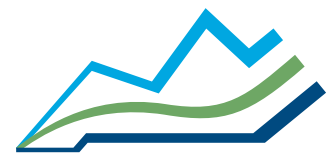


APRIL 2011



Kentucky Chamber
Uniting Business. Advancing Kentucky.

BUSINESS SUMMIT AND ANNUAL MEETING

Journalist James Fallows to explain “Why the Future of Clean Energy is Dirty Coal”

THE NATION’S COAL INDUSTRY has been under fire for years. Some opponents, including environmental groups who cite coal mining’s dangers and environmental impact, even call for the ban of coal mining altogether. But James Fallows, a veteran journalist, says “there isn’t an energy equation that you can think of that doesn’t involve using a significant amount of coal.”

“We have to use coal, but we just have to find ways to use it better,” says Fallows, a keynote presenter for the 2011 Kentucky Chamber Business Summit and Annual Meeting, presented by Greenebaum Doll and McDonald. “The way to maintain and preserve and protect a lot of things that matter in Kentucky and the rest of the U.S. is to face the problems that increased coal use will bring and deal with them ahead of time.”

Fallows’ recently published article in *The Atlantic*, “Why the Future of Clean Energy is Dirty Coal,” details how the Chinese are



leading the way in developing clean coal technologies.

“The two ideas that underlie the term ‘clean coal’ are taken with complete seriousness by businesses, scientists, and government officials

in China and America and are the basis of the most extensive cooperation now under way between the countries on climate issues,” Fallows wrote in *The Atlantic*. “One is that coal can be used in less damaging, more sustainable ways than it is now. The other is that it must be used in those ways, because there is no plausible other way to meet what will be, absent an economic or social cataclysm, the world’s unavoidable energy demands.”

ABOUT JAMES FALLOWS

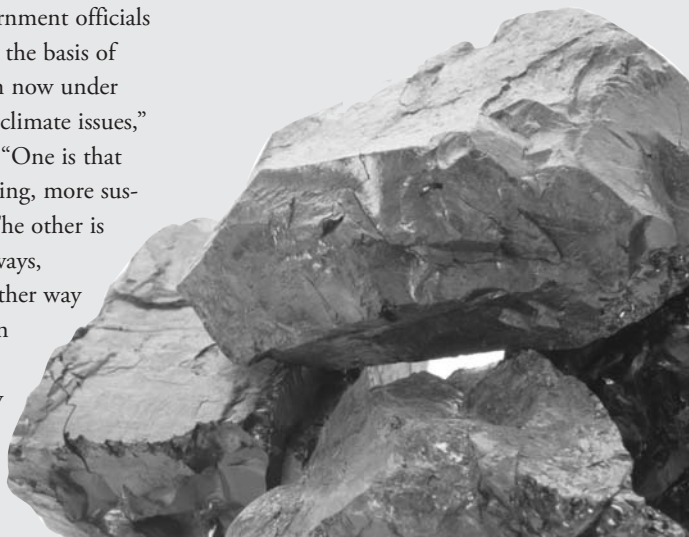
JAMES FALLOWS is a national correspondent for *The Atlantic Monthly* and has worked for the magazine for more than 25 years.



Fallows grew up in Redlands, Calif. and then attended Harvard. He has been an editor of *The Washington Monthly* and of *Texas Monthly*, and from 1977 to 1979 he served as President Jimmy Carter’s chief speechwriter. His first book, *National Defense*, won the American Book Award in 1981; he has written seven others.

Fallows, who recently spoke to Chamber staffers about his Business Summit and Annual Meeting presentation, lived in China for five years and during that time visited Chinese mines, and interviewed scientists on the cutting edge of clean coal research.

CONTINUED ON PAGE 10



Foundation to provide executive training for school principals

KENTUCKY SCHOOL PRINCIPALS will receive executive-level leadership training through an institute being created and funded by the state’s business community through the Kentucky Chamber Foundation.

Pilot classes of the Leadership Institute for School Principals will begin this summer for principals (two groups of 24 each) who will participate in sessions at the nationally recognized Center for Creative Leadership (CCL) in Greensboro, N.C., and follow-up sessions in the fall and early next year in Kentucky. CCL is a top-ranked global provider of executive education founded in 1970 that established an education and nonprofit section in 1988. Numerous Kentucky corporations use CCL to provide training for their executives.

The institute, which has the support of the AT&T Foundation, is available to Kentucky principals who have at least one year of experience working at any school level. Both public- and private-school principals may apply.

Principals selected for the program will attend at no cost to themselves. Tuition and hotel costs will be paid by the Kentucky Chamber Foundation, and each participant will receive a stipend to cover travel and meals.

“After reviewing many possible ways we could support improvements in education, we believe leadership training is the most appropriate focus of our efforts,” said Kentucky Chamber President and CEO Dave Adkisson.



The Leadership Institute for School Principals has the support of the AT&T Foundation. AT&T Kentucky President Mary Pat Regan and Kentucky Chamber Chairwoman Deb Moessner met in March to discuss the launch of the program.

“Employers understand the positive impact of strong leadership in the workplace, and the same is true of schools. That’s why we think it is important that Kentucky principals be given executive-level training similar to that provided for corporate leaders.”

To find out if a principal in your area was selected to attend the Leadership Institute for School Principals, visit www.kychamber.com/leadershipinstitute. To support a principal from your community, contact Allyson-Hamilton McIntire at 502-848-8734 or amcintire@kychamber.com.

2011 KENTUCKY GENERAL ASSEMBLY

Prisons bill shows right way to craft good legislation

WITH YET ANOTHER legislative session ending in a House-Senate stalemate, prompting another special session, it is important to remember that the 2011 Kentucky General Assembly did pass one very significant bill: the Public Safety and Offender Accountability Act, a.k.a. the prison reform bill.

This new law will save Kentuckians tens of millions of dollars in prison costs – money that would be far better spent on our schools and other important programs. At the same time, the bill will also protect the public and provide treatment for offenders whose drug addiction spurs their criminal behavior.

The process that was used to develop the new law is as noteworthy as what the law does – particularly in these times of

political name-calling. A task force (comprised of Democrats and Republicans representing the legislative, executive and judicial branches, including representatives from local government and prosecuting and defense attorneys) based its decisions on data reflecting Kentucky’s actual experiences with prison population growth and corrections spending increases.

This task force, created by the 2010 General Assembly, worked for months with the assistance of the Pew Center on the States to look closely at what factors were driving the increases and to propose changes to the system that would get spending under control. Throughout the process, people with varying points of view – victims’ advocates, public defenders, business leaders, law enforcement agencies and others – were given an opportunity to comment on what was being considered.

The resulting legislation, passed overwhelmingly by both the House of Representatives and the Senate and signed into law by Gov. Steve Beshear,

CONTINUED ON PAGE 11

2011 Results for Business

PRO-BIZ



NO-BIZ



PASSED



FAILED

PAGE 5



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Leaky Bucket gaining national attention as more states experience budget trouble

THE LEAKY BUCKET, a report on state government spending published by the Kentucky Chamber in 2009, has recently received national attention as a reaction to state government shortfalls not only in Kentucky, but also in states like Wisconsin and California.

The report first received national attention when Kentucky Chamber President and CEO Dave Adkisson highlighted the report in an interview with Gwen Ifill on PBS NewsHour in February. He appeared on the nightly news program to discuss President Barack Obama's address to the U.S. Chamber of Commerce.

During a recent U.S. Chamber panel discussion in Orlando, Fla., Adkisson made a presentation on how other states can use The Leaky Bucket as a template when addressing their own budget deficits.

"After my presentation, the other panelists said every state needs a Leaky Bucket. Everyone wanted a copy. I brought five; needed 50," said Adkisson. "It created a lot of buzz as a template for other states to deal with budget issues."

Adkisson was later asked to discuss The Leaky Bucket for an upcoming piece in The Economist, a weekly publication focusing on international politics and business news and opinion. He explained that the project began as a way to change the dialogue in Kentucky from "tax reform" to "spending reform."

"It was the Chamber's hope that a change in dialogue would encourage lawmakers to enact legislation that would lead to more responsible spending in the areas of corrections, public employee health benefits and Medicaid, ultimately leaving more tax dollars available for education."

Ultimately, Adkisson told The Economist, the message resonated with business leaders and legislators of both parties. "It helped us convey a message to legislators that was more compelling than a typical fiscal note on a bill."

The Pew Center on the States, a national think-tank and resource center for state policy makers, continues to refer to The Leaky Bucket as a model for other states dealing with deficits.

The Chamber will inform its members when the piece has been published in The Economist. A progress report on The Leaky Bucket is planned to be released this summer.

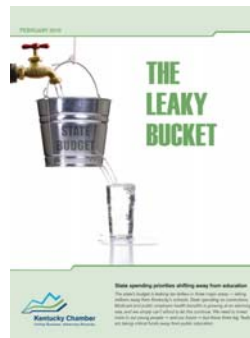


Photo by Jill Pickett/The News-Enterprise, Elizabethtown Kentucky Chamber President and CEO Dave Adkisson speaks during the launch of the Hardin County Chamber of Commerce on March 10.

Local chamber merger produces one of the largest business organizations in Kentucky

IN EARLY MARCH, local chambers of commerce in Elizabethtown, Radcliff, Vine Grove and West Point, Kentucky, merged to form the Hardin County Chamber of Commerce.

Kentucky Chamber President and CEO Dave Adkisson spoke during the launch of the Hardin County Chamber, saying that it was a "major step forward for the county." He added that the newly formed chamber will play a larger role in public policy issues and will be well-suited to emerge as an advocate for business on a statewide scale.

Gov. Steve Beshear also spoke during the launch of what is now one of the largest business organizations in the state. Beshear told the News-Enterprise in Elizabethtown that he was "inspired by the collective spirit and the way in which the Hardin County community bought into the concept."

This local chamber merger is one of several that's taken place in Kentucky in recent years, signaling a move from a local to a regional approach to chambers of commerce. The Greater Muhlenberg Chamber of Commerce and the Southern Kentucky Chamber of Commerce are both recent examples of this trend.

Board nomination deadline nears

THE KENTUCKY CHAMBER is taking nominations for its 2012 board of directors. Business leaders will be considered from a cross-section of industries and regions in Kentucky. Nominations should contain name, title, organization, city and a brief statement of leadership activities. Send to ckeeton@kychamber.com or call Candy Keeton at 502-848-8741 for information. Nominations are due by May 25, 2011, for board seats beginning on Oct. 1.

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44 Chamber members recognized as Best Places to Work in Kentucky



DURING AN AWARDS ceremony presented by Fisher and Phillips, 44 members of the Kentucky Chamber* were named Best Places to Work in Kentucky, including both No. 1 companies: Software Information Systems (SIS) and Genentech.

The No. 1 company in the small/medium company category, Software Information Systems, is headquartered in Lexington, Ky. SIS's core competencies include, among other services, server and storage optimization, virtualization and network and data security. For more about SIS see page 32 of the Best Places to Work in Kentucky magazine (enclosed).

Genentech, the winner of the large company category, is located in Louisville, Ky. Considered the founder of the biotechnology industry, Genentech has been delivering on the promise of biotechnology for more than 30 years, using human genetic information to discover, develop, manufacture and commercialize medicines to treat patients with serious or life-threatening medical conditions. For more about Genentech see page 8 of the Best Places to Work in Kentucky magazine.

**Chamber members listed below in bold*

Small/Medium Company Rankings

1. **Software Information Systems, LLC**
2. **River Road Asset Management, LLC**
3. **Creative Lodging Solutions**
4. **MassMutual Financial Group:**
The Kentucky / West Virginia Agency
5. **Kentucky Employers' Mutual Insurance**
6. **Fowler Measle & Bell PLLC**
7. **Kingsbrook Lifecare Center**
8. **Connected Nation**
9. **Luckett & Farley**
10. **Traditional Bank, Inc.**
11. **Big Ass Fans**
12. **Sturgill, Turner, Barker & Moloney, PLLC**
13. **Air Hydro Power**
14. **Ward, Hocker & Thornton, PLLC**
15. **Jackson Purchase Medical Associates PSC**
16. **Mountjoy Chilton Medley LLP**
17. **Greater Louisville Inc.**
18. **Benefit Insurance Marketing**
19. **Bottom Line Systems, Inc.**
20. **Town & Country Bank and Trust Company**
21. **Dean Dorton Allen Ford***
22. **Sazerac Company**
23. **Fellon-McCord**
24. **Somerset Nursing And Rehabilitation Facility**
25. **Pikeville College**
26. **Martin County Health Care**

**Only Dean Dorton Ford, PSC employees were surveyed prior to merger*



Kentucky Chamber Vice President of Public Affairs Bryan Sunderland congratulates the Chamber members who were named Best Places to Work in Kentucky during a news conference at the Capitol Rotunda in Frankfort.

Large Company Rankings

1. **Genentech**
2. **Stoll Keenon Ogden PLLC**
3. **Edward Jones**
4. **Independence Bank**
5. **Trilogy Health Services, LLC**
6. **Booz Allen Hamilton, Inc.**
7. **Senior Care, Inc. - Support Center**
8. **Corning Incorporated**
9. **Stites & Harbison PLLC**
10. **Pikeville Medical Center**
11. **First Federal Savings Bank**
12. **Zappos Kentucky Family**
13. **Frankfort Regional Medical Center**
14. **Central Baptist Hospital**
15. **ISCO Industries, LLC**
16. **Kentucky Orthopedic Rehab Team (KORT)**
17. **Central Bank & Trust**
18. **Somerset Community College**
19. **ORR Corporation**
20. **Harrison Memorial Hospital**
21. **LendingTree Loans***
22. **National Patient Account Services**
23. **Ariva****
24. **KPMG LLP**
25. **Hosparus**
26. **Appriss Inc**
27. **Baptist Hospital East**
28. **Kindred Healthcare, Support Center**
29. **Hazard Community & Technical College**
30. **Crowe Horwath LLP**
31. **Simpson County Schools Board of Education**
32. **Hilliard Lyons**
33. **Neace Lukens**
34. **Employment Plus, Inc.**
35. **Wyatt, Tarrant & Combs, LLP**
36. **Sun Tan City**
37. **Heritage Bank**
38. **Stock Yards Bank**
39. **Lexington Clinic**

**surveyed as SurePoint Lending*

***surveyed as Domtar Distribution Group*

University of Kentucky professor receives grant to study Best Places to Work initiative

THE BEST PLACES to Work in Kentucky initiative will be the subject of a research project by University of Kentucky Professor Brian Dineen, who was recently awarded a \$96,000 grant from the Society for Human Resource Management Foundation. Dineen's project will study how being a Best Place to Work impacts a company's turnover rate and organizational outcome.

Dineen has been analyzing Best Places to Work data for several years and recently partnered with Peter Burke, president of Best Companies Group, to gather data from programs throughout the United States and Canada.

"Brian is launching a multi-year study which will help us better understand how programs like this impact important organization outcomes," said Lyle Hanna, president of Hanna Resource Group in Lexington. "Preliminary results of the Kentucky data study show reduced turnover and increased applicant-pool quality for those who make the list."

Jim Ford, vice president of business education for the Kentucky Chamber added, "This is great news and will add additional credibility to the Best Places to Work in Kentucky initiative."

Kentucky was the first state to work with the Best Companies Group to launch a state-wide Best Place to Work program. The successful launch of this program was accomplished through the efforts of Best Companies Group, the Kentucky Society for Human Resource Management and the Kentucky Chamber of Commerce.

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University of Louisville looks to Frankfort for investment in Kentucky's higher education

AT THE UNIVERSITY OF LOUISVILLE, we think of ourselves as an economic driver not only for Louisville but for the entire Commonwealth. It is imperative for policy makers and the business community to understand that higher education will aid the Commonwealth in a quicker economic recovery — now is the time to invest in our young people.

I would be remiss if I did not mention how clearly the Kentucky Chamber's *Leaky Bucket* details the problems we have in Kentucky when it comes to spending growth in certain areas and how monies spent on areas such as corrections, Medicaid and public employee benefits reduce the amount of money spent on education. I also know from my time as state budget director that it's not an easy fix. We are experiencing the worst economic downturn since World War II and it will be several years before Kentucky is able to replace the 100,000 jobs lost in the state since December 2007.

This environment has made it extremely hard for state policy makers to balance the budget, requiring state universities, along with other state agencies, to endure repeated budget cuts. As a matter of fact, the University of Louisville is in the midst of its 11th budget cut in 11 years.

We understand the Commonwealth's financial situation. In response, our faculty, staff, and administrators have rolled up our sleeves and recommitted ourselves to building on the incredible progress that has been made over the past decade despite our fiscal challenges. We have kicked off our largest fundraising campaign EVER. We have led the state in virtually every significant academic measure of progress by state institutions over the past 10 years. Those measures include increase in graduation rates, number of baccalaureate and doctoral degrees and increase in ACT scores of incoming freshman.

We know lawmakers recognize the value



By Jim Ramsey
president,
University of
Louisville

Our faculty, staff, and administrators have rolled up our sleeves and recommitted ourselves to building on the incredible progress that has been made over the past decade despite fiscal challenges.

of higher education and the importance it has on economic development for the entire Commonwealth. Given this, I am certain that as the state's economy slowly improves we will be able to look to Frankfort for additional investment in higher education. We also hope we will be able to look to you for help. In order to meet the mandate set forth in HB 1 of 1997, we need your commitment. WE CANNOT DO IT ALONE. Just in the city of Louisville, our colleges and universities have pledged to turn out 55,000 more graduates by 2020. Imagine what we need to accomplish as a state! To borrow a line from my friend Mayor Greg Fischer, "How many of these degrees are you going to be responsible for?"

Chamber staffers named to Leadership Kentucky class

BRYAN SUNDERLAND, vice president of public affairs for the Kentucky Chamber, and Ali Crain, executive director of the Kentucky Chamber of Commerce Executives, the professional society for chamber directors and staff, are among this year's Leadership Kentucky class.



Leadership Kentucky, created in 1984 as a non-profit educational organization, brings together a selected group of people that possess a broad variety of leadership abilities, career accomplishments, and volunteer activities to gain insight into complex issues facing the state.



Crain



Sunderland

Sunderland oversees a staff of advocates and consultants at the Chamber to promote a positive business climate in Kentucky. His major areas of focus are tax policy, economic development, health care policy and small business issues. He is involved in numerous civic and professional groups. He serves on the United Way of Kentucky Board of Directors and the Government Relations Advisory Board for the American Chamber of Commerce Executives.

Crain acts as a professional advisor to local chamber executives throughout Kentucky. She is a 2006 graduate of Institute for Organization Management and received her Accredited Chamber Executive designation in 2004. She currently serves as the secretary of the Richmond Area Arts Council and has participated in Leadership Madison County and Leadership Central Kentucky.

Japan/America Society of Kentucky joins Chamber at its headquarters

IN MARCH, the Kentucky Chamber was pleased to welcome a new partner, Japan/America Society of Kentucky (JASK), to its Frankfort headquarters. JASK has served the Japan/Kentucky business community since 1987. More than 140 Japanese companies in Kentucky bolster our automotive manufacturing industry, employing over 30,000 Kentuckians. Nearly 3,000 Japanese citizens currently make Kentucky their home. The partnership between JASK and the Kentucky Chamber allows both organizations to better meet the needs of a growing statewide international trade community. Learn more about JASK and its Tsunami Relief Fund at jask.org.

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Messy? You bet.

Some progress made but several key measures left unresolved

LEGISLATIVE SESSIONS ARE USUALLY MESSY, and this year was no exception. Before the first gavel fell, most observers predicted gubernatorial politics would cast a shadow on the session, and many predicted little would be accomplished. Despite this, the Kentucky Chamber approached the session with an aggressive agenda to advance Kentucky, and we were able to affect measurable progress in all five areas of the Chamber's strategic plan: improving the education attainment of Kentuckians at all levels, modernizing government, promoting wellness and healthy Kentuckians, preparing Kentucky to successfully compete in the global marketplace, and expanding Kentucky's role as an energy leader.

Significant legislation passed to address corrections reform, workplace wellness programs, health care taxes for business, and education management improvements. The legislature missed opportunities, however, to act on three pieces of legisla-

The legislature missed opportunities to act on three pieces of legislation that were critical to Kentucky's business climate.

tion that were critical to Kentucky's business climate: The Senate did not hear legislation to address the persistent dropout problem in Kentucky schools, and the House did not act on proposals filed to develop a more efficient tax code or to address Kentucky's \$28 billion unfunded pension liability. Rather than gathering around the table in search of a solution to these key issues, legislators stayed in their respective corners ... heels dug in deeply.

The greatest success of this legislative session was the passage of HB 463, legislation designed to reform Kentucky's overcrowded and financially unsustainable prison system.

The greatest success of this legislative session was the passage of HB 463, legislation designed to reform Kentucky's overcrowded and financially unsustainable prison system. This legislation addresses an area of exces-

sive spending identified by the Chamber's *Leaky Bucket* report in 2009. It will save the Commonwealth \$422 million over the next 10 years. At the same time, the bill will also protect the public and provide treatment for offenders whose drug addiction spurs their criminal behavior.

The most difficult issue addressed was how best to handle the \$166 million shortfall in the Medicaid budget. The governor and House of Representatives wanted to shift money from 2012 and fill the hole in next year's budget with projected savings raised from efficiencies; the Senate argued the only responsible way was to implement cuts across state government and replace those funds only if the savings could be realized.

The most difficult issue addressed was how best to handle the \$166 million shortfall in the Medicaid budget.

The Medicaid debate grew contentious and ended with a special session and several line-item vetoes by the governor. In the end, the shortfall was addressed by shifting money from

next year's Medicaid budget and spending it this year. If savings are not realized by managed care, there will be a significant budget problem next year.

All in all, progress was made in 2011, but there's still much work to be done.

All in all, progress was made in 2011, but there's still much work to be done. The Kentucky Chamber has already begun developing our business agenda for 2012 and will continue to work on these issues during the interim.

Dave Adkisson
President and CEO
Kentucky Chamber



The Kentucky Chamber lobbying team works in Frankfort year-round to improve your business' bottom line. From left, Charles George, Dave Adkisson, Allyson Hamilton-McIntire, Chad Harpole and Bryan Sunderland.

WORKING FOR YOU AT THE CAPITOL



PRO-BIZ

During the 2011 General Assembly, the Kentucky Chamber fought to influence passage of several business-friendly bills:

SB 12 improves accountability in schools by allowing superintendents to play a greater role in principal selection.



SB 114 authorizes health benefit plans to offer incentives to members who participate in a voluntary health plan wellness program.



SB 108 saves court costs for small businesses and the court system by raising jurisdictional limits.



HB 255 alleviates administrative burdens for business by aligning Kentucky's health insurance tax exclusion law with that of the federal tax law.



OUR MEMBERS SPEAK OUT

At the very least, SB 1 would have started an important discussion on how to create a more competitive and business-friendly tax code.

– John Chilton, Mountjoy Chilton Medley



NO-BIZ

The Chamber also successfully blocked legislation that was bad for business and bad for Kentucky:

SB 151 would have changed the makeup of Kentucky's Public Service Commission by electing commissioners which would politicize the process of reviewing rate cases and potentially raise energy rates.



SB 45 and HB 281 would have raised health care costs by making pseudoephedrine a prescription drug.



HB 3, SB 6 and HB 111 would have created a patchwork of state and local immigration laws, thus increasing the administrative burden for employers.



OUR MEMBERS SPEAK OUT

The proposal to elect Public Service Commissioners is a classic example of legislation that would have had serious unintended consequences for Kentucky and nearly all my clients. I commend the Chamber for being among the first to recognize the full scope of this legislation, and taking action to protect its members. The Chamber's opposition ultimately helped stop the bill before instability in Kentucky's utility rates could be created.

– Scott R. Smith, Senior Consultant, Smith Management Group



How did the 2011 Kentucky General Assembly impact your business?

PRO-BIZ Kentucky Chamber-supported, business friendly legislation.



NO-BIZ Kentucky Chamber-opposed legislation would negatively impact business.



PASSED Legislation enacted by both House and Senate; signed by governor.



FAILED Legislation not passed. Details in italics.



EDUCATION AND WORKFORCE DEVELOPMENT

Responsible principal selection

SB 12 improves accountability in schools by allowing superintendents to play a greater role in principal selection. Just as managers are held accountable for the performance of their employees in the business world, superintendents are accountable for the success or failure of schools. *Enacted into law.*

PRO-BIZ



PASSED

Raise the dropout age

HB 225 (and Special Session HB 2) would have phased in raising the mandatory school attendance age to 18, keeping students in school and working toward a diploma. *Passed the House, not considered by the Senate.*

PRO-BIZ



FAILED

Early graduation

SB 69 would have allowed students who meet specific academic criteria to graduate high school early and attend a public two-year or four-year postsecondary institution. *Passed the Senate, not considered by the House.*

PRO-BIZ



FAILED

Career pathways

SB 36 would have offered a career-based program of study for high school students, providing the business community with a more qualified workforce. *Not considered by the Senate.*

PRO-BIZ



FAILED

Charter schools

SB 3 and HB 103 would have authorized the establishment of charter schools in the state which could help areas with low-performing schools. *SB 3 passed the Senate, not considered by the House; HB 103 not considered by the House.*

PRO-BIZ



FAILED

Response to low-performing schools

HB 476 would have weakened the process used to turn around low-performing schools, impairing student learning. *Failed in the House Education Committee.*

NO-BIZ



FAILED



HEALTH AND WELLNESS

Chiropractic mandate

SB 75 would have increased health care costs, particularly on small business owners, by unbundling services and mandating higher payments to chiropractors. *Passed the Senate, not considered by the House.*

NO-BIZ



FAILED

False claims

SB 11 and HB 4 would have expanded the scope of employer liability by allowing whistleblowers to file lawsuits in the name of the state and claim a bounty from any proceeds recovered. *SB 11 passed the Senate, not considered by the House; HB 4 passed the House, not considered by the Senate.*

NO-BIZ



FAILED

Pseudoephedrine

SB 45 and HB 281 would have increased employee health care costs and employee absenteeism by requiring a doctor's prescription for common cold and allergy medications containing pseudoephedrine. *Not considered by the Senate.*

NO-BIZ



FAILED

Health plan wellness programs

SB 114 authorizes health benefit plans to offer incentives to members who participate in a voluntary wellness program. *Enacted into law.*

PRO-BIZ



PASSED



GOVERNMENT MODERNIZATION

Corrections reform

HB 463 addresses the high costs of the state's corrections system, which was identified by the Chamber's *Leaky Bucket* report. HB 463 has the potential to save our state over \$422 million in the next decade without taking a soft approach to crime. *Enacted into law.*

PRO-BIZ



PASSED

Jurisdictional limits

SB 108 raises the jurisdictional limits for the Small Claims Division of District Court from \$1,500 to \$2,500 and district court from \$4,000 to \$5,000. This bills enables businesses to recover modest claims in lower courts, saving both time and expense for small employers. *Enacted into law.*

PRO-BIZ



PASSED

State employee pensions

SB 2 would have established a 401(k)-type retirement system for all new state employees, legislators and judges beginning July 1, 2012. *Passed the Senate; not considered by the House.*

PRO-BIZ



FAILED



KENTUCKY COMPETITIVENESS

Lawsuit lending

HB 412 was a veiled attempt to regulate the litigation financing industry, and would have encouraged more litigation and done little to protect consumers. *Passed the House, not considered by the Senate.*



Workers' compensation

SB 104 would have made many changes to Kentucky's workers' compensation system by raising attorney fees, increasing the income for disability to 120% of average weekly wage, creating a new disability category (temporary partial), and increasing the employer liability for medical fees. *Not considered by the Senate.*



Immigration

HB 3 and SB 6 would have made several changes to Kentucky's immigration laws, influencing how businesses document foreign workers. HB 3 would have required any employer doing business with the state to use the federal E-Verify system. SB 6 dealt with the powers of law enforcement and created penalties for aiding or harboring illegal immigrants. *HB 3 passed the House; not considered by the Senate. SB 6 passed the Senate, not considered by the House.*



Tax reform

SB 1 would have created an independent panel of experts to recommend a new business-friendly tax code that supports growth and competitiveness. *Passed the Senate, not considered by the House.*



Business one-stop

SB 8 calls for the Kentucky Secretary of State to establish a "one-stop" electronic business portal to streamline information sharing among businesses and government agencies in the state. *Enacted into law.*



Health insurance tax exclusion

HB 255 allows state tax exclusions for health insurance premiums, most notably for adult children under the age of 27, which are excludable pursuant to the federal health care law. This legislation will both alleviate an administrative burden for Kentucky employers and lower the taxable wage base for employers. *Enacted into law.*



Interstate racing compact

SB 24 authorizes the state to join the Interstate Racing Compact, providing a leadership role for our signature horse industry to establish uniform racing and wagering rules. Kentucky is the first of six major racing states to join the compact. *Enacted into law.*



Economic development

HB 448 would have extended the Kentucky Investment Fund Act angel investor tax credit to individual investors, capping the credit at \$4 million. HB 462 would have expanded the Kentucky Reinvestment Act to include non-retail service or technology reinvestment projects and headquarters reinvestment companies that have at least 200 employees and make at least a \$2.5 million capital investment. *Not considered by the House.*



ENERGY AND ENVIRONMENT

Election of PSC officials

SB 151 would have changed the make-up of Kentucky's Public Service Commission by increasing the number of commissioners from three to seven and making them elected positions instead of appointed. This change would have threatened to de-stabilize the energy market and increase utility rates rather than decrease them. *Passed the Senate; passed as amended by the House; failed concurrence.*



Nuclear power ban

SB 34 would have lifted Kentucky's nuclear power moratorium in the state. *Passed the Senate, not considered by the House.*



Wastewater

SB 120 allows the Kentucky Energy and Environment Cabinet to pursue a regulatory change to create a certification program for laboratories that test for water quality issues and standards, minimizing business liability for falsified or incorrect data. *Enacted into law as an amendment to HB 385, another piece of energy legislation.*



Renewable energy mandate

HB 239 would have mandated the use of renewable energy resources for the purpose of generating electricity in Kentucky. While the Kentucky Chamber supports the development of alternative energy, the Chamber opposes mandating the use of renewable resources if it creates instability and rate increases in Kentucky's energy market. *Not considered by the House.*



Alternative energy incentives

HB 340 would have expanded on HB 1 passed in the 2007 special session by allowing incentives for companies that manufacture components for alternative fuels, energy storage and renewable energy manufacturing facilities. *Passed the House, not considered by the Senate.*



Coal ash proposal

HB 237 would have regulated coal ash in Kentucky and established specific guidelines and principals for its disposal and beneficial reuse. The Kentucky Chamber recently opposed similar efforts by the U.S. Environmental Protection Agency. *Not considered by the House.*





(LEFT) Gov. Steve Beshear signs the corrections reform bill (HB 463) into law. This Chamber-supported legislation will save Kentucky's business community \$7.2 million in the next year. (RIGHT) Sen. Gerald Neal confers with the Chamber's vice president of public affairs, Bryan Sunderland at the Capitol Annex.

Advocacy efforts generate savings for business community

YOU'VE GOT A BUSINESS TO RUN. Whether you're a small service business, a large manufacturer or somewhere in between, making it through uncertain economic times is taking all your energy and resources.

But if you think you're too busy for state politics or just have no reason to care, you're wrong. More than 70 percent of legislation that affects Kentucky businesses is passed at the state level, and that's too important to ignore. That's where your Chamber membership comes in.

During the 2011 General Assembly alone, the Chamber's advocacy efforts saved the Kentucky business community an estimated \$82.8 million per year (see chart for details).

OPPOSED HEALTH COVERAGE MANDATES

SB 75 would have increased health insurance costs by unbundling services and mandating higher payments for chiropractors. The actuary for the Kentucky Department of insurance estimated that this mandate would increase health insurance premiums by \$5.15 to \$6.20 per person per year, meaning a business with 50 employees would have to pay up to \$310 per year in additional health insurance costs.

SUPPORTED CORRECTIONS REFORM

HB 463 made a number of important changes in Kentucky's penal code to reduce the size of the state's prison population, which has been growing faster than any state in the nation. The bill reduces penalties for non-violent drug crimes and reinvests a portion of the savings from reduced prison costs in increased drug treatment and enhanced probation and parole efforts.

The total savings are estimated at \$42 million per year, with \$24 million annually reinvested, yielding net savings of \$18 million per year. Since Kentucky businesses contribute an estimated 40% of state tax revenue, the \$18 mil-

BY THE NUMBERS

| Legislation | Annual Savings to Ky. Business Community |
|---|--|
| Health insurance mandate defeated (SB 75) | \$1.7 to \$2.1 Million |
| Corrections reform passed (HB 463) | \$7.2 Million |
| Immigration legislation defeated (HB 3, SB 6) | \$16 million |
| Expanded sales tax defeated (HB 318) | \$57.5 Million |
| TOTAL SAVINGS | \$82.8 Million |

lion per year in corrections savings will save Kentucky businesses \$7.2 million per year, an average of \$77.42 per business per year (\$7.2 million divided by 93,000 total businesses in Kentucky).

OPPOSED IMMIGRATION LEGISLATION

HB 3 and SB 6 would have made several changes to Kentucky's immigration laws, influencing how businesses document foreign workers. HB 3 would have required firms doing business with the state to use the federal E-Verify system, while SB 6 dealt with the powers of law enforcement and created new state penalties for aiding or harboring illegal immigrants. The annual cost of these new penalties, taking into account savings in reduced social services provided to illegal immigrants, was estimated by the Legislative Research Commission at approximately \$40

million per year. Since Kentucky businesses contribute an estimated 40% of state tax revenue, the \$40 million per year in new corrections spending would have cost Kentucky businesses \$16 million per year, an average of \$172 per business per year (\$16 million divided by 93,000 total businesses in Kentucky).

OPPOSED TAX LEGISLATION

HB 318 would have made a number of substantial changes in Kentucky's tax code. In addition to raising the cigarette tax by 50 cents per pack, increasing individual income tax rates for higher incomes and phasing out the tax exemption (up to \$41,110) for public and private pensions, the key provision impacting Kentucky business would have imposed the sales tax on these and other services to generate up to \$115 million per year in additional state revenue:

- Golf course greens fees and membership fees in private golf clubs and private country clubs
- Janitorial services, including carpet, upholstery, and window cleaning
- Armored car services
- Exterminating and pest-control service
- Landscaping services, excluding lawn-care services

These new sales taxes are of particular concern to business because economists at the University of Kentucky estimate that 50% of the sales taxes collected in Kentucky are paid by business. That means the estimated \$115 million in new sales taxes imposed by HB 318 would have cost the Kentucky business community over \$57.5 million per year in additional taxes. With approximately 93,000 businesses in Kentucky (according to the U.S. Census Bureau), the Chamber's successful opposition to HB 318 saved each business in Kentucky an average of \$618 per year in sales tax. (\$57.5 million divided by 93,000 businesses.)

Kentucky politics is your business

MEMBERSHIP with the Kentucky Chamber gets you a seat at the table through our lobbying team and policy councils, so you can get back to work knowing your interests are being represented.

"All of our members and investors are dedicated to accelerating the mission of the Kentucky Chamber, which is to create a thriving climate for business here in Kentucky," said Carlos Phillips, vice president of membership & marketing. "Our member companies really get it; they understand how important advocacy at the state level is to their businesses."

Kentucky Chamber members don't just reap the benefits of the Chamber's legislative influence; members are critical in shaping the dialogue at the state capitol and beyond and in driving the efforts of the Chamber.

Our member companies really get it. They understand how important advocacy at the state level is to their business.

- Carlos Phillips, VP membership and marketing

WHY JOIN THE KENTUCKY CHAMBER?

The legislative impact of joining voices with the business community throughout the state is the No. 1 reason your membership in the Kentucky Chamber is essential. But you get a few other perks, too!

- Member Savings programs with exclusive discounts on office supplies, printers and ink/toner, small-group health insurance and wellness programs, and HR/payroll services.
- Discounts on attendance at training seminars and Chamber events.
- Savings on Chamber publications and labor posters.
- Access to the Small Business Navigator resource center.



general assembly snapshots

Welcome new members!

Please help us thank these companies for investing in the Chamber's mission by giving them your business.

EQUITY PARTNERS

Enterprise
Independence Bank

GENERAL MEMBERS

Arsenal Investment Advisors, LLC
Baird Plumbing & Heating Co. Inc.
Lexair, Inc.
PPG Industrial Coatings
Blue & Co., LLC
Executive Communications, Inc.
Big Sandy CAP
Bowling Green Municipal Utilities
City of Berea
Wurth/Snider Bolt & Screw, Inc.
Bechtler Parker & Watts Psc
DMD Data Systems
Yonder Interactive Neighborhoods
Kentucky Association of Sexual Assault Programs
Somerset Nursing & Rehabilitation Facility
Superior Care Home, Inc.
Aflac
Kentucky Retirement Systems
Advertising Federation of Louisville
EnergyFX
Affinia Corporation
B. L. Radden & Son, Inc.
Center For Rural Development
Kamp Mining and Construction
Kebco, Inc.
Sills Cycle Center Dba Four Rivers Harley Davidson
SITEX Corporation
Unified Trust Company, N.A.
Compass Engineering
Pikeville Optical
Achieve CCA Inc.
Greater Owensboro Economic Development Corp.
Microsensor Systems, Inc.
EHS Technology Group, LLC
EWA Government Systems, Inc.
Phelps Hardware
Chesapeake Energy Corporation
Shamrock Technologies
Jones, Nale & Mattingly
Castrol Reprocessing
Expense Reduction Analysts
Leadership Louisville Center
Hilton Garden Inn-Airport
WLEX TV 18
Genscape, Inc.
Greater Paducah Economic Dev. Council
Kentucky Solite Corporation
Waste Management of Louisville
Eddie Montgomery's Steakhouse
Foundation For A Healthy Kentucky
Kentucky Mountain Housing Development
Ronan Engineering
G & S Contracting, Inc.
Paris-Bourbon County Chamber of Commerce
S4 Water Sales and Service, LLC
Green's Toyota of Lexington
Advance Distribution Services
Fowler, Measle & Bell
Japan/America Society of Kentucky
Middle Fork Development Services, Inc.
The Safety Firm, LLC



Kentucky's First Lady Jane Beshear, Dave Adkisson, Kentucky Chamber, and Greg Higdon, Kentucky Association of Manufacturers, testify in support of legislation to raise the high school dropout age (HB 225).

OUR MEMBERS SPEAK OUT

It is disappointing to business that Kentucky students are still allowed to drop out of high school at age 16. Yet another legislative session has passed without the message being sent to students that a high school diploma is the minimal requirement to succeed in a globally competitive economy.

Mike Owsley
English, Lucas, Priest & Owsley



Dan Bork, Lexmark International Inc., and Rep. Arnold Simpson testify in support of health insurance tax exclusion (HB 255) at House Appropriations and Revenue Committee meeting.



Bob Quick, Commerce Lexington, Dave Adkisson, Kentucky Chamber, Mike Mangeot, Kentucky Association for Economic Development, and Jody Wassmer, Greater Owensboro Chamber, at a news conference opposing a proposal to elect Kentucky's Public Service Commission (SB 151).

OUR MEMBERS SPEAK OUT

HB 255 will both alleviate an administrative burden for Kentucky employers and lower the taxable wage base for workers.

Dan Bork
Lexmark



Gov. Steve Beshear, incoming Chamber Chairman Luther Deaton, Central Bank, and Jamal Mashburn (former UK basketball player) at a press conference in support of legislation to raise the high school dropout age (HB 225).



House Speaker Greg Stumbo and Bryan Sunderland, Kentucky Chamber, in the Capitol Rotunda.

Fallows to keynote day two of Business Summit and Annual Meeting

"In the search for 'progress on coal,' like other forms of energy research and development, China is now the Google, the Intel, the General Motors and Ford of their heyday—the place where the doing occurs, and thus the learning by doing as well," wrote Fallows.

One area of research in which the Chinese are excelling, said Fallows, is underground coal gasification. "In this process, jets of air (or pure oxygen), sometimes with steam or various chemicals, are blasted into coal seams deep underground. They interact chemically with the coal to produce a gas that flows back up a pipe and can be burned. It leaves in the ground much of the carbon, sulfur, nitrogen, and other elements that create greenhouse gases and other pollutants when coal is burned."

Fallows says underground coal gasification will be a topic of his discussion in July.

"The Chinese have been working on this for a long time, even before their economy boom," he said. "It alleviates the miner safety and the geological problems of mining. There's some potential here."

During his presentation, Fallows says he also plans to discuss the opportunities for new coal technologies in the U.S. and, by extension, Kentucky.

"When the right technology is determined, it will have to be unique to Kentucky. Anything that can be less political will be good for Kentucky," he said, adding that he feels politics are hindering America's progress in developing new coal technologies.

"The advantage the Chinese have is that for the next 10 years the program won't change. The American approach is different; changes in political sentiment hinder this process. De-politicizing the process would definitely smooth the process. In its nature, energy requires a more long-term horizon."

Kentucky Chamber President and CEO Dave Adkisson says he is looking forward to hearing the insights that Fallows will bring to the Business Summit.

"Kentucky is a formidable presence on the nation's energy scene," said Adkisson. "The state ranks third in the nation in coal production and fifth in total energy production, accounting for about one-tenth of U.S. coal production. James Fallows' article really struck a chord with me, and I think he will bring some valuable insight to the table during our Business Summit."

Fallows' will provide the opening keynote presentation on day two of the Business Summit and Annual Meeting on July 12. Secure your seat in the audience now and register at kychamber.com/businesssummit. Contact Andrea Flanders at 502-848-8723 or aflanders@kychamber.com to sponsor this keynote presentation or to learn more about other sponsorship opportunities.

When the right technology is determined, it will have to be unique to Kentucky.

-James Fallows



Kentucky Education Commissioner Terry Holliday will discuss education in Kentucky during the Business Summit.



Al Cross, Center for Rural Journalism, takes notes during the 2010 Business Summit.



Michael Morris, chairman and CEO of AEP, will take part in this year's Business Summit and Annual Meeting.



The Business Summit offers many valuable networking opportunities.

EDUCATION, ENERGY ISSUES RECEIVE TOP PRIORITY AT BUSINESS SUMMIT

NOW IN ITS SIXTH YEAR, the Kentucky Chamber's Business Summit and Annual Meeting (formerly the Economic Summit and Annual Meeting), presented by Greenebaum Doll & McDonald, is Kentucky's premier event for business leaders, educators and legislators.

We are proud to announce a few of this year's elite speakers who are truly innovators in their fields:

- **Sir Michael Barber**, Global Education Practice, McKinsey & Company
- **Terry Holliday**, Ph.D., Commissioner of Education, Kentucky Department of Education
- **Margaret Spellings**, President and CEO, Margaret Spellings & Company and Senior Advisor to President and CEO Thomas J. Donohue, U.S. Chamber of Commerce (Former Secretary of Education, George W. Bush administration)
- **James Fallows**, National Correspondent, *The Atlantic*, will present "Dirty Coal, Clean Future"
- **Michael Morris**, Chairman and CEO, AEP

As a grand finale to the two-day event, Joe Scarborough and Mika Brzezinski, hosts of MSNBC's *Morning Joe*, will deliver the keynote address during the Annual Meeting on July 12.

Hosts of one of the most popular and most talked about cable shows on television, Scarborough and Brzezinski will offer their insights on the people and issues shaping our times, including a look at President Barack Obama, the divided Congress and what's ahead for the 2012 elections.



JOIN US ON THE KENTUCKY CHAMBER MISSION TO CHINA

OCTOBER 8-16, 2011

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Kentucky Chamber member Non-members

*Price based on double occupancy

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FROM THE FRONT

Corrections bill will save \$422 million over next decade

is projected to result in total savings of \$422 million over the next 10 years. Part of these savings will be reinvested in strengthening probation and parole, treatment for drug abuse and efforts to reduce the number of parolees who return to prison for technical infractions. Counties, whose jails house many state prisoners, would be assisted with a \$61 million fund. That means a net savings to the state of at least \$147 million over 10 years.

The Kentucky Chamber is particularly encouraged by this development because of our long-standing concern about parts of the state budget that are growing faster than we can afford. Our 2009 *Leaky Bucket* report identified corrections, Medicaid and public employee health benefits as areas of unsustainable spending increases that, unless brought under control, threaten Kentucky's economic future.

"Because public education is the business community's top priority for state investments, we were alarmed that money was being siphoned off from education and channeled into the growing cost of corrections and other 'leaks' in the state's budget bucket. We knew we needed to address this issue," says Kentucky Chamber President and CEO Dave Adkisson.

"This legislation is a huge step in the right direction, and we agree with other observers that continued attention must be paid to this important area. In our view, the Public Safety and Offender Accountability Act is the success story of the 2011 legislative session," he added. "We hope that members of the General Assembly will embrace the process that created this landmark legislation as they tackle other difficult issues that face our Commonwealth."

Good health is good for business

Helping employees achieve improved health is one of the best strategies for reducing your health care costs

THERE'S NO ESCAPING the fact that our nation is in a health crisis. But how does that affect your company? Plenty. The single issue driving the cost of medical, pharmacy, disability, behavioral health, worker's compensation, absenteeism and presenteeism (coming to work when you're sick) is the lifestyle choices people make. Here are some startling facts:

- Chronic conditions such as diabetes and heart disease account for 75% of our nation's health care costs.¹
- Obesity costs employers \$45 billion annually in medical costs and lost productivity.²
- The excess cost to employers of employees who use tobacco, factoring in increased medical cost and loss of productivity, increases to approximately \$3,400 per year per smoking employee.³

Investing in wellness programs and promoting wellness in the workplace can help improve the health of your employees and impact your bottom line. Anthem Blue Cross and Blue Shield understands that the pathway to health is different for each individual. That's why we have robust and customized programs to help both employees who are sick and want to feel better and employees who are healthy and want to stay that way. Anthem

also offers clients turn key tools to help make workplace wellness easy.

LEAD BY EXAMPLE

Successful companies know the importance of being able to practice what they preach. Encourage senior level staff and management to get out and walk during their lunchtime as a visible example of the healthy behavior you want employees to adopt. Chances are, the more employees see their employer taking action personally, the more likely they'll be to do the same. And the cost savings could be significant.

BETTER HEALTH AND A BETTER BOTTOM LINE

When wellness programs are in place employees can change their lifestyles and improve their health. Wellness programs have helped reduce:

- Sick leave by 27.8%
- Workers' comp claims by 33.5%
- Overall health costs by 28.7%⁴

These aren't just numbers. They reflect healthier lives and stronger businesses. Better health. Lower costs. It's what Anthem 360° Health is all about.



Anthem 360° Health is a wellness program offered as an automatic enhancement to the ChamberAdvantage employee benefit plans through the Kentucky Chamber. To learn more, call Denise Scott at 502-848-8724.

¹ National Center for Chronic Disease Prevention and Health Promotion, U.S. Centers for Disease Control and Prevention, March 17, 2009

² The Economic and Health Impacts of Obesity, Institute on the Costs and Health Effects of Obesity, National Business Group on Health, February 2009

³ Centers for Disease Control and Prevention website: Smoking-Attributable Mortality, Morbidity, and Economic Costs (November 2010): www.cdc.gov

⁴ Based on a study of over 50 health and wellness programs that included 370,000 employees.

Kentucky Chamber Publications offer human resource bundle

THE KENTUCKY CHAMBER is updating its human resource guides on a two-year schedule. To ensure that you are consulting the most recent guides, the Chamber is offering a bundle that includes the following titles:

- *Understanding Human Resource Issues and Personnel Law*

- *An Employer's Guide to Kentucky Wage and Hour Issues*
- *The Kentucky Human Resources File Cabinet*
- *The Kentucky Employer's Guide to Hiring and Firing*
- *The Kentucky Unemployment Compensation Handbook*
- *The ABCs of Doing Business in Kentucky*
- *The Kentucky Employer's Guide to Downsizing*

This bundle retails for \$644 but is being offered for \$349 to Chamber members. Place your order at kychamber.com/bookstore or call Casey Adams at 502-848-8727.

Welcome to the Lexmark Discount Program for Kentucky Chamber Members

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AS A MEMBER, HERE ARE YOUR DISCOUNTS:

- 25% discount on Lexmark printers
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Step #1 Visit www.lexmark.com/kychamber

Your membership in the Chamber means you get a 25% discount on Lexmark printers and a 10% discount on ink and toner products geared to meet your business and home office needs.

Lexmark printers combine blazing speed, robust reliability and high quality with award-winning technology. Sign up and start shopping now!

Here are the rest of the steps you need to take in order to receive your discount:

- STEP #2 Click on the activation link at the bottom.
- STEP #3 Add items to your cart
- STEP #4 Place an order

Upcoming Chamber Seminars

| | | |
|---|------------|---|
| Supervising and Managing People \$595/\$695* May 18-19, 2011 | Louisville | Kentucky Chamber HR programs provide me with valuable information that I can apply in my job immediately. - Megan Thomas, Ohio Automotive of America For more information on any of the programs listed, or if there is a program you would like to see offered, contact Casey Adams at 502-848-8727 or cadams@kychamber.com . You can also obtain more details by visiting our Seminar & Events page at www.kychamber.com . |
| Change Management Webinar \$75/\$99* May 19, 2011 | Online | |
| OSHA Forklift Training (Train the Trainer) \$299/\$399* May 24, 2011 | Lexington | |
| OSHA Accident Investigation \$299/\$399* May 25, 2011 | Lexington | |
| 23 rd Annual Human Resources Update \$495/\$595* June 8-9, 2011 | Louisville | |
| Drug-Free Workplace Webinar \$75/\$99* June 16, 2011 | Online | |

Price* = Member/Non-Member

COMING TO THE WEB

HR KENTUCKY

SUMMER 2011



Kentucky Chamber

NEWS



What passed.

What didn't.



results for business

2011
KENTUCKY
GENERAL
ASSEMBLY



And what it
means for your
bottom line.



Our health connects us.

We all influence the health of those around us, especially in the work place.

As an employer, you have a tremendous effect on employee health by the examples you set and the health care plans you choose. As a Kentucky Chamber member, you're connected to big savings on big benefits for your small business. Help employees get more involved in their health care with consumer-driven HSA, HRA and HIA plans, or choose from more traditional solutions. Either way, you can build a complete benefits package – including preventive care and prescription coverage – with one-stop shopping convenience.

Talk to your broker, call the Kentucky Chamber at 800-431-6833 or visit group.anthem.com/keoc for more information.



HEALTH | DENTAL | VISION | LIFE | DISABILITY



Health. Join In.™