



2023-2024

STATE POLICY AGENDA

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MAKING A BETTER KENTUCKY

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2024 Top State Policy Recommendations



Workforce is a Generational Challenge

Kentucky's workforce challenge has been decades in the making and will take years to resolve, but nothing is more important to our quality of life and economic prosperity. Businesses cannot grow without enough employees. With tax modernization and historic budget surpluses, the General Assembly should ensure funding is sufficient for programs that support people entering and reentering the workforce, like childcare assistance and job training. Kentucky should also consider support for innovations in education, training, and other key areas that will help ensure Kentuckians want to make their homes and careers here.

Maintaining Competitive Tax Benefits for Manufacturers Supports Job Growth

The Kentucky Supreme Court's December 2022 decision in the Century Aluminum case, which confirmed Kentucky's longstanding industrial supplies exemption, was strongly positive for industrial growth and essential in providing certainty for Kentucky manufacturers, which directly employ a quarter-million Kentuckians. Industry supports revising the relevant statutes to further clarify the supplies exemption at the heart of that case and to make Kentucky more competitive with neighboring states to attract new investment and more manufacturing jobs.

Healthcare Costs Too Much and Produces Too Little

America's healthcare system is among the most expensive in the world – almost 1/5 of U.S. GDP – and one of the worst-performing among industrialized nations. That is equally true in Kentucky, where our healthcare outcomes are among the worst of the 50 states. The effects on our workforce, job growth, and quality of life cannot be ignored. We must address soaring healthcare costs. Initiatives such as enhancing cost and quality transparency and reforming pharmacy benefit managers (PBMs) are sensible starting points and have the potential to save the Commonwealth and its residents hundreds of millions of dollars annually.

Kentucky's Legal Climate Should Be Strengthened

Kentucky's legal climate for business has been poorly ranked for decades. It is time to enact improvements to make the Commonwealth more attractive for investment and job growth, including tort reform improvements. KAM opposes private funding of lawsuits by investors and venture capitalists, whose appropriate role is in the marketplace, not the courtroom. The General Assembly should also update workers' compensation evaluations and modernize the diagnostic tools used for evaluating injuries. It should follow the example of Tennessee and Texas to use evaluations that reflect current medical science and outcomes.

Data Privacy is a National Problem that Needs a National Solution

Congress should enact new federal data privacy protections. Data privacy is a national problem; such concerns do not stop or slow down at state boundaries. A growing mosaic of state laws will be bad for Kentucky businesses and consumers, so Congress should take the lead. Any data privacy legislation the General Assembly considers should satisfy several key criteria to ensure a new statute avoids unintended consequences for the business community and individual Kentuckians.

Economic Development and Competitiveness



To increase Kentucky's economic competitiveness and grow manufacturing jobs, the Commonwealth should:

- Continue modernizing Kentucky's tax code by:
 - Eliminating sales and use taxation of repair, replacement, and spare parts for manufacturing processes to bring Kentucky in line with neighboring states, such as Ohio, to prevent the pyramiding of taxes, or clarify that the exclusion of such parts from the manufacturing supplies and new and expanded industry exemptions extend only to limited repair parts and not otherwise exempt materials, supplies, machinery, and equipment.
 - ✓ Remove "marketing services" from taxable services, as proposed in 2022's HB 8, to prevent pyramid taxation on manufacturers
 - Remove "prewritten computer software access" from taxable services, as proposed in 2022's HB 8, to prevent pyramid taxation on manufacturers
 - Improving Kentucky's ad valorem property tax structure, including the taxation of inventory which puts Kentucky at a competitive disadvantage to surrounding states, through a phase-out of the inventory tax or refundable/transferable income tax credits.
 - ✓ Repealing or phasing out the barrel tax on bourbon, since Kentucky is the only jurisdiction that taxes distilled spirits as they age, making it the only Kentucky product taxed during production.
 - Repealing the limited liability entity tax (LLET), which continues to lower Kentucky's business competitiveness score and discourages new investment in the state.
- A growing mosaic of state data privacy laws is bad for businesses and consumers. Any data privacy legislation the Kentucky General Assembly considers should satisfy several key criteria to avoid unintended consequences for the business community and individual Kentuckians, including:
 - The bill should be both pro-consumer and pro-business.
 - It should provide clear safeguards and safe harbors for good faith efforts by data handlers.
 - It should readily adapt to the inevitable advances of technology.
 - It should not create Kentucky-specific requirements that deter new investments by Kentucky companies or those considering Kentucky.
 - It should align with the business-friendly laws that other states have enacted to streamline compliance and do no harm to Kentucky's competitiveness.
- ✓ Ensure a broad exemption for businesses and clear implementation standards are part of any proposal that may be considered to legalize medical marijuana.
- ✓ *Proposals enacted during the Kentucky General Assembly's 2023 Session.*

Attracting, Developing, and Retaining a World-Class Workforce



Encourage hardworking Kentuckians and their families to stay in Kentucky and attract additional workers to the Commonwealth by:

- ✓ Continuing to implement the phased reduction of Kentucky's personal income tax enacted in 2022 to attract more workers and investment to the Commonwealth.
- Evaluating prospective state incentives to spur further development of affordable workforce housing as an important way to address Kentucky's workforce shortage.
- Increasing funding for childcare assistance; workforce development programs to bring more women into the workforce; and community-based workforce development and training opportunities.
- Increasing funding for treatment and workforce reentry strategies for Kentuckians recovering from substance abuse.
- Increasing availability and affordability of quality childcare that meets business and parent needs.
- Utilizing the Benefits Cliff Calculator, support the development of off-ramps for public assistance to help transition workers to self-sufficiency.
- Supporting the continued creation of work-based learning and certificate programs and the continued expansion of such programs in Kentucky high schools.

Building a Healthy Kentucky



The Commonwealth should help businesses maximize health care outcomes for employees and allow employers the autonomy necessary to effectively manage health care costs and outcomes by:

- Minimizing government intrusion into employer-sponsored health plans to better allow the free market to lower health care costs for businesses and families.
- Modernizing the workers' compensation disability ratings, since continued use of old data mechanisms is producing higher multiples that do not factor in significant advancements in medical treatments and outcomes.
- Reforming the Medicaid system to encourage participants to pursue employment opportunities while ensuring the benefits cliff does not prevent a person from seeking employment.

✓ *Proposals enacted during the Kentucky General Assembly's 2023 Session.*

Energy and Environment



A long-term strategy for energy policy should be developed that:

- Creates a statewide energy plan that prioritizes the needs for affordable energy and for the reliability and resiliency of the Commonwealth's energy grid.
- Expands economic and tax policies and incentives to encourage the growth of, and strategy for, the production of vehicles and necessary components in the Commonwealth.
- Balances the need for environmental regulation with the imperative to keep energy and production costs low for Kentucky businesses.

Maintaining and Developing Infrastructure



Kentucky's infrastructure needs continue to increase as our modes of transportation continue to evolve. We must be proactive in preparing for future needs by:

- Fully funding the State Road Plan using a modernized mechanism that fairly applies to all vehicle propulsion modalities.
- Supporting the Kentucky Transportation Cabinet's EV Charging Strategy for battery electric vehicles (BEVs), corridor development for freight/commercial mobility, and the regional development of Kentucky's Hydrogen Hub.
- Promoting the use of and ensuring long-term funding sustainability for all multi-modal transportation plans significant for the movement of freight, including road, water, rail, and air.
- Ensuring that pipelines are maintained and regulated on a reasonable basis by appropriate federal and state authorities.