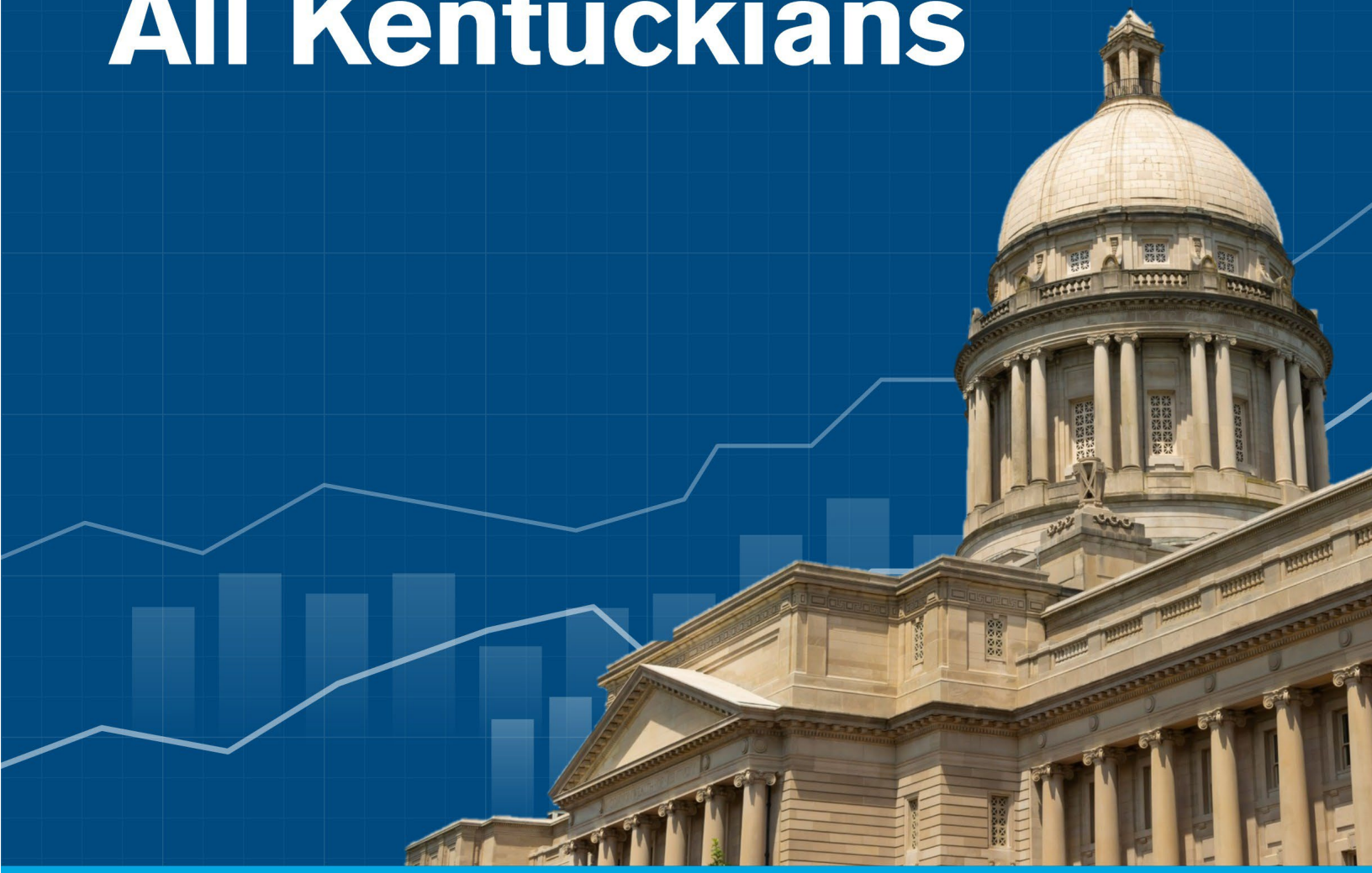
Kentucky Chamber
Uniting Business. Advancing Kentucky.

Building a Stronger Economy for All Kentuckians



2027 LEGISLATIVE PRIORITIES

Introduction

Working with the Kentucky Chamber, the Kentucky General Assembly has advanced pro-growth policies that have strengthened our economy, improved competitiveness, and supported Kentuckians and businesses.

Our 2027 legislative priorities focus on turning today's challenges into tomorrow's opportunities—supporting our workforce and strengthening our communities, continuing tax reform, investing in education, prioritizing infrastructure, maintaining a competitive business climate through legal liability reform, and advancing sustainable health care solutions.

Shaped by the voices of business leaders across the state and approved by our policy councils and Board of Directors, these are the priorities of employers who power Kentucky's economy and push for progress in every community. We look forward to working with our members and the General Assembly to advance meaningful solutions.

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Public Policy Councils

As the state's premier business organization, the Kentucky Chamber represents thousands of businesses in every major industry sector. Ensuring that business has a voice in the legislative process, the Chamber works with local business leaders to identify critical trends and provide a seat at the table as policies are drafted and debated at the Capitol. As part of its advocacy mission, the Chamber has public policy councils that are responsible for developing legislative positions and priorities for their respective policy areas. The Chamber's diverse policy initiatives converge around one goal: to create a healthy, vibrant economy in Kentucky. Below are the Chamber's public policy councils and the leaders who helped shape this agenda:

AGRICULTURE & EQUINE | Chair: **Jim Coleman, Coleman Crest Farm**

The agricultural and equine council brings together industry leaders to help develop, guide and advocate policy to strengthen these key sectors of Kentucky's economy.

COMPETITIVENESS | Chair: **Melissa Norman Bork, Dentons**

The competitiveness council focuses on all facets of state spending including proposed government efficiencies, public pension and personnel costs, public employee collective bargaining, and other issues. This council also seeks to promote business recruitment, retention and expansion, and to increase competitiveness, not only with our border states, but around the world. It is actively engaged in policy initiatives aimed at modernizing the economy, creating jobs, and supporting state income and expenditure practices that promote long-term economic growth.

EDUCATION & WORKFORCE | Chair: **Dan Cahill, MSD Metrics**

With a focus on lifelong learning, the education and workforce council works to ensure Kentucky's economy is fueled by a prepared, productive, and diverse workforce. The council develops policies to support and improve education at all levels.

ENERGY & ENVIRONMENT | Chair: **LaJuana Wilcher, ELPO Law**

The energy and environment council seeks to promote Kentucky as an energy leader and supports policies to achieve environmental protection and sustainability without unnecessarily hindering economic development and business growth. Its members support legislative and administrative actions that are scientifically valid, technically feasible, and economically rational.

HEALTH CARE | Chair: **Gerard Colman, Baptist Health**

The health care council is focused on developing comprehensive, long-term solutions to help slow the ever-increasing costs of health care in Kentucky and to promote public policies that will improve the overall health and well-being of Kentucky's citizens.

INFRASTRUCTURE & TECHNOLOGY | Chairs: **Steve Branscum, Branscum Construction | Nate Haney, BRW Trucking, Logistics and Warehousing**

Infrastructure is a critical piece of Kentucky's economy, supporting numerous manufacturing, logistics, service, and retail businesses. From moving people to moving goods, investment in infrastructure is key to further economic growth. The council is responsible for the formation of the Chamber's state and federal agenda as it relates to infrastructure and will focus on all types of infrastructure including transportation, utilities, and broadband.

SMALL BUSINESS | Chair: **Ameet Patel, Thoroughbred Hospitality Group**

Small businesses are often disproportionately affected by challenges facing the economy. The small business council focuses on ensuring the broad range of issues of particular importance to small business owners are adequately represented in the Chamber's policy development process. Look for the small business symbol (SB) throughout this document to find policies that the council believes will have the most impact on small business.

CENTER FOR POLICY AND RESEARCH | Chair: **Jordan Harris, Deloitte Consulting**

The Chamber's Center for Policy and Research builds on the organization's long history of producing nonpartisan research on critical topics and leading policy development on important issues that will help create a stronger business climate and economy.

ECONOMIC COMPETITIVENESS

Create a Competitive Tax Climate (SB)

The top policy priority of the Kentucky Chamber is building a tax code that can outcompete any state in the nation when it comes to attracting jobs and people, helping businesses expand and families thrive, and providing an abundance of economic opportunity. The Kentucky General Assembly deserves a great deal of credit for the pro-growth steps it has taken to transform the Commonwealth's tax code in recent legislative sessions. In 2018 and 2019, lawmakers reformed income taxes by implementing a flat income tax with a rate of five percent and modernizing many of the state's corporate tax provisions. Lawmakers followed up on these reforms in 2022 by implementing in statute a process for phasing out the state's individual income tax through a series of revenue triggers, which have been successfully utilized in other states like North Carolina. Measures such as these have dramatically improved the Commonwealth's economic competitiveness and have allowed Kentucky to increase its investments in state services such as education, economic development, and health care.

Tax reform in Kentucky, however, should be a continuous conversation and reflect the realities of a changing economy. As Kentucky has worked to build a competitive tax code, other states – including key competitor states like Indiana and Tennessee – have also been hard at work to incorporate pro-growth changes to their own tax codes. These states have taken further steps to reduce their reliance on income-based taxes, make taxation fairer, simpler and transparent, encourage business investment, and increase private-sector productivity. Kentucky therefore cannot remain idle and rest on its laurels. The important work of tax reform must remain the legislature's top economic policy priority.

To assist policymakers and stakeholders with understanding options and priorities for tax reform, the Kentucky Chamber Center for Policy and Research has released several reports and guides, including two partnership reports produced by the Tax Foundation. These reports can be found at www.kychamber.com/taxreform.

Looking ahead to future legislative sessions, Kentucky's business community will pursue a range of reforms, all with the goal of putting the Commonwealth on a trajectory of sustainable, long-term growth. Broadly, the Chamber believes reforms should conform to the following principles:

- **Support growth and competitiveness.** Kentucky's state and local tax systems should support growth-oriented tax policies that improve the competitiveness of Kentucky businesses in the national and global marketplace.
- **Protect state investments.** Kentucky cannot simply cut or reform its way out of funding challenges. However, Kentucky should improve competitiveness while producing net new revenue to support education, workforce development, and many other needs.
- **Reduce the cost of capital.** The tax code should encourage investment as it is the key to increased growth and productivity and higher wages for Kentuckians.
- **Simplify the tax code.** The tax code should be simplified with the goal of reducing compliance costs for the private sector. Complex taxes impose costs on businesses that either reduce the return on investment or are passed on to consumers and workers.
- **Promote fairness (SB).** Kentucky's tax system should promote fairness by creating a level playing field on which Kentucky businesses can compete. Double taxation, or pyramiding, should be prohibited, and tax expenditures should be carefully studied to determine

effectiveness. Taxpayer rights should be enhanced and enforced to promote fundamental fairness in the application of tax laws.

Specific Tax Reform Policy Proposals Supported by the Chamber Include the Following (SB):

- **Follow through on phasing out the state individual income tax.** House Bill 8 from the 2022 legislative session is a long-game policy that has the potential to make Kentucky one of just a handful of states that do not tax individual income. States such as Texas and Tennessee that already forgo individual income taxes have benefited significantly, seeing on average higher rates of growth for population, GDP, and personal income than states with income taxes. This legislation requires state officials to conduct annual assessments of the revenue triggers established under the law. The legislature should ensure this process is done as transparently as possible. The law also requires action by the General Assembly to implement income tax rate reductions when the revenue triggers are met and in the years that follow. The Chamber encourages lawmakers to act promptly and consistently to reduce rates when the annual review process by the Department of Revenue (DOR) shows the trigger conditions have been satisfied. As the bill works to phase out Kentucky's individual income tax over time through economic growth and rising state revenues, lawmakers should routinely review it and consider ways to improve it, including potential changes to the bill's revenue triggers. The Chamber is also supportive of adjustments to other revenue generators, such as measured changes to sales taxes and property taxes, to accomplish the goal of phasing out the individual income tax more quickly, provided that these adjustments are made fairly and do not make Kentucky an economic outlier.
- **Modernize and streamline the current processes for resolving all state and local tax disputes.** The Chamber recognizes that resolving tax disputes between taxpaying businesses and administrative agencies can be time consuming and costly. We are supportive of past efforts and proposed legislation to consolidate and streamline these processes in a state-wide jurisdiction Tax Tribunal to create efficiencies, shorten appeal timelines, and ensure fairness, similar to what other states have done in recent years.
- **Avoid tax pyramiding and taxing business inputs while expanding the sales tax base.** The Chamber strongly discourages applying the sales tax to business inputs. Such practices lead to artificial price inflation, raise costs for employers, and decrease the state's economic competitiveness, as demonstrated by a report on Kentucky's sales tax structure by the Tax Foundation in 2024. Lawmakers should closely scrutinize past and future expansions of the sales tax base to avoid tax pyramiding and ensure rules, guidance, and definitions related to sales taxes are clear and unambiguous. According to the Tax Foundation and Council on State Taxation, 43 percent of Kentucky's sales tax revenues are derived from taxing business inputs. This is considerably higher than Indiana, where business inputs make up 32 percent of sales tax revenues. Provided that the sales tax is not applied to business inputs or is not applied in a way that harms economic competitiveness, the Chamber supports a gradual expansion of the sales tax base.
- **Improve Kentucky's tax treatment of business investments.** A key reform recommended by the Tax Foundation's 2022 reform guide for Kentucky involves the tax treatment of business investments. Under current Kentucky law, when a business makes a major capital investment - such as the purchase of new machinery - it is not allowed to expense that investment in the year in which the cost was incurred. Instead, state law requires that businesses expense these investments over time. This practice restricts the ability of a business to recover their costs, discourages investments by making them more expensive,

and penalizes capital-intensive industries like manufacturing including energy-intensive sectors such as aluminum production, which rely on timely expensing to maintain global competitiveness and support high-wage jobs. Lawmakers should position Kentucky's tax code to make the state a magnet for investment by following strong economic states like Utah and allowing businesses to fully expense investments in qualified property in the year in which the cost was incurred or, at minimum, allow businesses to expense greater shares of investments up-front than currently permitted by state law.

- **Repeal the Limited Liability Entity Tax (LLET).** The Chamber supports the repeal of the Limited Liability Entity Tax, an outdated tax concept that adds unnecessary levels of complexity to the tax code while raising relatively limited amounts of revenue. The Chamber would be supportive of identifying mechanisms to replace lost revenues from an LLET repeal, provided that the outcome is a reduced tax compliance burden on businesses. Short of a full repeal, the Chamber supports reforming the tax by offering more clarity to determine what business expenses qualify as cost of goods sold (COGS) in the limited liability entity tax (LLET) gross profits calculation to make it easier for businesses and tax preparers to comply. To simplify compliance and increase fairness, the Chamber supports aligning Kentucky's COGS definition with that of the COGS definition for federal tax purposes.
- **Reform local tax structures.** The Chamber supports giving local governments the flexibility needed to generate necessary revenues and decrease their reliance on occupational licensing taxes. Local tax reform should be included in the broader state tax reform dialogue and considered in a holistic manner with all state level tax policies and structures so that tax policy across the state is in alignment to support economic growth. The focal point of local tax reform should be economic competitiveness. If local governments are granted access to local sales taxes, state law should require local sales taxes to be centrally administered and levied and applied in the same manner as state sales taxes. In addition, state law should require net new revenues from local sales taxes to be used to phase out local occupational licensing taxes on wages and business net profits.
- **Improve the inventory tax credit**. Kentucky is one of only 12 states that consider inventories of tangible personal property for property tax purposes. This disproportionately impacts inventory-dense industries like manufacturing and favors or even incentivizes companies to maintain inventories in other states. While the General Assembly took an important step to address this problem through the creation of a nonrefundable Inventory Tax Credit, many businesses have not been able to fully utilize it. A key way to enhance the impact of this credit is to make it refundable, which would effectively zero out inventory taxes for businesses without harming local taxing jurisdictions.

Additional Pro-Growth Tax Reforms

- **Maintain a competitive corporate tax rate.** Kentucky currently taxes corporate income at five percent. Lawmakers should closely track other states to ensure that Kentucky's corporate tax rate remains competitive with other states.
- **Ensure the effectiveness of Kentucky's pass-through entity tax.** In 2023, lawmakers created a pass-through entity (PTE) tax to allow eligible business owners to pursue federal income tax relief. As business owners continue to utilize this tax option, policymakers should ensure that Kentucky's rules are clear, competitive with other states, and effective.
- **Provide tax relief during natural disasters.** The Chamber appreciates actions by the Kentucky Department of Revenue to provide flexibility in tax filing deadlines and waiving late fees and penalties for businesses and individuals impacted by the 2021 tornados in western

Kentucky and the 2022 floods in eastern Kentucky. The General Assembly could complement these efforts with two changes to state law. One change would allow businesses to donate inventory purchased with a resale certificate to avoid having to self-assess and remit sales tax if the donations go to support relief efforts in a federally-declared disaster area. Another change would allow DOR to waive interest on late payments in addition to late fees and penalties if the late payment was caused by a natural disaster.

- **Expand and protect Kentucky's manufacturing sales tax exemptions.** Lawmakers should modernize Kentucky's manufacturing-related sales tax exemptions to compete with competitor states. This will help avoid tax pyramiding by clarifying their application to modern manufacturing processes as well as by eliminating the limitations on manufacturing machinery and the carve-out for repair, replacement, and spare parts. Kentucky's manufacturing exemptions have long played a key role in attracting good jobs and manufacturers to the state. It is important that Kentucky maintain this competitive edge and prevent these exemptions from being outdated or watered down.
- **Repeal Kentucky's inheritance tax.** Kentucky is one of only a small handful of states that tax inheritances. This tax can be disruptive to business structures and encourage some Kentuckians or their beneficiaries to leave the state. The tax raises minimal levels of state revenues and has been hollowed out over time. The Chamber supports its repeal.
- **Support research and development investments in Kentucky.** Kentucky should fully align its tax treatment of research and experimental expenditures with federal law. Under current Kentucky law, businesses are required to capitalize and amortize these types of investments, while federal law allows businesses to expense these costs in the year in which they occurred. This makes our tax code more complicated and raises costs for businesses. The federal approach supports business investments in research and development, and Kentucky should work to align its approach accordingly to ensure economic competitiveness.

Effective Economic Development Incentives

The Chamber supports strategic investment in economic development incentive programs designed to encourage the growth of high-wage jobs, long-term investment in strategically defined industry sectors, and the promotion of small businesses and entrepreneurship. Further, the Chamber supports the enhancement of entrepreneurial development incentives to encourage innovation and competition in the global marketplace. We encourage the legislature to ensure that key state programs like the Kentucky Product Development Initiative and the Kentucky Business Investment program continue to have meaningful economic impacts throughout the Commonwealth.

To strengthen Kentucky's incentive programs and drive entrepreneurship, lawmakers should act on initiatives to increase the availability of venture capital in the Commonwealth. This should include expanding and strengthening the Kentucky Investment Fund Act and enhancing the Kentucky Enterprise Fund Program to seed regional venture vehicles and matched fund of funds. Lawmakers should reinvigorate the Angel Investor Tax Credit program and consider a pilot initiative in which a percentage of credits are set aside for new investors to support first-time angel investors. To further drive entrepreneurship, the Chamber recommends exploring ways to position Kentucky as a leader in entrepreneurship through acquisition, which will help preserve local businesses and support local jobs. The Kentucky Reinvestment Act should be expanded to include technology – especially technology scale-ups – and headquarters reinvestment projects along with clear criteria to support both the scaling of in-state tech firms and job-rich headquarters. The state should also work to proactively support regional

cooperation among local communities to develop place-based strategies to foster economic growth, create better alignment of entrepreneurial support services, coordinate local business transitions, address population retention and attraction, and enhance quality of life through targeted matching grants that ensure shared risk and reward. In addition, Kentucky should more effectively leverage tools to support investment in economically-distressed areas, such as by increasing the annual cap on the New Markets Development Program Tax Credit.

To ensure maximum effectiveness, accountability, and continuity, the Chamber supports maintaining the public-private partnership board governance structure under which the Cabinet for Economic Development operates.

While the Chamber is open to careful reviews of economic development incentives in the tax code that fully consider economic impacts and not just state revenue effects, we oppose proposals to automatically sunset state tax incentive programs and require their routine reapproval. This practice could create financial uncertainty for businesses and discourage future economic investment in Kentucky.

Ensure a Diverse Economy and Workforce

The Chamber believes that supporting a healthy economy means recognizing that such an economy is built on different types of businesses – such as Main Street firms, entrepreneurs, and high-growth startups – with new ideas and energy. When building a resilient economy and establishing new policies or programs to support it, we should be sure that these efforts account for a wide array of businesses and their leaders including those who are first-time entrepreneurs, veterans, those with disabilities, new American citizens, or those who come from backgrounds that have not historically been represented in their respective field of work. Further, as our economy continues to grow because of pro-growth policies, businesses are casting a wider net to attract a skilled workforce and to develop new business-to-business relationships. The Chamber supports policies that remove barriers employers face in meeting their workforce needs. We encourage policymakers to invest in initiatives aimed at training and upskilling Kentuckians on the sidelines of the workforce and in our untapped talent pools to support the growth of key employment sectors.

At its core, the Chamber is a convener bringing together its diverse members and providing policymakers with feedback and assistance that reflects the business community. Chamber members represent large and small businesses located throughout Kentucky and in varying sectors of the economy. The Chamber will engage in conversations as needed to represent the diverse viewpoints of the business community.

Kentucky Exports (SB)

The billions of dollars in economic activity generated annually through Kentucky exports illustrate the positive impact on the Commonwealth that comes with access to global markets. The Chamber has partnered with the Kentucky World Trade Center and encourages and supports efforts by state leaders to provide export training and promote the benefits of global trade to our business community. The Chamber supports free trade agreements that open markets to our companies and supports state policies that encourage worldwide exports of Kentucky products.

Housing Availability and Affordability

Housing is critical for workforce participation, economic development, and quality of life. Unfortunately, many communities across Kentucky face significant housing challenges, making it harder for working families to afford a home and for businesses to find qualified workers. To

strengthen access to housing in Kentucky, lawmakers should focus on policies to cut red tape, support residential infrastructure, encourage public-private partnerships, reduce costly delays, and grow the homebuilding workforce. Kentucky needs more housing, and lawmakers can help by making it easier to build in Kentucky.

Key policy recommendations include:

- Standardize statewide rules for minimum lot sizes, setbacks, parking, aesthetics requirements, occupancy rules, and review and approval timelines while still ensuring local jurisdictions have the ability to address issues related to public safety and sustainable growth.
- Make the rules for development more predictable through vested rights protections.
- Reduce delays by allowing third-party inspections.
- Reduce barriers to mixed-use developments in commercial areas.
- Curb bad-faith lawsuits by special interests and unaffected parties.
- Encourage more public-private partnerships to increase housing supply and create opportunities for cost-sharing to support residential infrastructure.
- Require state agencies to consider the impacts on home building and gather more feedback from industry experts when creating or modifying regulations.

Read more about pro-housing policy recommendations at www.kychamber.com/housing.

In addition, policymakers should ensure that housing funding is available to all housing providers, and not limited to one model, to allow for increased innovation in the space of affordable housing. This funding should come with minimal red tape to better allow for the development of properties that serve tenants with justice-involved and/or substance use disorder backgrounds. Lawmakers should also establish liability protections for property owners and managers who serve these populations, which would also support the goals of re-entry and recovery.

To encourage faster rehabilitation of vacant homes, the Chamber supports nonjudicial foreclosure methods such as the “Deed of Trust” method. Currently, Kentucky allows mortgage foreclosures exclusively through a judicial process, which proves time-consuming and costly to the lender, the borrower, and the local community. A judicial process often results in buildings remaining vacant and abandoned for an extended period of time, burdening citizens and communities with declining values for surrounding properties that result in decreased tax revenues and increased criminal activities in and around vacant properties. More than 30 states offer some form of nonjudicial foreclosure which allows lenders and borrowers to voluntarily resolve the foreclosure process through private transactions, as specified by statute.

Support Talent Attraction for Workforce Needs

Kentucky’s business community is focused on succeeding in today’s competitive marketplace—locally, regionally, and globally. To flourish, Kentucky companies must attract and retain a diverse and skilled workforce. With such goals in mind, the Chamber works tirelessly for pro-growth policies that will attract and retain employers and talent for our state. The Chamber supports programs and investments to optimize our current workforce and attract and retain workforce from outside the Commonwealth.

Workforce challenges in the United States are largely the result of declining birth rates and the surge in baby boomer retirements, which is expected to create significant labor shortages for

years to come. The workforce landscape is creating competition between states for skilled and talented workers and emphasizing the need to optimize our current workforce and invest in marketing that can attract people in much the same way as states, regions, and cities market their communities for job creation and tourism, and economic development.

The Chamber supports the General Assembly investing in talent marketing to Kentucky to attract and retain skilled and talented workers, including a grant program to support workforce development initiatives to support key employers and regional communities in their efforts to market unique quality of life strengths, and job opportunities to targeted audiences.

Efforts should include a focus on marketing the state's economic strengths, such as our manufacturing hubs and energy advantages to help attract skilled trades workers. At the same time, lawmakers should pursue initiatives to ensure a high-quality of life across Kentucky, including low taxes, a strong housing market, and world-class recreational opportunities and cultural attractions. Talent attraction initiatives should operate alongside efforts like the Kentucky Chamber Foundation's Fair Chance Academy, which brings together nonprofit and business partners to more effectively leverage Kentucky's untapped talent pools and Kentuckians who have disconnected from the workforce.

The Chamber discourages legislation that makes it difficult to do business in or with the Commonwealth. As the General Assembly continues to focus on workforce challenges and talent attraction, the Chamber urges policymakers to adopt the best policies to support a wide range of business growth and attract the numerous people of various backgrounds and viewpoints looking to move to growing states that are more affordable and provide a strong quality of life. The Chamber's mission is to foster a positive environment that enables business and population growth in Kentucky, and we will advocate for policy positions that support this mission.

Public Safety (SB)

Crime has a multibillion-dollar negative impact on Kentucky's economy every year and disrupts the lives of thousands of Kentuckians, sometimes tragically. Kentucky must make badly needed investments in public safety and law enforcement and also continue the important work of implementing smart reforms to its criminal justice code. All this work must be done with the goal of ensuring safer communities throughout Kentucky and reducing recidivism. Key reforms should include a re-examination of the felony status of low-level drug possession offenses; smart reforms to Kentucky's bail system to transition it to focus on the offense and offender and not on their financial means; and greater utilization of diversion programs like that established by Senate Bill 90 from the 2022 legislative session, which can help more Kentuckians access drug treatment programs instead of facing incarceration. Kentucky should also implement reforms to allow for more flexibility for individuals who are under community supervision, but employed, to minimize the impact on the employer. The Chamber continues to support effective re-entry policies and strategies, such as job training and upskilling programs like Certificate of Employability and work release, ensuring individuals leaving incarceration have access to basic needs like a photo ID, removing barriers in professional licensing and ensuring individuals have clarity on how their records may impact the process, and increased employment and educational opportunities for ex-felons. Moreover, the Chamber fully supports increased state investment in Kentucky's public safety infrastructure and personnel. Finally, for those Kentuckians who are eligible for expungement, efforts should be made to streamline the process by reducing or eliminating fees and providing a process by which the court can automatically initiate the process. This serves to reduce the barriers to gainful employment for these individuals and increase engagement with their communities. While acknowledging the logistical challenge such a system presents when compared with Kentucky's existing paper-

based court systems, efforts should be undertaken to ensure that updated systems are able to accommodate future policy changes without major overhauls.

Development in Key Kentucky Industries

Kentucky is fortunate to be home to a diverse economy with strengths in several key sectors and signature industries. Leveraging these strengths while continuing to diversify our economy should be central to Kentucky's statewide economic development strategy.

Agriculture

Agriculture is a key sector of Kentucky's economy. State policy should recognize the importance this industry plays in the Commonwealth. Ensuring strong infrastructure, including access to high-quality broadband and improving rural roads, is vital to supporting Kentucky's farmers and existing agriculture businesses.

As our state looks to expand on our strong foundation in agriculture through recruitment and support of agritech companies, state government must ensure regulations are designed to foster growth and not serve as impediments to this industry.

The Chamber supports efforts to develop academic pathways that better link students with both current and developing careers in agriculture. Additionally, Kentucky's agriculture businesses would benefit from connecting students from advanced manufacturing programs with agriculture career opportunities.

Kentucky should also seek to strengthen its agricultural sector and logistics assets through developing market-based incentives to meet the growing demand for alternative aviation fuel as a new fuel source for jet engines. Alternative aviation fuel represents a unique economic development opportunity for Kentucky to blend strengths in agriculture and commodity exports, energy, supply chain and shipping via various transportation modes, and aviation. Investing in the production of alternative aviation fuel can support Kentucky-based agricultural businesses, create new jobs, and drive the Commonwealth's leadership in this area.

Distilling Industry

Kentucky is the birthplace of bourbon, producing 95 percent of the world's supply. The historic, homegrown industry is a $10.6 billion economic engine bringing together agriculture, manufacturing, and tourism to sustain nearly 24,000 jobs with annual salaries, wages and benefits of $2 billion. Kentucky's spirits production and consumption now generate $372 million annually in local and state tax revenue, up $200 million from a decade ago. In 2025, the industry hit a record in exporting more than $799 million worth of spirits.

However, within that, Kentucky Bourbon exports fell 15% as the state's signature spirit faces significant and growing headwinds. Tariffs and related retaliatory measures from foreign markets have the effect of slowing exports. Increased competition from other states offering lower taxes and more privileges, and economic uncertainty affecting tourism have all increased the pressure on Kentucky's distilling industry. The Chamber strongly supports initiatives to protect and grow the Commonwealth's signature industry.

To maintain and strengthen Kentucky's distilling industry, the General Assembly must continue to update the Commonwealth's burdensome alcohol taxes and respond to consumer demands by modernizing Prohibition-era constraints.

The Chamber supports parity with the treatment of spirits, wine and beer. As such, the Chamber supports streamlining alcohol taxes by fairly taxing the alcohol by volume (ABV) similarly among

alcohol types, as well as allowing all canned cocktails with similar ABV – without regard to alcohol type – to be sold in the same retail locations.

Kentucky's Bourbon industry recognizes that with its unique product comes responsibility. Therefore, the Chamber favors state-supported funding for educational and responsibility initiatives.

The Chamber also recognizes the important role of manufacturers, wholesalers, and retailers in the alcohol industry, and encourages the General Assembly to continue seeking input from all segments of the three-tier system in developing sound and responsible public policy that meets consumer demand and keeps Kentucky competitive.

Equine (SB)

Kentucky's equine industry is world-renowned, employing more than 60,000 people (direct and indirect) statewide, contributing $2.7 billion to the state's GDP, and accounting for $6.5 billion in total economic impact (direct and indirect). The Chamber supports programs and initiatives to protect and enhance the growth of the equine industry, including innovative tax approaches, purse increases, increased funding for breeder incentive programs, and other assistance to allow our signature equine industry to remain competitive.

Kentucky's signature equine industry plays a significant role in the economy and brand image of the Commonwealth. State policy should be mindful of the opportunities provided by Kentucky's horse industry. Maintaining a competitive tax climate is key to helping the industry thrive.

As the horse industry continues to adapt to the needs of the modern economy, state government should work together with industry leaders to help Kentucky maintain its title as the "Horse Capital of the World."

The Chamber supports the equine industry by employing a full-time staffer who handles Talent Pipeline Management® specifically for the equine industry, working with farms, vet clinics, and racetracks to maintain a skilled workforce.

The Chamber supported the expansion of gaming related to historical horse racing and sports wagering and will continue monitoring these policy changes. Any additional expansion of gaming must support preservation of Kentucky's signature industries, including horse racing.

Energy (SB)

Kentucky is well known for its abundant coal resources, which remain Kentucky's primary energy source. The state's low energy costs are among our most compelling competitive advantages when recruiting new businesses. According to the Energy Information Administration, Kentucky's average industrial electric power costs and the average retail price for all sectors ranked 3rd and 13th lowest in the nation in 2023, respectively. Low utility rates and a reliable energy supply attract jobs and investment to the Commonwealth and help offset our less competitive business elements. We must protect our energy rates from overbearing federal regulations, fuel mandates, and tax policy changes that will raise rates and neutralize Kentucky's competitive energy prices. Consideration should be given to exempting energy costs for manufacturers from any local option sales tax adopted by voters. When considering the use of intermittent renewable energy resources, we must ensure that sufficient dispatchable resources remain available to supply energy at all times.

Health Care

Many areas of Kentucky are underserved by health care professionals, contributing to poor access and higher medical costs for residents. Kentucky continues to face significant challenges with health care workforce shortages. This lack of skilled professionals contributes to fewer

regular check-ups, poorer health, and higher costs to the medical system over the long term. Addressing this situation can help increase employment and simultaneously contribute to a healthier Kentucky. To help address this need, the Chamber supports a comprehensive state strategy to increase the number of health care professionals trained in Kentucky, as well as innovative approaches to encourage them to practice here. The Chamber commends the General Assembly for the passage of Senate Bill 137in the 2026 session which creates licensure options for physicians, including provisional pathways for internationally trained practitioners. In addition to supporting the health care workforce in Kentucky, it is critical to ensure processes exist that provide access to safe and quality health care for all patients.

Manufacturing

Kentucky's central location, historically low energy rates, navigable waterways, and relatively low cost of doing business have made the Commonwealth home to a number of manufacturers. With more than 260,000 payroll positions in manufacturing in Kentucky, it is imperative that Kentucky's economic development strategies work to maintain these critical advantages to protect and grow manufacturing jobs.

Technology

Technology is projected to be a high-growth sector in Kentucky for the foreseeable future. Kentucky should ensure its regulatory and tax environments are appropriately positioned to support this growth and do not impede technology businesses from starting or locating in Kentucky. Lawmakers should also ensure that public policy does not restrict the ability of employers to leverage technology to increase productivity and meet consumer demand. This should include avoiding overly burdensome data privacy mandates that create compliance uncertainty without improving consumer protections. Emerging technologies such as artificial intelligence, automation, and cloud computing offer transformational opportunities for Kentucky industries ranging from manufacturing to healthcare. As part of this shift, Kentucky is becoming a more attractive destination for data center development due to its low-cost power and strategic location. Supporting continued investment in digital infrastructure will be essential to enabling innovation, creating jobs, and securing the Commonwealth's place in the modern economy. Kentucky should support policies that encourage the responsible growth of emerging technologies and digital infrastructure while ensuring any regulatory framework is balanced, predictable, and does not create unnecessary barriers to innovation, investment, or economic competitiveness. Kentucky should proactively support the responsible deployment of these technologies through incentives, pilot programs, and collaboration with private-sector leaders. Equally as important, Kentucky must intentionally cultivate a strong tech workforce to meet the demands not only of current employers but future prospective employers as well. This should include integration of technology skills training in P-12 education, supporting advanced training in technology-related fields at post-secondary institutions, and providing technology training pathways for adult learners and adults transitioning to new careers. Tech workforce training should include not only entry-level coding but also employer-aligned advanced digital skills in areas like artificial intelligence, data literacy, cloud and systems architecture, and industry-specific applied learning.

In addition, cybersecurity must remain a top priority to protect Kentucky's businesses, institutions, and citizens. As cyberattacks continue to grow in scale and sophistication, a coordinated public-private effort is essential to secure sensitive data, ensure business continuity, and defend critical infrastructure. Kentucky should support policies and investments that help organizations of all sizes—especially small and mid-sized businesses—build cyber resilience through workforce development, threat monitoring, and rapid incident response

capabilities. A secure digital environment is foundational to attracting investment, maintaining public trust, and enabling long-term innovation across the Commonwealth.

Tourism

Kentucky's tourism industry is a major economic driver that benefits Kentuckians in every part of the state. Expenditures by 80 million visitors in 2024 contributed $14.3 billion to the economy, supported 97,394 jobs, and generated $1.0 billion in local and state tax revenue.

The Chamber recognizes the importance of our tourism industry to Kentucky's overall economy as well as the competition it faces from other states. To sustain and grow tourism benefits for Kentuckians, the Chamber supports investment in critical infrastructure such as state parks and convention and exposition centers; the adoption of policies and programs that allow our attractions and hotels to flourish; and ensuring adequate marketing funding for local destinations and the state as a whole to be competitive in attracting visitors. This investment is critical now more than ever as the industry was hit hard by COVID-19. In 2020, tourists dropped to 67.8 million for a total economic impact of $8.9 billion. Further, Kentucky enjoys rich traditions rooted in our lands, waters, and wildlife. Healthy and abundant lands and waters are the foundation of many of Kentucky's signature industries. To ensure that Kentucky can fully realize these economic opportunities, the Chamber supports investing in our lands and waters.

Aviation, Aerospace, and Logistics

Kentucky's geographic location, skilled workforce, and infrastructure investments have made aviation and aerospace standout components of the Commonwealth's economy. Kentucky is home to more than 100 aerospace-related facilities and exports about $10 billion annually in aerospace products and parts. Kentucky's aviation system includes 54 public-use airports and five commercial service airports that collectively support business development, workforce connectivity, tourism, manufacturing, logistics and access to national and global markets.

Kentucky's commercial airports provide critical passenger connectivity while also supporting the Commonwealth's globally significant air cargo and logistics industry. Three major air cargo hubs at two Kentucky airports help position Kentucky as a national and international logistics leader. At Kentucky's three largest airports, employment has surpassed 134,000 and annual economic impact exceeds $18 billion.

General aviation airports are equally important infrastructure assets for communities across the Commonwealth. They support business and corporate aviation, economic development and site selection, workforce access, emergency and medical services, flight training, agriculture, tourism and other essential aviation activity—often providing communities without commercial air service their direct connection to the national transportation system.

The Chamber supports policies and sustained investment that strengthen Kentucky's entire aviation system, expand commercial air service and connectivity, maintain and improve airport infrastructure, and position the Commonwealth for continued growth in aviation, aerospace and advanced aviation technologies. The Kentucky Chamber applauds the Kentucky General Assembly for adopting important alternative aviation fuel tax credits. We urge continued support for production of alternative aviation fuel and protecting the current the fuel tax structure.

Kentucky's Labor Laws and Regulations (SB)

A state's labor laws and regulations are key factors in attracting and retaining job growth in Kentucky. Lawmakers should ensure that Kentucky's labor laws and regulations are not overly restrictive, avoid imposing new mandates on employers, and do not make the Commonwealth an economic outlier.

- **Improve alignment between federal and state labor laws and regulations.** Employers of all sizes navigate a labyrinth of state and federal labor laws and regulations that are frequently confusing, ineffective, contradictory, or duplicative. These challenges fall particularly hard on smaller employers who may lack dedicated human resources support. The Chamber encourages a robust conversation to ensure that Kentucky's labor and employment law landscape is as business friendly as possible, especially for small businesses. Where appropriate, Kentucky's wage and hour rules should align with federal standards so that employers are not faced with two different sets of rules. Similarly, laws regarding employment discrimination should be clarified and simplified, and instances where Kentucky is an outlier should be addressed. The Chamber commends the General Assembly for passing House Bill 398 in the 2025 session to align Kentucky's occupational safety and health standards with federal standards. The Chamber will work with lawmakers and the executive branch to ensure successful implementation of this legislation.
- **Protect employer rights.** State lawmakers and policymakers must uphold the rights of employers to use all available tools to protect their staff, customers, and partners from the threat of COVID-19 and future viruses. This includes the right to require vaccination against specific diseases as a condition of employment within the confines of current state and federal law and the right to require masking or other public safety measures for individuals on an employer's premises. Employers make decisions on workplace safety and protecting public health very seriously and consider factors that may be unique to their business and workforce. Government should not intervene in this decision-making process with one-size fits all prohibitions. The Chamber will oppose prohibitions against the efforts of employers to fight the spread of illness on their premises and restrictions aimed at limiting the ability of businesses to protect public health.
- **Oppose new employer mandates.** State policymakers must support employers as they invest in the Commonwealth's workforce. To enhance workforce flexibility and ensure the state's competitiveness, the Chamber opposes state and local wage mandates, ineffective safety regulations, and additional standards that exceed federal requirements. When state or local governments enact regulations and mandates beyond what is necessary to provide proven, uniform protections, the added cost of doing business hinders Kentucky's overall competitiveness, particularly with our border and peer states, and can also contribute to job loss and reduce employment opportunities for Kentuckians. Lawmakers should closely scrutinize proposed regulations and ones already on the books to ensure effectiveness, consider their impact, and provide consistent enforcement so businesses can operate in a predictable climate.
- **Monitor the workers' compensation system and preserve the 2018 reforms.** The Chamber commends the 2018 General Assembly for modernizing the workers' compensation system for the first time in two decades. The Chamber will continue to monitor the implementation of the legislation to ensure the system remains balanced and equitable and will oppose efforts seeking to roll back progress on workers' compensation reform or expand the system in any way that could raise costs for employers.
- **Maintain an effective and sustainable unemployment insurance system (SB).** In the 2022 legislative session, the General Assembly passed transformative reforms to Kentucky's unemployment insurance system. These reforms aim to support rapid reemployment for laid-off workers, stabilize and strengthen the unemployment insurance (UI) trust fund, and ensure system costs for employers are competitive in relation to other states. The impacts of these reforms should be closely monitored in future sessions and studied to further the goals of this important legislation. In addition, lawmakers should continue to explore ways to improve the competitiveness of Kentucky's unemployment

insurance tax system, implement data-driven strategies to connect laid-off workers to reskilling and re-employment opportunities, and aggressively ensure the integrity of the state's UI system by safeguarding it from fraud and criminal activity. The Chamber fully supports allocating all necessary state resources to operate and maintain an effective and modernized unemployment insurance system in Kentucky. Thanks to the appropriation of federal relief dollars in the 2022 legislative session, the state's Unemployment Insurance Trust Fund is on a path to meeting federal solvency standards for the first time in decades. This is an important development for workers, state government, and employers, who bear the responsibility of paying into the Trust Fund. Maintaining a solvent Trust Fund capable of weathering an economic recession and ensuring the dollars are there to provide benefits to unemployed workers should be a key priority for state legislators. Lawmakers should carefully consider how any proposed changes to state unemployment insurance law might impact Trust Fund health and support policies that lead to sustainability and solvency.

Prevent Workplace Violence

With instances of workplace violence on the rise, employers should have more options available to them when it comes to ensuring the safety of their workforce, customers, and vendors, and protecting their private property. The Chamber commends the General Assembly for passing House Bill 521 (2026) which included language that strengthens criminal trespassing statutes to improve workplace safety, originally drafted in House Bill 306. Additional tools for employers to prevent workplace violence should be considered to keep workplaces safe.

Kentucky's Legal Liability Climate

As with a competitive tax system and a pro-business regulatory environment, having a legal liability climate that reasonably protects employers from unwarranted and costly litigation is a vital component to bringing in and maintaining good jobs in Kentucky. According to a 2019 Institute for Legal Reform report, Kentucky ranks 40th among the states for our legal liability climate. There are concrete steps lawmakers can take to change the status quo.

- **Promote an equitable civil justice system.** Comprehensive civil liability reform in Kentucky remains a key priority for the Commonwealth's business community. The increasing cost of civil litigation, whether through legal fees, higher liability insurance premiums, defensive business practices, or 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. Lawmakers have previously taken steps to temporarily protect employers from unwarranted litigation – such as passing COVID liability protections for employers in the 2021 session – but comprehensive reforms are needed for Kentucky to turn back the clock on expanding employer civil liability. To stem the costly tide of an increasingly and unnecessarily litigious environment, the Chamber supports reasonable limitations on civil liability and a constitutional change that would allow the General Assembly to enact caps on awards for non-economic damages. These needed reforms will have a stabilizing influence on our tort system, making the state more attractive to employers and potential employers alike. Further, the Chamber opposes the use of private right of action as a means of enforcing consumer protection laws and prefers a more direct or streamlined approach that doesn't lead to excessive, costly litigation that reduces the efficiency of the courts.
- **Improve medical liability climate.** 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. In order for the legislature to mandate a maximum amount of non-compensatory damages to be awarded in professional liability cases, an amendment to the Kentucky Constitution is required. The Chamber supports allowing Kentucky voters to decide on whether such a cap is necessary through a constitutional amendment. The Chamber additionally supports legislation to bring fairness to the calculation of damages in general liability and medical malpractice litigation to reduce liability and health care costs. State and federal lawmakers should pass reasonable limits on damages and require alternative dispute resolution 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.

- **Protect intellectual property.** When manufacturers use stolen intellectual property (IP) to cut their business costs, they gain an unfair competitive advantage that results in reduced revenues and job growth for responsible Kentucky and U.S. manufacturers. IP theft is a particularly serious problem in emerging export markets with a weak rule of law that encourages illegal and unethical business practices. The Chamber encourages federal and state policymakers to enact policies that will improve business competitiveness by promoting and defending robust intellectual property rules globally while strengthening enforcement efforts in the United States and abroad. Protecting IP in the form of patents is critical to protecting innovation, but it is also necessary to deter frivolous patent claims by so-called patent trolls who use the court system as their personal ATM, extorting businesses with dubious claims of patent infringement. The Chamber strongly supports efforts to inhibit patent trolls while balancing the need to protect patents.
- **Revise statute of limitations laws.** Kentucky should review and revise statute of limitations laws to ensure they do not place an inordinate burden on employers, create an uneven playing field, or encourage frivolous litigation. These laws should be consistent with surrounding states and allow Kentucky to remain competitive in attracting and retaining businesses. The Chamber applauds the work of the General Assembly to pass HB 320 in 2024, which shortened statute of limitations for employment-related claims to bring Kentucky in line with competitor states.

A Responsible State Budget

The state has made progress in curtailing spending growth in some areas, but efforts must continue to ensure Kentucky makes the right investments of tax dollars to build a stronger future. This is particularly important in light of Kentucky's plan to phase out the individual income tax, which ties future reductions to income tax rates to levels of revenue growth, state spending, and the health of the Budget Reserve Trust Fund.

If Kentucky is to keep its financial house in order, it must establish a set of disciplined guidelines on spending tax dollars. We encourage Kentucky's lawmakers to adopt the following guidelines for state spending:

- Limit spending to six percent of the state economy.
- Limit borrowing costs to six percent of the state General Fund budget.
- Ensure that Kentucky avoids structural deficits by tying recurring obligations to recurring revenues.
- Prioritize spending on areas that invest in the future, such as education and economic development.
- Avoid appropriating all anticipated revenue and ensure the state's Budget Reserve Trust

Fund has adequate resources to cover the state's emergency needs.

Sustainable Public Employee Benefits (SB)

With pension systems that are among the worst-funded in the country, the Chamber has advocated for reforms in Kentucky's public pension systems for more than 12 years. The General Assembly has responded with a number of significant actions and increased funding in recent years. The 2008 General Assembly enacted reforms that increased the employee pension contribution, imposed a minimum retirement age, and placed other limits on benefits. In 2010, the legislature implemented the "shared responsibility" plan for teachers' health insurance, and in 2013, state and local workers were placed in a hybrid 401K-style plan, with a guaranteed four percent annual return, and cost of living adjustments for state and local retirees was suspended. In 2021, lawmakers passed legislation to improve the sustainability of the Teachers' Retirement System by making changes to pensions for future hires. These measures all help build a foundation for continuing progress in pension reform.

In terms of funding, Kentucky is now putting more than $1 billion per year more into its pension systems than it was five years ago. Recent budgets have continued this trend, providing full funding for the Kentucky Employee Retirement System and the full requested appropriation for the Kentucky Teachers' Retirement System. This increased funding, combined with more realistic assumptions adopted by Kentucky Retirement Systems, will help put the system on a path toward financial solvency.

Moving forward, the Chamber believes:

- Benefits provided to public employees should mirror the private sector to the extent possible.
- Public employees should work longer before being able to retire (similar to the private sector).
- Retirement promises made to public employees for benefits already earned should be honored.
- Continued emphasis should be placed on reducing public employee health insurance costs.
- The full actuarial required contribution (ARC) should be made to Kentucky's pension systems, and assumptions on which the ARC is based should be periodically audited and made public to ensure their accuracy.

Maintain Sensible 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 state.

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.

Incentivize Consolidation of Services

The Chamber supports efforts to incentivize localities such as cities, counties, special taxing districts, and school boards to consolidate essential services such as 911 services, water and

wastewater services, etc. to ensure taxpayer dollars are being spent wisely while helping relieve the financial burden of individual local governments.

Stop Expansion of Collective Bargaining

The Chamber is firmly opposed to any local or statewide expansion of public employee collective bargaining. The expansion of public employee collective bargaining can lead to inefficient administration of public duties, increased costs to taxpayers and an increased likelihood of interruptions of essential government services to the detriment of all Kentuckians.

EDUCATION AND WORKFORCE

Access to Child Care

Increasing access to affordable, high-quality childcare is a top strategic priority for the Kentucky Chamber. Child care supports access to early education opportunities for young children and allows parents to join the workforce and seek out employment. Analysis from the Kentucky Chamber Center for Policy and Research estimates that increasing access to child care and making it more affordable could help 16,000 to 28,000 parents in the Commonwealth take a job or start looking for work, bringing a $600 million to $1.1 billion economic impact to families and local communities.

To help increase access to child care in the Commonwealth, the Chamber launched the Kentucky Collaborative on Child Care, whose policy recommendations laid the foundation for House Bill 6 and House Joint Resolution 50 in 2026. This legislation enacted significant reforms to strengthen quality child care, the child care workforce, the Employee Child Care Assistance Partnership, the Child Care Assistance Program, and the Certified Child Care Community Program and established new initiatives related to data, financial transparency, child care licensure, and regulations.

In future legislative sessions, lawmakers should ensure a successful implementation of this legislation and work to build on it with the shared goal of ensuring working Kentucky families have access to affordable, quality child care services that fit their needs.

Alignment of Workforce Development Programs (SB)

Kentucky's long-term economic success depends on increasing labor force participation and reducing barriers that prevent Kentuckians from working. The Chamber supports a coordinated, data-driven approach across all policy areas to improve workforce participation. This should include evaluating the workforce impacts of policy proposals, removing barriers to work, strengthening incentives to work, and improving coordination across programs. Kentucky should set shared goals around workforce participation and track success on a regular basis,

Another key area is ensuring effective workforce training programs. These programs are critical, but too many employers continue to struggle in their efforts to find people with the right skills for the jobs they have available. Too many job seekers can also be frustrated as they try to find the right job to match their skills and abilities at the compensation level they expect.

Kentucky's workforce training system is notably complex with multiple layers and differing agency responsibilities. Programs receive state and federal funding in the hundreds of millions of dollars, and programs range from job-specific skill development to support for job seekers. The Chamber is supportive of efforts led by entities such as the Kentucky Workforce Innovation Board to create stronger alignment, more effective targeting, and outcomes-based analysis of workforce programming throughout the state. These efforts will serve to improve workforce development outcomes in the state and focus on the following goals:

- Ensuring collaboration and cohesion across state and local agencies and nonprofit and private sector partners;
- Eliminating redundancy;
- Streamlining data-gathering and information sharing, especially for key sectors such as health care and manufacturing;
- More effectively tracking workforce development spending, routinely evaluating programs, and ensuring a strong return on workforce investments;
- Improving the customer-service experiences of employers and job seekers;
- Removing barriers to workforce development programs for individuals with histories of justice-involvement or substance use disorder;
- Incorporating scalable, technology-enabled career exploration with outcomes tracked against in-demand sector needs;
- Strengthening employer liability protections for workers with backgrounds not directly related to the field of work; and
- Establishing metrics and legislative and regulatory review processes to ensure that any new state policies encourage and incentivize greater workforce participation.

The Chamber continues to support workforce development programs to assist employers with upskilling and training employees. The Chamber also encourages continued support for vocational rehabilitation services to expand workforce participation opportunities for individuals with disabilities and to connect employers with skilled candidates.

Because of the magnitude of Kentucky's workforce challenges, it is critical that all workforce programming and spending in the Commonwealth be highly effective and demonstrate positive results.

Helping to drive this important work, the Kentucky Chamber Foundation's Workforce Center is entering its sixth year of work to expand employer involvement in the development of workforce programs and assess progress and challenges in efforts to improve the workforce. Through the Talent Pipeline Management® initiative, the Foundation's Workforce Center is bringing together collaboratives of employers in different sectors to define shared needs and identify gaps in worker training programs. This work, and the experience of employers across the state, is raising greater awareness of the continuing need to improve workers' essential skills – sometimes called soft skills – such as showing up on time, working well with others, communicating effectively, and taking responsibility for one's actions. The Chamber continues to monitor the implementation of 2018 legislation it supported to incorporate essential skills into the state's K-12 education system. The business community supports efforts to increase the emphasis placed on addressing this skills gap.

Earned-Income Tax Credit

One of the most effective policy tools in incentivizing workforce participation, rewarding work, and helping families transition from government assistance to self-sufficiency is the federal Earned-Income Tax Credit (EITC). This program phases in a refundable tax credit to low-income working families to help supplement their wages and gradually phases out as their

income increases. Within specific demographic groups – such as single mothers, for example – EITC has been credited with increasing employment by as much as 11 percentage points.

The Chamber supports increased interventions by Kentucky state agencies to raise awareness of access to the federal EITC for working families, especially for families receiving government assistance or that are vulnerable to benefits cliffs. According to IRS data, one in five low-income workers in Kentucky who are eligible for EITC fail to claim the credit, causing them to forgo upwards of $2,500 per year.

As of 2022, 28 states offered state-level EITC programs that match the federal EITC up to certain levels. These states include neighboring states such as Indiana, Missouri, Ohio, and Virginia. As a state with one of the lowest workforce participation rates in the nation, Kentucky should consider establishing a state-level EITC program to support workforce participation and more effectively leverage this key workforce development tool.

Public Benefits to Self Sufficiency

The Kentucky Chamber supports policies that strengthen workforce participation by ensuring individuals can transition smoothly from public benefits into self-sufficiency, without creating a “cliff” effect that discourages work. Kentucky's system should reward work, career advancement, and wage growth, not create barriers that discourage employees from accepting raises, promotions, or additional hours. The Chamber supports State and Federal reforms that reduce benefit cliffs, improve coordination between public and private health insurance coverage, expand transitional coverage options, streamline enrollment into employer-sponsored and marketplace plans, and provide Kentucky with the flexibility to test innovative approaches that promote continuous coverage while advancing economic self-sufficiency. A successful transition from public assistance to private coverage benefits workers, employers, taxpayers, and the Commonwealth's economy by increasing labor force participation and supporting long-term upward mobility.

A Robust K-12 Ecosystem

The Kentucky business community fully supports a robust K-12 ecosystem that outrivals other states and delivers results for students, families, and employers. This involves well-funded schools, the utilization of charter schools with public funding, and incentives to use proven models that result in student success to address challenges that students face. Funding for full-day Kindergarten was a welcome addition to the state budget in the 2022 legislative session, and the Chamber encourages lawmakers to continually prioritize this issue in future budgets. The Chamber also supports programs that allow schools to better meet the individual challenges students may face to help ensure their success in school and beyond.

Many Kentucky K-12 students fell behind due to the disruptions caused by the COVID-19 pandemic in 2020 and 2021. Policymakers should continue studying both the short- and long-term impacts of these disruptions on student learning and pursue policy and programmatic remedies to ensure these students are still able to reach their full educational potential.

Part of a robust K-12 ecosystem is addressing the teacher shortage impacting our state. This shortage has resulted in larger class sizes and stretched resources, making it imperative to explore innovative solutions to attract and retain educators.

One promising solution is the implementation of Option 9, a new, alternative route that allows individuals to obtain a bachelor's degree and initial teacher certification over a three-year period while working in a non-teaching role within a school district. The Chamber Foundation’s Talent

Pipeline Management® Education Network conducted a survey among 14 school districts, with 127 educators expressing their interest in learning more about Option 9 pathways. By leveraging our existing workforce and providing the necessary resources, Kentucky can upskill current professionals and facilitate their transition into the classroom. The Chamber supports the General Assembly funding programs to support this new, alternative route.

Promote and Reward High-Quality Teaching

Quality teaching is the single most important factor in students' academic success. To ensure every Kentucky student has a high-quality teacher every year, the Chamber supports the formal review of the effectiveness of teacher preparation programs and the delivery of meaningful professional development programs to better meet the needs of classroom teachers.

Policymakers must professionalize the teacher compensation system to reward excellence and provide incentives to attract educators to areas that are underserved, either geographically or by subject matter. Greater emphasis also should be placed on non-traditional routes to certification to expand the pool of potential teachers. These steps will allow Kentucky to recruit and retain the best and brightest professionals.

Dual credit opportunity in schools is important. To increase opportunity, we must ensure enough teachers are qualified to teach dual credit classes. An assessment of the number of teachers qualified to teach dual credit should be completed with efforts to increase the number of these educators across the state.

Post-Secondary Readiness

Preparing high school students for college and their career continues to be an area of particular significance for the business community. The state's graduation requirements and accountability system must place appropriate emphasis on activities that are proven to prepare students to be truly transition-ready for college or their career. The Chamber supports an accountability system that ensures students graduate ready for college or their career and narrows achievement gaps among groups of students.

To further encourage post-secondary readiness, high school students should be encouraged to take more challenging courses. At the high school level, recent regulatory changes that give greater weight to dual credit, Advanced Placement (AP), International Baccalaureate (IB), and Cambridge International Classes are positive developments. The Chamber encourages additional steps to incentivize students to take rigorous and challenging courses along with appropriate state funding for early postsecondary opportunities.

Require Educator Accountability

The Chamber believes tenure should not be automatically awarded to teachers on the sole basis of time on the job but should be earned based on an appropriate evaluation and be subject to periodic reviews for renewal. Educators who do not meet the high standards required to serve all students should be removed from the education system. Appropriate performance metrics and professional development opportunities for educators providing instruction virtually should be developed.

Post-Secondary Attainment and Affordability

Ensuring high levels of post-secondary attainment by making sure post-secondary education is affordable for Kentucky students should be a priority for the Commonwealth. The Chamber advocates for continual simplification of the state's financial assistance process and a shared

responsibility approach to distribute costs among students, families, post-secondary institutions, and government. Lawmakers should find ways to further leverage state financial aid programs, like the Work Ready Scholarship, to help students pursuing in-demand career fields. To encourage training and employment among second-chance populations, Kentucky should either repeal the lifetime prohibition on receiving Kentucky Education Excellence Scholarship (KEES) dollars for Kentuckians with non-violent felony records or consider shortening the time period of exclusion. State law should support employer-driven efforts to assist working Kentuckians with post-secondary affordability, including providing incentives to employers who offer tuition benefits. The Chamber supports increased funding for Work Ready Scholarships and applauds the General Assembly for taking this important step in 2024.

Further, on-time degree completion is a key strategy in managing limited state and student resources. Students should be given opportunities and encouragement to complete their degrees on time or early, including adequately funding the Dual Credit Scholarship program and AP Exam subsidy funding for high school students. Participation in both of these programs has seen significant growth and funding needs will increase in the upcoming biennium as high schools and colleges work to expand access for students.

The Chamber believes information is critical to helping Kentucky students achieve an affordable education. Students would be well served by receiving data on in-demand jobs in the state prior to making decisions about what courses to take at post-secondary institutions. In high school, students should know what funds are available to continue their education through completion of the Free Application for Federal Student Aid (FAFSA). The Chamber supports integrating FAFSA completion into the state's high school graduation requirements.

The Kentucky Educational Savings Plan Trust (KY Saves 529), the state-sponsored 529 savings plan, helps families save for education. These accounts can be used for K-12 tuition, registered apprenticeship programs, and federal, state, and private student loan payments, as well as traditional college tuition, room and board, books, computers, and required fees. Research has shown that merely having an education savings account, regardless of the balance, increases students' likelihood of pursuing and completing training after high school. Providing employers with a tax credit for contributing to an employee's KY Saves 529 account would incentivize businesses to match employees' contributions, provide seed money for their account, help with student loan repayment, or award special bonuses in the form of education savings.

Career and Technical Education

The Chamber commends the General Assembly for investing in Career and Technical Education (CTE) and directing the flow of funding to enhance secondary instruction across the Commonwealth. CTE concentrators' 98 percent high school graduation rate speaks to the relevance of coursework that interests students. With the passage of SB 54 in 2023, Kentucky students are now able to use their KEES dollars to pursue more careers within the CTE field. Employers are encouraged to participate on local CTE advisory boards to help shape the coursework needed to support their businesses and the local economy. With the Chamber Foundation's Bus-to-Business® program as a component, local businesses can assist with career exploration, which can guide students toward careers in their areas of interest by utilizing the Foundation's Talent Pipeline Management® pathways. Education officials, legislators, and businesses must work to address the shortage of teachers who can impart the skills and education required to meet the job demands of high-need and emerging sectors in the Commonwealth, with emphasis on programs that prepare students for a wide range of technical and professional careers to build a strong and adaptable workforce.

Set Universities and Community and Technical Colleges Free to Excel

Kentucky's public universities and community and technical colleges need greater operational flexibility to compete in an increasingly global marketplace. The flexibility that allows for entrepreneurial endeavors while requiring overall accountability would improve quality and better serve the institutions, the state, employers, and students. As an example, most states allow public universities to issue their own revenue bonds to finance building projects that generate income sufficient funds to cover the debt service. To the extent that such an approach would not negatively impact the Commonwealth's state bond rating, the Chamber believes a similar approach should be implemented in Kentucky with structural safeguards and oversight that ensure projects are consistent with the state's vision for post-secondary education.

Adult Education (SB)

While the state is making progress in improving education levels of younger Kentuckians, the educational attainment of older workers continues to present significant challenges. The Chamber supports initiatives designed to meet these challenges, such as the Kentucky Office of Adult Education's efforts to increase the number of people earning a GED and enrolling in post-secondary education and private/nonprofit initiatives. Continued support is needed to expand nonprofit programs that work with adults to achieve a high school diploma, combined with job readiness skills and in-demand credentials, to more communities and help connect graduates with employers who have openings in those fields.

Substance Use Disorder (SUD)

Another major driver of low workforce participation is the substance use disorder (SUD) crisis. While Kentucky has made steady progress in reducing overdose deaths, SUD remains a major social, health, and workforce issue. Individuals with substance use disorders participate in the workforce at lower rates than other individuals. Research by the University of Kentucky has found that opioid use disorder alone may be responsible for removing as many as 55,000 Kentuckians from the workforce. The Chamber fully supports allocating all necessary resources to tackling this challenge, including appropriating dollars from state legal settlements and pulling down available federal funds to ensure every community has the recovery and treatment infrastructure necessary for success.

In 2023, the Kentucky Chamber Center for Policy and Research released a study titled "Working Towards Recovery," which studied the impact of substance use disorder on the economy and workforce participation and proposed policy solutions. Several of the solutions recommended in that report are included below.

- **Punish bad actors.** The Chamber commends the Kentucky General Assembly for taking important steps to close pill mills, end illegal prescribing practices, and address the heroin epidemic in Kentucky. The Chamber encourages a thoughtful approach that will not back away from efforts to punish bad actors but will also not result in incarcerating nonviolent and nonsexual offenders who stand a better chance at rehabilitation and recovery through access to treatment programs and services. Continuing policies to develop workable statewide and interstate compacts, as well as the adoption of nationally recognized pain management guidelines, will help limit drug abuse that has a negative impact on employers and employees. State policymakers should also act within their power to reduce the flow of illegal drugs entering Kentucky from foreign countries.
- **Build out community resources (SB).** The Chamber strongly supported Recovery Ready Communities legislation in 2021, which will empower community-driven responses to the

substance use disorder crisis. The Chamber is actively working with government agencies, partners, and communities throughout Kentucky to implement this new program. The General Assembly should routinely evaluate state funding for important state efforts to combat addiction, such as the Office of Drug Control Policy and Community Alcohol and Drug Services, to ensure these agencies are fully funded and have the necessary staff and technology to be successful. Furthermore, with roughly 50 percent of incarcerated individuals meeting the criteria for substance use disorder or drug dependence and abuse, resources for treatment and recovery must be made widely available to justice-involved individuals and the general population alike through existing hubs such as kynect resources. As community resources for substance use disorder are built out, quality and efficient ways to access these resources and programs must also be a top priority. Policymakers should consider ways to support and incentivize high-quality treatment and recovery services across the state.

- **Ensure the success of the Behavioral Health Diversion Pilot Program.** Senate Bill 90, passed in the 2022 legislative session, represents one of the most hopeful models for thoughtfully approaching the substance use disorder crisis through the criminal justice system. The Chamber encourages all stakeholders involved to fully buy into this program in the ten pilot counties and to work collaboratively to make it a success. The Chamber is committed to advocating for the necessary resources to expand this approach throughout the Commonwealth. To further improve the program created by Senate Bill 90, policymakers should:
    - Streamline reporting requirements for SUD treatment providers to reduce administrative burdens.
    - Reevaluate eligibility criteria to create more opportunities for individuals who would benefit from inpatient care versus outpatient care only.
    - Begin expanding the program to additional counties.
    - Expand access to drug courts.
    - Begin standardizing the use of diversion programs across counties.
    - Remove barriers to successful reentry.

Additionally, the Chamber supports efforts to remove barriers to employment for Kentuckians recovering from substance use disorder and/or exiting incarceration. With the approval of Kentucky's Section 1115 Waiver to CMS in July 2024, the Commonwealth should prioritize the rollout of the program within correctional institutions to ensure continuity of care for those exiting incarceration. Studies show that those exiting incarceration with substance use disorder are at an increased risk of overdose, especially in the first two weeks of reentry, where the risk is nearly 100 times greater. Access to these resources, along with a robust reentry plan, pre-release will serve to reduce the risk of relapse and promote reintegration to society through employment.

The Chamber applauds the General Assembly's passage of the Recovery Through Employment legislation in 2020 that supports transformational employers that hire and retain people in recovery. The Chamber also supports additional work to implement and strengthen this law to help transformational employers, including a detailed study of how liability concerns discourage employers from hiring justice-involved Kentuckians or Kentuckians in recovery. Additional steps that the General Assembly should take to remove barriers to success for individuals in recovery or re-entering society include increasing Kentucky's supply of quality, affordable, and supportive housing that promotes sobriety and connection with a recovery community. Regarding supportive housing, lawmakers should continue building on the foundation provided by House Bill 248 in the 2023 session, which established minimum quality standards for recovery housing

in Kentucky. Policymakers should focus on creating a legal and regulatory environment that encourages second-chance hiring - including best practices for screening and integrating recovery-ready employees in safety-sensitive industries like manufacturing and health care - removing barriers to education and financial resources for ex-felons such as the felony prohibition on accessing KEES dollars, automating and streamlining processes for expunging criminal offenses that are already authorized under state law, and improving data collection on incarcerated and formerly incarcerated Kentuckians. The Chamber supports recent efforts by the legislature to better align Kentucky's measure of recidivism with national standards and to better track the success of Kentucky programs. To encourage more fair-chance hiring in Kentucky, policymakers should continue exploring ways to raise awareness of incentive programs like the federal Work Opportunity Tax Credit and also take steps to reduce liability concerns for fair-chance employers. In addition, the Chamber encourages state government and other public employers to take steps to implement fair-chance hiring and contracting practices.

HEALTH CARE

Encourage Medicaid Sustainability

The Chamber supports efforts to encourage more individuals to have a pathway to commercial coverage that offers a smooth on ramp and incentivizes individuals to see better employment opportunities without the threat of a benefits cliff, which discourages career advancement and self-sufficiency. Additionally, the Chamber supports efforts to ensure Kentucky's Medicaid program remains financially sustainable while preserving access to quality health care and supporting a strong health care system and opposes efforts to create additional programs that would place more Kentuckians on public coverage. Recent federal changes under H.R. 1 and state legislation in House Bill 2 (2026) will significantly affect Medicaid financing, eligibility, provider reimbursement, and the delivery of care in Kentucky. Given the scope of these changes, the fiscal and operational implications should be evaluated to ensure future policy decisions are informed by a clear understanding of the impacts on Kentucky's Medicaid program and health care system.

A Healthy Workforce

Poor health outcomes are a major driver of low workforce participation in the Commonwealth. Strengthening the health of Kentucky's workforce is therefore critical to our economic success. Kentucky has one of the nation's unhealthiest populations, with consistent rankings at or near the top of the list in smoking rates, obesity levels, and other indicators of poor health. In addition to being a quality-of-life issue, the state's health status has a significant impact on the business community, harming workforce participation and increasing employers' health care costs, as well as hindering their ability to hire a healthy and productive workforce. Anecdotally, these factors can also be detrimental to industrial recruitment. Expanding businesses may not want to locate a new facility in a state with such an unhealthy workforce. Kentucky should focus on measurable health outcomes that directly affect workforce participation, including reducing the impact of chronic disease, improving mental health, and supporting recovery from substance use disorders There are key steps lawmakers can take to help improve the health of Kentucky's workforce.

- **Encourage private and public sector wellness programs (SB).** Nationally, Americans use preventative services at about half the recommended rate. Preventing disease before it starts is critical to helping people live longer, leading to healthier lives, and keeping health

care costs down. The Kentucky Chamber encourages employers to implement wellness-based programs that encourage prevention and prompt workers to improve their health habits, including both mental, dental and physical health. To improve the health of Kentuckians and to promote an under-used cost control measure, the Chamber supports legislation to provide incentives and programs to drive the creation of wellness programs enabling businesses to educate and encourage their employees to engage in healthy lifestyles and obtain preventive care including access to the full range of the state's Tobacco Prevention and Cessation Program's resources. Wellness programs should also be targeted at recruiting and retaining a healthy workforce and may include programs to support weight management and mental health resources. Wellness programs should encourage individuals to make informed choices about the appropriate level and setting of care based on their health needs, including utilizing primary care or telehealth when appropriate. These efforts should focus on encouraging a level of personal responsibility for one's health as well as organizational health promotion policies and environments.

- **Reduce Smoking Rates.** Kentucky's high rates of smoking and tobacco usage contributes to many of the poor health outcomes facing the Commonwealth. Data shows that 23.6 percent of Kentuckians use cigarettes, the second highest rate in the nation. This leads to a range of illness and ailments that drive up health care costs and reduce workforce participation. Additionally, the number of Kentucky teenagers, and even middle school students, who are using e-cigarettes and experimenting with other tobacco products, is among the highest in the nation. This disturbing trend sets the stage for a continued unhealthy workforce as the next generation grows into adulthood addicted to nicotine and its deadly health consequences. The state should have an active interest in reducing smoking rates as high tobacco use exacerbates health risks in industrial workplaces, increasing workers' compensation claims and health care costs for employers. The Chamber supports a range of policy proposals to reduce smoking in the Commonwealth, including removing smokers as a protected class, increasing the amount of funding for the state's Tobacco Prevention and Cessation Program, increasing taxes on cigarettes and e-cigarettes, enacting a statewide smoke-free law, and giving local governments more leeway to regulate the use, display, sale, or distribution of tobacco or vapor products. Such policies should be implemented without increasing "purchase, use, or possession" penalties for youth, which are ineffective and raise the likelihood of youth becoming involved with the criminal justice system.

Wellness Activities (SB)

A best practice identified by the National Governors Association Center for Best Practices is for states to incorporate more wellness activities into Medicaid programs. The Chamber supports offering financial incentives to Medicaid recipients who maintain healthy behaviors.

Improve Health Care Affordability

The Kentucky Chamber supports efforts to make health care more affordable and accessible for Kentucky families, employers, and taxpayers. Policymakers should pursue strategies that increase competition, transparency, and value in the health care system while encouraging appropriate utilization and reducing unnecessary costs. Health care affordability must remain a priority as rising costs place increasing pressure on individuals, businesses, and the state budget. The Kentucky Chamber supports evaluating the costs and benefits of proposed health insurance coverage mandates before they are enacted. While individual mandates may address legitimate health care needs, the cumulative effect of adding coverage requirements can increase premiums and place additional costs on employers and employees. Policymakers

should consider the impact on employer-sponsored coverage, including whether proposed mandates provide sufficient value relative to their cost, and evaluate their broader effects on access and affordability before adding new requirements. The Kentucky Chamber supports reforms to create a more predictable medical liability environment and promote fairness in damages, strengthening Kentucky's health care system and supporting access to care.

Monitor Affordable Care Act (SB)

The Patient Protection and Affordable Care Act (ACA) allowed businesses with fewer than 50 employees to voluntarily provide health insurance and to ensure these small businesses can continue to provide these benefits. The Chamber will continue to look for opportunities to maintain affordable health insurance benefits. Protecting businesses from burdensome overreaching regulations, mandates, and penalties under state and federal law is critical. The Chamber will continue to oppose burdensome mandates and policies that increase costs on Kentucky businesses and recognize that such policies can disproportionately impact small business.

Long-Term Care Insurance Policies

The Chamber supports initiatives that provide greater incentives for individuals and/or employers to purchase long-term care insurance policies. As the population ages, individuals will likely require health care services from every level and setting of care, from non-medical aid to skilled home health to a skilled nursing facility, and each should be accessible while delivering quality care. The Chamber encourages policymakers to concentrate elder care resources on case management to ensure people's needs are matched with the most appropriate care.

Program Review

The Chamber encourages a top-to-bottom, data-driven review of the Medicaid program conducted by a nationally recognized consulting firm with expertise in Medicaid. The review should focus on an evaluation of the scope of services covered by Medicaid compared with other states as well as outcomes for Medicaid patients. The Chamber is committed to following the work on the Medicaid Oversight and Advisory Board and engage members as necessary as they navigate issues affecting the Commonwealth, including rural and urban environments.

Program Administration

The Chamber believes additional areas of the Medicaid program that should be explored for possible savings include:

- Improving the "error rate" – reducing overpayments to providers and ensuring the correct determination of recipient eligibility.
- Ensuring that child support orders require non-custodial parents with access to health insurance to provide coverage for their children (as permitted by Kentucky law).
- Increasing the use of generic drugs by Medicaid recipients in circumstances where doing so would not harm patient health outcomes.
- Monitoring the impact of the implementation of a single preferred drug list and pharmacy benefit manager on the overall cost to the Medicaid program.
- Revisiting the use of significant co-pays for recipients at higher income levels.
- Ensuring the managed care contract companies honor the timely and appropriate payment rules and pay providers for the correct services in a timely manner.

- Ensuring there are appropriate guardrails in place to eliminate fraud, waste, and abuse in Medicaid.
- Encouraging and promoting personal responsibility and quality and cost-conscious decision-making to ensure Medicaid recipients choose the correct level of care

ENERGY AND ENVIRONMENT

A Sensible Regulatory Approach

Economic growth, energy independence, and environmental protection are compatible and complementary goals. The Kentucky Chamber recognizes that legitimate uses of the environment should be protected and that business activities may affect environmental quality. To achieve sensible regulatory objectives, the Chamber encourages legislative and administrative actions that satisfy the following criteria: scientific validity, technical feasibility, and economic rationality.

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 cost-effectively result in the avoidance of environmental harms or the creation of environmental benefits. Similar to the federal major questions doctrine, major changes in environmental policy should be driven by legislative action and not by regulatory agencies.

To achieve the true objective of environmental regulation, government must ensure the technical feasibility in setting standards. In addition, government should be a conduit for information on available control technologies for businesses but not control the supply/demand of the marketplace. Government action and requirements for compliance should reflect a proper balance of the benefits provided by a standard and the cost to society of achieving it. In setting standards, an agency should consider its impact on reliability of the electric grid, jobs and low-income groups and the ability of business to operate profitably within the confines of any legal framework. Those standards should also provide businesses with the maximum flexibility to implement sustainable practices they deem appropriate for their unique situations. Best practices, guidance, and other sources utilized in implementing a standard should be used to strike a balance between achieving environmental compliance and cost-effective implementation of the standard. Where the standards do not specifically address such practices or guidance, government should defer to their use in finding scientifically valid and technically feasible ways in protecting the environment without causing undue economic harm to industry.

State government, utilities, and businesses should work hand-in-hand to maintain a process to balance ratepayers' desires for competitive rates through the least-cost option with incentives for energy production innovations, clean coal technologies, and energy efficiency. Within the context of greenhouse gas emissions and their role in climate change, the Chamber supports objective research and analysis that provide government and business alike with the information and tools to make reasoned decisions on policy and investment. The Public Service Commission (PSC) should regulate in a way that is predictable and consistent to ensure that the utility investments may be optimized to serve consumers safely, efficiently, and reliably. The PSC should issue orders in a timely fashion that sends a signal of stability to economic development prospects and investors.

Enforcement of Federal Law and Regulations

The Chamber supports efforts by the Kentucky Energy and Environment Cabinet to ensure existing environmental laws and regulations are applied and enforced in a consistent, non-discriminatory manner at both public and private facilities. The Chamber urges the Cabinet to aggressively assert its authority as the primary administrator of delegated environmental programs in cases where federal agencies attempt to overstep their oversight role or demand action inconsistent with past state regulatory actions or determinations. The Chamber also supports efforts of the Attorney General to challenge environmental rules and regulations that have a negative impact on Kentucky.

Many federal laws and regulations currently being amended or adopted will impact Kentucky businesses. The Chamber supports the Administration's efforts to revise the existing Environmental Protection Agency (EPA) regulation of carbon dioxide from new and existing electric generating units. The Chamber opposes federal regulations on greenhouse gas or other emissions that place baseload power resources at risk of closure, limit the capacity factor of generating units, and that threaten Kentucky's reliable and affordable supply of energy. This also includes EPA revisions to National Ambient Air Quality Standards for sulfur dioxide, ozone, particulate matter, and nitrogen oxides, as well as revisions to the implementation of the standards that could drastically increase the number of non-attainment areas and increase the difficulty of planning for attainment of the new standards. The Chamber supports legislation to change the review cycle for criteria pollutants, including ozone, from a five-year review to a 10-year review and supports efforts by the EPA to better understand the role other factors such as background levels of ozone and economic impacts play in meeting the standard.

The Chamber encourages a rigorous rulemaking process whereby stakeholders such as the business community are involved and have adequate time to review and comment on proposed rules. It is imperative that the General Assembly and administrative offices of Kentucky, including the Energy and Environment Cabinet, continue to weigh in on the federal rulemaking processes and use their influence to impact the outcome of these regulatory programs and speak to the unique needs and environment of the Commonwealth.

The Chamber believes it is critical that Kentucky's regulatory environment should enable businesses to be competitive and to operate on a level playing field with other states, and that Kentuckians should not be subject to administrative regulations that are more costly and stringent than federal rules, regulations, and procedures. This view applies to the extent to which deference is given to administrative agencies to interpret their own authorities under laws enacted by their respective legislators.

A recent decision by the Supreme Court of the United States has limited the scope of federal administrative agency regulatory powers by returning to the federal courts the authority and responsibility to interpret the federal laws under which federal agencies operate. The Chamber supports the decision by the U.S. Supreme Court in Loper Bright Enterprises v. Raimondo that ends so-called "Chevron deference.

Encourage Cooperative Federalism

Decisions and policies that are best for a state or local community are more likely to occur when national, state, and local governments interact in a cooperative manner to solve common problems. The Chamber fully supports the application of cooperative federalism principles with respect to the appropriate utilization and recognition of state and local primacy rights when implementing energy and environmental programs.

The Chamber fully supports the Kentucky General Assembly and Energy and Environment Cabinet in identifying more strategic and better-planned statutory/regulatory actions by the state. The Chamber also fully supports working with local governments to address issues and avoid imposing duplicate and conflicting requirements – or needless regulations that would not yield meaningful improvements to environmental quality while increasing burdens on the regulated community.

Improved application of cooperative federalism principles can result in timely and consistent enforcement of existing regulations and assure that Kentucky's policymakers hold the key decision-making role in matters affecting our state. The Chamber encourages actions taken by the federal government to engage in cooperative federalism.

Such planning is important as regulators navigate new strategies for setting rules and enforcement. It is important that states and local governments be given authority to utilize a stakeholder-driven approach to addressing questions or concerns related to environmental justice.

State and Local Regulations (SB)

In considering standards for the protection of human health and the environment, federal agencies undertake an exhaustive process of reviewing available data to set standards at an appropriate level. Those processes are not foolproof, however, and the Chamber urges Kentucky regulators to evaluate carefully the procedures and assumptions that underlie federal guidelines. The Chamber opposes the adoption of more stringent state and local programs that would adversely affect Kentucky's ability to remain competitive in the global economy. When state and local governments engage in significant revisions of environmental regulations, we strongly encourage the use of a stakeholder process for the development of these programs. Any resulting regulatory framework must be based on sound science and be both economically rational and technically feasible to achieve the laudable objective of a cleaner environment.

Uniformity among federal, state, and local programs helps save businesses valuable resources in compliance procedures.

The Chamber opposes local government authority to enforce federal and state environmental requirements. To the extent that regulatory programs already exist at the local level, it is incumbent upon the local agency to administer a meaningful appeal process to provide adequate consideration of disputed issues prior to civil court action.

The Chamber supports stability regarding the makeup of Kentucky's Public Service Commission. This non-partisan group, appointed by the governor and confirmed by the Senate, has helped establish Kentucky's low-cost utility rates for many years. The Chamber opposes any effort to politicize the membership of this commission, which will create instability and a potential increase in rates. The commission should be proactive in working with utilities to assure that adequate capacity resources exist to meet demands of Kentucky's businesses and residences during periods of peak demand, including developing new laws to improve and streamline the siting of energy infrastructure within Kentucky.

The Chamber supports appropriating funds to Kentucky's Energy and Environment Cabinet (EEC) to support economic development interests in the Commonwealth as the Kentucky Division for Air Quality (KYDAQ) navigates the newly revised National Ambient Air Quality Standard (NAAQS) for particulate matter less than 2.5 micrometers in aerodynamic diameter (PM2.5). Specifically, KYDAQ should develop a publicly available map specifying county-level background ambient concentrations for regulated New Source Review (NSR) pollutants required under the federal Prevention of Significant Deterioration (PSD) preconstruction air

quality permitting program. Development of a background ambient concentration map for Kentucky's Regulated NSR Pollutants will allow businesses located outside the Commonwealth to assess air quality permitting challenges accurately. Without the context provided in a PSD background ambient concentration map, businesses will bypass viable locations in Kentucky for siting new manufacturing operations. Further, a PSD background ambient concentration map provides regulatory consistency for permitted stationary sources in Kentucky year over year.

WOTUS and Water-Related Regulations

Kentucky is home to more miles of running water and navigable waterways than any other state in the nation with the exception of Alaska. Regulatory actions related to water are therefore uniquely impactful on Kentuckians and Kentucky businesses.

Revisions to the definition of Waters of the United States (WOTUS) continue to evolve and change as new administrations enter and exit Washington D.C. The Chamber supports a WOTUS definition that provides clearly defined categories of jurisdictional waters which are consistently applied so that regulated entities have certainty when applying for permits.

Furthermore, the Chamber encourages implementation of the Navigable Waters Protection Rule, which was adopted after the repeal of the Clean Water Rule, and changes to the WOTUS definition, even while EPA and the Department of the Army are planning to revise the definition of WOTUS. The Chamber engaged in litigation against the EPA during the Biden Administration on their rulemaking related to WOTUS and supports the decision by the Supreme Court of the United States in Sackett v. EPA. Related, the Chamber opposes any effort by the Commonwealth to regulate more broadly than the federal government in this area.

The Chamber supports prompt adoption of state legislation and regulations to implement the America's Water Infrastructure Act of 2018 and supports action at the federal level to promote infrastructure development, which includes America's Water Infrastructure Act of 2020 and the Drinking Water Infrastructure Act of 2020. Kentucky needs these state and federal programs to assist communities in enhancing their wastewater and drinking water resources.

The Chamber supports the development of private stream, wetland, and conservation mitigation banks for the purpose of compensating for unavoidable resource losses in advance of permitted development actions. The Chamber supports the use of established standardized service areas for mitigation banks and in-lieu fee projects to expedite permitting of projects. The Chamber supports policies that sufficiently protect the surface areas of mitigation sites while allowing for the retrieval of minerals, such as coal, oil, and gas. The Chamber encourages state and federal regulators to work together to develop a consistent policy to allow mitigation projects, which have severed mineral rights, to proceed as long as the surface aquatic resources can be protected with appropriate legal constraints. These policies are critical to expediting the process of approving critical infrastructure and economic development projects.

The Chamber supports a state policy that shows a preference for private mitigation banks over state mitigation projects. The Chamber also supports a policy that allows the state in-lieu fee program to competitively procure full delivery mitigation from the private sector and supports the state exercising its ability under the existing policy that allows the in-lieu fee program to purchase wetland mitigation bank credits to satisfy unmet obligations.

Endangered Species Act

The U.S. Fish & Wildlife Service (USFWS) implements the Endangered Species Act (ESA) and is required to consider candidate species within a one-year timeframe. The Chamber recommends the ESA be modified to allow additional time to consider these candidate species

rather than restricting the timeframe to one year. This will enable USFWS to prioritize its listing process, create good science, and manage its resources while protecting endangered and threatened species. In addition, the Chamber recommends discussion as to whether or not the ESA should be modified to allow the delegation of this program to an appropriate state agency that has exhibited the resources and expertise.

Energy Independence and Pro-Energy Economic Policy

The Chamber is encouraged by the General Assembly's efforts to foster Kentucky's energy independence. The Chamber recognizes energy conservation and efficiency as high- priority energy strategies. The Chamber also strongly supports incentives for businesses that go above and beyond existing environmental standards and for those that are proactive in promoting conservation, efficiency, and alternative energy. State government should join with business to find creative solutions to help reduce the up-front costs associated with implementing conservation and efficiency measures.

Kentucky's Coal Industry

Kentuckians have long benefited from low-cost utility rates thanks to the proximity of Kentucky's abundant coal resources in our central Appalachian and Illinois Basin coal fields. Market forces as well as certain past federal policies and changing energy demands have harmed the coal economy in the eastern and western Kentucky coalfields, which has had a negative impact on the entire state. Since the fourth quarter in FY2011, Kentucky has witnessed the loss of approximately 14,000 of its coal mining jobs. For every direct coal mining job lost, about three other indirect jobs are also lost. Coal production supported 17,600 jobs in 2024. According to the Kentucky Quarterly Coal Report, Kentucky produced 24,309,000 tons of coal in 2024, down from 28,179,000 in 2023. However, global and domestic demand for all sources of energy, including coal, has significantly increased, and the Chamber supports all efforts to aid the Kentucky coal industry's ability to meet this rising demand. To help support the future of Kentucky's coal industry, the Chamber supports:

- Efforts that will help Kentucky position itself as the leading exporter of coal to international markets.
- Research opportunities that will find alternative uses for coal beyond baseload power generation.
- Policies that preserve the operation of the existing coal-fired power plants and avoid waste of ratepayer dollars by premature retirement of such facilities.

The Chamber opposes policies such as those embodied in a federal Clean Electricity Standard or Clean Electricity Payment Program, which would unfairly discriminate against and tax utilities in our region based on their generation mix at a substantial cost to taxpayers and ratepayers. The Chamber also opposes mandatory cap and trade programs, such as the Regional Greenhouse Gas Initiative. The Chamber supports EPA's plan to delay the compliance deadline for many of the requirements of the 2024 Effluent Limitations Guidelines (ELG) for Steam Electric Power Generating Units while moving forward with a second rulemaking to address the requirements in the 2024 ELG with the goal of ensuring electric utilities can better meet increasing energy demands. Similar actions to retroactively regulate coal combustion residuals are likewise opposed.

Kentucky's Oil and Gas Industry

Kentucky's oil and gas industry has supported the nation's pursuit of energy independence for more than a century, resulting in continued low energy costs for consumers. Thousands of

Kentuckians are either salaried employees or proprietors in oil and gas and its support industries. Historically, the industry has contributed more than $1 billion in total impact to Kentucky's economy.

The Chamber supports:

- Continued development and production of Kentucky's oil and natural gas resources in the Illinois and Appalachian basins by fostering a business-friendly environment.
- Industry's efforts to research, develop, and utilize alternative underground storage methods in the Appalachian region for natural gas, natural gas liquids, and liquefied natural gas.
- Careful review and consideration of any state/federal regulations that could burden producers with unnecessary and costly compliance requirements.
- Seeking continued federal and state assistance for plugging abandoned and orphan legacy wells.
- Incorporating existing fuel sources into emerging technologies and clean energy initiatives such as hydrogen production and carbon sequestration.

Explore New Energy Opportunities

The Chamber supports the recently established Nuclear Energy Development Authority which will advance the use of nuclear energy in the Commonwealth to provide a resilient, baseload generation, and to attract complementary manufacturing and new business expansion reliant on reliable, carbon-free power generation. The state should fund analysis of the economic impact of bringing nuclear energy to Kentucky and should consider modifying the current low-cost approach to energy production to consider the best value and energy security, encompassing all the economic benefits that will result from the construction and operation of a nuclear generating unit. The Chamber is encouraged by the passage of SB 179 in 2025 to establish a grant program under the Authority. The state should explore additional ways to de-risk investment in nuclear generation in the Commonwealth, recognizing nuclear's role in providing reliable, low-carbon energy for energy-intensive manufacturers, which can attract skilled workers and sustain jobs in rural Kentucky communities, including but not limited to taking advantage of federal incentives to decrease the cost of such projects for Kentuckians, encouraging the use of early site permits and potential cost-share funding to de-risk the licensing process, and providing reasonable assurances of cost recovery to those who undertake these projects.

Kentucky should explore the economic, energy, and reliability benefits of the use of additional and new technologies including clean hydrogen, pumped storage hydropower, biomass, and alternative aviation fuel. Those extend to both new and existing industries, creating jobs, aiding the transportation and agricultural sectors, and increasing energy independence through power generation and storage.

Reform Notice of Violation Procedures (SB)

Current administrative enforcement procedures allow little flexibility or discretion on the part of inspectors. Generally, any and all excursions of existing regulations and requirements result in the immediate issuance of a "notice of violation" (NOV). With the exception of immediate threats to health, safety, or the environment, inspectors should have an alternative to issuing a NOV for noncompliance and the authority to waive fines for first-time offenders. Furthermore, there is currently no end date for punitive administrative action stemming from a NOV. The Chamber urges the General Assembly to place reasonable time limits on punitive action following the issuance of NOVs by state agencies.

Maintain Permitting Efficiencies (SB)

It is important the Energy and Environment Cabinet maintain a high level of quality customer service to the business community as permit approvals are often a key component in implementing expansions of existing businesses and in obtaining new industrial development to meet the “go-to-market” speed and agility necessary to remain globally competitive. The Cabinet has long been an important partner in driving economic development in the Commonwealth. However, just as our members have to do, the Cabinet should continue to look at cost-control measures and efficiencies that can be used to reduce revenue shortfalls and ensure expeditious service to businesses. This should include efforts to minimize siloing among involved agencies and strategies to attract and retain professional permitting staff.

Additionally, as the Cabinet evaluates the funding of its programs, fair distribution of general funds across all the program areas and divisions should be a priority. All citizens benefit from the Cabinet’s role in environmental protection, yet some program areas rely almost exclusively on funding from the regulated community. For example, the Division for Air Quality relies on Title V emission fees for the majority of its funding, and the dollar/ton fee continues to increase each year.

The Chamber supports methods that will allow an expedited permitting process when warranted. For permits that are especially complicated due to the nature of the pollutant being discharged or emitted, the Chamber encourages the Cabinet to use alternative permit compliance methods and requirements or to approve a variance already allowed by statute to avoid unnecessary delays while still being protective of environmental quality.

“Good Neighbor” Plan

The Chamber supports EPA’s commitment to work with states to reconsider the “Good Neighbor” Federal Implementation Plan (FIP).. The plan in question, as was stated by the Supreme Court in June 2024, would have resulted in rapid decreased electric generating capacity without sufficient time to transition to a lower emission generation mix. The Chamber will continue to oppose rules that stymie economic growth and threaten reliability.

The Chamber proposes to allow Kentucky to revise its own state implementation plan as provided by the Clean Air Act rather than be subjected to the proposed Good Neighbor FIP and adjust generation shifting assumptions to reflect Kentucky’s Electric Generating Unit (EGU) availability. At a minimum, increased flexibility and exemptions should be added to the plan to help lessen its impact on economic development, Kentucky citizens, and regulated entities.

INFRASTRUCTURE

Develop and Maintain Infrastructure (SB)

Kentucky must realize our global competitors are building infrastructure at an impressive rate. To take full advantage of Kentucky's favorable geographic location—within 600 miles of 65 percent of the nation's population—and to improve the ability of Kentucky companies to compete, we must place a greater emphasis on building and maintaining and protecting our state's infrastructure. Our focus must include energy, water, sewer, broadband, and transportation systems.

Increase Transportation Investments

Kentucky's transportation network of roads, airports, riverports, railroads, and transit systems connect Kentucky businesses to the national and international marketplace by providing multiple safe, cost-effective ways to move goods, connect to employees, and deliver services.

Kentuckians depend on the state's transportation network every day for safe, reliable access to education, health care, and employment. The most recent analysis of infrastructure in Kentucky by the American Society of Civil Engineers gave Kentucky's roads a D+ for their condition, quality, and funding, while Kentucky's bridges received a grade of C-. The Kentucky Chamber applauds the Kentucky General Assembly for the one-time $450 million investment into the Road Fund during the 2024 session. However, the Chamber encourages the General Assembly to further invest in Kentucky roadways.

Kentuckians choose the state's transportation network every day for reliable access to education and employment. The largest three public transportation providers in the state connect employees to employers each year with over 11 million trips – more than half of all traveled – for work alone. During the COVID-19 pandemic, transit systems moved essential workers to the critical jobs that kept our economy moving. Transit systems must maintain passenger stations and stops, maintenance facilities, parking lots, administrative buildings, and dedicated roadways.

Kentucky's airports are critical transportation infrastructure, moving millions of passengers and high-value goods while supporting business recruitment and expansion, tourism, workforce mobility and access to national and global markets. The Commonwealth's commercial service airports provide essential passenger connectivity and support billions of dollars in economic activity, while Kentucky's 54 general aviation airports serve communities and businesses across the state through corporate and business aviation, economic development, emergency services, flight training, agriculture and tourism. For many Kentucky communities, the local airport is an essential link to customers, suppliers, investment and opportunity. Continued state and federal investment is necessary to maintain and modernize these assets, expand capacity and commercial air service, leverage federal funding, and ensure Kentucky's aviation system remains competitive.

Kentucky's public riverports are also critical freight and economic development assets, connecting agriculture, manufacturing and other industries to the nation's inland waterway system and global markets. Continued investment in riverport infrastructure helps Kentucky businesses move bulk and heavy commodities efficiently, strengthens multimodal freight connections, and supports economic development in communities across the Commonwealth. The Chamber supports sustained state investment that allows Kentucky's riverports to maintain, modernize and expand these critical assets.

The Chamber strongly supports legislation at the state and federal levels that provides new and sustainable funding that supports the maintenance and improvements needed on our transportation system today, while allowing the building of a system that supports our state in the 21st century. We support efforts to ensure that state funds continue to be available to match federal funds, which is particularly critical for roads and highways, waterways, transit, and airports.

The Chamber opposes proposals to temporarily suspend or reduce taxes on fuel. Such measures would provide minimal financial relief to motorists and businesses while starving the state of millions of dollars in revenue for infrastructure investments.

The Chamber also encourages the administration to take advantage of the state's Public-Private Partnership (P3) legislation to encourage private investment in the construction and maintenance of our infrastructure. The Chamber supports a strong multimodal transportation network in Kentucky and encourages efforts to address the infrastructure needs of the railroad, aviation, riverport, and public transit industries.

Continued investments in all modes of transportation make Kentucky more competitive and attractive for development with safe and reliable avenues of logistical infrastructure critical for economic growth.

Expand Wireless and Broadband Infrastructure (SB)

In order to get the most out of the public dollars being used to leverage private investment, the Commonwealth should focus on allocating federal broadband funding to internet service providers that are committed long-term to serving the residents and businesses of Kentucky and have demonstrated experience with deployment of broadband.

The Broadband Equity Access and Deployment (BEAD) program overseen by the Kentucky Office of Broadband Development and National Telecommunications and Information Administration (NTIA) has reached the stage of negotiating contracts with providers in Kentucky so that buildout of broadband to unserved and underserved Kentuckians can get underway. As buildout begins in earnest, reducing permitting timelines and excessive fees will help remove unnecessary hurdles that can delay or even prevent broadband deployments. Passage of The American Broadband Deployment Act (ABDA) in the Senate or The Accelerating Broadband Permits Act in the House would be a meaningful step in the right direction.

As BEAD funding is implemented, remaining non-deployment funds should be directed in ways that maximize the number of Kentuckians who gain access to reliable broadband coverage and related services. Non-deployment funds should be used to address any remaining broadband coverage gaps, and support adoption, affordability, digital literacy, equipment, workforce development, and any additional barriers that prevent residents from getting connected, rather than duplicating infrastructure in areas where broadband service already exists. Focusing these resources on connecting unserved and underserved households and eliminating other barriers to a level playing field will help ensure that limited public funds are used efficiently and, in a manner, consistent with the program's core objective of expanding access.

In 2024, the General Assembly made Kentucky more competitive with surrounding states by passing HB 8, pursuant to which providers will be eligible to recover 50% of sales tax paid for broadband equipment up to a total cap of $5 million each year for all providers in the form of a credit against income tax. The credit will sunset January 1, 2029. To encourage continued buildout of Infrastructure in Kentucky, the Kentucky legislature should extend the credit indefinitely.

In recent years, copper theft has grown to be a critical problem for communities across the nation, including right here in the Commonwealth. Whether through darkened streets, an inability to reach help in times of emergency, lost business, or the risks of personal property damage or bodily harm resulting from damaged infrastructure, copper theft is not a “victimless crime”. Thieves often cut fiber and other important infrastructure when attempting to remove copper. The Kentucky legislature has recognized the need to strengthen penalties for thieves and enforce restrictions on the Secondary Recyclers who purchase stolen copper and passed legislation to stop continued theft. Making sure the Motor Vehicle Commission follows through with monitoring and compliance of Secondary Metals Recyclers is the next step. The Chamber supports efforts to protect key infrastructure assets throughout the Commonwealth.

Cybersecurity, Data Privacy, and Artificial Intelligence

With rising tensions across the globe, the threat to businesses in the United States and Kentucky from cybersecurity attacks and data breaches are increasing rapidly. Cybercriminals are targeting businesses of all sizes, from major health care systems to small main street retail establishments. Cybersecurity insurance rates are rising, and coverage levels are falling, leaving businesses unprotected and with increased expenses. The average cost of a cybersecurity incident is $4.9 million per event, and that does not include lost wages of workers, legal fees, or customer loss. Investing in cyber-ranges and related infrastructure to allow appropriate testing and preparation will allow businesses in the state to securely operate today and in the future. Building the pipeline for a trained cybersecurity workforce is essential to keeping Kentucky businesses competitive. . Kentucky’s supply-to-demand ratio is just **81%**, meaning only about 8 out of 10 positions can be filled—well below a fully staffed market. This leads to outsourcing outside of Kentucky, and sometimes outside of the US.

The General Assembly passed data privacy legislation in 2024. The Chamber appreciates the General Assembly’s work to ensure data privacy legislation balances the needs of consumers with a framework that is workable for business and will continue to monitor implementation of the new rule in Kentucky.

The use of artificial intelligence (AI) is expanding rapidly and there is great potential for AI to improve efficiency, solve problems, and create new opportunities for innovation and growth in critical industries such as manufacturing, agriculture and healthcare. Equally important, public policy should support workforce readiness by investing in education, reskilling, and training programs that prepare Kentuckians for jobs in an AI-driven economy

AI has also raised questions for policymakers who are taking note of this rapid expansion. Ideally, the United States will adopt a federal approach to any new regulatory framework to avoid the patchwork of duplicative or conflicting laws that businesses have faced in other areas. As policymakers attempt to develop a new regulatory framework, it is critical that any new rules take into consideration existing laws that may be applicable to AI, avoid conflict with existing law, allow for industry engagement and expertise, be flexible to accommodate a rapidly changing landscape, and proceed incrementally so as not to stifle innovation. The Chamber will continue to play the role of convenor to ensure the voice of the business community is heard in any policy discussion at the state or federal level.

Support Rail Improvements

The Chamber urges the General Assembly to maintain existing tax credits and exemptions that encourage investment and help Kentucky's railroads maintain a strong, reliable infrastructure. The Chamber asks the General Assembly to restore the $1.6 million for the Kentucky Rail Crossing Improvement Program (KRCI) to ensure safe and reliable grade crossings for the traveling public.

Ensure Affordable and Reliable Energy Resources (SB)

Kentucky must recognize that to retain and attract new industries, it must have access to energy resources that are competitive with other geographic areas of the country and ensure energy availability at all times. According to the Energy Information Administration, both Kentucky's average industrial electric power costs and the average retail price for all sectors were the sixth-lowest in the country. The Chamber supports the construction of new and the modernization of existing energy infrastructure, including expanded use of fossil fuels as well as alternative energy sources, such as alternative aviation fuel and biomass energy resources. These projects create new sources of tax revenue and jobs and enhance access to competitive energy supplies. Investment in energy infrastructure is critical for continued access to growing domestic supplies of natural gas, natural gas liquids, refined products, crude oil, and alternative sources. Specifically, the Chamber encourages the construction of natural gas, natural gas liquids, and oil infrastructure to more efficiently extract, process, transport, and utilize our resources.

Finally, in addition to providing ongoing, strategic investment in the Commonwealth's energy infrastructure and enhancing economic development, policymakers must ensure the costs to support and maintain this infrastructure are allocated fairly among all users of the system. How customers use this infrastructure is changing as the adoption of distributed energy resources (DERs) – such as privately-owned solar generation and batteries – increases across the Commonwealth from smaller residential homes to larger commercial and industrial facilities, which now consider energy policy as a key factor in locating and expanding facilities. Existing policies that, years ago, were originally adopted to incentivize the implementation of new technologies, such as distributed solar generation and co-generation, should be reexamined to ensure all the costs to support and maintain reliable operation of the energy infrastructure and benefits are shared fairly.

Support Cost-Effective Energy Strategies

The Chamber supports the development of cost-effective strategies that promote energy efficiency and alternative resources to foster energy independence and economic growth. The Chamber supports efforts to promote manufacturing of energy-efficient and alternative energy products. However, the Chamber continues to recognize the vital importance of Kentucky's fossil resources, including coal and natural gas, and the impact those resources have on the economy of the Commonwealth and the country as a whole. The Chamber believes a comprehensive national energy policy should focus on investing in energy production innovations, including renewables, biomass, natural gas, and coal technologies, and avoid arbitrary mandates and punitive policies. Such mandates and policies serve to drive up costs and stifle innovation, which places the citizens and businesses of Kentucky at a distinct economic disadvantage with neighboring states. While mandates should be avoided, policymakers should also recognize that commercial and industrial consumers may have different goals related to energy, including efficiency, cost containment, or fuel source (fossil fuel, nuclear, and alternative or renewable) and should avoid policies that limit the opportunities they currently have to meet their energy demands or goals.

The Chamber strongly believes cleaner air should be accomplished through the use of efficiencies at our power plants and grid system as opposed to mandated equipment, which makes power plants less efficient, and mandates for specific energy sources. Policies that spur technological innovation would continue to protect the economy of the Commonwealth while securing our nation's economic and energy future.

Ensure Affordable Water and Wastewater Service

The Chamber supports appropriate efforts, including ongoing investment, to ensure efficient, equitable, and sufficient water supplies and wastewater services for communities across the Commonwealth. The Chamber recognizes water and wastewater system upgrades are of particular concern due to the financial hardship that upgrading them can place on small systems and their customers. Where appropriate, the Chamber supports voluntary consolidation of water and wastewater systems to address such challenges in a more efficient, economical manner that meets the needs of Kentucky's communities. The Chamber supports measures to ensure the Commonwealth's water and wastewater systems are operating at a high level to deliver affordable, reliable, and safe services. The Chamber also supports the consideration of public-private partnership solutions in the water and wastewater sectors, as appropriate. Furthermore, the Chamber supports appropriate interconnectivity agreements among municipalities and water and wastewater service providers throughout the state to ensure water and wastewater treatment needs are met.