Local Mandate Fiscal Impact Estimate Kentucky Legislative Research Commission 2016 Regular Session

Part I: Measure Information

Bill Request #: 1364			
Bill #: HB 438 HCS	<u> </u>		
Bill Subject/Title: _	AN ACT relating to area	development districts	
Sponsor: Representative Susan Westrom			
Unit of Government:	City	County	Urban-County
	Charter County	Consolidated Local	Unified Local Government
Office(s) Impacted: No local government offices would be impacted			
Requirement:	Mandatory Option	onal	
Effect on Powers & Duties:	Modifies Existing	Adds New E	Eliminates Existing

Part II: Purpose and Mechanics

The purpose of HB 438, as introduced, is to bring more transparency and accountability to the hiring, salaries, and financial operations of the 15 Kentucky area development districts ("ADDs"), with oversight by the Legislative Research Commission ("LRC"). Section 1 of the bill would amend KRS 147A.070 to establish: requirements for advertising a vacant executive director position for an ADD, a prohibition on bonuses, awards, or other one time salary adjustments to an employee's compensation, and that the board, its committees, and staff must comply with federal and state procurement laws, conflict of interest laws, and laws prohibiting reprisal against employees. Section 2 of the bill would require, following any year the Cabinet for Health and Family Services ("CHFS") and the Education and Workforce Development Cabinet award federal or state money to an ADD, that those agencies submit a detailed financial report to the LRC and the ADD board members. The report would be required to include the total amount of state and federal funds awarded to each ADD, the amount of each award allocated to administrative and other costs, how much of each award was not spent, and why. The report would also be required to identify direct services provided by the ADD and the performance measures used to evaluate the ADD's actions. The LRC would be responsible for distributing the report to relevant Interim Joint Legislative Committees and to each budget review subcommittee with jurisdiction over CHFS and the Education

and Workforce Development Cabinet. Section 3 of the bill, as introduced, would establish requirements for the Kentucky Auditor of Public Accounts to conduct a preliminary study of each ADD, including an evaluation of policies and procedures and an analysis of financial activities. Following the preliminary study the Auditor would conduct an examination of any issues identified and make recommendations to the identified ADD board of directors. The costs of the study and examination would be borne by the subject ADD. The Auditor would be required to send the preliminary study, examination, recommendations, and the ADD's response to the LRC and the Attorney General.

HB 438 HCS retains Sections 1 and 2 of the bill as introduced, and deletes Section 3.

The committee substitute does not include any requirement for evaluation or examination of the ADDs.

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

HB 438 HCS would have no or minimal positive fiscal impact on local governments.

The original bill would have had little or no fiscal impact on local governments and neither would the committee substitute, since ADDs are not funded by local governments but with federal and state dollars. Removing the requirement for Auditor evaluations and examinations, to be paid for by the ADDs, should eliminate the potential reduction in money available for ADD projects. Advertising to fill an opening in the position of executive director as would be required by the bill would represent a minimal cost to an ADD. The fiscal impact of the prohibition in the bill on bonuses, awards, one time salary adjustments or special salary enhancements for employees would be a cost savings to an ADD, unless the board decides it must, instead, increase salaries.

 Data Source(s):
 Kentucky League of Cities, LRC staff, Kentucky Revised Statutes

 Preparer:
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 Reviewer:
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 Date:
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