

# **INTERIM JOINT COMMITTEE ON LOCAL GOVERNMENT**

## **Minutes of the 5th Meeting of the 2020 Interim**

**October 27, 2020**

### **Call to Order and Roll Call**

The 5th meeting of the Interim Joint Committee on Local Government was held on Tuesday, October 27, 2020, at 9:00 AM, in Room 171 of the Capitol Annex. Representative Michael Meredith, 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, Stan Humphries, Christian McDaniel, Morgan McGarvey, Robby Mills, Michael J. Nemes, Damon Thayer, and Johnny Ray Turner; Representatives Danny Bentley, Randy Bridges, George Brown Jr, Jeffery Donohue, Deanna Frazier, Joe Graviss, Cluster Howard, Regina Huff, Kim King, Adam Koenig, Jerry T. Miller, Brandon Reed, John Sims Jr, and Ashley Tackett Laferty.

Guests: Tammy Vernon and Bill Pauley, Department for Local Government; and Michael Kurtsinger and Chuck Bonta, Kentucky Fire Commission.

LRC Staff: Mark Mitchell, John Ryan, and Cheryl Walters.

### **Approval of Minutes**

Upon the motion of Representative Reed, seconded by Senator Alvarado, the minutes from the September 22, 2020 meeting were approved.

### **Special Purpose Governmental Entity Reports and Technology Update**

Representative Meredith stated that HB 1 required Special Purpose Governmental Entities (SPGEs) to submit financial reports to the Department for Local Government (DLG).

Ms. Tammy Vernon, Cities and Special Districts (CSD) Branch Manager with the DLG, said that 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'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 when notified, preparing statutorily required reports, and activating noncompliance procedures.

Ms. Vernon explained the SPGE 2020 timeline documenting changes to the system as well as normal events and duties, which occur February through December. Regarding the implementation of the new system, in September 2020, DLG and the Commonwealth Office of Technology (COT) entered into a Statement of Work Agreement to build the new SPGE system consisting of the following phases: Phase I SPGE User Dashboard, being delivered by February 2021. By December 2024, the following phases will be complete: Phase II SPGE Public Portal; Phase III DLG Administrative Dashboard; Phase IV Compliance; Phase V Reporting; and Phase VI Training Portal.

The solution development cost for Phase I of the new SPGE system was a one-time amount of \$355,025. The infrastructure cost is an annual, ongoing cost of \$11,136, presently. The base configuration of 3 servers is an annual cost of \$10,704 at present. Backups, also 3 servers, costs \$432 annually at present.

The SPGE Compliance Report percentages excluding Fire Departments are as follows: 100 percent for FY 2015; 99.77% for FY 2016; 99.16 percent for FY 2017; 97.93 percent for FY 2018; 92.17 percent for FY 2019; 90.17 percent for FY 2020; and 94.16 for FY 2021, for an overall percentage of 96.19 percent.

The SPGE Compliance Report percentages for fire departments with \$100,000 or higher of annual receipts or annual expenditures from all sources are as follows: 100 percent for FY 2015; 100 percent for FY 2016; 85.43 percent for FY 2017; 75.50 percent for FY 2018; 64.90 percent for FY 2019; 28.48 percent for FY 2020; and 38.41 percent for FY 2021, for an overall percentage of 70.39 percent. In November 2020, the CSD Branch will contact the noncompliant fire departments by phone to assist in higher compliance. The CSD Branch plans to send the 30-day noncompliance notification to noncompliant fire departments by the end of November.

In response to a question from Representative Graviss, Ms. Vernon said the reason for seeing a falloff in compliance from the fire departments because the old system did not run non-compliance correctly, but now DLG knows who to contact now for non-compliance.

In response to a question from Representative Koenig, Ms. Vernon replied that all funding from the state will be stopped as punishment for non-compliance, a newspaper publication is made in the local paper, and the Auditor of Public Accounts will be notified. Penalties were not levied in the past three years because of the faulty legacy system not providing the data. For 2021, using the manual process, the notifications will recommence.

Mr. Bill Pauley, Staff Attorney for DLG, stated that the new system will greatly assist with data for non-compliance and data gathering purposes.

Representative Meredith commented that he was glad to see the system going live.

In response to a question from Representative Meredith, Ms. Vernon said that regarding non-compliance data, in the span 2015 to 2017, the old legacy system was in good shape. There was a major decline in 2018 through 2020 because the online system did not run non-compliance correctly. There was no data in 2020 to determine compliance. Numbers in 2019 were way off and were not consistent. For 2021, more compliance is expected because DLG staff can reach out to non-compliant SPGEs because the data is more accurate.

In response to another question from Representative Meredith, Ms. Vernon stated that the transfer of fire departments using the criteria of non-recurring funds back and forth between DLG and the Fire Commission was rocky due in part to a programming error at one time. DLG is working with the Fire Commission to ensure the proper placement of fire departments with the appropriate agency.

Mr. Michael Kurtsinger, Legislative Director for the Kentucky Fire Commission, told the Committee that fire departments did have issues with DLG's system. It has been difficult to contact non-compliant fire departments because of COVID and the fact that many are volunteer fire departments and firefighters are spending less time at the firehouses.

In FY 18, 458 of 460 (99 percent) fire departments complied with reporting; in FY 19, 492 of 499 (98 percent) fire departments complied with reporting; and in FY 20, 381 of 487 (80%) reported to the Fire Commission thus far.

Mr. Chuck Bonta, Auditor for the Fire Commission, discussed the reporting overview process and told the Committee that agencies are mailed and emailed forms and instructions in May. Data is collected July 1 through September 1. Late reports are accepted, but may not appear on LRC report in October. The report is prepared for LRC mid-October. The Fire Commission continues efforts to acquire reports throughout the year. Agencies that remain non-compliant are held to penalties outlined in KRS 95A.055. Funding and state aid money are held. Usually any remaining non-compliant fire departments come into compliance in January once they understand the funds have been withheld and they cannot schedule training because of their non-compliant status.

At the time of the submitted report on October 19, 2020, there were 106 of 487 fire departments non-compliant (22 percent) for FY 20 year end actuals. Letters were sent to all non-compliant departments. At reporting time in 2019, non-compliance was at 17 percent. COVID caused delays and meeting cancellations, and DLG's system inadvertently sent correspondence to agencies that should report to the Fire Commission causing some confusion. These were some reasons for higher non-compliance numbers.

There are 33 Chapter 75 fire departments that report to the Fire Commission; 443 Chapter 273 fire departments report to the Fire Commission; and there are 11 Chapter 75 Fire Tax Districts that are money raising districts and who contract out for their firefighter service coverage for a total of 487 reporting FY 20 to the Fire Commission. There are 780 total fire departments in the state.

There are six fire departments, representing 2 percent of the total, reporting over \$500,000 in revenues; 44 fire departments, representing 12 percent of the total, are reporting over \$100,000, less than \$500,000 in revenues; and 321 fire departments, representing 86 percent of the total, are reporting less than \$100,000 in revenue.

Mr. Kurtsinger added that the majority of the fire departments are small ones. Also, the Fire Commission is working with DLG to isolate and account for the departments notified by DLG in error so that they can be accounted for in the Fire Commission's system.

In response to a question from Representative Sims, Mr. Kurtsinger stated that the Fire Commission is still requiring 20 hours of training during COVID but is extending the requirement until July of 2021.

In response to a question from Representative Meredith, Mr. Kurtsinger replied that the Fire Commission is offering virtual training in addition to hands-on training.

In response to another question from Representative Meredith, Mr. Bonta said the 151 fire departments that report to DLG are stand-alone fire agencies, and the number is a little hard to come up with from the Fire Commission's point of view. Twenty-one counties and 197 cities report through other means.

In response to one more question from Representative Meredith, Mr. Bonta stated that DLG's fire department figures should be fairly close between the fire departments that report to DLG and the ones that report to the Fire Commission.

Representative Meredith noted that he wanted to ensure that the fire departments were reporting to the correct agency.

In response to a question from Representative Miller, Mr. Kurtsinger said all Fire Departments in Jefferson County are reporting to DLG.

Mr. Pauley pointed out that there are fire departments that do not exist anymore that DLG has not been made aware of that can affect compliance numbers.

Representative Meredith announced that the next meeting of the Committee will be November 17, 2020.

There being no further business, the meeting was adjourned at 9:52 a.m.