

CHAPTER 530 (HB 611)

AN ACT relating to the tobacco Master Settlement Agreement and declaring an emergency.

Be it enacted by the General Assembly of the Commonwealth of Kentucky:

SECTION 1. A NEW SECTION OF KRS CHAPTER 248 IS CREATED TO READ AS FOLLOWS:

As used in Sections 1 to 14 of this Act, unless the context requires otherwise:

- (1) *"Board" means the Agricultural Development Board created by Section 4 of this Act;*
- (2) *"Fund" means the agricultural development fund established by an Act of the 2000 Regular Session, which may be called the "Rural Development Fund" in the Act;*
- (3) *"Subcommittee" means the Tobacco Settlement Agreement Fund Oversight Committee created by Section 12 of this Act;*
- (4) *"Council" means an agricultural development council required by Section 11 of this Act;*
- (5) *"Master Settlement Agreement" means the settlement agreement dated November 23, 1998, entered into by the Commonwealth of Kentucky and major United States tobacco product manufacturers; and*
- (6) *"Phase II Agreement" means the National Tobacco Grower Settlement Trust Agreement dated July 19, 1999, entered into by tobacco states and major tobacco companies to compensate tobacco growers and quota owners for losses resulting from the Master Settlement Agreement.*

SECTION 2. A NEW SECTION OF KRS CHAPTER 248 IS CREATED TO READ AS FOLLOWS:

- (1) *Fifty percent (50%) of the moneys received in the tobacco settlement agreement fund, created in KRS 248.654, from Master Settlement Agreement funding on or before June 30, 2000, along with accrued interest, shall be allocated on the effective date of this Act to the agricultural development fund created in House Bill 583 of the 2000 Regular Session of the General Assembly. The moneys received in the agricultural development fund, along with the accrued interest, shall be further allocated as follows:*
 - (a) *Forty million dollars (\$40,000,000) from the agricultural development fund shall be set aside to supplement Phase II funding as provided in Section 3 of this Act; and*
 - (b) *The moneys remaining in the agricultural development fund after the Phase II supplement is set aside shall be further allocated as follows:*
 1. *Thirty-five percent (35%) to a "Counties Account" within the fund for distribution to applicants within counties. The amount allocated to each county within the account shall be determined by the formula established in subsection (3) of this section. Counties shall be assured of receiving at least as much as determined by the formula; and*
 2. *Sixty-five percent (65%) for other projects throughout the state.*
- (2) *Fifty percent (50%) of the moneys received in the tobacco settlement agreement fund from Master Settlement Agreement funding after June 30, 2000, along with accrued interest, shall be allocated within twenty (20) days of receipt of the moneys to the agricultural*

development fund created in House Bill 583 of the 2000 Regular Session of the General Assembly. The moneys received in the fund, along with the accrued interest, shall be further allocated as follows:

- (a) For the life of the Phase II payment program, funds in the agricultural development fund shall be set aside first to supplement Phase II funding when needed as outlined in Section 3 of this Act; and*
- (b) The moneys remaining in the agricultural development fund after the Phase II supplement is set aside shall be further allocated as follows:*
 - 1. Thirty-five percent (35%) to the counties account provided in subsection (1)(b)1. of this section; and*
 - 2. Sixty-five percent (65%) for other projects throughout the state.*
- (3) The allocation within the counties account in the agricultural development fund for each county shall be assured for use in each county and shall be based on the following weighted factors:*
 - (a) Fifty percent (50%) weight to the county's percentage of the state's tobacco allotment based on 1999 data;*
 - (b) Twenty-five percent (25%) weight to the county's number of farms with tobacco quotas in the county as a percentage of farms with tobacco quotas statewide, based on 1999 data; and*
 - (c) Twenty-five percent (25%) weight to the economic impact index for each county which shall be calculated in the following manner:*
 - 1. The tobacco income for each county (1997 burley tobacco production times average burley market price) divided by the total personal income for each county. The data used shall reflect the year most recently available for total personal income.*
 - 2. The percentage derived in subparagraph 1. of this paragraph (tobacco income as a percentage of total personal income for each county) shall then be summed across all counties.*
 - 3. The economic impact index amount shall be each county's tobacco income as a percentage of total personal income, divided by the aggregate percentage stated in subparagraph 2. of this paragraph.*
- (4) When a county's allocation is exhausted, applicants from that county may apply for funds from the other sixty-five percent (65%) of the moneys in the agricultural development fund. Failure by a county to exhaust its county allocation shall not preclude the county from receiving the benefits of a proposal approved by the board from state funds.*
- (5) Any funds directly appropriated by the General Assembly shall be assessed against the percentage of funds allocated to the state portion of the agricultural development fund.*
- (6) Interest earned on any moneys in any fund or account created in Sections 1 to 14 of this Act shall accrue to that fund or account until transferred to another fund or account created or referenced in Sections 1 to 14 of this Act.*

- (7) *None of the moneys left at the end of a fiscal year in any fund or account created or referenced in Sections 1 to 14 of this Act shall lapse, but shall stay with the fund or account as long as the fund or account exists, or until the moneys are transferred to another fund or account created or referenced in Sections 1 to 14 of this Act. In the case of any fund or account created in Sections 1 to 14 of this Act that is terminated with a remaining balance, the balance shall remain in the agricultural development fund.*

SECTION 3. A NEW SECTION OF KRS CHAPTER 248 IS CREATED TO READ AS FOLLOWS:

- (1) *Forty million dollars (\$40,000,000) of the moneys credited to the agricultural development fund as set out in subsection (1)(a) of Section 2 of this Act shall be set aside to supplement Phase II on the effective date of this Act. Additional funds shall be set aside to supplement Phase II funding as needed from moneys credited to the agricultural development fund after June 30, 2000.*
- (2) *Phase II payments shall be supplemented each year for tobacco growers and quota owners so that the total amount available for payment is maintained at one hundred fourteen million dollars (\$114,000,000) each year. If the Phase II supplement set aside referred to in subsection (1) of this section falls below the amount needed to reach the one hundred fourteen million dollar (\$114,000,000) level in any year before the end of the twelve (12) year Phase II funding program, procedures outlined in subsection (3) of this section shall be followed.*
- (3) (a) *If the moneys set aside for Phase II supplement before June 30, 2000, become insufficient to continue to meet the yearly one hundred fourteen million dollar (\$114,000,000) funding level, moneys needed to supplement Phase II funding to maintain funding at the 1999 level of one hundred fourteen million dollars (\$114,000,000) per year for each of the remaining eleven (11) years of the Phase II funding program shall continue to be provided to the Phase II set aside from funds received in the tobacco settlement agreement fund after June 30, 2000. As Master Settlement Agreement funding becomes available after June 30, 2000, for calendar year 2001 and each year thereafter for the life of the Phase II payment program, the moneys needed for the Phase II supplement to assure availability of the one hundred fourteen million dollar (\$114,000,000) funding level for that year shall be taken from the agricultural development fund. When a determination is made that funds are needed, funds shall be taken from the agricultural development fund before any other distributions are made following the next master settlement payment in April of each year. On the last year of distribution of the Phase II supplement funds, any excess funds beyond those needed to reach the one hundred fourteen million dollar (\$114,000,000) level shall be returned to the agricultural development fund.*
- (b) *Notwithstanding the provisions of paragraph (a) of this subsection, if the moneys required to supplement the Phase II funding at the one hundred fourteen million dollar (\$114,000,000) level are less than twenty million dollars (\$20,000,000) in a year, the amount shall be deferred to a later year until at least a deficit of twenty million dollars (\$20,000,000) is achieved before supplement payments are made.*
- (4) *The Tobacco Settlement Trust Corporation created in House Bill 96 of the 2000 Regular Session of the General Assembly shall provide for distribution of the Phase II supplement funds. The corporation shall use the same formula and process for distribution of the Phase II supplement funds as it uses for distributions under the regular Phase II payment*

program, except that the corporation shall send the list of supplement payment recipients to the Revenue Cabinet rather than to the trustee of the National Tobacco Grower Settlement Trust. The Revenue Cabinet shall process the information and issue the checks at no charge to the Agricultural Development Board. The Phase II supplement funds shall be identified as supplement funds when distributed to tobacco growers and quota owners.

SECTION 4. A NEW SECTION OF KRS CHAPTER 248 IS CREATED TO READ AS FOLLOWS:

- (1) *The Agricultural Development Board is created as a political subdivision of the Commonwealth to perform essential governmental and public functions by administering funds to provide economic assistance to the agriculture community of the Commonwealth. The board shall be a public agency within the meaning of KRS 61.805, 61.870, and other applicable statutes.*
- (2) *The board shall consist of fifteen (15) members as follows:*
 - (a) *Four (4) voting members or their designees, as follows:*
 1. *The Governor of the Commonwealth of Kentucky, who shall serve as chair;*
 2. *The Commissioner of the Kentucky Department of Agriculture, who shall serve as vice chair and shall serve as chair in the absence of the Governor;*
 3. *The secretary of the Cabinet for Economic Development; and*
 4. *The director of the Cooperative Extension Service; and*
 - (b) *Eleven (11) voting members appointed by the Governor, who shall be geographically distributed throughout the state and subject to confirmation by the House of Representatives and Senate as provided in KRS 11.160(2). The members shall be as follows:*
 1. *Seven (7) active farmers, at least four (4) of whom shall be from counties that are substantially tobacco-impacted, as determined by a formula that includes tobacco income as a percentage of total personal income in the county, and at least two (2) of whom shall have experience in agricultural diversification;*
 2. *One (1) representative of the Kentucky Farm Bureau;*
 3. *One (1) representative of the Kentucky Chamber of Commerce, who shall be an agribusiness person;*
 4. *One (1) attorney with farm experience and familiarity with agricultural policy; and*
 5. *One (1) agricultural lender.*
- (3) *The members appointed under subsection (2)(b)2. and 3. of this section shall be chosen from a list of three (3) nominees submitted to the Governor by each of the respective organizations.*
- (4) *Consideration shall be given to racial and gender equity in the appointment of board members.*
- (5) *The majority of the voting members shall be active farmers.*

- (6) *Members of the board shall be reimbursed for expenses incurred in the performance of their duties.*
- (7) *Except as provided in paragraphs (a) to (d) of this subsection, the terms of the members appointed by the Governor shall be for four (4) years and until their successors are appointed and confirmed. A vacancy on the board shall be filled for the remainder of the unexpired term in the same manner as the original appointment. Members may be reappointed. The initial appointments shall be for staggered terms, as follows:*
 - (a) *Two (2) members shall be appointed for one (1) year;*
 - (b) *Three (3) members shall be appointed for two (2) years;*
 - (c) *Three (3) members shall be appointed for three (3) years; and (d) Three (3) members shall be appointed for four (4) years.*
- (8) *The Governor shall convene the first meeting of the board by August 1, 2000.*
- (9) *The board shall meet monthly, or at the call of the chair or a majority of the voting members.*
- (10) *A quorum of the board shall consist of eight (8) voting members. A majority of the voting members present may act upon matters before the board.*
- (11) *The board shall be attached to the Office of the Governor for administrative purposes.*

SECTION 5. A NEW SECTION OF KRS CHAPTER 248 IS CREATED TO READ AS FOLLOWS:

The board's duties shall include, but not be limited to:

- (1) *Administering the agricultural development fund, except as provided in subsection (2) of Section 9 of this Act;*
- (2) *Receiving requests and applications for funds and authorizing the distribution of funds. The board may receive applications from institutions of public postsecondary education for financial and technical assistance in conducting alternative crop development research. The board shall assist the applicants in obtaining any necessary federal permits that may be required to conduct alternative crop research. A recipient institution shall report the status and progress of the alternative crop development research to the board, the Interim Joint Committee on Agriculture and Natural Resources, and the Tobacco Settlement Agreement Fund Oversight Committee. The board shall promulgate administrative regulations relating to growing and researching alternative crops at the selected postsecondary institution, and shall adopt any applicable federal regulations;*
- (3) *Developing guidelines and criteria for eligibility for and disbursement of funds, the types of direct and indirect economic assistance to be awarded, and procedures for applying for funds and reviewing applications for assistance;*
- (4) *Ensuring that each county agricultural development council's plans and county recommendations and applications receive major consideration in decisions on use of a county's funds;*
- (5) *Completing a comprehensive plan:*
 - (a) *The comprehensive plan shall propose short-term and long-term goals, strategies, and investments in Kentucky agriculture that will assist farmers in remaining competitive*

in existing and new enterprises. The comprehensive plan shall identify a diversified mix of enterprises that are profitable to farmers and shall determine the investments necessary to support the viability of those enterprises. The plan shall be reviewed by the General Assembly and the subcommittee created in Section 12 of this Act. The subcommittee may issue comment on the plan. However, the board may act without General Assembly approval;

- (b) As soon as possible following enactment of Sections 1 to 14 of this Act, a plan of action shall be devised to meet the immediate needs of the Commonwealth's farmers and tobacco impacted communities most adversely affected by tobacco losses. A set of priorities shall be established in the plan of action to implement and fund programs to meet those needs as soon as practical; and*
- (c) Notwithstanding the provisions of House Bill 583 passed by the 2000 Regular Session of the General Assembly, immediate funding needs may be addressed and funded before a comprehensive or strategic plan is completed. Proposals from an applicant may be approved by the board if they meet the criteria established in Section 7 of this Act;*
- (6) Preparing a biennial budget request in accordance with KRS Chapter 48;*
- (7) Working with other governmental agencies to maximize the financial and economic impact that the programs implemented by the board will have and to maximize receipt of federal and other funds to the agriculture community in the Commonwealth;*
- (8) Promulgating administrative regulations relating to carrying out the purposes of Sections 1 to 14 of this Act;*
- (9) Hiring a director to carry out the will of the board;*
- (10) Ensuring the necessary mechanisms are in place for the committees created by Section 8 of this Act to function effectively;*
- (11) Contracting with other persons or entities if necessary to effectuate the board's purposes and functions;*
- (12) Enacting bylaws concerning the conduct of the board's business and other administrative procedures as the board deems necessary;*
- (13) Developing criteria to evaluate the success of the board's programs and expenditures to applicants. The criteria shall be simple, easily measured, and easily understood. Criteria should include number of families farming, increases in farm income attributable to state programs, the number of diversified operations, and the number of different types of diversified efforts within a county, including the efforts that have failed;*
- (14) Providing reports of each meeting, along with expenditures approved or denied, within thirty (30) days of the meeting, to the Tobacco Settlement Agreement Fund Oversight Committee created by Section 12 of this Act. These reports shall contain detailed information relating to each expenditure by the board and detailed information on each application for funding a project or initiative by the board and decision by the board regarding each proposal, except information that may violate confidentiality. This information shall be provided by electronic format as prescribed by the Legislative Research Commission;*

- (15) *Submitting an annual written report to the Governor, the Commissioner of Agriculture, the Tobacco Settlement Agreement Fund Oversight Committee, and the Legislative Research Commission regarding the administrative, financial, and programmatic activities of the board; and*
- (16) *Making recommendations to the General Assembly through the Legislative Research Commission on possible adjustments to the funding formula for county allocations and the percent allocated to counties as provided in Section 2 of this Act.*

SECTION 6. A NEW SECTION OF KRS CHAPTER 248 IS CREATED TO READ AS FOLLOWS:

- (1) *Criteria to be used in considering applications for state funds shall include, but not be limited to:*
 - (a) *Assistance to tobacco farmers and communities in counties most affected by the loss in tobacco income;*
 - (b) *Assistance to communities most dependent on agriculture;*
 - (c) *Enhancement and promotion of agriculture in the Commonwealth;*
 - (d) *Merits of the proposal in the application;*
 - (e) *Compatibility with state and local agriculture-related comprehensive plans;*
 - (f) *Documentation of measures likely to ensure soundness of the proposal such as cash flow, security, market evaluation, and infrastructure considerations;*
 - (g) *Promotion of diversification;*
 - (h) *Regional orientation;*
 - (i) *Cooperation among entities involved in the project and application process; and (j) Effect on the economic viability of family farms.*
- (2) *Uses and restrictions on the funds in the counties account shall include, but not be limited to, the following:*
 - (a) *Funds may be used for deferred, no-interest, or low-interest venture capital loans to enhance farms' revenues by initiating:*
 - 1. *Current farming techniques or practices improvements; or*
 - 2. *New farming ventures on the farm;*
 - (b) *Funds used for loans shall be administered through a duly licensed or chartered financial institution organized and regulated:*
 - 1. *Under the laws of this state in accordance with KRS Chapter 287; or*
 - 2. *Created by Congress and organized and regulated in accordance with provisions of federal law;*
 - (c) *Terms of the loans may include a limit on deferral of payment of interest or principal to five (5) years, and a limit on the interest rates. Repaid loans and interest shall be credited to the appropriate county's allocation within the counties account; (d) Funds may be used as grants for local agricultural economic development projects;*

- (e) *Funds may be used as grants for water line extension to farms or for a fifty percent (50%) match for water improvements on farms;*
 - (f) *Funds may be used for programs to assist farmers in transitioning from one type of farming to another or from farming to another vocation;*
 - (g) *Local governments may apply for funds to clean up environmental problems created by a farm failure where there is no reasonable prospect that the problem will be cleaned up by a private individual or entity;*
 - (h) *Eligibility for funds in this subsection shall require that:*
 - 1. *Tobacco farmers be given priority;*
 - 2. *Applicants have sufficient equity to assure a reasonable chance of success of the action proposed for funding;*
 - 3. *Small farmers have as equal access to the funds as large farmers; and*
 - 4. *Consideration be given to what percent of a county's allocation of moneys an applicant is requesting; and*
 - (i) *Counties may use their funds for multicounty or regional projects. They may also use their funds to maximize state or federal matching fund programs.*
- (3) *In administering the fund under subsection (1) of Section 5 of this Act, the board shall be governed by the following principles:*
- (a) *Individuals, groups, educational institutions, governmental entities, cooperatives, and other agriculturally related entities are eligible to receive moneys from the fund; and*
 - (b) *The board shall receive five hundred thousand dollars (\$500,000) for administrative costs in fiscal year 2001 and six hundred thousand dollars (\$600,000) in fiscal year 2002. These amounts shall include any costs necessary to offset administrative expenses incurred by the county cooperative extension service offices for providing administrative support to the agricultural development councils as provided in Section 11 of this Act.*
- (4) *If the state board recommends that an application not be approved or that it be changed, the applicant may take the application before the oversight subcommittee created in Section 12 of this Act for discussion and possible resolution of differences.*

SECTION 7. A NEW SECTION OF KRS CHAPTER 248 IS CREATED TO READ AS FOLLOWS:

Notwithstanding the provisions of Section 2 of House Bill 583, passed in the 2000 Regular Session of the General Assembly, county allocations may be used for projects before the completion of a comprehensive plan or strategic plan as determined by the board or if they fall under the conditions described in subsection (5)(b) or (c) of Section 5 of this Act, or meet the criteria in subsection (2) of Section 6 of this Act.

SECTION 8. A NEW SECTION OF KRS CHAPTER 248 IS CREATED TO READ AS FOLLOWS:

- (1) *The board shall create committees, including, but not limited to:*
 - (a) *Access to Capital Committee;*

- (b) *Environmental Cost Share Committee;*
 - (c) *Marketing and Entrepreneurship Committee;*
 - (d) *Technology, Infrastructure, and Training Committee;*
 - (e) *Farmland Preservation Committee; and*
 - (f) *Technical Issues Advisory Committee.*
- (2) *Each committee shall be composed of board members knowledgeable about the programs being overseen by that committee.*
- (3) *The committees shall assist the board in developing programs and criteria for programs to be considered by the board and may utilize nonboard members with expertise in the jurisdictional area of the committee for assistance. The committees shall make recommendations to the board, and the board shall determine which programs are to be overseen and implemented by the committees. The board shall determine which individual projects in each program are approved.*

SECTION 9. A NEW SECTION OF KRS CHAPTER 248 IS CREATED TO READ AS FOLLOWS:

Programs that shall be created by the board and overseen and implemented by the board or committees include:

- (1) *Programs that receive direct funding from the board:*
- (a) *A Farm Market Development and Infrastructure Program to develop regional, integrated farm markets, and regional or community capital projects. The board may authorize moneys to the Department of Agriculture for each year of the biennium to be used for agriculture market development and infrastructure; and*
 - (b) *An Agricultural Entrepreneurship Program overseen by the board to support small farm agricultural diversification through technical assistance, business mentoring, and financial incentives.*
- (2) *Programs that receive direct authorization for moneys from the agricultural development fund by the General Assembly may include, but not be limited to:*
- (a) *An Environmental Stewardship Program to provide cost-share assistance to farmland owners for compliance with the state agriculture water quality plan and other environmental compliance requirements; and*
 - (b) *A Rural Water Line Extension Program to provide municipal water in areas of high agricultural activity or need. Priority shall be given to the tobacco-impacted communities most adversely affected by tobacco losses. The General Assembly shall authorize the issuance of bonds through the Kentucky Infrastructure Authority for this program.*
- (3) *The board may create and fund other agricultural assistance programs in addition to those created under subsection (1) of this section, including an environmental cleanup program for cost-share assistance to tobacco warehouse operators for demolition and abatement of environmental hazards associated with tobacco warehouse structures.*

SECTION 10. A NEW SECTION OF KRS CHAPTER 248 IS CREATED TO READ AS FOLLOWS:

The board is authorized to establish a Center for Entrepreneurship to operate under the Agricultural Entrepreneurship Program provided in subsection (1)(b) of Section 9 of this Act. The duties of the center shall include:

- (1) Primarily identifying and coordinating with existing agencies in order to develop and deliver entrepreneurial assistance. The center shall be primarily a clearinghouse requiring little or no capital construction;*
- (2) Assisting local individuals and entities and regional and statewide entities in developing and carrying out entrepreneurial efforts relating to agriculture; and*
- (3) Advising the Agricultural Development Board on the fiscal soundness and other aspects of entrepreneurial proposals.*

SECTION 11. A NEW SECTION OF KRS CHAPTER 248 IS CREATED TO READ AS FOLLOWS:

- (1) Each county shall establish an agricultural development council to evaluate the needs of the local agricultural economy and to devise a plan for the county that would identify programs best suited for the agricultural development of the county. The council shall assist prospective applicants in the council's county in obtaining moneys from the agricultural development fund. Consideration shall be given to racial and gender equity in the appointment of council members. Each council shall consist of eight (8) members as follows:
 - (a) Two (2) farmers selected by the Farm Service Agency county committee;*
 - (b) Two (2) members selected by the board or boards of the soil conservation district or districts serving the county;*
 - (c) Two (2) members selected by the county extension council, one (1) of whom shall have experience in agricultural diversification; and*
 - (d) Two (2) young farmers between the ages of twenty-one (21) and forty (40), selected by the six (6) members in paragraphs (a) to (c) of this subsection.**
- (2) Members of the councils shall be initially appointed by August 1, 2000. These members shall serve until June 30, 2002. On July 1, 2002, and every two (2) years thereafter, members shall be appointed for two (2) year terms.*
- (3) Each council shall be attached to the county cooperative extension service for administrative support.*
- (4) Each council shall receive guidance and assistance from the board as the council devises plans and assists applicants as provided in subsection (1) of this section.*
- (5) Councils shall make applicants aware of criteria for projects set out in Section 6 of this Act.*
- (6) Councils shall be responsible for developing local strategies for enhancing agricultural opportunities and assisting local farmers.*
- (7) Each council shall utilize the resources of the Agricultural Entrepreneurship Program created in Section 9 of this Act, the Kentucky Small Business Development Center Network, and the Kentucky Department of Agriculture for assistance and support in aiding prospective applicants in obtaining moneys from the fund.*

- (8) *Each county council shall provide its plan to the board. If the state board recommends changes in the county plan that the council does not agree with, the council may take the plan before the subcommittee created in Section 12 of this Act for discussion and possible resolution of differences.*

SECTION 12. A NEW SECTION OF KRS CHAPTER 248 IS CREATED TO READ AS FOLLOWS:

- (1) *There is created a permanent subcommittee of the Legislative Research Commission to be known as the Tobacco Settlement Agreement Fund Oversight Committee. The subcommittee shall be composed of twelve (12) members and shall include six (6) members of the House of Representatives and six (6) members of the Senate. The subcommittee shall include members of the minority party as nearly proportional to their membership in the General Assembly as mathematically possible. The Legislative Research Commission shall appoint, from the membership of each house of the General Assembly, the members of the subcommittee for terms of two (2) years. The appointed members shall elect one (1) of their number to serve as chair. Any vacancy that may occur in the membership of the subcommittee shall be filled by the Legislative Research Commission at its next regularly scheduled meeting after the vacancy occurs.*
- (2) *The subcommittee shall meet monthly, or at the call of the chair. The members of the subcommittee shall be compensated for attending meetings as provided in KRS 7.090(3) and 7.110(5).*
- (3) *A quorum of the subcommittee shall consist of seven (7) members. A majority of the members present may act upon matters before the subcommittee.*
- (4) *Any professional, clerical, or other employees required by the subcommittee shall be provided in accordance with KRS 7.090(4) and (5).*
- (5) (a) *Subsections (6) to (10) of this section shall apply only to the expenditures from and projects under the agricultural development fund;*
(b) *Subsection (11) shall apply to all expenditures under the tobacco settlement agreement fund created in KRS 248.654; and*
(c) *Subsection (12) shall apply to expenditures from the Early Childhood Development fund and the Kentucky Health Care Improvement fund created in House Bill 583 of this 2000 Regular Session.*
- (6) *The subcommittee shall review each project being submitted to the Agricultural Development Board. In reviewing the projects, the subcommittee shall determine whether the criteria or requirements required by Sections 1 to 14 of this Act have been met and whether any other relevant requirements have been met.*
- (7) (a) *If the subcommittee determines that any of the criteria or requirements required by Sections 1 to 14 of this Act, except as provided in subsection (5) of this section, have not been met, the subcommittee may, by majority vote, recommend to the board in writing that a project not be approved.*
(b) *If the subcommittee determines that all relevant criteria were met for proposals not approved by the board, the subcommittee may, by majority vote, recommend to the board in writing that the project be approved.*

- (c) *The reasons for recommending that a project be approved or not approved shall be stated in correspondence from the subcommittee, which shall be issued within thirty (30) days of action of the subcommittee.*
- (8) *If the board proceeds with approval of a project under the agricultural development fund that the subcommittee has recommended in writing not be approved, or refuses to approve a project that the subcommittee has recommended in writing be approved, the board shall provide a written explanation to the subcommittee as to why the board took that action on the project. The written explanation shall be sent within thirty (30) days of receiving the subcommittee's notification.*
- (9) *The subcommittee shall also hear cases that arise under subsection (8) of Section 11 and subsection (4) of Section 6 of this Act. In these cases the subcommittee shall provide a forum for discussion and possible resolution of differences between the board and the affected party. If the differences are not resolved, the subcommittee may, by majority vote, recommend to the board in writing a course of action.*
- (10) *The subcommittee shall maintain records of its findings and determinations. The records shall be transmitted to the appropriate interim joint committees of the Legislative Research Commission within thirty (30) days of making any determination.*
- (11) *The subcommittee shall issue an annual written report to the Legislative Research Commission regarding the findings of the subcommittee.*
- (12) *All expenditures under the Early Childhood Development fund and the Kentucky Health Care Improvement fund created in House Bill 583 of the 2000 Regular Session of the General Assembly shall be reported to the subcommittee. The expenditures shall be submitted in an electronic format in a manner approved by the Legislative Research Commission in order for the Commission to have a repository of information in Master Settlement Agreement funding expenditures.*

SECTION 13. A NEW SECTION OF KRS CHAPTER 248 IS CREATED TO READ AS FOLLOWS:

The Kentucky Department of Agriculture may provide technical assistance to local individuals and entities, county rural development advisory councils, and regional entities in developing proposals and in implementing proposals approved by the Agricultural Development Board.

SECTION 14. A NEW SECTION OF KRS CHAPTER 248 IS CREATED TO READ AS FOLLOWS:

- (1) *Those agencies and educational institutions that receive agriculturally related funding under the provisions of Sections 1 to 14 of this Act, and those that receive state funding relating to assisting agriculture and farmers in this state shall devote efforts to revitalization and diversification of tobacco farms.*
- (2) *Each agency or institution in subsection (1) of this section shall issue a semiannual report on the details of the efforts it is carrying out to revitalize and diversify tobacco farms. The report shall include details of successes that have been achieved and shall be provided to the subcommittee created in Section 12 of this Act.*

Section 15. KRS 12.023 is amended to read as follows:

The following organizational units and administrative bodies shall be attached to the Office of the Governor:

- (1) Council on Postsecondary Education;
- (2) Department of Military Affairs;
- (3) Department for Local Government;
- (4) Kentucky Commission on Human Rights;
- (5) Kentucky Commission on Women;
- (6) Kentucky Commission on Military Affairs;
- (7) Coal Marketing and Export Council;
- (8) Governor's Office of Child Abuse and Domestic Violence Services;
- (9) Office of the Chief Information Officer;~~{ and }~~
- (10) Office of Coal Marketing and Export; *and*
- (11) ***Agricultural Development Board.***

Section 16. As used in subsection (2) of Section 1 of this Act, "agricultural development fund" means the "rural development fund" created in House Bill 583 of this 2000 Regular Session, or a fund created in other legislation of this 2000 Regular Session to receive moneys for agriculture in the tobacco settlement agreement fund established by KRS 248.654. In codifying subsection (2) of Section 1 of this Act, the Reviser of Statutes may substitute the relevant KRS section number for the phrase "Act of the 2000 Regular Session" in that subsection.

Section 17. Whereas it is important to establish the administrative functions of this Act as soon as possible, an emergency is declared to exist, and this Act takes effect upon its passage and approval by the Governor or upon its otherwise becoming a law.

Approved April 26, 2000