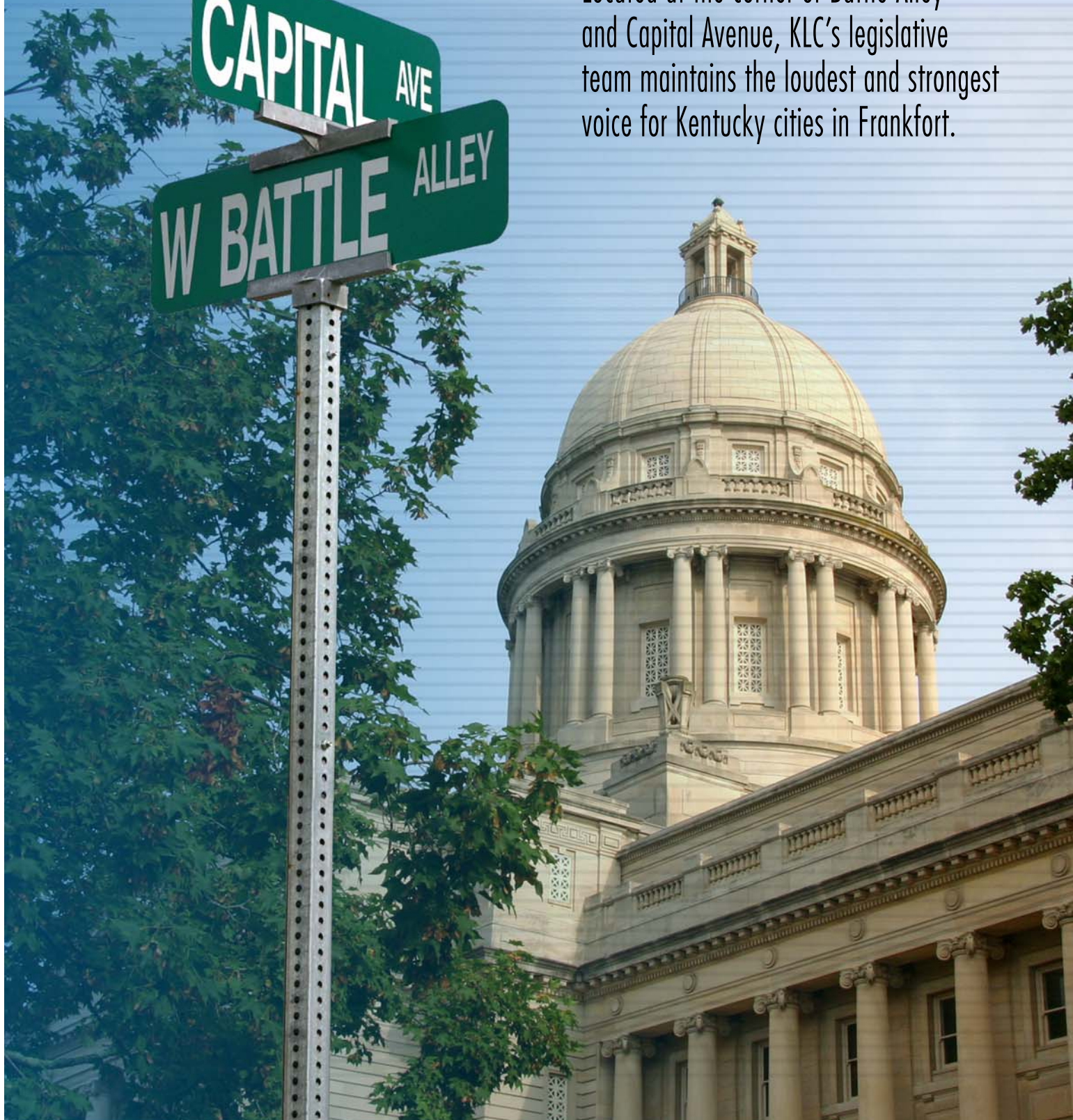




KENTUCKY LEAGUE OF CITIES

# 2009 LEGISLATIVE ISSUES

Located at the corner of Battle Alley and Capital Avenue, KLC's legislative team maintains the loudest and strongest voice for Kentucky cities in Frankfort.



# KLC Legislative Priorities

## CONTINUE WITH CERS REFORMS

Before the passage of House Bill 1 in the 2008 extraordinary session, public employee retirement was causing an urgent cash flow crisis in city governments across Kentucky. The reforms passed during the special session provided some significant relief, but cities recognize that when this year's one-time rate reduction ends next July, employer contribution rates are likely to increase rapidly again.

Kentucky's cities are in need of lasting changes to the retirement system that will make employer contribution rates more affordable in the short term. Many cities have been forced to eliminate public safety positions, cut financial support to social service groups or tap rainy day funds in the face of skyrocketing pension and retiree health insurance costs. Without additional changes, we will continue to see local governments making sacrifices that have a negative impact on the quality of life of our citizens.

City officials and KLC representatives are participating in the Governor's public pension working group that is examining potential subsidies that exist in CERS to see if and how they should be addressed.

Furthermore, cities urge policymakers to consider legislation that will establish a less aggressive but actuarially sound full-funding standard. In addition, the phase-in period for full funding of the



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actuarially required contribution (ARC) should be extended to help soften the blow of full funding. This change will have an immediate impact on employer contribution rates.

## CORRECT THE \$22 MILLION SHORTFALL FROM THE TELE-COMMUNICATIONS TAX

Since January 2006, local governments have been short-changed almost \$22 million from the telecommunications tax that was passed to replace public service property taxes and local franchise fees on cable and telephone companies. An insufficient "hold harmless" amount was written into law, causing most cities to experience a 15 percent shortfall compared to previous collections. Local governments will continue to absorb a \$7.5 million loss every year until legislation is passed to correct the shortfall.

The General Assembly needs to add approximately \$7.5 million to the annual hold harmless fund to accurately account for the total revenues local governments were receiving prior to the passage of the telecommunications excise tax law in 2005. The state budget should be amended to add \$22 million to compensate local governments for money lost since January 2006.



# 2009 Legislative Issues

## PROVIDE MORE REVENUE FLEXIBILITY

Currently, the Kentucky Constitution strictly limits the ways local governments can raise general revenue. In many cities these revenue options are maxed out, unpopular and are not flexible enough to fit many local situations. These taxes are almost entirely paid for by local residents and the business community.

The antiquated restrictions have been in effect for more than 100 years, leaving cities to struggle with expenditures - notably infrastructure and public employee benefits - that are rising faster than revenues. Over the past decade, for every \$1.00 increase in city expenditures, revenues have increased by only 86 cents.

Right now, the Kentucky Constitution limits citizens from deciding the best way to raise revenue to support the projects and programs that meet local needs. Kentucky is one of only 13 states that does not allow local option taxes for sales or income. Communities and their citizens need more revenue tools and additional flexibility that would empower them to bring to life their visions for the future.

## PROTECT CURRENT REVENUE OPTIONS FOR CITIES

Last session, a measure was filed that called for a centralized collection of occupational license fees, which accounts for approximately 40 percent of city tax revenue. The \$22



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million shortfall caused by the centralized collection of the telecommunications tax is evidence enough that centralized collection does not work for city governments. Cities are actively opposed to any efforts to legislate mandated, centralized collection of occupational license fees.

## PURSUE FAIRNESS IN CHARTER COUNTY GOVERNMENTS

In any discussion of merged government an equal city-county partnership is necessary. Unfortunately, the process of creating a charter county government is biased in favor of counties. The statutes require local governments to form a county-dominated commission to study the possibility of charter county government. Furthermore, the judge/executive automatically presides over the commission. These requirements make a spirit of cooperation unlikely.

KLC asks lawmakers to amend the charter county government statutes to provide for equal membership among the county and city governments on the commission developing a plan for a charter county government and permit the commission to select its own presiding officer from among the membership.

**Visit [www.klc.org](http://www.klc.org)**  
for updates on these issues and to  
monitor legislation during the session.

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## Save the Date!

**CITY NIGHT** ♦ FEBRUARY 10, 2009 ♦ FRANKFORT CONVENTION CENTER

Please mark your calendar for KLC's annual evening of networking with city representatives, legislators and government leaders.