Kentucky Chamber news

NOVEMBER 2012

Kentucky Chamber
Uniting Business. Advancing Kentucky.

KENTUCKY GENERAL ASSEMBLY

Big issues likely to dominate 2013 session

WHEN THE GENERAL ASSEMBLY convenes in Frankfort January 8, 2013, there will be a number of new legislators, but many of the challenges remain the same. The odd-year session is often called the "short session" as it runs half the time of the even-year budget sessions. Lawmakers will meet only four days in January to elect members to leadership positions and organize the committee structure for the next two years. They will return in February for the remaining 26 days and must conclude the session by the end of March.

Despite the limited timeframe, there are a number of important challenges facing lawmakers – none more daunting that reforming Kentucky's severely underfunded public pension system.

PENSIONS: Several studies have noted the dire financial condition of the pension system. In its recent publication of the State of the States report, Barron's magazine identified Kentucky as 47th worst in overall financial health. Just last year Moody's and Fitch rating agencies downgraded Kentucky's bond rating; both citing Kentucky's unfunded pension liabilities. The Barron's report serves as another sobering reminder that our unsustainable state pension system must be addressed.

The nature of the pension system, in which costs are constantly accruing, requires that action be taken now to put the system on a sustainable track. Every month that passes without significant changes simply kicks the can down the road and increases the cost of any eventual solution. Failure to take action also continues the current spending trend of less funding for education and more for benefits. This leads to lower investments in training and education programs that Kentuckians require to be competitive in our economy.

TAX REFORM: The state tax code also warrants serious discussion in 2013. The Governor's Blue Ribbon Commission on Tax Reform is scheduled to present recommendations to the General Assembly for consideration. They have already held a dozen meetings around the state and are trying to develop consensus recommendations to improve Kentucky's tax code. Tax reform is always a difficult undertaking, but any tax proposal will require a supermajority (23 of 38 votes in the Senate; 60 of 100 votes in the House) in an odd session. This increases the likelihood of a special session for any vote on tax reform; however, the debate will certainly begin during the 2013 regular session.

REDISTRICTING: Unresolved during the 2012 session was state legislative redistricting – the process of redrawing legislative boundaries. The Supreme Court found the 2012 plan unconstitutional and has directed the legislature to complete the task before the next General Election in 2014. Redistricting is a very intense political exercise and will have to be negotiated by the leadership of each legislative chamber.

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Tax reform challenging, but needed to improve job growth in Kentucky

SINCE MARCH, the Governor's Blue Ribbon Commission on Tax Reform has held more than a dozen meetings across the state and it is clear that consensus will be difficult to achieve. Nearly every person and interest group has an idea how to improve the tax code, but these competing interests make it difficult to develop a plan that is widely accepted. Although a number of individuals are skeptical that any plan will be passed by the General Assembly, this exercise has already demonstrated a need to revise Kentucky's tax code.

Three economists, William Hoyt and Michael Childress both of the University of Kentucky and William Fox of the University of Tennessee, were hired as consultants for the task force and made several policy recommendations in a detailed report. They noted that Kentucky must change the way it taxes both businesses and individuals if it is to see economic growth in the near future. With the tax code in its current form, the economists predicted the state could see a $1 billion revenue gap by the year 2020, just to continue providing basic services. Most importantly, the report stresses the need to make business taxes more competitive — a point reiterated by the Kentucky Chamber.

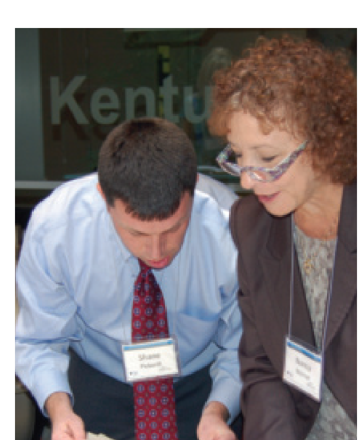
Among significant importance to the business community were the recommendations that Kentucky both broaden its tax base — increasing the number of individuals and businesses paying taxes would allow them all to do so at a lower rate — and move away from taxing business capital and labor. Instead, they argue, a shift toward more consumption taxes would improve our competitiveness.

The Chamber has played an active role in informing the task force of the business case for tax reform. The Chamber is prepared to support pro-business tax reform that will improve Kentucky's competitive position; however, we are carefully monitoring the process and will vigorously oppose attempts to simply raise revenue by increasing the cost of doing business in Kentucky. The Chamber is convinced pro-growth tax reform can help employers create jobs and raise revenue through economic growth to support important investments if we do it the right way.

Leadership Institute for School Principals to expand

DUE TO THE SUCCESS of the first two classes of the Leadership Institute for School Principals, the Kentucky Chamber Foundation hopes to increase participation in 2013. This year's class comprises 56 public and private school principals from across Kentucky, representing 32 counties; the Foundation's goal for next year is to give 72 principals the opportunity to receive this high-level executive leadership training. The training, provided by the internationally acclaimed Center for Creative Leadership, consists of seven days of training aimed at creating strong leadership in every school building.

To raise the $680,000 this goal will require, the Chamber Foundation will continue to solicit grants and donations from business leaders. Efforts to-date have raised $238,000. As a business leader, you can have a direct impact on the education of children right in your own community. For more information, or to join business leaders in helping to create community support for schools, contact Kelly Wolf at kwolf@kychamber.com or 502-695-4700. You may also go online and visit principalsleadky.com.



The Leadership Institute for School Principals Class of 2012 completed the second of three leadership training sessions in September. Pictured here, principals Shane Pickerill and Nancy Mornar participate in a team building exercise.

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Adkisson visits Adair County

IN MID-OCTOBER, Kentucky Chamber President and CEO Dave Adkisson spoke to members of the Columbia-Adair Co. Chamber of Commerce during its monthly luncheon. Adkisson spoke about the Chamber's top priorities during the 2013 legislative session and the highlights of the "Ready for Jobs?" report that was released in July. Addressing the unsustainable pension system is the most urgent issue facing the Commonwealth right now, Adkisson told an audience of about 50.

Beshear cites success of pill mill legislation

GOV. STEVE BESHEAR and a bipartisan group of legislators are touting the successes of HB 1, passed earlier this year in the special session of the General Assembly.

This legislation was supported by the Kentucky Chamber as a way to reduce over-prescribing of prescription medication that impacts the bottom line of employers through higher health costs, higher workers' compensation costs and poses significant workforce safety risks.

Although legislators are expected to continue reviewing the implementation of the law to ensure it doesn't negatively impact legitimate access to health services, the law has successfully cut down on over-prescribing.

FROM THE FRONT

Issues could have impact on employers and job creation

Some are content to wait until 2014, while others would like to complete the task in 2013. Although this issue doesn't impact employers directly, it will be important to watch as it can easily turn the political environment bitter.

A number of other issues will be discussed – many of which will impact employers and taxpayers. Issues like education, unemployment insurance, workers' compensation, health care, environmental regulations, and liability issues can have a serious impact on job creation. The Chamber's legislative team will be at the Capitol following the action on behalf of Kentucky's business community. Keep up with legislative action at kychamberblog.com and learn about the issues by viewing our legislative agenda at policy.kychamber.com.

Conference to focus on worksite wellness

THE FOCUS OF WELLNESS is changing: employers are more focused on keeping healthy employees healthy — not just encouraging unhealthy employees to change their lifestyles. Improving the health of at-risk employees while maintaining the wellness levels of already healthy employees is the key to lower health care costs and higher productivity. Companies with wellness programs can save thousands of dollars on down-time, temporary employment and other factors that come into play when employees cannot work due to illness.

5th Annual Kentucky Worksite Wellness Conference
Presented by Central Baptist HealthwoRx
February 27-28, 2013
Griffin Gate Marriott Resort & Spa
Lexington, Ky.

> "For every $1 spent on wellness, companies save $3.48 on health care and $5.82 in regards to absenteeism."
> *Source: Wellness Councils of America*

The Kentucky Chamber's 5th Annual Worksite Wellness Conference will help you understand exactly what it takes to create and implement an effective wellness program, how to measure your return on investment, how to create a culture of health and the legal implications you need to be aware of when implementing or maintaining a worksite wellness program. The agenda is currently being developed with great new topics and expert speakers. Look for updates at kychamber.com/wellness2013.

Sponsorship opportunities and exhibit space are available. Contact Andrea Flanders at 502-848-8723 or aflanders@kychamber.com.

Board of Directors approves new three-year strategic plan

Chamber's plan rests on 4 goals

DURING ITS OCTOBER meeting, the Kentucky Chamber Board of Directors adopted a three-year strategic plan for 2012-2015.

The plan is built on four basic goals and has numerous specific objectives designed to fulfill the goals. The goals are:

1. Serve as the Kentucky business community's most respected and effective advocate;
2. Provide valuable member services;
3. Work to advance Kentucky (primarily in education, modernizing government, health, global competitiveness and energy); and
4. Strengthen the Chamber as an organization.

The plan will focus the efforts of the board and staff for the next several years, and an annual business plan will allow for continual monitoring of the progress toward these goals.

The Kentucky Chamber's 2012-13 Board of Directors, pictured above, met at Chamber headquarters in October. The board approved a new three-year strategic plan and the 2013 Legislative Agenda.

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2013 GENERAL ASSEMBLY

Keeping an eye on the Capitol