LEGISLATIVE AGENDA

2022 EDITION

KENTUCKY LEAGUE OF CITIES

KLC Advocates for Cities

What is the Kentucky League of Cities?

Established in 1927, the Kentucky League of Cities serves as the united voice of cities in Kentucky. Committed to the principle of home rule, KLC believes local decisions are best made at the local level. We are governed by a 66-member Board of Directors and a 17-member Executive Board.

Who Does KLC Serve?

The Kentucky League of Cities represents mayors, city managers and administrators, fire chiefs, police chiefs, city attorneys, city clerks, council members, commissioners, and many more city officials.

KLC LEGISLATIVE ADVOCACY EFFORTS:

- Local State and Federal Relations
- Legislative Testimony on Issues Important to Cities
- Annual Legislative Agenda for Cities
- Annual Legislative Update for Cities
- Legislative Wrap-Ups for Cities
- Awards and Recognition of Legislators Who Go Above and Beyond for Cities
- KLC City Limit Legislative News Website
- Weekly Legislative Bulletin
- Bill Drafting and Tracking During Session
- Research
- Local Mandate Analysis
- Wage and Salary Survey/Report
- City Government Month

OTHER SERVICES PROVIDED BY KLC:

- Community Development
- Financial Services
- Municipal Law & Training
- Insurance
- Loss Control
- *Kentucky City* Magazine
- KLC Conference & Expo

2020 Census Shows Why Cities Matter!

- City residents account for 56% of Kentucky's total population.
- Kentucky cities collectively increased their population by 7.1% from 2010 to 2020.
- The state grew by 3.8%, while the population living in unincorporated areas of the state declined by 0.04%.
- Cities added over 167,000 people, which represents slightly more than the total new residents added statewide.

Did You Know?

- Cities are responsible for 75% of all economic activity in the commonwealth.
- Four out of five jobs in Kentucky are in cities.
- Kentucky cities employ more than 30,500 people.
- City governments spend more than $5.5 billion each year.
- Cities are responsible for more than 10,000 miles of public roads in Kentucky.
- About 40% of Kentucky cities operate a public drinking water utility, 45% operate a municipal sewer system, and 17% operate either an electrical or natural gas system.

Cities Provide Essential Services

- Public Safety
- Sidewalks and Street Lights
- Clean Drinking Water
- Sewer Systems and Wastewater Treatment
- Economic Development
- Safe Streets
- Public Transportation and Bike Paths
- Tourism and Recreation
- Code Enforcement
- Parks and Public Spaces
- Public Utilities
- Youth and Senior Services
- Trash and Recycling Collection
- Historic Preservation
- Job Training
- Public Housing

The Legislative Agenda

The KLC Board of Directors sets the legislative agenda each year after extensive discussion and consultation with local elected officials and public service representatives in cities of all sizes. The goal is to ensure that community leaders have the tools and latitude needed to provide effective governance at the local level.

City representatives establish top legislative priorities each session. For 2022, the call is for revenue diversification at the local level and modernization of transportation funding. The need for new approaches to economic development, recruitment, and retention of vital first responders and the battle against the substance abuse problem that plagues cities of all sizes are also high on the 2022 Legislative Agenda. Every item outlined on the following pages is designed to help cities continue the growth and success that builds desirable communities and contributes to the state's overall success.

The Kentucky League of Cities and all its members seek to enhance the quality of life within our cities. The KLC Legislative Agenda aims to provide local elected leaders with the mechanisms needed to develop and maintain thriving municipalities for Kentucky while preserving the tenets of home rule.

FOR MORE INFO

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Revenue Diversification

Cities are the foundation on which Kentucky is built. Most Kentuckians work and live in a city, and cities provide the infrastructure that keeps Kentucky running. People migrating to Kentucky's cities are looking for a quality of life that requires resources to keep people safe, connected, and productive. Local elected officials entrusted with maintaining their city must have the ability to generate the revenue needed to meet the community's needs while also recognizing the unique opportunities and challenges that each city faces.

Legislative priority: Kentucky's revenue-limited cities seek modernization of the state's antiquated funding options, equalization of revenue tools that are currently only available to some cities based on prior classification, and protection of the few methods available to cities to pay for services and community enhancements.

It Is Time to Unlock Kentucky's Potential

Kentucky cities have been forced to rely on a small number of revenue options for 130 years. The Kentucky Constitution, adopted in 1891, impedes the legislature's ability to comprehensively reform local government tax policies. That means city leaders must run growing communities and fund an increased demand for services from revenue that is largely generated from productivity – income collected through property, occupational, and license taxes and from a few fees.

Revising the language in Section 181 of the Kentucky Constitution is the first step to craft revenue options more in-line with the 21st century economy. Such a change would empower legislators to enact measures that allow local decision-making. Once the legislature passes a bill seeking a change to that one section of the constitution, Kentuckians would vote on the idea in the 2022 election.

Recognizing the need to modernize such antiquated language is key to unlocking Kentucky's potential.

Current funding limitations and the financial strains created by the unprecedented impact of 2020 have threatened the potential for economic development in several Kentucky cities. While many cities have been able to cut budgets and trim staff, local elected leaders can only do so much as costs continue to climb. City leaders can either add to existing taxes paid by their citizens or reduce services needed to attract new businesses, jobs, and residents.

Revenue Diversification

One option available to some municipalities is the collection of consumption-based restaurant revenue. This is income generated more from visitors to the community and helps fund neighborhood improvements. However, only former fourth and fifth class cities can collect the earnings, which preempts almost half of the state's cities from even considering this financial option.

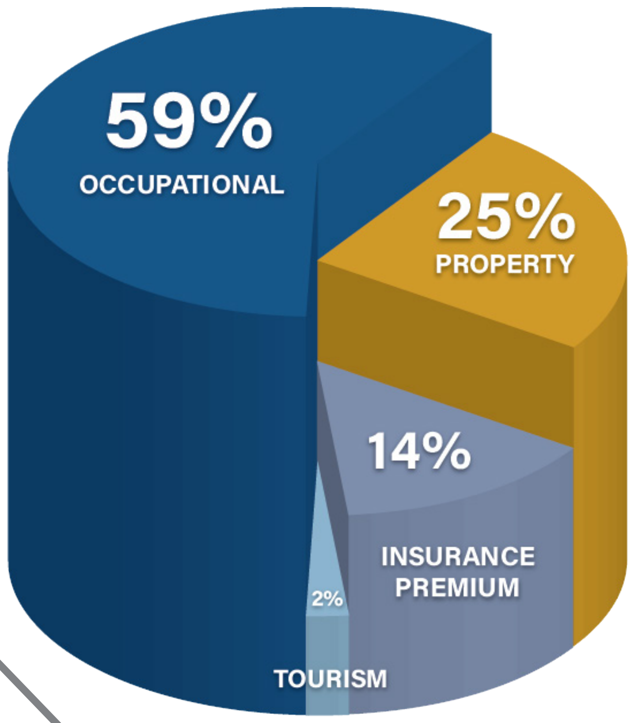
Consumption-Based Revenue

Consumption-based restaurant revenue comes from consumers who choose to eat in a local establishment. This allows tourists and other visitors to a city to help fund the services and amenities they utilize. Spreading the cost to everyone ensures local citizens do not shoulder the entire expense of operating and maintaining a city, and it reduces taxes on the restaurant owner.

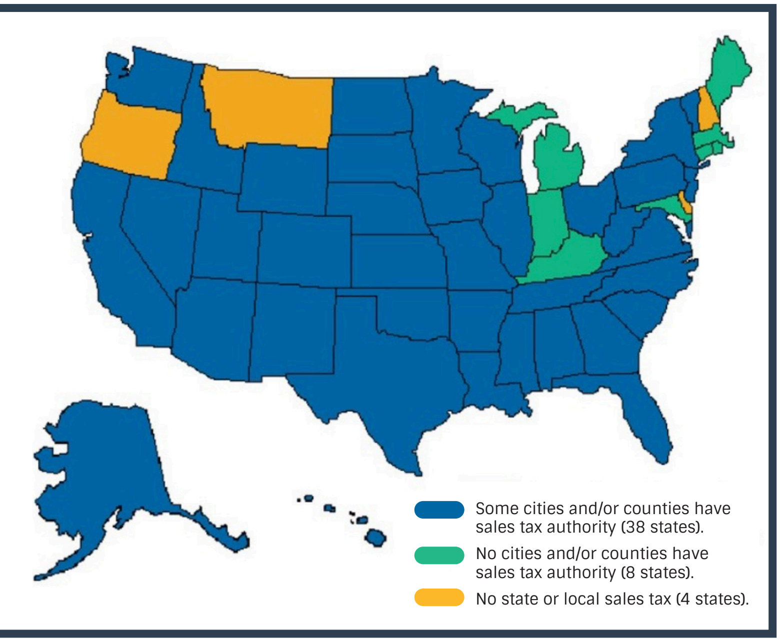
Business owners who collect a small 1%, 2%, or 3% fee on a customer's bill would not pay a net profits or gross receipts tax. A portion of the funds would go to the local tourism commission, and the city would utilize the rest to invest in community improvements that are designed to draw more tourists and restaurant customers into the city.

When it comes to collecting consumption-based restaurant revenue and other needed types of reform, the focus is often on leveling the playing field. Many Kentucky cities border Tennessee, which has no state income tax. Competing for business and jobs in these communities is a challenge.

City Tax Revenue Sources FY 2019



Moving Kentucky into a more consumption-based tax structure would be a big step toward modernization. That includes allowing cities the option to collect a local sales tax. **Kentucky is one of only 12 states that does not allow one or more local governments to collect that funding.**



It is important that changes to tax policies do not obstruct the few revenue-generating options cities have available. Both cities and counties can collect an occupational license tax on the net profits of businesses and/or on the salaries and wages that employees earn. The money raised provides the essential services business owners and their employees expect while doing business in the community. If a city and county with a population of 30,000 or more both levy an occupational license tax, the amount paid to the city can be credited toward the amount owed to the county, except in a few circumstances.

The credit helps ensure taxes are not stacked on local businesses and workers. People who conduct business in a city's limits count on city services (police, fire, streets, etc.). Removing the crediting provision would ultimately result in taxpayers paying for duplicate services. Eliminating the credit would result in millions of dollars of higher taxes for more than a quarter million Kentuckians.

State government should not interfere with the collection of local funds that pay for community services. Centralized collection of municipal revenue would hinder the ability of city leaders to serve their citizens. Additionally, it could create an environment where money designated for local projects ends up swept into state coffers.

Mayors and other local elected officials are calling on state legislators to support the principles of home rule and provide the tools cities need to keep the state on a path of progress and prosperity. Revenue diversification is a big part of the equation. By allowing cities to pursue economic solutions that are specific to their community's unique challenges, Kentucky will be embracing modern funding solutions that help ensure the state continues to thrive.

Funding Kentucky's Vital Infrastructure

Drivers have once again packed streets in cities across the state. People expect reliable streets and bridges as they travel to and from work, family functions, community events, and other important occasions. Not only does the quality and availability of city roads play a role in the livability of a community, but they are essential for economic development.

Kentucky cities are responsible for thousands of miles of public roads, but as state and federal funding continues to dwindle, so does the ability to maintain those vital thoroughfares. Shrinking state and federal funds force municipalities to do more with less. Kentucky's citizens and economy suffer when maintaining critical infrastructure becomes too expensive for city taxpayers to fund almost all costs.

The Kentucky legislature must address the state's growing transportation needs and modernize the antiquated funding formulas that no longer fairly distribute gas tax proceeds to local governments.

Legislative Priority: Cities seek legislation that re-prioritizes the state's investment in transportation, ensures adequate revenue for transportation projects, and updates the road funding formula to more accurately reflect the way Kentuckians live and travel in the 21st century

While most Kentucky cities received federal funding in 2021 tied to COVID pandemic recovery, those dollars do not fix the state's ongoing transportation problems. COVID-relief funds, including those provided through the ***American Rescue Plan Act (ARPA)**, are extremely limited in use.

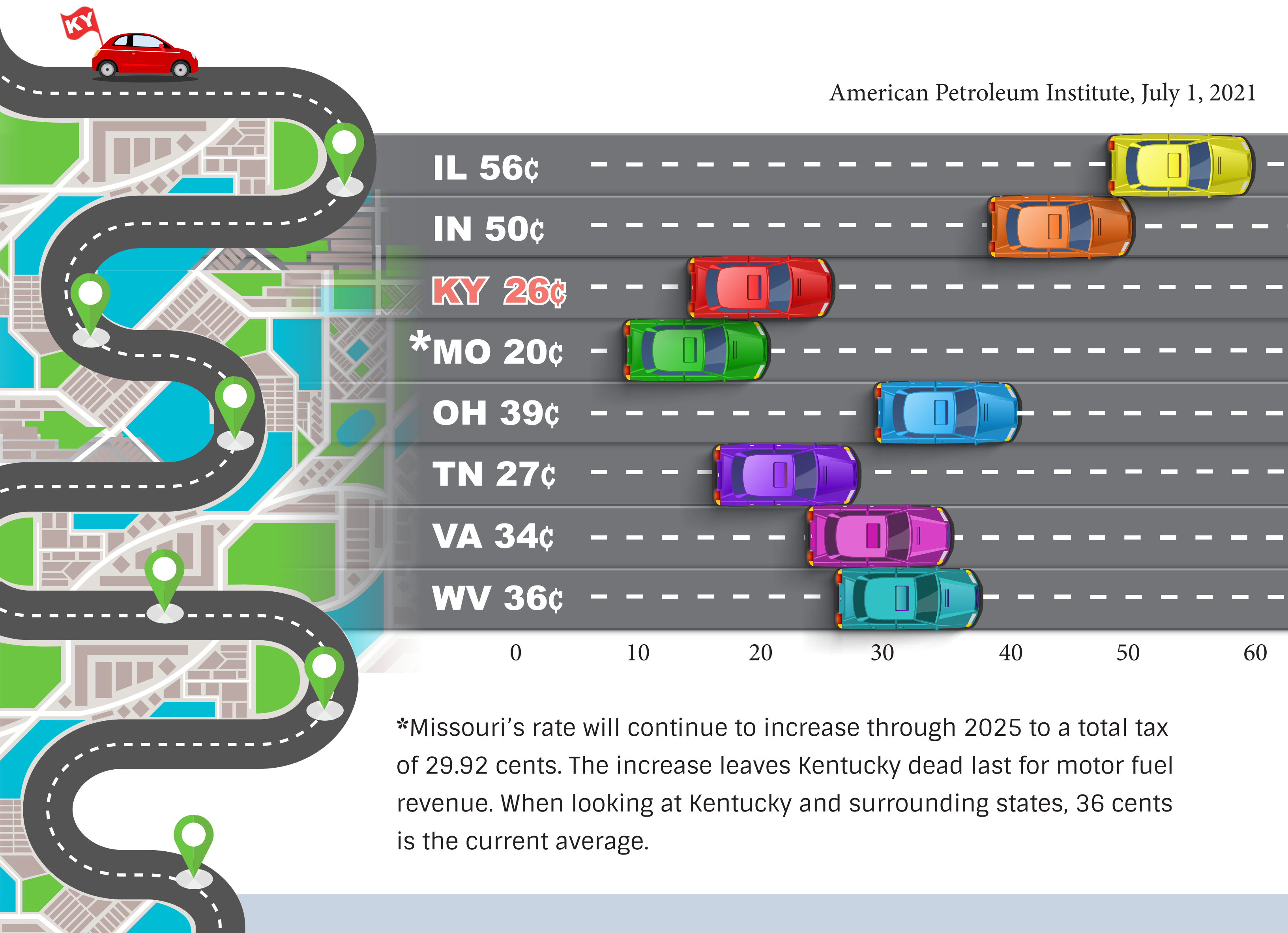
* **Visit Page 12 for Details on the American Rescue Plan Act**

The U.S. Department of the Treasury explicitly stated that cities could not use the money for road projects, except in very specific situations. Additionally, the onetime funds do not address the ongoing problem that the amount of gas tax collected every year in Kentucky from the people who use our streets does not come close to matching the ongoing cost of maintaining the system.

Kentucky has not updated the amount it collects at the gas pump since 2015. Nearly half of the other states in the nation have acted since that time to ensure they have adequate revenue to maintain vital infrastructure, including all of Kentucky's seven contiguous states. Kentucky has remained the same, collected relatively flat revenues, and does not anticipate revenue increasing any time soon.

Compounding the problem is Kentucky's antiquated funding formula that transportation officials use to divvy up the local portion of gas tax revenues – the only part of the road fund shared with local governments to help maintain local streets and bridges.

Is Kentucky's Motor Fuels Tax Trailing Behind?



*Missouri's rate will continue to increase through 2025 to a total tax of 29.92 cents. The increase leaves Kentucky dead last for motor fuel revenue. When looking at Kentucky and surrounding states, 36 cents is the current average.

Funding Kentucky's Vital Infrastructure

The state divides the funds between cities and counties mainly through a system established in 1948. Known as the "formula of fifths," the system allocates 40.5% of fuels tax revenue to county and rural roads and heavily favors rural areas. One-fifth is distributed equally to all counties, one-fifth is based on rural population, one-fifth is based on rural road miles, and the remaining two-fifths is allocated according to rural land area. The formula does not factor city population booms, which now account for 56% of Kentucky's population, nor the high cost of upkeep for those heavily traveled roads.

FORMULA OF FIFTHS

- One-fifth to all **counties**
- One-fifth based on rural **population**
- One-fifth based on rural **road miles**
- Two-fifths based on rural **land area**

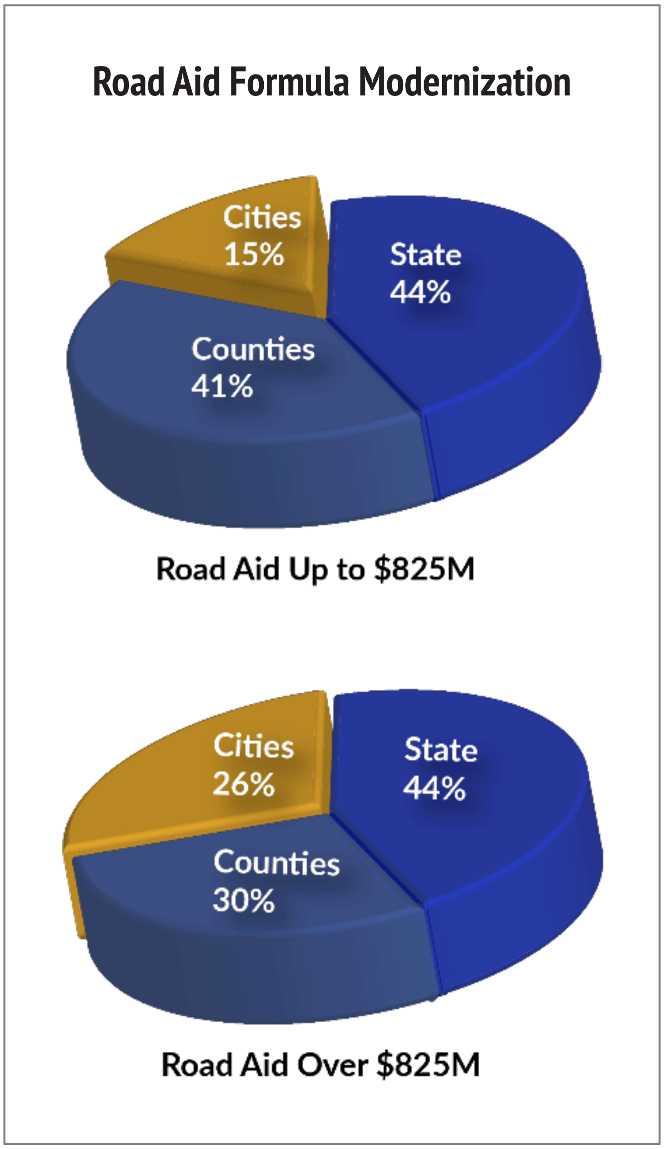
Cities maintain more than 10,000 miles of public roads – streets that are more expensive to build and preserve due to curbs and gutters, Americans with Disabilities Act (ADA) requirements, and stormwater drainage.

Since 2009, Kentucky cities have spent 62% more on city streets, but state and federal funding declined more than 4%. As a result, local tax dollars now represent two-thirds of what cities spend to maintain city streets; money city officials cannot allocate to needed public services, such as police and fire. In all, cities spend more than $340 million a year to maintain and build streets.

Many city streets are now on a 40-year replacement cycle, more than double the industry standard. Funding would have to double for cities to reach the recommended 15-year schedule.

It Is Time to Modernize

An agreement reached between the Kentucky League of Cities and the Kentucky Association of Counties (KACo) to update the state's road funding formula acknowledges the growth and demand on city streets by equally dividing shareable motor fuels income over $825 million, the high reached in FY 2014. Any amount above that threshold would be split between the municipal and county road aid programs at 13% each. The updated formula would ensure cities have the resources needed to keep high-traffic areas safe while also holding counties harmless. The amount going to the rural secondary road aid fund would remain unchanged.



Traffic volume continues to increase in the state while funding remains flat. The number of drivers on the road increased 5% since 2013, and commute times increased 6.3% since 2011. The cost to citizens is not just one of time. The average Kentucky driver pays $444 more every year due to driving on roads in need of repair.

Road funding means more than just potholes and bumpy bridges. At its core, the transportation system serves as the lifeblood of a community and economy. The quality of the streets that people drive every day directly correlates to their quality of life. The ability of Kentucky to retain and grow jobs, citizens, and a bright future depends on the legislature acting now to ensure they fund vital infrastructure at the necessary level.

The American Rescue Plan Act (ARPA)

The American Rescue Plan Act (ARPA) resulted in billions in federal COVID relief dollars coming into Kentucky. Because the U.S. Department of the Treasury greatly restricts how cities can use these funds, it is important to know exactly where the money is going and to put Kentucky's funds into perspective.

ARPA Federal Relief Explained

MYTH: Federal COVID relief dollars will solve the ongoing funding crisis Kentucky cities face.	**FACT:** Kentucky cities will receive $922 million through July 2022, but local governments can only use those dollars to respond to the COVID-19 pandemic.
MYTH: A majority of ARPA funding is going directly to local cities.	**FACT:** A majority of the funding – $2.2 billion – went to the state. While all Kentucky cities qualified for funding, dollar amounts varied by population.
MYTH: ARPA money can be used to supplement road fund dollars.	**FACT:** Cities can calculate revenue lost, but the Treasury's formula penalizes cities that tried to balance their budgets during the pandemic. Many city officials cut staffing, raised taxes, reduced vital services, or spent rainy day funds.
MYTH: ARPA money can be allocated as cities see fit on an as-needed basis.	**FACT:** Cities can only use the money to: 1. Support the public health response; 2. Address the negative economic impacts of the public health emergency; 3. Help low-income areas disproportionately impacted; 4. Provide temporary premium pay to essential workers who faced increased health risks responding to the pandemic; 5. Invest in water, sewer, or broadband infrastructure; or 6. Perform certain government services to the extent of revenue loss resulting from the pandemic.

Steps still need to be taken to address long-term needs, specifically those related to transportation infrastructure and modernization of local government revenue.

ADDITIONAL PRIORITIES

Economic Development Legislation/Local-Only TIF Requirements:

Despite pandemic-induced adversity, Kentucky cities have continued to drive the commonwealth's economy. Unfortunately, cumbersome and outdated restrictions on economic development incentives create roadblocks on the road to progress. Additionally, language inadvertently added to Senate Bill 162 in the 2021 Regular Session created an unnecessary expense for cities that utilize tax increment financing (TIF) for local-only development areas.

Legislative Priority: Seek legislation that removes the language inadvertently added in the 2021 session that requires a study for a local-only TIF and support legislation that enhances economic development opportunities in our cities and offers incentives that could help attract and expand jobs.

Law Enforcement Training:

Kentucky police departments struggle with financial and logistical issues due to a backlog at the Department of Criminal Justice Training (DOCJT). Currently, cadets wait months for an academy spot to open, which can extend to more than a year the time it takes for a new hire to qualify for patrol duty. Cities face the financial burden of paying salaries to newly hired officers during the wait.

Legislative Priority: Seek a process to expedite the training of new municipal law enforcement officers.

ADDITIONAL PRIORITIES

Paramedic Training/Certificate of Need for Ambulance Services:

Delays in paramedic training and the inability for contracted private companies to keep up with community needs are putting citizens at risk. A recent move by the Kentucky Board of Emergency Medical Services (KBEMS) to move paramedic training into more of an academic setting instead of a vocational focus has led to delays in the training process. Additionally, cities with private ambulance service need the ability to begin operations if the private company cannot respond to emergency calls in a timely manner.

Legislative Priority: KLC will seek a statewide assessment of the current educational infrastructure to determine if it can continue to keep up with the demand for paramedics. Additionally, KLC will seek legislation to allow cities to obtain an emergency certificate of need from the Kentucky Cabinet for Health and Family Services for ambulance service when a private provider cannot quickly respond to emergency calls.

Substance Abuse:

Substance abuse continues to be a costly and heartbreaking issue plaguing every Kentucky city. In 2020, Kentucky suffered a nearly 50% increase in drug overdose deaths. KLC continues to maintain an active position battling the epidemic throughout the commonwealth.

Legislative Priority: KLC will continue to support legislation that addresses the substance abuse problem in Kentucky and the criminal aspects of drug trafficking. The League will also prioritize treatment, rehabilitation, training, and workforce reentry.

Newspaper Publication:

Only some Kentucky cities can currently post documents and other legal announcements for public notice on their website instead of paying to print the entire statement in a local newspaper. Publication requirements cost city taxpayers more than $1 million a year and do not provide citizens an easy way to access the information. Notices published on a city website are available in one location, free of charge, for a longer time.

Legislators passed House Bill 195 in 2020 to help some cities, but the measure only applies to local governments within a county that has a population of 80,000 or more.

Legislative Priority: Modernize publication laws to permit cities of all sizes to publish advertisements and public documents on their website instead of utilizing public tax dollars to pay to print the notices in a newspaper.

Property Tax Notification and Rate Setting:

The current procedure for collecting property taxes in many local communities does not ensure municipalities have the most accurate ownership information when tax bills are mailed to citizens. This can cause unneeded delays in revenue collection and create unnecessary confusion for property owners.

Legislative Priority: Require property valuation administrators (PVAs) to send cities updated ownership information instead of just the owner as of January 1 and work with counties and the PVAs to streamline the process for cities that want to propose a property tax rate that would produce more than 4% more revenue than the compensating rate.

ADDITIONAL PRIORITIES

Public Safety Personnel:

Police chiefs across Kentucky report hiring and recruiting issues. Cities face issues with (1) limitations on the number of former officers and firefighters a city may employ, (2) the need to modernize work schedules and policies, and (3) the need to distinguish between the unique aspects of each job within a fire and police department, including how such positions are filled and terminated.

Legislators passed House Bill 191 in the 2019 session and Senate Bill 80 in 2021. The KLC initiatives strengthen Kentucky's police decertification law to ensure troubled officers do not simply bounce from department to department. The Kentucky Law Enforcement Council needs the ability to act on the provisions of the laws in a timely manner.

Legislative Priority: KLC will seek legislation that helps cities hire and maintain vital public safety personnel, clarifies rules and procedures for chiefs and non-uniformed employees, and ensures the Kentucky Law Enforcement Council has the authority to decertify troubled officers under KRS 15.391.

Amendments to Kentucky's Open Meetings Act:

Transparency is important for municipalities. However, the need sometimes arises for city officials to discuss proprietary information in a way that does not allow people to profit off of public projects. Kentucky provides such protections for state contracts but not for municipal projects.

Legislative Priority: KLC will advocate for clarification of city open meetings laws to ensure protections for city employees and proprietary contracts similar to protections currently in place for the state.

Public Hearing Requirements:

Kentucky cities must hold public hearings regarding the use of municipal road aid and Local Government Economic Assistance program-funded projects. Notification requirements often result in meetings taking place just before work is scheduled to begin. Citizens rarely attend these mandatory public forums, while those most interested in the project have already utilized timelier methods of communication to voice their opinion.

Legislative Priority: Modify the public hearing notification requirement for the municipal road aid and Local Government Economic Assistance programs to ensure information is communicated to the public in the most timely and advantageous method.

Alcohol Licensure:

Kentucky cities with a population of less than 20,000 are allowed to impose a regulatory license fee upon the gross receipts of alcoholic beverage sales. All municipalities must have the ability to collect the fee because the revenue offsets financial expenses incurred by the community, such as additional policing and regulatory costs.

Legislative Priority: Expand the authority to collect an alcohol regulatory license fee to all cities to ensure alcohol sales do not impose an additional financial burden on taxpayers.

ADDITIONAL PRIORITIES

Constables:

Kentucky communities continue to deal with legal issues surrounding untrained constables. Most recently, a constable pleaded guilty in 2021 to the attempted murder of an FBI agent. A committee created by the Kentucky Justice and Public Safety Cabinet recommended in 2012 that lawmakers review powers granted to constables under the Kentucky Constitution to either eliminate or restrict the position or grant local governments the ability to set limitations on constables.

Legislative Priority: Eliminate the peace officer powers of untrained constables while still allowing those elected to the office to serve their community in other ways, such as serving subpoenas and directing traffic.

Municipal Audits:

Each Kentucky city with a population of 2,000 or more must conduct an annual audit of their city funds. This can be a cumbersome, costly, and unnecessary burden on some municipalities, especially those with no long-term debt that receive and expend less than $75,000 in a fiscal year. Additionally, many cities cannot obtain an auditor to conduct the review by the current February 1 deadline.

Legislative Priority: Raise the audit exemption amount from $75,000 and provide more time for cities to obtain an audit before penalties are incurred.

Planned-Unit/Homeowners' Association Legislation:

Neighborhood associations can often improve the quality of life in a city by providing amenities and creating a sense of community. However, in some cases the association cannot continue to afford the services it was designed to provide, leading to concern about how neighborhood programs will be funded.

Legislative Priority: Seek legislation to help cities address when homeowners' associations go defunct or planned-unit developments do not adequately cover the maintenance of common areas.

Wholesale Water Rates:

Wholesale water rates are regulated by the Kentucky Public Service Commission (PSC). Proposed rate increases between municipal and regulated utilities can be appealed to the PSC, but municipal utilities may lose those potential proceeds during the appeal process, even if the increase is later approved.

Legislative Priority: KLC seeks to amend state law to provide that during a period of appeal to the PSC for a new wholesale rate between municipal utilities and regulated utilities the proposed rate increase is escrowed rather than lost by the municipal utility.

ADDITIONAL PRIORITIES

Utility Franchise Agreements:

Current law requires utilities to maintain a franchise agreement with local governments they service, but the law does not provide penalties if the utility does not follow the agreement. This leaves municipalities powerless if a private company refuses to follow the agreement.

Legislative Priority: Create safeguards for local governments to protect citizens from those violating utility franchise agreements.

Streetlight Efficiencies:

Streetlights can be a costly expenditure for cities, but they are a necessity for public safety. The quality and cost of those lights often can be improved greatly with the use of light emitting diodes (LEDs) or other more efficient options.

Legislative Priority: KLC will advocate for legislation that permits city governments to use eminent domain or otherwise require electric utilities to use more efficient lighting options for streetlights.

Replacing Damaged City Records:

While cities go to great lengths to protect vital records, unforeseen disasters can result in lost documents. When circumstances such as a fire or flood occur, municipalities often face a complicated and expensive process to replace damaged files. Not having the required information could lead to frozen assets.

Legislative Priority: Allow cities that suffer lost records because of an unforeseen disaster to utilize an affidavit process to provide documentation to the Department for Local Government.

Joint/Regional Tourism Commissions:

Joint tourism commissions often encompass several communities, but they do not always include representatives from cities impacted by the commission's decisions.

Legislative Priority: KLC will seek legislation requiring tourism commissions that cover two or more counties to include the mayor of the largest city in every county that participates in the commission or the mayor's designee. Additionally, KLC will seek representation for suburban cities on a tourism commission in a consolidated local government.

Paramedic Response Fees:

Kentucky cities focus on public safety while juggling the costs of making sure citizens are covered when minutes make the difference between life and death. Paramedic and EMT services are vital, but municipalities often are saddled with a financial burden that makes providing emergency care difficult.

Legislative Priority: Authorize cities to collect a "user type" fee on residential and commercial properties to fund EMT/paramedic services like what is authorized for 911 fees.

ADDITIONAL PRIORITIES

Waste Hauler Franchise Fees:

Cities that need to extend waste collection into neighboring areas face extensive and potentially costly delays to expand their franchise. The result is an extra expense for taxpayers and the potential for citizens to wait months to receive waste collection.

Legislative Priority: Address issues with KRS 109.0417 to ensure cities already providing waste collection do not encounter lengthy publication requirements before extending the franchise agreement.

Inactive Cities:

Cities that no longer maintain a locally elected government or collect fees can create an unnecessary burden on local citizens, the state, and other municipal governments. Removing unnecessary bureaucracy and allowing a more streamlined process for the dissolution of these inactive cities will ensure citizens can obtain needed services and that the state is able to accurately allocate funding to other communities.

Legislative Priority: Establish a way for cities that do not collect funds or have elected officials to dissolve through an administrative process instead of going through the courts.

KLC

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