Local Mandate Fiscal Impact Estimate Kentucky Legislative Research Commission 2017 Regular Session

Part I: Measure Information

Bill Request #: 300

Bill #: HB 60 HCS

Bill Subject/Title: AN ACT relating to supplements paid to police officers, professional firefighters, and qualified volunteer fire departments

Sponsor:	Representa	entative Michael L. Meredith								
Unit of Gov	ernment:	X X	City Charter Cou		X X	County Consolidated Loca		Urban-County Unified Local Government		
Office(s) Impacted:		Local Police Departments and Fire Departments, Human Resources								
Requiremen	it: <u>X</u>	Mano	datory	Option	nal					
Effect on Powers & D	Outies:	_ Mo	odifies Exist	ing	X	Adds New	Elimina	tes Existing		

Part II: Purpose and Mechanics

HB 60 amends KRS 15.460 to increase the annual supplemental pay received from the Kentucky Law Enforcement Foundation Program fund from \$3,000 to \$4,000 starting July 1, 2017. The Kentucky Law Enforcement Foundation Program is funded through the collection of the insurance premium surcharge paid by all insurance companies, except health and life insurance companies. A portion of these monies are then provided to local governments as supplemental pay for qualified police officers.

HB 60 amends KRS 95A.250 to increase the annual supplemental pay received from the Firefighters Foundation Program Fund from \$3,000 to \$4,000 starting July 1, 2017. The Firefighters Foundation Program Fund is also funded through the collection of the insurance premium surcharge paid by all insurance companies, except health and life insurance companies. A portion of these monies are then provided to local governments as supplemental pay for professional firefighters and qualified volunteer firefighters.

HB 60 further amends KRS 95A.262 to increase from \$8,250 to \$11,000 starting July 1, 2017, the amount of allotment appropriated for volunteer fire departments in cities of all classes, fire protection districts organized pursuant to KRS Chapter 75, county districts established pursuant to KRS 67.083, and volunteer fire department created as non-profit

corporations pursuant to KRS Chapter 273. These funds also originate from the Firefighters Foundation Program Fund.

HB 60 HCS retains the major provisions of the measure as introduced and makes the following changes in the bill:

Under Section 1, in addition to the annual supplemental pay and the employer's contribution on the supplement to the officer's pension plan, each city, county, combination of cities and counties, or county sheriff's office shall receive an administrative expense reimbursement equal to 7.65% of the total annual supplement received greater than \$3,100 for each police officer it employs. The total amount of reimbursement shall not exceed \$525,000.

Clarifies that the supplemental pay shall be paid by the city, county, combination of cities and counties, or county sheriff's office to each qualified police officer.

Under Section 2, in addition to the annual supplemental pay and the employer's contribution on the supplement to the firefighter's pension plan, each local government shall receive an administrative expense reimbursement equal to 7.65% of the total annual supplement received greater than \$3,100 for each professional firefighter it employs. The total amount of reimbursement shall not exceed \$250,000.

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

The fiscal impact of HB 60 HCS on local government could be minimal to moderate regarding law enforcement and firefighter supplemental pay. It would depend on the size of the local police and fire departments, the number of police officers and firefighters employed, and the size of their respective operating budgets.

Supplemental pay is not included when calculating hourly wage rates for scheduled overtime and thus would not affect overtime pay rates.

However, supplemental pay **must be included when calculating hourly wage rates for unscheduled overtime**, thus increasing the hourly wage rate for overtime pay resulting in minimal to moderate increases in expenditures for local governments. Overtime is calculated at 150% of base pay. With the supplemental pay entering the equation, the basic pay rate per hour increases, and thus overtime liability to the local government would increase proportionately. Additionally, the employer is required to pay 6.2 % Social Security Tax and 1.45% Medicare Tax on the additional pay. There may be a minor increase on state and federal unemployment taxes that are also required to be paid by the employer. Conversely, there is a positive impact to the individual police officer and firefighter due to increased base pay and increased overtime pay. The allotment to individual volunteer departments provides an opportunity to fund additional training.

For additional understanding of the impact of this bill on police agencies and fire departments (both professional and volunteer), the **Fraternal Order of Police** and the **Kentucky Firefighters Association** were consulted.

Each organization stated the expected impact of this bill will be very positively significant for their respective constituencies. In each instance, the organizations cited to potentially improved recruitment and retention efforts.

The amendments to Sections 1 and 2 under HB 60 HCS would benefit the local governments. The 7.5% administrative expense reimbursement is the equivalent of the 6.2% Social Security Tax and the 1.45% Medicare Tax. However, this would only be applicable on supplemental pay amounts over \$3,100 originating from both the Kentucky Law Enforcement Foundation Program and the Firefighters Foundation Program Fund; total reimbursement to each local government shall not exceed \$525,000 and \$250,000 respectfully.

Data Source(s):	LRC Staff, Kentucky Fraternal Order of Police, Kentucky Firefighters								
	Association, Franklin County KY Treasurer, City of Frankfort KY Finance								
	Director								

Preparer:	Wendell F. Butler	Reviewer:	KHC	Date:	2/21/17
------------------	-------------------	------------------	-----	-------	---------