

Section 2:

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.

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.

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 GA 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. A portion of the Social Security Tax and the Medicare Tax applicable to supplemental pay amounts over \$3,100 will be reimbursed. Total reimbursement to each local government shall not exceed \$525,000 from the law enforcement fund and \$250,000 from the firefighter fund. 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.

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:** 2/27/17