INTERIM JOINT COMMITTEE ON LOCAL GOVERNMENT

Minutes of the Fourth Meeting of the 2025 Interim

September 23, 2025

Call to Order and Roll Call

The fourth meeting of the Interim Joint Committee on Local Government was held on September 23, 2025, at 9:00 AM in Room 149 of the Capitol Annex. Representative Patrick Flannery, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Michael J. Nemes, Co-Chair; Representative Patrick Flannery, Co-Chair; Senators Greg Elkins, Keturah J. Herron, Scott Madon, Amanda Mays Bledsoe, Robby Mills, and Lindsey Tichenor; and Representatives Jared Bauman, Josh Bray, George Brown Jr., Steven Doan, Ken Fleming, Chris Freeland, Peyton Griffee, Tony Hampton, Mark Hart, Mary Beth Imes, Chris Lewis, Savannah Maddox, Michael Meredith, Amy Neighbors, Rebecca Raymer, Rachel Roarx, Sarah Stalker, and Susan Witten.

Guests: Tom Underwood, State Executive Director, National Federation of Independent Business; Ashley Chamberlain, HR Controller and Manager, Vulcan Fire Systems; Wes Simpson, Chief Executive Officer and President, Green Mechanical Construction Company; Julie Roberts, Co-Owner, ServePro; Brent Hourigan, General Manager, Harrod Concrete and Stone; Shellie Hampton, Director of Government Affairs, Kentucky Association of Counties (KACo); Keith Taul, Hardin County Judge/Executive; Mike Mitchell, Knox County Judge/Executive; Steve Henry, Webster County Judge/Executive; and Jacqalynn Riley, Grant County Magistrate.

LRC Staff: Mark Mitchell, Christopher Jacovitch, and Faithe Wheatley.

Approval of Minutes from August 26, 2025 meeting.

A motion was made by Co-Chair Nemes and seconded by Senator Madon to approve the minutes of the August 26, 2025, meeting. Minutes were approved by voice vote without objection.

Discussion of County Jails

Shellie Hampton, Director of Government Affairs, KACo, provided an overview of county jail finances that included a discussion of jail classification, jail population, county jail expenditures, county jail medical costs, and county general fund support for jails.

Steve Henry, Webster County Judge/Executive; Mike Mitchell, Knox County Judge/Executive; Keith Taul, Hardin County Judge/Executive; and Jacqalynn Riley, Grant County Magistrate, discussed the unique concerns affecting the jails in their respective counties.

Chair Flannery stated that Ms. Riley outlined the day-to-day costs of jails very well. He noted the criminal justice system is a core function of government and commended jailers and other jail employees for their work in a difficult and often unsafe workplace.

In response to Senator Mills, Mr. Henry, Mr. Mitchell, and Mr. Taul said subsidizing jail funds with county general fund dollars would not be sustainable and some vital services would likely be cut or scaled back.

In response to Senator Madon, Mr. Mitchell said being allowed to use commissary money for jail expenses would help offset cost of operations, but more solutions are needed. Ms. Hampton stated the Jailers Association is an affiliate of KACo and have been contacted to help bring ideas to the table.

In response to Representative Meredith, Ms. Hampton stated inmate classification has been a problem in the past, but has gotten somewhat better. Representative Meredith referenced a bill he had proposed in the past making the state financially responsible for time an inmate served in jail prior to conviction once an inmate was convicted. This would require an appropriation, but would be a financial boost to all county jails.

In response to Senator Herron, Ms. Hampton stated she did not have the numbers for those incarcerated on technical violations in each county. She stated she would try to find those numbers and share them with the committee.

Senator Elkins commented Representative Meredith's bill, use of the "Rocket Docket", or something similar would help solve these financial issues in county jails.

Senator Mays Bledsoe commented medical costs are the biggest variable in county jail finances. She stated the financial issues facing rural county jails are also a challenge in the more heavily populated counties, like Fayette.

Chair Flannery commented financial issues in our jails are an evergreen problem requiring annual attention from the General Assembly.

Discussion of Centralized Collection of Net Profits and Occupational License Taxes

Tom Underwood, State Executive Director, National Federation of Independent Business, discussed the centralized collection of net profits and occupational license taxes by small businesses. He noted the number of small businesses in Kentucky and discussed the local occupation and net profit taxes with which those businesses must comply. He advocated for a centralized net profits and occupational license tax collection model.

Julie Roberts, Co-Owner, ServePro; Brent Hourigan, General Manager, Harrod Concrete and Stone; Wes Simpson, Chief Executive Officer and President, Green Mechanical Construction Company; and Ashley Chamberlain, HR Controller and Manager, Vulcan Fire Systems, discussed their businesses' experiences with collecting net profits and occupational license taxes in multiple jurisdictions and advocated for the centralized collection system.

Mr. Underwood commented the businesses that presented today are asking for a more efficient way to pay net profits and occupational license taxes, not a way to avoid responsibility. The plan is to refile similar legislation to 2025 RS HB 253 and to give all stakeholders an opportunity to build something that works for everyone.

Chair Flannery summarized Mr. Underwood's comments by stating more money is often spent on compliance than the actual revenue dispersed to local governments and a more modern and efficient collection method needs to be found.

In response to Representative Meredith, Mr. Underwood stated the referenced uniform form on the Secretary of State's website has eight pages of instructions and is far from a simplified form. Other systems currently on-line, along with the advancement of artificial intelligence, could make the process of creating a new centralized collection system relatively quick. Regarding *de minimis* payments, if a jurisdiction were to set a payment where small amounts were not collected, a tax form would still be required to be filed. No jurisdictions are presently known to forgive small amounts owed. The preference would be a spreadsheet style form that would show jurisdictions and tax rates. The business would fill out the time in each jurisdiction, and a taxable total would appear at the bottom that the business could pay. To reach this goal, the conversation must occur. The bill from the previous session was just to create a working group to iron out some of the details.

In response to Senator Elkins, Mr. Underwood stated many conversations with local governments had happened over the years without any willingness to change the way things are done. The intention is not to take any money or control away from the local governments, but only to create a system to make things more efficient and easier for all involved. Mr. Underwood stated businesses would pay a user fee for use of the new system and there would be no cost to local governments.

In response to Representative Freeland, Mr. Underwood stated the proposed legislation would keep all the jurisdiction and enforcement with the local government.

In response to Senator Madon, Mr. Underwood stated that KACo and Kentucky League of Cities (KLC) have been included in the conversations about centralized collections and more conversations with all stakeholders need to happen.

In response to Senator Herron, Mr. Underwood stated that Jefferson County has not been asked to support the proposed legislation, but only to demonstrate their new system and the efficiencies it has provided. The estimated cost of a new statewide system is not known.

In response to Co-Chair Nemes, Mr. Underwood said that a simplification of the Secretary of State's standard form would be beneficial, especially for companies based out of the tax jurisdiction, to keep the paper-based system. Mr. Simpson said having the same information from each taxing jurisdiction available in a system and the ability to pay on-line would be beneficial.

Representative Roarx stated several concerns over the creation of a statewide centralized tax collection system and more information will be needed before any decisions can be made.

In response to Representative Raymer, Mr. Underwood stated a pilot program or any type of conversation with all parties would be considered.

Adjournment
There being no further business, the meeting was adjourned at 10:57 AM.