



KENTUCKY LEAGUE OF CITIES

2013 LEGISLATIVE AGENDA

CAPITAL AVE

W BATTLE ALLEY

December 2012

The Kentucky League of Cities was founded in 1927 when cities came together on common legislative issues. Today, more than 80 years later, our core mission has not changed. KLC is the united voice of Kentucky cities.

A Message from KLC's President

Dear Friends and Colleagues,



The Kentucky League of Cities was founded in 1927 when cities came together on common legislative issues. Today, more than 80 years later, the core mission has not changed. KLC is the united voice of Kentucky's cities.

Although the legislature is only in session a few months each year, the legislative process for Kentucky cities never stops. The Kentucky League of Cities Board of Directors meets in the summer and fall to review legislative policy suggestions from member cities and KLC staff, and then votes on the directives that will best serve the entire membership. The 54-member board is made up of city officials who represent each region of the state and cities of all sizes and includes representatives from various affiliate organizations that represent city interests. Once approved by the KLC Board of Directors, the League's legislative agenda serves as the basis of KLC's advocacy efforts at the Capitol.

I encourage everyone, especially city officials with new members in the General Assembly, to meet with your representatives and senators to discuss the priority issues. It is your responsibility to ensure that our elected officials at the Capitol know what is needed at the local level. Remember: you and your legislators share constituents and you provide important perspective on what is going on at home.

For Kentucky to truly progress, cities must be empowered to do what's best for their own communities and citizens. KLC's 2013 legislative agenda helps cities continue to bring value to our state as an important building block in supporting economic competitiveness and prosperity.

I hope to see you at KLC's annual advocacy event, City Day and City Night, on February 20, 2013 in Frankfort.

Sincerely,

A handwritten signature in black ink that reads "Susan Barto". The signature is written in a cursive, flowing style.

Mayor Susan Barto
City of Lyndon, KLC President



KLC Legislative Agenda

COUNTY EMPLOYEES RETIREMENT SYSTEM REFORM

The KRS Board of Trustees set the FY 2014 employer contribution rates for the County Employees Retirement System (CERS) on December 7. Local governments will now contribute **18.89 percent** of non-hazardous duty employees' salaries to the retirement system and **35.70 percent** for hazardous duty employees. The KRS Board of Trustees voted to reduce the contribution requirement from this fiscal year because of a \$2.5 billion reduction in the unfunded liability for health insurance.

This savings was the result from a shift from a self-insured health plan to one provided by Humana for Medicare eligible retirees. While this provides

relief on the insurance side, cities must note that the pension liability continues to grow. In fact, the pension liability increased \$7.131 billion since 2000, indicating systemic problems in CERS. The shift will not address the projected rise in employer contribution rates over the next several years.

Without long-term reform, cities should prepare for employer contribution rates to continue their predicted increase to cover the growing unfunded liability. In addition to the growing pension liability, investment losses are being smoothed into the employer rates over a five-year period.

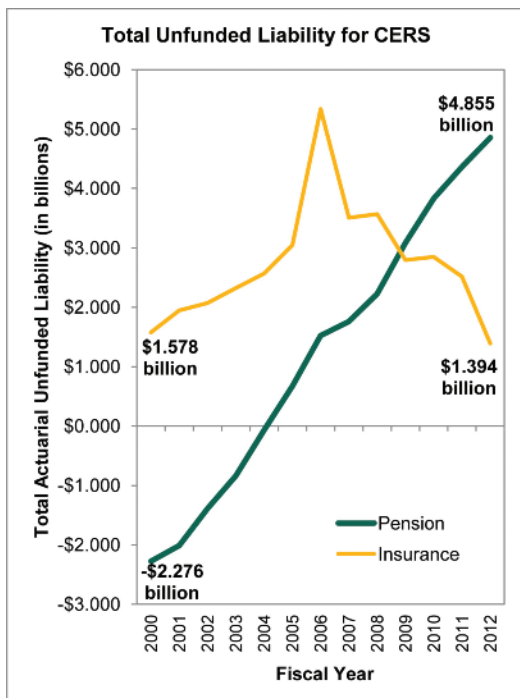
In 2005, Nicholasville paid approximately **\$1 million** for retirement benefits for city employees. Today, Nicholasville pays more than **\$2 million** to the Kentucky Retirement Systems, even though the city has fewer employees.

Specifically, KLC supports the Kentucky Public Pensions Task Force recommendations to:

- **Adopt a Hybrid Cash Balance Plan for new participants.** Current employees and retirees would remain in the defined benefit system.
- **Reset the amortization period for CERS for payment of the unfunded liability to a new 30-year period.**
- **Eliminate the cost of living adjustment (COLA) for all employees and retirees.**
- **Appoint an additional member to the Kentucky Retirement Systems Board of Trustees selected by the Governor from a list submitted by KLC.**

Legislative Priority

Retirement reform is the top legislative priority for Kentucky cities, and the General Assembly needs to act this session to keep the situation from getting worse. The Kentucky League of Cities supports the recommendation of the Kentucky Public Pensions Task Force, which takes a balanced approach and considers the need for long-term financial stability in the retirement system and short-term affordability for cities that pay the bills for these benefits.



The unfunded liability is a measurement of CERS assets to benefits owed to active employees and retirees. The sharp growth in unfunded liability on the pension side (green line) continues to increase despite that cities and other employers in CERS have always paid what has been required.



KLC Legislative Agenda

CITY REVENUE FLEXIBILITY

The Kentucky Constitution severely limits the revenue options available to city governments. The decline in the economy has resulted in stagnant or reduced revenues for most Kentucky cities, leaving limited funds to address rising pension costs, expensive environmental mandates and other budget needs. Many cities are unable to fairly recoup the revenue required to maintain city infrastructure, essential services and amenities that contribute to high quality of life.

To accommodate a balanced budget, cities have depleted rainy day funds, cut funding for city departments and programs, reduced personnel and have gone without important community projects. With expenditures that cities have no control over quickly outpacing revenues, local officials need more revenue options and greater flexibility to continue to serve the people of Kentucky.

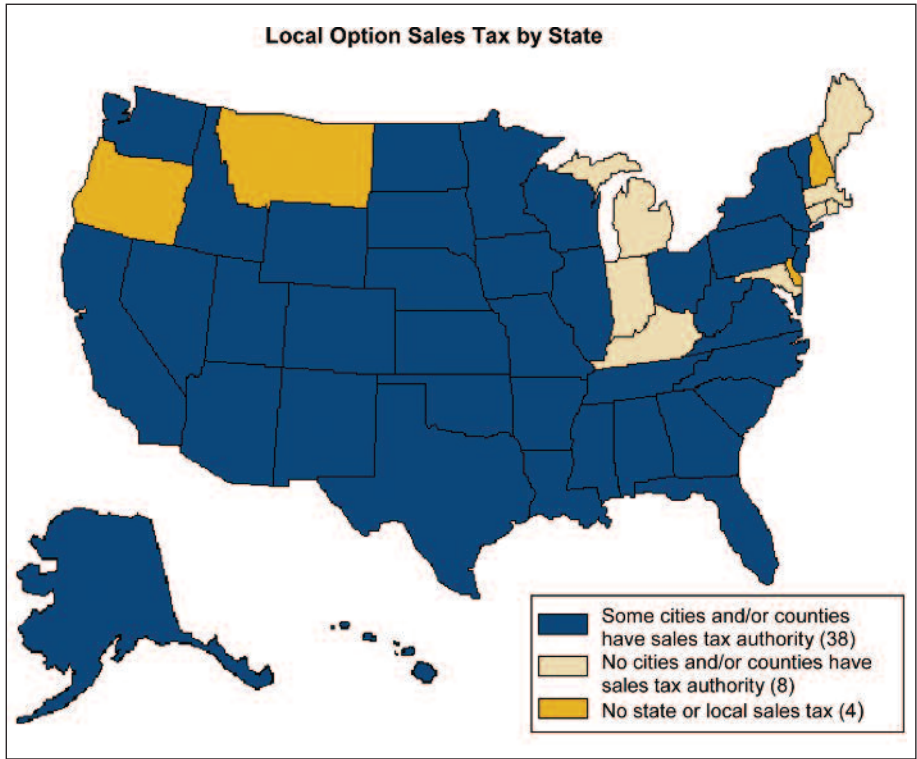
Legislative Priority

The Kentucky League of Cities will seek legislation that would expand the authority to impose a restaurant tax to all cities, allowing cities to retain 75 percent of the revenues for quality of life enhancements and providing 25 percent to local tourism commissions. The restaurant tax would be used in lieu of the collection of net profits or gross receipts taxes on restaurants, but participating cities could still impose payroll taxes on restaurant employees and regulatory business licensing requirements.

KLC will support an amendment to the Kentucky Constitution to permit cities to ask voters to approve a local option sales tax for particular projects or programs. The voter-approved local sales tax would only be for a specific period of time or for the duration of the approved project or program and would

- ◆ Thirty-eight states allow one or more local governments to levy a local option sales tax.
- ◆ All but one neighboring state allow some form of local option sales tax.
- ◆ Kentucky ranks 44th in local taxes collected.

also be part of the ballot question submitted to voters. In addition, the amendment would permit the General Assembly to authorize revenue sharing between the state and local governments under certain circumstances.



Visit www.klc.org for updates on these issues and to monitor legislation during the session.



KLC Legislative Agenda

911 FUNDING

Local governments have the ability to assess fees for 911 services on land-based telephone lines while the state sets, collects and distributes the 911 fee for cellular phones. The decline in popularity of landline telephones has left many local governments with decreasing revenues to support ever-more expensive 911 services. To further complicate the issue, anecdotal evidence shows that as cell phone usage increases and phones are more accessible to more people in emergencies, the demand on 911 services has increased.

Legislative Priority

The 911 funding shortfall has forced several cities and counties to sharply increase the fee on the remaining landlines or supplement 911 services with

general fund appropriations. To address this issue, KLC will:

- ♦ **Continue to oppose any measure that removes the ability of local governments to impose local fees for the operation of 911 services and support any enhancement of the ability of local governments to independently generate fees to fund 911 services at the local level.**
- ♦ **Oppose any proposal that would reduce the total amount of state-generated revenue from the wireless fees as it would result in less funds coming back to local governments and their public safety answering points (PSAPs).**

- ♦ **Support an increase in the current statewide wireless fee of \$0.70/month to obtain additional revenue from wireless phones.**

- ♦ Local general fund dollars account for 45 percent of local 911 funding.
- ♦ Local 911 fees make up 39 percent of the funding, with landline fees as high as \$4.25 per month.
- ♦ Between 2000 to 2010, the number of landlines dropped by 17 percent in the state. The number of mobile wireless subscribers increased by 263 percent.

CITY CLASSIFICATION REFORM

The General Assembly divides cities into one of six classes based on population size tiers. Currently, one-third of cities are not included within a matching population-size tier based on 2010 Census populations. Nearly 400 laws related to taxing authority, alcohol beverage control, collective bargaining and other city powers reference the outdated classification system. These

laws often arbitrarily restrict and mandate cities, limiting flexibility and effective governance. Cities can change classes only after approval by the General Assembly.

Legislative Priority

KLC will seek legislation to reduce and largely eliminate the number of

city classes. When possible, the legislation should eliminate mandates and extend maximum flexibility to cities for self-governance. This approach would provide all cities with the same options and powers currently available to only some.

Selected laws affecting cities by class	1st	2nd	3rd	4th	5th	6th
Occupational license fee as a percent (earnings/profit)	x	x	x	x	x	
Restaurant tax				x	x	
Mandatory police and fire departments		x	x			
Firefighter work schedule	x	x				
Police work schedule		x	x			
Police department countywide jurisdiction	x	x	x	x	x	
Police and firefighter disciplinary procedure		x	x			
Local option elections for alcohol sales	x	x	x	x		
Liquor-by-the-drink ordinance				x		



KLC Legislative Agenda

POLICE OFFICER PERSONNEL ISSUES

Police unions introduced legislation in the 2012 session to alter the Police Officer Bill of Rights in an attempt to make it more difficult for cities to discipline and terminate police officers. The attempted legislation would have expanded the Police Officer Bill of Rights to all complaints against a police officer, not just complaints made the public. It would have also required the city to allow the officer to have an attorney present during any personnel interrogations, not just criminal complaints.

The statutory language currently existing in the Police Officer Bill of Rights is confusing and poorly organized, which creates a great deal of uncertainty as to the precise meaning of many of the provisions. There are also a number of other statutes that deal with police officer

personnel matters that contradict one another and the Police Officer Bill of Rights. The current status of the language coupled with conflicting statutes in other sections of the law frequently results in litigation that is time-consuming and costly for both cities and the police officers.

Legislative Priority

KLC will continue to strongly oppose any legislation that expands the Police Officer Bill of Rights to make its provisions applicable to internal matters or that gives employees a right to have an attorney present in personnel issues that do not involve criminal complaints.

KLC will seek legislation that ensures the application of the Police Officer Bill of Rights is reserved for only external

complaints, clarifies the language to make it more understandable for the police officers and the cities, and distinguishes how the police officer bill of rights statute relates to other provisions in the law that apply to police officer discipline. KLC believes that clear and concise language should be used so that cities and their officers understand the process and the rules, which will hopefully eliminate the need for frequent litigation and legal wrangling over the meaning of the provisions.



Other Legislative Priorities for 2013

Municipal Road Aid Funding

Kentucky's gas tax generated over \$732 million in FY 2011, much of which was shared with local governments for highway and bridge construction, reconstruction and maintenance. Unfortunately, the funding schemes for municipal road aid, county road aid and rural secondary do not take into account lane miles, traffic counts or other measures related to use and/or maintenance need. In fact, both the county and rural formulas, which have not been altered in 64 years, skew heavily in favor of rural, low population areas.

Counties receive 40.5 percent total of the shared road aid funds through the county road aid program and the rural secondary program (18.3 percent and 22.2 percent, respectively). Cities receive 7.7 percent of the motor fuels tax revenues. Currently 65 percent of annual vehicle miles traveled in Kentucky are on rural roads that receive 84 percent of road aid funds allocated to local governments.

KLC supports restructuring of road funding formulas for a fair allocation to local governments with higher traffic areas, and thus more frequent needs for repair and maintenance.

Drug Abuse

Every city resident in the Commonwealth of Kentucky is impacted by drug abuse. Drug abuse and its social, criminal and economic consequences have a devastating negative impact on the quality of life in Kentucky communities.

The Kentucky League of Cities strongly supports legislation that proactively addresses drug abuse and its consequences. KLC will:

- ♦ Monitor the impact of the pseudoephedrine legislation enacted in the 2012 session to determine whether it is curtailing the manufacturing of meth in Kentucky;
- ♦ Monitor the impact of the prescription drug abuse legislation to determine its impact and work with stakeholders regarding its implementation;
- ♦ Work with law enforcement officials to ensure they have access to information to assist in the investigation and prosecution of illegal prescribing;
- ♦ Support legislation dealing with prescription drug abuse that addresses the grandfathering provision in the 2012 legislation that permits existing facilities to continue operating unless there are sanctions related to the licensure of the pain clinic or arising from employment to ensure that there are no loopholes for independent contractors; and
- ♦ Monitor any legislation introduced impacting Kentucky's criminal laws on the use, manufacturing or sale of illicit drugs and monitor any legislation affecting the treatment and rehabilitation of users.

Prevailing Wage

Current Kentucky law requires contractors for any public construction projects that exceed \$250,000 in cost to pay prevailing wage. A 2006 state study concluded that Kentucky's prevailing wage rates were 18 percent to 30 percent higher than normal construction wages.

KLC will support legislation that either repeals the existing state prevailing wage law or makes significant amendments to the statutes. Amendments could be made to exempt smaller construction projects and change the methodology of setting prevailing wage rates to ensure that union wage rates are not over represented for each locality.



Stay Connected During the Session

- ◆ **Sign up for the *Legislative Bulletin* and Legislative Alerts.** Every Friday during session, KLC's legislative team sends out the Legislative Bulletin, an e-newsletter with a recap of the activities from the previous week, as well as a glimpse at what's coming up. Legislative Alerts are emailed to city officials when urgent action is needed. Contact Tresa Short at tshort@klc.org or 1-800-876-4552 to sign up for these emails.
- ◆ **Check out KLC's bill tracker at klc.org.** During the session, you can use the bill tracker to monitor bills that impact local government and find out where they are in the legislative process. Go to KLC's homepage during the legislative session to access the bill tracker.
- ◆ **Meet frequently with your legislators.** Use this agenda as a guide to explain how each issue affects your community. It is important to establish a relationship and understanding of issues before the session begins. Find your legislator through the KLC bill tracker at klc.org or call the Legislative Research Commission at 1-800-372-7181 during the session.

SAVE THE DATE!



CITY DAY & CITY NIGHT

February 20, 2013

State Capitol, Capitol Annex and Frankfort Convention Center



Please mark your calendar for KLC's annual day of city advocacy at the Capitol and evening of networking with city representatives, legislators and government leaders. Watch for a postcard invitation in January and visit klc.org for complete schedule of events.