

CHAPTER 128

(SB 141)

AN ACT relating to local governments and declaring an emergency.

Be it enacted by the General Assembly of the Commonwealth of Kentucky:

➔SECTION 1. A NEW SECTION OF KRS 65.8801 TO 65.8839 IS CREATED TO READ AS FOLLOWS:

- (1) *Any city that establishes an ordinance pursuant to KRS 91A.070(2) may elect to include the amount of any unpaid lien that has been recorded pursuant to KRS 65.8835 on any property tax bill that the city collects.*
 - (a) *The amount of the code enforcement lien shall be listed and treated as a separate item on the property tax bill and shall not be considered a part of the ad valorem tax liability.*
 - (b) *The late payment or nonpayment of a code enforcement lien listed pursuant to this section shall not be enforced under KRS 91A.070 and shall remain enforceable pursuant to KRS 65.8835 and subsection (2) of this section.*
- (2) *In addition to the enforcement procedures authorized by KRS 65.8835, a city government may elect to use KRS 91.481 to 91.527 to enforce uncollected liens arising pursuant to KRS 65.8835 in the same manner as authorized for unpaid tax bills.*

➔Section 2. KRS 91.481 is amended to read as follows:

As used in KRS 91.484 to 91.527 and 92.810, unless the context otherwise requires:

- (1) "Collector" means any city of the first class *or any city which has adopted the provisions of Section 1 of this Act.*
- (2) "Land taxes" mean general taxes on real property and include the taxes both on land and improvements thereon.
- (3) "Master commissioner" or "circuit clerk" means the master commissioner and the circuit clerk of the judicial district in which any *collector* ~~[city of the first class]~~ is located.
- (4) "Tax bill" means the statement of the land taxes and the lien thereon, levied and assessed by any taxing authority.
- (5) "Tax lien" means the lien of any tax bill established pursuant to KRS 91.560.

➔Section 3. (1) A city that has initiated annexation under KRS Chapter 81A on or after March 1, 2023, but has not completed the annexation prior to the effective date of this Act shall not complete the annexation unless it meets the requirements of subsection (3) of this section in addition to any other statutory requirements for annexation.

(2) On or after the effective date of this Act, and prior to July 1, 2024, a city shall not initiate annexation procedures under KRS Chapter 81A except as set out in subsection (3) of this section and in addition to any other statutory requirements for annexation.

(3) Annexation within the time limits prescribed in subsections (1) and (2) of this section may proceed or be initiated if the city can demonstrate that:

(a) An opportunity for substantial economic development will be impeded if a particular parcel of land is not annexed. Such a demonstration would include the necessity for the extension of city services to a parcel of land necessary for the location of a business or other development that provides evidence that it will not locate in that parcel of land absent services specifically available from the city;

(b) Annexing the parcel of land would directly facilitate the delivery of new or substantially improved services that cannot be provided by the city, or any subunit of the city, absent annexation, or the lack of annexation will result in the substantial loss of services;

(c) A contract let prior to the effective date of this Act would be voided by the moratorium in the case of an annexation underway as described in subsection (1) of this section;

(d) The property owner made a request for the annexation of his or her property, the property is contiguous to the existing city boundary, and the city has provided written notice to the fiscal court wherein the property is located at least 45 days prior to enacting a final ordinance annexing the property;

(e) The city has received concurrence for the annexation from the fiscal court; or

(f) The provisions of this section would void, alter, or otherwise impede the continuation of any provision of an agreement executed by a county and one or more cities under the provisions of KRS 65.210 to 65.300 involving an occupational license fee or insurance premium tax.

(4) In addition to any persons with standing otherwise provided by statute or under common law, the county government containing the city asserting that an annexation completed within the time limits prescribed in subsections (1) and (2) of this section was completed without meeting the demonstrated necessities or exceptions as set out in subsection (3) of this section shall have standing to challenge the annexation in the Circuit Court of jurisdiction, provided that the action is initiated no later than 45 days following the date of the publication of the ordinance finally annexing the territory into the city. Upon completion of the annexation pursuant to this section, written notification shall be sent to the county judge/executive of the county in which the annexation occurred.

(5) Except as provided in subsection (6) of this section, the provisions of this section shall not prohibit a city from completing a proposed annexation that was initiated by the first reading of an ordinance to annex property pursuant to KRS 81A.412 or the first reading of an ordinance declaring the intent to annex property pursuant to KRS 81A.420(1) prior to March 1, 2023. Cities meeting the conditions set out in this subsection shall not be required to meet the requirements set out in subsection (3) of this section.

(6) When annexation is required in order to maintain ongoing services provided by a city to a school, no city, prior to July 1, 2024, may initiate or complete an annexation of an area that includes any property owned by that school district unless requested by the school district and concurred with by the fiscal court of the county.

(7) The provisions of this section shall not apply in counties that have adopted the urban-county form of government pursuant to KRS Chapter 67A or the consolidated local form of government pursuant to KRS Chapter 67C.

➔Section 4. The Legislative Research Commission is hereby directed to establish the Task Force on Local Government Annexation.

➔Section 5. The Task Force on Local Government Annexation shall investigate and make recommendations regarding:

(1) The present statutory methods for city annexation;

(2) The beneficial and deleterious effects of city annexation on issues such as taxation, economic development, provision and sustainability of water, gas, electric, sewer, and other utility services, police protection, fire protection, and emergency services from the perspective of local governments and their residents; and

(3) Any recommended changes to statutory law arising from the task force's deliberations.

➔Section 6. (1) The Task Force on Local Government Annexation shall consist of:

(a) Four members of the Senate appointed by the President of the Senate, one of whom shall be a member of the minority party; and

(b) Four members of the House of Representatives appointed by the Speaker of the House, one of whom shall be a member of the minority party.

(2) Final membership of the task force is subject to the consideration and approval of the Legislative Research Commission.

➔Section 7. The Task Force on Local Government Annexation shall meet at least monthly and shall submit any findings and recommendations to the Legislative Research Commission for referral to the appropriate committee or committees by November 1, 2023.

➔Section 8. Provisions of Sections 4 to 7 of this Act to the contrary notwithstanding, the Legislative Research Commission shall have the authority to alternatively assign the issues identified herein to an interim joint committee or subcommittee thereof, and to designate a study completion date.

➔Section 9. Sections 4 to 8 of this Act shall have the same legal status as a Senate Concurrent Resolution.

➔Section 10. Whereas it is important to ensure that cities may begin to put in place measures to collect outstanding liens, and whereas it is important to ensure that any deleterious effects of annexation are ceased at the earliest opportunity, an emergency is declared to exist, and this Act takes effect upon its passage and approval by the Governor or upon its otherwise becoming a law.

Became law without Governor's signature March 29, 2023.