy, Hazard, and Henderson. One way to measure administrative burden is to calculate institutional support as a percentage of operating expenses. KCTCS had the second-highest proportion of institutional support to operating expenses among Kentucky's public institutions at 14.3 percent. KCTCS's percentage of institutional support was below all three of the other states' systems, which are similar in size to KCTCS.

The governing board of each Kentucky postsecondary institution contracts for the services of a president. From FY 2006 to FY 2010, the president of KCTCS made about the same base salary as the president of UK. Compared to the other Kentucky public institutions, the average base salary of the KCTCS president was more than four university presidents and less than four others.

A president's total compensation package can include a performance bonus, deferred compensation, housing, additional long-term disability and life insurance, and other benefits not available to rank-and-file employees. KCTCS president's total compensation for calendar year 2005 to calendar year 2010 ranged from $568,917 to $655,231 per year.

Public postsecondary institutions are required to report a president's compensation to the Council on Postsecondary Education (CPE), but total compensation cannot be determined consistently using this data.

Recommendation 2 is that if more detailed cost information is needed from the public postsecondary education institutions, the General Assembly may wish to consider requiring CPE to collect and report it.

The information the institutions report to CPE is useful in determining a governing board's plans for compensating the president. The potential compensation of the KCTCS president more than doubled from FY 2006 to FY 2010 and was the highest among Kentucky public institutions in 2010. Over the 5-year period, the average potential compensation of the KCTCS president was more than all presidents except the president of UK.

Excluding the president, total other executive, administrative, and managerial staff compensation at KCTCS was more than $25 million in the FY 2006 to FY 2010 period. This compensation increased almost 16 percent in the 5-year period. Other specific administrative costs requested by Program Review staff were information systems, legal services, finance, and the Board of Regents.

Each college in the system has a president and administrative and managerial staff. The college presidents work under contract; other positions are KCTCS staff. From FY 2006 to FY 2010, $13.2 million in presidential compensation was paid from state general funds and tuition revenue. Overall, the salaries of KCTCS college presidents increased by 11.7 percent. College administrative and managerial staff costs totaled $73.4 million for the 5-year period. All other administration costs totaled $241.5 million.

All faculty and staff are employees of KCTCS. Employees are members of the Kentucky Employees Retirement System, the Kentucky Teachers Retirement System, or a KCTCS-sponsored defined contribution retirement plan. The creation of KCTCS combined employees from the Workforce Development Cabinet (who were participating in one of the state-sponsored retirement plans) and employees from the UK Community College System, who were participating in a defined-contribution plan sponsored by the university. KCTCS maintained these systems for current and future employees.

The KCTCS president, the 16 college presidents, and five members of the KCTCS president's cabinet work under contract. They generally participate in the KCTCS-sponsored plan. One college president participates in the Kentucky Teachers Retirement System.

KCTCS employees who were part of the UK Community College system and have chosen to remain in its personnel system are members of the university's health plan. All other employees and all contracted positions participate in the Kentucky Employees' Health Plan.

Senator Schickel said that KCTCS has been a topic of interest for him since he was elected to the Senate. Lobbying during the past legislative session was questionable.

In response to a question from Senator Schickel, Ms. Upton said that more than $1.6 million was spent on public advocacy by KCTCS from FY 2006 to FY 2010.

In response to a question from Senator Schickel, Ms. Upton said that the public advocacy expenditures were not known for each college. The marketing expenses per college in Table 5 of the report include advocacy expenses.

In response to a question from Representative Simpson, Ms. Upton said that the universities' governing boards set their presidents' salaries. The salary of each KCTCS college president is negotiated between the KCTCS president and the college president.

Representative Simpson asked about salaries of community college presidents in the other three states. Ms. Upton said that staff did not get those numbers in the course of the study.

Senator Pendleton asked if payments for state and federal lobbying could be distinguished. Ms. Upton said that KCTCS only began state-level lobbying in 2010.

Senator Pendleton noted that the president of the community college in his district took a decrease in pay.

In response to a question from Senator Higdon, Ms. Upton said that advertising at UK and U of L sporting events began in 2008.

Representative Mills noted that the report covered the salaries of presidents and administrative and managerial staff. He asked if this information was available for positions such as professors and maintenance staff. Ms. Upton said that staff did not gather information on other categories.

Representative Mills said that such information would be useful for comparison.

Representative Mills asked who checks into the details of spending for institutional support. Ms. Upton said that financial statements are audited annually by independent firms.

Representative Mills asked if staff delved into particular spending of presidents and executives. Ms. Upton said no but that more information could be provided.

Representative Butler asked why the cost of legal services increased by 600 percent. Ms. Upton said that staff were not sure but that it appears to be related to a lawsuit filed by a former college president.

In response to questions from Representative Simpson, Ms. Upton said that the individual college boards have no input into the salary and benefits of their presidents, but each board evaluates its president which might enter into the salary decision on some level. The individual college boards have no input into the salary package for the KCTCS president.

In response to questions from Senator Seum, Ms. Upton said that the annual audits of colleges by private firms are available to the public.

Senator Seum noted that he was concerned about the rise in tuition.

In response to a question from Senator Schickel, Ms. Upton said that information on public advocacy expenses per college could be provided by KCTCS.

Representative Steele said that this information should be provided to the committee.

Mr. Walker addressed three questions asked by committee members earlier in the meeting. In response to a question from Representative Simpson, he said the five factors in determining college presidents' salaries are the number of employees, number of students, number of campuses, the size of the budget, and previous presidential-level experience. In response to the comment from Senator Pendleton, he said the change in salary of the Hopkinsville College president was because the new president did not have as much experience as the predecessor. In response to a question from Representative Butler, he said that he had done further research on the cost of legal services after the report had been printed. The number in the report includes a contract for property acquisition. Legal services actually increased to $351,500, an increase of 179 percent.

Senator Higdon reviewed specific public advocacy expenses from the report. He said that KCTCS went too far in some of the things it did. Even as KCTCS was advertising at UK and U of L ball games, a survey indicated that its name recognition declined by 9 percent among high school students.

Senator Higdon asked who is classified as a student. Mr. Burcham said that headcount enrollment is the number of students who are taking at least one paid course for credit.

Senator Higdon asked if there were any perks involved in the advertising at UK and U of L. Mr. Burcham said that students representing KCTCS at sponsored games got tickets. Ms. Giltner said that this was 20 to 25 students per game.

Representative Simpson voiced concern about using taxpayer dollars to lobby legislators. He asked if there has been any discussion of this decision. Mr. Burcham said that students were very interested when the transfer issue was being considered by the General Assembly and that coming to the capital was an educational experience for them. He said that KCTCS has taken note of the reaction to the promotional activities.

Representative Simpson said that he took exception to this. Public money could be better used to reduce tuition. He said this is poor judgment, and he hopes that it will not be repeated. Referring back to the factors used to set presidents' salaries, he said that success in getting students to finish should be considered.

Representative Palumbo noted that lobbying using public funds is a general issue; it is not just done by KCTCS.

Senator Schickel said that numbers that are small as a percentage of a total still have symbolic value.

Senator Schickel asked about the value of recruiting students to technical schools by advertising at university ball games. Mr. Burcham replied that market research in 2006 indicated that there were hundreds of thousands of Kentuckians who were not accessing higher education. The UK and U of L sports networks were determined to be the best way to reach the adult market. KCTCS could purchase radio and television time through sports marketing contracts with UK and U of L at cheaper rates than it could otherwise. This is part of the overall brand strategy targeted at an adult population.

Senator Schickel said that during the 2010 session, he had spoken with students putting up yard signs who said they were doing so at KCTCS's request. He agreed with the educational value of students coming to Frankfort but thought they should not be coming at others' request. Mr. Burcham said that he understands that legislators are unhappy with the techniques used and that it will be rethought.

Representative Simpson said that KCTCS is not advertising adequately if students are going to proprietary schools that cost more and may be providing less value to students. Mr. Burcham agreed but said that the cost of such advertising is prohibitive. Sports marketing contracts are the most cost effective given their reach.

Representative Mills asked about salary increases for other types of staff. Mr. Walker said that the other categories can be reviewed. He noted that an increase in a category over time is a function of salaries and the number of people in the category.

Representative Mills asked who checks on executives' use of credit cards. Mr. Walker said that the use of a credit card is checked with the immediate supervisor and the second-line supervisor. The KCTCS president does not have a KCTCS credit card. The audit reviews the president's expenses.

Representative Mills commented that boards should take a hard look at administrative expenses, which seem high. Any money saved in higher education should be used to get more people through college and into jobs.

In response to a question from Representative Rand, Mr. Burcham said that marketing is done both in house and by contract.

Representative Rand asked what factors are used in determining the KCTCS president's salary. Mr. Walker said that the salary is set by a contract between the Board of Regents and the president.

Representative Rand asked what the standards are for the president's performance bonus. Mr. Walker said that the Board of Regents determines standards at its June meeting. At the end the year, the board determines whether the predetermined objectives have been met.

In response to a question from Representative Rand, Mr. Walker said that CPE does not have input into presidents' salaries.

Representative Rand commented that he has heard from many students about the expense of college. The culture of an institution is affected by what the CEO makes. Boards of Regents should take the fairness of compensation of leadership into account. Mr. Walker said that he agreed with the recommendation in the report that better information should be collected on compensation so that comparisons can be made.

Senator Pendleton said that he has mostly heard from parents. He would like to hear more about lobbying from all universities. There should not be a knee-jerk reaction that would discourage young people from coming to Frankfort.

In response to questions from Senator McGaha, Mr. Burcham said that KCTCS has a contract with Thorn Run, which is responsible for contract lobbying.

Senator McGaha said it would be more effective for students to make appointments to speak to him directly.

Senator McGaha asked for details on the approximately $80,000 identified in the report as "other benefits" of the KCTCS president. Mr. Walker said that this included long-term disability, workers compensation, retirement, health insurance, life insurance, and long-term care insurance. The board pays the employee and employer share for retirement.

In response to a question from Senator McGaha, Mr. Walker said that he thought headcount was used in determining salary but that he would check to be certain.

Senator McGaha said that using headcounts could be inconsistent. Students might have different course loads. One institution could have a lot of students taking one course. Another could have more students taking full course loads.

Senator McGaha asked for elaboration on a $1.2 million contract dealing with transfers that had recently come before the Government Contract Review Committee. Mr. Burcham said that the contract is not about transferring credits. The contract is with the John Gardner Institute of Excellence, which has standards to follow for getting associate degrees that lead to baccalaureate degrees. The purpose is to help students get four-year degrees.

Senator Pendleton cited the example of a student's course not being accepted at a regional university, which should not occur under current law. Guidance counselors should be doing their jobs so that this does not happen.

Representative Steele cautioned KCTCS officials to remember today's hearing for the next legislative session.

Representative Steele said that the first order of business at the committee's next meeting will be the Cabinet for Health and Family Services addressing Senator Stine's questions.

Senator Stine said that the Medicaid Report is an important and timely report covering a subject dealing with a large part of Kentucky's population and involving a lot of money. She hopes that Acting Commissioner Wise will be at the committee meeting to answer questions and update the committee on the contracts.

Senator McGaha noted that the Government Contract Review Committee will be reviewing the Passport contract. The committee will not be reviewing the other new Medicaid managed care contracts because they were issued as master agreements, not contracts. Staff should ask about this.

Upon motion by Representative Simpson and second by Senator Schickel, the report *Kentucky Community and Technical College System: Marketing, Lobbying, and Administration Expenses* was adopted by roll call vote.

The meeting adjourned at 11:52 AM.

TASK FORCE ON CHILDHOOD OBESITY

Minutes of the 1st Meeting of the 2011 Interim

June 21, 2011

Call to Order and Roll Call

The first meeting of the Task Force on Childhood Obesity was held on Tuesday, June 21, 2011, at 10:30 a.m., at the Cincinnati/Northern Kentucky International Airport, Terminal One, Navigation Room, 2939 Terminal Drive, Hebron, Kentucky. Senator Katie Kratz Stine, Co-Chair, called the meeting to order at 10:40 a.m., and the secretary called the roll.

Present were:

Members: Senator Katie Kratz Stine, Co-Chair; Representative Tom Riner, Co-Chair; Senators Jimmy Higdon, and Joey Pendleton; Representatives Bob M. DeWeese, and Addia Wuchner.

Guest Legislators: Senator Dennis Parrett, and Representatives Ron Crimm, Tim Moore, Carl Rollins, and Rita Smart.

Guests: Gary Beatrice, Immediate Past Chair, Steve Stevens, CCE, President, and Blair Schroeder, Vice President, Public Affairs, Northern Kentucky Chamber of Commerce; Barbara Schempf, Director, Public and Government Affairs and Kim Childs, Public and Government Affairs Specialist, Cincinnati/Northern Kentucky International Airport; Christopher F. Bolling, MD, FAAP, Pediatric Associates, PSC Crestview Hills, Kentucky, Obesity Chair, Kentucky Chapter of the American Academy of Pediatrics, and Program Chair, American Academy of Pediatrics Provisional Section on Obesity; Dr. Ruth Ann Shepherd, Division Director, Division of Maternal and Child Health, and Elaine Russell, Obesity Prevention Coordinator, Department for Public Health, Cabinet for Health and Family Services; Captain (CPT) John Harvey, Yellow Ribbon Program Officer-In-Charge, Kentucky National Guard; Sergeant First Class (SFC) Charles Miller, Kentucky Army National Guard Recruiting; Master Sergeant (MSgt) Tommy Caruso, Kentucky Air National Guard Recruiting; Steve Bullard, Department of Military Affairs; Technical Sergeant (TSgt) Lawrence Wigginton, Kentucky Air National

Guard; Tracy Herman, Robin Chandler, and Jamie Sparks, Kentucky Department of Education; Therese Sirles, Kosair Children's Hospital; Talley Cockerel, Mike Helton, and Prentice Harvey, Norton Healthcare; Andrea Plummer, Kentucky Youth Advocates; Tonya Chang, American Health Association; Charles George, Kentucky Chamber of Commerce; Marty White, Kentucky Medical Association; Bill Doll, Jackson and Kelly; Jodi Mitchell, Kentucky Voices for Health; Carolyn Dennis, Shaping Kentucky's Future Collaborative; Teri Wilde, St. Elizabeth Healthcare; Ashley Teal, Kentucky State Senate; Russ Dix; and Pamela Perry, Amerigroup.

LRC Staff: DeeAnn Mansfield, Jo Carol Ellis, Ben Payne, Kenneth Warlick, Gina Rigsby, and C.J. Ryan.

Welcome and Comments: Northern Kentucky Chamber of Commerce

Gary Beatrice, Immediate Past Chair, Northern Kentucky Chamber of Commerce, stated that the Chamber helps build stronger communities by staying focused and involved in the top business, civic and education priorities. The Chamber has grown to approximately 2,000 business members with a continued commitment to creating a prosperous community and outstanding quality of life for everyone. The Chamber is committed to enhancing the economic vitality and quality of life, not just in Northern Kentucky, but the entire Commonwealth. Top regional priority is the Brent Spence Bridge Corridor. There are several top priority capital projects including the Northern Kentucky Convention Center expansion and the replacement of aging water lines. Key regional transportation projects include Route 16 Taylor Mill Road construction, underpass at US 25 and Kentucky 338, and Mt. Zion Road, Kentucky 536, reconstruction to five lanes. More information is provided at www.nkychamber.com.

Welcome and Comments: Cincinnati/Northern Kentucky International Airport (CVG)

Barbara Schempf, Director, Public & Government Affairs, stated that CVG is a major economic engine for the Commonwealth and the tri-state region, supports over 10,000 direct jobs and 50,000 jobs within the region, contributes several billion in economic benefit annually, is the Trans-Atlantic International Gateway for three states, and continues to explore all options to grow business and keep the airport competitive. CVG's objectives are to obtain service diversity and achieve price stability by supporting Delta and DHL hubs, attracting low cost carrier service, reducing average airfares, and maintaining low operating costs for airlines. CVG works with the Cincinnati and Northern Kentucky Chambers, businesses, community and government leaders to transform and reinvigorate itself by actively seeking additional air service from current airlines and/or potential new entrants. The General Assembly can help by reintroducing a revised version of the Airport Jobs Creation bill that allows Kentucky's airports to create separate operating units and by developing Airport Development legislation that provides a viable self-perpetuating funding source, with a minimum annual budget of $5 million, to invest in air service at Kentucky's airports. The proposals would allow Kentucky's airports to diversify revenue streams, ultimately reducing costs to airlines and improving competitive advantage to increase air service at Kentucky airports in other states. The proposals are designed to drive economic development and transportation throughout the Commonwealth. The steps support Kentucky's position as a gateway to the world. Kentucky airports are direct links to job growth, business attraction and retention, and Kentucky's signature industries.

Reversing the Trends in Childhood Obesity in Kentucky

Christopher F. Bolling, MD, FAAP, Pediatric Associates, PSC Crestview Hills, Kentucky, Obesity Chair, Kentucky Chapter of the American Academy of Pediatrics, and Program Chair, American Academy of Pediatrics Provisional Section on Obesity, stated that the two worst states in the country for pediatric overweight are West Virginia and Kentucky. Studies have demonstrated that being overweight at age three and having at least one overweight parent are strong predictors of becoming obese. If a child is overweight by age nine, he or she is 11 to 30 times more likely to be an obese young adult. Approximately 15 percent of pediatric patients have a high Body Mass Index (BMI) in the 95th percentile. Obese rates are disproportionate throughout the state with the highest in African American and Appalachian children. Children now have Type II diabetes, sleep apnea, orthopedic diseases, and behavioral disorders. The number of super obese children is dramatically increasing. Some states have initiatives to help its citizens such as Keeping Maine Healthy, Eat Smart, Move More in North Carolina, and New Mexico's Envision. Preventing childhood obesity also addresses quality of life, long-term health care costs, economic viability, public safety, and military readiness. It will take everyone's involvement to solve the problem of obesity.

Dr. Bolling answered a question by Representative Wuchner by saying that BMI measurements are used within the medical profession to have one standard of measurement used by all medical professionals. The BMI is used to chart the progress made by a patient and show where improvements could be made.

Senator Pendleton stated that society has created the problem by taking physical education out of the schools and super-sizing food portions. Healthy food choices should be provided as an alternative to help reduce the obesity problem. Since the introduction of advanced technology, children tend to stay idle for longer periods of time as opposed to staying active most of the time. Parents and schools need to supply healthier foods.

Dr. Bolling answered a question by Senator Higdon by saying there is a very close correlation between individuals using food stamps and the obesity rate.

Representative Crimm stated that people need to be responsible for a regimented program that will help maintain a healthy lifestyle.

Representative Moore stated that the military is very careful to select the appropriate recruiters. He challenged the General Assembly to make healthier choices and initiative a weight-loss program during the 2012 Regular Session.

Trends in Childhood Obesity in Kentucky

Dr. Ruth Ann Shepherd, Division Director, Division of Maternal and Child Health, and Elaine Russell, Obesity Prevention Coordinator, Department for Public Health, Cabinet for Health and Family Services, stated that shifts in food environments include increased portion size, increased media advertising, increased availability of energy-dense foods, increased cost of fruits and vegetables, limited availability of fresh fruits and vegetables, and less physical activity. Since 1969, there has been a huge decrease in children who ride their bikes or walk to school. Today, the majority of children are driven to school. The Centers for Disease Control and Prevention (CDC) evidence-based behaviors to reduce obesity include increased breastfeeding initiation, duration, and exclusivity, increased physical activity, increased consumption of fruits and vegetables, creased consumption of sugar sweetened beverages, reduced consumption of high energy dense foods, and decreased television viewing. The CDC recommends policy change as one of the most effective strategies for making significant changes in obesity at the population level. The prevention and control of obesity include the community, school, workplace, child care, and medical settings.

At a 2004 obesity forum, the number one priority was to provide mandatory physical education in K-12th grades. Other priorities included increase healthy choices and develop legislative policies on food choices available in vending machines, improve work site wellness policies, provide additional safe, walkable communities and bike paths, and provide more low cost or free physical activity opportunities. In February 2005, the Kentucky legislature approved minimum nutrition standards for foods and beverages available on public school campuses during the school day. Schools may use up to 30 minutes per day or 150 minutes per week of curriculum time for physical activity. Kentucky also enacted legislation that gives a mother the right to breastfeed in public places she is lawfully entitled to be present and to be excused from jury duty if she is breastfeeding or expressing milk for her baby.

A grant to Kentucky from Southern Collaborative on Obesity Reduction Efforts (SCORE) focused on increasing physical activity and physical education in schools, establishing a BMI Surveillance System for youth, supporting breastfeeding in the workplace, requiring standards for nutrition and physical activity in licensed child care centers, establishing Complete Streets, requiring menu labeling at fast food and change restaurants, requiring healthy food in state agencies, and providing work-site wellness tax credits to business. The 5-2-1-0 Campaign focuses on eating five fruits and vegetables, spending two hours of less of screen time, having one hour of physical activity, and zero sweetened beverages every day. Another initiative is the farm to school program. Students grow food that can be used in the school cafeteria and sold in the community. Currently, there are 13 school districts with farm to school programs.

Dr. Shepherd answered a question by Representative Rollins by saying there is a policy-based guide that could be sent to School Based Decision Making Councils that helps provide guidelines for physical activity in schools. Ms. Russell answered a question by Representative Rollins by saying $462,000 of the SCORE grant was used for obesity prevention.

Senator Higdon stated that because of the importance of including water in a child's diet, the schools need to provide better ways for a child to obtain the water than from the water fountains.

The Impact of Childhood Obesity on Military Readiness

Captain (CPT) John Harvey, Yellow Ribbon Program Officer-In-Charge, Kentucky National Guard, stated that childhood obesity has become a threat to our national security. Nine million 17 to 24 year olds are too heavy to serve in the military. Annually, the military discharges over 1,200 first-term enlistees before their contracts are up because of weight problems. Approximately 75 percent of America's 17-24 years olds are unable to join the military, with being overweight or obese as the leading medical cause applicants fail to qualify for military service. During the past decade, the number of states with 40 percent or more young adults considered overweight or obese has risen from two states to 43 states. Over half of Kentucky young adults are overweight or obese. In the last ten years the overweight or obese rate went from 38 to 51 percent, an increase of over one-third. Weight problems have become the leading medical reason why young adults are unable to serve in the military, both in Kentucky and nationwide. A limited recruitment pool will hold back the military readiness and erode our national security in the long run. Childhood obesity rates can affect everything from recruiting and retention to the military's ability to fight. Approximately 12,000 service members are lost annually because they are unable to maintain standards. The replacement

cost per lost service member averages around $50,000. The Army is revamping its physical training.

Sergeant First Class (SFC) Charles Miller, Kentucky Army National Guard Recruiting, stated that health related issues are one of the most prominent obstacles for qualifying a future Soldier. The top three most common health related disqualifications found during the initial screening are overweight, any history of medical treatment for asthma or an attention disorder. In 17 to 20 year old males, the maximum body fat percentage allowed is 26 percent and is 32 percent for women. The maximum weight for a male who is 6 feet tall is 200 pounds. The maximum weight for a five foot, six inch female is 160 pounds. Prior to enlistment recruiters are forced to expand the search to lesser qualified applicants such as individuals with less than high school education, GED holders, and those with moral waivers. Recruiters have a larger pool of candidates while working with them to lose weight. After enlistment, recruiters spend a large amount of time working with new enlistees to prepare them physically for basic training in an effort to avoid disqualification while at basic training.

Master Sergeant (MSgt) Tommy Caruso, Kentucky Air National Guard Recruiting, stated that all applicants must meet a weight requirement based on their height. Each recruit must meet a physical fitness standard prior to departing for basic military training. Members must maintain an age-tailored fitness standard throughout their military career. The impacts on the Air National Guard recruiting is the loss of well qualified applicants and recruiters have had to become health coaches to discuss healthy eating habits, introduce a physical fitness program, and motivate and encourage recruits to meet fitness goals. Many applicants never achieve the necessary fitness standard to enlist. A large amount of applicants are so overweight, medical advice has to be sought prior to starting a fitness routine. Applicants that needed to lose weight to join have a tendency to revert back after returning from training. Initiatives include the Adjutant General's full-time support physical fitness program, VA MOVE!, and Military OneSource.

MSgt Caruso answered a question by Senator Parrett by saying public outreach is the first step to inform high school students about requirements to join the military.

CPT Harvey answered a question by Representative Wuchner by saying the 51 percent of young adults 18 to 24 years old in Kentucky who are overweight or obese information came from the article "Too Fat to Fight: A Brief on Kentucky" from Mission: Readiness. Mission: Readiness is an organization of retired generals, admirals, and other senior military leaders who support policies and investments that will help young Americans succeed in school and later in life and will enable more young adults to join the military if they choose to do so.

MSgt Caruso answered a question by Representative Riner by saying the military prides itself on the importance of cardiovascular health.

Adjournment

There being no further business, the meeting was adjourned at 12:15 p.m.

TOBACCO SETTLEMENT AGREEMENT FUND OVERSIGHT COMMITTEE

Minutes

July 6, 2011

Call to Order and Roll Call

The meeting of the Tobacco Settlement Agreement Fund Oversight Committee was held on Wednesday, July 6, 2011, at 10:00 AM, in Room 129 of the Capitol Annex. Senator Paul Hornback, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Paul Hornback, Co-chair; Representative Wilson Stone, Co-chair; Senators Carroll Gibson, Vernie McGaha, Dennis Parrett, and Joey Pendleton; Representatives Royce W. Adams, James R. Comer Jr., Tom McKee, Fred Nesler, and Tommy Turner.

Guests: Annette Bridges, Director, and Division of Early Childhood Development, Kentucky Department of Education; Dr. Jennifer Grisham-Brown, Principal Investigator, KIDS NOW Early Care and Education Evaluation, University of Kentucky; Ruth Ann Shephard, Department of Public Health; Marybeth Jackson, Division of Child Care, Cabinet for Health and Family Services, Roger Thomas, Joel Neaveill, Mike Tobin, Angela Blank, Christi Marksbury, Governor's Office of Agricultural Policy.

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

The June 1, 2011 minutes were approved by voice vote and without objection, upon motion made by Senator Pendleton and second by Representative Stone.

Division of Early Childhood Development Report

The presiding chair, Senator Hornback, called on the first witnesses, representatives of the Division of Early Childhood Development, who reported on division activities during the previous year with the use, in part, of tobacco settlement funds. Speaking to the committee were: Annette Bridges, Division Director, Dr. Jennifer Grisham Brown, Principal Investigator, KIDS NOW, Dr. Ruth Shepherd, Division for Public Health, Cabinet for Health and Family Services, and Marybeth Jackson, Division of Child Care, Cabinet for Health and Family Services.

Ms. Bridges briefed the committee on the Early Childhood Initiative, putting particular emphasis on the three main programs – Assuring Maternal and Child Health, Supporting Families, and Enhancing Early Child Care and Education.

Responding to a question from Co-chair Hornback, Ms. Bridges said the initiative no longer offers vision screening for children in the program; vision screening is required as a prerequisite to entering public schools.

Ms. Bridges and Dr. Shepherd responded to a series of questions from Senator McGaha regarding the standards used to measure positive outcomes under the HANDS program. According to Dr. Shepherd, the program utilizes birth certificate records, demographics, and other criteria in the measurement process. About half of the mothers who qualify seek out services offered by the HANDS program.

Ms. Jackson described for Senator McGaha and Senator Pendleton the standards used to place child care facilities in the "stars" recognition system. She commented on outcomes in star-rated versus those that are not star-rated. There are quality facilities that are not star-rated. During the discussion, Senator Pendleton emphasized that the groundwork laid in day care centers is important to later success.

Ms. Bridges and Ms. Jackson responded to Senator Pendleton's questions regarding the need to assure that pre-schoolers are introduced to healthy foods. He mentioned schools' ability to used Kentucky Proud commodities. Ms. Bridges indicated the child care centers do not participate per se, although they may have the opportunity to partner with schools in buying farm raised produce. Ms. Jackson noted that the Centers for Disease Control will be offering funds for child care centers to seek out training on health food choices. During the discussion, Senator Pendleton emphasized the need to address the childhood obesity problem in Kentucky. He indicated the need to begin the process in day care centers.

Dr. Grisham-Brown, discussed some of the findings in a KIDS NOW Initiative evaluation conducted by University of Kentucky researchers for FY 2009-10. She indicated to Representative Stone that the evaluation involved licensed private child care facilities, not public school programs. While there are no studies in Kentucky comparing the two types of systems, those could be a potential area of research.

Responding to Representative McKee, Ms. Bridges said the program realizes the tobacco funds may not last a long time and it is important that KIDS NOW shows the investment is making a difference. Legislative support is needed to assist children and families. She also emphasized the importance, as stressed by a previous director, in periodic program evaluations.

As the discussion ended, Representative McKee said he recognized their passion regarding the program and expressed optimism about continued legislative support.

Governor's Office of Agricultural Policy Report

The committee received the monthly report from Mr. Roger Thomas, Executive Director, Mr. Joel Neaveill, Chief of Staff, and Mr. Bill McCloskey, Director of Financial Services, Governor's Office of Agricultural Policy (GOAP), regarding project funding decisions made by the Agricultural Development Board in its previous meeting.

Mr. Neaveill reported on County Agricultural Improvement, Deceased Farm Animal Disposal Assistance, and Shared-use Equipment programs prior to reviewing statewide and regional projects acted on in the previous ADB meeting. The state and regional projects included: Tim and Wanda Quiggins for a multi-purpose facility in Hart County; Kentucky Beef Network LLC (KBN), a project to develop a management and genetics program for Kentucky beef producers; New Pioneers for a Sustainable Future, a Washington County food and crafts network; and KABA/Select Sires Inc, a project to establish five demonstration dairy herds to use a new technology that detects the estrus cycle in cattle.

The Quiggins project, which received $40,000 in county funds as a part of a $328,350 undertaking, prompted questions and comments from committee members. According to Senator Parrett, youth livestock shows are usually conducted at public fairgrounds and the like. He asked about the precedent being set in funding such a facility on private property. Mr. Thomas noted the board did not commit state funds; rather it abided by positive recommendations from county councils approving county funding. The Kentucky Agricultural Finance Corporation also loaned money to the developers of the facility. Senator Parrett urged that county councils be informed of the precedent being set.

Representative Stone asked about safeguards in case the project did not succeed. He mentioned separating the project facility and the real estate. Mr. McCloskey responded that the developers set aside 10 acres for the facility in the deed. Representative Stone asked about the board's risk in the event of a foreclosure. Mr. McCloskey said the property has been appraised at $400,000, which is larger than the loan amount. The KAFC loan will involve the participation of a private lender, resulting in a shared risk. KAFC will be subordinate to the lender if a default occurs.

In continuing discussion and in response to Co-chair Hornback, Mr. Thomas noted that the legal agreement will contain provisions on the ownership and maintenance associated with the funds for periods of five and ten years. Another provision will require a pro-rata repayment of outstanding obligations.

Senator Gibson indicated that the endeavor will involve more than just the auctioning of cattle. He saw no difference in that project than with other fund commitments that result in improvements to private property.

Committee members also posed questions and commented on the next project, the KBN "Mag 60" genetics program, involving the commitment of $310,000 in state funds in a $649,000 endeavor.

Witnesses indicated to Senator McGaha that the program would last about two years, with breeding results evident in 15-17 months. Mr. Thomas responded to the senator that as producers experience the benefits of the program in coming years and program costs would be lower than the initial costs. He predicted the board would be receptive to similar funding in the future.

The KBN will conduct informational meetings across the state to publicize the program. Mr. Neaveill said the program was the outgrowth of a project in the Washington County area.

The GOAP officials responded to Representative McKee that, in terms of herd management, a contract with a producer will remain viable so long as the producer markets the offspring through the Mag 60 program.

The KABA/Select Sires Inc. project also drew comments and questions from committee members. The KABA plans to partner with the Kentucky Dairy Development Council and state universities to arrange and conduct educational presentations on the benefits of using technology. Select Sires markets artificial insemination (AI) products to producers.

Responding to Senator Pendleton, Mr. Neaveill indicated that KABA/Select Sires will assist in the project and offer other in-kind services. Mr. Thomas said that, when the Cattlemen's Association proposed the endeavor, board members expressed reservations about the benefits to KABA/Select Sires. If other companies offer similar services, their proposals will be reviewed favorably.

Asked by Senator Pendleton about Select Sires' commitment in the project, the witnesses reiterated the assistance and other in-kind services. Senator Pendleton indicated he would feel more comfortable about the arrangement if producers received a discount on their AI purchases. Senator Parrett also expressed reservations about the arrangement and the perceived benefits to KABA/Select Sires.

As discussion continued, the committee approved a motion by Senator Pendleton that Mr. Thomas ask KABA/Select Sires if it would be amenable to discounting purchases by producers participating in the project. Mr. Thomas indicated that he would do so.

MSA Briefing

In other discussion, Mr. Rogers updated the committee on litigation surrounding some participating tobacco manufacturers' withholding of prior year Master Settlement Agreement payments to states that settled as a part of the MSA. Mr. Thomas indicated that the state was reviewing a proposal by companies to settle the matter. The litigation has resulting in the escrowing of several million dollars that settling states should have received from companies.

Documents distributed during the committee meeting are available with meeting materials in the LRC Library. The meeting adjourned at approximately 11:45 a.m.

Judiciary,

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without going to court.

"Truancy diversion programs do work," said Wilson. "It's essential we assess what the problems with these youth are and work… toward keeping them in school."

Senate President Pro Tem Katie Kratz Stine, R-Southgate, suggested reducing truancy could also lower the state's dropout rate.

"It seems to me there is a correlation between truancy and dropouts," she said.

Yewell said the state's Truancy Diversion Program has been voluntarily chosen by 61 counties and 149 Kentucky schools so far as an option for handling truants. The program has been about 90 percent successful in correcting truancy issues based on grades and other measures of school performance, said Yewell. Still, not every county elects to join the program.

That drew comments from Sen. Robin Webb, D-Grayson, who said participation should be strongly encouraged.

"It's as good to me as a truancy officer in your school system," she said.

Yewell recommended that lawmakers consider statutory changes to Kentucky's status offender laws including expanding parent accountability, reviewing the state court designated worker program, assessing programs and services—"Find what works, find what doesn't work," as Yewell said—and look at increasing the pay of state employees who work with status offenders.

"It's gotten to the point where we must realize the key to any program is its workforce and the stability of that workforce," he added.

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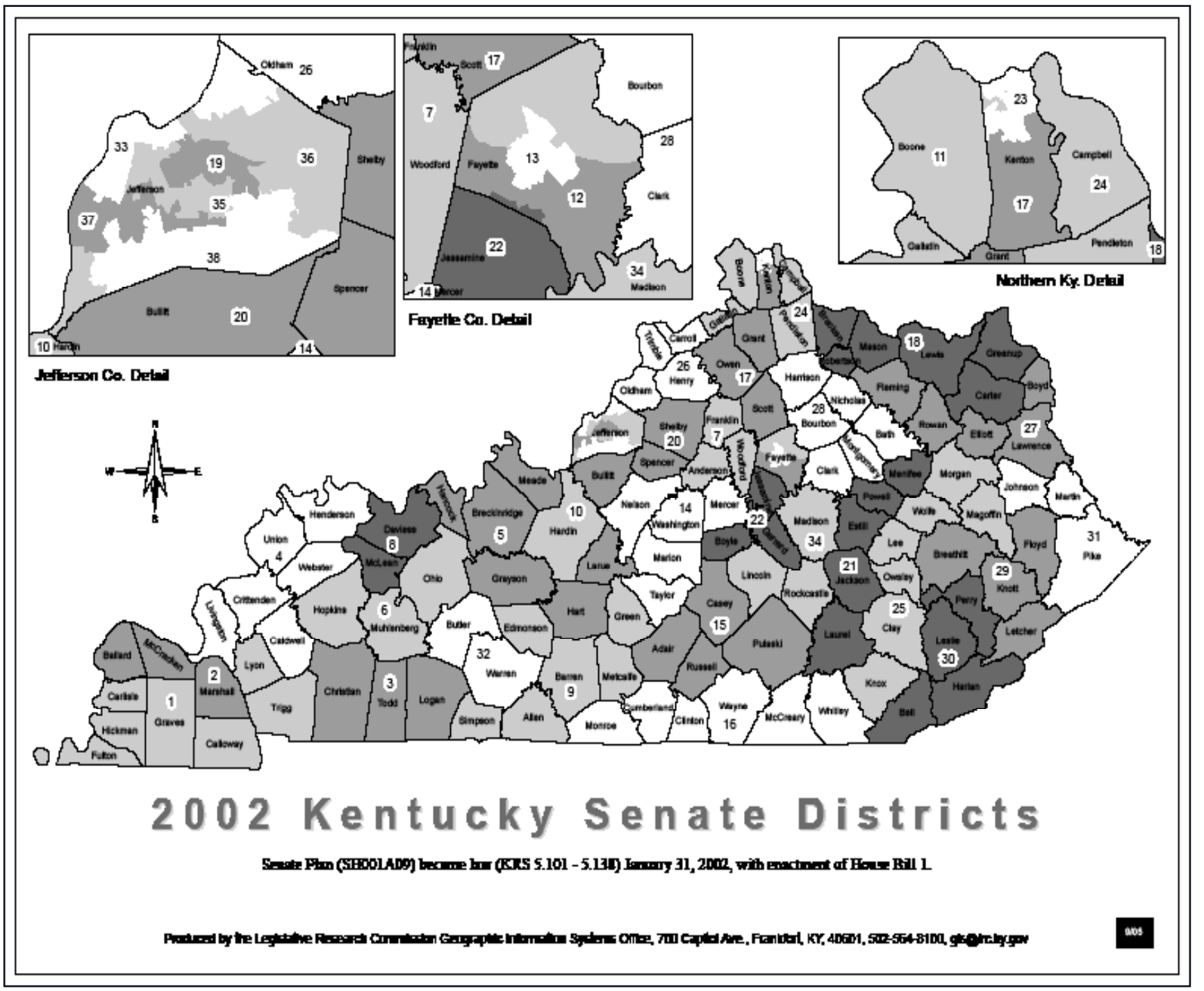
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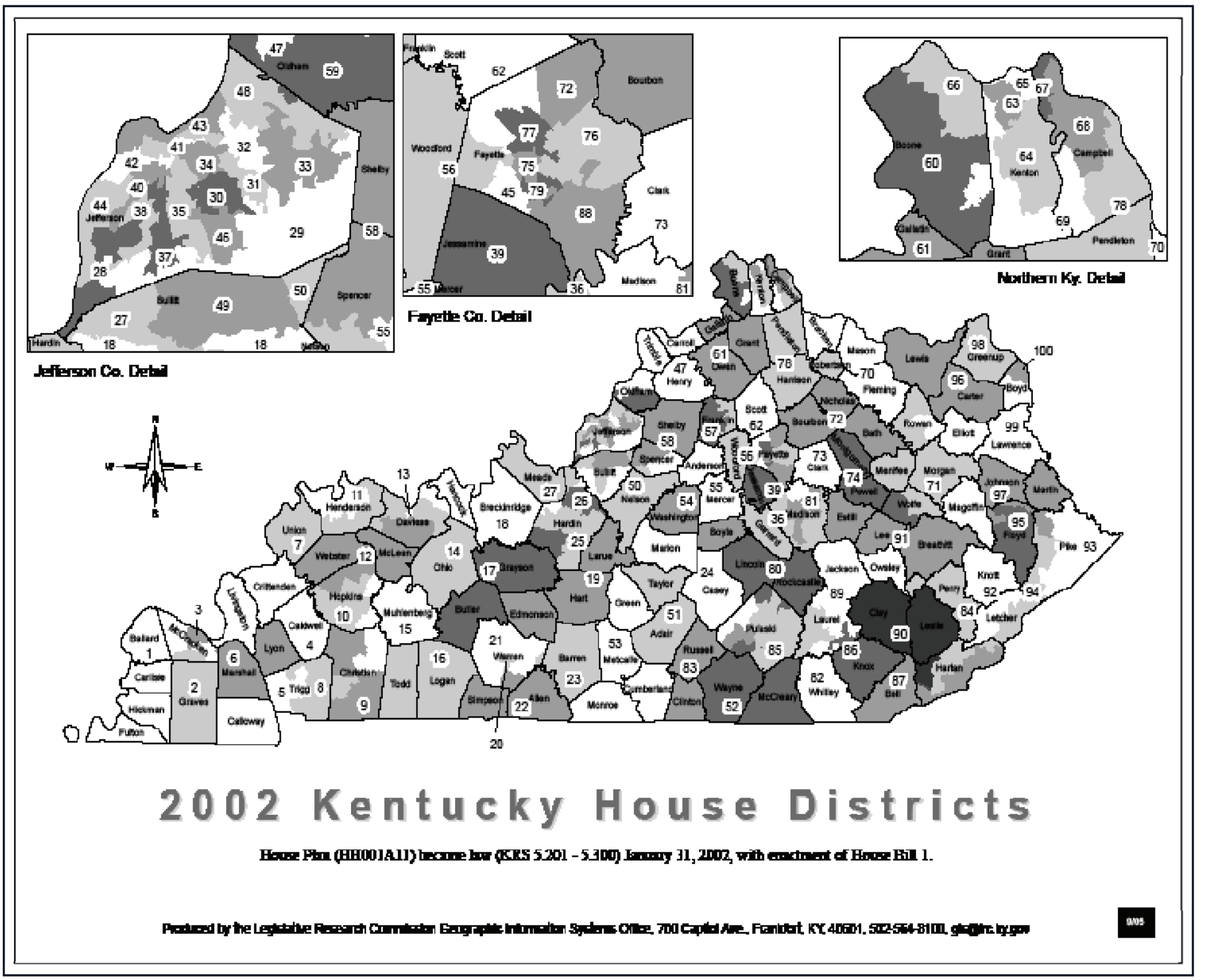
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Printed with state funds

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