

2023 EDITION

LEGISLATIVE AGENDA



INSIDE:

REVENUE DIVERSIFICATION
CITY STREET FUNDING
ECONOMIC DEVELOPMENT
& ADDITIONAL PRIORITIES



**Kentucky
League
of Cities**

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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. A 65-member Board of Directors and a 17-member Executive Board govern the League.

Who Does KLC Serve?

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

KLC SERVICES

- State and Federal Relations
- Research
- Community & Economic Development
- Financial Services
- Municipal Law
- Training and Member Education
- Insurance Services
- Loss Control
- Law Enforcement Training
- *Kentucky City Magazine*
- KLC Conference & Expo

CITIES MATTER

- More than half of Kentucky's population — 56% — live in a city.
- About 75% of all economic activity in the commonwealth occurs in cities.
- Four out of five jobs in Kentucky are in cities.
- Kentucky cities employ more than 30,000 people.
- About 40% of Kentucky cities operate a public drinking water utility, 45% operate a municipal sewer system, and dozens operate either an electrical and/or natural gas system.
- Kentucky's 230+ city police departments employ nearly 4,900 full-time peace officers.

Cities Provide Many Services

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

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.

City officials named revenue diversification at the local level and modernization of the state's road funding formula as the top legislative priorities for the 2023 session. Modernization is a common theme, as city officials look to the legislature to remove antiquated newspaper publication requirements that cost city taxpayers vital funds. Additionally, cities are looking for new ways to battle the state's substance abuse epidemic.

Every item outlined in the KLC 2023 Legislative Agenda aims to help city officials serve the public more efficiently at the local level so they can build the desirable and vibrant communities the public expects. [When cities succeed, Kentucky succeeds!](#)

KLC PRINCIPLES OF ADVOCACY

1. Home rule: City officials must have the authority to make decisions to meet the needs of their citizens.
2. Adequate, stable, and flexible resources: Cities must be able to generate sufficient revenues to provide for the level of services desired by local citizens.
3. Economic prosperity: Cities must have the ability to encourage economic development and enhance the quality of life.

REVENUE DIVERSIFICATION

Legislators conveyed this message in the 2022 session, and city officials strongly agreed:

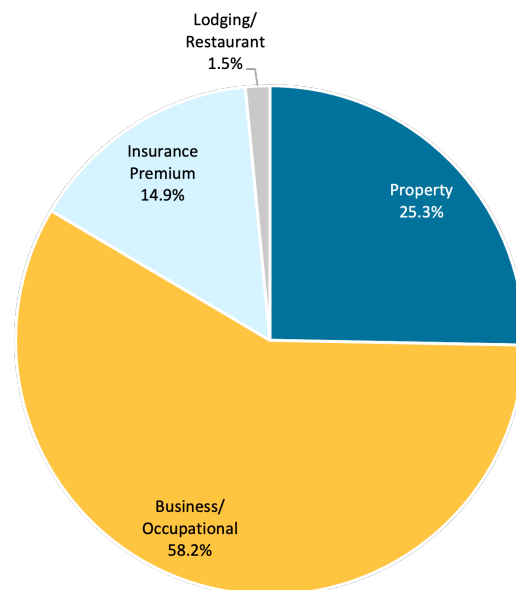
MODERNIZATION IS THE KEY TO PAYING FOR THE VITAL SERVICES THAT KENTUCKIANS AND BUSINESSES EXPECT.

Legislators created a mechanism in 2022 for the state to make a series of incremental cuts to the personal income tax rate if it hits specific benchmarks. The move represented the first step toward shifting Kentucky from a structure that largely taxes productivity. Kentucky cities advocate for a similar move on the local level, which will allow locally elected officials to utilize a consumption-based revenue model. **The top legislative priority for cities in the 2023 session is to equalize and modernize city revenue options.**

It's Time to Remove a 131-Year-Old Roadblock

Cities are the lifeblood of Kentucky. Most Kentuckians work and live in a city, and cities provide the infrastructure that keeps Kentucky running. People expect their city to provide the public safety, facilities, and infrastructure needed for a desirable quality of life. However, funding those services can be a challenge.

A 131-year-old section of the Kentucky Constitution limits the revenue available to Kentucky cities. Section 181 impedes the legislature's ability to reform local government tax policies comprehensively. It only permits the General Assembly to delegate to local governments a small number of revenue options. Those include property, occupational, and some franchise fees. [The antiquated language even addresses taxing telegraphs and steam railroads \(See Page 5\).](#)



CITY TAX REVENUE



The restriction forces city leaders to operate Kentucky's 21st-century cities on revenue streams authorized in the 19th century. Local elected officials entrusted with growing their city, ensuring citizens' safety, and providing the technology required for economic development must have the ability to generate revenue to meet these needs. Every Kentucky region and city is unique; local leaders need to develop an individual approach to address their own opportunities and challenges.

Passing a constitutional amendment in the 2023 session would not result in new taxes. In fact, voters would have to agree to revise the language in Section 181 of the Kentucky Constitution through a referendum before the General Assembly could even debate in future sessions any possible changes to the local tax structure. Nothing would be automatic. The amendment would not allow local governments to implement any new taxes on their own.

Cities have reliable streets and bridges. They provide water, sanitation, and other services. A call to 911 results in an emergency response. Parks and pools are well maintained, and cities offer various festivals and entertainment venues. Residents and workers fund almost all these services. People who visit and travel through cities usually do not contribute to the amenities they enjoy. Legislators and voters need to amend the constitution to empower the General Assembly to update an antiquated tax system that forces a few people to shoulder an inordinate burden.

The legislature must include cities as it creates a new revenue model designed to encourage growth, ingenuity, and individual prosperity.

The Constitution of the Commonwealth of Kentucky, Section 181

The General Assembly shall not impose taxes for the purposes of any county, city, town or other municipal corporation, but may, by general laws, confer on the proper authorities thereof, respectively, the power to assess and collect such taxes. The General Assembly may, by general laws only, provide for the payment of license fees on franchises, stock used for breeding purposes, the various trades, occupations and professions, or a special or excise tax; and may, by general laws, delegate the power to counties, towns, cities and other municipal corporations, to impose and collect license fees on stock used for breeding purposes, on franchises, trades, occupations and professions. And the General Assembly may, by general laws only, authorize cities or towns of any class to provide for taxation for municipal purposes on personal property, tangible and intangible, based on income, licenses or franchises, in lieu of an ad valorem tax thereon: Provided, Cities of the first class shall not be authorized to omit the imposition of an ad valorem tax on such property of any steam railroad, street railway, ferry, bridge, gas, water, heating, telephone, telegraph, electric light or electric power company. — AUGUST 3, 1891

ROUGH ROAD AHEAD FOR CITY STREET FUNDING



From the morning drive to school and work to trips to the grocery store and doctor, you likely depend on safe and reliable city streets and bridges every day. As more and more people move into Kentucky cities, the strain on those vital thoroughfares grows. However, funding to maintain and build Kentucky's critical transportation infrastructure continues to shrink. As Kentucky's population shifts, so should its use of limited road dollars.

CITY LEADERS NAMED PRIORITIZING TRANSPORTATION & MODERNIZING KENTUCKY'S FUNDING MECHANISMS FOR LOCAL STREETS & BRIDGES AS **A TOP PRIORITY** FOR THE 2023 SESSION.

The quality and availability of city roads play a key role in the livability of a community. They are also essential for economic development. As Kentucky leaders look for ways to enhance job opportunities in the state and grow Kentucky's economic footprint, they must address the condition and functionality of city streets.



Kentucky cities own and maintain thousands of miles of public roads, and traffic volumes continue to increase. More than 167,000 people moved into a Kentucky city in the past decade while the state's unincorporated population declined. As city officials deal with growing demand and costs, state and federal funding has failed to keep up with inflation. Kentucky cities spent nearly 60% more on streets and roads in Fiscal Year 2020 than in Fiscal Year 2010. City officials struggle to keep up with the wear and tear.

The issue also impacts drivers. The average Kentuckian now finds it takes longer to get to work compared to a decade ago. Additionally, most cities cannot keep up with the recommended replacement schedule, which creates some rough roads. In fact, city streets in Kentucky average a 40-year replacement cycle, more than double the industry standard. The average Kentucky driver pays \$444 more every year from driving on roads in need of repair.

Kentucky's Antiquated Funding Mechanisms

Gas tax revenues are the only part of the Road Fund shared with local governments. City officials urge the legislature to modernize local infrastructure funding, including fees paid by electric vehicle owners. Those drivers contribute to the cost of street maintenance but do not contribute any money to local governments for the transportation system they use daily.

The state currently divides the local portion of the motor fuels tax mainly through the "formula of fifths," a system established in 1948 when Kentucky's population was predominantly rural. The state's population has changed considerably.

Cities maintain more than 10,000 miles of public streets, which often must have curbs and gutters, stormwater drains, underground utilities, bike lanes, traffic sensors, and extensive milling and paving. Additionally, city streets must meet Americans with Disabilities Act (ADA) requirements. One ADA ramp can cost a city around \$2,700, and most streets have more than one.

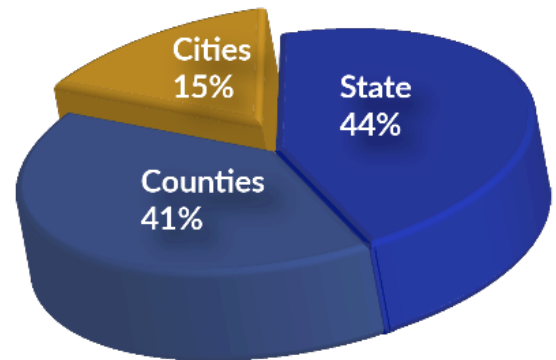
Local tax dollars now represent four-fifths of what cities spend to maintain city streets; that represents money city officials cannot allocate to other public services, such as police and fire. In all, cities spend more than \$340 million a year to maintain and build streets.

It's Time to Modernize

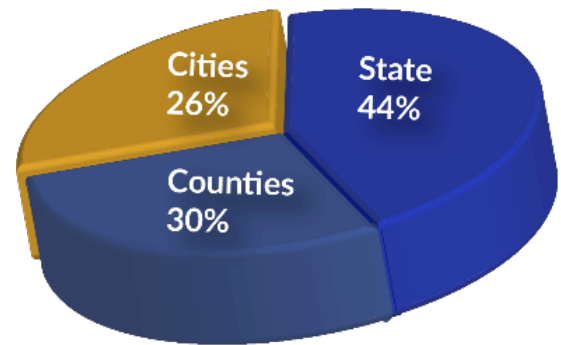
An agreement between cities and counties would update the state's road funding mechanism and acknowledge the growth and demand on city streets. It would equally divide shareable motor fuels revenue over \$825 million — the high reached in FY 2014. Kentucky would evenly split any amount above that threshold between the municipal and county road aid programs at 13% each. The update 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.

Kentucky faces a critical crossroads. The state cannot continue to grow, add jobs, and attract new citizens without a dependable and well-maintained transportation system. Without legislative action, city officials cannot fund the growing need and cost of vital city streets and bridges. Waiting too long could cause the state to hit a debilitating pothole on its road to prosperity.

Road Aid Formula Modernization



Road Aid Up to \$825M



Road Aid Over \$825M

ECONOMIC DEVELOPMENT

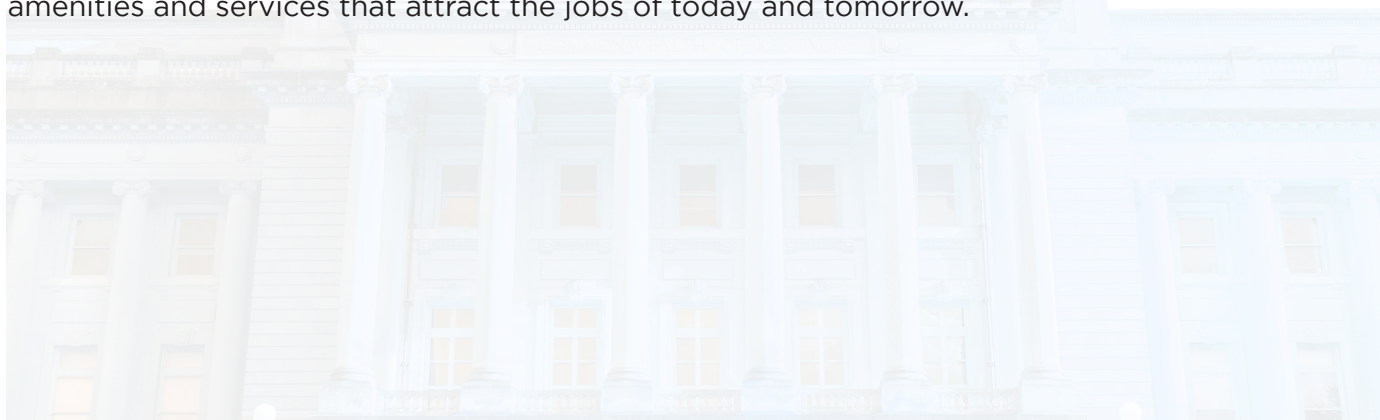
More Kentuckians are getting back to work, and the state's economy continues to grow. The U.S. Bureau of Labor Statistics reported that the commonwealth's summer 2022 unemployment rate totaled 3.7%, which is down from 4.8% a year ago and 5.7% in 2020. As more people return to work and more companies look to locate in the state, city officials must have the tools necessary to capitalize on economic opportunities. **Kentucky cities need legislation and policies that help attract and expand jobs.**

Strong demand for goods and services exists throughout the country, which forces companies to seek locations for new facilities and expanded operations. Kentucky has courted automobile manufacturing, food products, textiles, health, and more companies in the past year. However, it is not just the state attracting these facilities; the local community and local officials play a key role.

City officials need policies that provide latitude to attract new businesses and jobs. Safety, public services, quality of life, and transportation systems all impact economic development. Home rule is essential because local officials often know their community the best.

Additionally, efforts to reduce Kentucky's income tax rate must not inadvertently hurt local development. Municipalities use state income tax revenues within tax increment financing (TIF) agreements, and reducing the rate could jeopardize them. City officials are looking to the legislature to hold such TIF agreements harmless.

Businesses and industries are looking to Kentucky's booming cities for new opportunities. City economic development experts stand ready to work with the legislature to craft policies that keep Kentucky moving forward. That includes promoting job growth, enhancing community, and providing solutions. The legislature needs to enact policies that help cities deliver the amenities and services that attract the jobs of today and tomorrow.



ADDITIONAL PRIORITIES

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Newspaper Publication Laws

Cities seek equal treatment for local governments publishing public notices. Only those within a county with a population of 80,000 or more can post these documents on their website in lieu of full publication in a newspaper. All other local governments must spend taxpayer money to print the entire statement in the newspaper. Often, small cities must use a large publication outside of their community. Publication requirements cost city taxpayers more than \$1 million a year while notices published on a city website are available in one location, free of charge, for a longer time.

Legislative Priority: Modernize publication laws to permit cities of all sizes to publish advertisements and public documents on their websites instead of spending public tax dollars to print the entire notice in a newspaper.



Property Tax Notifications & Rate Setting

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

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

ADDITIONAL PRIORITIES



Substance Abuse

Substance abuse continues to be a costly and heartbreaking issue plaguing every Kentucky city. Kentucky reported a 14.5% increase in overdose deaths in 2021. KLC continues to maintain an active position battling the epidemic throughout the commonwealth.

Legislative Priority: Support legislation addressing Kentucky’s substance abuse problem and the criminal aspects of drug trafficking. The League will also prioritize treatment, rehabilitation, training, and workforce reentry.



CERS Administration

City officials have diligently monitored and advocated for the health and autonomy of the County Employees Retirement System (CERS). As a result, the local pension system now has its own governing board of trustees. Local governments remain committed to ensuring CERS operates independently, transparently, and efficiently.

Legislative Priority: Require the Kentucky Public Pensions Authority (KPPA) auditor to report to the KPPA Board instead of the executive director and continue to monitor the independence of CERS, KPPA administrative expenses paid by CERS, and the local pension system’s operations.



Code Enforcement

Code enforcement allows cities to enhance quality of life by regulating living standards and addressing blight, unsafe construction, litter, and other conditions that can pose a danger to residents and threaten property values. However, municipalities often find enforcing code regulations difficult. The Mass Foreclosure Act streamlines the method of enforcing tax liens, but the process does not apply to code liens.

Legislative Priority: Permit city governments to include unpaid code enforcement liens on property tax bills to help communicate to property owners and ensure costs are paid, as well as amend the mass foreclosure statutes to include code liens.

ADDITIONAL PRIORITIES



Alcohol Regulatory Licensure

Kentucky cities with a population of less than 20,000 may impose a regulatory license fee upon the gross receipts of alcoholic beverage sales. All municipalities need the ability to collect the fee to offset additional policing and regulatory expenses incurred by the community.

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



Paramedic & EMT Training

Delays in training and the inability of private contractors to meet community needs put citizens at risk. The Kentucky Board of Emergency Medical Services (KBEMS) recently moved paramedic training into more of an academic setting instead of a vocational focus, which caused training delays.

Legislative Priority: Change how the Kentucky Board of Emergency Medical Services certifies paramedics and emergency medical technicians (EMTs) to find qualified and certified candidates more easily.



Planned-Unit/Homeowners Associations

Neighborhood associations can often improve the quality of life in a city by providing amenities and creating a sense of community. However, sometimes the association cannot afford the services it was designed to provide.

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



Procurement

State law requires city governments to provide a preference when an in-state provider competes against an out-of-state bidder. The preference must equal what the state of the nonresident bidder provides to its resident bidders. Cities must also make residential bidding requirements a component of their advertisements and solicitations for bids. Additionally, the local model procurement code requires municipal governments that want to contract with a nonprofit to bid out certain services even if the local charity helps the community address a critical issue in the city.

Legislative Priority: Remove cities from the residential bidder preference requirement and exempt contracts with community-based charitable organizations from the bidding requirements in the local model procurement code (LMPC).

ADDITIONAL PRIORITIES



Wholesale Water Rates

The Kentucky Public Service Commission (PSC) regulates wholesale water rates. The PSC hears appeals of proposed rate increases between municipal and regulated utilities. Municipal utilities may lose those potential proceeds during the appeal process even if the PSC approves the increase.

Legislative Priority: Allow a municipal utility to escrow — rather than lose — the proposed rate increase during an appeal to the PSC for a new wholesale water rate between municipal utilities and regulated utilities.



DROP Retirement

A deferred retirement option plan (DROP) incentivizes employees to continue working beyond normal retirement. A DROP establishes a process for employees to lock in their normal retirement while earning additional lump-sum payments without paying into the retirement system. The additional lump-sum payments typically get added to the monthly pension benefit that the employee would have otherwise received.

Legislative Priority: Pursue a DROP option for the County Employees Retirement System (CERS) to help recruit and retain vital employees.



Street Lighting Efficiencies

Streetlights can be costly for cities, but they are necessary for public safety. Light emitting diodes (LEDs) or other more efficient options can increase the quality and decrease the cost of operating those lights.

Legislative Priority: Permit city governments to use eminent domain or to require electric utilities to use more efficient lighting options for streetlights.



Joint/Regional Tourism Commissions

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

Legislative Priority: Require tourism commissions covering two or more counties to include the mayor, or his or her designee, of the largest city in every county participating in the commission and ensure representation of smaller cities on a tourism commission in a consolidated local government.

ADDITIONAL PRIORITIES



Kentucky Education & Workforce Collaborative

Last session, legislators created the Kentucky Education and Workforce Collaborative to implement the Kentucky Workforce Innovation Board's strategic plan. The collaborative includes representatives from state and county governments, the business community, and the education sector. Legislators did not include a representative of city governments even though most jobs in Kentucky are in cities.

Legislative Priority: Add a city representative to the Kentucky Education and Workforce Collaborative because cities are vital to implementing effective workforce development programs.



City Candidate Reporting

Senate Bill 216 from the 2022 session requires county clerks to post the political affiliation of candidates even if the candidate is running in a nonpartisan city election. Additionally, current law requires nonpartisan city candidates to declare their candidacy and file a primary election report with the Kentucky Registry of Election Finance even if the city has waived its primary election.

Legislative Priority: Clarify that county clerks are not required to post the party affiliation of nonpartisan candidates and eliminate the requirement for city candidates without a primary to file primary election finance reports.



City Election Procedures

Several issues that address city elections need clarification, including changing the number of council members in the mayor-council form of government, handling city official resignations, and eliminating or reinstating nonpartisan primary elections.

Legislative Priority: Clarify when a city may enact an ordinance that modifies the number of council members, how a city official may resign through email, and when a city may enact an ordinance impacting a nonpartisan primary election.



Master Commissioners Deed Filing

Current law does not require master commissioners to file deeds after auctioning properties with liens. Without notice that the properties sold, cities with liens on the properties do not know that ownership has transferred.

Legislative Priority: Specify that the master commissioner must file a deed after a commissioner's sale to address city-held liens.

ADDITIONAL PRIORITIES



Land Application of Sewer Sludge

Only Kentucky and Massachusetts have a state process for permitting the land application of sewer sludge. All other states follow federal regulations. Kentucky's process is difficult and expensive for cities to follow, which results in unnecessary delays and costs to taxpayers.

Legislative Priority: Require the Kentucky Division of Water to use federal regulations to guide the permitting of the land application of sewer sludge rather than using a more stringent state-permitting process.



Worker's Compensation

Current state law provides that employers are not responsible for injuries or deaths when a blood test shows an employee had an unwarranted substance in their blood. However, many drug testing companies do not test blood, even if an employer requests it.

Legislative Priority: Amend KRS 342.610(4) to remove references to testing blood to match language in 803 KAR 25:280 that only requires post-accident urine testing.



Franchise Agreements

Current law requires utilities to maintain a franchise agreement with local governments in their service area, but the law does not provide penalties if the utility violates the agreement. This leaves municipalities powerless if a private company refuses to follow the agreement. Additionally, KRS 96.010 requires all parties be notified on the sale of a new franchise 18 months before any existing utility franchise expires.

Legislative Priority: Create safeguards for local governments when utilities violate franchise agreements and reduce the current 18-month notification period for the sale of a new franchise to six months or less.

ADDITIONAL PRIORITIES



Entertainment Destination Centers (EDCs)

Entertainment destination centers (EDCs) bring tourists and businesses into a specific area of a city — often its downtown. A few minor tweaks to the law would ensure all businesses in the EDC can benefit from the designation and help local businesses outside the EDC to capitalize on the increased customer base.

Legislative Priority: If authorized by a city, allow patrons to carry alcoholic beverages into retail shops within an EDC if the business approves and allow caterers and brewers who may sell from mobile units pursuant to their license to also sell within the EDC.



Tax Information Sharing

Local governments often work together to ensure efficiency and coordinate efforts to promote and improve the area. However, current state law prohibits the ability of a county government from sharing tax information with cities.

Legislative Priority: Amend KRS 67.790 to allow the sharing of tax-related information among entities for auditing purposes.



Historical Horse Racing & Occupational Licenses

Historical horse racing (HHR) brought in \$6.8 billion in Kentucky in Fiscal Year 2022. House Bill 607 in the 2022 session ensured an equal tax rate for the state but did not clarify city taxing authority for HHR facilities at existing racetracks.

Legislative Priority: Expand the ability of cities to apply occupational license taxes to historical horse racing (HHR) facilities located at a racetrack like HHR facilities not at a track.



State Fire Marshal

The Kentucky Office of the State Fire Marshal is an agency within the Department of Housing, Buildings, and Construction tasked with helping eliminate or reduce fire hazards. The office assists in local arson investigations.

Legislative Priority: Investigate and recommend potential solutions to reorganize the state fire marshal's office.

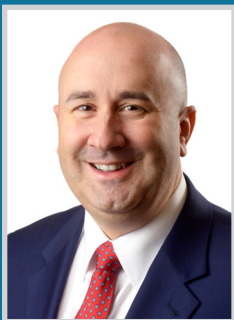


Kentucky League of Cities CITY LIMIT

WHERE OPPORTUNITY BEGINS
AND KENTUCKY THRIVES

KLCCITYLIMIT.COM is our way of keeping cities informed on our most pressing issues. It is the best way to receive up-to-the-minute information on state and federal news — news that impacts all of our Kentucky cities.

 FOR MORE INFORMATION, CONTACT THE KLC LEGISLATIVE TEAM



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CITY DAY//NIGHT

Save the date!

WEDNESDAY, FEBRUARY 22, 2023

CITY DAY

8:00 A.M. TO 4:30 P.M. EST
THOMAS D. CLARK CENTER FOR
KENTUCKY HISTORY, KLC FRANKFORT
OFFICE & CAPITOL ANNEX

CITY NIGHT

4:30 P.M. TO 7:30 P.M. EST
THOMAS D. CLARK CENTER
FOR KENTUCKY HISTORY



CITY DAY//NIGHT

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