



KLC
KENTUCKY LEAGUE OF CITIES

2015 LEGISLATIVE AGENDA



1. 911 FUNDING
2. CITY REVENUE DIVERSIFICATION
3. ROAD AID FUNDING FORMULA

Dear City Leaders:

Community innovation. Effective leadership. Quality governance. The three pillars of the Kentucky League of Cities are as enduring today as they were in 1927 when the League of Cities was founded by a group of city leaders that came together around common legislative issues. Eighty-seven years later, the Kentucky League of Cities still serves as the united voice of Kentucky cities. It is with that united voice that the Kentucky League of Cities Board of Directors has once again set an ambitious legislative agenda for the 2015 legislative session.

The process of formulating the KLC legislative agenda is one that requires a great deal of time and debate as the 65 members of the KLC Board of Directors meet throughout the summer and fall to discuss policy issues that impact all Kentucky cities. As city leaders it is incumbent upon us to do our part to effect policy change in Frankfort. Be proactive. Meet with your state senator and state representative and make them aware of KLC's legislative priorities. As the economic engines of the commonwealth, Kentucky cities can make a difference in the halls of the Capitol.

Kentucky cities must be afforded the flexibility necessary to meet the growing demands of their citizens and their communities. The KLC 2015 Legislative Agenda strives to grant cities the flexibility to address critical policy issues in an effort to spur innovation, leadership and economic prosperity. Now, it's time to go to work.

I look forward to seeing you at KLC's annual City Day/City Night advocacy event, on February 11, 2015, in Frankfort.

Sincerely,

Mayor Bill Sheckles
City of Bardstown, KLC President

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.



KENTUCKY LEAGUE OF CITIES PRINCIPLES OF ADVOCACY

The Principles of Advocacy were adopted by the KLC Board of Directors to provide a foundation for KLC's legislative positions and strategy. These principles serve as a critical litmus test for the staff members and Board of Directors in the development of KLC's legislative agenda, as well as the review and analysis of all bills considered before the General Assembly.

Home rule: City officials must have the authority to make decisions to meet the needs of their citizens.

In 1980, the Kentucky General Assembly granted all classes of cities broad "home rule" powers. Simply stated, home rule is a city's ability to self-govern in local matters. Home rule creates local autonomy and limits the degree of state interference in local affairs. This principle serves as the cornerstone of KLC's legislative advocacy program.

City officials are elected to serve the needs of the public, which can vary within the context of each city government. Each city government must be afforded the necessary flexibility to adapt their own approach in meeting the unique health, safety and welfare needs of their citizens.

KLC staunchly defends the principle of home rule by opposing legislation that:

- ◆ Preempts municipal authority
- ◆ Erodes local control
- ◆ Imposes unfunded mandates

To ensure that the needs of cities are considered in the formation of public policy, KLC supports city government representation on all state boards, commissions and study committees that engage in work that impacts municipal government.

Adequate, stable and flexible resources: Cities must be able to generate sufficient revenues to provide for the level of services desired by local citizens.

The Kentucky Constitution severely limits the revenue options available to city governments. Many citizens benefit from city infrastructure, amenities, proximity to jobs, commerce and cultural resources, but the current taxing structure prohibits a city's ability to fairly recoup costs. Kentucky's cities must work to maintain existing revenue streams to cities while expanding the flexibility to respond the shifting nature of the economy.

KLC will work to ensure that cities have the resources needed to adequately fund services by protecting existing revenue streams and seeking tax reforms that would provide local officials more options to benefit their city's bottom line.

Economic prosperity: Cities must have the ability to encourage economic development and enhance quality of life.

No matter where they are, cities serve as the regional centers of business, arts, culture, government, education and economic development. Strong cities are an essential component to job creation, prosperity and quality of life for all Kentuckians.

Kentucky's cities are operating on a different economic playing field than they were in the 20th century. Local leaders are now trying to adapt their cities to the challenges of an emerging global economy.

KLC supports legislation that provides cities with the tools to create communities with viable quality of life and prosperous economic development opportunities.

The Principles of Advocacy augment the League's mission statement:

The Kentucky League of Cities strengthens communities by promoting innovation, leadership and quality governance.

911 FUNDING

Cities will seek an increase of in the statewide Commercial Mobile Radio Service (CMRS) fees or a mechanism to assess a local 911 wireless fee, ensure prepaid providers pay fees equivalent to the CMRS fee, and eliminate cell provider reimbursement.

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. As this trend continues the funding disparity for 911 services will continue to grow for local governments. The wireless fees for surrounding states vary widely, but on average the fee ranges anywhere from 50 cents to \$1.50 per wireless subscriber per month.

Phone Line Growth/Decline
in Kentucky: 2000-2013

Type of Access	December 2000	December 2013	% Change
Total Landlines	2,223,000	1,599,000	-28%
Total Mobile Wireless Subscribers	1,026,000	4,041,000	294%
Total Number of Lines	3,249,000	5,579,000	72%

Figures are rounded to the nearest 1,000 and are from the Federal Communications Commission.

Legislative Priority

The 911 funding shortfall has forced several cities and counties to sharply increase the fee on the remaining landlines or, more commonly, to supplement 911 services with general fund appropriations. To help replace these lost revenues, KLC will seek legislation to:



* This option collects the full 70-cent monthly fee, but it is only from around 60 percent of the total prepaid subscribers of the provider that uses this option.

- ◆ Increase the current CMRS wireless fee or allow local governments to assess a local wireless user fee. The 70-cent statewide 911 wireless fee has not changed since its inception in 1998. Declining revenues from the loss of landlines means that current funding sources are not sustainable. The statewide fee currently set by the General Assembly needs to be raised to support local 911, or, if the state is unwilling to do it, local governments should be given the authorization to assess a local 911 wireless user fee.
- ◆ Require prepaid providers to remit the equivalent of the CMRS fee that postpaid mobile subscribers are required to pay each month. Kentucky law creates a disparity between prepaid and postpaid mobile wireless subscribers and short changes the 911 system. KLC feels that the disparity needs to be addressed to require prepaid mobile wireless

users to pay an equivalent to the fees charged to postpaid users.

- ◆ Support the repeal of the cost recovery statutes that require taxpayers to pay for the costs of wireless providers for carrying 911 calls. Many states have repealed their cost recovery statutes as they are now seen as outdated. According to CMRS FY 2012 Annual Report, repealing the cost recovery statutes would free up approximately \$4 million annually for local 911 services.
- ◆ Continue to oppose any measure that removes the ability of local governments to impose local fees for the operation of 911 services. KLC will also 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).

Based on FY 2013 Annual Report:

- ◆ Local general fund dollars account for 40 percent of 911 funding with local landline fees accounting for 36 percent of 911 revenue in Kentucky.
- ◆ Nearly 70 percent of all 911 calls in Kentucky came from wireless devices. Yet, wireless only accounts for 23 percent of 911 revenue.
- ◆ Between 2000 to 2013, the number of landlines dropped by 28 percent in the state. The number of mobile wireless subscribers increased by 294 percent.



2015 Legislative Agenda

CITY REVENUE DIVERSIFICATION

KLC will seek an amendment to the Kentucky Constitution to permit cities to ask their voters to approve a temporary local sales tax for the funding of specific local projects. Additionally, cities want to expand the availability of the restaurant tax to all cities.

The Kentucky Constitution severely limits the revenue options available to city governments. Cities continue to struggle with the one-two punch of a slow economic recovery and rising expenditures. Many cities are unable to acquire the resources necessary to maintain city infrastructure, essential services and amenities that contribute to high quality of life.

To provide a balanced budget, most cities have spent the last of their rainy day funds, cut funding for city departments and programs, reduced personnel and have foregone important community

projects. City officials need more revenue options and greater flexibility to tailor their tax policies to fit the unique needs of their communities so they may effectively continue to serve the people of Kentucky.

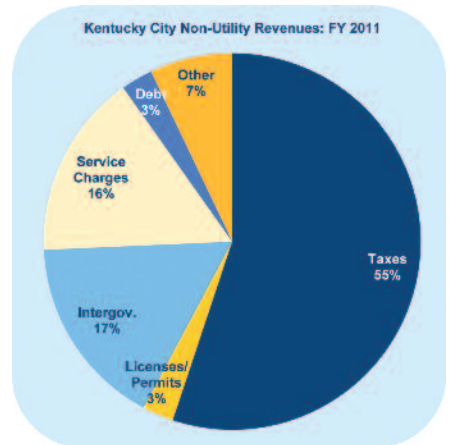
Legislative Priority

KLC will support an amendment to the Kentucky Constitution to permit cities to ask voters to decide on a temporary local sales tax. If approved by voters of a city, the tax would only be for a specific community project and for a definite period of time as defined on a ballot initiative.

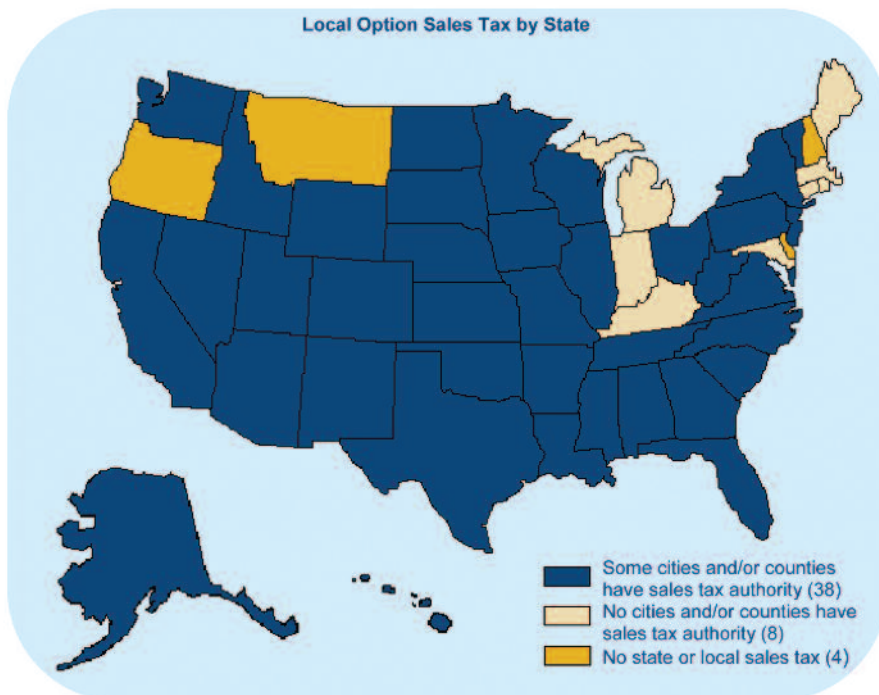
In addition, the amendment would impose a one percent cap on the total tax within the boundaries of a single county and would also require the tax to be on the same tax base as the state sales tax.

Thirty-eight states allow one or more local governments to levy a local option sales tax. All but one neighboring state allows for some form of local sales tax. Kentucky is one of the most centralized

states for the collection of tax revenue and ranks 44th in local taxes collected nationwide.



The Kentucky League of Cities will seek legislation that would expand the authority to impose a restaurant tax to all cities. The proposal would allow cities to retain a maximum of 75 percent of the revenues for quality of life enhancements and require the city to provide at least 25 percent to local tourism commissions. Any city imposing the restaurant tax would be prohibited from imposing a net profits or gross receipts tax on restaurants, but participating cities could still impose payroll taxes on restaurant employees and maintain their regulatory business licensing requirements.



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

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



2015 Legislative Agenda

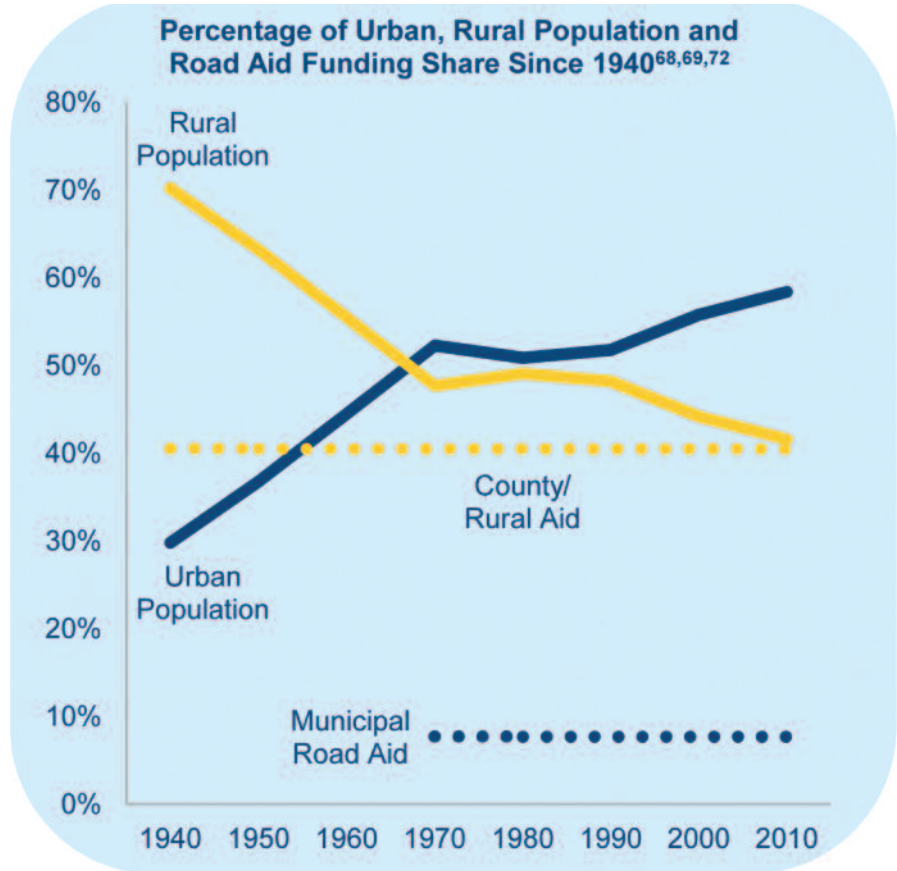
ROAD AID FORMULA MODERNIZATION

Cities support the restructuring of the road aid formulas for a fair allocation to local governments with higher traffic areas by including elements of road usage in road aid calculations.

Kentucky cities spend close to a quarter of a billion dollars a year on constructing and maintaining around 10,000 miles of city streets. Only around one-third of that money comes from inter-governmental sources, such as the state municipal road aid program and federal grants.

Kentucky's gas tax generated over \$886 million in FY 2014, 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. The formulas, which have not been altered in 66 years, skew heavily in favor of rural, low population counties, where roads and highways are less used.

State law allocates 40.5 percent of the total of shared road aid funds through the county road aid program and the rural secondary program (18.3 percent and 22.2 percent, respectively). The municipal road aid program gets 7.7



percent of the motor fuels tax revenues. Currently 61 percent of annual vehicle miles traveled on major and minor local roadways in Kentucky are on rural roads that receive 84 percent of road aid funds allocated to local governments.

Legislative Priority

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. Cities will be seeking reform that will help get more funding to urban areas by including elements of road usage in calculations.



Additional Legislative Priorities

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 heroin epidemic has had particularly devastating effects on Kentuckians and their families. According to the Kentucky Office of Drug Control Policy, while the total number of overdose deaths remained steady in 2013, heroin overdose deaths increased more than 12 percent during that same time. The heroin epidemic must be addressed during the upcoming session of the Kentucky General Assembly.

Legislative Priority

KLC will continue to support legislation that addresses the drug problem in Kentucky, and urges the General Assembly to pass legislation that specifically addresses the heroin epidemic in the state. KLC supports legislation that creates tougher penalties on drug traffickers, while providing more treatment options to addicts in an effort to treat the source of addiction.

Prevailing Wage

Current Kentucky law requires contractors for any public construction project that exceeds \$250,000 in cost to pay prevailing wage. A 2006 state study concluded that these laws can cost the taxpayers of cities and other local governments 18 percent to 30 percent more on their construction projects than a comparable construction project completed by entities not subject to prevailing wage.

Legislative Priority

KLC will support legislation that either repeals the existing state prevailing wage law or makes significant amendments to the statutes to raise the threshold or manner of calculating the rates.

Retirement Anti-Spiking Legislation

The historic pension reform legislation in 2013 (SB 2) contained provisions to address the practice of “spiking,” which occurs when an employee participating in the Kentucky Retirement Systems (KRS) increases their creditable compensation more than 10 percent in a fiscal year during the last five years prior to retirement. Creditable compensation is what is used to calculate retirement benefits. It includes all salary, wages (overtime), tips, fees and qualified transportation expenses paid to the employee. When a spike occurs, the last employer upon retirement is required to pay the full actuarial cost of the resulting increased retirement benefit, which includes the employee’s and employer’s cost. While unfortunately there are some examples of agencies artificially inflating an employee’s compensation at the end of their career to intentionally boost pension benefits, there are some scenarios that can cause an employee’s creditable compensation to increase, such as leave under workers’ compensation and unpaid leave under FMLA, that are not due to abuse. While KLC strongly supported Senate Bill 2 and the intent of the spiking language, which was to address the abuse of spiked pensions, the unforeseen burden on taxpayers needs to be addressed.

Legislative Priority

KLC will seek legislation similar to Senate Bill 142 from the 2014 session to maintain the Senate Bill 2 provisions to prohibit the abuse that caused exorbitant artificial spikes, while making considerations for valid increases in compensation. The language will ensure the 10 percent increases in creditable compensation do not apply cumulatively and will exempt bona fide promotions, career advancements, authorized leave under FMLA and workers’ compensation from the spiking calculations. This modification will remove the financial burden from employers and, ultimately, the taxpayer. The bill will also provide relief to employers to authorize necessary work and allow employees to work without fear of being penalized for legitimate increases of their creditable compensation.



Additional Legislative Priorities

Newspaper Publication Reforms

Cities are required to publish official acts and information in newspapers to inform the public of government action. Cities must publish a notice related to ordinances, bid solicitations, financial statements, sale of property, public hearings, audits, budgets and various information related to taxes. The current mandate of newspaper publication is done at a considerable cost to taxpayers, especially in light of cheaper alternatives that create more permanent and wider access for citizens to obtain the information.

Legislative Priority

Cities will work with the Kentucky Press Association to modernize the laws related to newspaper publications by incorporating online resources and other mediums to provide citizens more access to information about the operation of their city government in a more cost-efficient manner.

Police Officer Personnel Issues

Police unions have previously introduced legislation to alter the Police Officer Bill of Rights in an attempt to make it more difficult for cities to discipline and/or 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 by members of 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. Many of the issues in the proposed legislation are now pending before the Kentucky Supreme Court.

In addition, the statutory language currently existing in the Police Officer Bill of Rights and other police personnel statutes is confusing, poorly organized and contradictory, which creates a great deal of uncertainty as to the precise meaning of many of the provisions. This results in frequent and needless litigation.

Legislative Priority

KLC will continue to strongly oppose any legislation that expands the Police Officer Bill of Rights to make its provisions applicable to all internal matters.

Depending upon whether the Supreme Court renders a decision in the pending litigation, KLC may seek legislation that clarifies the language and eliminates contradictions in a number of police personnel statutes. 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 constant litigation over the meaning of the provisions.

Protect Home Rule and City Budgets

On all legislative issues, city leaders will vigorously oppose any efforts to preempt local home rule authority or impose unfunded costs on city taxpayers.



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www.klc.org

CITYDAY

FEBRUARY 11, 2015, 8:00 A.M. TO 4:30 P.M. EST
CAPITAL PLAZA HOTEL, CAPITOL ANNEX AND STATE CAPITOL



FEBRUARY 11, 2015, 4:30 P.M. TO 7:30 P.M. EST
FRANKFORT CONVENTION CENTER, FRANKFORT, KENTUCKY

CITYNIGHT

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.

klc.org