

**Local Mandate Fiscal Impact Estimate  
Kentucky Legislative Research Commission  
2015 Regular Session**

**Part I: Measure Information**

**Bill Request #:**   319  

**Bill #:**   SB 130 SCS  

**Bill Subject/Title:**   AN ACT relating to commercial activities of local government  

**Sponsor:**   Senator Chris Girdler  

Unit of Government:  City  County  Urban-County  
 Charter County  Consolidated Local  Unified Local  
Government

Office(s) Impacted:   All local governments  

Requirement:  Mandatory  Optional

Effect on Powers & Duties:  Modifies Existing  Adds New  Eliminates Existing

**Part II: Purpose and Mechanics**

SB 130 SCS retains original provisions and would require local governments, and any subdivision or corporation created by them, to conduct and publish studies prior to continuing or commencing retail or wholesale sale of commercial products or services. Public hearings would be required prior to commencing the sale of such products or services. In addition, bookkeeping and other conduct would be required and local governments must pay in kind taxes to all jurisdictions in which it operates.

**Part III: Fiscal Explanation, Bill Provisions, and Estimated Cost**

**The fiscal impact of SB 130 SCS on local government is indeterminable but is expected to be significant.**

SB 130 SCS is considered by the Kentucky League of Cities (KLC) to be a major assault on local home rule, and as such, may have a significant financial impact on Kentucky cities. The first issue relates to the definitions of “commercial product” and “commercial service.” Per KLC, these definitions are very broad and may catch a lot of governmental services within them. Some of the services that might be offered by cities that likely would fall under these definitions include, but may not be limited to the following:

- Athletic leagues
- Athletic training
- Child care
- Concessions/food service
- Gasoline sales
- Golf pro shops
- Tourism paraphernalia
- Water parks

Offering these services, cities may need to perform an economic impact study of their actions. This study may require the use of outside economic consultants, with more costs due to an additional publication requirement as well.

If a local government starts or continues to offer the commercial product or service, then potential administratively burdensome accounting requirements may be added by SB 130 SCS, in addition to payments in lieu of taxes to the city, county, state, and other local taxing districts. These taxes include at least the following:

- Property taxes to the city, county, school district, state, and any special district assessments.
- Insurance premium taxes to the city, county, and state.
- Occupational license taxes (payroll, net profits and/or gross receipts) to the city, county, and school district.
- Income taxes to the state and federal governments.
- Sales and use taxes to the state.

KLC states that all commercial services or products sold by local governments would not only be audited by public sector accounting standards under SB 130 SCS, but taxes would need to be computed as if they were a separate, private corporation. This is to calculate what income taxes are owed to the state and federal governments and what sales taxes are owed to the state government. Cities would then be required to prepare and publish a statement of resource allocation outlining the resources shared for commercial and noncommercial uses. In addition, any commercial products or services sold would have to be 100 percent self-supported, without any subsidized funds from other governmental operations or revenue sources.

KLC also notes that SB 130 SCS may capture many services and products in its net, at a considerable expense to taxpayers and/or loss of services to local residents. KLC anticipates that this legislation would have both a significant financial impact and a significant administrative impact on city governments.

**Data Source(s):** Kentucky League of Cities

**Preparer:** John V. Ryan      **Reviewer:** MCY      **Date:** 2/25/15