

Remarks to the Congressional Joint Economic Committee
by Secretary Scott Brinkman

Thank you Chairman Paulsen, Ranking Member Heinrich and members of the Committee for affording me this opportunity to discuss Governor Bevin's Red Tape Reduction Initiative. Let me first offer some perspective for this effort. Upon Governor Bevin assuming office on December 8, 2015, Kentucky's unemployment rate was 5.3% and its workforce participation rate was 47th in the nation. Kentucky also has approximately \$60 billion dollars of unfunded pension liabilities with respect to its public sector pension systems. The prior administration also expanded Medicaid by executive action without a plan to pay for the state's share of the cost of providing Medicaid benefits to the expansion population. Further, the prior administration estimated that the expansion population would approximate less than 200,000 Kentuckians. Today, the expansion population includes almost 500,000 Kentuckians. Finally, Kentucky has one of the highest incarceration rates in the nation, driven in large part by the opioid epidemic which has affected my state particularly hard. Consequently, our corrections budget has exploded exponentially, as has the number of children in our foster care system. These challenges, coupled with the constitutional and statutory obligations imposed upon the executive and legislative branches, such as the obligation to fund public education and to protect the public and the environment, have created tremendous challenges in managing our biennial budget. In short, Kentucky faces a long and difficult road in getting its financial house in order.

Governor Bevin campaigned on the theme that it is all about jobs, which at its core means creating a more inviting environment to attract both human and financial capital. To assist Kentucky in satisfying its financial obligations, Governor Bevin made the conscious decision to use every tool available to the administration to grow Kentucky's economic base and thus increase the flow of tax receipts into the state coffers. Although there are many aspects to job creation, a key component of that effort is regulatory relief, and one of the first undertakings of the administration was the formulation and implementation of its Red Tape Reduction Initiative. As part of this Initiative, every Cabinet and agency within the executive branch has been directed to review every regulation promulgated by it over the years and make one of the following determinations:

- Completely repeal the regulation as its original purpose is no longer relevant.
- Amend the regulation to conform it to a federal counterpart. This effort includes eliminating inconsistent definitions and standards with the goal that the state regulation should never be more burdensome than the federal counterpart unless circumstances unique to Kentucky require a stricter standard.
- Amend and modernize the regulation to make it clearer and simpler to understand by those subject to the regulation and also make it easier to update in the future.

- Combine the regulation with other regulations to include a single subject matter, such as fees or applications, in one regulation for ease of review by those subject to it.
- Leave the regulation as it is currently written.

The goal of the administration is to reduce by one-third the number of restrictions on businesses and individuals in Kentucky. In 1975, there were four volumes of regulations in effect in Kentucky. That number had grown to 14 volumes when Governor Bevin took office. Through the end of 2017, of the approximately 4,700 separate regulations on the books at the outset of the administration, 2,220 regulations have been reviewed, 372 regulations have been repealed, 327 regulations have been amended, 157 regulations have been targeted for repeal and 433 regulations have been targeted for amendment. The Initiative has the support of business groups, trade associations, chambers of commerce and other organizations across Kentucky.

Several examples of the regulations that have been repealed or amended and how such effort affects Kentuckians include the following:

- We have eliminated a regulation that required a boxing or wrestling match to cease at the slightest hint of bleeding by a participant, which precluded Kentucky from hosting boxing, wrestling or martial arts events. Kentucky is now hosting such events which helps drive tourism and adds to local economies.
- We have eliminated a rule that required a certain amount of cast iron piping in buildings above a certain height, which added dramatically to the cost of construction or renovation of buildings in our largest cities as cast iron pipe is much more expensive than PVC piping. PVC piping is a recognized safe component in both international and domestic building codes.
- We have modernized and made it easier to military personnel to obtain commercial driver's license.

There are several lessons to be learned from Kentucky's Red Tape Reduction Initiative. First, the Governor or, in the case of the federal government, the President, must own the initiative in every aspect, and it helps to have a tangible symbol associated with the endeavor. In the case of Kentucky, we created the lapel pin that I am wearing today, and Governor Bevin and his top officials wear this pin every day. Further, Governor Bevin speaks out regularly regarding the importance of the Red Tape Reduction Initiative to individuals and groups throughout Kentucky. As a result of the Governor's leadership, there is growing awareness of the Initiative every day throughout the Commonwealth.

Second, it is important to create website that is interactive with the public and allows for individuals to post recommendations on the repeal or amendment of regulations. Kentucky's Red Tape Reduction Initiative website is <http://redtapereduction.com>. Kentuckians have submitted

scores of thoughtful ideas on how to reduce unnecessary regulations that drive up the cost of conducting business and create inefficiencies without contributing to public health or public safety.

Finally, the effort of the Cabinets and other agencies must be sustained on a regular basis. Our Cabinets and other agencies regularly review and re-review existing regulations to ensure that the goals of the Red Tape Reduction Initiative are being met. This is a thoughtful and deliberative process that never ends. We are also in the process of digitizing and modernizing the manner in which we draft and promulgate regulations.

The administration has also undertaken efforts to modernize and simplify the issuance and renewal of licenses and permits, with the goal to enable Kentuckians to either commence the conduct of business or to continue the conduct of business with the least amount of bureaucratic friction. Our Department of Housing, Buildings and Construction used to take 55 days to review building plans. That process now takes 5 days unless there are exceptional circumstances that require a slightly longer review period. Kentucky is also working to enable most applications, licenses and permits to be processed online through the internet.

The purpose of the Red Tape Reduction Initiative also includes helping to foster technological and engineering innovation. Governor Bevin's vision is for Kentucky to be the center for engineering and manufacturing excellence in America. This is already happening. Toyota Motor Manufacturing, Kentucky, Inc., which has its largest assembly plant located in Georgetown, Kentucky, announced last year that it is investing approximately \$1.33 billion to re-tool its facility in Georgetown to incorporate the Toyota New Global Architecture, which represents an entirely new manner in which Toyota designs, engineers and manufactures its vehicles. Braidy Industries will soon break ground on a \$1.3 billion high tech, fully integrated aluminum rolling mill at a location in northeast Kentucky, which will be the first new aluminum mill in the United States in over 30 years. It will incorporate technological advances in aluminum materials science that were developed by a team at the Massachusetts Institute of Technology. Finally, Amazon announced last year that it will invest \$1.49 billion at the Cincinnati and Northern Kentucky airport located in Boone County, Kentucky to create its state-of-the art global cargo hub.

The Kentucky General Assembly has joined the Bevin Administration in reducing the regulatory burden on Kentucky businesses and individuals through the passage of important legislation during the last two sessions of the legislature. For example, the Kentucky General Assembly has institutionalized the continuous review of the efficacy of regulations through the passage of House Bill 50 during its 2017 session. This legislation mandates that every regulation shall expire seven years from the effective date of its promulgation unless extended by the applicable state agency. Although the process to continue the effectiveness of a regulation is simple, the legislation does require that every regulation be re-examined every seven years to determine whether it should remain in effect, should be amended, or should be repealed. House Bill 50 should have the laudatory effect of avoiding the accumulation of outdated regulations that no longer serve a useful purpose and simply clutter up the Kentucky Administrative Regulations.

During the legislative session just concluded, the General Assembly passed HB 314, which allows the Secretary of the Labor Cabinet to suspend, delay or alter enforcement of a promulgated occupational safety and health administrative regulation if the federal government has suspended, delayed or enjoined the corresponding federal regulation or has suspended, delayed, enjoined or altered the enforcement thereof. The General Assembly also just enacted legislation that simplifies the ability of veterans to obtain licenses to operate a business or profession. Kentucky is the home to both Fort Knox and Fort Campbell, which contribute enormously to Kentucky's economy. The ability to enable veterans concluding their service at either military installation to continue to live in Kentucky makes strong economic sense, and Governor Bevin continuously challenges his leadership to make Kentucky the most veteran friendly state in the nation.

The General Assembly also eliminated and modernized the licenses required to operate various health care facilities through the passage of House Bill 444. This legislation aligns our health care regulatory regime with modern medicine.

In conclusion, the administration's efforts to simplify the ability of Kentuckians to conduct business are paying valuable dividends. As of last month, Kentucky's unemployment rate is 4%, which is the lowest it has been since 1976 when this statistic began to be determined, and its workforce participation rate is trending towards 40th in the nation. Kentucky also realized during the month of April of this year the highest amount of monthly tax receipts in its history, driven largely by corporate and individual income tax receipts. Also as of last month, there were 1,970,801 Kentuckians in the workforce, which is the highest number of employed Kentuckians in the history of the Commonwealth. Kentucky attracted \$9.2 billion of announced direct investment in the state in 2017, which is a record amount for any year, and approximately \$14 billion since Governor Bevin took office, representing the creation of almost 40,000 jobs. There are many factors contributing to this success, including the enactment of smart and innovative legislation. Certainly, Kentucky has also benefitted from improving national and global economies. However, it is the firm belief of the Governor that the implementation of the Red Tape Reduction Initiative, and the exposure that it has received, has contributed in large part to the growing perception that Kentucky is an attractive state in which to conduct business.