

**COMMONWEALTH OF KENTUCKY STATE FISCAL NOTE STATEMENT
LEGISLATIVE RESEARCH COMMISSION
2016 REGULAR SESSION**

MEASURE

2016 BR NUMBER 1722

HOUSE BILL NUMBER 608/GA

RESOLUTION NUMBER _____

AMENDMENT NUMBER _____

SUBJECT/TITLE An ACT relating to Executive Branch Code of Ethics and making an appropriation therefore.

SPONSOR Representative Overly

NOTE SUMMARY

FISCAL ANALYSIS: IMPACT NO IMPACT INDETERMINABLE IMPACT

LEVEL(S) OF IMPACT: STATE LOCAL FEDERAL

BUDGET UNIT(S) IMPACT: Executive Branch Ethics Commission

FUND(S) IMPACT: GENERAL ROAD FEDERAL RESTRICTED AGENCY _____ OTHER

FISCAL SUMMARY

FISCAL ESTIMATES	2015-2016	2016-2017	2017-2018	ANNUAL IMPACT AT FULL IMPLEMENTATION
REVENUES		\$112,500	\$112,500	\$112,500
EXPENDITURES		\$6,300	\$3,300	\$3,300
NET EFFECT		\$106,100	\$109,200	\$109,200

() indicates a decrease/negative

MEASURE'S PURPOSE: The purpose of the measure is to update the Executive Branch Code of Ethics and the registration fee for lobbyists.

PROVISIONS/MECHANICS: Section 1 creates a new section of KRS chapter 11A to require public servants to report suspected ethics violations to the Executive Branch Ethics Commission.

Section 2 amends KRS 11A.010 to add definitions.

Section 3 amends KRS 11A.020 to clarify conflicts of interest for public servants.

Section 4 amends KRS 11A.030 to determine when a public servant should abstain from action in matters or official decisions. A public servant must disclose in writing to his or her appointing authority on matters that he or she abstains from due to a conflict of interest.

Section 5 amends KRS 11A.040 to allow a public servant to accept an award for exceptional service up to \$100 in a calendar year. Additionally, a public servant shall not negotiate for

employment with a business that has done business or been regulated by the agency where he or she works, without first abstaining involvement from the prospective employer. The public servant must obtain written approval from the appointing authority to abstain from involvement with the prospective employer.

Section 6 amends KRS 11A.050 to clarify those who must file a statement of financial disclosure with the Commission and updates the information required to be disclosed in the statement to include telephone numbers and email addresses.

Section 7 amends KRS 11A.060 to change the Commission from five members to seven members and allow constitutional officers to nominate members. The Governor will appoint the members from the lists of nominations.

Section 8 amends KRS 11A.080 to require the Commission to conduct preliminary investigations and outlines the circumstances that may deem an investigation necessary. The commission may turn over the matter to any law enforcement agency or dismiss a complaint if the complainant discloses the complaint prior to the commission initiating administrative hearings. The Commission may issue a confidential written reprimand instead of initiating a hearing if there is probable cause to support the allegation.

Section 9 amends KRS 11A.100 to direct all penalties received or collected by the Commission to be placed in an agency fund account to conduct administrative hearings, and allows an appointing authority to rely upon Commission findings for basis of dismissal of a public servant. The certified copy of the Commission's final determination will serve as prima facie evidence of the violation.

Section 10 amends KRS 11A.201 to update definitions.

Section 11 amends KRS 11A.211 to change the executive agency lobbyist registration fee from \$125 to \$250. The Commission is required to send a written notification to the last known address of the executive branch lobbyist, employer, or real party in interest for those who fail to file with the Commission.

Section 12 amends KRS 11A.990 to conform.

Section 13 amends KRS 18A.045 to conform.

Section 14 amends KRS 11A.045 to conform.

FISCAL EXPLANATION: The Executive Branch Ethics Commission has determined the majority of the increased costs associated with HB 608/GA can be absorbed. Estimated costs to reprint manuals and conduct training to ensure that public servants and lobbyists are aware of the changes are estimated to be \$3,000 in the first fiscal year. The Commission estimates it will incur additional costs of approximately \$3,300 to increase the number of members from five to seven.

Section 11 of HB 608 GA increases the lobbyist registration fee by \$125 per year. Since the revenue from registration fees is driven by the number of registered employers or real parties in interest, it is impossible to determine the precise fiscal impact; however, historical data allows an estimate to be made. There were 580 registered employers or real parties in interest in three of the last four fiscal years. If the number of registered employers or real parties in interest remains at 580, then total revenues should increase by \$72,500 annually by increasing the fees from \$125 to \$250. The increased registration fees will have no fiscal impact until FY 2017 because the annual registration statement and fees are not due until the last day of July each year.

Section 9 of HB 608 GA allows the Commission to access penalties collected, to be used for conducting administrative hearings. The Commission estimates the average annual penalties collected over the past five years to be approximately \$40,000 per year.

DATA SOURCE(S): Executive Branch Ehtics Commission

PREPARER: Seth Dawson NOTE NUMBER: 164 REVIEW: JRS DATE: 3/29/2016