



KLC
KENTUCKY LEAGUE OF CITIES

2014 LEGISLATIVE AGENDA



1. CITY REVENUE DIVERSIFICATION
2. 911 FUNDING
3. CITY CLASSIFICATION REFORM
4. ROAD AID FORMULA MODERNIZATION

Dear City Leaders:

Why do cities matter? We are the economic engines of the state. People live, work and play within the city limits – in fact, cities are home to more than 60 percent of the state's population.

Does your legislator know this? As elected or appointed city leaders, one of the most important jobs you will take on is to ensure that your legislators know how their votes will affect your shared constituents.

It is essential that you get to know your legislators and more importantly - your legislators need to get to know your city. Invite them to meet you at a city council or commission meeting or schedule time to give them a tour of your city. Please talk with them about what your community needs this legislative session. Discuss the points in this agenda and explain specifically how these issues will impact both the budget and the quality of life in your city.

If you have a new Representative or Senator from redistricting, please educate them on who they are representing and how their vote will affect the citizens of your city. Even if one of these issues in the agenda is not a concern for your city at this point, city officials must stand shoulder to shoulder before the legislature and let the General Assembly know that KLC members are a united group.

Our Board of Directors has outlined an ambitious city legislative agenda for 2014, and we need strong member participation to help cities diversify their revenue options, find solutions to the 911 funding crisis, and finally reform Kentucky's antiquated classification system - a work that has been in development for several years. I hope you are ready to lead this charge. Please mark your calendars for KLC's annual advocacy event, *City Day* and *City Night*, on February 12, 2014 in Frankfort.

Sincerely,

Mayor Tom Bozarth
City of Midway, 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.



2014 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.

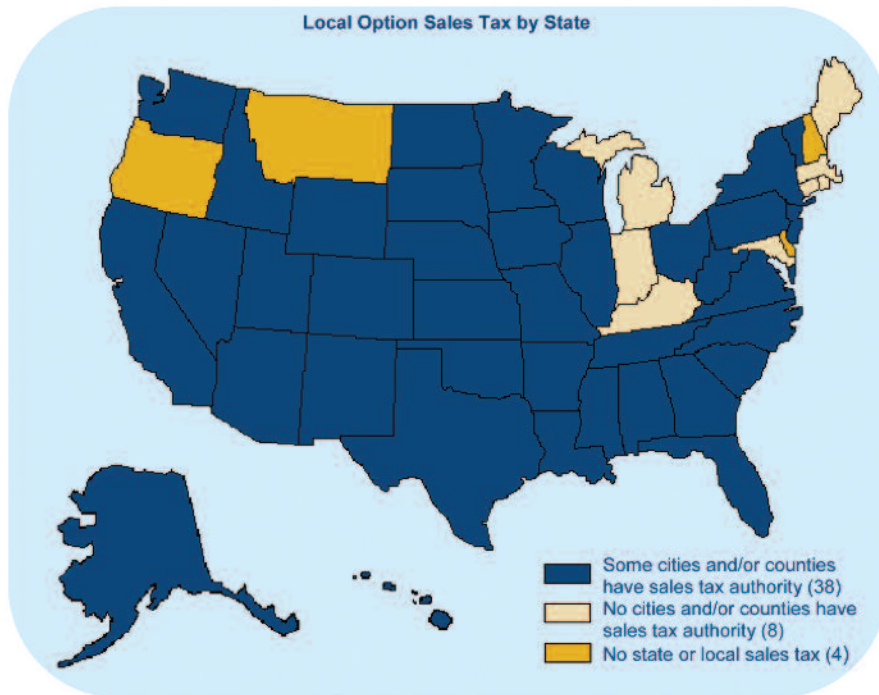
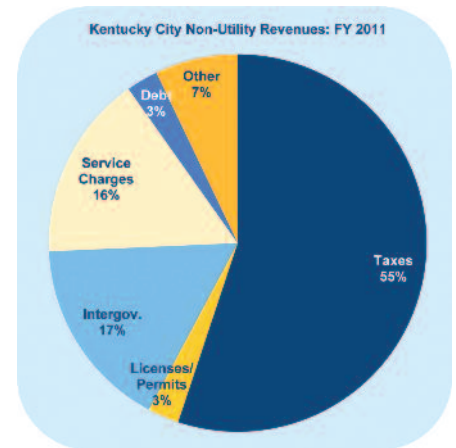
The Kentucky Constitution severely limits the revenue options available to city governments. Cities continue to struggle with the one-two punch of stagnant or declining revenue streams and uncontrolled rising expenses. Many cities are unable to acquire the resources

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.

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.

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

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

- ◆ 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.

911 FUNDING

Cities will seek an increase of Commercial Mobile Radio Service (CMRS) fees, 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.

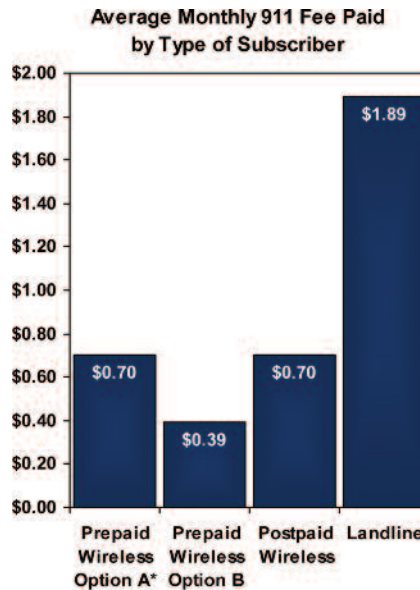
Phone Line Growth/Decline in Kentucky: 2000-2010

Type of Access	December 2000	December 2010	% Change
Total Landlines	2,223,000	1,853,000	-17%
Total Mobile Wireless Subscribers	1,026,000	3,726,000	263%
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 supplement 911 services with general fund appropriations. To help replace these lost revenues, KLC will:



** 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.** The 70-cent statewide 911 wireless fee has not changed since 1998. An increase will not capture new revenue, but rather recapture funds lost as more and more wireless subscribers drop their landlines in favor of wireless devices.
- ♦ **Seek legislation that requires prepaid providers to remit the CMRS fee that postpaid mobile subscribers are required to pay each month.** Currently, Kentucky law creates a disparity between prepaid and postpaid mobile wireless subscribers and short changes the 911 system. KLC feels that the disparity between prepaid and postpaid wireless subscribers needs to be addressed going forward.
- ♦ **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 \$4.25 million annually for 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).

- ♦ 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.



KLC Legislative Agenda

CITY CLASSIFICATION REFORM

KLC will seek legislation to reduce the number of city classes and base a new system of classification on the form of city government.

The General Assembly currently 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 create a new classification system based upon

form of government. The proposal would result in a reduction in the number of city classes and would largely eliminate arbitrary and illogical distinctions between classes.

second class of cities will include those cities organized under the city manager form of government and the third class will include those cities operating under the mayor-council and commission

Classification	Population Requirements	Current Number in Classification	Number of Cities by 2010 Population
First	100,000 or more	1	2
Second	20,000 to 99,999	13	16
Third	8,000 to 19,999	18	32
Fourth	3,000 to 7,999	113	57
Fifth	1,000 to 2,999	113	98
Sixth	Less than 1,000	160	213
Totals:		418	418

This would reduce mandates and provide similar types of flexibility to all cities for self-governance.

The new classification system will provide for only three classes of cities. It will maintain the current first class city laws for Louisville to use as a consolidated local government. The

forms of government. In addition, the proposal will eliminate the need for the General Assembly to enact classification legislation for each city. Instead, a city would be automatically reclassified based upon a change in the form of government, which is required to be approved by the voters of the city.



KLC Legislative Agenda

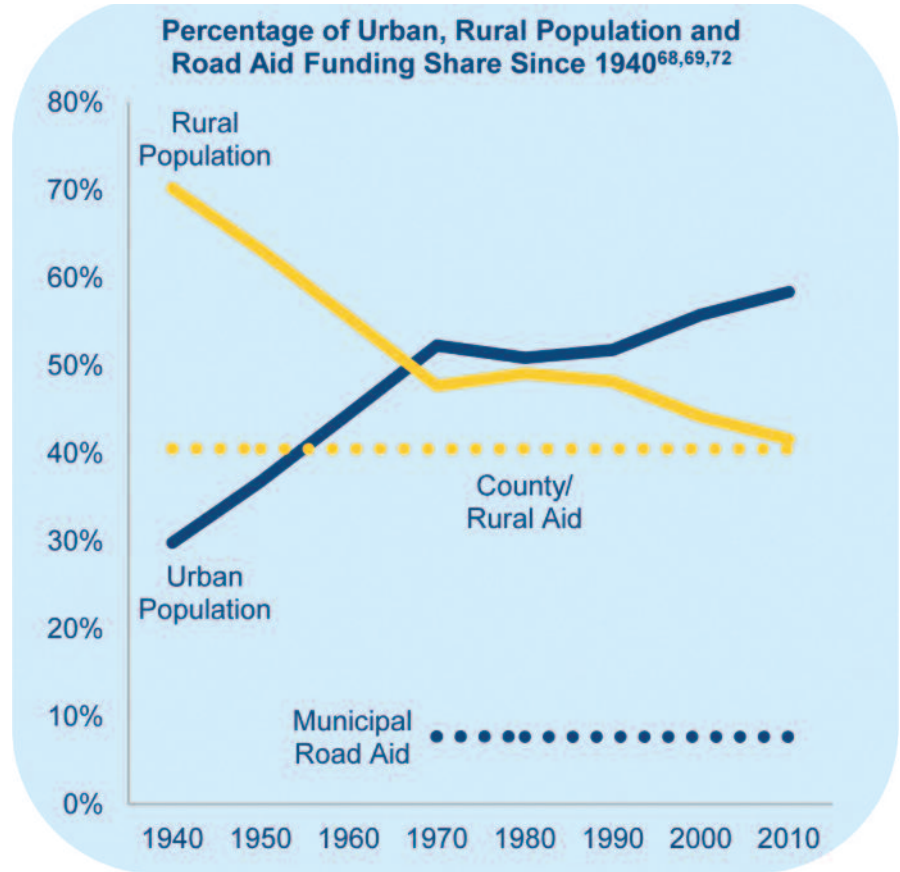
ROAD AID FORMULA MODERNIZATION

Cities support the restructuring of the road aid formulas for a fair allocation to local governments with higher traffic areas.

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 intergovernmental sources, such as the state municipal road aid program and federal grants.

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. The formulas, which have not been altered in 64 years, skew heavily in favor of rural, low population counties, where roads and highways are less used.

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 35 percent of annual vehicle



miles traveled 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

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 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 and legal wrangling over the meaning of the provisions.

Retirement Anti-Spiking Legislation

In 2013, the Kentucky General Assembly passed Senate Bill 2, which was strongly supported by KLC and instituted major reforms to the public employee pension systems. Senate Bill 2 requires for any employee retiring after January 1, 2014, that the last employer pay the additional actuarial costs resulting from annual increases in the employee's creditable compensation greater than 10 percent over the employee's last five fiscal years of employment that are not the direct result of a bona fide promotion or career advancement.

Unfortunately, the anti-spiking provision that exempts compensation increases caused by normal promotions fails to also exempt the cumulative impact of established cost of living increases and merit pay increases. In addition, the provision is retroactive in that it does not account unscheduled overtime compensation which was largely uncontrolled in the time prior to the SB 2 reforms. Also, the provisions makes no exemption for unscheduled overtime that may occur during periods of emergency in a community.

Legislative Priority

KLC will seek legislation that clarifies the meaning and application of the anti-spiking provisions to ensure it does not apply cumulatively and to also provide for additional needed exemptions for increases that occur for other legitimate reasons rather than abuse.



Additional Legislative Priorities

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 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.

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 in full is done at a considerable cost to taxpayers, especially in light of cheaper alternatives that create more permanent and wider access for citizens to 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.

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.

Legislative Priority

The Kentucky League of Cities will continue to support legislation that addresses the destructive impact that addiction has on the quality of life in the communities through the examination of criminal penalties and opportunities for treatment and rehabilitation for those that become addicted.

Protect Home Rule and City Budgets

City leaders will vigorously oppose any legislation that attempts to preempt local home rule authority or impose unfunded costs on city taxpayers.



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CITYDAY

FEBRUARY 12, 2014, 8:00 A.M. TO 4:30 P.M. EST
CAPITAL PLAZA HOTEL, CAPITOL ANNEX AND STATE CAPITOL



FEBRUARY 12, 2014, 4:30 P.M. TO 7:30 P.M. EST
FRANKFORT CONVENTION CENTER, FRANKFORT, KENTUCKY

CITYNIGHT

Please join the Kentucky League of Cities for the annual day of city advocacy in Frankfort and an evening of networking with city representatives, legislators and government leaders.

RSVP at klc.org before February 5. You can contact Lynda Schwendeman at 1-800-876-4552 for questions or to register by phone.

klc.org