



Kentucky Business Agenda 2007

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Top Policy Priorities

Strengthen EDUCATIONAL STANDARDS Through Community Involvement and Quality Teaching

Reform WORKERS' COMPENSATION

Promote Informed HEALTH CARE Consumerism

Enact Comprehensive TORT REFORM

small business issue

Issues important to Kentucky's small business community have been identified throughout this agenda.

Kentucky Business Agenda 2007

Dear Kentucky Business Leaders:

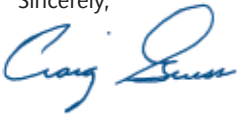
We understand the pressures and challenges of running a business in the midst of an ever-changing economy. Therefore, we work to provide you with valuable government affairs services as a benefit of your membership. Monitoring legislation, lobbying for the business community and identifying trends and issues that may adversely affect your bottom line are all part of your membership.



The Kentucky Chamber has more than 13,000 members and customers relying on our benefits and services, lobbying efforts and business education resources. With members representing every major business sector, the Kentucky Chamber addresses policies related to economic development, education, the environment, human resources and labor, small business, health care and fiscal policy. Ensuring that business is represented in the legislative process, we work with industry leaders to find the best solutions for the business community.

Inside this year's Kentucky Business Agenda you will find our priorities for the 2007 legislative session of the Kentucky General Assembly. Building on the Kentucky Chamber's decades of success, we remain committed to providing leadership as a catalyst, consensus-builder and advocate to unite business and advance Kentucky.

Sincerely,



Craig Guess
President, Vanguard Contractors and Chairman of the Board



Dear Kentucky Chamber Members and Friends:

Every year the Kentucky Chamber of Commerce develops a comprehensive agenda that outlines our policy positions and highlights our legislative priorities for the year. Our members play an important role in the process of creating that agenda. Through our annual legislative survey, we reach out to you, our members, about the issues you find important — health care and human resources, taxation and workforce development. We also have enlisted the help of our members by establishing policy committees that work year-round to ensure our agenda meets the needs of the business community.

The Kentucky Business Agenda is a valuable resource for the Kentucky Chamber, providing our staff with a set of priorities to educate policymakers, assess various legislative proposals and evaluate the performance of our elected officials. The agenda is just one of the many valuable tools we produce annually to improve the competitive business climate in the Commonwealth.

For more than 60 years, the Kentucky Chamber has worked to promote Kentucky's businesses. With your support, we will continue to serve as your representative at the Capitol.

Sincerely,



Dave Adkisson
President & CEO

Economic Development

It is critical that Kentucky be successful in our efforts to promote business recruitment, as well as retention and expansion of existing businesses. The fundamental cornerstones in our quest for higher wage jobs and economic expansion rest primarily in two areas: improving education and workforce development and ensuring Kentucky's laws and regulations are in step with our competitor states.

To that end, the Kentucky Chamber will advocate for public policy innovations that serve to remove the Commonwealth's most glaring competitive disadvantages.

We call on state leaders to eliminate unnecessary government-imposed costs of doing business and to enact legislation that fosters business growth and innovation.

Promote Education and Workforce Development small business issue

Kentucky's economic well-being is inextricably linked to the education and skills of its citizens. The relationship between educational excellence and economic growth is more critical today than it has ever been. In our modern economy, competition comes from nations on the other side of the world, not just from our neighboring states.

Kentucky must be focused and relentless in its work to create a system of education that is truly world class. All Kentuckians have a role to play in this, none more important than the state's business community. It is the state's employers who face the competition every day and who understand the limitations created by an under-educated workforce. They must become more involved, both at the school level and in policy deliberations.

Promote an Equitable Civil Justice System

The increasing cost of civil litigation, whether through legal fees, higher liability insurance premiums, defensive business practices or simply reduced investment opportunities, is a significant burden for Kentucky's employers. These costs are not only hurting businesses and their employees but also consumers as they are passed on in the form of higher prices and fewer choices.

Kentucky is not immune from these problems and must turn back the clock on expansion of employer civil liability. To stem the costly tide of an increasingly and unnecessarily litigious environment, the Kentucky Chamber supports limitations on civil liability and will advocate for constitutional changes that would allow the General Assembly to enact caps on awards for non-economic damages against employers. Kentucky should not be a haven for frivolous lawsuits. These needed reforms will have a stabilizing influence on our tort system, making the state far more attractive to employers and potential employers alike.

Between 1993 and 2003, real personal income in right-to-work states increased by 38.8 percent, compared to increases of just 28.0 percent in Kentucky and 27.6 percent in non-right-to-work states as a group.

Source: U.S. Bureau of Labor Statistics



Enact Employee Choice

The Kentucky Chamber believes every worker is entitled to make his or her own determination regarding dues payments to unions. While every worker in Kentucky is guaranteed the right to join and pay dues to a union, in many situations, the same is not true for workers who want to exercise the right not to participate. We believe that union membership is matter of personal choice and that the freedom not to affiliate with a labor union is no less deserving of protection than the freedom to affiliate.

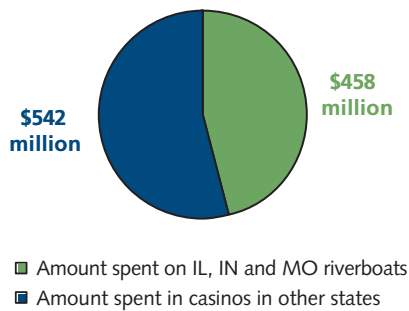
As Kentucky struggles to recruit new business and to retain existing and expanding businesses, Kentucky’s failure to enact right-to-work legislation has allowed the Commonwealth to cede competitive ground to other states. In fact, Kentucky stands with West Virginia as the only two southern states not to have enacted right-to-work legislation. We strongly support legislation to prohibit requiring any worker to join a union as a condition of employment.

Let Kentucky Vote on Alternative Gaming

The Kentucky Chamber believes that alternative gaming is a reasonable and appropriate policy measure to recoup the hundreds of millions of tax dollars being lost annually to casino gaming in neighboring states. Such a move would also help ensure the economic competitiveness of Kentucky’s signature equine industry and provide additional revenue for high-yield public investments like education.

In order to let Kentuckians decide whether to allow expanded gaming in the Commonwealth, the General Assembly should put a constitutional amendment on the ballot. Such an amendment should authorize the General Assembly to establish the structure under which casinos would be operated by the state’s racetracks along with a limited number of licenses allocated to ensure an effective geographical and market-based distribution.

Kentuckians spend over \$1 billion annually in out-of-state casinos



Source: *Economic Effects of Ohio River Casinos*, Coomes and Lynch, 2002

Kentucky has the country's lowest energy costs.

Source: Kentucky Cabinet for Economic Development

Entice Business Development

The Kentucky Chamber supports incentive programs designed to encourage the growth of high-wage jobs and long-term investment in strategically defined industry sectors aimed at achieving those gains. Incentives should demonstrate a positive return on investment to taxpayers and recipients should be held accountable for promised results. To ensure maximum efficiency and accountability, the Chamber supports the use of performance-based criteria for all incentive programs to ensure that these programs produce long-term investments with high-wage jobs.

Develop Pro-Business Energy Strategies

Kentucky's low energy costs are among our most compelling competitive advantages. Low utility rates attract jobs and investment to the Commonwealth and help offset our less competitive business elements. In order to sustain, stabilize and improve upon our favorable energy climate, the Kentucky Chamber encourages policymakers to maximize our state's opportunities for long-term growth and development while preserving Kentucky's low energy costs.

Expand Telecommunications and Broadband Infrastructure small business issue

In a few short years, the Internet has managed to become one of the most important components of the modern economy. In today's globally competitive environment, the Internet has allowed businesses to improve their productivity by communicating through e-mail, promoting their products online and more efficiently ordering supplies, taking orders, billing customers and receiving payments.

Unfortunately, the costs associated with deploying broadband in less populated areas have prevented deployment throughout the entire state, creating both a disincentive for companies to locate in rural areas and an uneven playing field for existing rural businesses. The Kentucky Chamber supports the continued efforts of the General Assembly to encourage rural broadband expansion and deployment.

Construct and Maintain Transportation Investments

A dependable transportation network is necessary for the safe and efficient movement of individuals and freight statewide. It is a key factor in business location because good transportation infrastructure provides companies a means to move goods and services in a cost-effective manner. The Kentucky Chamber supports the efforts of the Kentucky General Assembly to work toward developing and maintaining a statewide transportation system adequate for the current and future needs of the Commonwealth.

Promote Kentucky's Equine Industry

Kentucky's equine industry is world-renowned with more than a \$3.5 billion impact to Kentucky's economy and is responsible for more than 50,000 full-time equivalent jobs in our state. Because of the substantial economic impact the industry has, the Kentucky Chamber supports programs that will encourage and enhance the future growth of Kentucky's signature industry. These include innovative tax approaches, additional gaming options at racetracks, purse increases and other initiatives that help maintain our competitive advantage.

Education



Kentucky's economic viability is directly linked to the education and skills of its citizens. The relationship between workforce capability and economic growth is critical, particularly as Kentucky and the nation face increasing competition from around the world. The Kentucky Chamber of Commerce believes that education at all levels must be responsive to the needs of employers and all students – both children and adults.

Additionally, the Commonwealth must reinforce the relationship between funding and expectations for high student achievement and accountability at all levels of education – from early childhood through postsecondary and adult. Accountability is the foundation for Kentucky's system of education. The state must continually measure its progress toward specific goals to ensure a successful future for Kentucky and its citizens and accountability for taxpayers.

Develop and Reward Effective Educators

Quality teaching is the single most important factor in students' academic success. To ensure that every Kentucky student has a high quality teacher every year, the Kentucky Chamber believes that the state should undertake a formal review of the effectiveness of teacher preparation programs at the state's postsecondary institutions and make necessary improvements; redesign professional development programs to better meet the needs of classroom teachers; professionalize the teacher compensation system to reward excellence and provide incentives to attract educators to underserved areas (both geographic and subject-matter); and review the personnel system. The Chamber also supports improved leadership development programs for school principals.

Increase Community Involvement

Community involvement and support is critical for the success of schools, and employers have an important role to play in helping educators understand the demands of the modern workplace. One effective avenue for this support is through site-based councils, now made up of parents and teachers that govern Kentucky's schools. The Chamber supports expanding the membership of school councils to include two community members, one of whom would be a private-sector employer. To enhance their knowledge and effectiveness, the Chamber supports providing school council members with more and improved professional development.

Support University Bonding

Currently, 43 states allow public universities to issue their own revenue bonds to finance building projects that generate income sufficient to cover the debt service. The Kentucky Chamber believes a similar approach should be implemented in Kentucky with structural safeguards and oversight that ensures projects are consistent with the state's vision for postsecondary education.

Fund Early Childhood Education

The Kentucky Chamber believes that Kentucky must invest in early childhood education and development. Ensuring a successful beginning for Kentucky's students will require an increased investment in preschool and an effort to fully fund all-day kindergarten. In addition, the Chamber supports greater investment in health screenings and enhanced childcare programs for Kentucky's developing youth.

Possibly the greatest return on an investment of education dollars comes from early childhood education. National research on early childhood programs has found benefit-cost ratios ranging from a minimum of 3.78-to-1 to a high of 8.74-to-1.

The 2006 Executive Budget passed by the General Assembly is viewed by Kentucky education experts as one of the most progressive budgets for education since the 1990 Kentucky Education Reform Act. Included in this is additional General Fund support of \$26,600,000 in fiscal year 2007-2008 in the per pupil Support Education Excellence in Kentucky (SEEK) funding.

Improve Academic Achievement and Performance

The Kentucky Chamber believes students at all levels should be challenged even if they are provided the environment and instruction they need to succeed. Improving academic achievement of all students by encouraging rigorous courses, tying student grades to their progress on state standards, and regularly assessing performance is critical for continuous improvement.

At the high-school level, financial rewards, in particular the Kentucky Educational Excellence Scholarships (KEES) should be weighted to provide students with greater incentive to take more rigorous courses. The Chamber also believes that high schools should develop effective tools to demonstrate that graduates can succeed in postsecondary education and the workplace.

Collaboration on Principal Hiring

As superintendents are held accountable for the performance of individual schools and entire districts, they must have the authority to make or participate in critical personnel decisions. Similarly, school councils have an appropriate role to play in the hiring of school principals. To achieve these goals, the Kentucky Chamber supports requiring school councils and superintendents to collaborate on the hiring of principals.

Education Accountability

The Kentucky Chamber believes individuals and institutions should be held accountable for student achievement through a series of performance measures that will help gauge teacher, student and administrator performance. The Chamber further believes that efforts to build stronger schools, and thereby enhance the state's economic prosperity, should include end-of-course examinations for students, holding educators accountable for student success, and holding postsecondary institutions accountable for the preparation of high-quality teachers.

Enhance Workforce Preparation small business issue

The Kentucky Chamber supports the widespread use of industry-based credentials to establish uniform standards in workforce preparation. Students who pursue technical training instead of a college education should be eligible for financial awards. The Chamber supports redesigning postsecondary financial aid programs to assist working adults and implementing a new state initiative to assess and provide middle and high-school students career guidance in order to ensure college, technical school and/or workplace readiness.

The Chamber supports expanding employer and community involvement through efforts that help Kentuckians understand the need to improve schools, develop strategies for enhanced parent involvement in schools, and engage business representatives in a regular review of state academic standards.

Research Challenge Trust Fund

The Commonwealth's landmark Research Challenge Trust Fund (Bucks for Brains) has been used in recent years to attract world-class level researchers and professors to Kentucky universities. The Kentucky Chamber encourages lawmakers to examine reinstating the trust fund or to devise a similar program that would provide matching dollars to give universities flexibility with accountability to ensure they can attract research faculty and provide up-to-date facilities, technology or other tools they need to succeed in meeting the expectations of our 1997 postsecondary education reforms.



Environment

The Kentucky Chamber of Commerce believes economic growth, energy independence and environmental protection are compatible and complementary goals. Furthermore, we recognize legitimate uses of the environment should be protected and that business activities may affect environmental quality. To achieve rational regulatory objectives, the Chamber encourages legislative and administrative actions that satisfy the following criteria:

Scientific Validity – The need for government action should be established on the basis of objective information on which meaningful consensus can be achieved. Such information should demonstrate that any proposed action would result in the avoidance of environmental harms or the creation of environmental benefits.

Technical Feasibility – To achieve the true objective of environmental regulation, information on technologies for compliance must be made readily available to those required to take action well within the time provided by government mandates.

Economic Rationality – Government action and requirements for compliance should consider the ability of business to operate profitably within the confines of any legal framework. Also, state government, utilities and businesses should work hand-in-hand to maintain a process to balance the ratepayers’ desires for competitive rates, to incentivize energy production innovations and clean coal technologies, and to encourage energy efficiency opportunities.

Expand the Environmental Leadership Program

The Kentucky Chamber supports the development of an environmental leadership program for Kentucky industry. A program that rewards companies for their environmental leadership in pollution prevention, emissions reductions and environmental management systems would be of great benefit to Kentucky’s business community and all of the Commonwealth’s citizens. To be successful, tangible benefits are needed for environmental leaders, such as priority in permit application processing, reduced inspection frequency and greater flexibility in addressing any noncompliance issues that may arise.

Promote Sensible State and Local Environmental Regulation small business issue

The Kentucky Chamber believes that federal standards provide protection for human health and the environment and, in general, opposes efforts to develop more stringent state and local programs. To the extent that state and local governments are engaged in significant revisions of their existing environmental regulations, we encourage the use of a stakeholder process for development of these programs. Any resulting regulatory framework must be based on sound science and be both economically rational and technically feasible if the laudable objective of a cleaner environment is to be achieved in practice. Uniformity between federal, state and local programs help save businesses valuable resources in compliance procedures.

Kentucky has 87.6 billion tons of coal resources remaining, representing 84 percent of the original resource. In 2004, the industry created 61,158 jobs statewide and paid 15,012 miners \$759 million in wages.

Source: Kentucky Office of Energy Policy

Almost 92 percent of the coal consumed in the United States serves as fuel to generate electric power. Coal-fired power plants in the United States have reduced their sulfur dioxide produced per ton of coal burned by 80 percent from 1976 to 2004. Even though power plants increased their coal use by 120 percent, U.S. sulfur dioxide emissions have decreased by 52 percent from 1976 to 2004.

Source: Kentucky Office of Energy Policy

Expand Recycling Incentives and Opportunities

The Kentucky Chamber is in full support of expanding voluntary recycling initiatives as a way for businesses to help the environment. In contrast to other states, many areas of Kentucky lack the facilities and equipment to recycle materials from local businesses. Encouraging and supporting public-private partnerships could increase recycling opportunities statewide. The Kentucky Chamber believes that expanded recycling opportunities and incentives are not only good for the environment of the Commonwealth – they can be good for business.

Oppose Expanded Local Regulatory Authority

While the Kentucky Chamber supports the enforcement of state and federal environmental regulations at the state level, we oppose local government authority to enforce these requirements. However, to the extent that regulatory programs already exist at the local level, it is then incumbent upon the local agency to administer an appeals process similar to state and federal processes to provide adequate consideration of disputed issues prior to civil court action.

Reduce Permit Backlogs

The Kentucky Chamber supports innovative approaches to reduce permitting backlogs. The Chamber also supports employing contract consultants until permanent staff is available and adequately trained. In today’s rapidly changing business environment, quick action on permit applications is critical to keeping Kentucky business competitive. Access to permit review staff for meetings and assistance is especially important for project planning purposes but is difficult to obtain when staff are overburdened with review of pending applications. Creative solutions to increase staffing, provide permitting guidance, reduce backlogs and shorten the turnaround time for issuance of permits are encouraged.

Advance a Pro-Energy Economic Strategy

The Kentucky Chamber supports the concepts embodied in Kentucky’s comprehensive energy strategy being implemented by the Kentucky Office of Energy Policy. The Environmental and Public Protection Cabinet’s regulatory framework and permitting procedures should encourage projects consistent with this strategic blueprint, including development of coal-fired electric generation capacity in the state and promoting energy infrastructure capital investment. With new pollution control technologies and other innovations, more energy development is possible while still maintaining compliance with applicable regulatory requirements.

Strive for Energy Independence

The Kentucky Chamber is encouraged by the General Assembly’s recent efforts to foster energy independence. The Chamber recognizes energy efficiency as a high-priority energy resource. The Chamber strongly supports incentives for businesses that go above and beyond existing environmental standards as well as for those who are pro-active in promoting energy efficiency. State government should join with business to find creative solutions to help reduce the economic impact of the growing cost of energy in the Commonwealth.

Promote Brownfield Redevelopment

The Kentucky Chamber strongly supports efforts among policymakers, business leaders and local communities to encourage redevelopment of the state’s many brownfield sites. The Voluntary Environmental Remediation Program (VERP) represents an environmentally sound approach to bring these sites back into productive use. The Chamber also believes the transfer of the program to the Division of Compliance Assistance furthers the goals of brownfield legislation. Recent regulatory progress notwithstanding, cost continues to be a considerable obstacle to urban renewal and infill development. The Chamber supports legislation that provides tax incentives, low interest loans or grants and opportunities for federal matching funds for those willing to invest in returning Kentucky’s brownfields to productive use.

Promote Uniform Enforcement

The Kentucky Chamber supports efforts by the Environmental and Public Protection Cabinet to ensure existing environmental laws and regulations are applied and enforced in a consistent, non-discriminatory manner at both public and private facilities.

Reform Notice of Violation (NOV) Procedures small business issue

Current administrative enforcement procedures allow little flexibility or discretion on the part of inspectors. Generally, any and all violations of existing regulations and requirements result in the immediate issuance of a notice of violation (NOV). The Kentucky Chamber believes that with the exception of immediate threats to health, safety or the environment, inspectors should have an alternative to NOV issuance for non-compliance, as well as for a waiver of fines for first-time offenders. There is currently no end date for punitive administrative action as a result of the issuance of notices of violation. The Kentucky Chamber of Commerce urges the General Assembly to place reasonable time limits on punitive action following the issuance of notices of violation by state agencies.

Fiscal Policy

The Kentucky Chamber of Commerce believes that promoting long-term economic development and job growth should be a top consideration when state revenue policies are adopted. Tax policies must be guided by a well researched, balanced approach that provides for necessary public investments and expenditures while avoiding policies that could serve as disincentives to private-sector employment and investment. In short, Kentucky should seek to maximize its competitive potential in the global marketplace. Taxes levied on the business community should, at a minimum, incorporate the principles of fairness, competitiveness and simplicity.

Taxpayers deserve a culture of accountability within state government ensuring that the expenditure of public funds is administered as efficiently and effectively as possible.

In 2006, the Kentucky General Assembly passed significant tax reform legislation resulting in more than \$45 million in immediate tax relief for small businesses.

Competitive Business Taxes small business issue

The Kentucky General Assembly has made great strides in the last two years to improve the overall tax code in the Commonwealth, particularly making business taxes more competitive. In 2005, as a part of broad tax modernization, the General Assembly eliminated the corporate license tax and significantly reduced the top corporate income tax rate. During the 2006 special legislative session, important adjustments were made to the alternative minimum tax to protect small businesses from being taxed when they had little or no profits. This session also produced important changes to the way Kentucky recognizes pass-through entities by conforming to the federal tax code and allowing certain deductibility of taxes paid by individual owners.

The Chamber supports continued efforts to closely monitor the impact of Kentucky's tax changes on business and industry and to take action when necessary to ensure Kentucky remains competitive with our surrounding states. The Chamber remains concerned about the effects of the Limited Liability Entity Tax (LLET) and the lack of ability to offset pass-through credits against income from other businesses and other years. The Chamber supports additional efforts to adjust our tax code to encourage entrepreneurial investment in Kentucky.

Fiscally Responsible State Budget

The Kentucky Chamber believes that achieving a fiscally responsible state budget that also promotes economic development and job growth in Kentucky should be an ongoing consideration of those involved in the budget-making process. Consideration of new or increased taxes or fees should only occur after exhausting all reasonable opportunities to reduce spending and increase efficiency. Streamlining services, consolidating departments, eliminating ineffective programs, initiating responsible personnel compensation and benefit policies and other efforts to maximize the performance of public funds are examples of such fiscally responsible public operations.



The Chamber also believes that lawmakers should review the unemployment insurance trust fund, the public employee health benefits and retirement plans and the Kentucky Medicaid program to ensure long-term sustainability. Programs that contribute to unsustainable growth in General Fund obligations should not be permitted to unduly consume tax dollars that could otherwise be invested in basic public priorities such as education and economic development.

Sustainable Debt Levels

The future of Kentucky’s finances depends in large measure on its ability to manage debt in a way that is disciplined and effective. Borrowing for long-term capital projects of broadly recognized economic and social value is an appropriate use of public debt. However, debt must be limited to a level that is sustainable and does not adversely impact the overall credit rating of the Commonwealth.

The Chamber believes the level of state debt should be closely monitored. Projects that have a related revenue stream or can create budgetary savings should receive priority consideration and every project considered for financing should have a defined, supportable plan for repaying the debt service.

Eliminate the Inventory Tax small business issue

Personal property taxes on inventory are a disincentive to business growth because they tax the investment itself rather than the outcome or profit from that investment. Additionally, some types of inventory are exempt by law, or enjoy exemption because of location, while other similar business inventory does not garner the same treatment. While taxing products as they are sold is a widely accepted form of state revenue generation, taxing products in inventory precisely because they have yet to be sold is simply counterproductive, especially when unequal tax treatment exists. To bring Kentucky into alignment with most other states, the Kentucky Chamber supports repealing or phasing-out the remaining property tax on business inventory.

Alabama, Indiana, Illinois, North Carolina, South Carolina and Tennessee all either exempt finished goods from their inventory tax or do not charge an inventory tax.

Source: Kentucky Cabinet for Economic Development

If Kentucky were to repeal the inventory tax for finished goods, it would save Kentucky businesses \$6.5 million annually.

Source: Office of Kentucky State Budget Director

Health Care

There is a growing sense of crisis in the business community about the seemingly unsustainable upward trend of health care costs. If the present course of the health care system remains unchanged, employers will become increasingly forced to consider undesirable cost-containment strategies such as reducing employee benefits, shifting more and more costs to employees, dropping coverage altogether or increasing consumer prices to recoup higher costs.

The impact of health costs on Kentucky’s economic competitiveness is of great concern. Although these are systemic issues not unique to the Commonwealth, negative national trends are made worse in Kentucky by our behavior as a population. The poor overall health of Kentuckians, the high number of individuals who are uninsured, limited access to care in many regions of the state and the lack of high-quality preventive medical care for many, all, contribute to higher health costs in the Commonwealth.

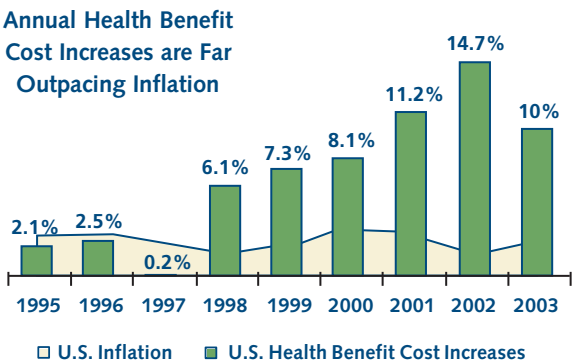
The Kentucky Chamber of Commerce believes dramatic change in the delivery and utilization of health care is essential to our economic future. State policymakers should endeavor to seek health care and insurance policy innovations, basing their analysis, in part, on whether such plans will encourage market-driven solutions for controlling costs and fostering competition. The Chamber also supports initiatives that educate Kentuckians and encourage healthy lifestyles.

More than 80 of Kentucky’s 120 counties are designated as medically underserved areas.

Source: U.S. Department Health and Human Services

Increase the Number of Health Care Professionals in Kentucky

Many areas of Kentucky are underserved by health care professionals – contributing to poor access and higher medical costs for Kentucky’s citizens. More than two-thirds of Kentucky’s 120 counties are officially designated as health professional shortage areas (HPSA) for primary care by the Health Resources and Services Administration (HRSA). Kentucky also lacks a sufficient number of nurse practitioners, nurses, therapists and medical technicians as well as dentists and dental hygienists. This lack of skilled professionals contributes to fewer regular check-ups, poorer health and higher costs to the medical system over the long term.



Source: Mercer’s 2003 National Survey of Employer-Sponsored Health Plans



In order to help reverse this disturbing trend, the Kentucky Chamber supports a comprehensive state strategy to increase the number of medical professionals trained in Kentucky as well as innovative approaches to encourage them to practice in the Commonwealth. This strategy should ensure that our postsecondary education institutions are adequately funded, held accountable for increasing enrollment, and encouraged to explore the development of tuition assistance programs that would include a requirement to practice for a set period of time in Kentucky.

Promote Informed Health Care Consumerism small business issue

There is a growing consensus that consumers need access to information about the cost of health care and the quality of services provided in order to make informed and cost-conscious choices when selecting a health care provider. The Kentucky General Assembly made great strides in 2006 by adding provisions to the state budget bill to require the Cabinet for Health and Family Services to launch a transparency initiative. The Chamber supports legislation that will make permanent the reporting to consumers of health care costs, quality indicators and results. Examples of the kind of information that could be provided to consumers include hospital and surgical mortality and morbidity rates, physician compliance with chronic disease management and provider charges and reimbursements. This concept, also known as health care transparency or consumerism, should involve the use of standardized performance measures and outcome reports that are easy to understand.

Without this effort, such information is almost entirely absent from today's health care marketplace, preventing Kentuckians from making informed choices when they purchase health care services. Over time, making this comprehensive information easily available to consumers may serve to contain increases in health care spending by government, businesses and individuals. Only when consumers know the price and value of health care services will they be empowered to make the best possible choices for themselves and their families.

Let Kentucky Vote on Tort Reform small business issue

The rising costs associated with medical malpractice liability are taking a significant financial toll on the health care industry, resulting in increased costs for consumers and a continued inability to attract and retain sufficient numbers of physicians in all regions of the Commonwealth. The high price of liability insurance and the lack of reasonable tort limitations in Kentucky have contributed to the shortage of medical professionals.

To curb this disturbing trend, the Kentucky Chamber supports allowing voters to consider a constitutional amendment that would permit the legislature to consider comprehensive tort reform. Reasonable limits on damages and mandatory alternative dispute resolution should be considered by the legislature to help reduce escalating malpractice insurance premiums and the resulting burden passed on to consumers in the form of higher prices, fewer health care providers and fewer choices.

Eighty-five percent of employers support government mandates that require quality reports by providers.

Seventy percent support requiring providers to publicly disclose prices.

Sixty-four percent support mandating uniform provider data and payment reporting procedures.

Source: Hewitt Associates

A recent analysis by the American Medical Association found a crisis in the medical malpractice market in 19 states, including Kentucky. The AMA reports that high-risk specialists in Kentucky, including emergency room physicians and general surgeons, saw increases in their liability premiums last year of between 87 percent and 200 percent.

Expand Mandate-Free Health Insurance

Kentucky has made great progress in recent years toward reversing the trend of costly health care mandates. The Chamber supports continued efforts to eliminate mandates that increase overall costs to the health care delivery system. The Small Business Health Insurance Relief Act, 2005 House Bill 278, authorized health insurers to offer basic health benefit plans in the association, small group (50 or fewer employees) and individual markets. Appropriately, basic benefit plans are exempt from state coverage mandates except for diabetes, hospice and chiropractor coverage.

Because health care mandates and unnecessary regulations can add to the already high cost that consumers and employers pay for health insurance, the Kentucky Chamber supports legislation that repeals coverage requirements beyond those the federal government has implemented to all employers, not just those with 50 or fewer employees. With the cost of health insurance already providing a competitive disadvantage to many businesses, extending these mandate-free policies will allow more employers to provide health benefits to their employees.

Promote Wellness small business issue

Collectively, Kentucky is one of the nation's most unhealthy populations. The Commonwealth consistently ranks at or near the top of the list in smoking rates, obesity levels and a host of other poor health indicators. Naturally, the costs of treating disease and illness in Kentucky have also risen in order to meet the higher demand for health care services in our state.

In order to reverse the culture of poor health in Kentucky and promote an underutilized health care cost control measure, the Kentucky Chamber supports legislation that provides incentives for the creation of wellness programs, whereby businesses educate their employees about the importance of healthy lifestyles and other preventive care measures. The Chamber also supports government programs and policies that help provide education and assistance for companies and individuals to promote health and wellness throughout Kentucky.

Promote Competition in the Health Insurance Market

Attracting more insurers to Kentucky is a practical and realistic means of controlling escalating costs and providing greater access to health insurance. The Kentucky Chamber calls on state government to enhance competition in the health insurance market through further deregulation of the insurance industry or any other reasonable means.

Oppose Any Willing Provider (AWP)

The Kentucky Chamber opposes Any Willing Provider provisions and supports the right of health insurance companies to negotiate exclusive contracts with health care service and product providers that offer discounted costs to consumers.



Human Resources & Labor

Today’s fast-paced, highly competitive economic environment means that recruiting, training and continuously investing in employees is a top priority for most companies. Kentucky employers are meeting these challenges every day – even as it gets more and more difficult to find individuals with the right skills and right attitude.

State policymakers must support employers as they invest in the Commonwealth’s workforce. As employers embrace their responsibility to provide a safe working environment and create honest, open dialogue with employees, businesses must have the flexibility to manage their workforce needs within the confines of a job market that rewards higher skills and high levels of dedication and commitment. It is within this context that the Kentucky Chamber opposes state and local wage mandates that go beyond federal requirements. When state or local governments attempt to mandate wage and benefit thresholds, safety regulations or additional standards that go beyond what is necessary to provide basic, uniform protections, the added cost of doing business – and the lack of focus on the real issues that could make a difference – decreases Kentucky’s overall competitiveness, particularly with our border and peer states.

Reform Workers’ Compensation small business issue

In 1996, the passage of the Kentucky Workers’ Compensation Act brought sweeping reforms to one of the most flawed and expensive workers’ claims programs in the country. For a time, the business community believed the pendulum of public policy had finally come to rest at the center. Unfortunately, recent years have seen many elements of reform diminished or overturned by the courts. In addition to regressive court decisions, higher medical costs are putting substantial strain upon the workers’ compensation system.

The Kentucky Chamber believes that an equitable workers’ compensation program must clearly define injury and disability, require independent medical examinations and objective medical findings, protect the integrity of exclusive remedy and minimize litigation. The Chamber supports legislation that overturns case law that runs counter to these core principles as well as legislative and regulatory efforts to control rising medical and prescription drug costs. Enacting legislation that controls runaway medical costs generates substantial cost savings for employers and can be done while ensuring high levels of service to injured workers.

Support Safer Working Environments small business issue

While the devastating effects of drug and alcohol abuse on families and communities are well documented, the negative impact on employers is also significant. Higher absenteeism, theft, lost productivity, increased workers’ compensation claims and employee replacement costs are just a few examples of the strains put upon business by substance abuse in the workplace. To counter this growing problem in Kentucky, the Chamber encourages passage of legislation that empowers employers to be effective allies in the fight against illegal drug use. The Kentucky Chamber also opposes any expansion in the current concealed/carry laws that would allow employees to bring deadly weapons into the workplace – necessary to help protect employees and promote a non-threatening workplace environment.

In a Workers’ Compensation Market Snapshot (2005) Stephen Klingel, president and CEO of NCCI Holdings, suggested four methods for curbing or at least helping to control workers’ compensation medical costs:

- 1 medical fee schedules that impose maximum reimbursement levels for specific medical services
- 2 use of pharmacy benefit managers
- 3 improved databases to identify fraud
- 4 pressing for more specific pharmacy fee schedules and utilization controls

A 2001 Kentucky Legislative Research Commission study found that prevailing wage increases the labor portion of construction costs by 24 percent. Currently, neither prevailing wage rates set by the Kentucky Labor Cabinet nor the United States Department of Labor yield prevailing wages that are representative of local wages.

Source: Legislative Research Commission

Support Paycheck Protection

Although requiring employers to deduct taxes from an employee's pay is a common and accepted practice, forcing businesses to administer payroll deductions to support the political activities of unions without compensation is a significant and unjustified intrusion into the administrative affairs of a company. The Kentucky Chamber supports legislation that repeals the employer mandate to withhold union dues from an employee's salary.

Revise Kentucky's Prevailing Wage Laws

While total repeal of the state prevailing wage law has long been a goal advocated by the Kentucky Chamber, the Chamber supports a series of steps that would make Kentucky's economic and infrastructure development more competitive in the near term:

- Kentucky's prevailing wage laws must be made more representative of local wages by utilizing more effective methods of data collection than through the current hearings process. Additionally, wages paid to workers on previous prevailing wage projects must be excluded from calculations for later projects, and the use of the majority wage should be discontinued.
- The definition of localities should be replaced with definitions that would reduce the number of unrelated counties grouped together. This would particularly help Kentucky's border counties, as well as counties that are grouped with larger urban areas.
- If no changes are made to make Kentucky's prevailing wage determination process more representative of local wages, then federal prevailing wages should be adopted wherever they exist. However, if the accuracy of Kentucky's determination process is improved to more accurately reflect local wage rates, the use of federal prevailing wage rates should cease and be replaced with the improved state determinations.
- Kentucky should reinstate a prevailing wage exemption on education projects. Kentucky taxpayers' cost on new educational facilities and maintenance in primary through postsecondary education has increased substantially since the prevailing wage exemption was repealed by the General Assembly in 1996. By once again allowing an exemption for educational projects, higher investments can be made in technology, improved facilities and in the classroom.

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As the state's premier business lobbying organization, the Kentucky Chamber of Commerce is a recognized and respected voice at the state Capitol. With thousands of members representing every major industry sector, the Chamber's diverse business policy initiatives converge upon one goal: a healthy, vibrant Kentucky economy. Ensuring that business has a voice in the legislative process, we work with local business leaders to identify critical trends. We work at the table as regulations are drafted and in the halls of the Capitol as bills are debated. Building on the success of more than 60 years, we remain committed to helping Kentucky's economy grow and prosper by promoting a pro-business agenda.

The Kentucky Chamber of Commerce provides leadership as a catalyst, consensus-builder and advocate to unite business and advance Kentucky.



Kentucky Chamber

Uniting Business. Advancing Kentucky.

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