

INTERIM JOINT COMMITTEE ON LOCAL GOVERNMENT

Minutes of the 5th Meeting of the 2019 Interim

October 3, 2019

Call to Order and Roll Call

The fifth meeting of the Interim Joint Committee on Local Government was held on Thursday, October 3, 2019, at 8:00 AM, in Room 149 of the Capitol Annex. Senator Wil Schroder, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Wil Schroder, Co-Chair; Representative Michael Meredith, Co-Chair; Senators Ralph Alvarado, Denise Harper Angel, Christian McDaniel, Morgan McGarvey, Robby Mills, Albert Robinson, Damon Thayer, and Johnny Ray Turner; Representatives Danny Bentley, George Brown Jr, Jeffery Donohue, Deanna Frazier, Joe Graviss, Cluster Howard, Kim King, Adam Koenig, Russ A. Meyer, Jerry T. Miller, Brandon Reed, Rob Rothenburger, John Sims Jr, and Ashley Tackett Laferty.

Guests: Tammy Vernon, Chris Musgrave, and Greg Ladd, Department for Local Government; Larry Potter, Michael Kurtsinger, and Chuck Bonta, Kentucky Fire Commission; Ron Wolf, Associated General Contractors of Kentucky; and Sara Beth Gregory, Auditor of Public Accounts Office.

LRC Staff: Mark Mitchell, John Ryan, Joe Pinczewski-Lee, and Cheryl Walters.

Approval of Minutes

Upon the motion of Representative Reed, seconded by Senator Thayer, the minutes of the September 12, 2019 meeting were approved.

Special Purpose Governmental Entity Reports

Ms. Tammy Vernon, Cities and Special Districts Branch Manager with the Department for Local Government (DLG), said that Special Purpose Governmental Entities (SPGEs) are independent political subdivisions of the state which are government entities that exercise less than statewide jurisdiction and are organized for the purpose of performing specific services within limited boundaries. DLG will continue to monitor the requirements under KRS Chapter 65A that SPGEs register and submit certain financials online. The Cities and Special Districts Branch developed and implemented manual processes to assist SPGE compliance. Moving forward, DLG plans to transition to a new automated system for SPGEs.

DLG's responsibility per KRS Chapter 65A is to create and maintain an online central registry, reporting portal, and public access portal, and to monitor compliance by tracking status changes, preparing statutorily required reports, and activating noncompliance procedures.

The SPGE compliance report submitted to LRC includes data as of September 25, 2019. The data is unaudited as of the report date, and compliant and noncompliant figures can fluctuate due to reporting due dates. The compliance percentages may move up or down depending on the status of the SPGE at the time of report. There are approximately 11,580 individual records, six records for most SPGEs, and compliance is organized by fiscal year. The compliance report percentage for FY 2015 is 99%; 99% for FY 2016; 97% for FY 2017; 94% for FY 2018; 55% for FY 2019; and 73% for FY 2020.

The reasons for the fluctuation in numbers for FY 2019 is related to different populations' reporting dates arising from recent legislation. Limitations with the current computer program can affect data collection.

The SPGE program for the future includes active communication with the Commonwealth Office of Technology to design software to allow the creation of a new SPGE report portal and central registry, a public portal for citizens to view current and historical submissions, and to automate existing manual processes such as compliance administration, reporting and notifications, fire departments exiting and entering the system, and municipal utilities buying and selling components. DLG also plans to provide online tutorials for submitting and reviewing data, and continued annual SPGE training for financial disclosure and tax rate calculation, to be held at area development districts.

In response to a question from Senator McDaniel, Ms. Vernon said that the notation in FY 2015 as reported in 2018 and 2019 is a snapshot of what changed since DLG reported to the committee last year. Compliance rates can change from year to year with entities coming into compliance, or perhaps from an audit conducted by DLG later over the data submitted completed by the SPGEs that shows that data submitted at the time turned out to be incomplete. The total number of SPGEs can change over the reported time due to mergers and dissolution, and that those changes can happen after the original data collection time by a few years. In addition, the total numbers of entities that were classified as an SPGE can change over time. Certain fire departments now report to the Fire Commission, so they have been removed from the totals. Other entities that were once considered an SPGE may have been misclassified and then were determined to not be an SPGE, such as one that is a department of a city, and thereby exempt from reporting, further lowering the number.

In response to a question from Representative Koenig, Ms. Vernon replied that districts that are in compliance have provided a registration form and made payment of the

registration fee. Districts in non-compliance have not fulfilled the full reporting requirements as mandated by statute.

In response to another question from Representative Koenig, Ms. Vernon said districts are required to provide an audit by statute, and failure to provide an audit is part of determining non-compliance. The present system makes tracking this difficult.

In response to a final question from Representative Koenig, Ms. Vernon stated that all funds from the state are withheld as punishment for non-compliance, and a newspaper publication is made in the local paper detailing the issue of noncompliance. Mr. Greg Ladd, General Counsel for DLG, added that DLG sends a stop payment notice to the Finance Cabinet which follows through with that notification.

In response to a question from Representative Meredith, Mr. Chris Musgrave, DLG Chief of Staff, replied that the automated system for SPGE reporting should be instituted by next year. Representative Meredith encouraged the Department to move as fast as possible.

In response to a question from Representative Graviss, Ms. Vernon said a new found record is an entity that has just been created or discovered as having previously been not reporting as such.

In response to a question from Senator Schroder, Mr. Musgrave stated that the timeline for the development of the software includes developing an entirely new website for DLG and for representing the data on-line for the automated system. DLG is actively getting quotes from vendors for the actual reporting portal which should not take long.

Mr. Michael Kurtsinger, Legislative Director for the Kentucky Fire Commission, presented the Fire Commission's report and stated that as of September 24, 2019, 84 out of 499 fire departments were non-compliant for FY 19 year end actuals. As of the day before the meeting, the numbers were 59 non-compliant out of 487 for an 83% compliance rate. Nine fire departments were recorded as merged, one became a county fire department, and one became a city fire department. For FY 18, 458 out of 460 fire departments complied with reporting. For FY 19, 88% are compliant.

Mr. Kurtsinger closed by referring to a chart of fire departments sorted by income in the packets made available to the committee.

In response to a question from Senator Schroder, Mr. Kurtsinger said that non-compliant fire departments are at risk of losing the ability to participate in the commission's grant programs, and, if they are a volunteer fire department, risk losing 11,000 dollars of grant money which can almost put them out of existence.

In response to a question from Senator McDaniel, Mr. Kurtsinger said there are four different kinds of fire departments set out in the KRS: city, county, Chapter 75 which are taxing districts and report to DLG or the Fire Commission depending on income and spending levels, and Chapter 273, which report exclusively to the Fire Commission. Some Chapter 75 fire districts charge a tax, but contract for the provision of fire prevention services in their area.

Representative Meredith noted that Chapter 273 fire departments do not have taxing authority, and Chapter 75 fire departments do have taxing authority. Chapter 75 fire departments only have a fund raising ability that is optional for the residents to pay.

In response to a question from Representative Rothenburger, Mr. Kurtsinger stated that the Fire Commission notifies the Chapter 75 fire departments that report over 100,000 dollars in revenues for two years in a row to report to DLG.

In response to a question from Representative Graviss, Mr. Kurtsinger said that recruitment and retention and volunteers is a major issue. Programs have been started, such as junior fire camps, to help with recruitment. Grants have been issued for volunteer fire departments. Exit interviews to determine reasons individuals are leaving the fire services are not conducted by the Fire Commission, but they would be willing to examine the possibility of doing so.

The next meeting of the committee will be held November 21, 2019 at 8:00 a.m. There being no further business, the meeting was adjourned at 8:52 a.m.