





Pictured Above | Governor Matt Bevin sat down with Jacqueline Pitts of the Kentucky Chamber for an exclusive interview with The Bottom Line: Kentucky Political News

Exclusive Interview: GOVERNOR MATT BEVIN



MATT BEVIN GOVERNOR In an exclusive interview with The Bottom Line, Kentucky Gov. Matt Bevin laid out what he expects his re-election campaign to look like with the possibility of a new running mate, discussed the Democrats running for governor in 2019, and detailed what comes next on the big issues of pension reforms and taxes.

When asked if there will be any changes to his ticket during the 2019 campaign, Bevin said he is still having those discussions

with the current Lt. Governor, Jenean Hampton, and said a decision on who his running mate will be will be announced soon.

"There's never been, I don't believe, eight years of the same governor and It. governor in the history of Kentucky. It's not normal anywhere, and it's presumptuous of me to assume things on our It. governor's behalf as to what her desires are," Bevin said. "I'm also looking at what is needed as we look into the next four years. You know, what are the things that Kentucky needs and what is the team that's best able to accomplish those things."

As for who he will face in his re-election campaign, two Democrats have announced their runs for governor, Attorney General Andy Beshear and House Minority Leader Rocky Adkins, and more names are being circulated as potential candidates in that primary. "I'm not going to embrace them and love them and say 'hey, they're the best,' but at the same time I'm not going to diss the fact that they are willing to step into the fray and be public servants and put themselves out there. I respect them for that," Bevin said. "This is why I'm confident that in the fall of 2019, we will have the governor that Kentucky

needs, whoever that happens to be."

In terms of what the big issues in this governor's race will be, Bevin said while many of the things he ran on in 2015 have been accomplished, I'm also looking at what is needed as we look into the next four years.

there is still more work to be done on issues like pensions, tax reform, school choice, and many others, which he said will be a focus of the campaign.

At the time of the interview, the Kentucky Supreme Court had not yet overturned the pension reform bill that passed in the 2018 session making changes to the Kentucky Teachers' Retirement System (KTRS). Ahead of that ruling, Bevin said the practice seen in recent months of the Kentucky Supreme Court making laws from the bench is extremely dangerous and said while the three branches of government, executive, judicial, and legislative, are coequal, the legislature is the most powerful as it is the

Kentucky Chamber Travels to 15 Cities

TO DISCUSS KEY ISSUES AHEAD OF 2019 SESSION



DAVE ADKISSON

PRESIDENT/CEO

of Commerce leaders traveled the state to present the 2019 Legislative Agenda, containing the top priorities of the business community. The tour of briefings features discussion on the key issues facing the legislature in 2019 and how they fit into the Chamber's *Four Pillars for Prosperity* report.

Kentucky Chamber

SEE KEY ISSUES AHEAD OF

closest to the people.

SEE EXCLUSIVE INTERVIEW, PAGE 4

2019 SESSION, PAGE 3

Kentucky's Progress and Failings DETAILED IN LATEST RANKINGS

New statistics show where Kentucky stands compared to other states and the nation in jobs, infrastructure, workforce, and government—the four areas laid out in the Kentucky Chamber's vision for the state.



When laying out priorities to move Kentucky forward with the release of the *Four Pillars for Prosperity* publication in 2015, the Kentucky Chamber of Commerce created a dashboard to gauge the state's performance and monitor key indicators.

Research is conducted each year on the state's standings in significant areas under each of the four pillars and made available via the online dashboard.

SEE KENTUCKY'S LATEST RANKINGS, PAGE 3





FROM THE FRONT Kentucky's Latest Rankings

The findings on these progress points updated in November 2018 are summarized below:

Workforce

The National Assessment of Educational Progress (NAEP) is a periodic national assessment that measures what U.S. students know and can do in various subjects in the 50 states. NAEP scores in Kentucky are above the national average for 4th grade reading, at the national average for 4th grade math and 8th grade reading, and below the national average for 8th grade math.

The Commonwealth's high school graduation rate (percentage of high school students who graduate on time) of 89% is above the national average of 84%.

Kentucky's 2017 violent crime rate of 225.8 per 100,000 population remains among the lowest in the country and well below the national average of 382.9. Kentucky moved up three spots, from 45th place to 42nd place, in the annual America's Health Rankings, which ranks health status in the 50 states on a wide range of health factors.

The percentage of people living in poverty in Kentucky dropped from 18.5% of the population in 2016 to 17.2% in 2017. The national average for 2017 was 13.4%.

At \$39,393, Kentucky's annual per capita personal income decreased slightly over the last year and stands at 78% of the national average of \$50,392.

Government

Kentucky's Business Tax Climate Index moved from #39 last year to #23 for this year, a move of 16 places—more than any other state in the country. The Tax Foundation attributed Kentucky's significant progress in this area to the tax reform package passed by the 2018 Kentucky General Assembly.

Kentucky's overall pension funding ratio for FY 2016 is 31%, tied with New Jersey for the worst in the country. The U.S. average was 66%.

m Infrastructure

Kentucky was considerably below the national average in the percentage of the state population with access to broadband. 85.8% of Kentuckians have broadband access compared to the national average of 92.3%.

In terms of the percentage of bridges that are structurally deficient, Kentucky fares better than the national average, with 7.8% of Kentucky's bridges rated structurally deficient compared to 8.9% nationally.

Kentucky continues to be a national leader in low electricity costs to industry. As of August 2018, Kentucky's average industrial electric price was 5.25 cents per kilowatt-hour, compared to a national average of 7.24 cents. Only Washington state was lower at 5.23 cents.

ন্দ্র Jobs

The percentage of Kentucky's workforce employed in manufacturing is 12.76% – significantly higher than the national average of 8.56%.

With over \$30 billion in exports in 2017, Kentucky was 18th among the 50 states in total value of exports last year.

Kentucky's 2018 Economic Freedom ranking, as measured annually by the Cato Institute, moved up 7 spots among the 50 states to #26 from #33 in the last ranking.

Kentucky dropped 7 spots—from 35 in 2017 to 42 this year—in the annual CNBC Top States for Business rankings. Kentucky scored well in infrastructure and cost of doing business, but problem areas included education and quality of workforce.

READ MORE

View all the data collected on the *Four Pillars for Prosperity* Dashboard on **kychamber.com**.

Key Issues Ahead of 2019 Session

Kentucky Chamber President and CEO Dave Adkisson kicked off the legislative preview tour in Elizabethtown in July and visited Somerset in September and 13 local chambers in December.

The statewide briefing tour is aimed to familiarize members of local chambers of commerce with the priorities of the Kentucky Chamber. The 2019 priorities include:

- Investing in Kentucky's Infrastructure
- Improving Kentucky's Tax Code
- Reforming Kentucky's Bail System
- Improving Legal Liability Climate
- Enacting Sports Wagering
- Modernizing Unemployment Insurance
- Ensuring Affordable Energy Resources
- Implementing Tobacco-Free Schools
- Encouraging Competitive Business Climate to Motivate Broadband Deployment



Pictured Above | Kentucky Chamber President and CEO Dave Adkisson discusses 2019 legislative priorities in Pikeville, Kentucky

FROM THE FRONT **Exclusive Interview:**

"If the Supreme Court chooses to overstep their authority, as they have in other instances....if the same thing happens on this pension bill, this state is in big trouble. Because then the failure of the pension system will be on the backs of those seven jurists. I don't think they would want that responsibility, they shouldn't. It's not their authority and they shouldn't be dictating to the legislature how the legislature passes bills or what they do when passing bills," Bevin said.

When asked what the legislature should do if the pension reform bill was overturned by the court, Bevin said while he cannot craft legislation and wouldn't suggest what changes the legislature should make to a new bill, he said something must be done as Kentucky has the worst funded pension systems in the country.

"Our systems are destined for failure on the track they are on. They will not survive. The money will run out. This is a hard thing for people to believe, they say 'well just

get it from somewhere else.' Raise taxes, people leave. It's not just as simple as that. So, we have got to fix this," Bevin said.

The governor also noted the impact of pension reforms on the legislative elections in November as many expected a large number of Republicans to get voted out based on their vote on the pension bill. Bevin said despite the "noisy voices in the



KEA (teachers' union)" and the anger and misinformation, he believes the election results show the people of Kentucky understand something must be done about the pension issue.

Tax reform continues to be a big topic heading into the 2019 legislative session after lawmakers passed reforms this year and are anticipated to clean up some of the language in that bill and make small changes in the coming year.

Bevin said changes need to be made to the reforms passed as they were hurried along at the end of session in order to find money to shore up the pension systems and pass a state budget for the next two years.

As for what should come next on tax reform, Bevin said he does want to see a more comprehensive tax code where the system is more consumption-oriented, and he said those changes will come with time, and he believes they have the votes to pass such reforms.

READ MORE

Read more of the interview with Gov. Matt Bevin on infrastructure funding, new workforce initiatives, changes to Medicaid, and more at **kychamberbottomline.com**.



Pension Reforms Overturned BY KENTUCKY SUPREME COURT

In a unanimous decision released in December, the Kentucky Supreme Court overturned the legislation making reforms primarily to the Kentucky Teachers' Retirement System (KTRS) passed during the 2018 session of the General Assembly.

In its decision, the court stated the passage of Senate Bill 151 "did not comply with the three-reading requirement" for legislation and for that reason they ruled the bill is "constitutionally invalid and declared void."

"The decision by the Kentucky Supreme Court is very unsettling for the business community. After several years of advocating for pension reform and a very difficult session that yielded actual progress, the Kentucky Chamber is very discouraged

"We urge the General Assembly to **not be dissuaded from reforming the pension systems...**"

The bill was passed at the end of the legislative session after many revisions and changes to the original language, causing the General Assembly to place the language for the final version of the pension reforms in another bill that was already at the stage in the legislative process to get it passed before the final days.

Legislation requires three readings on the floor of each legislative chamber after being passed out of committee and before being passed by the full body.

In response to the ruling, the Kentucky Chamber released a statement expressing disappointment in the decision as the business community has been a vocal advocate of reforms to the state's woefully underfunded pension systems.

that we are back to square one. The billions of dollars in unfunded liability continue to weaken Kentucky's bond rating



and threatens investment in everything from infrastructure to education. We urge the General Assembly to not be dissuaded from reforming the pension systems and to again pass meaningful reforms that will put our pension systems on a sustainable track through the process deemed constitutional by the Supreme Court," Kentucky Chamber President and CEO Dave Adkisson said.

READ MORE

Read more about the ruling and the response from top leaders at **kychamberbottomline.com**





Pictured Above | Legislative Leaders: Senate President Robert Stivers, Senate Majority Leader Damon Thayer, House Speaker David Osborne, Speaker Pro Tempore David Meade, with moderator Ashli Watts of the Kentucky Chamber

Lawmakers & Experts Highlight Big Issues **AHEAD OF 2019 SESSION AT CHAMBER CONFERENCE**

On December 3, the Kentucky Chamber hosted its 2019 Kentucky Legislative Preview Conference, a one-day gathering of the most prominent and influential policymakers in Kentucky, that featured expert analysis and prediction on what to expect in the upcoming 2019 session.

Throughout the day, lawmakers and business leaders discussed issues including Kentucky politics, criminal justice and opioids, infrastructure investment, education, health care and legal liability, energy and environment, and more.

The legislative leaders panel, with Senate President Robert Stivers, Senate Majority Leader Damon Thayer, House Speaker David Osborne and Speaker Pro Tempore David Meade, discussed legislative successes over the past two years as well as issues they plan to tackle during the 2019 session including small tweaks to the tax reform package, school safety legislation, and sports wagering.



Pictured Above | Criminal Justice and Opioids: Sen. Whitney Westerfield, Rep. Jason Nemes, Kentucky Justice and Public Safety Cabinet Secretary John Tilley, with moderator Trey Grayson of Frost Brown Todd



Pictured Above | Health Care and Legal Liability: Rep. Kim Moser, Cabinet for Health and Family Services Dep. Secretary Kristi Putnam, Sen. Julie Raque Adams, with moderator Cory Meadows of the Kentucky





Pictured Above | Kentucky Politics: Scott Jennings of RunSwitch PR and CNN and Colmon Elridge of the Kentucky Education Association, with moderator Jacqueline Pitts of the Kentucky Chamber



Pictured Above | Kentucky Chamber 2019 Legislative Preview Conference, sponsored by Babbage Cofounder

Hornback, with moderator Candace McGraw of CVG Airport



Pictured Above | Education: Rep. James Tipton, Kentucky Education Commissioner Wayne Lewis, Sen. Max Wise, with moderator Adam Hinton of Hinton Mills

READ MORE

Read more about the Kentucky Chamber 2019 Legislative Preview Conference at kychamberbottomline.com.



HOUSE & SENATE SELECT Leadership Teams

Ahead of the 2019 session, caucuses in the state House and Senate held elections to select their leadership teams for 2019-2020.

Leaders for the Republican supermajority in the state House will include:

- House Speaker Rep. David Osborne of Prospect
- House Majority Floor Leader Rep. John "Bam" Carney of Campbellsville
- House Speaker Pro Tempore Rep. David Meade of Stanford
- Majority Caucus Chair Rep. Suzanne Miles of Owensboro
- Majority Whip Rep. Chad McCoy of Bardstown

Leaders for the Republican supermajority in the state Senate will include:

- Senate President Sen. Robert Stivers of Manchester
- Senate Majority Floor Leader Sen. Damon Thayer of Georgetown
- Senate President Pro Tempore Sen. David Givens of Greensburg
- Majority Caucus Chair Sen. Julie Raque Adams of Louisville
- Majority Whip Sen. Mike Wilson of Bowling Green

The leadership team for the House Democratic caucus will include:

- Minority Floor Leader Rep. Rocky Adkins of Sandy Hook
- Minority Caucus Chair Rep. Derrick Graham of Frankfort
- Minority Whip Rep. Joni Jenkins of Louisville

The leadership team for the Senate Democratic caucus will include:

- Minority Floor Leader Sen. Morgan McGarvey of Louisville
- Minority Caucus Chair Sen. Johnny Ray Turner of Prestonsburg
- Minority Whip Sen. Dennis Parrett of Elizabethtown





Now Accepting Applications

LEADERSHIP INSTITUTE CLASS OF 2020

Pictured Above | Kentucky Chamber and Leadership Institute for School Principals board members took a trip to The BB&T Leadership Institute in Greensboro, North Carolina to tour the new facility and hold a board meeting

BUSINESS LEADERS TRAVEL TO GREENSBORO For Leadership Institute for School Principals

In November, the Leadership Institute for School Principals Advisory Board traveled to the new BB&T Leadership Institute facility in Greensboro, North Carolina for its bi-annual board meeting.

Additional attendees included Kentucky Chamber Chairman Paul Thompson and Immediate Past-Chairman Joe Craft, Kentucky Chamber Foundation Chair Janet Jakubowicz, and Kentucky Chamber President and CEO Dave Adkisson.

The Chamber leaders had the opportunity to tour the state-of-the-art facility that opened in 2018 where participating principals train and stay for their three-day Phase 1 training with the Leadership Institute program. This all-inclusive facility has rooms designed for meetings, classes and workgroups of all sizes as well as open-concept workspace areas. The facility also serves as a full-service resort for Institute participants with personal guest rooms, a bistro and snack station, and a fitness center.

Learn more about the Leadership Institute for School Principals program at **principalsleadky.com**.

Apply online at principalsleadky.com

Applications due by midnight Friday, March 8, 2019

QUESTIONS?

Contact Catherine Gaertner at 502-848-8739 or cgaertner@kychamber.com



Kentucky Supreme Court Overturns MEDICAL REVIEW PANELS, UPHOLDS RIGHT-TO-WORK LAW

The Kentucky Supreme Court has recently released significant rulings on issues important to the business community including their decisions to overturn the state's medical review panels law and uphold right to work.

Medical Review Panels

Medical review panels, which passed the General Assembly in 2017, is a policy allowing for a panel consisting of three physicians and an independent moderator to determine whether or not the standard of care has been violated, with the findings being admissible in court. Bill sponsor Sen. Ralph Alvarado often stated the legislation sought to add another layer of accountability to the process.

In their opinion, the court stated they feel the policy delays access to the courts for adjudication of common-law claims, which was their reasoning for agreeing with the lower court that the law violated the Kentucky constitution.

The Kentucky Chamber has been a longtime supporter of medical review panels legislation to address the escalating costs directly attributed to Kentucky's uncontrolled medical liability climate. Kentucky Chamber Senior Vice President of Public Affairs Ashli Watts released a statement about the ruling and how the business community plans to move forward.

"The Kentucky Chamber is disappointed with the Supreme Court's decision to strike down Medical Review Panels, which is curbing frivolous lawsuits in the Commonwealth. The business community will continue to advocate for commonsense legal liability reforms to improve the business climate in Kentucky," Watts said.

Right to Work

The Supreme Court also upheld the right-to-work law, which allows employees to decide whether they join a union.

The legislature passed right to work as House Bill 1 in 2017, making it the top priority for the then newly Republican House.

The Chamber has been a longtime supporter of right to work as a key to economic development.

"The business community is glad to see right to work upheld. Kentucky has had a record number of economic development investment over the last few years, and being a right-to-work state is critical for this growth," Watts said.

READ MORE

Read the full Supreme Court opinion on medical review panels and right to work at **kychamberbottomline.com**.

FOUR INDUCTED INTO KENTUCKY ENTREPRENEUR Hall of Fame in 2018

The Kentucky Entrepreneur Hall of Fame honored four of the Commonwealth's most accomplished entrepreneurs at a ceremony in November in partnership with the Kentucky Chamber of Commerce.



The Kentucky Entrepreneur Hall of Fame celebrates the stories of Kentucky's most successful entrepreneurs, with a mission to raise awareness around the impact entrepreneurship has made in the Commonwealth, and to encourage others to pursue similar ambitious endeavors.



The 2018 Kentucky Entrepreneur Hall of Fame Induction Celebration, presented by Chase Bank, acknowledged four of Kentucky's most successful entrepreneurs:

- Don Ball, Sr. | Founder, Ball Homes (Posthumous award)
- Jess Correll | Founder and Chairman, First Southern National Bank
- Joe Craft | President CEO and Chairman, Alliance Resource Partners, L.P.
- Jim Headlee | Founder, Summit Energy Services

The induction celebration also honored three of the Emerging Entrepreneurs Class of 2018:

- Shane Howard | Founder, Custom College Recruiting
- Gregg Morton | Founder and CEO, Fooji
- Alice Shade | Co-Founder and CEO, SentryHealth

In addition, David Goodnight, Fund Manager of Bluegrass Angels was recognized as Investor of the Year and Steven Huey, CEO of Capture Higher Ed was recognized as Mentor of the Year.

The Kentucky Chamber of Commerce partners with Awesome Inc and Sustainable Business Ventures on the Kentucky Entrepreneur Hall of Fame.

READ MORE

For more information about the initiative or to learn more about past honorees, please visit **www.entrepreneurhof.com**.



KENTUCKY COURTS REQUIRE DISCLOSURE OF

Final Administrative Decisions of Kentucky Department of Revenue



The Kentucky Supreme Court split in a recent decision concerning transparency and taxpayer protection makes public the final administrative decisions of the Kentucky Department of Revenue. In Department of Revenue v. Sommer, No. 2017-SC-71(Ky. Nov. 1, 2018), Kentucky's highest court split 3-3 after Justice VanMeter, who dissented in an earlier Court of Appeals decision in favor of transparency, recused himself from the decision.

As a result of the split, the 2017 Court of Appeals decision remains intact. In that decision, the Court of Appeals held that public records laws require the disclosure of Revenue's decisions, also known as final rulings, with redactions to protect confidential taxpayer information. Kentucky joins at least 35 other states that make similar administrative tax decisions public.

JENNIFER BARBER ATTORNEY Frost Brown Todd LLC

At all levels, tax attorney Mark Sommer and tax news publisher Tax Analysts, argued that taxpayers need access to administrative rulings in order to determine the legal reasoning behind Revenue's decisions and whether Revenue's treatment of taxpayers was fair and uniform. Revenue, however, argued that the final rulings should not be subject to public records disclosure because they contain confidential tax information of individuals and

businesses. Revenue further argued that even if the release was allowed with proper redaction, the amount of redaction necessary would render the documents essentially useless.

The Franklin Circuit Court conducted an in camera review of a sample of final rulings and determined that transparency and taxpayer confidentiality could, and must, be balanced through redaction. In affirming the decision of the Circuit Court, the Court of Appeals held that Revenue can release helpful guidance from the final rulings without jeopardizing the privacy interests of individual taxpayers.

Because the Court of Appeals decision was affirmed due to the split of the Supreme Court, no additional guidance on the Court of Appeals' prior decision was provided. This prompted, in part, Revenue to file a Motion for Reconsideration on November 13, 2018.

The author, Jennifer Barber of Frost Brown Todd LLC, represents Mark Sommer and Tax Analysts in this case.

Thank you for your investment.

The following is a list of new members of the Kentucky Chamber. Please help us thank these companies for investing in the Chamber's mission by giving them your business.

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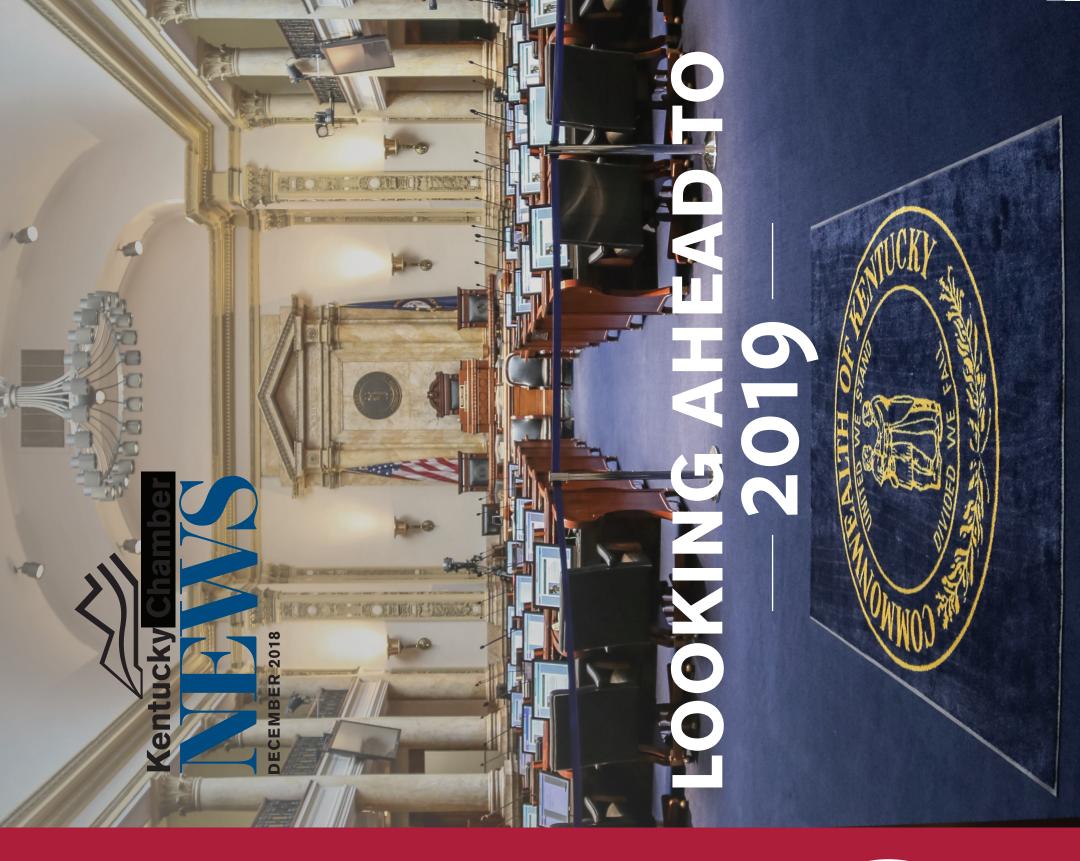


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