

**COMMONWEALTH OF KENTUCKY STATE FISCAL NOTE STATEMENT  
LEGISLATIVE RESEARCH COMMISSION  
2017 REGULAR SESSION**

**MEASURE**

2017 BR NUMBER **179**

**SENATE** BILL NUMBER **31**

RESOLUTION NUMBER \_\_\_\_\_

AMENDMENT NUMBER \_\_\_\_\_

**SUBJECT/TITLE** **An ACT relating to the law enforcement and firefighters foundation programs and making an appropriation therefor.**

**SPONSOR** **Senator D. Carroll**

**NOTE SUMMARY**

FISCAL ANALYSIS:  IMPACT     NO IMPACT     INDETERMINABLE IMPACT

LEVEL(S) OF IMPACT:  STATE     LOCAL     FEDERAL

BUDGET UNIT(S) IMPACT: **Department of Criminal Justice Training, Department of Kentucky State Police, Attorney General, Horse Park Commission, Department of Parks, Department of Alcoholic Beverage Control, Department of Insurance, and Department of Charitable Gaming**

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

**FISCAL SUMMARY**

FISCAL ESTIMATES	2016-2017	2017-2018	ANNUAL IMPACT AT FULL IMPLEMENTATION
<b>REVENUES</b>			
<b>EXPENDITURES</b>			\$680,314
<b>NET EFFECT</b>			(\$680,314)

( ) indicates a decrease/negative

**MEASURE'S PURPOSE:** This legislation will increase the stipend offered to law enforcement and firefighters from \$3,000 to \$4,000 per year and the amount offered to volunteer fire departments from \$8,250 to \$11,000 per year beginning July 1, 2018. In addition, a 7.65% administrative expense reimbursement is levied against the Kentucky Law Enforcement Foundation Program Fund (KLEFPF) and the Kentucky Firefighters Foundation Program Fund (KFFPF) on the amount of the stipend above \$3,100. An administrative fee levied against the KLEFPF is capped at \$525,000 each fiscal year, while the fee levied against the KFFPF is capped at \$250,000 each fiscal year. This fee provides reimbursement to some employers for the cost of administering the stipend to individual recipients.

**PROVISIONS/MECHANICS:** Section 1 amends KRS 15.410 to make technical changes and remove references exclusive to local law enforcement to conform to other changes in the measure that include state law enforcement.

Section 2 amends KRS 15.420 to redefine police officer to include a member of the Department of Kentucky State Police, a state agency, or local school district, who is responsible for the prevention and detection of crime and the enforcement of criminal laws in the state. Section 2 also defines a "unit of government" to conform to these changes.

Section 3 makes technical changes to KRS 15.440 to clarify and conform to changes throughout the legislation.

Section 4 amends KRS 15.460 to increase the statutory amount of the stipend from \$3,000 to \$4,000 per individual law enforcement officer and removes a provision that caps the total amount of pension contributions on the stipend award at the actuarially required contribution (ARC) for the County Employees Retirement System (CERS) hazardous pension plan. Section 4 mandates that participating employers receive 7.65% of every dollar provided to each eligible recipient above \$3,100 to offset the costs of administering the stipend to eligible law enforcement officers and is not to exceed \$525,000 in any given fiscal year.

Section 5 amends KRS 95A.250 to increase the stipend amount awarded to qualified professional firefighters from \$3,000 to \$4,000 beginning July 1, 2018. In addition, Section 5 adds an administrative expense reimbursement in an amount equal to 7.65% of the total annual supplement greater than \$3,100 for each qualified professional firefighter employed, subject to a cap of \$250,000 per year. If funds are insufficient from the KFFPF, a pro rata distribution shall be made so that each local government receives the same percentage of the cash salary supplement to be used in any manner it deems necessary to cover the administration of the payments.

Section 6 amends KRS 95A.262 to increase the stipend provided to volunteer fire departments from \$8,250 to \$11,000 beginning July 1, 2018.

### **FISCAL EXPLANATION:**

There will be no fiscal impact in the current biennium. The measure impacts two funds, the KLEFPF and the KFFPF.

### **Kentucky Law Enforcement Foundation Program Fund:**

Currently, the KLEFPF, administered by the Department of Criminal Justice Training (DOCJT), provides a \$4,000 stipend to local law enforcement and various other state officers via language provisions in the biennial budget. The KLEFPF currently provides FICA and pension contribution costs associated with the stipend for personnel who are included via budget language, while those included via statute receive pension contributions up to the ARC of CERS hazardous and no FICA reimbursement.

Language in HB 303 2016 RS, the Executive Branch Budget, authorizes the KLEFPF to provide for associated fringe costs on the \$4,000 stipend and includes FICA and pension contributions equal to the full ARC of the member's individual retirement plan. Because of this, the \$4,000 stipend and pension contributions mandated in SB 31 require no additional expenditures.

However, SB 31 does mandate that the KLEFPF provide for a 7.65% administrative fee on \$900 of each \$4,000 stipend, meaning the receiving agency will bear the full costs of FICA on the remaining \$3,100. The total level of expenditures associated with KLEFPF's provision of the administrative fee is capped at \$525,000 annually, per SB 31. If the cap is reached prior to the close of the FY, then all KLEFPF payments related to the administrative fee will cease and agencies will bear the full costs of FICA on each \$4,000 stipend.

Because the employers listed in HB 303 are currently receiving the full costs associated with FICA on the entire \$4,000 from the KLEFPF, SB 31 provisions will decrease expenditures from the KLEFPF while increasing expenditures for each employer identified in HB 303. Specifically, the KLEFPF currently expends \$382,500 annually for FICA-related expenses specific to HB 303. SB 31 would reduce these expenditures to \$86,063, which would increase expenditures in the amount of \$296,438 for those employers specific to HB 303.

The KLEFPF will incur additional expenditures as it relates to the provision of the administrative fee to local units of government, as they do not currently receive this reimbursement. There are about 6,250 local officers who are eligible to receive the stipend which amounts to about \$430,313 in additional expenditures from the KLEFPF.

Therefore, the total additional cost to the KLEFPF is estimated to be \$133,876 and the total additional costs to affiliated state agencies is estimated to be \$296,438, assuming all other factors remain unchanged. SB 31 caps total impact to the KLEFPF in regard to the administrative fee at \$525,000 annually, so any costs that exceed this cap will be additional costs to participating employers.

### **Kentucky Firefighters Foundation Program Fund:**

HB 303 provided the \$4,000 stipend to eligible KFFPF participants via budget language for FYs 2017 and 2018. HB 303 also increased the amount available to qualified volunteer fire departments from \$8,250 to \$11,000. Based on this, it is not anticipated that SB 31 will increase expenditures in these regards.

The fiscal impact of SB 31 on the Kentucky Firefighters Program Fund totals \$250,000 per year. SB 31 provides for a total reimbursement equal to 7.65% of the amount of the stipend in excess of \$3,100 for each qualified professional firefighter to partially cover the cost of administering the payments from the KFFPF. For 3,667 firefighters, this would amount to \$252,473 ( $3,667 \times \$900 \times 7.65\%$ ). This reimbursement is subject to a \$250,000 cap for each fiscal year, so any costs that exceed this cap will be additional costs to participating employers such as Military Affairs who employs 33 firefighters.

Therefore, if this legislation is enacted, the only anticipated additional expenditure from the KFFPF is \$250,000. While the KFFPF will see this additional expenditure, local units of government will see this amount as a reduction in overall expenditures, assuming that the total number of participants remains the same.

Any potential future impact is contingent on the number of overall KLEFPF and KFFPF stipend recipients and associated fringe benefit costs.

**DATA SOURCE(S): Military Affairs, KCTCS**

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