



## 2026 Policy Statements

Business leaders are often too busy attracting investments and creating jobs to focus large amounts of time on monitoring legislation and regulations, analyzing their effect and advocating for their passage, defeat or modification. That's why Commerce Lexington and its Public Policy Council gather the top experts in a variety of industries, harness that knowledge, and advocate for the interests of business in the halls of our State Capitol or the Lexington-Fayette Urban County Government to create a more business-friendly environment. Each year, we work with you – our member investors – to identify issues affecting the business community and spotlight the best public policy solutions. Our strong working relationships with local, state and federal officials mean that you will be well represented and your voice will be magnified by the more than 1,900 members on whose behalf we speak.

Commerce Lexington's Public Policy Council is the entity that takes the lead in the organization's advocacy efforts. The council members and chair are all volunteers and represent a variety of large and small businesses, local government, nonprofit organizations, education groups and utilities comprising a broad spectrum of Commerce Lexington's member companies. The Council's chairperson is appointed annually by the Chair of the Board of Commerce Lexington.

### Education/Workforce

#### **Critical Workforce Challenges:**

The shortage of a qualified and skilled workforce is one of the top issues facing businesses in Lexington and Central Kentucky. Commerce Lexington supports a multi-faceted approach at the local, state, and federal levels of government to help solve the workforce crisis. The priorities include but are not limited to:

- **Access to Child Care:** Increasing access to affordable, high-quality childcare is a top strategic priority for Commerce Lexington. Childcare supports access to early education opportunities for young children and allows parents to join the workforce and seek employment. Analysis from the Kentucky Chamber Center for Policy and Research estimates that increasing access to childcare 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 childcare in the Commonwealth, the Kentucky Chamber of Commerce launched the Kentucky Collaborative on Child Care in 2024. This initiative brought together 40 leaders from around the state with different perspectives on the issue to identify areas of consensus and shared solutions. The outcomes of that work are described in a report released in May 2025 titled, "A Foundation for Action: Shared Solutions to Child Care Challenges in Kentucky." The report includes a total of 37 specific consensus-driven recommendations for government, philanthropy, and the nonprofit and private sectors.
  - Key public policy solutions include continuing to fund childcare programs the state is already successfully operating – such as free childcare for childcare workers and the transitional exit program for low-income families receiving childcare subsidies – strengthening the Employee Child Care Assistance Partnership, implementing the Certified Child Care Communities Program, creating new economic development incentives for employers seeking to create new child care services for workers, improving our childcare data, streamlining regulations and licensure processes for childcare providers, and reforming the Kentucky All STARS program.

○ The full report and all 37 recommendations can be viewed at [kychamber.com/childcare](http://kychamber.com/childcare).

- **Unemployment and re-employment:** Emphasize rapid re-employment for unemployment claimants by enhancing Kentucky's work search requirement, providing additional re-employment services, and implementing reforms to reduce the amount of time individuals spend on unemployment.
- **Re-entry:** Support for successful re-entry for formerly incarcerated Kentuckians including repealing the ban on KEES eligibility for ex-felons, removing barriers to second chance licensing, ensuring exiting inmates have birth certificates and photo-IDs, and increasing access to expungement by reducing or eliminating fees and providing a process by which the court can automatically initiate an expungement.
- **Education Investment:** Invest in K-12 and higher education to increase post-secondary and credential attainment and support efforts to align resources to improve student engagement with career opportunities and pathways.
- **Substance Use Disorder: Continue** efforts to fight the opioid epidemic and substance use disorder crisis by leveraging federal relief dollars and providing necessary resources to communities in most need.
- **Health:** Improve Kentucky's health outcomes, including reducing smoking rates by raising the cigarette tax and removing smokers as a protected class.
- **Resource Alignment:** Support the success of Kentucky's workforce development programs through improved resource alignment, tracking workforce spending, and evaluating programs for return on investment.

**Training Support:** Support increased investments in education and training programs to upskill more workers, including older youth 18-24 years old and individuals in reentry and recovery facilities, to in-demand sectors.

**Workforce Investment Funding:**

The Federal Workforce Investment Program is a critical component to providing a highly skilled and educated workforce for businesses in the region. Implementation of the Workforce Innovation and Opportunity Act (WIOA) has been a positive step forward. Through WIOA reauthorization the Stronger Workforce for America Act will continue to strengthen the workforce and training opportunities for workers. Kentucky's workforce training system is notably complex with multiple layers and differing agency responsibilities. Programs receive state and federal funding in **hundreds** of millions of dollars, and programs range from job-specific skill development to support for job seekers. Commerce Lexington supports continued investments and policy reforms that align and improve existing workforce programs at the state level, and to support local and regional sector partnerships with employers to meet the workforce needs of a 21st Century economy.

Commerce Lexington urges the U.S. Congress, Governor, and General Assembly to provide for workforce development efforts aimed at immediately engaging dislocated workers, youth, and the underemployed with skills training and job placement opportunities in high demand sectors and overhauling incumbent worker programs to help businesses train workers, avert layoffs and encourage upskilling. We continue to support the Work Ready Community, Sector Strategies, High Impact Workforce Investment Boards and Unified Business Services work at the state and local level. Federal and state leadership is vital in policy guidance to states and local communities.

### **Talent Attraction & Retention:**

States are actively competing to attract skilled workers to meet industry demands by deploying targeted marketing campaigns. These efforts highlight the unique lifestyle and career opportunities available, positioning states as ideal destinations for talent. Similarly, regions and cities promote their communities to drive job creation, tourism, and economic growth.

Greater LEX leaders continue to advocate for the creation of a new Kentucky Talent Attraction Marketing Initiative. Establishing a statewide talent attraction campaign will complement and strengthen regional efforts like the Greater LEX initiative. Over the past several months, significant progress has been made toward developing a statewide marketing strategy and budget recommendations for the 2026 Regular Session of the Kentucky General Assembly.

During the 2024 Legislative Session and the last budget cycle, the General Assembly appropriated \$250,000 to hire a consultant to design a comprehensive state talent marketing strategy with corresponding budget recommendations. In July 2025, the Legislative Research Commission (LRC) engaged Development Counsellors International (DCI)—a nationally recognized leader in workforce, tourism, and economic development marketing—to conduct an in-depth research study and prepare recommendations for a statewide marketing plan. The goal of this initiative is to understand perceptions, strengths, and challenges in promoting the Commonwealth as a premier place to live and work, with a focus on attracting and retaining key talent both within Kentucky and from targeted out-of-state markets with similar industry clusters.

Commerce Lexington supports DCI’s recommendations for developing a statewide marketing strategy with a proposed three-year implementation plan with an investment of \$3–5 million from the General Assembly over the next biennium.

**Kentucky's Opportunity** dci

**96%** of Kentucky college and university students would stay in-state if offered a full-time job.

**76%** of external talent familiar with Kentucky would relocate for the right job (vs. 49% overall)—alumni and boomerangs are the key.

**Kentucky Employers Are Ready to Grow**

72% of HR executives plan to expand staff in the next two years—but they need marketing tools and resources to compete for talent.

KENTUCKY'S TOP-RATED LIFESTYLE FACTORS:

- Outdoors
- Housing
- Cost of Living
- Welcoming/Friendly
- Quality of Life

*DCI's key opportunities for Kentucky's talent attraction and retention strategy*

**Fayette County Public Schools:**

A thriving workforce and community require a strong public school system. Commerce Lexington is committed to continuing to partner with Fayette County Public Schools (FCPS) in efforts to create the workforce needed for successful business recruitment and retention. We support the government, education, and business partners working in collaboration through regionally based approaches to build workforce pipelines that span the Commonwealth and meet employer needs.

We want to ensure that Fayette County students and educators have the resources they need for continued success. We remain committed to working with FCPS to regain long-term, lasting structural balance in the budget through additional cost savings and efficiencies, new revenue generation derived from public-private partnerships and sponsorships, and aligning resources. We believe our community can solve the budget challenge in a way that maintains high standards for our students while not adding to the cost burdens of working families or creating barriers to economic development and job recruitment.

We urge FCPS leaders to continue provide consistent communication on the financial stability plan and proactively strengthen financial management practices, internal controls, oversight, transparency and accountability within the district office and with board governance procedures and communicate those steps to the public.

Commerce Lexington supports the FCPS strategic priorities for 2022-2027 across five focus areas to ensure all students receive a world class education.

- **Student Achievement:** Commerce Lexington supports improving student achievement through rigorous curriculum and instruction and providing students with evidence-based education experiences that support college and career readiness. We also support standards that are designed to be rigorous and relevant to the real world, reflecting the experiences, assets, knowledge, and skills that our young people need for success in life, college, and career.
- **Unity, Belonging and Student Efficacy:** We support fostering and instilling a culture of unity, belonging and student efficacy across the district and addressing opportunity gaps for students.
- **Highly Effective Workforce:** We support efforts to hire and retain a highly effective, culturally responsive, and diverse FCPS workforce to support students.
- **Outreach and Engagement:** We support more effectively engaging students, families, employees, business leaders and community partners to improve opportunities and outcomes for all students by reducing barriers to achievement. Commerce Lexington is committed to supporting efforts that help transform schools from the outside by strengthening families, neighborhoods, and communities to address the effects of food scarcity, housing insecurity, poverty, and community-based trauma.
- **Organizational Effectiveness:** We support continued focus on improving school safety, financial transparency, student outcome accountability, enhanced business partnerships and organizational improvements to better meet student and community needs for a skilled workforce.

Commerce Lexington support for FCPS state and federal 2025 legislative priorities include:

- **Quality Investments:** Commerce Lexington supports increased state education investment overall, but especially in the areas specified for school safety (including mental health supports), all day Kindergarten, increased access to pre-school, and additional funds in the SEEK Formula base. Commerce Lexington has supported FCPS in efforts to raise more local funds to support building and safety improvements to support students. However, in FY21 the overall district budget was estimated at 48% locally funded versus 34% for state support and in FY24, the disparity was much larger with a ratio of 52% local versus 30% state. That 22% gap in FY24 has required FCPS to put an additional burden on local funding to meet needs.
- **Student Supports:** Commerce Lexington supports developing a Poverty Reduction Task Force with representation from school officials, health officials, and other appropriate partners aimed at addressing the root causes of poverty plaguing impacted families. We support improving community support, leveraging partnerships, and increasing access to resources that help families and improve student learning. We also support improving the FAIR Team process by increasing collaboration between the district and the courts and addressing underlying community-level issues fueling the need for FAIR Teams. We recognize that the burden on schools and teachers has grown exponentially year by year. Schools are often where society's greatest issues manifest, but the mantra that "schools cannot do it alone," is more relevant than ever.
- **Education Workforce:** Commerce Lexington supports efforts to attract and retain a high-quality K-12 education workforce, including funding a statewide marketing plan showcasing the benefits of being a teacher and improving the public image and perspective of the education profession. Commerce Lexington

also supports red tape reduction that would reduce the amount of regulation and paperwork required of all educators to allow greater focus on instruction and individual learning needs.

- **Workforce Pipeline:** Commerce Lexington supports increased federal funding under the Carl D. Perkins Act to support increased career and technical opportunities to Fayette County students. Commerce Lexington also supports additional emphasis and an urgency to increase funding for apprenticeships or other work-based learning to prepare today's students for tomorrow's careers.
- **Special Populations:** Commerce Lexington supports fully funding the federal share (40%) of special education costs, and funding support for English learners, including full funding to provide local districts the tools and resources to ensure English learners meet the requirements established by Title III of the Elementary and Secondary Education Act (ESEA). FCPS supports federal funding to support states and local school districts in providing increased access to early childhood education, universal kindergarten, and expanded wraparound services.
- **Infant Nurture:** Commerce Lexington supports First 5 Lex - Read, Talk and Play from Cradle to Kindergarten, which FCPS developed in partnership with early childhood professionals from across the community, in response to concerns about school readiness. First 5 Lex is designed to give families and caregivers access to information about early learning and connect them to fun, stimulating, age-appropriate activities, and experiences that will support their young child's development and learning.
- **Technology and Infrastructure:** Commerce Lexington supports continued and sufficient funding for educational technology and internet connectivity (E-Rate) to reduce the digital divide, modernizing the list of eligible services, and streamline processes for application and distribution of funds to eligible districts. FCPS supports the investment of federal infrastructure dollars to modernize public school facilities and equipment.
- **Student Safety and Success:** Commerce Lexington supports continued investments in school safety measures and policy reforms to protect students and staff from violence.

#### **Lexington Public Library:**

Commerce Lexington fully supports the Lexington Public Library's work to provide quality educational resources and programs, access to technology, support for early and school-aged education, jobseeker services, and lifelong learning. All library services are available to anyone who lives or works in Fayette County, making it an invaluable regional resource for all ages.

#### **Kentucky Educational Television:**

Commerce Lexington fully supports the lifelong educational programming and services KET delivers to schools and the public. KET provides access, equity, and quality educational resources focused on student achievement, teacher preparedness and workforce development.

#### **University of Kentucky:**

Commerce Lexington supports the University of Kentucky (UK) and its commitment to pursue interdisciplinary research and discovery, a commitment more than 160 years strong. UK is an institution with tremendous momentum marked by record first-year and overall enrollment, surging graduation rates and a renewed dedication to advancing the state through outstanding education, research, service and care that stretches across all 120 counties in the Commonwealth. Commerce Lexington appreciates Congress' continued support to crucial programs and initiatives that improve Kentucky's health through investments in medical research, public health, patient care and materials science and advanced manufacturing. Commerce Lexington urges Congress to continue investing in sustained and increased funding for these critical research areas vital to Kentucky's health and economic competitiveness.

Commerce Lexington recognizes and supports the university's critical role in workforce development, health care and economic development for Lexington and Kentucky. States with nationally recognized public research universities have a more skilled, healthy and educated workforce. As such, Commerce Lexington urges the Governor and General Assembly to continue to fund the state's Performance Funding Model and their commitment to differentiate the needs of research institutions to support UK's extensive research initiatives, maintain state-of-the-art facilities and attract top-tier talent.

In just over a decade, UK initiated or approved more than \$7 billion in capital investments to improve student success, instruction, research and discovery and health care. Many of those investments are the result of public-private partnerships, philanthropy, strategic use of university resources and support from UK Athletics. Other major markers of progress include:

- Preliminary first-time, first-year enrollment for Fall 2025 is 7,012 — up from 6,513 last fall.
- More than 4,000 of those first-year students are from Kentucky.
- According to preliminary figures, nearly 1,900 students — another record number — are first-generation. That's about 27% of the class, up almost a full percent over last fall.
- Overall preliminary fall enrollment is 38,719 with nearly 28,000 undergraduate students.
- More than 8,100 students are living on campus — over 270 more than last year. This will increase next year when a new residence hall opens, allowing an additional nearly 700 students to live and learn in the campus community.
- UK's preliminary six-year graduation rate is now at nearly 72% — also a record.
- UK's preliminary five-year graduation rate for the first time is nearly 72%.
- Initial estimates of UK's four-year graduation rate of about 60% are as high as the six-year graduation rate was 15 years ago.
- **UK HealthCare** — Thanks to growing partnerships in communities across Kentucky, the expanding UK HealthCare system continues to meet the needs of patients and families who require complex, quality care. Through its network of providers, a growing, state-of-the-art academic medical center and researchers focused on helping solve Kentucky's most pressing health challenges, UK HealthCare helps ensure no Kentuckian must leave the state to receive outstanding care. For example, UK's Markey Cancer Center was recently designated as a comprehensive cancer center by the National Cancer Institute. Markey is the only such center in Kentucky and one of only 56 in the country.

To continue this momentum, the University will be strongly advocating for asset preservation — a multiphase effort to maintain and modernize essential campus buildings and infrastructure — allowing UK to complete critical upgrades to utilities, building systems and core facilities to ensure long-term functionality and demonstrate responsible stewardship of state resources. UK has consistently invested in its infrastructure through partnerships with the Commonwealth, donors and the private sector to help support student success.

Additionally, the University will be strongly advocating to support the construction of a state-of-the-art research facility to foster innovative, interdisciplinary research throughout campus (including more than 70 centers and institutes). The new facility will build on the success of the original Healthy Kentucky Research Building (HKRB) that opened in 2018, which has since driven \$190 million in research and development and supported more than 600 researchers in cancer, diabetes and obesity, cardiovascular diseases and stroke, infectious diseases, neuroscience and substance use disorder. This new research facility, which will be called HKRB2, will unite expertise across science, engineering and computational fields to advance chronic disease research and deliver innovative solutions to improve the health of Kentuckians.

## **Bluegrass Community and Technical College (BCTC):**

Commerce Lexington supports BCTC in their efforts to support regional business development, enhance technical skills training, provide “work ready” employees, and create a seamless pathway to a bachelor’s degree. To that end, Commerce Lexington supports increasing funding for the Work Ready Kentucky scholarships, dual credit scholarships, KCTCS TRAINS, and the post-secondary performance-based funding model:

- **Work Ready Kentucky Scholarships** - BCTC will be advocating for continued funding of Work Ready Kentucky Scholarships that support students in the five critical sectors in Kentucky’s economy. BCTC also supports continued funding for dual credit students to study in those areas.
- **Dual Credit Scholarships** – BCTC supports continued funding and support for dual credit scholarships for students to shrink the time it takes to achieve a two-year associate degree and enter the workforce.
- **KCTCS TRAINS** – Commerce Lexington supports customized workforce training and funding to support KCTCS-TRAINS funding. With TRAINS funding, businesses can offset the cost of eligible workforce training initiatives by up to 5%; new economic development projects are eligible for training incentives at 100% discounted rate. Expanded funding for KCTCS TRAINS will support economic development in the Commonwealth. The critical decision point for industry expanding operations or new industry contemplating locating in Kentucky is the availability of a skilled workforce.
- **Post secondary performance-based funding model** – BCTC supports increasing the funding for the model which rewards institutions for performing against agreed on metrics with the Council on Postsecondary Education. Without those increases, increased costs such as inflation will lead to higher tuition when Kentucky’s community and technical college tuition is already higher than our surrounding states.

Commerce Lexington also supports BCTC’s effort to make completion of the Free Application for Federal Student Aid (FAFSA) mandatory in high school, with common-sense opt-outs for students who may not be able to complete. The number of high school students who complete the FAFSA is declining nationwide; to address the downward trend, many have states have recently passed FAFSA completion requirements, which help students realize that they are eligible for federal funds and makes path to college more attainable.

### **Effectively Combat Substance Use:**

Commerce Lexington continues to support public policy efforts to curb the drug epidemic through a comprehensive approach aimed at prevention, treatment, and criminal justice reforms. Substance **use** issues are having a negative impact on our workforce, particularly in terms of increased health care costs, loss of workforce productivity and fiscal impact of incarceration. Commerce Lexington will continue to partner with local, state, and federal officials to address the illness of addiction. We urge officials to direct funding for these efforts in an effective and efficient manner using evidence-based approaches. We also support increased accountability over how these funds are being spent and urge increased transparency in outcome reporting.

**Fair Chance Employment:** Commerce Lexington supports efforts to increase fair chance hiring by employers. We support the Governor and General Assembly for the passage of limited felony expungement legislation in 2016 to help workers limited by a past mistake to re-enter and advance in the workforce. However, the existing process is cumbersome, expensive, and overly reliant on paper-based records. As the Administrative Office of the Courts modernizes its systems, a process should be put in place to allow the courts to automatically initiate an expungement for those individuals who would otherwise qualify. These records continue to follow many individuals for years beyond completion of their sentences and restitution and can be massive barriers to gainful employment and engagement with their communities. Commerce Lexington will continue to monitor, and support when appropriate, support efforts focused on reducing recidivism, making communities safer, increasing our workforce, and saving taxpayer dollars.

## Healthcare

### **Reduce Tobacco Use:**

Kentucky continuously leads the nation in use of tobacco and tobacco related products in adults, among pregnant women and among high school and middle school students. The tobacco related loss of economic productivity is over \$2 billion dollars annually in Kentucky alone. Commerce Lexington fully supports raising Kentucky's cigarette tax on all tobacco and tobacco related products to be more in-line with the national average. CLX supports tax parity on e-cigarettes equal to the tobacco tax rate on traditional cigarettes. Initiatives should be implemented to reduce smoking and vaping by Kentucky residents.

### **Medicaid Sustainability:**

More than 1.4 million Kentuckians are enrolled in Medicaid, more than 35% of Kentucky's total population. Commerce Lexington remains concerned about the increased cost of Medicaid benefits and the impact on the General Fund budget. We support efforts to create a sustainable Medicaid program to protect critical state investments in education and other vital programs.

### **Increase the Number of Health Care Professionals in Kentucky:**

Many areas of Kentucky are underserved by health care professionals, which contributes to poor access and higher medical costs for our citizens. We applaud the legislature for taking action over the last few years to help build a pipeline for future health care professionals, including the creation of the Kentucky Healthcare Workforce Investment Fund. Commerce Lexington encourages lawmakers to initiate programs and funding or support policies that encourage medical professionals to serve all areas of Kentucky and all Kentuckians.

### **Health & Wellness Programs:**

Commerce Lexington supports legislation that provides tax credits and incentives to employers for creating health and wellness programs for their employees. Health and wellness programs may serve as an effective health care cost containment measure and serve to promote personal responsibility among employees for their own health outcomes. Commerce Lexington will continue to support programs and policies that incentivize companies to educate and promote health and wellness for their employees, including increasing access for employees to mental health resources.

## Energy & Environment

### **Protect Low-Cost Energy:**

Commerce Lexington urges local, state, and federal officials to support efforts to maintain affordable low-cost, reliable energy for business and residents. Kentucky offers some of the lowest electricity rates in the nation due in large part to the abundance of coal resources, natural gas and two regional transmission organizations as resources for electricity generation. This competitive advantage has allowed Kentucky to attract thousands of manufacturing jobs and energy intensive industries like automotive, steel and aluminum, automotive, aviation and aerospace that employ tens of thousands of Kentuckians. Commerce Lexington remains concerned about the economic impact of proposed regulations on carbon emissions, electricity generating facilities, and new regulations on Kentucky's mining industry.

- **Coal:** Support coal remaining an integral part of our nation's energy portfolio, ensuring a level playing field for all low-cost fuel sources to provide low-cost electricity. Coal provides more than 70 percent of Kentucky's electricity helping to make our electricity some of the most economical, reliable, and resilient in the U.S.
- **Mineral Recovery:** Encourage the recovery of rare earth, critical minerals, and advanced carbon fiber from the state's coal reserves to protect national security.

- **Natural Gas:** Encourage the investment in production and use of other reliable energy fuels like natural gas and renewable natural gas (RNG). Supports flexibility in compliance and safety regulations. Kentucky's oil and gas industry has a total value production of more than \$1 billion and employs 9,000+ Kentuckians. Commerce Lexington supports financial and infrastructure incentives to help stimulate adoption of natural gas and RNG transportation fuels to ensure that both are ready for economic development. Central Kentucky could benefit from increased use of compressed natural gas (CNG) or liquefied natural gas (LNG) motor transportation fuels such as those used for **in state** and inter-state trucking fleets, waste haulers, delivery and repair vehicles, and personal cars and trucks.
- **Fair Regulations:** Support review, elimination, or updates to outdated or duplicative regulations to ensure a level playing field for all low-cost fuel sources.
- **Research & Technology Investments:** Supports research, development, and utilization of new technologies for a cleaner energy strategy for continued reductions in carbon emissions and greenhouse gases while limiting unreasonable adverse impacts on coal and gas industries.
- **Energy Efficiency Measures:** Support investments in energy efficiency measures, alternative fuels, and renewable energy to spur economic growth and energy innovation including grant opportunities for the University of Kentucky's Center for Applied Energy Research.
- **Energy Availability & Affordability:** For companies considering location or expansion in the Greater Lexington region, energy availability and affordability is one of the top factors in these decisions. Commercial and industrial consumers have different energy goals including efficiency, cost containment, or fuel source (fossil fuel, nuclear, and alternative or renewable). Bureaucratic barriers or policies that limit the opportunities businesses currently must meet their energy demands or goals should be avoided. Commerce Lexington also recognizes many businesses have sustainability goals and place importance on access to renewable sources. Our organization supports allowing utilities flexibility to invest in the necessary generation to meet regulatory obligations and market demands while maintaining reliable and affordable energy for the region to support economic development.

**Promote a Sensible Regulatory Approach:**

Commerce Lexington strongly supports commonsense regulatory reform that restores accountability, transparency, the use of scientific data and public participation in the rule making process across all local, state, and federal agencies. We oppose regulations at the local and state level that are more stringent than federal regulations, and those that result in significant adverse economic impact on citizens, farmers, cities, and industries. We urge all levels of government to engage in a thorough review of existing regulations, current MOU's, MOA's, and other guidance documents to identify statutes or regulations that need to be clarified, eliminated, or modified to increase economic competitiveness for businesses. Commerce Lexington appreciates the U.S. EPA's efforts to provide states with more flexibility in managing their environmental programs and encourages continued efforts to identify more creative ways for states and the U.S. EPA to collaborate on regulatory and enforcement issues. Government agencies should be asked to demonstrate the economic impact to businesses and local communities of implementing new regulations. Consent Decrees or other legal or administrative requirements should consider and publicly demonstrate the ability of local governments, quasi-governmental agencies, schools and businesses to afford the alternatives demanded by the state and/or EPA. These financial analyses should be conducted by people with experience in developing financial impacts before the solution is finalized. If it is determined that the entity cannot reasonably afford the solution required by the state or federal agency, then the state should be required to assist the entity in developing an alternate financial plan.

**Storm Water/Sanitary Sewer & Consent Decree Implementation:**

Commerce Lexington will continue to monitor implementation processes to ensure the LFUCG's plan to meet EPA requirements is completed in a timely and cost-effective manner. We support periodic, independent performance reviews/audits to ensure taxpayer dollars are being used efficiently by local government throughout project implementation.

**Track New Sanitary Sewer & Storm Water Permits and Fees:**

Commerce Lexington will continue to engage local and state officials to ensure that requirements of new sewer and storm water permits, fees, applications, and guidance documents are not too restrictive and do not exceed state or federal regulations and that the plan and implementation schedule is feasible and cost effective. We also will continue to educate members about the impact of the new permits.

**Streamline Environmental Permitting:**

Implementation of infrastructure projects is critical for community and economic development. Often the public projects are subject to requirements for review of environmental impacts in accordance with the federal National Environmental Policy Act. Although such impacts can and should be considered, the process for evaluation of, and challenges to, infrastructure projects on that basis must be streamlined to ensure that important public infrastructure projects are not victims of procedural maneuvering and unnecessary delay.

**Commerce Lexington supports legislative efforts that:**

- Encourage concurrent review and approval of permits, where feasible. For critical infrastructure or environmental permits, have a lead agency designated to ensure that effective communication is established between the applicant and affected agencies. This person would be responsible for ensuring that all permits necessary are identified, permit review timeframes are established and met, or the timeframes for permit review are reduced.
- Allow interested applicants to reimburse the department for overtime costs incurred by employees that work overtime to expedite a permit, modification, license, registration, or variance.
- Allow departments within state government the ability to hire contractors to expedite issuance of permit modification, license, registration, or variance.
- Have each Agency provide on-line specific information regarding how best to achieve timely permitting decisions; provide clear expectations for applicants to improve the quality of applications; establish performance measures to review staff and develop, improve, and encourage electronic permitting tools.
- Ensure that the permitting process will be balanced and will take into consideration the economic impact of the project, public needs, and the requirements of existing environmental laws and regulations.

**Support Energy Efficiency Measures:**

Across the nation, companies - including those in Central Kentucky - are taking positive measures to make their operations more energy efficient which has led to a reduction in carbon emissions. Commerce Lexington supports voluntary energy management programs, because they are good for the environment and financially good for business. Commerce Lexington supports incentives for companies that go beyond their regulatory requirements and recognizing companies who have already implemented positive best management practices to reduce their energy consumption.

**Air Quality Rules & Regulations:**

Commerce Lexington will engage local and state officials regarding the development of air quality standards to ensure these regulations are not too restrictive, have the least cost impact on business, and protect Kentucky's low-cost energy rates.

**Brownfield Redevelopment:**

Commerce Lexington strongly supports the use of Brownfield Redevelopment in communities through available state programs such as Kentucky's Bonafide Purchaser Program which reduces liability for future property owners. These programs should be expanded to allow tax incentives, low interest loans or grants or other federal and state matching funds for those committed to redeveloping the state's Brownfield sites.

**Water Quality Regulations:**

Commerce Lexington supports a process that enhances oversight of the review and approval of changes to new General Permits and other administrative actions that are proposed by state agencies. Commerce Lexington

supports the President’s Executive Order to rescind and clarify a commonsense approach to developing a Waters of the U.S. rule. It is important to more clearly define how a water will be regulated by the U.S. EPA and the U.S. Army Corps of Engineers under the Clean Water Act. These designation methods should avoid adverse impact on economic development due to unreasonable regulations and permitting.

**Solid Waste:**

The management of solid waste is a local responsibility, and existing law allows local governments the necessary flexibility to develop a solid waste disposal strategy unique to the needs and expectations of their individual communities. Commerce Lexington urges enhanced enforcement and education to address illegal dumping and littering. We support programs such as Eastern Kentucky PRIDE and Bluegrass Greensource that encourage and assist citizens, local governments, and schools to clean up illegal trash dumps and other solid waste problems as well as promoting environmental awareness and education. Education remains a critical component in changing the habits and attitudes of individuals across Kentucky. We also support programs that educate Kentuckians on the benefits of recycling, programs that make recycling more convenient, and strategies that develop and enhance market demand for recycled materials. Commerce Lexington believes that this type of multi-faceted strategy will have a more significant, long-term impact in addressing the need for Kentucky to embrace recycling. Some of Kentucky’s solid waste statutes are currently more than their federal counterparts. Commerce Lexington supports reasonable, thoughtful reviews and updates to current solid waste rules that will provide consistency and clear direction to the regulated community.

## **Business Climate (Labor & Workplace)**

**Employer Rights:**

Commerce Lexington supports protecting the rights of employers to make decisions that make the most sense for their business, staff, and customers. Employers retain the right to set terms and conditions for employment. Every day, employers are making complex decisions to ensure they are protecting their workforce and patrons, and these decisions are not made lightly. Employers have an obligation to act, to listen to multiple perspectives, and to balance the needs of the diverse workforce with protecting customers and staff. The laws in place allow employers to do this and account for the fact that all workplaces are different and have varying levels of risk.

**Business Liability Protection:**

Kentucky’s liability climate is a major barrier to economic growth, particularly for healthcare. Commerce Lexington supports passing meaningful reforms to Kentucky’s legal liability system to improve our competitiveness for jobs and talent. Commerce Lexington also supports effective measures to address the escalating costs of health care and medical malpractice insurance for health providers, to lower health care costs, health insurance premiums, and improve access to care. Commerce Lexington supports further reforms such as a constitutional amendment that would permit the Legislature to consider comprehensive tort reform. Kentucky is the only state in our region that does not have any form of caps on non-economic damage. These damages involve no direct economic loss and have no precise value. It is difficult for juries to assign a dollar value to these losses, given the minimal guidance they customarily receive from the court. Kentucky’s legal liability climate discourages many health care providers from locating in Kentucky and represents a barrier to economic development in the region.

**Wage Mandates:**

Commerce Lexington supports government efforts to find balanced, long-term solutions to the problems confronted by our community. We do not support private sector wage mandates that exceed state or federal guidelines.

**Safer Workplaces:**

Commerce Lexington supports allowing employers to share factual and documented information about past employees, without subjecting themselves to undue liability, when providing references to inquiring employers during the hiring process. We also support legislation to allow employers to help fight illegal drug use in the

workplace. Commerce Lexington opposes any expansion in the current concealed/carry laws that would allow employees to bring deadly weapons into the workplace.

**Public Employee Pension Systems:**

Commerce Lexington remains concerned about the financial viability of Kentucky's public employee pension systems, the downgrading of state's bond rating and the negative impact on businesses. Commerce Lexington strongly urges the General Assembly to continue progress toward the goal of establishing equitable retirement and health insurance benefits for new hires that more closely resemble those available in the private sector. Commerce Lexington supports a comprehensive review of all public employee pension systems (including the Kentucky Teachers Retirement System) and related benefits and encourages state legislators to consider other serious structural changes to all systems to assure funding pensions does not cripple state government's ability to provide essential services.

Commerce Lexington will continue to monitor reform implementation with emphasis on assuring no benefit increases without full funding and the inclusion of actuarial contributions required in the state budget. In terms of funding, Kentucky is now putting more than \$1 billion per year 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 fully 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. Commerce Lexington discourages lawmakers from using bonding to address shortfalls in state pension funds, which could jeopardize the state's financial stability for future generations.

**Public Employee Collective Bargaining:**

Commerce Lexington strongly opposes public employee collective bargaining. Public employees are afforded significant benefits, job protections, and established rank and pay scales. The adjustment or alteration of these benefits are decisions that can and should be made as a matter of public policy.

**Revision of Statute of Limitations:**

Kentucky should review and revise the statute of limitations laws to ensure they do not place an inordinate burden on employers, create an uneven playing field to encourage frivolous litigation, are consistent with surrounding states, and allow Kentucky to remain competitive in attracting and retaining businesses. Commerce Lexington applauds the work of the General Assembly to pass House Bill 320 during the 2024 Session which shortened statute of limitations for employment-related claims to bring Kentucky in line with competitor states.

**Workers' Compensation:**

Commerce Lexington applauds the General Assembly for enacting reforms in 2018 to the state's workers compensation system to provide clarity to statutes, improve return to work outcomes and lower costs for employers. We will continue to monitor the implementation of these reforms and support workers' compensation regulations that offer clear and objective definitions of injury and disability, use objective medical findings of impairment for awards, reduce litigation, encourage retraining and education, and return to work while abating growing costs for central Kentucky employers. Commerce Lexington supports legislative or regulatory measures that will help control Kentucky's rising medical and prescription drug costs in workers' compensation cases without disrupting needed services to injured workers.

**Immigration:**

Commerce Lexington supports a comprehensive immigration reform package which includes modernizations to the guest worker program which addresses the needs of all Kentucky's workplaces. In collaboration with the U.S. Chamber of Commerce, Commerce Lexington supports the Essential Workers for Economic Advancement Act (H.R. 5494 in the 119th Congress, reintroduced by a bipartisan group of co-sponsors) establishes a new nonimmigrant H-2C visa program to address workforce shortages in temporary nonagricultural sectors such as construction, hospitality, restaurants, and long-term care, where no comparable visa currently exists.

### **Unemployment Insurance:**

Commerce Lexington believes that the integrity of the unemployment insurance trust fund should be maintained and opposes efforts to utilize the fund in ways that are contrary to its original purpose of providing unemployment insurance to temporarily displaced workers. Commerce Lexington will continue to monitor the implementation of the reforms to the state's unemployment insurance system, and support efforts to reform the benefit structure to keep costs and benefits competitive with other states and increase workforce participation. Commerce Lexington supports efforts to provide those out-of-work with access to training and career counseling. Commerce Lexington appreciates the appropriation of federal relief dollars during the 2022 Session, putting the state's Unemployment Insurance Trust Fund 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 that can weather 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.

### **Employer & Labor Union:**

Maintaining the balance between labor unions and employers is critical to continued job creation. Commerce Lexington Inc. urges federal officials and the National Labor Relations Board (NLRB) to support policies and rulemaking that promote economic growth. We strongly encourage the appointment of a full and balanced NLRB and urge federal and state officials to fight changes to our labor law system that undermine employer-employee relations.

- Maintain a balance of representation on the NLRB, with members properly vetted and ratified through Congress.
- Protect secret ballot elections to form unions.
- Maintain functional grouping of business units that do not pit "sub" or "micro" units against each other in organizing efforts (micro unions).
- Maintain a company's ability to educate employees on the consequences of unionization, do not include binding arbitration provisions, and do not impose one-sided penalties.
- Consider the use of email and social media to misrepresent picketed areas, an Unfair Labor Practice.

## **Business Climate (Taxes & Regulations)**

Commerce Lexington recognizes that in an increasingly competitive global marketplace, promoting long-term economic development and job growth must be a top priority when revenue options are **considered**. Tax and regulatory policy at all levels of government must be guided by a well-researched, balanced approach that provides for necessary public investments and expenditures, while avoiding policies that could serve as disincentives to economic growth and private sector employment and investment.

State and local tax code changes should recognize and encourage long-term future growth and provide sufficient revenue options. Commerce Lexington applauds the General Assembly for taking steps to modernize the state's tax code by creating a process to lower the individual income tax over time. Commerce Lexington encourages lawmakers to continue to monitor the impact of Kentucky's tax code on the private sector and to **act** when necessary to ensure Kentucky remains competitive with its surrounding states.

Commerce Lexington urges the General Assembly to follow through on phasing out the state individual income tax. House Bill 8 from the 2022 legislative session is a long-game policy that created a framework to lower Kentucky's individual income tax over time as revenue triggers are met. This legislation requires the Office of State Budget Director and Department of Revenue (DOR) to conduct annual assessments of the revenue triggers established

under the law. The law also requires action by the General Assembly to implement income tax rate reductions when the revenue triggers are met in 2024 and in the years that follow. Commerce Lexington encourages lawmakers to act promptly and consistently to reduce rates when the annual review process by DOR shows that the trigger conditions have been satisfied. As the bill works to phase out Kentucky's individual income tax over time, lawmakers should routinely review it and consider ways to improve it, including potential changes to the bill's revenue triggers. Commerce Lexington is also supportive of adjustments to other revenue generators, such as 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.

#### **Continued State Tax Modernization:**

As the Kentucky General Assembly continues efforts to modernize the state and local tax structures, Commerce Lexington strongly urges lawmakers to evaluate existing state and local tax policies and proposed changes by using the following criteria:

- **Effective:** Tax policies should be reviewed to determine the intended or unintended consequences. Tax laws proving contrary to their intention or more burdensome than intended should be repealed or scaled back.
- **Competitive:** Tax policy should promote a positive climate that encourages increased investment and job growth.
- **Revenue Sensitive:** Tax policy should provide sufficient revenue overall to fund critical priorities.
- **Predictable:** Sources of tax revenue should be predictable and stable over time.
- **Equitable:** Tax policy should be fair but must not discourage economic activity, employment, or wage growth.
- **Efficient:** Any tax policy must be designed to facilitate cost-effective compliance and administration.

#### **Local Tax Reform:**

Commerce Lexington supports an amendment to the Kentucky Constitution, and enabling legislation, which would provide local governments with more diverse taxing options and allow local communities to create more competitive tax structures for jobs and talent. 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.

#### **Alcohol Taxes:**

As part of comprehensive tax reform, Commerce Lexington believes Kentucky must examine how other states tax distilled spirits, beer, and wine. Kentucky has one of the Top 5 tax rates on alcohol sales in the US, higher than all contiguous states except Tennessee. The Kentucky General Assembly should consider rolling back the wholesale tax on alcohol sales to make the Commonwealth's distilled spirit and alcoholic beverage industry more competitive with surrounding states.

#### **Revise Limited Liability Entity Tax:**

Commerce Lexington supports the repeal of the Limited Liability Entity Tax (LLET), an outdated tax concept that adds unnecessary levels of complexity to the tax code while raising limited amounts of revenue. Our organization would be supportive of identifying mechanisms to replace lost revenues from a LLET repeal, provided that the outcome was a reduced tax compliance burden on businesses. Short of a full repeal, Commerce Lexington supports reforming the tax by offering more clarity to determine what business expenses qualify as cost of goods sold (COGS) in the LLET gross profits calculation to make it easier for businesses and tax preparers to comply. To simplify compliance and increase fairness, Commerce Lexington supports aligning Kentucky's COGS definition with that of the COGS definition for federal tax purposes.

#### **Avoid Double Taxation, Tax Pyramiding:**

Kentucky should enact and retain tax laws that ensure sales and use taxes apply only to the end user. Business to business transactions should be exempt from sales and use taxes because application of the tax causes the tax to

pyramid and drives up the cost of goods and the cost of doing business. Further expansions of the sales tax base should avoid tax pyramiding and ensure rules, guidance, and definitions related to sales taxes are clear and unambiguous.

**Streamline the process for resolving tax disputes:**

Commerce Lexington recognizes that resolving tax disputes between taxpayers and administrative agencies can be time-consuming and costly. We are supportive of efforts to streamline these processes and ensure fairness, similar to what other states have done.

**Kentucky’s Internal Revenue Code Conformity:**

Given the speed at which the Internal Revenue Code (IRC) is amended and related Treasury guidance is issued, adopting an updated conformity date to the IRC would benefit Kentucky taxpayers, tax practitioners, and tax administrators. IRC Conformity refers to the degree to which a state tax code conforms to the federal tax code and simplifies a state’s implementation of its tax policy by using federal taxable income as a starting point for calculations.

The Kentucky General Assembly passed the last update during the 2025 Legislative Session via House Bill 775 to December 31, 2024. Commerce Lexington is requesting consideration for an update to Kentucky’s IRC conformity as of December 31, 2025, in preparation for next year’s tax filings which will reduce the cost of compliance.

**Regulatory Reform:**

Commerce Lexington urges federal, state, and local governments to consider a comprehensive review of the regulations, taxes and fees impacting businesses to determine areas where these policies could be modified, reduced, streamlined, or eliminated to improve government efficiency and create a more business friendly environment for Lexington and Kentucky. We encourage sensitivity at the local and state level to regulations that are more stringent than federal regulations that hurt Kentucky's economic competitiveness. Commerce Lexington also strongly urges state and federal officials to support common sense regulatory reform that restores accountability, transparency and public participation in the rule or regulation making process. Commerce Lexington opposes unfunded mandates trickling down from federal and state agencies that impact local governments without regard to the affordability of the mandates, and the ability of a local community, its businesses, and taxpayers to absorb the costs.

**Data Privacy:**

Commerce Lexington supports legislation to address data privacy issues that protect the needs of different consumers and places understandable and reasonable regulatory requirements for businesses to follow. Those that are concerned about their data being used should be able to simply opt out without disrupting the user experience for all with repeated opt-in requirements. Commerce Lexington supports a federal approach to data privacy regulation to avoid a patchwork of state laws. The General Assembly passed data privacy legislation in 2024 via House Bill 15. Commerce Lexington 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.

**Artificial Intelligence:**

The use of Artificial Intelligence (AI) is expanding rapidly and there is exciting potential for AI to improve efficiency, solve problems, and create new opportunities for innovation and growth. AI has also raised questions of policymakers who are taking note of this rapid expansion.

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. Commerce Lexington 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.

## **Business Climate (Signature Brand Industries)**

**Tourism Development:**

The tourism industry is a vital component of an overall economic development strategy. Commerce Lexington supports initiatives and incentives designed to enhance state and local tourism and the meetings/convention industry's positive impact through the promotion of attractions, experiences, and events in the Greater Bluegrass region.

Commerce Lexington advises the General Assembly to embrace the importance of statewide tourism marketing and its positive impact--not just on short-term visitors, but also long-term talent attraction and workforce development. Commerce Lexington encourages the General Assembly to refrain from the practice of using 1% statewide transient room tax funds for individual projects. Rather, the General Assembly acknowledges statewide transient room tax funds are critical for tourism marketing of the entire Commonwealth to drive positive impact to Kentucky's economy.

**Bourbon:**

Kentucky's Bourbon industry is facing increased competition from other states who have created lower barriers to entry for new distilleries with fewer taxes, less regulation, and more privileges. Additionally, Kentucky's Bourbon industry is facing significant and growing headwinds. Tariffs and related retaliatory measures from foreign markets have the effect of slowing exports. The rise of THC-infused intoxicating products, 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.

To maintain and strengthen Kentucky's distilling industry, Commerce Lexington supports efforts to continue elevating our signature industry by lowering the tax burden, reducing unnecessary regulations, and maintaining a level playing field in the global spirits industry. Commerce Lexington supports parity with the treatment of spirits, wine, and beer, and therefore supports streamlining alcohol taxes on canned cocktails 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. Additionally, as new products emerge in the marketplace, Commerce Lexington strongly supports adopting a similar regulatory and tax system for THC intoxicating **products**, which have inundated the marketplace as an unregulated intoxicant.

Commerce Lexington 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, keeps Kentucky competitive and promotes responsible consumption.

#### **Malt Beverage & Craft Brewing:**

Commerce Lexington is proud of our locally owned craft breweries and our locally owned distribution network. We support the maintenance of a strong and independent 3-tier system for the sale, distribution, and regulation of malt beverages. This system promotes family-owned and operated businesses, preservation of jobs, strong community reinvestment, and the ability of large, regional, and small/local brewers to deliver their products to the market and ultimately the consumer.

#### **Equine:**

Thousands of acres of horse farms, world class venues, such as Keeneland and the Kentucky Horse Park, and many horse-related national headquarters, including the United States Equestrian Federation, earn Kentucky the title of Horse Capital of the World. The American Horse Council's 2017 Economic Impact Study of the Horse Industry calculated that the industry has over \$6 billion in economic impact on Kentucky and generated 60,494 direct, indirect, and induced jobs. Because of the substantial economic impact that the equine industry has on our region, Commerce Lexington supports initiatives to protect and enhance the future growth of the equine industry. At the state level, these efforts include ensuring continued wagering on historical horse racing, innovative tax approaches, purse increases, increased funding for breeder incentive programs, appropriate funding to maintain the quality of the Kentucky Horse Park, and other assistance to allow our equine industry to remain competitive. Kentucky's sales tax on equine products puts our region and the Commonwealth at a disadvantage with competitor states. Commerce Lexington supports efforts to eliminate this competitive disadvantage in tax reform. Federally, this advocacy includes support for the Market Access Program that enables U.S. agricultural trade associations, cooperatives, state regional trade groups and small businesses to share the costs of overseas marketing and promotional activities that help build commercial export markets for U.S. agricultural products and commodities; trade policies that open markets for the safe import and direct export of horses; and immigration reform to meet workforce needs in agriculture industries.

## **Business Climate (Competitiveness)**

#### **Regional Competitiveness Strategy:**

Commerce Lexington supports increasing regional competitiveness for jobs and talent through the implementation of the Regional Competitiveness Strategy. The strategy is focused on 7-action items including Increasing marketing investment in regional branding and site selector awareness of key sectors; supporting a multi-jurisdictional product development strategy to secure more job ready land including regional, mega-site business parks; educating key leaders in the region about economic development needs to support regional competitiveness; developing a regional talent attraction recruitment/attraction marketing campaign with message alignment and focus on quality-of-life strengths; developing a strategy to connection businesses with students in the region; coordinating advocacy for federal and state infrastructure, site development funding and talent marketing funding; and advocating for improve policies related to competitiveness such as improved tax/regulatory policies and housing affordability.

**Economic Development Incentives & Partnerships:**

Established in 2007, Commerce Lexington continues to strengthen its partnership between the Lexington-Fayette Urban County Government, the University of Kentucky, and the Kentucky Small Business Development Center to encourage economic development, investment, and job growth in Central Kentucky. Commerce Lexington supports the development of new incentives and investment strategies to help Kentucky's businesses grow and prosper in today's global economy. Although not a substitute for comprehensive tax reform, Commerce Lexington supports incentive programs designed to encourage the growth of high wage jobs, long-term investment in strategically defined industry sectors, small business promotion, or other significant economic development projects that demonstrate a clear return on investment and would not otherwise occur without the incentive. Commerce Lexington urges lawmakers to continue to support, and in some cases, consider enhancements to the state incentive programs promoting business growth and job creation, such as the Kentucky Business Investment program (KBI), Kentucky Enterprise Initiative Act (KEIA), Kentucky Reinvestment Act (KRA), Kentucky Investment Fund Act (KIFA), SBIR/STTR matching program, Kentucky Product Development Initiative (KPDI), and the Kentucky Skills Network workforce training programs. Commerce Lexington supports a modification of the Kentucky Reinvestment Act (KRA) to include service and technology firms in addition to manufacturing firms within the KRA program to retain service and technology jobs in the Commonwealth. Commerce Lexington supports linking the tax credits directly to job retention and would support implementing minimum requirements for companies to meet before the tax incentives become available.

**R&D Investment Incentives:**

American corporations focus their research and development activities on the development of new products, processes, and services while relying on research universities to do basic scientific research. In order to supplement basic research investment by federal agencies, Commerce Lexington supports the establishment of federal and state tax incentives to encourage corporations to make cash investments or endowment gifts to research departments or proof of concept centers of public research universities. Incentives should also be in place to encourage corporations to make investments in high-tech, high-risk start-up technology companies.

**Ag-Tech/Hemp:**

Commerce Lexington supports efforts that clarify the legality of financial transactions in hemp commerce, and that promote fair and expeditious regulations of hemp products like cannabidiol (CBD) by the U.S. Food and Drug Administration. We also support Mayor Linda Gorton's efforts to promote ag-tech businesses and the growing hemp industry in Lexington.

**High-Tech Ecosystem:**

Commerce Lexington Inc. supports initiatives that encourage the continued development of the knowledge-based economy in central Kentucky. We support policies that facilitate the development and retention of high-tech manufacturing and biotechnology investments in our region and specifically encourage additional research and development and technology transfer activity. Commerce Lexington will be an advocate for public-private partnerships that move ideas to theory, theory to applied research, and applied research to profitable commercial applications. To help provide additional financial support enabling such business activity to occur, Commerce Lexington supports the development of seed capital funds that focus on central Kentucky investments and the promotion of innovative companies to existing venture capital firms. Commerce Lexington encourages the federal government to continue the Small Business Innovation Research (SBIR)/ Small Business Technology Transfer (STTR) and for Kentucky to continue funding the state's match program for these startup companies. We urge state government to support policy changes to the state's SBIR/STTR grant matching program that target investments in the most viable companies for commercialization, provide those businesses with more entrepreneurial support to aid growth and allow for the state to have a greater return on investment (ROI) for those incentives. Commerce Lexington also supports continued funding of the Kentucky Innovation and the Angel Investors Networks.

**Public-Private Partnerships:**

Commerce Lexington encourages the use of public/private partnerships by local and state government agencies for the delivery of services and/or the construction and/or management of a variety of infrastructure related projects. To ensure accountability in contracting with private entities, it is essential that proper safeguards be in place to ensure transparency and that quality services are delivered at a lower cost to taxpayers.

**Condemnation:**

Commerce Lexington is opposed to government acquisition of privately-owned businesses through condemnation for the purpose of operating the business.

**Government Efficiency:**

Commerce Lexington supports the need for government modernization and increased efficiency. Commerce Lexington will continue to urge the General Assembly to focus on spending reforms across government, including the areas of public employee health benefits, the public employee pension system, corrections, and Medicaid.

**International Trade:**

Kentucky has established itself as a major exporter in a broad range of industries - from manufacturing to agriculture, as well as an attractive location for foreign investments. Commerce Lexington urges elected officials to support fair and equitable trade agreements that open new markets and create new opportunities for businesses and workers in our region. We remain concerned about the negative economic impact of tariffs proposed or imposed, as well as the continued uncertainty over the future of trade agreements, on Kentucky's signature industries. Commerce Lexington will continue to monitor these issues, seek feedback from local employers and communicate economic impacts to federal officials.

**Land Use Planning:**

Commerce Lexington Inc. supports local control and decision-making in the areas of land use planning. Commerce Lexington believes it is imperative for regional communities to collaborate and coordinate regional planning efforts related to natural resources, housing, utilities, economic development, transportation, and the possibility of revenue sharing. Through the Bluegrass Alliance and Central Kentucky Policy Group, Commerce Lexington works closely with local governments, economic developers, and community leaders throughout central Kentucky to develop a common vision for the prosperity of our region. Commerce Lexington encourages communities to develop comprehensive plans that balance the need for housing and economic development while protecting agriculture industries and natural resources. Commerce Lexington supports initiatives to provide a sufficient supply of land that is readily available for economic development opportunities and job creation through a public and/or public-private business park aimed at recruiting high wage jobs. Commerce Lexington will continue to advocate for land for job creation to include the following components such as but not limited to shovel-ready, properly zoned, infrastructure and transportation access, large block tracts, and competitive pricing.

**Housing Affordability:**

Rapidly rising home prices combined with low inventory in Lexington-Fayette and across the Greater LEX region are pricing families, essential workers, and first-time homebuyers out of the market. Providing adequate levels of housing to meet the needs of the region's workforce is an issue of concern for expanding and relocating companies. To attract the talent needed to support a diverse and growing economy, government leaders must plan for continued growth and development, seek innovative policy solutions to the housing issue in collaboration with community stakeholders, and evaluate the impact each policy decision has on our ability to develop and maintain housing options within the reach of all our citizens.

Commerce Lexington supports efforts to increase the availability and affordability of housing in Lexington and the region and create housing opportunities in all price ranges available to all citizens. To highlight the power of partnerships, Commerce Lexington appreciates the Kentucky General Assembly's appropriation of \$10 million to Lexington's transformational housing affordability partnership on the former site of Transylvania University's baseball field for a mixed-use affordable housing development during the 2024 Legislative Session. To secure a state investment, a group of local banks created a revolving capital loan fund of \$3 million to purchase land and hold it interest free to reduce barriers to entry for affordable housing developers. Collaborating Lexington-based affordable housing developers worked together with the banks to secure a site, provide start-up capital, and manage expenses to build a combination of different housing types in Lexington. State funds will be utilized to provide infrastructure support for the development, providing a critical component to making the project viable.

Commerce Lexington supports multiple statewide housing policy proposals including banks creating a \$20 million statewide capital fund to support affordable housing projects and the state offering effective tax credit programs that

leverage private investment to expand or incentivize development in the communities with the greatest need. Commerce Lexington also supports establishing housing development districts and/or providing financing options to local governments, working with home builders, for residential infrastructure developments. Avoiding policies that increase costs for homebuilders and buyers is a critical priority for Commerce Lexington.

## **Infrastructure**

Having a dependable transportation network is critical to Central Kentucky's economic vitality. Thriving communities must be able to move workers, provide services and transport products to market quickly and safely. Commerce Lexington supports a regional transportation approach, and investments in the infrastructure required to improve interconnectivity in the region and along the state's vital corridors. Maintaining adequate funding for transportation infrastructure remains an issue of concern at both the state and federal levels of government.

### **Roads & Bridges:**

Commerce Lexington urges lawmakers to find long-term solutions to ensure sufficient, sustainable, and reliable funding for all modes of transportation for projects critical to economic development. Commerce Lexington applauds the passage of federal infrastructure legislation to support new investments for all transportation systems and the Kentucky General Assembly for the one-time \$890 million investment into the Road Fund during the 2024 Legislative Session. We also support policies that ensure timelines are maintained for the completion of environmental impact studies and the inclusion of funding for necessitated utility infrastructure costs required by public improvement projects. Without inclusion of such funding, local utility customers would disproportionately bear costs associated with public improvement projects benefiting the public at large. including critical regional infrastructure to improve connectivity such as the U.S. Department of Transportation's BUILD grants for local communities. We also urge Administration officials and Congress to support policies that ensure timelines are maintained for the completion of environmental impact studies. We also support funding for necessitated utility infrastructure costs required by public improvement projects. Without funding, local utility customers disproportionately bear costs associated with public improvement projects. At the state level, we support modernizing the transportation funding distribution model to make it more equitable for areas with higher levels of transportation activity and needs. Commerce Lexington further supports modernizing the method for funding infrastructure to better reflect the current state of transportation as well as anticipating future needs of our transportation systems.

### **Transit:**

Commerce Lexington supports local, state, and federal transportation funding for transit agencies in both the rural and urban areas to support workforce and economic development initiatives and the ever-changing travel needs in our communities. Funding should support capital projects and operations, including new service delivery methods especially for low-income workers, seniors, and people with disabilities.

### **Airports:**

Commerce Lexington supports federal and state funding to ensure on-going and stable development of Blue Grass Airport and the **four** general aviation airports vital to the regional economy. At the federal level, Commerce Lexington supports passage of annual appropriations bills that fund the FAA Airport Improvement Program (AIP) that is desperately needed to continue development of the aviation infrastructure that supports the growth of the region. Commerce Lexington also supports the relocation of the current FAA Air Traffic Control Tower at Blue Grass Airport (LEX) so that the airport can redevelop the passenger Terminal to meet the demands of the Region indicated in the most recent airport master plan. At the state level, Commerce Lexington supports a sustainable funding mechanism to provide airports with flexibility to leverage federal funding more effectively for infrastructure development or incentivizes air service development that benefits business or leisure travel to the Commonwealth.

### **Railroad:**

Commerce Lexington supports continuing to have a safe and sustainable rail network across Kentucky, but opposes legislation aimed at placing overly burdensome regulations and costly mandates on the network that may divert resources from technology and track infrastructure investments and ultimately may result in freight diversion from rail.

We are currently advocating for the modernization of the 45G railroad tax credit through House Bill 516 and Senate Bill 1532, which would provide essential support for short line railroads to maintain and improve their infrastructure.

We support continuing grant programs that provide an opportunity for railroads to make major investments in their rail lines. We emphasize the importance of robust funding for federally supported programs such as the Consolidated Rail Infrastructure and Safety Improvements (CRISI) Program, Section 130 funding for highway-rail grade crossing safety, and the Railroad Crossing Elimination Program. The CRISI Program has proven to be an impactful initiative for the freight rail network in Kentucky, and we support increased resources for it. We also recommend that Congress focus existing CRISI resources on freight rail safety, while encouraging the U.S. Department of Transportation to support passenger rail activities through other available funding pools.

Additionally, we strongly oppose efforts to allow heavier trucks on our roads. Heavier trucks would cause more damage to roads and bridges, further strain the Highway Trust Fund—which already relies heavily on general taxpayer funds—and undermine the competitive balance with freight railroads, which are privately funded and maintained.

Considering regulatory actions such as the California Air Resources Board’s (CARB) Locomotive Emissions Rulemaking—which, by its own admission, could force short line railroads in California out of business—we reiterate our belief that locomotive emissions regulations should proceed only at the federal level. CARB’s rulemaking poses immediate and serious threats not only to short lines in California but also to those in the seventeen other states that typically follow California’s environmental lead. To avoid such widespread disruption, we urge that any regulatory approach be responsible and measured, taking into full account technology readiness, the comprehensive costs and benefits of government actions, and the disproportionate impacts on small businesses.

#### **Energy & Utility Infrastructure:**

Economic development often requires extensive capital investment for the extension of energy infrastructure to serve new and growing businesses. Commerce Lexington supports legislation and regulatory action to allow Kentucky’s utilities to develop financial mechanisms and capital incentives to extend their facilities to new and expanded businesses, industrial and business parks, residential development, and other locations which will result in the creation of new economic growth currently without adequate utility services.

#### **Water Infrastructure:**

Kentucky needs reliable, quality water services to support a strong quality of life for its citizens and a favorable climate for continued economic growth. Many water systems across the Commonwealth are rapidly aging, and greater levels of capital are necessary to replace this accumulating infrastructure. In fact, this is the first time in the industry’s history that it has faced the need for such large-scale replacement of aging infrastructure, and the traditional regulatory model was not designed for this situation.

Additional funding mechanisms are needed in Kentucky to support all water utilities’ water infrastructure improvement efforts, thus enabling applicable water utilities to be well-positioned to attract the capital necessary to fund needed projects, comply with future regulations, and allow for a more consistent, gradual reflection in rates of the costs to provide service.

Commerce Lexington supports legislation that enables all water utilities, whether public or private, to upgrade water infrastructure to levels needed to support quality, reliable, and affordable service.

#### **Wireless & Wired Broadband:**

Commerce Lexington supports state and federal program investments to increase broadband connectivity and foster economic growth in Lexington and the region. We support the adoption of federal and state policies that increase competition and increase the attraction of qualified, experienced broadband providers with the expertise and capital to complete infrastructure projects to support the state’s broadband buildout, while opposing policies that would impede or hamper investment in digital infrastructure and economic development. Sufficient broadband connectivity is essential to allow Kentuckians to access work, education, and healthcare from home. This trend will only accelerate in the future,

and more support is needed for the deployment of robust broadband access in underserved areas where the costs of broadband deployment are particularly high. This requires consideration of creative solutions that will provide access for all.

- Commerce Lexington also supports reviewing existing government programs need to determine if they discourage (e.g., through regulatory requirements like the ETC designation) certain well-positioned broadband providers from participating in government funding programs. We support the FCC's ongoing efforts to update and further refine the accuracy of the National Broadband Map to help to ensure that government broadband availability funding is directed to communities most in need – especially in underserved areas. The Kentucky Office of Broadband Development has gone through the application process for BEAD grants twice because of sudden and late changes to the program made at the NTIA. They have been unable to disburse the grant funds and allow the applicants to start their projects because of delays at the federal level. It is time to move forward to connect unserved and underserved Kentuckians and we support any necessary legislative action that will enable that to happen.
- **Copper Theft:** Disruption of connectivity for wireless and wireline customers has become a real public safety issue. We are grateful for the Leadership of Senator Brandon Storm on SB 64 passed last session, which added telecom lines to the list of critical infrastructure. Under the new law, those who steal, damage or possess stolen telecom copper can be charged with Criminal Mischief, a Class D misdemeanor. However, the theft continues, and outages are occurring as a result. State Police posts, hospitals and other first responder connections have been impacted. Customers who rely on copper connections have lost service multiple times. We encourage further work both at the state and federal levels to eliminate this public safety issue.
- **Pass a Federal Net Neutrality Law:** Commerce Lexington supports thoughtful bipartisan federal legislation that results in bright line rules that reflect the needs of the modern marketplace, encourage user choice, and transparency. Commerce Lexington supports a federal law that balances the needs of consumers to obtain the content of their choice online, while avoiding heavy handed regulation of the broadband providers that would discourage innovation and investment. Even if the federal courts overturn the FCC's current heavy-handed net neutrality rules, as expected, the proliferation of state-level net neutrality laws continues, and Congress must step up to avoid a patchwork policy approach that ultimately harms businesses and consumers.
- **Protect Privacy Across the Internet Ecosystem:** Consumers deserve to know that no matter where they go online, they will have the same protection. Varying policies from state-to-state lead to inconsistent safeguards that foster confusion and erode consumer confidence in their interactions online. Commerce Lexington urges Congress to pass a uniform law that provides privacy and data security protection and applies the same standard to all companies, whether internet service or edge providers, across the internet ecosystem. Commerce Lexington is grateful for the passage of House Bill 15 during the 2024 Session that balances the needs of consumers with a framework that is workable for businesses. However, uniform federal law remains the best alternative.

#### **Central Kentucky Water Supply:**

Commerce Lexington supports an efficient, equitable and sufficient water supply for the entire region. Commerce Lexington supports investments in maintenance and upgrades on the lock and dam systems of the Kentucky River to enhance and conserve our region's primary water supply, as well as appropriate, ongoing investments in other water system infrastructure to maintain quality, reliable water service for communities. Commerce Lexington supports exploring regional approaches to water supply, as feasible.

#### **Product Development:**

Commerce Lexington supports local, state, and federal support for product development grants or other resources that may accelerate the development of more shovel-ready land and buildings for job creation opportunities, such as a regional business park.