

CHAPTER 165**(HB 607)**

AN ACT relating to consolidated local governments.

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

➔Section 1. KRS 65.003 is amended to read as follows:

- (1) (a) The governing body of each city, county, urban-county, consolidated local government, and charter county, shall adopt, by ordinance, a code of ethics which shall apply to all elected officials of the city, county, urban-county, consolidated local government, or charter county, and to appointed officials and employees of the city, county, urban-county, consolidated local government, or charter county government, or agencies created jointly, as specified in the code of ethics. The elected officials of a city, county, or consolidated local government to which a code of ethics shall apply include the mayor, county judge/executive, members of the governing body, county clerk, county attorney, sheriff, jailer, coroner, surveyor, and constable but do not include members of any school board. Agencies created jointly may include planning or administrative commissions or boards. Candidates for the local government elective offices specified in this subsection shall comply with the annual financial disclosure statement filing requirements contained in the code of ethics.
- (b) The boards, officers, and employees of special purpose governmental entities shall be subject to a code of ethics as provided in KRS 65A.070. As used in this section, special purpose governmental entity has the same meaning as in KRS 65A.010.
- (2) Any city, county, or consolidated local government may enter into a memorandum of agreement or an interlocal agreement with one (1) or more other cities, counties, or consolidated local governments for joint adoption of a code of ethics which shall apply to all elected officials of the cities, counties, or consolidated local governments, and to appointed officials and employees as specified by each of the cities, counties, or consolidated local governments which enters into the agreement. Interlocal agreements shall be executed pursuant to the Interlocal Cooperation Act in KRS 65.210 to 65.300. The interlocal agreement or memorandum of agreement may provide for but shall not be limited to:
 - (a) The provision of administrative services relating to the implementation of a code of ethics;
 - (b) The creation of a regional ethics board which serves independently to provide advice to member governments and their officials and provides for the enforcement of locally adopted codes of ethics; and
 - (c) Contracting by a memorandum of agreement with an area development district for the provision of administrative services relating to the implementation of a code of ethics.

Candidates for the city, county, or consolidated local government elective offices specified in this subsection shall comply with the annual financial disclosure statement filing requirements contained in the code of ethics.
- (3) Each code of ethics adopted as provided by subsection (1) or (2) of this section, or amended as provided by subsection (4) of this section, shall include but not be limited to provisions which set forth:
 - (a) Standards of conduct for elected and appointed officials and employees;
 - (b) Requirements for creation of financial disclosure statements, which shall be filed annually by all candidates for the city, county, or consolidated local government elective offices specified in subsection (1) of this section, elected officials of each city, county, or consolidated local government, and other officials or employees of the city, county, or consolidated local government, as specified in the code of ethics, and which shall be filed with the person or group responsible for enforcement of the code of ethics;
 - (c) A policy on the employment of members of the families of officials or employees of the city, county, or consolidated local government, as specified in the code of ethics; and
 - (d) The designation of a person or group who shall be responsible for enforcement of the code of ethics, including maintenance of financial disclosure statements, all of which shall be available for public inspection, receipt of complaints alleging possible violations of the code of ethics, issuance of opinions

in response to inquiries relating to the code of ethics, investigation of possible violations of the code of ethics, and imposition of penalties provided in the code of ethics.

- (4) The code of ethics ordinance adopted by a city, county, or consolidated local government may be amended but shall not be repealed.
- (5)
 - (a) Within twenty-one (21) days of the adoption of the code of ethics required by this section, each city, county, or consolidated local government shall deliver a copy of the ordinance by which the code was adopted and proof of publication in accordance with KRS Chapter 424 to the Department for Local Government. The Department for Local Government shall maintain the ordinances as public records and shall maintain a list of city, county, or consolidated local governments which have adopted a code of ethics and a list of those which have not adopted a code of ethics.
 - (b) Within twenty-one (21) days of the amendment of a code of ethics required by this section, each city, county, or consolidated local government shall:
 1. Deliver a copy of the ordinance by which the code was amended and proof of publication in accordance with KRS Chapter 424 to the Department for Local Government, which shall maintain the amendment with the ordinance by which the code was adopted; and
 2. Deliver a copy of the ordinance by which the code was amended to the governing body of each special purpose governmental entity that follows that establishing entity's code of ethics pursuant to KRS 65A.070.
 - (c) For ordinances adopting or amending a code of ethics under this section, cities of the first class and consolidated local governments shall comply with the publication requirements of KRS 83A.060(9), notwithstanding the exception contained in that statute.
- (6) If a city, county, or consolidated local government fails to comply with the requirements of this section, the Department for Local Government shall notify all state agencies, including area development districts, which deliver services or payments of money from the Commonwealth to the city, county, or consolidated local government. Those agencies shall suspend delivery of all services or payments to the city, county, or consolidated local government which fails to comply with the requirements of this section. The Department for Local Government shall immediately notify those same agencies when the city, county, or consolidated local government is in compliance with the requirements of this section, and those agencies shall reinstate the delivery of services or payments to the city, county, or consolidated local government. This subsection shall not be interpreted or construed to permit the state to withhold any nondiscretionary payments that are due to the city, county, or consolidated local government for the provision of services by the city, county, or consolidated local government to the state or any of its agencies, including for the use of utility services.
- (7) Notwithstanding KRS 67C.103(14)(e), a simple majority of the legislative council of a consolidated local government may delegate its authority to issue administrative subpoenas for the attendance and testimony of witnesses and the production of documents relevant to possible violations of the code of ethics to the person or a majority of the group responsible for enforcement of a code of ethics. Subpoenas shall be served in the same manner as subpoenas for witnesses in civil cases. Compliance with the subpoenas shall be enforceable by the Circuit Court. Any failure to obey an order of the court may be punished by the court as contempt thereof.
- (8)
 - (a) ***In a consolidated local government, the group responsible for the enforcement of the code of ethics shall consist of seven (7) members chosen as follows:***
 1. ***Three (3) members appointed by the mayor of the consolidated local government; and***
 2. ***Four (4) members appointed by the legislative council of the consolidated local government with two (2) being appointed by each of the largest two (2) political caucuses of the legislative council.***
 - (b) ***No more than three (3) members of the group responsible for the enforcement of the code of ethics shall be members of the same political party. A member of the group responsible for the enforcement of the code of ethics shall have been a member of the political party he or she is registered with for the purposes of balance set out in this section for at least four (4) years immediately prior to selection. The terms of the members shall be for four (4) years.***
 - (c) ***If the group responsible for the enforcement of the code of ethics wishes to procure the services of an attorney, it shall either use attorneys employed by the county attorney's office of the county in which the consolidated local government is contained, or it shall engage the county attorney to procure***

attorneys not employed by the county attorney's office. The county attorney shall follow the provisions of KRS 424.260 or, if the local model procurement code is in effect for the consolidated local government, the provisions of KRS 45A.380.

➔Section 2. KRS 67C.103 is amended to read as follows:

- (1) The legislative authority of a consolidated local government, except as otherwise specified in KRS 67C.101 to 67C.137, shall be vested in a consolidated local government council. The members of the council shall be nominated and elected by district. There shall be only one (1) council member elected from each council district.
- (2) There shall be twenty-six (26) council districts. The initial boundaries, population, and numerical designation of the council districts shall be as specified by KRS 67C.135. The population of the council districts shall be as nearly equal as is reasonably possible. Any changes made to alter the boundaries of council districts shall be based on the population of the county as determined by the most recent United States Census or official census estimates as provided by the United States Bureau of the Census.
- (3) Following the official publication of each decennial census by the United States Bureau of the Census for the area embraced by a consolidated local government, the council shall adopt an ordinance, if necessary, to redistrict the council districts. A redistricting ordinance shall ***ensure that the districts in the redistricting plan:***
 - (a) ***Not vary from the ideal population by more or less than two and one-half percent (2.5%);***
 - (b) ***Contain no divided precincts throughout the entirety of the county unless the division of a precinct is required to conform to paragraph (a) of this subsection and any applicable law regarding population requirements;***
 - (c) ***Not be drawn in a manner as to contain two (2) or more actively serving council persons in the same district, except at the request of an affected incumbent;***
 - (d) ***Not be drawn in a manner so that the new district excludes the residence of an actively serving council person;***
~~— Provide for the distribution of population among the council districts as nearly equal as is reasonably possible. —~~
 - (e) ~~Are~~***Every council district shall be*** compact and contiguous; and
 - (f) ~~shall~~***Respect existing neighborhood, community, and city boundaries whenever possible.***
- (4) The consolidated local government council members shall serve for a term of four (4) years beginning on the first Monday in January following their election, except that the initial election of council members shall be in a manner as to provide for staggered terms for council members. At the initial election of the members of a consolidated local government council, those representing even-numbered districts shall be elected for a two (2) year term. Those representing odd-numbered districts shall be elected for a four (4) year term. Thereafter, all council members shall be elected for four (4) year terms.
- (5) The members of a consolidated local government council shall be nominated and elected from the district in which they reside in nonpartisan elections. After the initial terms of office of the first elected council members, council members shall be elected in the same election years as other local government officials as regulated by the regular election laws of the Commonwealth and as provided in subsection (4) of this section.
- (6) No person shall be eligible to serve as a member of a consolidated local government council unless he or she is at least eighteen (18) years old, a qualified voter, and a resident within the territory of the consolidated local government and the district that he or she seeks to represent for at least one (1) year immediately prior to the person's election. A council member shall continue to reside within the district from which he or she was elected throughout the term of office.
- (7) The presiding officer of a consolidated local government council shall be a president who shall be chosen annually by a majority vote of the entire council from among its members at the first meeting of the council in January. The council president has the right to introduce any resolution or recommend any ordinance and shall be entitled to vote on all matters.
- (8) The consolidated local government council shall upon notice meet within seven (7) days after its members have taken office, and shall thereafter hold at least one (1) regular meeting per month. No newspaper notice shall be required for regular or special meetings of the consolidated local government council. However,

notice of all meetings of the council and all meetings of committees of the council shall be held pursuant to KRS 61.805 to 61.850.

- (9) A majority of the members of the consolidated local government council shall constitute a quorum, but a smaller number may adjourn from day to day. The consolidated local government council may enforce the attendance of members by rules or ordinances with appropriate fines. The mayor or two-thirds (2/3) of the entire membership of the council may call a special meeting at any time. Meetings shall be held in such places in the county as are provided by ordinance, and the place of meetings shall not be changed except by an ordinance for which two-thirds (2/3) of the members of the consolidated local government council have voted.
- (10) The council shall determine its own rules and order of business, and keep and provide a public record of its proceedings. The council shall provide for the publication of all ordinances in a composite code of ordinances. ***The council's rules shall not prohibit the filing of legislation that comports with the form requirements of KRS 83A.060(1), (2), and (3).***
- (11) Council ordinances that prescribe penalties for their violation shall be enforced through the entire area of the consolidated local government unless:
 - (a) Otherwise provided by statute; or
 - (b) The legislative body of any city within the consolidated local government area has adopted an ordinance pertaining to the same subject matter that is the same as or more stringent than the standards set forth in the consolidated local government's ordinance.
- (12) (a) In the case of a vacancy on the consolidated local government council by reason of death, resignation, or removal, a nonpartisan election shall be held to fill the unexpired term, unless paragraph (c) of this subsection applies. The county clerk shall be responsible for administering the election. The election shall proceed as follows:
 1. The presiding officer of the council shall declare the position vacant and issue a writ of election within twenty-four (24) hours of the occurrence of the vacancy;
 2. The writ shall be signed by the presiding officer, shall designate the day for holding the election, and shall be delivered to the sheriff;
 3. Candidates for the unexpired term shall file petitions of nomination with the county clerk not later than ten (10) days following the declaration of vacancy. The election shall be held sixty (60) days after the declaration of vacancy on the next Tuesday which is not a federal holiday under 5 U.S.C. sec. 6103(a), unless paragraph (b) of this subsection applies. The petition for nomination shall contain the signatures of two (2) registered voters of the council district and shall meet the requirements of KRS 118.315(2); and
 4. The successful candidate elected to fill an unexpired term in the office of consolidated local government council member shall take office immediately upon certification of the election results and administration of the oath of office.
 - (b) If the unexpired term will not end on the first Monday in January following the next regular election, and if less than three (3) months intervene before that regular election, the unexpired term shall be filled on the date set for the regular election. Candidates for full terms shall be grouped together, and candidates for unexpired terms shall be grouped together, under appropriate headings, so that the voter may easily distinguish the candidates for full terms from the candidates for unexpired terms.
 - (c) If the unexpired term will end on the first Monday in January following the next regular election, and if less than three (3) months intervene before that regular election, the presiding officer of the council shall appoint a qualified person to fill the vacancy and serve the remainder of the term.
 - (d) The order of the names on the ballot for the candidates shall be determined by lot at a public drawing to be held in the office of the county clerk at 4 p.m., standard time, ten (10) days following the declaration of vacancy.
- (13) All legislative powers of a consolidated local government are vested in the consolidated local government council. The term "legislative power" is to be construed broadly and shall include the power to:
 - (a) Enact ordinances, orders, and resolutions, and override a veto of the mayor by a two-thirds (2/3) majority of the membership of the legislative council;
 - (b) Review the budgets of and appropriate money to the consolidated local government;

- (c) Adopt a budget ordinance;
 - (d) Levy taxes, subject to the limitations of the Constitution and the laws of the Commonwealth of Kentucky;
 - (e) Establish standing and temporary committees; and
 - (f) Make independent audits and investigations concerning the affairs of the consolidated local government and any board or commission that:
 1. Is composed of members who are appointed by the mayor and approved by the legislative council; or
 2. Has a budget that is equal to or greater than one million dollars (\$1,000,000.00), except that this subparagraph shall not apply to any fee officer elected within the consolidated local government.
- (14) ***The consolidated local government council, or either of its two (2) major political caucuses, may hire or retain legal counsel for advice and consultation or to prepare or review legislation. The legal counsel may provide an opinion on the legality or constitutionality of any legislative action, but that opinion shall only be an advisory opinion.***
- (15) (a) The consolidated local government council shall establish a Government Oversight and Audit Committee. This committee shall be:
1. Composed of members from each of the two (2) largest political caucuses in the legislative council;
 2. Appointed by the chairs of their respective caucuses; and
 3. Composed on the basis of the proportion of each of the two (2) caucuses' total membership as compared to the total membership of the legislative council. Any fractional proportions shall be rounded in the favor of the smallest caucus' membership on the committee.
- (b) The committee shall have the power to:
1. Compel testimony and the submission of work papers or documents;
 2. Issue subpoenas to compel any officer, appointee, or former officer or appointee to a board or commission described in subsection (13)(f) of this section or any department or division of the consolidated local government to appear before the committee and to compel the submission to the committee of any work papers or documents pertinent to an independent audit or investigation. Any subpoenas issued or testimony compelled shall be subject to any relevant statutes concerning privacy. Testimony subject to KRS 61.810 shall only be taken in executive session. The right to privacy or the requirement that testimony be taken in executive session may be waived by the person or entity being subpoenaed or compelled to testify;
 3. Petition the appropriate Circuit Court to compel obedience by proceedings for contempt as in the case of disobedience of a subpoena issued from the Circuit Court or a refusal to testify therein, if any officer or appointee fails or refuses to testify or furnish the work papers or documents subpoenaed;
 4. Administer oaths to witnesses appearing before the committee when the committee deems the administration of an oath necessary and advisable as provided by law. This decision to administer oaths shall be taken by a majority vote of the committee of the legislative council; and
 5. Recommend the removal of any appointee to a board or commission described in subsection (13)(f) of this section.
- (c) The legislative council of the consolidated local government shall adopt by resolution any process or procedures deemed necessary for the administration of subpoenas and oaths.
 - (d) The legislative council of the consolidated local government may only act to remove an appointee to a board or commission described in subsection (13)(f) of this section upon the recommendation of the Government Oversight and Audit Committee.
 - (e) The Government Oversight and Audit Committee shall have the power to issue subpoenas or administer oaths. Except as provided in KRS 65.003(7), the legislative council of the consolidated local

government shall not delegate those powers to any other entity or entities not a part of the legislative council of the consolidated local government.

~~(16)~~~~(15)~~ ***Any regulation, rule, or other similar action issued:***

- (a) By a board that is operating under KRS Chapter 109 or 212; and***
- (b) That applies to individuals residing or businesses operating within the jurisdiction of the consolidated local government as it relates to the conduct of the individuals or businesses;***

may be reviewed and overridden by an adopted resolution of the consolidated local government council within forty-five (45) days of the issuance of the regulation, rule, or similar action.

(17) The consolidated local government council shall be known as the legislative council of/..... County Metro Government, which shall be a combination of the names of the largest city in existence in the county on the date of the adoption of the consolidated local government and the county.

➔SECTION 3. A NEW SECTION OF KRS CHAPTER 67C IS CREATED TO READ AS FOLLOWS:

- (1) There shall be an office of internal audit within the consolidated local government that shall be separate from any other agency or department of the consolidated local government. The office shall report directly to the consolidated local government council. The office shall have a sufficient budget to conduct the activities and fulfill the responsibilities set out by this section and by any ordinances passed by the consolidated local government council.***
- (2) The office of internal audit shall be authorized to conduct financial and performance audits and reviews of all departments, offices, boards, and activities of the consolidated local government and have any other duties, powers, and authorities as set out by ordinance.***
- (3) The office of internal audit shall be headed by a chief audit executive, who shall serve a term of four (4) years and shall be appointed in a manner determined by the consolidated local government council by ordinance. A candidate for chief audit executive shall receive the approval of the majority of the membership of the body charged with making personnel employment decisions for the consolidated local government council and that is responsible for appointing the chief audit executive. The chief audit executive shall be at least twenty-one (21) years old and shall have any additional qualifications as determined by ordinance of the consolidated local government council.***
- (4) The chief audit executive may serve consecutive terms.***
- (5) Vacancies of the chief audit executive shall be handled in the same manner as appointments.***
- (6) A chief audit executive may be removed in a process determined by ordinance by the legislative council of the consolidated local government for neglect, incapacity, misfeasance, or malfeasance on the part of chief audit executive.***

➔Section 4. KRS 67C.115 is amended to read as follows:

- (1) Upon the successful passage of the question to consolidate a city of the first class and its county, all ordinances and resolutions of the previously existing city of the first class and all ordinances and resolutions of the county shall become effective ordinances and resolutions of the consolidated local government until repealed, modified, or amended in accordance with the following order of precedence:
 - (a) If a city ordinance conflicts with a county ordinance, the county ordinance shall prevail and shall become effective countywide; and
 - (b) If a city ordinance addresses a subject matter not addressed by a county ordinance, the city ordinance shall become effective countywide; and
 - (c) If a county ordinance addresses a subject matter not addressed by a city ordinance, the county ordinance shall become effective countywide.

Notwithstanding paragraph (a) of this subsection and in the event a uniform land development code has not been jointly adopted by the city and county prior to the effective date of a consolidated local government, the historic preservation and landmarks ordinances, and the zoning regulations of the city adopted pursuant to KRS Chapter 100, shall prevail and become effective countywide.

- (2) Ordinances and resolutions of either the city of the first class or its county in existence on the effective date of a local government consolidation which conflict with other provisions of this chapter shall be void. Except as

provided in KRS 67C.123(3), any ordinance, resolution, or order in effect in a city of the first class or its county on the date a consolidated local government takes effect shall expire five (5) years from that date unless amended or reenacted by the consolidated local government.

- (3) All ordinances of the city and county creating agencies and boards and interlocal agreements shall survive and be deemed reenacted by the council. All members may serve the balance of the terms to which they were appointed and until their successors are appointed and duly qualified according to law.
- (4) For purposes of this section, a conflict shall be deemed to exist between ordinances or resolutions, or the provisions of this chapter, where any rights, remedies, entitlements, or the enforcement thereof cannot reasonably be reconciled.
- (5) (a) The county attorney shall serve as the legal advisor and representative to the consolidated local government, except for those duties pertaining to fiscal court **and as provided in subsection (14) of Section 2 of this Act.**
- (b) The county attorney shall retain and exercise all other duties, powers, and rights delegated to that office by law, excluding the power to approve legislation prior to its consideration by the legislative body of the consolidated local government. The county attorney may provide an opinion on the ~~form,~~ ~~legality,~~ or constitutionality of any legislative action, but that opinion shall only be an advisory opinion. This subsection does not prevent the consolidated local government council from retaining its own legal counsel for advice and consultation should ~~it~~~~they~~ choose to do so.
- (6) Wherever the words "county judge" or "county judge/executive" appear in any resolution or ordinance in existence in a city of the first class or in a county containing a city of the first class as of the effective date of the establishment of a consolidated local government, they shall be deemed to mean the mayor of the consolidated local government.

➔Section 5. KRS 69.210 is amended to read as follows:

- (1) **Except as provided in Section 4 of this Act,** the county attorney shall attend the fiscal court or consolidated local government and conduct all business touching the rights or interests of the county or consolidated local government, and when so directed by the fiscal court or consolidated local government, he or she shall institute, defend, and conduct all civil actions in which the county or consolidated local government is interested before any of the courts of the Commonwealth.
- (2) (a) The county attorney shall attend to the prosecution in the juvenile session of the District Court of all proceedings held pursuant to petitions filed under KRS Chapter 610 and over which the juvenile session of the District Court has jurisdiction pursuant to KRS Chapter 610.
- (b) Notwithstanding paragraph (a) of this subsection, the attorneys for the Cabinet for Health and Family Services may attend to the prosecution of any case under KRS Chapter 620 upon written consent of the county attorney and judge of the District Court or family division of the Circuit Court.
- (3) The county attorney shall give legal advice to the fiscal court or consolidated local government and the several county or consolidated local government officers in all matters concerning any county or consolidated local government business within their jurisdiction, **except as provided in Section 4 of this Act.** He or she shall oppose all unjust or illegally presented claims.
- (4) A county attorney serving in a county, consolidated local government, or urban-county which is part of a judicial circuit described by KRS 69.010(2), in addition to the duties in subsections (1) and (2) of this section, shall have the following duties:
 - (a) He or she shall attend all civil cases and proceedings in his or her county in which the Commonwealth is interested; and
 - (b) He or she shall advise the collector of money due the Commonwealth in the county or consolidated local government in regard to motions against delinquent collecting officers for failing to return executions, and shall prosecute the motions. In no case shall the county attorney take a fee or act as counsel in any case in opposition to the interest of the county or consolidated local government.

➔Section 6. KRS 67C.111 is amended to read as follows:

- (1) All cities other than those of the first class located within the territory of the consolidated local government, upon the successful passage of the question to consolidate a city of the first class and its county, shall remain

incorporated unless dissolved in accordance with KRS 81.094 and shall continue to exercise all powers and perform the functions permitted by the Constitution and general laws of the Commonwealth of Kentucky applicable to the cities of the class to which they have been assigned.

- (2) (a) After July 15, 2024, with the approval of the consolidated local government's legislative council, qualified voters within the consolidated local government may establish new cities within the consolidated local government pursuant to KRS 81.050 and 81.060. The proposed city must have a population of six thousand (6,000) or greater. This territory shall not be within any urban services boundary of the consolidated local government nor shall it include any territory currently incorporated within any existing city. The approval of the desire to establish a new city shall be in the form of a resolution by the consolidated local government's legislative council. If the legislative council does not act upon the request within sixty (60) days of the receipt of the desire to incorporate a new city, that shall serve as notice of approval by the legislative council of the incorporation of the new city.
 - (b) If the petition to form a city is signed by a number of registered and qualified voters residing in the area proposed to be incorporated which is equal to at least seventy-five percent (75%) of the total number of votes cast in the area in the last preceding presidential election, the consolidated local government's legislative council shall approve the proposed incorporation.
 - (c) If the petition to form a city is signed by a number of registered and qualified voters residing in the area proposed to be incorporated which is less than seventy-five percent (75%) of the total number of votes cast in the area in the last preceding presidential election, the consolidated local government's legislative council may approve the proposed incorporation.
 - (d) An action of the consolidated local government's legislative council approving an incorporation passed by the consolidated local government legislative council shall not be subject to veto by the mayor of the consolidated local government.
- (3) (a) Any proposed annexation by a city in that county shall first receive the approval of the legislative council of the consolidated local government prior to the city proceeding under the provisions of KRS Chapter 81A. The city shall request the approval of the consolidated legislative council by ordinance. For requests filed after July 15, 2024:
 1. If the ordinance is accompanied by a petition in favor of the proposed annexation signed by a number of registered and qualified voters residing in the area proposed to be annexed which is equal to at least seventy-five percent (75%) of the total number of votes cast in the area in the last preceding presidential election, the consolidated local government shall approve the proposed annexation; or
 2. If the ordinance is accompanied by written consent of the owners of record of the area to be annexed when that area is vacant or is otherwise unimproved land and where no persons reside, the consolidated government legislative council shall approve the proposed annexation. A city shall not annex vacant or otherwise unimproved land where no persons reside as set out by this subparagraph more than once every four (4) calendar years.
 - (b) The consolidated legislative council's decision shall be made by ordinance and within sixty (60) days of the receipt of the request by the affected city. If an ordinance has not been enacted by the consolidated legislative council within sixty (60) days, the request for a city to proceed with an annexation proposal shall be deemed to be approved by the consolidated legislative council. An ordinance approving annexation passed by the consolidated local government legislative council shall not be subject to veto by the mayor of the consolidated local government.
 - (c)
 1. A city in a county containing a consolidated local government shall not annex commercial real estate primarily for the purpose of obtaining occupational license taxes, net profits, or gross receipts taxes unless each owner of record of property within the area to be annexed gives prior consent in writing to the annexation.
 2.
 - a. As used in this paragraph, "commercial real estate" means any parcel of real estate that is:
 - i. Lawfully used primarily for sales, retail, wholesale, office, research, institutional, warehouse, manufacturing, or industrial purposes;
 - ii. Lawfully used primarily for multifamily residential purposes involving five (5) or more dwelling units; or

- iii. Zoned as a business or commercial use by a planning unit under the provisions of KRS Chapter 100.
 - b. "Commercial real estate" does not include single-family residential units such as condominiums, townhouses, manufactured homes, or homes or lots in a subdivision when sold, or residential units otherwise conveyed on a unit-by-unit basis, even if those units are part of a larger building or parcel of real estate containing more than four (4) residential units.
- (4) The adoption of a consolidated local government in a county containing a city of the first class shall not prevent the merger or dissolution of any existing cities as provided by law or the merger of any remaining cities with the newly consolidated local government.
- (5) ***A petition circulated for the incorporation of a city or for the annexation of territory shall conform to KRS 65.012(1). Petitioners shall have one (1) year from the date of the first signature to circulate the petition. Any completed petition shall be submitted first to the county clerk, who then, upon finding the signatures in order, shall transmit the petition to the consolidated local government's council for the purposes set out in this section.***

➔Section 7. KRS 67C.147 is amended to read as follows:

- (1) In order to maintain the tax structure, tax rates, or level of services in the area of the consolidated local government formerly comprising the city of the first class, the legislative council of a consolidated local government may provide in the manner described in this chapter for taxes and services within the area comprising the former city of the first class which are different from the taxes and services which are applicable in the remainder of the county. These differences may include differences in tax rates upon the class of property which includes the surface of the land, differences in ad valorem tax rates upon personal property, and differences in tax rates upon insurance premiums.
- (2) (a) Any difference in the ad valorem tax rate on the class of property which includes the surface of the land in the portion of the county formerly comprising the city of the first class and in the portion of the county other than that formerly comprising the city of the first class may be imposed directly by the consolidated local government council.
- (b) ***For purposes of this section, the consolidated local government council may by ordinance adopt the following two (2) distinct subclassifications of real property for purposes of taxation within the portion of the county formerly comprising the city of the first class:***
- 1. ***"Land," which means the surface of the earth and its natural resources, exclusive of any human-made structures, cultivated agricultural products, or artificial improvement or alteration to the land; and***
 - 2. ***"Improvements," which means any human-made addition to or modification of land that enhances its value, including but not limited to:***
 - a. ***Any building, structure, fence, or pavement constructed upon the land;***
 - b. ***Any cultivated agricultural products grown upon the land; and***
 - c. ***Any artificial land backfill, grading, or site preparation aimed at modifying the natural topography.***
- (c) ***The council may levy a separate ad valorem tax rate on land and a separate ad valorem tax rate on improvements within the portion of the county formerly comprising the city of the first class. The rate levied on improvements may be lower than the rate levied on land. The rate levied on improvements shall be sufficient to constitute a bona fide tax levy.***
- (d) ***Notwithstanding KRS 132.010, for any tax year in which separate rates are levied under this subsection, the compensating tax rate shall be calculated as the specific combination of rates on land and improvements so that when applied to the current year's assessment, produces an aggregate revenue equal to the revenue produced in the preceding year.***
- (e) ***Notwithstanding KRS 132.010 and 132.017, the portion of a tax rate that is subject to recall in relation to producing revenue exceeding four percent (4%) over that produced by the compensating***

tax rate shall be determined based on the aggregate revenue produced by the combination of the rate levied on land and the rate levied on improvements.

(f) *Notwithstanding KRS 132.810, the homestead exemption shall be applied first against the assessed value of improvements, and any remaining balance of the exemption shall then be applied against the assessed value of land.*

(3) Any change in these ad valorem tax rates shall comply with KRS 68.245, 132.010, 132.017, and 132.027 and shall be used for services as provided by KRS 82.085.

~~(4)~~(3) If the consolidated local government council determines to provide for tax rates applicable to health insurance premiums and personal property which are different in the area formerly comprising the city of the first class than the rates applicable in the remainder of the county, it shall do so in the following manner. The consolidated local government council shall by ordinance create a tax district to be known as the "urban service tax district" bounded by the former boundaries of the former city of the first class. The ordinance shall designate the number of members of the board of this tax district and the manner in which they shall be appointed. The ordinance shall provide that the board of the tax district shall receive the income derived from the differential tax rate applicable in the area formerly comprising the city of the first class with respect to personal property, health insurance premiums, or both, and shall contract with the consolidated local government to pay all sums collected to the consolidated local government, in return for the provision of services performed by the consolidated local government within the area formerly comprising the city of the first class which services are in addition to services performed by the consolidated local government in the remainder of the county. The consolidated local government shall provide at least an annual reporting to the urban service tax district board and the legislative body of the consolidated local government containing but not limited to detailed operating and capital expenditures of each service performed by the consolidated local government.

~~(5)~~(4) After the initial formation of an urban service tax district in a consolidated local government, the boundaries of the district may be modified in the following manner. The proposal to alter the boundaries of the urban service tax district within a consolidated local government may be initiated by:

- (a) A resolution enacted by the consolidated local government describing the boundaries of the area to be added to or deleted from the tax district and duly passed and signed by the mayor not less than one hundred twenty (120) days before the next regularly scheduled election day within the county; or
- (b) A petition signed by a number of qualified voters living within precincts within the area to be added to or deleted from the tax district equal to ten percent (10%) of the votes cast within each precinct in the last general election for President of the United States and delivered to the clerk of the legislative council more than one hundred twenty (120) days next preceding the next regularly scheduled election day within the county.

The boundaries so described in either case shall not cross precinct lines. The question of whether the area bounded as described should be added to or deleted from, as the case may be, the urban service tax district shall then be placed upon the ballot in the precincts in the area to be added or deleted at the next regular election and the question stated on the ballot shall be so phrased that a "Yes" vote shall be cast in favor of making the proposed change and a "No" vote shall be cast to oppose the proposed change. If a majority of those voting in those precincts support the change, then the change in the boundaries of the urban service tax district shall be implemented.

~~(6)~~(5) (a) No later than July 1, 2025, the consolidated local government shall reimburse a fire district operating under KRS Chapter 75 for expenses related to each emergency medical response made by the fire district operating under KRS Chapter 75 into the area of the urban service tax district. A fire district so responding shall receive from the consolidated local government three hundred dollars (\$300) for transporting a person and one hundred fifty dollars (\$150) for arriving at person's location when no person is transported.

- (b) The payment established in paragraph (a) of this subsection shall be in addition to any insurance moneys the fire district may be eligible to receive resulting from the response.
- (c) The payment established in paragraph (a) of this subsection shall be adjusted on July 1 of each year by the percentage increase in the nonseasonally adjusted annual average Consumer Price Index for All Urban Consumers (CPI-U), U.S. City Average, All Items, between the two (2) most recent calendar years available, as published by the United States Bureau of Labor Statistics.

- (d) The consolidated local government shall not charge a fire district operating under KRS Chapter 75 for any expenses or services that the consolidated local government was not charging the fire district prior to January 1, 2024.
- ~~(7)(6)~~ Except for services provided within the central business district as defined by the consolidated local government via ordinance as of April 1, 2024:
- (a) From July 1, 2025, to June 30, 2028, the differential tax received by the urban service tax district shall fund no less than eighty-five percent (85%) of all costs related to the services provided, including capital expenditures related to the services, within the urban service tax district by the consolidated local government as set out in this section that are in addition to the services performed by the consolidated local government in the remainder of the county;
 - (b) From July 1, 2028, to June 30, 2031, the differential tax received by the urban service tax district shall fund no less than ninety percent (90%) of all costs related to the services provided, including capital expenditures related to the services, within the urban service tax district by the consolidated local government as set out in this section that are in addition to the services performed by the consolidated local government in the remainder of the county;
 - (c) From July 1, 2031, to June 30, 2034, the differential tax received by the urban service tax district shall fund no less than ninety-five percent (95%) of all costs related to the services provided, including capital expenditures related to the services, within the urban service tax district by the consolidated local government as set out in this section that are in addition to the services performed by the consolidated local government in the remainder of the county; and
 - (d) After June 30, 2034, the differential tax received by the urban service tax district shall fund no less than one hundred percent (100%) of all costs related to the services provided, including capital expenditures related to the services, within the urban service tax district by the consolidated local government as set out in this section that are in addition to the services performed by the consolidated local government in the remainder of the county.

➔Section 8. The terms of the ethics commission members currently serving in a consolidated local government shall end on December 31, 2026. In making new appointments as set forth in subsection (8) of Section 1 of this Act, the mayor shall appoint one member for a four year term, and two members for a two year term, and the two largest political caucuses shall each appoint one member for a four year term and one member for a two year term.

➔Section 9. Any chief audit executive serving prior to the effective date of this Act shall be allowed to complete his or her term of appointment and shall be eligible for reappointment to that position.

Veto Overridden April 14, 2026.