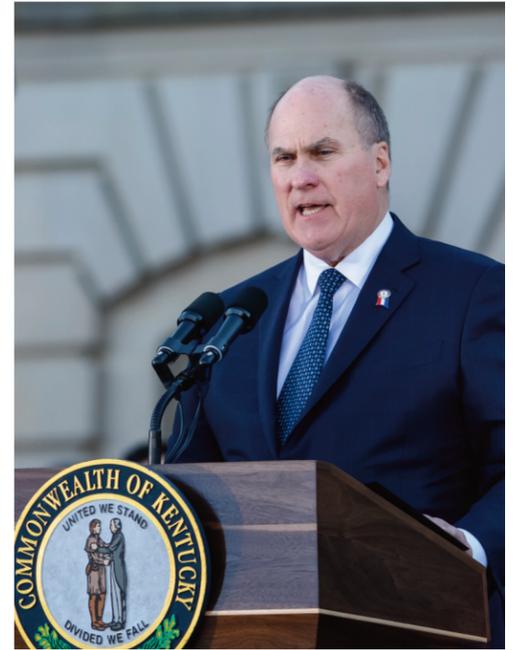




A new day in Frankfort



Gov. Matt Bevin inauguration photos by Tim Webb - timwebbphotography.com



Alliance Resources President and CEO Joe Craft, who currently serves as the Kentucky Chamber's vice-chair of public affairs, served as chairman of Gov. Matt Bevin's inauguration committee.

Gov. Bevin begins administration with solid, business-friendly appointments

IN HIS SPEECH to Kentucky Chamber members at the Legislative Preview Conference Dec. 14, Gov. Matt Bevin urged the business community to use his administration as a resource and to “be the eyes and ears for us on the front lines.”

“You are literally and figuratively funding so much of what happens in this state,” Bevin said to nearly 200 business leaders in the room. “You are the catalyst behind what happens economically, and it’s important that you are well represented in government.”

A businessman himself, Gov. Bevin has already made several business-friendly moves during his short time in office. He’s appointed two former members of the Kentucky Chamber Board of Directors to his cabinet, and Alliance Resources President and CEO Joe Craft, who currently serves as the Chamber’s vice-chairman of public affairs, served as chairman of Bevin’s inauguration committee.

“I’m surrounding myself with people who I think are going to be the embodiment of what you would have done if you could have appointed folks,” Bevin said at the conference. “I tried to find people who are people of good character ... who have good competence and people who are experienced in the arenas they are now overseeing. And, people who are committed to

those of you in this room, and who are committed to the Commonwealth of Kentucky.”

A week before his inauguration, Bevin announced that John Chilton would serve as state budget director. Chilton, co-founder of Mountjoy, Chilton and Medley CPAs, has been a long-time volunteer of the Kentucky Chamber, serving on the Board of Directors, Tax Advisory Group and as chair of the Competitiveness Policy Council.

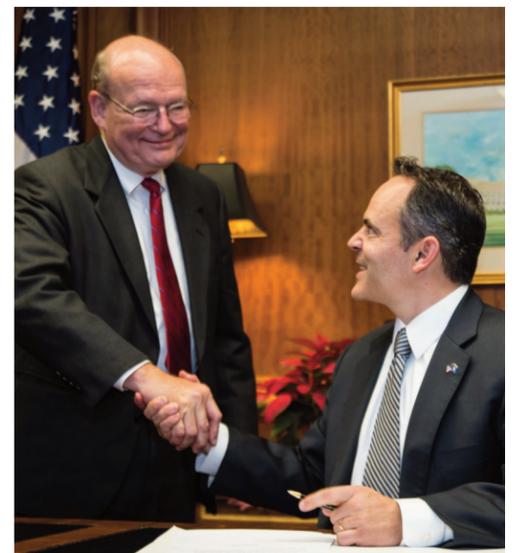
“Under Chilton’s leadership, the Competitiveness Council was actively engaged in policy initiatives aimed at modernizing the economy, creating jobs, supporting state income and expenditure practices that promote long-term economic growth in Kentucky,” said Kentucky Chamber President and CEO Dave Adkisson.

On Dec. 14, Bevin also announced Daniel Bork as revenue commissioner. Bork recently retired as vice president of tax for Lexmark International, Inc. Through Lexmark, Bork served twice on the Chamber’s Board of Directors, where he held several different positions.

“My one-word reaction to the people he has appointed to-date is ‘gravitas,’” said Adkisson.

“You are the catalyst behind what happens economically, and it’s important that you are well represented in government.”

— Gov. Matt Bevin



John Chilton has been named state budget director. Chilton, co-founder of Mountjoy, Chilton and Medley CPAs is a former member of the Chamber’s Board of Directors and Tax Advisory Group. He also chaired the Chamber’s Competitiveness Policy Council.



Daniel Bork, retired vice president of tax for Lexmark International, has been named state revenue commissioner. Bork served twice on the Chamber’s board of directors.

See BEVIN, page 3

Report on teacher’s retirement system solutions complete

THE WORK GROUP studying the Kentucky Teachers’ Retirement System (KTRS) in order to suggest changes to ensure the system’s solvency has completed its work and sent a final report to new Gov. Matt Bevin ahead of the 2016 legislative session.

The 23-member panel put together by former Gov. Steve Beshear, which included Kentucky Chamber President and CEO Dave Adkisson, completed its final meeting on Dec. 1 with discussion of potential solutions that could be considered by the General Assembly and governor. The report from the group was later finalized after changes and approval from the group.

In the final report, two solid recommendations

are put forth with a caveat stating that the governor and General Assembly will have to make the tough decisions to shore up the system.

“While it was not possible to reach consensus around a single specific solution, common ground on key variables was found, and it is reasonable to expect that a solution can be identified,” the report reads.

The two specific recommendations laid out in the report include:

- The special appropriation and debt service savings, commonly known as green box and yellow box dollars, stay with KTRS to help address the unfunded liability in the pension fund.

- KTRS and their actuary, Cavanaugh Macdonald, prepare very thorough projections and adjustment impacts as contribution and benefit adjustments become clearer in the coming weeks and months.

As for the rest of the 18-page report, the group provides what they refer to as a “road map” to be used when crafting a solution to the system’s woes. Other information discussed by the group over six months of work and a variety of options laid out by the group’s consultant is also included in the final report.

See KTRS, page 2

Welcome new members!

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CEO COMMENTARY

Business community sets priorities for 2016

As the General Assembly kicks off in Frankfort, the Kentucky Chamber of Commerce is offering legislators a set of priorities that will create progress for our state. The priorities are based on the recent vision for Kentucky that the Chamber released called "The Four Pillars for Prosperity," a guide for making Kentucky more competitive for economic growth.



Dave Adkisson is President & CEO of the Kentucky Chamber.

The business community's top goals can be stated in three categories: the "must do" priorities, the "ought to do" priorities and the "sure hope we can" priorities.

In the "must do" category, are two big items: pensions and the budget. There's an old saying that if you find you've dug a hole, the first thing to do is to quit digging! That's the situation with our state pension programs. They are terribly underfunded (one of the funds is the worst in the country) and every year we don't take action, the deeper we dig our hole. Enacting pension reform and making the required payments to the teachers' pension plan and the plans for state and local retirees are absolute musts in this session. Kentucky must demonstrate to the financial markets that we are disciplined in order to avoid another downgrade of our bond ratings.

Fixing the pension funds and writing a two-year budget go hand in hand. You can't really do

The business community's top goals can be stated in three categories: the "must do" priorities, the "ought to do" priorities and the "sure hope we can do" priorities.

one without the other, and paying more for pensions will affect every other part of the budget, from schools to prisons to state police. So, money is going to be extremely tight in this session, perhaps more so than during the recession.

In the "ought to do" category is legislation creating a comprehensive system for public-private partnerships (commonly called P3 projects). It would create a method whereby private sector money and expertise can be utilized to make key projects affordable and attainable. It's passed the House and the Senate in the past with strong support from both political parties but has gotten bogged down with other side issues. It's commonsense legislation that ought to pass and be signed by the governor without a great deal of controversy.

In the "sure hope we can" category, there are issues important to the business community that would make Kentucky better for business and for Kentuckians – issues that have gained more momentum in recent sessions but have not been enacted into law:

- allowing charter schools in areas of persistent underperformance;
- investing in higher education but with an emphasis on rewarding colleges and universities for their success in granting degrees and other workplace credentials;
- enacting a right to work law (giving workers a choice about paying union dues);

- passing a smoke-free law to give consistency to local ordinances and improve the health of our state (currently ranked 50th in cancer deaths);
- allowing local communities the right to vote on whether to pay for key projects with a local option sales tax;
- repealing the costly prevailing wage law that increases construction costs on public projects;
- passing measures to reform Kentucky's legal climate including creating medical review panels; and
- modernizing the justice code in order to be "smart on crime" and save taxpayer dollars being spent on prisons.

And we're advocating a new one this year: passing a commonsense law to give selected felony offenders the opportunity to clean their slate after paying their debt and remaining clean of any offenses for five years. Approximately 94,000 Kentuckians have a low-level Class D non-violet felony on their record. At some point, they deserve a second chance, and frankly, our growing workforce needs them gainfully employed.

We will push hard for all of these in the coming session. Calling your senator and representative will encourage them to step up to these challenges in the 2016 session.

KTRS: Pension issue must be addressed in 2016 session

Adkisson served on the panel (as the only business representative in the group) and consistently pushed for a "shared responsibility" approach, i.e. a package that would both increase the amount of funding to the system in the coming years but would be balanced with a set of restructured benefits – mostly for future

teachers – to sustain the system in the future.

"While I hoped to see a complete package come out of the task force, the list of restructuring and payment options was probably the most we could expect from this particular exercise," Adkisson said.

As news that no action on the pension

front in the next legislative session could lead to more credit downgrading from rating agencies, Adkisson stressed that something must be done to ensure the solvency of the pension systems right away.

"This critical issue must be addressed in the 2016 session. No delays."

State employment now 20,000 above pre-recession peak

Manufacturing growth strong while wage growth lags

In late December, the Kentucky Chamber of Commerce released a report conducted by the Chamber's Senior Economic Advisor Dr. Paul Coomes, looking at the just-released data from the U.S. Bureau of Labor Statistics on job and payroll growth.

"This report provides a snapshot not just of Kentucky's economy as a whole, but of the state's nine economic regions," said Chamber President and CEO Dave Adkisson. "Paul's data reveals the nuances of Kentucky's complex economy."

The data provides specific information about the following regions – Lexington, Mountains, Cumberland, Bowling Green-Hopkinsville, Paducah-Purchase, Owensboro-Henderson, Louisville, Northern Kentucky, and Ashland. The data also includes organized job and payroll data by county and bordering states, and includes tables and charts that summarize recent economic growth.

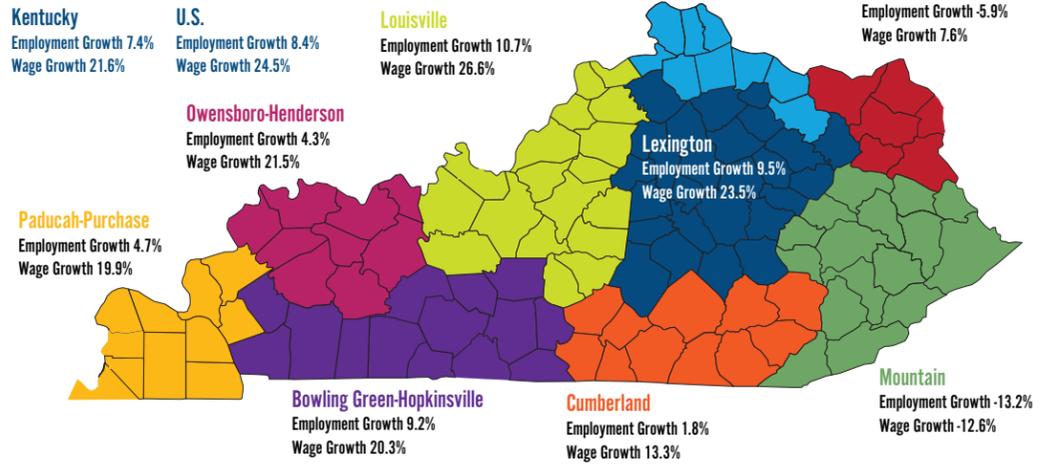
"Kentucky as a whole added jobs (7.4 percent) at a slower clip than the U.S. (8.4 per-

cent), but greater than the growth rate of all border states except Tennessee and Indiana," said Coomes. "And Kentucky now has about 20,000 more jobs than it had at the peak of the last national expansion, in 2007. Additionally, the state has added manufacturing jobs at three times the rate seen nationally, though remains 12,000 jobs below its previous cyclical peak in 2007."

Additionally, Coomes' research found the following:

- Employees in Kentucky earned \$19.7 billion in wages and salaries in the April to June quarter of 2015. Well over half (58 percent) of the statewide payroll was earned in just two regions – Louisville and Lexington.
- Payrolls in five of the nine economic regions grew by 20 percent (not adjusted for inflation) or more since 2009, led by Louisville, Northern Kentucky, and Lexington. However, payrolls declined in the Mountain region by 13 percent.

Employment & Wage Growth in Kentucky's Nine Economic Regions



- Workers in Kentucky earned on average \$10,700 in the second quarter of 2015, compared to \$12,600 nationally.
- Kentucky had 241,000 manufacturing jobs as of June 2015. The state has added manufacturing jobs at three times the rate seen nationally, though remains 12,000 jobs below its previous cyclical peak (in 2007). Kentucky has

Kentucky Chamber Report | December 2015

increased its share of U.S. manufacturing jobs from 1.8 to 2.0 percent over the last decade.

- Four of the nine Kentucky regions had stronger growth in manufacturing pay than the U.S.

View the report online at kychamber.com/2015economy

BEVIN: Bevin outlined 2016 goals at Chamber's Legislative Preview Conference

"We are looking forward to working with this group of experienced professionals, all who have solid standing in their fields." At the Legislative Preview Conference, Bevin said many of his priorities for the 2016 Kentucky General Assembly are lining up with that of the Kentucky Chamber, noting that there are certain issues the state as a whole must focus on in order to move forward.

Among those critical issues, Bevin said, are education and infrastructure. On education, Bevin said he agrees with the Chamber's support of performance-based funding for higher education adding that schools should be rewarded for progress.

On infrastructure, Bevin discussed public-private partnerships (P3) and said he is more in favor of making sure things are paid for when we can afford them.

When approaching these types of issues, Bevin said he will be looking to spend the state's dollars as if they were his own and ensure the protection of Kentucky's taxpayers.

Bevin said tackling tax reform will be one of his main priorities, stating that the state's inventory tax and death tax will be phased out, and other changes have to be made in order to make the state more business friendly.

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2016 Legislative Preview Conference



Bryan Sunderland, Senior Vice President of Public Affairs for the Kentucky Chamber discussed pension and budget issues with Sen. Chris McDaniel, Sen. Morgan McGarvey and Mike Harmon, auditor-elect, during the Legislative Preview Conference on Dec. 14.



Kentucky Chamber Board Chair Kevin Canafax of Fidelity Investments presented Gov. Matt Bevin with a gift.



U.S. Rep. Andy Barr discussed federal issues.



Sen. Max Wise, Education Commissioner Stephen Pruitt, and Rep. Bam Carney discussed education issues.

Stumbo, Givens outline 2016 goals

Ahead of the 2016 session, legislative leaders spoke with the business community about what can be expected when crafting a budget and working to address the pension crisis in a new political environment with a new administration and a limited amount of dollars for some big ticket issues.

House Speaker Greg Stumbo and Senate President Pro Tem David Givens joined the Kentucky Chamber's Legislative Preview Conference Dec. 14 in Lexington where the main topic of conversation was the significant needs of the pension systems in the state.

Both legislative leaders expressed support for audits of the state's pension systems, including the comprehensive performance audit of the Kentucky Retirement System called for by the Kentucky Chamber.

Stumbo said he believes the auditor has the ability to charge the system for such an audit and said it needs to be done. Givens agreed by stating that the Senate is very supportive of the idea and believes both systems need to be audited, adding that transparency of the systems will be a key for his chamber this year as they introduce legislation to bring more accountability to the systems.



House Speaker Greg Stumbo and Senate President Pro Tem David Givens discussed what to expect in the 2016 legislative session.

Discussing funding solutions for the pension systems, Speaker Stumbo brought up his proposal from the 2015 session to bond \$3.3 billion dollars to give the Kentucky Teachers' Retirement System an influx of cash as they reach what the system has called a "tipping point."

The issue went into conference committee at the end of the session as the House wanted to pass the large bond amount while the Senate wanted to make some structural changes to the system.

In terms of what can be expected during the 2016 session on the issue, Stumbo said he will be reintroducing the idea of bonding. The House Speaker said the \$3.3 billion figure is a big one and seemed to express some willingness to work with the numbers but believes it is necessary to help the system.

On the idea of bonding, Givens said while additional funding will be necessary to solve the woes of the pension systems, he does not believe bonding \$3.3 billion is the logical solution.




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* The Economic and Health Impacts of Obesity. Institute on the Costs and Health Effects of Obesity. National Business Group on Health. February 2009. Anthem Blue Cross and Blue Shield is the trade name of Anthem Health Plans of Kentucky, Inc. Independent licensee of the Blue Cross and Blue Shield Association. ANTHEM is a registered trademark of Anthem Insurance Companies, Inc. The Blue Cross and Blue Shield names and symbols are registered marks of the Blue Cross and Blue Shield Association.

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Kentucky Chamber President and CEO Dave Adkisson, pictured third from right, met with Bill and Melinda Gates, center, to discuss Kentucky's high academic standards, along with many education leaders from throughout the state.

Bill Gates visits Pikeville on education mission

Kentucky Chamber President and CEO Dave Adkisson was among a small group of Kentucky education leaders who met in Pikeville with Bill and Melinda Gates and staff members from their foundation.

The discussion focused on Kentucky's successful adoption and implementation of higher academic standards and the positive achievement gains that are resulting in our classrooms.

Kentucky's business community was singled out for its strong and continuing support of the standards; the Chamber has taken a leadership role in raising employer awareness of the importance of the higher standards in building a more highly skilled workforce.

Adkisson also had the opportunity to share information about the Chamber Foundation's Leadership Institute for School Principals, which has provided executive-level leadership training for more than 250 Kentucky principals since its founding in 2011.

Campaign focuses on winning game plan for Ky. education

Supporting the higher academic standards that are fueling progress in Kentucky schools is the focus of a new campaign being developed by the Kentucky Chamber of Commerce Foundation and the Prichard Committee for Academic Excellence.



Slam Dunk Kentucky! will focus on the winning work now underway across the commonwealth to better prepare students to succeed as adults – in both postsecondary education and the workplace. It features a web site, slamdunkky.org, and social media campaign designed to help Kentuckians learn more about what our students are being taught and the positive impact of the academic standards that teachers are using to guide students' classroom experiences.

The campaign is part of the ongoing efforts of both organizations to support Kentucky's schools, student and teachers in their progress toward educational excellence. A particular focus will be on the academic standards that Kentucky adopted in 2010 following their development by teachers and experts from 47 states, including Kentucky, to make sure all students can succeed in a rapidly changing economy.

"Kentucky schools have made remarkable progress in a short period of time, but we've got to keep our shoulder to the wheel," said Dave Adkisson, president and CEO of the Kentucky Chamber of Commerce. "Every student needs to graduate high school ready to move into college or a career."

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*Ultimate Spirits Challenge Awards
2015*

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*San Francisco World Spirits Competition
2015*

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JANUARY 2016



NEWS

Kentucky Chamber



A new day in Frankfort

Gov. Bevin begins administration with solid, business-friendly appointments