



## **Accelerating The Commonwealth's Global Competitiveness**

Kentucky Association for Economic Development  
2018 Kentucky General Assembly Brief





## 2018 General Assembly Crafts Policies to Accelerate Global Competitiveness



The 2018 General Assembly Session absolutely energized our Commonwealth as several major reform packages were introduced to accelerate Kentucky's economic momentum. As always, the Kentucky Association for Economic Development (KAED) remained active advocating for pro-growth and fiscally responsible policy designed to amplify the positive ramifications of the 2017 Session which successfully introduced legislation relative to Right to Work and Prevailing Wage policies. As a result, Kentucky experienced record breaking new investment of almost 10 billion dollars creating 17,200 great paying Kentucky jobs.

Policy beneficial to #TeamKentucky (the Commonwealth's economic developers) enhances global competitiveness, creates prosperity, and enriches quality of life for Kentuckians. Knowing this, KAED commends the Commonwealth's policy makers for again making incremental change to positively affect Kentucky's world-wide attractiveness as a business destination. Among many complex issues in 2018, legislators and stakeholders crafted policy to address Kentucky's unfunded pension liability, designed a more attractive tax code, facilitated monies designated for economic development in rural areas, set provisions to better prepare students to meet the demands of a modern economy, and passed a budget that prioritized essential government services and education. ***I am proud to report that 54% of Association supported legislation became law in 2018. Equally as important, KAED defeated 100% of the unfavorable and harmful legislation of which we were opposed.***

Kentucky's positioning as a global leader in economic attractiveness is rising as Governor Bevin's vision of the Commonwealth as the center of North American manufacturing and engineering excellence is being realized. While KAED is encouraged with the legislative victories of the last two sessions, we are invigorated knowing the sustained opportunity to continue to advocate for Kentucky economic development and for the prosperity of Kentuckians. The Association remains diligent to seize upon the Commonwealth's intrinsic and engineered advantages to optimize our global competitiveness. Kentucky is on the move, and we will continue to make the Commonwealth a more competitive, business friendly, and amazing place to live, work, and raise a family.

***"Policy beneficial to #TeamKentucky enhances global competitiveness, creates prosperity, and enriches quality of life for Kentuckians."***

Thank you, #TeamKentucky, for your support and for your commitment to the Kentucky Association for Economic Development and the Commonwealth of Kentucky.

Onward and Upward,

*Matthew Tackett*

President & CEO | Kentucky Association for Economic Development



## Kentucky's Competitiveness Soars Commonwealth Jumps from 33<sup>rd</sup> to 18<sup>th</sup> on National Tax Climate Index

House Bill 366, the tax reform bill, enacted by the 2018 Kentucky General Assembly boosts the Commonwealth from 33<sup>rd</sup> to 18<sup>th</sup> on the State Business Tax Climate Index by making several pro-business augmentations to Kentucky's corporate income tax which are estimated to provide \$50 million in annual savings. House Bill 366 enhances Kentucky's global competitiveness and is a step in the right direction toward comprehensive tax reform.

### HB 366 Highlights | Broadening the Base & Lowering Rates to Modernize Kentucky Tax Codes

- Kentucky cigarette tax raised from 60 cents to \$1.10 per pack to generate needed income and impact health outcomes from Kentuckians.
- Lowers individual income tax from 6% top rate to 5% flat rate.
- Lowers corporate income tax from 6% top rate to 5% flat rate.
- Phases out inventory tax with new tax credit.
- Kentucky Angel Investor Tax Credit Program preserved.
- Kentucky Jobs Retention Act preserved.
- Adopts single-factor apportionment based on sales and conforms to the federal Internal Revenue Code as of December 31, 2017.



"HB 366 raises \$395.8 million in revenue for the state and increases Kentucky's ranking on the *State Business Tax Climate Index* from 33<sup>rd</sup> to 18<sup>th</sup>. The changes in this tax reform package dramatically improve the state's tax climate. By broadening bases while lowering rates, starting to correct the inequities in the sales tax base, and taking steps to make the state more friendly to investment, policymakers in the state took a responsible approach to comprehensive tax reform."

**Morgan Scarboro | Tax Foundation**

## Successful Legislation

## Workers' Compensation Reform | HB 2

Workers' Compensation Reform was priority legislation of the Kentucky Association for Economic Development and other leading economic advocates like the Kentucky Chamber and the Kentucky Association of Manufacturers. Not only was the Commonwealth's business community supportive, so too were important groups such as the Kentucky Fire Fighters, Kentucky League of Cities, Kentucky Association of Counties, and the Kentucky School Board Association. HB 2 improved Kentucky workers' compensation system to provide effective care for injured workers and more affordable costs for Kentucky's businesses.

## Successful Legislation

## Essential Skills Act | HB 3

To accelerate economic development Kentucky must sustain a world-class, career ready workforce. The Essential Skills Act was crafted by the Commonwealth's business community to empower Kentucky school districts to implement education to equip students with the "essential skills" imperative to meet the demands of a modern economy. The Commonwealth is the first state in the nation to statutorily define "essential skills" which includes education relative to communication, promptness, diligence, remaining drug-free, and other valuable attributes.

## Successful Legislation

## TVA Counties Economic Development Act | HB 114 & SB 9

House Bill 114 is designed to enhance the Commonwealth's economic competitiveness by adjusting the TVA in-lieu-of tax payment formula to reallocate funds of \$2 million dollars in FY 18-19, then \$4 million in FY 19-20 to be evenly divided between the 39 counties that are powered by or distribute for the Tennessee Valley Authority (TVA), which include Adair, Allen, Ballard, Barren, Bell, Butler, Caldwell, Calloway, Carlisle, Christian, Clinton, Cumberland, Edmonson, Fulton, Graves, Grayson, Harlan, Hart, Henderson, Hickman, Livingston, Logan, Lyon, Marshall, McCracken, McCreary, Metcalfe, Monroe, Muhlenberg, Ohio, Russell, Simpson, Todd, Trigg, Union, Warren, Wayne, Webster and Whitley counties.

House Bill 114 establishes a framework for distribution and oversight to ensure funds are used for job attracting activities such as land prep for industrial sites, infrastructure upgrades, or for matching federal grants. These investments come at a critical time as Kentucky is ascending as the North American hub of manufacturing and engineering excellence. House Bill 114 elevates Kentucky's competitive position by enhancing the economic preparedness of rural areas which have experienced less economic success than Kentucky's metro regions. This bill also further aligns the Commonwealth's growth strategies with those of competitive states.



"House Bill 114 is transformative legislation designed to amplify economic growth not only from Fulton to Harlan, but throughout our Commonwealth. House Bill 114 will create great paying jobs, safeguard economies, and positively impact thousands of Kentucky families."

**Matthew Tackett | Testimony to House Appropriations & Revenue Committee**

## Successful Legislation

## Unemployment Insurance Reform | HB 252

Legislation designed to modernize Kentucky's outdated unemployment insurance program while bolstering the Commonwealth's workforce.



“KAED supports the advancement of Kentucky’s workforce as it is a primary factor upon which business location decisions are made. Unemployment insurance modernization encourages a more robust Kentucky workforce and elevates the Commonwealth’s UI structure to an equal plane with surrounding states. House Bill 252 will increase Kentucky’s attractiveness in an increasingly competitive marketplace and will enhance economic development in the Commonwealth.”

**Matthew Tackett | Statement to House Economic Development & Workforce Investment Committee**

## Successful Legislation

## Cabinet for Economic Development Reorganization | HB 305

Reorganization bill with language relative to the Cabinet for Economic Development organizational chart to more accurately represent Cabinet operation.

## Successful Legislation

## Amendment to Incentives | HB 557

“Clean up” legislation relative to various incentive programs available through the Cabinet for Economic Development. Several programs that are no longer used or useful are abolished, and other programs are combined for ease of use by the business community. Other provisions are technical clean ups to existing statutory language.

The KAED legislative agenda is crafted to accelerate Kentucky’s global competitiveness and economic climate. While several pro-growth measures were enacted in 2018, many Association supported bills, which would have positively impacted economic development in the Commonwealth, did not pass.

**Left on the Table** **Rural Jobs Act | HB 6**

Designed to enhance small business financing in the Commonwealth’s rural markets, HB 6 provided immediate access to \$100 million in private capital, pending federal licensing and state approval, which was scheduled to be invested within two years in critical sectors of Kentucky’s economy, including manufacturing, agribusiness, technology, medical services, fabrication, and food processing. The Kentucky Rural Jobs Act also provided small business owners access to meaningful intellectual capital provided by Rural Growth Fund managers.



“The Kentucky Rural Jobs Act addresses the primary obstacle to emerging enterprise by providing access to capital to firms that demonstrate a revenue positive impact to the Commonwealth’s economy. The Act will strengthen small business in the Commonwealth, thereby creating jobs, accelerating innovation, and safeguarding regional economies throughout Kentucky.”

**Matthew Tackett | Testimony to House Appropriations & Revenue Committee**

**Left on the Table** **Net Metering | HB 227**

Legislation designed to modernize the Commonwealth’s outdated net metering law to provide rates relative to fair share cost of service.

**Left on the Table** **Angel Investment Tax Credit Modification | HB 312**

Legislation designed to modify existing Angel Investor Tax Credit (AITC) programs to attract more high-tech business to Kentucky. The Commonwealth’s AITC programs generate significant ROI as there is a minimum of \$4 in private sector investment generated for every \$1 tax credit.

**Left on the Table**

**New Earn and Learn Tax Credit | HB 540**

Legislation designed to provide tax credit for employers that pay the education expense of employees in high skill, high demand industry areas. This bill was designed to attract high skill workers in high need areas throughout the Commonwealth.

**Left on the Table**

**New Individual Tax Credit | HB 541**

Legislation designed to provide tax credit for employees who either stay in Kentucky or relocate to Kentucky to fill a high skill, high demand industry job. This bill was designed to attract high skill workers in high need areas throughout the Commonwealth.

**Left on the Table**

**Transportation Funding | HB 609**

HB 609 would invest another \$268 million (by year 2019-2020) for state infrastructure projects, which would result in an economic impact of between \$759 million to \$1.1 billion. It also would provide important investment to local governments for their most pressing transportation needs. In addition, HB 609 would support the more than \$9 billion in economic development announcements as well as the hundreds of thousands of jobs in industries and agriculture that depend on efficient infrastructure. It also would increase safety.

## 2018 KAED Public Policy Committee

**Chuck Sexton**, One East Kentucky | **Hollie Spade**, AT&T | **Brad Sowden**, LG&E and KU  
**Madison Silvert**, The Malcom Bryant Corporation | **Bob Helton**, Morehead Rowan County Economic Development  
**Brad Thomas**, Kentucky's Touchstone Energy Cooperatives | **Phillip Carter**, Bowling Green Area Chamber of Commerce  
**Jacob Colley**, Kentucky Power | **Terri Bradshaw**, Kentucky Capital Development Corporation

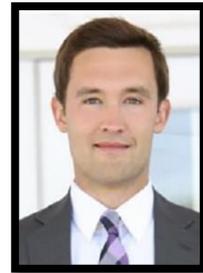
## 2018 KAED Public Policy Committee Leadership



**Tyler Glick**  
Chair  
Glick Strategies



**Jody Lassiter**  
Co-Chair  
Develop Danville



**Matt Tackett**  
Legislative Agent  
KAED

## Membership Matters

There is power in convergence in the Kentucky Association for Economic Development, as the acceleration of global competitiveness and amplification of prosperity in the Commonwealth are dependent on an aggressive and collaborative #TeamKentucky. To join the Association, visit the [KAED Membership Development Website](#).



“As Governor, my vision for economic development is to create opportunities that benefit all Kentuckians. While we work at the state level to strengthen existing businesses and attract new ones to Kentucky, we rely on local and regional economic development professionals to partner with us in showcasing the unique qualities of our communities. That’s why ***the Kentucky Association for Economic Development is so important***. As a hub for the industry, KAED provides advocacy, leadership, and resources for professionals to learn, train and receive trending information. KAED plays a critical role in accelerating the state’s economic momentum as we work to facilitate job retention, growth and creation of entirely new opportunities. ***I encourage each person and organization engaged in economic development to join KAED*** in their effort to bring jobs to our communities as we work together to make Kentucky the most vibrant and attractive place for business to thrive.”

**Governor Matt Bevin | Statement on KAED Membership**