

City

THE COMMUNITY ISSUES MAGAZINE OF THE
KENTUCKY LEAGUE OF CITIES SPRING 2007



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confusing
approach
to

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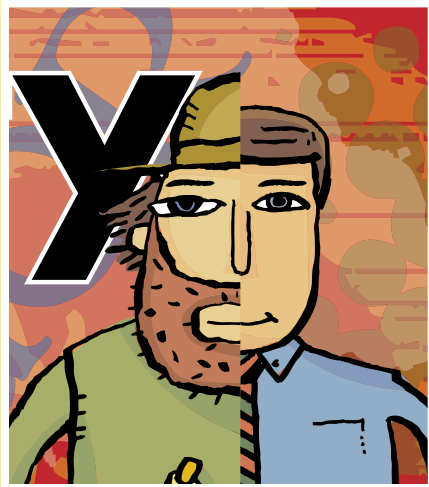
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Kentucky
UNBRIDLED SPIRIT



Our diamond in the sky: A tribute to John McGill

He was not easy to know or get to know. His past was revealed in pieces and parts but never in whole cloth conversations like I have with others. It was at his father's funeral that I learned of his own fame as a sportswriter. He sometimes spoke about seeing some of his ideas and words taken by others, and how he had tried to take action but no matter—it was water under the bridge. With all that, he became my friend and colleague.

John McGill, who passed away recently following a battle with cancer, came to the Kentucky League of Cities and the NewCities Institute, a separate nonprofit founded to examine citizenship issues under the new rules of the 21st century, and to my staff as a writer and editor of stories.

We knew he was a non-traditional hire, but KLC and NewCities have acquired a reputation as being a bit different. John joined us in 2003. His humor, wit and depth of knowledge soon affected everyone within our walls and many beyond them.

One of our goals for the NewCities Institute is to tell the stories of the unsung heroes of civic life. People doing remarkable things—little and big—that make things better for a community's people and its future.

Our hope was that, by telling these stories, we might begin changing a collective national mindset that has become obsessed with celebrity, fame and fortune and restore a sense of what is possible for average citizens to achieve.

John helped us begin to write about such things on a regular basis and convey the belief that local is where we begin to build a better place to live.

Thus began my work with John.

In time, I learned that he had many scars and heavy



memories. The one subject we never talked about was his service on the front lines of Vietnam. Its mention brought a tormented look to his face that I only see on the faces of those who have served on our behalf and fought real-life personal wars as a result of seeing the unthinkable.

In addition to being a friend and staff member, he became my muse, my editor and, more than that, my collaborator. We came to believe in the same dream.

The ideas, the stories, the vignettes were pouring out just as we had planned and landing in some nice places—metropolitan newspapers and speeches. We were delighted as our work found a place at the front of a new way of thinking in Kentucky and across the nation.

As John and I wrestled with our stories—his helping me write of my mother's death from cervical cancer and

John McGill

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weaving it into the life lessons it taught me—we recognized that the stories were telling us even more than we anticipated. It was our collaboration on the introductory chapter of a book on the use of storytelling in business that we knew we were really onto something. We concluded in the book that, although technology enabled all of us to live more efficiently, its lonely, flickering screens were denying us the opportunity to be together, as humans need to be.


Ironically, much of the work I did with John was virtual, with my hectic travel schedule and his need to work removed from the office noise. But, fortunately for me, that way of working helped me to know him better. He could express in an email, with his wry remarks or moving words, much more than most people could ever express in person.

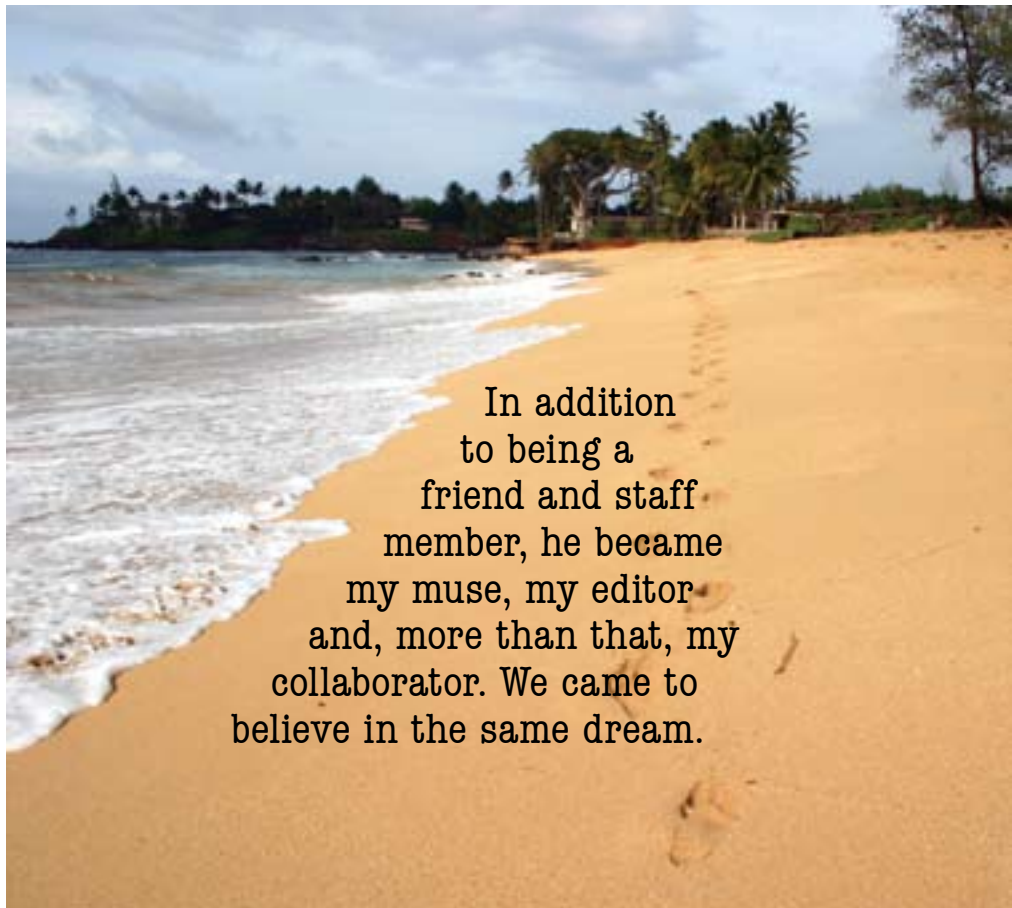
The last time we talked, we caught up on office news and discussed some stories in progress—work he could no longer complete because of his health.

But the future was uppermost in his mind. He spoke of returning to Las Vegas to see the Beatles show at

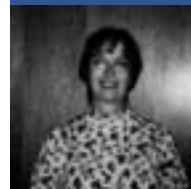
the Mirage—the Cirque de Soleil adaptation of their music that he had seen in a preview the year before. From there, he said, he'd go on to Maui—the most beautiful place he had ever seen—and just enjoy that wonderful weather. We were laughing and enjoyed the mental pictures. But he seemed to know that the dreams were not to be fulfilled.

In the ways that make us believe in the power of the universe, I happened to be in Las Vegas on the weekend that John died. I was there on business for less than 24 hours so I didn't see the Beatles show. But I got the message—from John.

Perhaps he was telling me he was already in Maui and that he had completed his journey and was at peace. I recall that his favorite tune and act in the Beatles show was "Lucy in the Sky with Diamonds." Like a diamond, his own life was fiery and brilliant, but was also rough around the corners. John McGill is the latest diamond in our great big unknowable, mysterious sky. 



In addition
to being a
friend and staff
member, he became
my muse, my editor
and, more than that, my
collaborator. We came to
believe in the same dream.



Local governments, school district cooperate on Hopkinsville revitalization project

It's a given that improving local schools can improve the community, but Hopkinsville may prove that the reverse also is true.

A key part in the city's ambitious revitalization plan for its downtown and four surrounding residential neighborhoods required the cooperation of the Christian County school district, along with county and state governments.

The four taxing entities approved formation of a Land Bank Authority, established under state law to acquire tax-delinquent properties to be redeveloped for public purpose. The authority is a major tool in the city's arsenal for revitalizing and stabilizing an area called an Inner-City Residential Enterprise Zone.

"The neighborhoods are the heart of our city and there's a lot of deterioration, a lot of crime and drugs and undesirable activities," said Holly Boggess, manager of community development for the Hopkinsville-Christian County Planning Commission. "We have a lot of really old homes within our inner-city neighborhoods, and we have a lot of rental properties within our inner-city neighborhoods."

The revitalization will benefit all the taxing entities involved, said Christian County Schools Superintendent Robert Lovingood.

"The idea was a two-way street," he said. "Hopefully, you'll have someone build on that lot and have a nice building...that the community could be proud of, plus the tax revenues that would be generated for the city and that would increase revenues for the school district."

The project also will improve living conditions for district students who

live in those areas, Lovingood said.

The authority is just one piece of the city's plan for transforming the area. Newly adopted city ordinances will go hand-in-hand with the authority's work. One of those new local laws makes it easier for the Land Bank Authority to acquire property that's deemed abandoned, and the other is the city's first property maintenance code. Fines collected under the latter will be used to help low-to-moderate income

residents bring their properties into compliance.

The whole package "has great potential to change the appearance and ultimately the economic vitality of our inner city and downtown area," said Mayor Dan Kemp.

Funding

The city council last year approved allocating \$500,000 a year for the next five years for the inner-city project. Property purchased by the authority likely will be donated or offered at low cost to a neighborhood group or similar nonprofit that would develop it for housing, green space, playgrounds or similar improvements to benefit the area, Boggess said.

The majority of the annual half-million dollars is made possible through an agreement with the city's water company, said Kemp, who took office this year. "It is a substantial amount of money," he said, "but we've recognized that we've got a problem with our inner city that we need to address. And this is modeled on programs that have been successful in other cities in other places."

Much of the outcome depends on the neighborhood nonprofit groups that have already been involved in designing plans for their locales. The council earmarked \$100,000 as seed money to help the groups get started and leverage other dollars.

"We've been very impressed with their ideas and stamina and their willingness to walk with us through this process and not get frustrated," Boggess said. Some groups already have formed partnerships with local churches and done some community cleanups, she added.

The city's housing and downtown development corporation will oversee the allocation of seed money and generally oversee the program.



Hopkinsville received some free assistance and ideas from both the U.S. Housing and Urban Development agency and the Kentucky Housing Corp. for developing the neighborhoods.

Educational revitalization

Christian County school board member Darryl Lynch is excited about another facet of the revitalization effort. Lynch, who also is a planner and code enforcement officer for the city-county planning commission, said representatives of the city, the local community and technical college and the school district's vocational technical program "are working toward creating some opportunities for continuing education not just for the senior high school level but all the way up to adulthood" in those neighborhoods.

What's being called a "Challenge House" is being renovated to become a clearinghouse for training, education and other resources for residents, and Lynch, a member of one of those neighborhood groups,


Hopkinsville Inner City Residential Enterprise Zone

The four elements:

- Clean and safe neighborhoods
- Revitalizing housing stock
- Economic infrastructure (downtown development)
- Economic opportunity (job skills and training)

would like to see a clearinghouse in each targeted area.

Some residents already do construction-type work, but aren't certified in their trades, he said. With more training, they could receive certificates and go to work on rehabbing the buildings in their area, he explained.

"We want to not just start building houses but building people, because that's how you're going to sustain those neighborhoods," Lynch said. 



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City WRITERS



Gary Wollenhaupt is a freelance writer based in Russell, Kentucky.



Benjamin Hoak is a freelance writer living in Owensboro. He works for the National Commission on Adult Literacy and is a former writer for the *Messenger-Inquirer* and a former middle school teacher.



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City LETTERS

City welcomes requests for reprints. If you wish to reprint an article that appears in this or another issue, please contact Executive Editor Bobbie Bryant at bbryant@klc.org or 1-800-876-4552 for permission.

Sam Koltinsky, who returned to Kentucky after 30 years working as a documentary producer in the U.S. and Germany, is Manager of the Main Street/Renaissance on Main Street program in Princeton.



'Let's Paint the Town' project a model for communities

"Let's Paint the Town" is a historic preservation/downtown revitalization effort that has the community of Princeton rolling up its sleeves and volunteering in ways that would challenge any town in Kentucky.

- Organizations are contributing financial support for building materials and paintbrushes.
- Public officials are providing funds for bucket lifts.
- Individuals are writing checks for anywhere from \$50 to \$2,000.
- Students are joining in to polish our town.
- Stories are appearing sometimes weekly in the local newspaper and on the radio about the transitions in this community of 6,250.
- Area television stations are coming to cover the changes taking place in our historic downtown community.
- The Kentucky Heritage Council is enabling the "Let's Paint the Town" campaign to be taken state-wide and nationwide.

The project was recognized as an Enterprise City Award winner in 2006. What's all the fanfare about?

"Let's Paint the Town," initiated through the Main Street Renaissance program, was developed to enhance our downtown historic area, promote an appreciation for preservation and stimulate economic development.

Years of alterations to the building facades had diminished the appearance of a once-thriving downtown. Aluminum siding, wood that covered second-story windows and scaling paint had to be removed to expose the hidden treasures of downtown buildings and a park.

Earlier grants had helped recover some of those treasures, but time was working against us, and we wanted to



move forward quickly.

Efforts were organized in March 2006 to bring the community on board with plans to create a new look for the downtown historic district. The campaign began with a town hall meeting with organizers, dressed in campaign T-shirts, holding an

auction to raise both awareness of and funds for the endeavor. Community involvement, either through donations of money or labor, was emphasized as the effort got under way.

Talking with downtown merchants was an important first step to reach agreement on what could be done to the outside of their buildings, deciding what historic colors to use and entrusting the design committee with the task of performing "exploratory surgery" to remove some of the facades.

This called for the involvement of a local contractor, a staff architect from the Kentucky Heritage Council and an open forum for a community discussion on the topic: "Why we do what we do to our buildings." The forum provided a way to educate the public and business owners about preservation standards and guidelines while also encouraging the public to contribute to the campaign.

An early decision made merchants





evening walks to marvel at the structures that have been rescued from years of vinyl abuse. Students are writing essays on preservation, and more local history is being included in the school system's K-12 curriculum.

Public officials are showing off their town. Perhaps more

important, people are buying vacant buildings for future business and residential ventures. In addition, an opportunity has developed to take the project statewide through the Kentucky Heritage Council and Tour Southern and Eastern Kentucky.

The preservation project also is ranked among the top 10 in the United States as part of the History Channel's "Save Our History"

program and will be honored in Washington this spring. A national documentary is being planned as the "Let's Paint the Town" campaign continues to grow across the country.

We envision that Princeton will become a community that people come to when they feel like coming home—a community that prides itself on history and is eager to become a great steward of preservation whose efforts have a far-reaching impact.

At the end of the day, this program is about people helping people, people treating each other humanely

responsible only for the cost of the paint for their buildings – paint that was provided at a reduced cost from Porter Paints. All other materials and supplies were financed with contributions.

An early success provided energy and confidence.

A local construction business donated \$500 in materials during the first days of the campaign. More than a dozen volunteers showed up at a local hardware store on Saturday to focus their work on rediscovering the original façade of a local flower shop. As evening approached and a new coat of paint had replaced old plywood and metal, the owner thanked us with tears in her eyes.

As word spread, more volunteers of all ages joined the effort and volunteer workdays soon expanded beyond Saturdays only. The more work, the more volunteers and donations came in.

The Calloway County school system joined the campaign, and one Friday found 50 students lending a hand to polish the town. City officials provided the tools needed for cleaning up the town that day as young people were connected to the historic district. This work has created a continuing partnership between the schools and local government.

To date, volunteers have logged more than 2,500 hours in their work on 33 downtown businesses. More than \$20,000 has been raised in private and public donations from more than 70 sponsors.

People are talking about how the downtown historic area is coming back to life. Families are taking

and with respect, and people making something happen and being proud of what is taking place.

For further information about implementing this model in your community, contact Sam Koltinsky at 270-625-8243 or SNKPRO@webtv.net.

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Kentucky's cocktail confusion

Production? YES
Consumption? NO

BY GARY WOLLENHAUPT

Kentucky's historic love-hate relationship with alcohol is reflected in the contradictory attitudes regarding one of the state's best-known products.

Consider world-famous Kentucky bourbon, widely believed to have been invented in Georgetown in the 1780s. Today, some 95 percent of the world's bourbon originates here. The state and the liquor industry spend millions touting the Kentucky Bourbon Trail as a top tourist attraction. But it's still illegal to buy

even a glass of bourbon in 53 of the state's 120 counties.

Proposals to legalize the consumption of liquor are almost guaranteed to prompt debate as religious and temperance groups and pro-alcohol forces bolster their arguments with statistics, moral issues and assertions of economic growth.

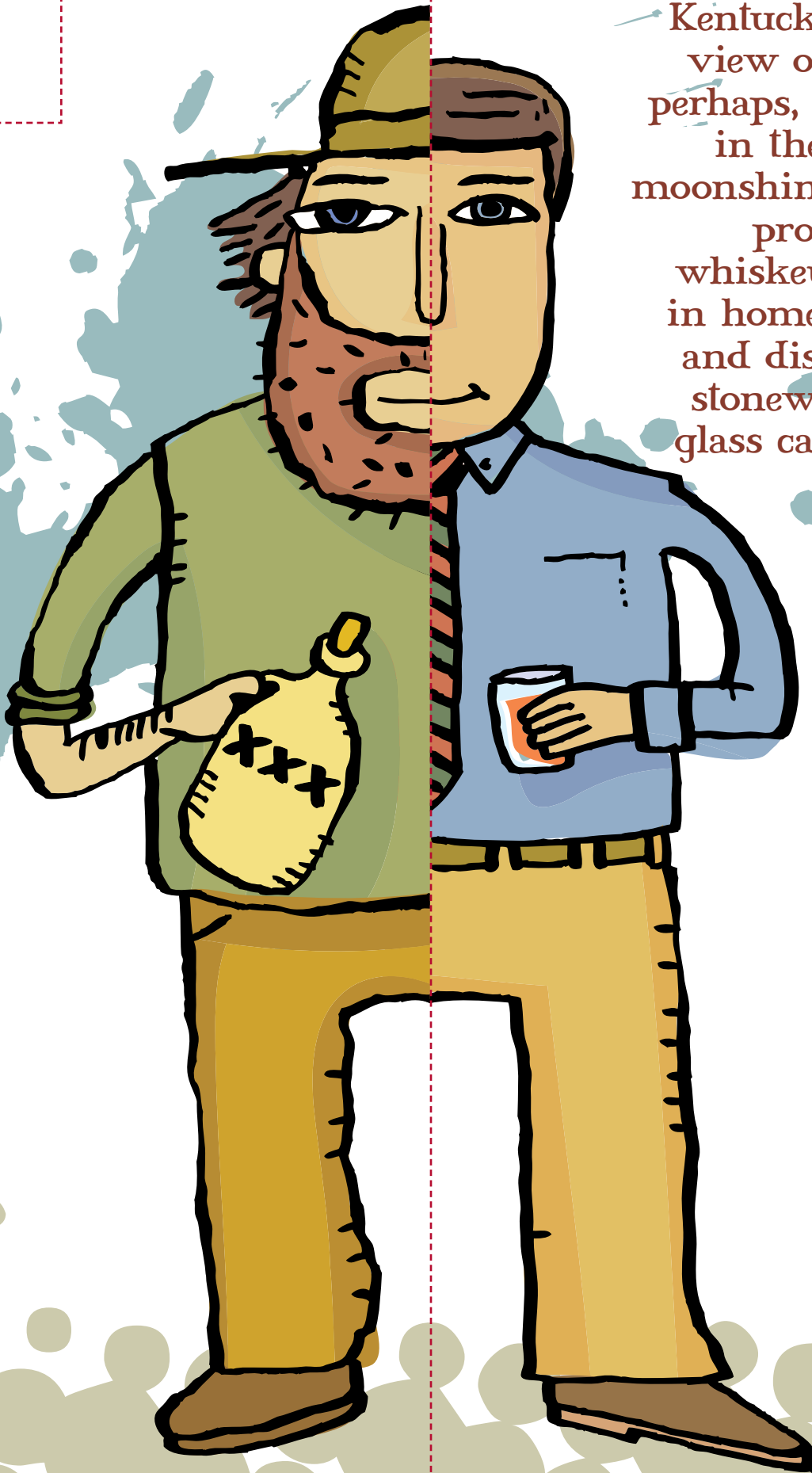
Those debates have continued through the decades as Kentucky has exported millions of gallons of bourbon.

Legacy of dryness

As with the rest of the nation, the repeal of Prohibition with the passage of the 21st amendment to the U.S. Constitution meant liquor could be legal in Kentucky. But a local-option election was and is the only way to allow liquor sales. The vote can be taken by a city separately from the surrounding county or on a precinct-by-precinct basis in a city or county.

Community support is required before questions about liquor can come to a vote. Under state law,

→ Kentucky's divided view of alcohol is, perhaps, represented in the history of moonshine—illegally produced corn whiskey concocted in homemade stills and distributed in stoneware jugs or glass canning jars.





petitions including signatures equivalent to 25 percent of the voters who cast ballots in the last general election must be filed with the county clerk's office.

Local opposition, often from churches and ministerial groups, frequently arises against pro-alcohol forces that support liquor sales with arguments in support of economic development and against government interference in business. Kentucky lore also has suggested that bootleggers have often opposed legalizing liquor sales,

considering such a change as being bad for business.

Strong opposition to the free flow of alcohol—whatever its motivation—has historically blocked efforts to legalize its consumption. But that's starting to change.

Spreading wetness

The 2000 Kentucky General Assembly gave cities and counties more options to allow limited liquor sales by the drink, providing a middle ground between total prohibition and allowing bars and package stores to proliferate.

"That eliminated a lot of the opposition against being wet because you don't get liquor stores or liquor in convenience stores, you only have somebody who would like to have wine or beer with their dinner," said Stephen Humphress, general counsel for the Office of Alcoholic Beverage Control.

Kentucky's liquor laws have created a patchwork of wet, dry and moist

locations that can be confusing – even to residents of the areas affected. In some cities and counties, it's legal to buy a glass of wine at a particular restaurant. But the same glass could be illegal if you bought it in another restaurant across the street.

Currently, the options fall into six main categories:

Wet: Voters have elected to allow alcohol sales in all forms.

Dry: No alcohol sales of any kind are allowed.

Moist: Alcohol sales are allowed in a city but not the surrounding county, or vice versa.

Limited: Liquor by the drink is available only in restaurants that seat 100 people or more and derive 70 percent of their income from food sales.

Golf: By-the-drink sales are permitted at golf courses in a dry precinct.

Winery: Small and farm wineries in dry territory can sell wine.

Cities of the fourth class designation or counties in which the largest city has a fourth-class designation that elect to go wet must have a separate election to approve liquor by the drink. However, city councils in those communities can enact a hardship provision to allow restaurants, hotels and motels that garner 50 percent of their sales from food to serve liquor by the drink.

Since the legislative change, 89 local

option elections have been conducted to allow some form of liquor sales, according to the State Board of Elections, with limited-restaurant sales the most common.

Of the 89 elections, 42 were for the limited-restaurant option (half passed, half failed), and the rest were split among the other options. Of the 89 total elections, 58 liquor proposals passed and 31 failed.

Moonshine and morality

Kentucky's divided view of alcohol is, perhaps, represented in the history of moonshine—illegally produced corn whiskey concocted in homemade stills and distributed in stoneware jugs or glass canning jars.

On one hand, making moonshine is a symbol of the rugged individuality that novelists and poets have often assigned to rural Kentuckians – particularly those who grew up in the Appalachian Mountains. On the other hand, it represents the kind of sinful attitudes that prompt people to flout the law and consume a drink that, if not made carefully, could cause illness, blindness and even death.

Making moonshine has been romanticized since before the days of Prohibition, with images of cautious people stirring a pot of corn mash while keeping an eye out for the "revenooers" who would take an axe to their still.

In fact, the *Lexington Herald-Leader* chronicled the December 2005 passing of 101-year-old Maggie Bailey, known as the Queen of the

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Social and Economic Costs

While Kentucky's expanding liquor industry may have economic benefits, it also has social and economic costs, some say.

The Kentucky League on Alcohol and Gambling Problems, which is largely funded by Southern Baptist churches, often works against local and state initiatives to expand the availability of alcohol.

"That's largely due to what we often see as the results of alcohol abuse," particularly on children and families, said Robert Reeves, communications director of the Kentucky Baptist Convention.

Donald Cole, a retired Baptist minister and president of the board of trustees for the league, argued that the short-term financial benefits of liquor sales aren't worth it. "It's not just what's going to happen right now, it's what's going to happen in the long run," Cole said.

"Basically we believe in total abstinence" in regard to both alcohol and gambling, he said. The group has in the past lobbied in Frankfort against bills such as one that would allow alcoholic drinks in state parks.

Another prominent religious organization, the Kentucky Council of Churches, takes no position on alcohol sales or liquor, said Executive Director Nancy Jo Kemper. The council's membership includes several Protestant denominations and Catholic archdioceses but not Baptists.

The Kentucky Baptist Convention itself has also taken stands against increased alcohol sales, the latest in a 2003 resolution saying that alcohol "has been demonstrated to be a dangerous drug that far too often results in addictions, family destruction and personal responsibility."

The resolution called on citizens to oppose local expansions of alcohol sales and to work instead toward encouraging abstinence. "We know we're not going to get rid of the liquor problem," Cole said, but "liberalizing the laws is not the way to go."

The league, formerly the Temperance League, has recently experienced a fiscal crisis, at least partly because a declining number of Baptist churches were contributing to its work. Cole said, however, that it is still in business and rebounding from the financial problems.

Since 2005 the league has had a sister organization, the tax-exempt Kentucky Ethics League, which was set up to educate churches about alcohol, gambling and other ethical issues. There is also a large network in place—Southern Baptists are most populous denomination in Kentucky, representing 45 percent of adherents.

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LIQUOR by the numbers

120 Kentucky counties

Wet:	30
Dry:	53
Moist:	16
Limited:	20
Golf courses:	15
Wineries:	15

Source:
Kentucky Office of Alcoholic
Beverage Control



Mountain Bootleggers, who was still selling moonshine from her Harlan County home when she was 95. It was said that Mrs. Bailey was arrested

many times on charges of selling illegal alcohol but never served a day in jail. Local juries would not convict her.

Moonshining fell out of favor as more counties voted to allow liquor sales and the interstate highway system opened up formerly isolated communities.

Now, economics have all but wiped out the legendary Kentucky moonshiner.

“When sugar prices went up in the 1970s, it knocked out the last of the moonshiners,” said Brett Final, a supervisor in the Louisville office of the Bureau of Alcohol, Tobacco, Firearms and Explosives. “If they

were criminals, they went on to some other form of crime like running crack cocaine.”

“The limited alcohol option has been the best thing for us. It provides an atmosphere some people really like, so it’s been good for us from that aspect.”

A few diehards in the backwoods may keep the moonshine legacy alive, but it’s more out of tradition than anything else.

“To some people it’s a novelty and they will pay good money for it, but nowadays you can go buy liquor and you know there’s been quality control versus something with dead skunks and possums floating in it,” Final said.

Living with liquor

Mayors in Murray, Cave City and Elizabethtown see the limited liquor option as an engine of economic development.

Murray has “experienced some good things and some bad things” since residents voted to permit sales of liquor by the drink, said Mayor Tom Rushing. “We’ve seen an increase in restaurants moving in. Along with that we’ve seen some people that can’t handle it [liquor], but nothing really drastic.”

The early fears expressed by opponents have not come to pass, he added. “They were afraid there would be drunks on the corner, and that’s not the case.”

Enforcing the legal drinking age has been a key to the success of liquor by the drink in this college town, home of Murray State University.

“Our police card the kids regularly in these establishments, and we’ve been pretty successful with that,” the mayor said.

Although Murray’s DUI arrests have increased slightly, Rushing noted that fewer college students have been stopped because they no longer have to drive south to Tennessee to procure liquor.

“It was 12 miles down there, and the kids from the university would frequent those places and get caught on the drive back or have wrecks,”



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Rushing said. "That has decreased and that's been a good aspect of the change."

The restaurants that serve alcohol are family oriented, and the city closely monitors the requirements that the establishments generate 70 percent of their revenue from food.

"That's one thing that's made our transition smooth is we have enforced that and continue to do so," Rushing said. "The limited-alcohol option has been the best thing for us. It provides an atmosphere some people really like, so it's been good for us from that aspect."

In Cave City, only six votes made the difference in allowing liquor by the drink sales, a clear reminder of the conflicted feelings about alcohol. Mayor Bobby Hunt chuckled when asked if the limited option election there in 2005 had caused any difficulties for the city.

"No, we don't see any problems," he said.

Two restaurants and the city's convention center are licensed to sell liquor by the drink. The change has prompted interest in tourism and entertainment development in the closest city to famed Mammoth Cave.

"We've had more inquiries in the last six months about Cave City than we've ever had," Hunt said. "It's well known that liquor sales bring economic development."

Cave City enacted a 5 percent tax on liquor sales, with proceeds funding the police department. Hunt thinks that may be biggest boon to the city.

"It's a nice income for the city that nobody pays unless they take a drink," he said. "Anything you can do to generate revenue that the taxpayers don't have to pay, you're doing good I think."

Elizabethtown's third wet/dry election in 2002 ushered in liquor by the drink after a full wet vote failed in 1998.

"Every time we had an election, it was closer and closer. I think people realized with the restaurant option, alcohol wouldn't be in your face," said Mayor David Willmoth.

Now Elizabethtown has 26 licensed sellers of alcohol, including a golf course, and collects a 5 percent tax on sales. With licenses, the tax and

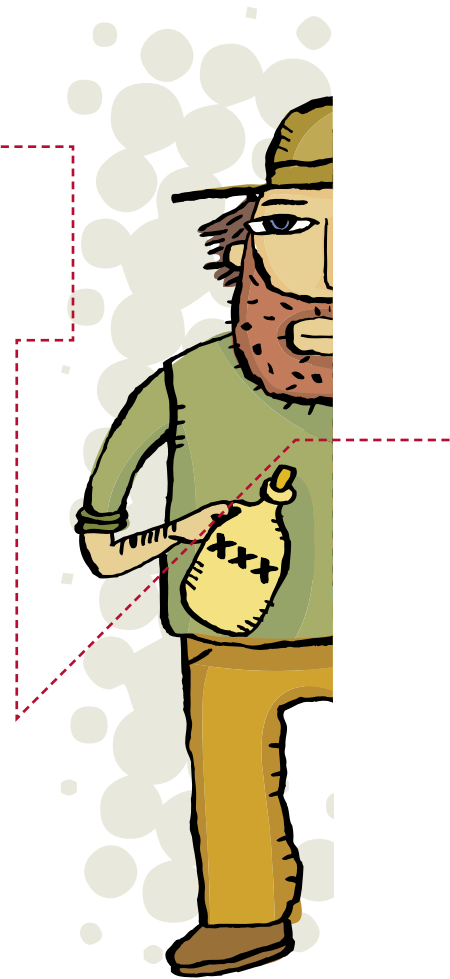
nominal fines, the city earned over \$173,000 in 2006, which helps fund the police department.

The city also tracks police calls to restaurants so they know where the trouble spots are. In 2006, the Elizabethtown Police Department responded to 74 calls to restaurants that serve alcohol, but 60 of those were to three locations.

"Those establishments that act like a bar or sports bar are the ones that have problems, not the restaurants," Willmoth said.

While the experience of cities that have gone wet may never silence all opposition, the limited restaurant option has created a compromise that seems to work. If community mores swing the other way, the citizens still hold the ultimate voice.

"If we had a lot of problems, it would come back on the table. But so far, with our enforcement of the rules, this has all been good for Murray," Rushing said.



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City SCENES

Kentucky's Falling Waters

T.J. Johnson

T. J. Johnson, a Kentucky native and Morgan County resident, has pursued his passion for photography since 1993. His work as an outdoor photojournalist has been widely published in magazines and newspapers. www.tj-publications.com



Lower Mud Lick Falls
Johnson County

Broke Leg Falls
Menifee County



Upper Mud Lick Falls
Johnson County





Eagle Creek Falls
Cumberland Falls State Park



Princess Falls
Sheltoe Trace Trail, McCreary County



Bad Branch Falls
Letcher County



Bolin Falls
Menifee County

Liquor's economic impact significant in the birthplace of



BY BENJAMIN HOAK

Wander the streets of almost any country in the world, mention you're from Kentucky, and you're likely to hear about two things in return: Kentucky Fried Chicken and bourbon.

KFC has been ubiquitous for decades, but the prevalence of bourbon has begun skyrocketing across the globe in the last few years. Given that Kentucky produces more than 95 percent of the world's bourbon, the economic impact of

the liquor industry on the state is significant. Wineries are also springing up as farmers look to replace lost tobacco revenue, and together, wineries and distilleries are drawing thousands of tourists to the commonwealth.

Whether you're a bourbon connoisseur, a social drinker or a teetotaler, it's hard to ignore the influence of the liquor industry on Kentucky. Here's a look at several aspects.

Kentucky born and bred

Kentucky has come a long way since settlers began growing corn and distilling whiskey in the late 1700s. According to the Distilled Spirits Council of the United States, 14.3 million nine-liter cases of bourbon were sold in the United States in 2005, generating over \$1.5 billion in revenue.

Statistics also show that the world is finally catching on—exports of bourbon increased 31 percent from

June 2005 to June 2006.

“Bourbon is now firmly entrenched alongside the finest Scotch whiskeys,” said Larry Kass, director of corporate communications for Heaven Hill, the second largest holder of bourbon in the world. “It’s never been held in higher regard than it is right now.”

In 1964, Congress declared bourbon to be “America’s Native Spirit,” and restricted its production to America. Thanks to the only iron-free limestone shelf in the United States (which filters out impurities from the water used to produce bourbon), more than 95 percent of the country’s bourbon is produced in the Bardstown–Frankfort region in central Kentucky. While bourbon can be made elsewhere, “if you want to sell it, you better make it in Kentucky,” said Ed O’Daniel, president of the Kentucky Distillers Association.

“Bourbon is becoming the dominant association of Kentucky,” said Bill Samuels, president of Maker’s Mark, which operates the nation’s oldest working distillery on its original site in Loretto. “It ... has already started to have a significant impact on Kentucky’s reputation. This is a huge opportunity for the commonwealth.”

Kass credits bourbon’s popularity to a wide-ranging appeal. “Big brands are growing as well as super-premium (small batch),” he said. “All cylinders are firing.” People feel better about buying small luxuries, and Americans—especially young people—are rediscovering the allure of the cocktail culture. Global marketing has also increased, and young professionals around the world now see bourbon as a smart, sophisticated drink.

As mandated by federal law, bourbon is produced from a fermented mash made of 51 to 79 percent corn (the remainder includes rye or wheat and malted barley). It’s then distilled at less than 160 proof and aged in new, charred, white oak barrels at a maximum of 125 proof for at least two years. O’Daniel said all Kentucky bourbon ages at least four years—any shorter and no one will buy it. Super-premium and single-

barrel bourbons mature even longer.

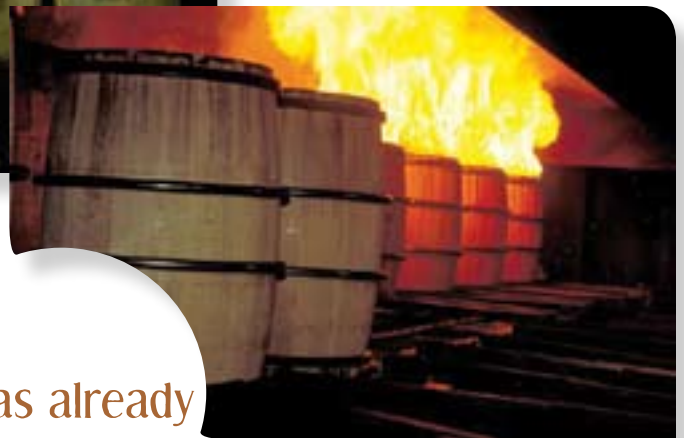
Warm summer temperatures allow aging bourbon to expand into the oak barrels; winter’s cold then causes the bourbon to contract out of the wood, bringing with it the definitive amber color and smoky flavor, including tannins, caramels and vanillas. Once a barrel is used, it can’t hold bourbon again; most are sent across the Atlantic, where they’re used to age Scotch.

In 1999, O’Daniel said distilleries put 455,000 barrels of new bourbon in storage. In 2007, they’ll stack more than one million barrels in rickhouses, adding to the four and half million barrels already aging

(Woodford Reserve bourbon) and Diageo (Bulleit bourbon). A few smaller family operations are also scattered around the state.

O’Daniel said the bourbon industry employs more than 3,000 people, and its economic impact on the state exceeds \$2.5 billion. The industry pays about \$1 billion a year in federal excise taxes. Kentucky cities, counties and school districts collect property taxes of \$9 million yearly, and Kass said the wholesale tax on bourbon brings in \$60 million a year. According to the U.S. Census Bureau, sales tax on all alcoholic beverages sold in Kentucky in 2005 reached nearly \$82 million.

Bourbon is also considered a friend of agriculture. Kass said production of nearly a million barrels of bourbon a year requires 12,000 bushels of grain (mostly corn); farmers need 119,000 acres of cropland to grow that much grain. Each bushel used in fermentation yields 30 gallons



“It ... has already started to have a significant impact on Kentucky’s reputation. This is a huge opportunity for the commonwealth.”

The impact

Major distilling companies operating in Kentucky include Jim Beam, Maker’s Mark, Heaven Hill, Wild Turkey, Buffalo Trace, Four Roses, Barton Brands, Brown-Forman

of stillage—a high-protein animal feed—as a byproduct. The stillage produced by the bourbon industry feeds about 12 million head of livestock each year.

With a world market at their doorstep—top importers of bourbon include Australia, Germany, the United Kingdom and Japan—several Kentucky distilleries are planning to expand. Jim Beam (the world’s largest bourbon producer), Heaven Hill and Maker’s Mark have announced multi-million dollar expansions, and other companies may soon follow. The major Kentucky distilleries also now have international branches to handle their increasing overseas business.

All this is to Kentucky’s benefit,

said Samuels, whose voice radiates passion, even after 40-plus years at Maker's Mark. "It's a high-margin business, which means high-margin jobs," he said. "It's growing like crazy. Unlike all the other industries, we don't have to spend money on recruiting. It's already here."

Other industries recognize the benefits liquor has for the state, according to David Adkisson, president and CEO of the Kentucky Chamber of Commerce. "The liquor industry is a strong part of Kentucky's past, but it's also a great part of our future potential," he said. "The broader business community has a strong sense of that."

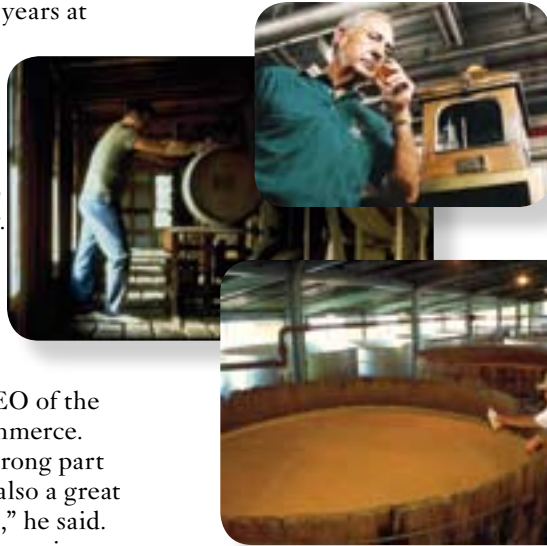
More than just bourbon is made in Kentucky. An extensive amount of other distilled spirits, including rum, tequila, brandy, vodka, Scotch and other whiskeys, are also either produced or distributed through Kentucky companies.

Kentucky Bourbon Trail

Realizing that bourbon consumers are dedicated to their drink of choice, members of the Kentucky Distillers Association organized the Kentucky Bourbon Trail in 1999. Similar to California's wine trails, the Bourbon Trail links the Bardstown-Frankfort distilleries into a grouping that allows tourists to easily visit several locations in one trip.

"We have more and more people coming..." Samuels said. Maker's Mark alone drew 75,000 visitors last year; O'Daniel said the entire Bourbon Trail attracted nearly half a million people. He expects that number to double soon. Each distillery on the trail includes a visitors' center; in 2004, Heaven Hill opened the Bourbon Heritage Center, which allows visitors to interactively explore bourbon's history and production.

Tourists enjoy watching the process of bourbon production—the fermentation vats, copper stills and rows of barrels aging gracefully are visually appealing. Visitors are also drawn by central Kentucky's beautiful natural setting. The slow pace, rolling hills and historic architecture evoke a timeless Southern charm that lets people slow down, relax and sip a little bourbon.



Plus, "the distilleries are in the right places for communities to showcase (their) hospitality," Samuels said. "Hospitality is part of the culture." Shops, restaurants and museums—particularly the Oscar Getz Museum of Whiskey in Bardstown—give people a further chance to enjoy themselves.

"It's the added energy of everybody participating at a high-quality level that's making this thing work," Samuels said. "Think about the impact 15 to 20 years from now if the bourbon companies resemble Napa Valley. It's starting to happen."

Bardstown hosts the annual five-day Kentucky Bourbon Festival the third week of September. Last year, 55,000 people poured in to take part in themed events (such as Bourbon, Cigars and Jazz), watch the barrel relay race, sample lots of bourbon and meet everyone who's anyone in the bourbon industry. Kass said the festival generated \$4.5 million for Nelson County and \$7.5 million statewide.

Cheryl Hatcher, deputy

commissioner for the Kentucky Department of Tourism, said the state is working to promote bourbon as a signature industry. Officials are incorporating bourbon into lifestyle advertising and promotions, and they point interested tourists to the Bourbon Trail.

Grapes on the vine

Kentucky wine is also a fast-growing segment of the liquor industry, as many farmers are applying their agricultural skills to grapes. There is precedent for making wine in Kentucky. According to the Kentucky Department of Tourism, the winemaker for the Marquis de Lafayette planted America's first commercial vineyard in Kentucky in 1798.

Chuck and Mary Smith's families have been farming in Henry County for eight generations. The Smiths have continued the tradition, but they changed their focus from tobacco to grapes almost five years ago when they opened Smith-Berry Winery in New Castle (author Wendell Berry is Mary Smith's father). The Smiths are currently growing five acres of grapes; they also buy grapes from other farmers.

Smith-Berry has produced 16 different wines, ranging from dry whites to sweet reds. Chuck Smith learned to make wine by reading and meeting with other winemakers, including a two-week internship in California. "You have to have a good palate, too," he said.

A recent report issued by the University of Kentucky's Cooperative Extension Service says 583 acres of grapes were grown in Kentucky in 2006. John Strang, a horticulture professor at UK, said 42 wineries are making wine, up from just six or eight wineries a few years ago. Kentucky growers have invested \$7 million in their vineyards, and the UK report projects the annual gross return from the grapes to be \$22.1 million.

Kentucky wine production increased 83 percent from 2005 to 2006, bringing the total to more than 60,000 cases. Another 45 percent increase is expected in 2007. Smith-Berry's sales jumped 40 percent from 2005 to 2006; Smith said they're more than making up for lost tobacco income.



Smith is also president of the Kentucky Vineyard Society (the nation's oldest such society, established in 1927). The society has worked with the state legislature to change laws regarding alcohol; for instance, if a winery wants to operate in a dry county (such as Henry County), the law now allows a dry precinct to hold a local option election to decide the matter. A judge has also recently ruled that Kentucky wineries may now ship wine to out-of-state customers even if they don't visit the winery.

In 2005, the Cooperative Extension Service used a grant through the Kentucky Grape and Wine Council to hire enologist Tom Cottrell and viticulturist Kaan Kutural to provide professional guidance to the state's wine industry. Smith said the men have been helpful, especially in determining the best varieties of grapes to grow in Kentucky. French hybrids seem to be working best so far.

Wine sales are only part of the story, though. "This is a viable agritourism business," Smith said. "We probably had about 22,000 people come through here last year." Visitors enjoy tours, tastings, concerts, dinners and other events as well as visits to other wineries.

According to the UK report, the state's vineyards should produce a tourism value of \$442 million a year. The tourism department's web site promotes wineries as a part of Kentucky's agritourism, and Hatcher said the agency continues to actively promote both the wine and bourbon industries.

Challenges

Challenges still face Kentucky's liquor industry. While O'Daniel estimates that 60 percent of bourbon is consumed in the United States, sales here aren't accelerating at the same rate as around the world. "Domestically, we're working hard to build awareness," Hatcher said.

A law that became effective this January took away small wineries'

Vineyard Industry

Kentucky's vineyard industry has boomed recently, but four wineries have been open since the early 1990s when they were first legalized by the state legislature. Bravard Vineyards and Winery near Hopkinsville is one of the originals.

In 15 years, owners Jim and Janet Bravard have progressed from operating out of a spare room to growing six and a half acres of grapes, which they process in a bottling facility and store in a wine cellar. They've designed their operation to be small (both have other full-time jobs), turning out about 10,000 bottles of 11 different wines each year. An annual harvest celebration and planned monthly events give visitors a chance to enjoy live music, plays and the wine.

Bravard predicts the recent statewide increase in wineries will be of enormous benefit to Kentucky's economy. "Wineries are tourist attractions," he said. "They bring people from everywhere. The more wineries there are, the more people come in to see."

Although running a winery requires a significant investment and lots of physical labor and paperwork (including a federal permit), Bravard has a passion for what he does. "You have to love this or you'd never survive," he said. "You have to love it, and I do."

right to self-distribute their wine to retailers; it's too early to tell how much of an effect the law will have, but it doesn't make the work any easier. Also, growing grapes in Kentucky's climate requires perseverance. "You don't know whether it (the wine) is any good for up to three years – that's the challenge," Smith said.

And all of this work is taking place in a religious culture that tends to frown upon a "sin" industry. "There's a delicate balance in Kentucky between our distilling heritage and the Bible Belt religious culture," Adkisson said.

Samuels said the issue even affects politics; he would like Kentucky's policy makers to move past the idea that "bourbon and sin are the same thing." He cited last year's attempt by the legislature to significantly raise the

tax on distilled spirits as evidence politicians don't yet see bourbon as a signature industry of Kentucky. Still, "It's going to come around eventually," he said.

After all, Heaven Hill's premium bourbon is named in honor of Elijah Craig, a Baptist minister and businessman who is credited (among

others) with inventing bourbon. He was the first to age whiskey in the charred oak barrels that provide bourbon's inimitable color and flavor. If Craig could successfully reconcile two of his loves, perhaps the rest of Kentucky can as well.

"There's a delicate balance in Kentucky between our distilling heritage and the Bible Belt religious culture."



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Want a drink at a state park?

Think soft.

BY FEOSHIA HENDERSON

It's a late weekend afternoon. Sunny, breezy and 85 degrees outside—the perfect day to play a 9- or 18-hole round of golf at one of Kentucky's state resort parks.

As the sun goes down a few hours later, you've worked up a sweat and a big thirst. You walk back to the air conditioned park lodge where you're spending the weekend. You head to the lodge's watering hole and crack open an ice cold ...

Water?

Diet soda?

Were you hoping for something just a little stiffer?

Well, Kentucky is like most other states when it comes to what you can buy to drink at a state park. Alcoholic beverages aren't on the list. And recent efforts to change state law – including one during this year's legislative session – have failed.


**You walk back to
the air conditioned
park lodge where
you're spending
the weekend. You
head to the lodge's
watering hole
and crack open
an ice cold ...**

Kentucky is known across the globe for its high-quality bourbons. The spirit is even celebrated as a tourist attraction and during Bardstown's weeklong Bourbon Festival every September.

Still, state law illustrates Kentucky's notable love-hate relationship with alcohol. For instance, many visitors to the state are surprised—sometimes puzzled—to find a myriad of wet, dry or moist counties. (See cover article.)

Although recent years have found some parts of the state increasingly embracing restaurant alcohol sales as a way to attract businesses—and tax money—state parks remain alcohol free—with a couple of exceptions.

Alcohol sales are banned at state parks, but the state Parks Department allows guests to consume alcoholic beverages they bring to the parks under certain circumstances. Alcohol



***There* is no overriding national consensus about whether selling alcohol in state parks should be allowed.**

also can be served at private events, such as conferences, that are held at state parks.

There is no overriding national consensus about whether selling alcohol in state parks should be allowed. The sales law varies by state, said Phillip McNelly, executive director of the National Association of State Park Directors, who added that it is uncertain whether there has been a recent trend toward allowing sales.

He did say that alcohol sales are more common in states that have resort parks—parks that are plentiful in Kentucky but governed by the same no-alcohol-sales rule.

Kentucky's extensive park system covers 43 million acres of land and water, and many of the parks rank among the top tourism draws in the state. The 52 designated Kentucky state parks include 17 resorts and 32 campgrounds.

Each park is distinct and offers activities ranging from fishing at Barren River Lake in Lucas and hiking at Natural Bridge in Slade to golfing at Pennyrile Forest in Dawson Springs and camping at Kinkaid Lake in Falmouth.

The state's park system is considered one of Kentucky's crown tourism jewels. But the parks, which don't charge entrance fees, operate

at an estimated annual deficit of \$29 million.

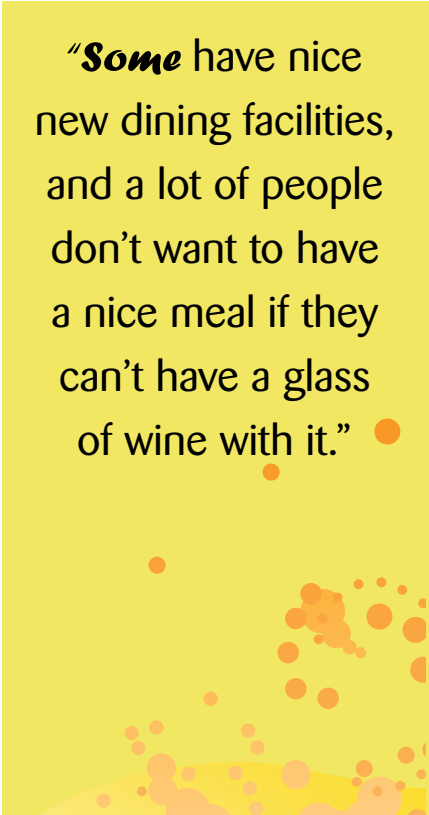
Alcohol sales have been viewed as a way to pump new money into the park system, especially at parks with overnight lodging and golf courses.

Several recent efforts have focused on allowing alcohol sales at the parks. A bill in the 2007 legislative session, co-sponsored by Reps. Larry Clark and Joni Jenkins of Louisville, never made it to the House floor for a vote.

The measure, House Bill 391, would have allowed wine and malt beverages to be sold by the drink at state resort parks and state parks with golf courses. The change was recommended to "promote economic development and tourism," according to the bill's summary.

"A lot of resources have gone into upgrading our parks," Jenkins said. "Some have nice new dining facilities, and a lot of people don't want to have a nice meal if they can't have a glass of wine with it."

Jenkins said allowing by-the-drink sales would also make the parks more competitive with nearby attractions and restaurants that do sell alcoholic



***Some* have nice new dining facilities, and a lot of people don't want to have a nice meal if they can't have a glass of wine with it."**



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beverages.

“With the wet and dry counties you don’t have to drive very far to find a place where you can have a drink with a nice meal. This is an attempt to bring some of that business to the parks,” she said.

With several parks now having new or expanded golf courses, allowing alcohol sales might also attract golf tournaments, Jenkins added.

The bill would have allowed local option elections in counties that don’t currently allow alcohol sales; many of Kentucky’s parks are located in dry counties.

State Commerce Secretary George Ward said that, historically, alcohol sales have been considered incompatible with state park activities.

“The programming at state parks has been very family-oriented and geared toward family reunions, and a lot of activities that happen at the parks aren’t really compatible with the consumption of alcohol, like hiking, boating and swimming,” he said.

The Parks Department itself is neutral on changing current alcohol sales law.

“We get a lot of comments there, and there never has been an outcry that we sell it from our clientele. They know what services are at a state park and that just doesn’t enter the equation for our guests,” Ward said.

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The department has never polled park managers or visitors on the issue, Ward said.

A 1994 Legislative Research Commission study looked at the issue and found:

“Some park managers indicated the sale of alcohol may increase revenues and satisfy an existing park visitor demand. Others thought it could create a security problem for the parks. Others are personally opposed to the use and sale of alcohol anywhere. Two managers noted that their parks were visited regularly by church groups or families who might object to the sale and use of alcohol in the parks.”

Park policy since 1987 has allowed patrons who rent conference rooms, hospitality rooms, meeting rooms and suites to serve alcohol during functions at state parks.

The report made no recommendations on the issue of alcohol sales.

Mixing alcohol and park fun can lead to some problems. Some California state parks, for example,

“Some park managers indicated the sale of alcohol may increase revenues and satisfy an existing park visitor demand. Others thought it could create a security problem for the parks.”

Mixing alcohol and park fun can lead to some problems. Some California state parks, for example, are banning alcohol consumption altogether.

are banning alcohol consumption altogether. In 2003, California's Folsom Lake Recreation Area found that 30 percent of crimes committed at the park were related to alcohol. This led to a policy of restricting alcohol consumption to campgrounds and special events approved by the park. Other states, like Missouri, restrict alcohol use to campsites. That's

generally the case in Illinois, but alcohol is also sold by the drink at Illinois Beach Resort.

In Kentucky, there is little apparent opposition to changing the law at state parks. The Kentucky chapter of Mothers Against Drunk Driving, for example, is neutral on the issue.

Angela Criswell executive director of MADD Kentucky, said she was unaware of any organized opposition to the idea.

MADD advocates for responsible drinking for those old enough to drink, she said. "We'll let the (Alcohol Beverage Control Commission) decide how to regulate" any sales at state parks.

Jenkins said changes to the law likely will face an uphill battle in 2008, when another attempt at change is expected. "A lot of legislators won't vote for a liquor bill no matter what it is, but we usually can get enough votes to get them out of the House," she said.

In Kentucky, there is little apparent opposition to changing the law at state parks. The Kentucky chapter of Mothers Against Drunk Driving, for example, is neutral on the issue.



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Cool corridors of opportunity

Even when summer finally arrives, it is going to be COOL in Louisville.

In 2003, as Mayor Jerry Abramson was running for election, he was hitting the streets in the Metro Council districts and talking with citizens about their concerns. A topic that kept coming up was the need for a greater variety of stores or restaurants in neighborhoods.

Shortly after being elected the first Metro Mayor, Abramson created the Corridors of Opportunity in Louisville (COOL). Abramson said at the time: "I started COOL after visiting people across Louisville and hearing their wishes about what retail

stores and shops they wanted in their neighborhoods."

COOL's mission is to improve quality of life for residents; however, according to John Fischer, it is somewhat different than the usual economic development program. Fischer is the assistant director of the Economic Development Authority's Retail Development Division and has been in charge of the COOL program since its inception.

"COOL's mission is retail focused and designed to improve the quality of life, but it does not specifically increase the tax base," Fischer said.

COOL is also designed to attract

retail development to provide residents with access to services, such as clothing and food outlets, that otherwise would be unavailable, he added.

A predictable benefit is that jobs are

COOL's mission is to improve quality of life for residents; however, according to John Fischer, it is somewhat different than the usual objective of economic development.

created, but not the large numbers that are created under traditional 20th century economic development models. COOL's businesses offer the further benefit of providing part-time jobs for those who need flexible schedules or a second job.

To encourage retail businesses to open or remain in the community, COOL offers several loan programs. Those include the Forgivable Retail Loan Program, the Micro Lending Program, the Brownfield Program and the Accessibility Program.

The Forgivable Loan Program, for example, encourages business to locate in areas that lack a strong retail presence. The maximum loan is an interest-free \$50,000, forgiven after the business has been in operation for five years.

All loans are administered in conjunction with the Metropolitan Business Development Corporation board that meets monthly to review

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major mall redevelopment and big box stores to small specialty shops. Half of the projects have been locally owned and independent.

As a COOL focus, most of the projects have been in underserved areas. But COOL has and will continue to work in other parts of the community, Fischer said.

In creating COOL, division directors and the mayor's office tried to find programs in other parts of the country that could be replicated. But no examples existed, so COOL has now become a model in its own right.

Other cities, including Cincinnati and Las Vegas, have contacted COOL officials to find out more about starting their own programs. Several studies and books have included information on the program, and Fischer recently made a presentation for representatives from 13 cities at the Wharton School for Business.

"The program has been an amazing success," Abramson said. "We've worked with large national stores and small local shops and guided them toward profitable locations across Louisville. Other cities nationwide are now starting to create programs similar to COOL, a big compliment to Louisville."

applications. The board uses specific criteria in making its decisions, and some businesses—such as plasma centers, bingo parlors, check cashing facilities, and adult-oriented operations—are not eligible for COOL assistance.


Although recruiting and retaining businesses is COOL's primary assignment, it also has other jobs. A significant one is to encourage business expansion.

"Existing businesses cannot maintain the status quo. They either decline or grow," Fischer said. It is a COOL priority to expand existing businesses into other Louisville communities.

The program also helps businesses understand what is involved in expansion and


helps identify possible locations for growth by providing such resources as demographic information.

In its four-year existence COOL has been responsible for more than 200 projects that have ranged from a




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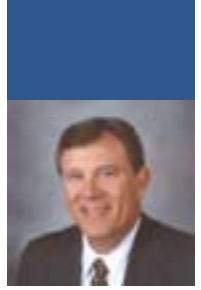
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Rising benefit costs threaten city budgets

Kentucky lawmakers are finally taking seriously the need to address the pension liabilities facing the state, school districts and local governments.

There have been several recent developments:

- Gov. Ernie Fletcher proposed taking \$50 million from the state's budget surplus to help pay down the unfunded liabilities of the Kentucky Employees Retirement System (KERS) and the Kentucky Teachers Retirement System (KTRS).
- The Governor also created the Blue Ribbon Commission on Public Employees Retirement Systems to study ways to address the retirement systems' unfunded liabilities. The report is due December 1, 2007.
- The state Senate passed a bill that would have used state-issued bonds to finance the unfunded KERS liability and dramatically changed the retirement system for future state and local government employees. Although the legislation didn't win final approval, it helped focus attention on a critical situation. It is obvious – with unfunded liabilities totaling \$11.3 billion for KERS and \$9.7 billion for KTRS – that something needs to be done.

Unfortunately for local governments, less attention has been paid to reducing the escalating payments cities and counties are required to contribute to the County Employees Retirement System (CERS).

Even more worrisome for local governments is that no one has yet seemed interested in addressing the real problem of CERS. Of the total unfunded liability of more than \$6.8 billion in CERS, 78 percent of the problem is the result of health insurance commitments that have been

made to current and future retirees.

Local government workers become eligible to retire with full benefits after 27 years of service and receive individual health insurance coverage (if hired before July 1, 2003). Most public safety personnel become eligible for full retirement after only 20 years of service, and they receive full family health insurance coverage (if hired before July 1, 2003). The legislature changed the health insurance benefit in 2003, but potential cost reductions will not be felt for many years.

Today, cities contribute 13.19 percent of a regular employee's wages (non-hazardous duty) and 28.21 percent of the wages of most public safety personnel (hazardous duty) to the retirement system.

Next fiscal year those rates will increase to 16.17 percent and 33.87 percent, respectively. By July 2012, the rates are projected to climb to 30 percent for non-hazardous duty and 60 percent for hazardous duty.

Kentucky's cities provide critical services to a majority of Kentuckians. Cities provide clean drinking water, safe streets, storm water management, refuse collection and wastewater treatment for over two million residents and workers on a daily basis. In addition, cities play a vital role in public safety. Nearly 80 percent of the arrests for serious state crimes are handled by city police departments. (Kentucky State Police process around 8 percent.)

Cities employ thousands of fire fighters and emergency medical responders to protect valuable lives and property throughout the state.



Unfortunately, these critical services most Kentuckians have come to expect will be at risk if something is not done soon to address out of control retirement costs.

Cities will have no choice but to reduce spending on infrastructure projects, to cut local support for parks and recreation programs, to stop funding cultural and entertainment activities and to curtail local economic development efforts. Ultimately, cities will have to reduce employment in the most critical service areas:

public safety and protection. In the end, nobody will win. Cities, their employees, taxpayers, businesses and ultimately the Commonwealth of Kentucky will lose.

Now that the session has ended and nothing has been done to stop the bleeding of local governments, our hope has to be that the Governor's Blue Ribbon Commission will truly consider the needs of local governments, their employees, their retirees and the taxpayers by addressing the health insurance issue that is causing most of the problem.

There are a number of issues that must be addressed:

- What are the actuarial assumptions behind the numbers that the retirement system is using? Actuaries are predictors of outcomes and usually attempt to develop conservative estimates. It may be that a smaller contribution would in fact adequately address the unfunded liabilities.
- Can investment returns be improved? If so, this would substantially reduce the need for higher contributions.

- What kind of administrative fees are we paying to administer our pension and health plans? It's possible some of these fees could be lowered, and this would reduce the mandated contribution.
- Are we doing everything we can to reduce costs under our state's self-insured health plan? Several million dollars have been saved annually in the state's Medicaid program by aggressively addressing prescription benefits. A similar effort might help reduce the costs in our state self-insurance program.
- Finally we need to examine who participates in the CERS. Over half of the non-hazardous duty CERS members are employed by local school boards. Many of these classified employees – such as administrative support, cafeteria workers, bus drivers, janitors, etc. – work only nine months a year and earn significantly lower yearly salaries. However, they receive the same level of pension and health insurance benefits as full-time retirees.

Ultimately, the greatest savings are likely to come from either reducing retiree health insurance benefits or increasing employee or retiree contributions for such benefits.

Currently all state and local retirees have the benefit of the state's self-insured health plan that features low co-pays and substantial benefits. Many of these benefits were added or improved during the 1990s when investments were bringing incredible returns. At the time, actuaries were predicting a surplus in the retirement system funds.

Non-hazardous duty employees contribute 5 percent of their wages to the retirement system and hazardous duty employees contribute 8 percent. As the costs of these plans have grown over the past several years, only employers have been asked to finance the increases.

Dealing with this issue will not be easy. All retirees in CERS and KERS hired before July 1, 2003, have an inviolable contract under state law covering their retirement benefits, including health insurance.

It is unreasonable to expect retirees as a whole to give up such a right and agree to a reduction in benefits. However, retiree health benefits are,

in fact, tied to the cost of active state employees' health benefits. If benefits were reduced for employees still on the job, retiree benefits could be reduced as well.

Obviously this will not be an easy task, either. Employees lobbied hard to get these benefits, and it is doubtful that they would readily agree to any reduction. But it is clear to everyone that something needs to be done, and it needs to be done quickly.

All employee groups and unions have recognized that there is a problem. It is also obvious that many of our future retirees were hired before July 1, 2003, so little can be done to reduce costs simply by dealing with future employees.

Representatives of all of these groups need to use the Governor's Blue Ribbon Commission as a means of joining forces to look at ways to reduce costs for the state, local governments and school districts while providing the best possible health coverage for working employees and retirees.

Promises were made and they should be kept, but many features have been added to the benefits since they were

first promised. Some give and take will be necessary if this is to be successful.

No one should expect this to be easy, but a great deal is at stake. Any hope for future progress in economic development and education may very well hang in the balance. Quality communities that can compete on a global basis must continue investing in their infrastructure and amenities. But they also need to invest in quality employees who are committed to their work and their community, schools and state.

If this becomes simply a tug-of-war between employee groups and their employers, all of us will lose. If candidates for governor attempt to use this as a wedge issue to raise money and attract the support of employee groups by promising no changes in health insurance benefits, the commonwealth loses.

All of us have a stake in this issue and all of us should be urging our state and local leaders to responsibly address this problem now, before it bankrupts our future.



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Long-term care challenges for Kentucky

In the fall of 2005, *City* magazine devoted its cover and lead story to “Aging Kentucky.” While it is still true that Kentucky is aging faster than the national average, the exponential growth in the number of older adults that is expected to occur over the next two decades will begin in earnest just two to three years from now.

This short-term window provides an important opportunity for all of us to encourage state legislators and local community leaders to develop a sound public policy concerning our state’s aging citizenry and a related service infrastructure.

Also weighing in the balance is the long-term viability of state and local governments, because an increasing share of public expenditures will be devoted to our older citizens. The challenge is heightened by accompanying shifts in the tax base, with the prospect of lower revenues available from sales and use taxes, income and occupational taxes, and other taxes that seniors currently are exempted from or for which they receive favorable treatment.

Leaving a legacy of responsible compassion for older Kentuckians is entirely possible and doing so would eventually serve almost everyone alive here today. Will we have the collective discipline, wisdom and fortitude to act before a social crisis develops?

Reframing ‘long-term care’

Innovatively designing a long-term care service delivery system that is both effective and sustainable is paramount. Aside from an inherent public responsibility for meeting the fundamental human needs of

our most vulnerable citizens—frail seniors and disabled adults—there is a well-established political reality that older citizens vote with the highest degree of regularity.

Just as the Baby Boomers have



changed the landscape of hospital labor and delivery rooms and corporate board rooms, they will likely have a profound political influence on aging services—first as the adult children of elders needing long-term care, and then for themselves.

Kentucky’s current delivery system of long-term care mirrors much of the nation’s, with an institutional bias and an outdated medical model of standards borrowed in the 1960s from the acute health care delivery network.

Long-term care used to mean the neighborhood nursing home. Now it means a full continuum of services, some of which are institution-based and a growing number of which are home and community-based.

Kentucky is wonderfully positioned to address this challenge and to effectively prevent a social catastrophe from evolving. Our state’s relatively small population, combined with its fairly balanced mix of urban, suburban and rural communities, makes the commonwealth an attractive laboratory for investment

by federal agencies and foundations focused on aging, human services and social welfare.

To fully capitalize on Kentucky’s favorable position, it will be important for state and local public officials to collectively commit to: 1) ensuring that regulation serves its intended purpose; 2) enhancing the resources devoted to meeting the growth in the demand for long-term care; 3) curbing the growth rate in the cost of providing long-term care services; and 4) encouraging innovation.

In many smaller and more rural communities, there are access issues and the range of available options is often limited. Furthermore, the popular notion that keeping a person in his or her home as long as possible is both desirable and cost-effective is frequently a mathematical fallacy. A carefully planned balance among a more seamless array of services will be necessary to meet the anticipated growth in demand. Coordinating these services to ensure their most appropriate and effective use will be the key to success.

Some do-able ideas

Here are 10 promising, achievable ideas for Kentucky policymakers’ consideration. None of them alone will solve the overall delivery system design flaws or reimbursement issues that must be addressed. However, each one has the potential for having an immediate impact and producing meaningful, sustainable results.

1. Encourage more people to buy private long-term care insurance by creating an LTC insurance risk pool that offers buyers an exemption from the financial eligibility requirements for Medicaid after their benefits are exhausted. This approach has worked well in at least four other states as a federal demonstration

project, and enabling legislation was introduced for the first time during the 2007 session of the Kentucky General Assembly (House Bill 126).


2. Permit adult day care services in long-term care facilities as a demonstration project to show the cost-effectiveness and practicality of this model. We have a distribution system already in place—nearly 300 long-term care facilities around the state—that enables expansion of services in all 120 counties. It is estimated that most facilities could add day care clients representing 3-to-7 percent of their licensed capacity without any additional capital expense.
3. Update the state’s long-term care facility “bed-need formula” to reflect statistically valid service needs. Kentucky’s Certificate of Need process should accurately measure local community need for long-term care and related health services, not artificially support the state’s budgetary goals, as the existing formula does.
4. Apply civil monetary penalties collected by the state from long-term care facilities with serious regulatory deficiencies toward improving direct caregiver training. Although the original enabling legislation called for the money to be used for nursing scholarships that would promote the development of more long-term care nursing professionals, guidelines for how the scholarships would ever be awarded have never been developed and published and more than \$2 million has reportedly accumulated in this fund. That money should be put to its intended use.
5. Eliminate the misuse of Office of Inspector General survey findings by insurers as a risk-adjustment tool. Viewed properly, this process confirms both the correction of any issues found and a facility’s success in meeting hundreds of government standards. However, the recent underwriting trend toward merely tallying cited deficiencies without regard to their scope or severity is costing the public unnecessarily through artificially inflated

liability insurance premiums – reimbursed by Medicare, Medicaid and private residents in higher room rates.

6. Combine Licensed Personal Care and Assisted Living. The distinctions between these two levels of care are miniscule. Kentucky should follow the lead of most other states by rolling them together. Then we should include this level of care in the state’s Medicaid long-term care program, since the federal matching funds potentially available (\$3 in additional federal assistance for every \$1 the state commits to paying) could reduce the growth in more intensive—and more costly—services.
7. Modify Certificate of Need requirements for home health care to enable Continuing Care Retirement Communities to serve their own residents with greater continuity of care and at a lower cost. It is not in the public’s best interest to artificially limit access to home and community-based services—as the current regulations do—when they can be provided more cost-effectively.
8. Include P.A.C.E. (Program for All-Inclusive Care for the Elderly) as an optional Medicaid benefit. P.A.C.E. is an innovative program of coordinating elder care through effective case management services. It has been replicated in nearly 40 communities nationally,

and Kentucky’s Medicaid commissioner was directly involved in establishing one in Tennessee.

9. Recognize electronic signatures and more aggressively promote the development of acceptable ways to share protected health information among health and human services providers. Despite widespread advances in automation, an incredible amount of inefficiency remains in our health information system because of Kentucky’s over-reliance on paper documents that require original, handwritten signatures.
10. Introduce a system for evaluating new technologies that were not available when regulations were promulgated. Today, many innovative advances are evaluated by state agencies on a case-by-case basis through a cumbersome process that takes time and money that could be used more wisely and do more good.

The expected growth in older Kentuckians will be accompanied by a new set of challenges in structuring state government’s role in the care of its most vulnerable citizens and in financing state services of all kinds. Kentucky needs to take the court like a basketball team determined to win the game, not like a team playing to avoid losing it. The pressure and stakes will be high, but the winners can be all Kentucky families. 

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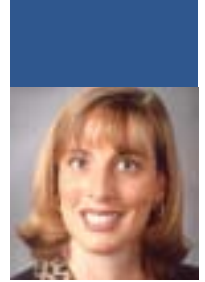


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Robyn Miller is Member Services Manager for the Kentucky League of Cities.



News from Kentucky's communities

Louisville Metro receives Dollar Wi\$e grant

As part of the United States Conference of Mayors' National Dollar Wi\$e Campaign, Louisville Metro has received one of three National Dollar Wi\$e capacity grants to teach consumers more about personal financial management and help them become community investors.

The city will use the \$25,000 grant to create an asset building summit and family-focused financial education evenings. As a member of the Dollar Wi\$e program, Louisville Metro—through the Louisville Asset Building Coalition—has been a leader in focusing on enhanced financial education for its citizens.

Other grant recipients, of \$15,000 each, were Avondale, Arizona, and the quad cities area of Illinois and Iowa that includes Bettendorf and Davenport, Iowa, and Rock Island and Moline, Illinois.

Kentucky officials named to National League committees

Several Kentucky city officials were recently appointed to serve on committees in leadership roles for the National League of Cities. The appointments were made by the NLC President, Mayor Bart Peterson of Indianapolis. The officials and the committees they will serve on are:

- Morehead Mayor Brad Collins, NLC Small Cities Council Steering Committee
- Bowling Green Mayor Elaine Walker, NLC Leadership Training Advisory Council
- Maysville Mayor David Cartmell, NLC Community and Economic Development Steering Committee
- Paducah Commissioner Robert Coleman, NLC Energy, Environment and Natural Resources Steering Committee
- Williamstown Mayor Glenn Caldwell, NLC Energy, Environment and Natural Resources Steering Committee
- Richmond Mayor Connie Lawson, NLC Finance, Administration and Intergovernmental Relations Steering Committee
- Lyndon Mayor Susan Barto, NLC Human Development Steering Committee
- Louisville Metro Councilmember Kevin Kramer, NLC Information, Technology and Communications Steering Committee
- Mount Sterling Mayor Gary Williamson, NLC Public Safety and Crime Prevention Steering Committee

- Fort Mitchell Mayor Thomas Holocher, Transportation, Infrastructure and Services Steering Committee

"We applaud the considerable contributions that our mayors, council and commission members make in their local communities," said Sylvia L. Lovely, executive director/CEO of the Kentucky League of Cities.

"Certainly many of them work in full-time jobs outside of their jobs at city hall. When some of them step up to serve on our statewide board of directors and often on steering committees representing Kentucky on a national scale, we are awestruck at their commitment.

"KLC is so certain of the value of their involvement with the National League of Cities that we created a reimbursement program for their expenses," Lovely added.

"We believe that our officials need to do this on behalf of the entire commonwealth because they bring back a whole new perspective on issues that impact all cities in Kentucky. It's a learning opportunity for the city official, but their home city is the real winner simply from the networking, training sessions and shared knowledge that only comes from participating with their colleagues from around the country."

The National League of Cities is the nation's oldest and largest organization devoted to strengthening and promoting cities as centers of opportunity, leadership and governance. NLC is a resource and advocate for 19,000 U.S. cities, towns and villages, which collectively serve 218 million people.

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Kentucky communities named best for young people


To celebrate the launch of its 10th anniversary year, the America's Promise Alliance recently announced the winners of its 2007 100 Best Communities for Young People competition. In partnership with Capital One, 100 Best showcases cities and communities across the country that tackle challenges and demonstrate innovative efforts to deliver the Five Promises that young people need to succeed—caring adults, safe places, a healthy start, an effective education and opportunities to help others.

More than 750 communities from the 50 states as well as the District of Columbia, Puerto Rico and the U.S. Virgin Islands, entered the 2007 competition. The 2007 100 Best winners circle includes communities and cities from 38 states, including four from Kentucky: Louisville Metro, Lexington-Fayette Urban County Government, Mount Sterling and Murray/Calloway County.

The selection criteria included: innovative examples of community support for children and youth;

resources that the children receive that benefit the Five Promises; and youth outcomes such as graduation rates, physical and mental health and civic engagement.

Other factors in determining the 100 Best included a commitment to engaging partners and individuals from all sectors and evidence of work to raise awareness of young people's needs, using relevant data, and driving people to act and advocate to make children a top priority.

America's Promise was created at the 1997 President's Summit for America's Future by Presidents Bush, Carter, Clinton, Ford and First Lady Nancy Reagan, who challenged America to make children and youth a national priority. The goal of America's Promise is to help change the lives of 15 million underserved young people over the next five years through the power of the Five Promises. 



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