

**COMMONWEALTH OF KENTUCKY STATE FISCAL NOTE STATEMENT
LEGISLATIVE RESEARCH COMMISSION
2018 REGULAR SESSION**

REVISED

MEASURE

2018 BR NUMBER **0031**

HOUSE BILL NUMBER **140/GA**

RESOLUTION NUMBER _____

AMENDMENT NUMBER _____

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

SPONSOR **Representative Hale**

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, Kentucky Fire Commission, and Kentucky Retirement Systems**

FUND(S) IMPACT: GENERAL ROAD FEDERAL RESTRICTED AGENCY Kentucky Law Enforcement Foundation Program Fund (KLEFPF) and Kentucky Firefighter Foundation Program Fund (KFFPF)
 OTHER

FISCAL SUMMARY

| FISCAL ESTIMATES | 2017-2018 | 2018-2019 | 2019-2020 | ANNUAL IMPACT AT FULL IMPLEMENTATION |
|-------------------------|------------------|------------------|------------------|---|
| REVENUES | | | | |
| EXPENDITURES | Indeterminable | Indeterminable | Indeterminable | Indeterminable |
| NET EFFECT | (Indeterminable) | (Indeterminable) | (Indeterminable) | (Indeterminable) |

() indicates a decrease/negative

MEASURE'S PURPOSE: This legislation will broaden the cohort of law enforcement officers eligible to receive annual stipends, increase the stipend offered to law enforcement officers and firefighters from \$3,000 to \$4,000 per year and the amount offered to volunteer fire departments from \$8,250 to \$11,000 beginning July 1, 2018. This legislation removes the cap on the total amount of pension contributions on the stipend at the actuarially required contribution (ARC) for the County Employees Retirement System (CERS) and requires a proportional amount for any supplemental contributions that employers are required to make to any retirement system.

In addition, a 7.65 percent administrative expense reimbursement is levied against the Kentucky Law Enforcement Foundation Program Fund (KLEFPF), for local officers, and the Kentucky Firefighters Foundation Program Fund (KFFPF) on the amount of the stipend above \$3,100, subject to prescribed caps. This fee provides reimbursement to employers for the cost of administering the stipend to individual recipients. For state law enforcement employers,

excluding conservation officers employed by the Tourism, Arts and Heritage Cabinet, all associated fringe benefits are to be paid from the KLEFPF.

PROVISIONS/MECHANICS: Section 1 amends KRS 15.410 to make technical changes and removes language restricting the stipend solely to local law enforcement officers.

Section 2 amends KRS 15.420 to redefine "police officer" to delineate between state and local officers. It defines "council" and "unit of government" and removes other language to conform to these changes.

Sections 3 through 5 and 7 through 10 amend various statutes to clarify, conform, and remove legacy language.

Section 6 amends KRS 15.460 to increase the statutory amount of the stipend from \$3,000 to \$4,000 per individual law enforcement officer beginning July 1, 2018. It removes the cap on reimbursements to local employers for employer contributions to defined benefit pension plans and requires a proportionate reimbursement for any supplemental contributions employers may be required to make to any retirement system. It mandates that local employers receive 7.65 percent of the total annual stipend received above \$3,100 as an administrative expense reimbursement. The total amount provided as an administrative expense reimbursement is not to exceed \$525,000 for each fiscal year and will only be paid if there is sufficient funding available to make all employer pension contributions. If there are insufficient funds to provide for a full administrative expense reimbursement, the amount will be distributed pro rata to each eligible unit of government so that each receives the same percentage attributable to their total receipts of the supplement. It provides state employers, excluding conservation officers employed by the Tourism, Arts and Heritage Cabinet, with reimbursement for associated fringe benefit costs on the full \$4,000 stipend from the KLEFPF. Conservation officers will receive the annual training stipend commensurate to the stipend paid to law enforcement officers, but their annual training stipend will be paid from the Game and Fish Fund.

Section 11 amends KRS 15.520 to clarify the definition of "officer" and make a technical change.

Section 12 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, this section adds an administrative expense reimbursement to local governments in an amount equal to 7.65 percent of the total annual stipend greater than \$3,100 for each qualified professional firefighter employed. The total amount provided as an administrative expense reimbursement is not to exceed \$250,000 for each fiscal year and will only be paid if there is sufficient funding available to make all employer pension contributions. If there are insufficient funds to provide for a full administrative expense reimbursement, the amount will be distributed pro rata to each eligible unit of government so that each receives the same percentage attributable to their total receipts of the supplement.

Section 13 amends KRS 95A.262 to make technical changes, remove legacy language, and increase the stipend provided to volunteer fire departments from \$8,250 to \$11,000 each beginning July 1, 2018.

Section 14 amends KRS 150.150 to make technical changes and incorporate language to allow payment of commensurate annual stipend to conservation officers be paid from the Game and Fish Fund.

Section 15 establishes an emergency declaration.

FISCAL EXPLANATION: HB 140/GA will have an indeterminable impact beginning in the current fiscal year. Increased expenditures will stem from new fees and rates that are not currently reimbursed by KLEFPF or KFFPF. This legislation will impact three funds: KLEFPF, Game and Fish Fund, and KFFPF.

Kentucky Law Enforcement Foundation Program Fund

The KLEFPF is administered by the Department of Criminal Justice Training (DOCJT). It currently provides a stipend to local officers pursuant to statute at an amount prescribed in the Executive Branch biennial budget, while various state officers are included pursuant solely to the Executive Branch biennial budget.

Under current budget language, the KLEFPF provides an annual \$4,000 stipend to all officers, as well as federal insurance contributions act (FICA) and retirement contributions associated with the stipend for state law enforcement employers, and, under statute, only pension contributions not to exceed the required employer contributions of the CERS hazardous retirement plan for local law enforcement employers. HB 140/GA removes the cap on employer pension contributions that are reimbursed to local law enforcement employers by the KLEFPF. This has the potential to increase KLEFPF expenditures in the current fiscal year by approximately \$36,700, assuming the legislation takes effect in March 2018.

HB 140/GA mandates that the KLEFPF provide a 7.65 percent administrative expense reimbursement on the total annual stipend received above \$3,100 to each unit of government for each eligible local officer. DOCJT estimates this to increase expenditures by \$447,800 in fiscal years 2019 and 2020. The anticipated current year impact for these provisions amounts to approximately \$149,300, assuming the legislation takes effect in March 2018. The provision of the administrative expense reimbursement is contingent upon sufficient funds subsequent to reimbursements to employers for pension contributions. HB 140/GA caps this reimbursement at \$525,000 annually.

HB 140/GA mandates that all associated fringe benefit costs will be reimbursed to state employers, excluding conservation officers employed by the Tourism, Arts and Heritage Cabinet, based on the total stipend of \$4,000. Currently, the KLEFPF only reimburses state agencies for FICA and retirement contributions. Associated fringe benefit costs potentially include other benefit costs that are not currently being reimbursed by the KLEFPF, i.e., life and elected health insurance. Any additional impact to the KLEFPF for all associated fringe benefit

costs levied against the \$4,000 stipend is indeterminable and dependent upon individual state officers and their requirement and/or election to participate in other various plans.

Game and Fish Fund

Current budget language provides for a \$4,000 annual training incentive stipend for conservation officers to be paid from the Game and Fish Fund. HB 140/GA will codify current practice for the Department of Fish and Wildlife and will have no additional fiscal impact beyond current costs.

Kentucky Firefighters Foundation Program Fund

Current budget language provides for a \$4,000 stipend to eligible KFFPF participants and increases the amount available to qualified volunteer fire departments from \$8,250 to \$11,000. Under the provisions of HB 140/GA, an additional administrative expense reimbursement equal to 7.65 percent of the amount of the stipend in excess of \$3,100 for each qualified professional firefighter will be reimbursed to the local government by which they are employed.

The administrative expense reimbursement language provision is permissive only if sufficient funds are available to fully reimburse local governments for their contributions to the pension system. The total fiscal impact of the administrative expense reimbursement on the KFFPF is capped at \$250,000 per year.

Kentucky Community and Technical College System (KCTCS) has indicated that the immediate impact of this legislation in the current fiscal year would be \$250,000. However, based on a population of about 3,500 firefighters, current year costs should equate to no more than approximately \$80,325 assuming an implementation date of March 2018. The total costs for fiscal years moving forward with the same approximated population would be \$240,975 per year.

Kentucky Retirement Systems - County Employees Retirement System

Currently, sheriffs' offices and city police departments are not required to make employer contributions or insurance reimbursements normally due on retired/rehired employees, if the retired/reemployed employee is defined as a police officer. Qualifying police officers are those officers who have participated in the KLEFPF or retired as a commissioned officer pursuant to KRS Chapter 16 (Kentucky State Police). Therefore, HB 140/GA effectively expands the potential for a lesser amount of contributions to be made from sheriffs' offices and police departments. Although the impact to CERS is indeterminable, fiscal year 2017 retired/reemployed salaries for all CERS hazardous positions (not specific to police officers) amounted to \$7,165,310, with contributions on this total payroll totaling to \$2,225,675.

HB 140/GA is unclear regarding whether employers are to be reimbursed for health insurance contributions to the retirement systems. HB 140/GA explicitly states that pension contributions are to be reimbursed, but no explicit reference is made to a requirement or authority for the KLEFPF to reimburse employers for the cost of health insurance contributions. While the DOCJT currently interprets similar language to include the reimbursement of health insurance contributions, future administrators may interpret statute differently.

Any potential future impact is contingent on the number of overall KLEFPF, Game and Fish Fund, and KFFPF stipend recipients and any prescribed associated fringe benefit costs, as well as the number of officers whose employment reduces total contributions to CERS.

Updated as of March 7, 2018:

If enacted, language herein will supersede the stipend amounts dictated within Executive Branch biennial budget to all eligible police officers, professional firefighters, and volunteer fire departments in fiscal year 2018. Stipend amounts will effectively be reduced from \$4,000 to \$3,000 annually, for all eligible police officers and professional firefighters, and from \$11,000 to \$8,250 annually, for volunteer fire departments, from the date enacted until July 1, 2018, at which time the stipend amounts will increase to \$4,000 and \$11,000, respectively.

DATA SOURCE(S): DOCJT, Kentucky Retirement Systems, KCTCS, Kentucky Department of Fish and Wildlife PREPARER: Savannah Wiley, Zach Ireland, Seth Dawson, and Joe L. Lancaster, Jr. NOTE NUMBER: 87 REVIEW: JAB DATE: 3/7/2018