

1 AN ACT relating to annexation.

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

3 ➔Section 1. KRS 81A.420 is amended to read as follows:

4 (1) When a city desires to annex unincorporated territory, the legislative body of the
5 city proposing to annex shall enact an ordinance stating the intention of the city to
6 annex. The ordinance shall accurately define the boundary of the unincorporated
7 territory proposed to be annexed, and declare it desirable to annex the
8 unincorporated territory. **The city shall provide written notice to the fiscal court of**
9 **the county in which the territory is located regarding the proposed annexation**
10 **that includes a map and a description of the area to be annexed.**

11 (2) If following the publication of the annexation ordinance pursuant to subsection (1)
12 of this section and within sixty (60) days thereof, ~~or if in any annexation~~
13 ~~proceeding where the annexing city has not adopted a final annexation ordinance,~~
14 ~~within sixty (60) days of February 12, 1988,~~ **fifty-one percent (51%) or more** ~~[fifty~~
15 ~~percent (50%)]~~ of the resident voters or owners of real property within the limits of
16 the territory proposed to be annexed petition the mayor in opposition to the
17 proposal, ~~[an election shall be held at the next regular election if the petition is~~
18 ~~presented to the county clerk and certified by the county clerk as sufficient not later~~
19 ~~than the second Tuesday in August preceding the regular election:~~

20 ~~(a) The mayor of the city shall deliver a certified copy of the ordinance to the~~
21 ~~county clerk of the county in which the territory proposed to be annexed is~~
22 ~~located, who shall have prepared to be placed before the voters in each~~
23 ~~precinct embraced in whole or in part within the territory proposed to be~~
24 ~~annexed the question: "Are you in favor of being annexed to the City of~~
25 ~~_____?" If only a part of any precinct is embraced within the territory~~
26 ~~proposed to be annexed only persons who reside within the territory proposed~~
27 ~~to be annexed shall be permitted to vote. The clerk shall cause the sheriff or~~

1 ~~sheriffs to deliver to the election officers in each precinct in the appropriate~~
 2 ~~counties copies of the ordinance proposing to annex;~~

3 ~~(b) If less than fifty five percent (55%) of those persons voting oppose~~
 4 ~~annexation, the unincorporated territory shall become a part of the city; and~~

5 ~~(c) If fifty five percent (55%) or more of those persons voting oppose~~
 6 ~~annexation,]the ordinance proposing annexation shall become ineffectual for~~
 7 ~~any purpose.~~

8 (3) In not less than sixty (60) days after the enactment of the ordinance, if no petition
 9 *containing the signatures of fifty-one percent (51%) or more of the resident voters*
 10 *or owners of real property within the limits of the territory proposed to be*
 11 *annexed in opposition to the proposal* has been received by the mayor as set out
 12 herein, ~~for within sixty (60) days of the certification of election results in which less~~
 13 ~~than fifty five percent (55%) of those persons voting opposed annexation,]and if~~
 14 *the city has provided the written notice described in subsection (1) of this section*
 15 *at least forty-five (45) days prior,* the legislative body may enact an ordinance
 16 annexing to the city the territory described in the ordinance. If the city has elected
 17 to establish the zoning for the new territory prior to the completion of the
 18 annexation pursuant to KRS 100.209, the ordinance shall include a map showing
 19 the zoning. Upon the enactment of this ordinance, the territory shall become part of
 20 the city for all purposes.

21 ➔SECTION 2. A NEW SECTION OF KRS 65.210 TO 65.300 IS CREATED TO
 22 READ AS FOLLOWS:

23 *Any interlocal agreement entered into under KRS 65.210 to 65.300, that was in*
 24 *existence on or after January 1, 2024, concerns the sharing of occupational or*
 25 *insurance premium tax revenue between a city and county, and where a party to the*
 26 *agreement is a county subject to the crediting provisions contained in KRS 68.197 or*
 27 *KRS 91A.080, shall not be terminable without the consent of each party to the*

1 agreement.

2 ➔Section 3. KRS 65.250 is amended to read as follows:

- 3 (1) Any agreement entered into under KRS 65.210 to 65.300 shall specify the
4 following:
- 5 (a) The purpose and duration of the agreement;
 - 6 (b) If the agreement creates an interlocal agency:
 - 7 1. The organization, composition, authority, and nature of the interlocal
8 agency, including the terms and qualifications of the members of the
9 governing authority and their manner of appointment or selection;
 - 10 2. A statement of the powers delegated to the interlocal agency or any
11 restrictions, limitations, or conditions the contracting parties wish to
12 place on those powers; and
 - 13 3. A general statement of any responsibilities of the interlocal agency to
14 the parties that established it;
 - 15 (c) The manner of financing the joint or cooperative undertaking and of
16 establishing and maintaining a budget therefor; said agreement for financing
17 the joint or cooperative undertaking shall include agreements relative to the
18 respective responsibilities of the public agencies involved for the payment of
19 the employer's share involved in any pertinent pension plan or plans, if any,
20 provided for by KRS 65.280;
 - 21 (d) The permissible method or methods to be employed in accomplishing the
22 partial or complete termination of the agreement, including the method for
23 disposing of property upon such partial or complete termination;
 - 24 (e) If the interlocal agreement concerns the sharing of occupational or
25 insurance premium tax revenue between a city and county, and the county
26 that is a party to the contract is subject to the crediting provisions contained
27 in KRS 68.197 or KRS 91A.080, the contract shall not be terminable without

1 *the consent of each party to the contract;* and

2 ~~(f)~~(e) Any other necessary and proper matters.

3 (2) In the event that the agreement does not establish an interlocal agency to conduct
4 the joint or cooperative undertaking, the agreement shall, in addition to paragraphs
5 (a), (c), (d), ~~and (e)~~, and (f) enumerated in subsection (1) of this section, contain
6 the following:

7 (a) Provision for an administrator responsible for the joint or cooperative
8 undertaking; and

9 (b) The manner of acquiring, holding, and disposing of real and personal property
10 used in the joint or cooperative undertaking.

11 ➔SECTION 4. A NEW SECTION OF KRS CHAPTER 81A IS CREATED TO
12 READ AS FOLLOWS:

13 *A county subject to the crediting provisions contained in KRS 68.197 shall have*
14 *standing to challenge a proposed annexation on the basis that a city has failed to*
15 *comply with the provisions of this chapter. The county may bring suit in the Circuit*
16 *Court of the county in which the territory to be annexed is located. Any suit brought*
17 *pursuant to this section shall be brought prior to or within sixty (60) days after the*
18 *enactment of the ordinance described in subsection (3) of Section 1 of this Act.*

19 ➔SECTION 5. A NEW SECTION OF KRS CHAPTER 81A IS CREATED TO
20 READ AS FOLLOWS:

21 *(1) When a city annexes territory in a county that contains active residential,*
22 *commercial, or industrial uses on a substantial part of the territory, and the*
23 *crediting provisions contained in KRS 68.197 apply to the county, the city shall*
24 *remit payments to the county on January 1 of each year for a period of ten (10)*
25 *years following the enactment of the ordinance described in subsection (3) of*
26 *Section 1 of this Act, pursuant to the following formula:*

27 *(a) The county shall calculate the amounts of ad valorem property,*

1 occupational licensure, and insurance premium taxes the county collected
2 within the territory in the year prior to the proposed annexation;

3 (b) The county shall then add to the total amount of ad valorem property tax
4 one hundred fifty percent (150%) of the occupational licensure tax and one
5 hundred fifty percent (150%) of the insurance premium tax collected in the
6 year prior to annexation; and

7 (c) The county shall then subtract from the figure calculated in paragraph (b)
8 of this subsection the property tax, occupational licensure tax, and
9 insurance premium tax revenue it has collected or anticipates it will be able
10 to collect for each year following the annexation, which figure will
11 represent the remittance payment required to be paid by the city to the
12 county.

13 The county shall update its calculation of the figure in paragraph (c) of this
14 subsection on a yearly basis, and shall provide the figure to the city at least thirty
15 (30) days prior to the date on which payment is required to be made by the city. A
16 city shall not be required to remit payments, unless the county has provided the
17 city with documentation confirming the figure calculated in paragraph (c) of this
18 subsection.

19 (2) (a) When a city proposes to annex territory that does not contain active
20 residential, commercial, or industrial uses on a substantial part of the
21 territory, and the crediting provisions contained in KRS 68.197 apply to the
22 county in which the territory is located, and:

23 1. The territory is not immediately contiguous to the existing city
24 boundary and is connected only by a corridor; or

25 2. The territory is contiguous to the existing city boundary, but the city is
26 not able to provide tangible benefits or services as a result of the
27 annexation, including but not limited to:

- 1 a. Specialized infrastructure or utilities that the county itself cannot
2 feasibly provide at the time of the annexation;
- 3 b. The provision of public safety or emergency response services
4 that the county itself cannot feasibly provide at the time of
5 annexation; or
- 6 c. The ability to sell alcoholic beverages in the territory to be
7 annexed;
- 8 the county may, within fifteen (15) days after receiving written notice of the
9 annexation from the city as required by subsection (1) of Section 1 of this
10 Act, enact a resolution stating that the county desires to negotiate with the
11 city regarding the creation of an interlocal agreement for revenue and cost
12 sharing related to development of the territory to be annexed. A copy of the
13 resolution shall be immediately transmitted to the city.
- 14 (b) If a city receives the resolution, it shall negotiate with the county to form an
15 interlocal agreement that addresses participation between the county and
16 city in:
- 17 1. Cost sharing for public investment in the development of the area;
18 2. Cost sharing for provision of municipal services within the area; and
19 3. Revenue sharing of occupational tax revenue collected from the
20 territory.
- 21 (c) The negotiations shall be completed within sixty (60) days of the enactment
22 of the resolution by the county, and the city shall not enact an ordinance
23 pursuant to subsection (3) of Section 1 of this Act during that period.
- 24 (d) If the parties fail to reach an agreement within the sixty (60) day period
25 described in paragraph (c) of this subsection:
- 26 1. The city may enact an ordinance pursuant to subsection (3) of Section
27 1 of this Act; and

1 2. The county may elect to:

2 a. Not participate in the development of the territory; or

3 b. Participate with the city in the development of the territory.

4 (e) If the county elects to participate with the city in development of the
5 territory pursuant to subsection (2)(d)2.b. of this section, a cost and revenue
6 sharing default option shall apply, under which the county shall provide
7 funding for:

8 1. Fifty percent (50%) of the costs associated with the public investment
9 made in developing the territory; and

10 2. Fifty percent (50%) of the costs associated with the provision of
11 additional municipal services in the territory.

12 The city shall be required to remit to the county, on a yearly basis, fifty
13 percent (50%) of the occupational tax revenue generated in the territory, or
14 an amount of occupational tax revenue that would equal the amount that
15 the county would collect from the territory pursuant to its countywide
16 occupational tax rate in the absence of crediting, whichever is less. In no
17 instance shall a county receive payments under this section that would
18 exceed the amount it would collect from the territory pursuant to its
19 countywide occupational tax rate in the absence of crediting. If a county
20 would receive an amount of revenue that is less than fifty percent (50%) of
21 the occupational tax revenue generated in the territory pursuant to this
22 paragraph, then its responsibility for funding pursuant to subparagraphs 1.
23 and 2. of this paragraph shall be changed to a percentage equal to the
24 percentage of revenue that the county would receive under this paragraph.
25 A county may, during the sixty (60) day period discussed in paragraph (c) of
26 this subsection, elect to impose a countywide occupational tax or raise its
27 countywide occupational tax rate in conformance with statute.

1 (f) Any agreement made pursuant to this subsection, including a default
2 agreement under subsection (2)(e) of this section, shall be considered an
3 interlocal agreement and be subject to the provisions of the Interlocal
4 Cooperation Act, including the reporting requirements contained in KRS
5 65.260.

6 ➔SECTION 6. A NEW SECTION OF KRS CHAPTER 81A IS CREATED TO
7 READ AS FOLLOWS:

8 As used in Sections 6 to 8 of this Act, unless the context requires otherwise:

9 (1) "Commercial purposes" means the use of land, buildings, or structures, or parts
10 thereof, for the buying, selling, storage, or shipment of goods or services, or other
11 substantially similar types of activity;

12 (2) "District" means a designated county industrial district;

13 (3) "Industrial purposes" means the use of land, buildings, or structures, or parts
14 thereof, for manufacturing, production or assembly of goods, warehousing and
15 distribution, or other substantially similar types of activity; and

16 (4) "Substantial investment" means expenditures by the county in an amount equal
17 to or greater than twenty percent (20%) of the total assessed value of real property
18 at the time of the designation of a designated county industrial district in utility,
19 transportation, or other similar infrastructure within the district, not including
20 normal or routine county road maintenance.

21 ➔SECTION 7. A NEW SECTION OF KRS CHAPTER 81A IS CREATED TO
22 READ AS FOLLOWS:

23 (1) (a) A fiscal court may establish a designated county industrial district by
24 enacting an ordinance stating its intent to establish a district that includes a
25 map and description of the area to be included within the district. Within
26 ten (10) days of the enactment of the initial ordinance, the fiscal court shall
27 provide written notice to all cities within the county that includes a map and

1 a description of the area to be included within the district.

2 (b) 1. The fiscal court shall obtain written consent for inclusion within the
3 proposed district from each property owner of record within the area
4 to be included in the district.

5 2. If a county fails to obtain the consent of each property owner of
6 record, the county shall be barred from including the land owned by a
7 property owner who did not consent within a district for a period of
8 five (5) years in any future attempts to include that land in the district.

9 (c) 1. Within one hundred (100) days following the enactment of the
10 ordinance of intent to establish a district, and after obtaining the
11 consent of each property owner of record, the fiscal court may enact a
12 final ordinance establishing the district. Within ten (10) days of the
13 enactment of the final ordinance, the fiscal court shall provide written
14 notice that includes a map and a description of the area to be included
15 within the district to all cities within the county.

16 2. If the fiscal court does not enact the final ordinance within one
17 hundred (100) days following the enactment of the ordinance of intent
18 to establish a district, the fiscal court shall be barred from including
19 any part of the area identified in the ordinance in a district for a
20 period of five (5) years.

21 (2) The area within a designated county industrial district shall:

22 (a) Be suitable for development for industrial or commercial purposes;

23 (b) As of the date of the establishment of the district, not be used for industrial
24 or commercial purposes; and

25 (c) As of the date of the establishment of the district, not have any part that is
26 contiguous to the municipal boundaries of any city.

27 (3) Land within a district shall be used solely for industrial or commercial purposes.

1 (4) A county may establish up to two (2) districts that shall collectively total no more
2 than one thousand (1,000) acres.

3 (5) If, within five (5) years following the establishment of a district, the county has
4 not made substantial investment in the district, the district shall be dissolved by
5 operation of law.

6 (6) A landowner of property located within a district may have the property removed
7 from the district with the consent of the county that established the district.

8 (7) A property owner of land within an established district or abutting a district, or a
9 city within a county containing a district, may bring suit against the county, in
10 the Circuit Court of the county in which the district is located, on the basis that
11 the county has failed to comply with the provisions of Sections 6 to 8 of this Act.

12 ➔SECTION 8. A NEW SECTION OF KRS CHAPTER 81A IS CREATED TO
13 READ AS FOLLOWS:

14 (1) Notwithstanding any statute to the contrary, and except as set out in subsection
15 (2) of this section, a city shall not annex any territory that is within a designated
16 county industrial district, or territory that is part of a proposed district between
17 the enactment of the initial ordinance but before the enactment of the final
18 ordinance as described in subsection (1)(c)1. of Section 7 of this Act.

19 (2) A city may annex territory within a district, subject to all other requirements
20 provided by law, if it enters into an interlocal agreement with the county that
21 specifically allows part or all of the district to be annexed or the county
22 government passes a resolution stating that territory in the district may be
23 annexed.