



Kentucky Chamber
Uniting Business. Advancing Kentucky.



2010 KENTUCKY GENERAL ASSEMBLY



Results for Business

What Passed. What Didn't. **And What It Means to Your Bottom Line.**

Employers fare well during legislative sessions

Kentucky Chamber's Advocacy Efforts Save Employers Millions

IT WASN'T PRETTY ... the political process rarely is. It wasn't easy ... creating a realistic and workable budget in this economy required tough decisions. And it wasn't as timely as some Kentuckians would have liked. But now that the dust has settled, it's clear that this year's legislative session left businesses in a better position to move beyond the recession and get the state back to work.

That's what our members asked us to work toward, and that's what we did.

After more than a year of research on Kentucky's spending priorities and countless discussions with the top business minds across the Commonwealth, we knew it was time to push for the state to make the same budgeting sacrifices that businesses and families have to make every day. It was time for the state to focus on controlling costs before asking for more taxes.

The Kentucky Chamber's Leaky Bucket plan showed legislators how they could do that. To their credit, they listened, and a number of negative tax proposals were defeated and replaced with common-sense spending reductions that will help the long-term sustainability of the state.

It took a special session, but lawmakers reached agreement on a budget plan that includes:

- No new taxes on Kentucky employers
- An acceleration of the small business tax credit
- Reductions in the long-term cost of state health benefits for public employees
- Maintaining the full calendar of instructional days for Kentucky schools
- More basic education funding under the SEEK formula
- Directives to accomplish savings in the Medicaid program
- Reductions in political appointees and state contract costs

"It was time to push for the state to make the same budgeting sacrifices that businesses and families have to make every day."

- A new markets tax credit to spur revitalization efforts in low-income and impoverished communities

Another significant success was the passing of the Chamber-supported unemployment insurance reform, which creates a new financial structure that will save the system an estimated \$700 million over a decade. By increasing state contributions, employers will net over \$250 million in total savings in taxes and interest. Kentucky's current system has been out of balance for nearly a decade, paying out more in benefits than it had taken in. This plan is a huge step toward returning the system to solvency and allowing the reduction of employer tax rates.

It wasn't pretty. It wasn't easy. And it certainly wasn't perfect. **We have a lot more work to do.** But this year's legislative session was a step in the right direction. Read through some of the specifics on the next few pages (you can find more at www.kychamber.com). Then, if you're not a member already, join us in our efforts to build and maintain a healthy economy and business climate for Kentucky.

To our members: Thank you so much for your feedback, your time, your willingness to testify before the legislature and your continued investment in our work. We couldn't do it without you.



Dave Adkisson

Dave Adkisson
President and CEO
Kentucky Chamber



"Even the most casual observer could not fail to notice the high level of influence brought to bear on this legislative session by the Kentucky Chamber. I do not remember a time when the Chamber has had a more significant or positive effect."

— **Bradford L. Cowgill**, SmartClaim, Lexington;
Chairman, Kentucky Chamber Government
Modernization Council



How the 2010 Legislative Session Impacts Business

Bills categorized by 5 goals to transform Kentucky

In 2010, the Kentucky Chamber reviewed over a thousand pieces of legislation to determine the impact on business — tracking and giving input on more than 300. Below is a summary of legislation that had the most impact on the Kentucky business community.



Positive business-building legislation



Legislation that posed a substantial risk to Kentucky businesses

There's a lot of work left to be done! For more information on how you can join the fight to improve the economic climate in Kentucky, call the Kentucky Chamber at 502-848-8743 or visit www.kychamber.com.

EDUCATION AND WORKFORCE



College Credit Transfer — This legislation will align lower division coursework across postsecondary education institutions and provide strong statewide transfer procedures for college credits. (HB 160)
ENACTED INTO LAW



Career Pathways — The Chamber supports preparing today's students for tomorrow's jobs with career-based programs of study for high school students. (SB 28)
PASSED BY THE SENATE, NOT CONSIDERED BY THE HOUSE



Raise the Dropout Age — This legislation would have kept students in school and working toward a diploma until the age of 18. (HB 94, HB 145, HB 301)
PASSED BY THE HOUSE, NOT CONSIDERED BY THE SENATE



Responsible Principal Selection — This legislation would have created a more responsible process for the selection of a school principal, with the superintendent included in the process. (HB 322, HB 239 SCS)
NOT CONSIDERED BY THE HOUSE, PASSED BY THE SENATE



Financial Aid Improvements — This legislation would have created a shared funding scholarship for juniors and seniors in college that are on track to graduate and raise the minimum award standards for KEES to a 3.0 GPA and 22 ACT. (SB 121)
NOT CONSIDERED BY THE SENATE



Quality Pre-K — HB 190 set a goal of offering voluntary, quality preschool for every 3- and 4-year-old child over time through collaborative models as funds are available. (HB 190)
PASSED BY THE HOUSE, NOT CONSIDERED BY THE SENATE



Race to the Top — HB 176, enacted into law, provides more options to the education department and local school councils to intervene in low-performing schools and improved the state's Race to the Top application. **ENACTED INTO LAW**
To ensure that Kentucky is fully competitive for the federal education funds, the Chamber is supportive of charter schools. HB 109 included moderate charter language along with SB 67, providing for early graduation for high school students, and SB 94 that aims to close the achievement gap through summer learning camps. (HB 109)
PASSED BY THE SENATE, NOT CONSIDERED BY THE HOUSE

GOVERNMENT MODERNIZATION



Budget Accountability — This legislation would have required state agencies to maintain Web sites that detail the expenditures of state funds. (SB 40, HB 128)
PASSED BY THE SENATE, NOT CONSIDERED BY THE HOUSE



Pension Expertise — This Chamber-supported legislation requires public pension boards to include investment experts to help safeguard tax dollars. (HB 146)
ENACTED INTO LAW



UI Fraud — This legislation required an employee who received unemployment benefits and was subsequently convicted of embezzling funds to repay the total amount of benefits received to the unemployment insurance trust fund. (HB 242)
NOT CONSIDERED BY THE HOUSE



Government Efficiency — This legislation requires the secretary of the Personnel Cabinet and the secretary of the Finance and Administration Cabinet to provide a detailed quarterly report to the Legislative Research Commission regarding the number of state employees and personal service contracts in state government in an effort to review personnel costs. (HB 387)
ENACTED INTO LAW



Retiree Health Insurance — This legislation will save the state's taxpayers by requiring retired teachers under age 65 to take on part of the financial responsibility for their health insurance. This legislation is a responsible step toward shoring up the teachers' retirement fund, from where legislators have been borrowing dollars to pay for retirees' insurance. (HB 540)
ENACTED INTO LAW



Corrections Costs — This legislation reduces incarceration time for offenders who complete programs or perform acts of a meritorious nature. Significant savings are also realized through expanded home incarceration and administrative efficiencies such as e-mailing of jail inspection reports. (HB 564)
ENACTED INTO LAW



Alcohol Sales in State Parks — As amended in the House, this legislation would have permitted the limited sale of alcoholic beverages in Kentucky's state parks and set up a local option for state parks located in dry counties. (SB 41, HB 85)
HB 85 NOT CONSIDERED BY THE HOUSE; SB 41 AS AMENDED AND PASSED BY THE HOUSE NOT CONSIDERED BY THE SENATE

HEALTH AND WELLNESS



Wellness Program Protection — A top health care priority for the Chamber, this legislation clarifies Kentucky's employment discrimination laws to ensure employers who provide wellness and smoking cessation programs avoid frivolous lawsuits. (HB 165)
ENACTED INTO LAW



Wellness Tax Credit — HB 74 would have created tax credits for employers to recover 50 percent of the costs of implementing an employee wellness program. (HB 74)
NOT CONSIDERED BY THE HOUSE



Physical Activity for Kids — The Chamber supports programs that promote health and wellness for all Kentuckians, including the youngest citizens, through increased physical activity and healthy habits. (HB 52, HB 523)
NOT CONSIDERED BY THE HOUSE



Health Mandates — Several bills were introduced this session that would have required health plans to cover a number of expensive services and some would have changed the way a health provider was reimbursed. Although nearly all the mandate bills were defeated (SB 157, HB 460), legislators decided the need for coverage for children with autism (HB 159) outweighed the increase in health insurance costs the additional coverage would cause.

COMPETITIVE KENTUCKY



Business Tax Changes — A portion of this bill sought to suspend the net operating loss (NOL) tax provisions for businesses over the course of three years. Changes to this provision would have resulted in business paying \$185 million more in tax dollars toward the state's two-year spending plan. (HB 530)
DEFEATED



Unemployment Insurance — This Chamber-backed bill is a comprehensive reform of Kentucky's UI system. This Kentucky-sponsored solution will lower the overall tax burden for Kentucky employers and will allow for lower future tax rates when the state's UI Trust Fund debt is retired. (HB 5 Special Session)
ENACTED INTO LAW



Economic Development Incentives — These bills sought to enact new reporting requirements that would discourage companies from locating in Kentucky and would sunset valuable economic development incentives. (HB 335, HB 336)
DEFEATED



Service Taxes — The Chamber opposes legislation that would extend the sales and use tax to business-to-business services. While HB 78 sought to lower the state sales tax to 5.5 percent, HB 13 would have expanded the sales tax at the current rate to provide for an earned income tax credit for low-wage earners.
DEFEATED



Expanded Litigation — This legislation would have extended the statute of limitations on certain wage discrimination cases from 180 days to two years. Wage discrimination is already addressed in the federal Equal Pay Act and this legislation would only encourage more litigation and increase costs for employers in the state. (HB 133)
DEFEATED



Consistent Statutes of Limitation — This Chamber-supported legislation to reduce the statute of limitations on wrongful discharge claims from five years to two years would have created a better climate for doing business in Kentucky. (HB 369)
NOT CONSIDERED BY THE HOUSE



Collective Bargaining — This legislation would have allowed public employees in Kentucky to form unions and collectively bargain. The Chamber opposes collective bargaining legislation because it can lead to inefficient administration of public services, increased costs to taxpayers and an increased likelihood of interruptions to essential government services. (HB 493)
DEFEATED



New Market Tax Credit — This legislation provides tax credits to start-ups in economically depressed areas of Kentucky, providing jobs to those areas of the state with the greatest need. (HB 2 Special Session)
ENACTED INTO LAW



Workers' Compensation Fund — This legislation extends the employer assessment to pay off the liabilities of the old state "high risk pool." The rate needs to increase to approximately 10.5 percent this year to stay on target for 2018, but this bill stretches the "end date" so the employer assessment can remain at 6.5 percent. (HB 395)
ENACTED INTO LAW

ENERGY AND ENVIRONMENT



Energy Diversification — This legislation would have removed the current prohibition on the development and construction of nuclear electric-generating plants—a positive step toward meeting the state's future energy needs. (SB 26, HB 213 as amended)
PASSED BY THE SENATE, NOT CONSIDERED BY THE HOUSE



Energy Mandate — This legislation would have mandated a renewable portfolio standard to be used by all electric utility providers in the Commonwealth, beginning next year and continuing in perpetuity. This bill was too prescriptive and would have served to drive up the costs of providing electricity to residential and industrial consumers in the Commonwealth. (HB 408)
DEFEATED



Alternative Fuels — HB 589 authorizes up to five newly constructed or retro-fitted alternative fuel facilities that use natural gas or natural gas liquids as their primary feedstocks to receive tax credits created under HB 1 from the 2007 session. HB 552 permits alternative fuel facilities that produce coal-derived energy efficient fuels to be eligible for coal severance tax incentives.
ENACTED INTO LAW



Coal Mining Permits — This legislation, supported by coal industry leaders, increases surface mining permit fees and permit renewal fees to allow the Division of Mine Permits to hire more permit reviewers in an effort to eliminate the cabinet's permitting backlog. (HB 283)
ENACTED INTO LAW



Chamber advocacy saves each Kentucky business an average \$4,699 per year

THE KENTUCKY CHAMBER'S advocacy during the 2010 Session of the Kentucky General Assembly saved the Kentucky business community an estimated \$294.1 million per year—an average of \$4,699 per year for each Kentucky business. Here's a breakdown of how the Chamber's work generated real savings for the business community:

HB 13. In addition to increasing the individual income tax rates for higher incomes, HB 13 would have imposed sales tax on the following services to generate up to \$112 million per year in additional state revenue:

- Golf course greens fees and membership fees in private golf clubs and private country clubs
- Janitorial services, including carpet, window and upholstery cleaning
- Garment alteration and garment repair services
- Non-coin-operated laundry and dry-cleaning services
- Armored car services
- Security services
- Exterminating and pest-control services

Economists at the University of Kentucky estimate that 50 percent of the sales taxes collected in Kentucky are paid by business. That means the estimated \$112 million in new sales taxes imposed by HB 13 would have cost the Kentucky business community more than \$56 million per year in additional taxes. With approximately 93,000 businesses in Kentucky (according to the U.S. Census

Legislation

Health insurance mandates defeated (HB 460, SB 154 & 157)

Annual Savings to Ky. Business Community

\$21.4 Million

Average Annual Savings per Ky. Business

\$1,769*

Sales tax expansion to services defeated (HB 13)

\$56 Million

\$602

Net operating loss carry-forward suspension defeated (HB 530)

\$81 Million

\$870

Accelerated sales tax collection defeated (HB 530)

\$45 Million

\$483

Spending reductions in state budget advocated by Chamber (HB 290)

\$90.7 Million

\$975

TOTAL SAVINGS

\$294.1 Million

\$4,699 per business

*Insurance savings based on a company with 50 to 99 employees at \$23.75 per employee per year

Bureau), the Chamber's successful opposition to HB 13 saved each business in Kentucky an average of \$602 per year in sales tax (\$56 million divided by 93,000 businesses).

HB 530. Passed by the House but defeated in the Senate, HB530 also proposed a number of changes to the tax code. Most significant to business was the suspension of net operating loss carry forward—aggressively opposed by the Kentucky Chamber—at a total cost to business of \$81 million per year. While there is no way to determine how many busi-

nesses are affected by this provision, if all Kentucky businesses used this provision, the average impact would be \$870 per year (\$90 million divided by 93,000 businesses). Another significant provision of HB 530 was the acceleration of sales tax collections at a total cost of \$90 million per year. Since 50 percent of sales taxes are business-to-business transactions, this provision would have cost the business community an additional \$45 million per year or an average of \$483 annually per business (\$45 million divided by 93,000 businesses).

Better Bottom Lines

Some 80% of legislation that affects business is passed at the state level.

Who's looking out for your business?

The Kentucky Chamber uses membership dollars to:

- Fight healthcare mandates.
- Stop frivolous lawsuits.
- Reduce burdensome state regulations.
- Ensure a competitive tax climate.
- Bolster Kentucky's educational system.

"It takes a combined effort. It takes a commitment on the part of a business to have your voice heard in Frankfort."

— Wayne Knewasser, Premier Home Care, Inc., Louisville

AGGRESSIVE REPRESENTATION

We represent our members before the Kentucky General Assembly, government agencies and the courts to reduce taxes, curb burdensome regulations and create a profitable business climate in Kentucky.

OUTSTANDING RESOURCES AND TRAINING

Kentucky Chamber seminars, events and publications keep you on top of the complexities of legislation, regulations and business management.

INSIDE INFORMATION AND ALERTS

Our members are the first to know. More importantly, they're the first to understand through the well-researched facts and in-depth analyses in Chamber newsletters, e-updates and action alerts.

CHAMBER POWER BUYS

Chamber membership puts the buying power of thousands behind your company. Members get discounts on employee health insurance, office supplies and payroll services – savings that directly enhance their bottom lines.



Kentucky Chamber
Uniting Business. Advancing Kentucky.

For more information or to join the Kentucky Chamber, call (502) 848-8743 or visit www.kychamber.com.

Kentucky Chamber of Commerce
464 Chenault Road, Frankfort, KY 40601

p 502-695-4700
f 502-695-5051

e kcc@kychamber.com
w www.kychamber.com