

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

MEASURE

2018 BR NUMBER **1074**

HOUSE BILL NUMBER **461**

RESOLUTION NUMBER _____

AMENDMENT NUMBER _____

SUBJECT/TITLE **An ACT relating to supplements paid to police officers, professional firefighters, and qualified volunteer fire departments, declaring an emergency, and making an appropriation therefor.**

SPONSOR **Representative Meredith**

NOTE SUMMARY

FISCAL ANALYSIS: IMPACT NO IMPACT INDETERMINABLE IMPACT

LEVEL(S) OF IMPACT: STATE LOCAL FEDERAL

BUDGET UNIT(S) IMPACT: **Attorney General, Department of Agriculture, Department of Alcoholic Beverage Control, Department of Charitable Gaming, Department of Criminal Justice Training, Department of Insurance, Department of Kentucky State Police, Department of Parks, Horse Park Commission, 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 increase the stipend offered to local law enforcement officers and professional 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 provides a 7.65 percent administrative expense reimbursement to be levied against the Kentucky Law Enforcement Foundation Program Fund (KLEFPF), for local government employers, and the Kentucky Firefighters Foundation Program Fund (KFFPF) on the amount of the stipend above \$3,100, subject to prescribed caps.

PROVISIONS/MECHANICS: Section 1 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 mandates that each city, county, combination of cities and counties, or county sheriff's office shall 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.

Section 2 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 3 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 4 establishes an emergency declaration.

FISCAL EXPLANATION: HB 461 will have an indeterminable impact beginning in the current fiscal year. It will reduce expenditures from the KLEFPF for reimbursements paid to state and local agencies for law enforcement officers included in KLEFPF solely through Executive Branch biennial budget language and will increase expenditures for new fees that are not currently reimbursed by KLEFPF or KFFPF. This legislation will impact the KLEFPF, KFFPF, and various state and local agencies.

Kentucky Law Enforcement Foundation Program Fund

The KLEFPF is administered by the Department of Criminal Justice Training (DOCJT). It currently provides a stipend to most local officers pursuant to statute at an amount prescribed in the Executive Branch biennial budget, while various state officers and local school security 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) tax 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. Assuming that this legislation takes effect

in April 2018 due to its emergency clause, any agency receiving KLEFPF pursuant to the Executive Branch biennial budget will be excluded from receiving the stipend and any associated benefit cost reimbursements from the KLEFPF. This will result in a reduction of expenditures from the KLEFPF of approximately \$2,237,900 in fiscal year 2018 for various state agencies including: the Kentucky State Police (KSP), Horse Park Commission, Parks Department, Department of Agriculture, Alcoholic Beverage Control, Department of Insurance, and Office of the Attorney General. Employers of School Security Officers will experience a reduction of \$46,000.

Additionally, local units of government will experience a reduction in reimbursements from the KLEFPF for a \$4,000 stipend and relevant associated fringe benefit costs since HB 461 mandates a \$3,000 stipend in fiscal year 2018. Collectively, local employers will experience a reimbursement reduction of \$6,123,800. Because the KLEFPF reimburses employers for the cost of the stipend and relevant associated fringe benefits, local government employers will not experience any negative impact while individual officers will experience a loss of personal resources.

HB 461 mandates that the KLEFPF provide a 7.65 percent administrative expense reimbursement on the total annual stipend received above \$3,100 to each city, county, combination of cities and counties, or county sheriff's office for each qualified police officer. DOCJT estimates this provision to increase expenditures by \$447,800 in fiscal years 2019 and 2020. The anticipated current year impact for these provisions amounts to approximately \$112,000, assuming the legislation takes effect in April 2018. The provision of the administrative expense reimbursement is contingent upon sufficient funds subsequent to reimbursements to employers for pension contributions. HB 461 caps this reimbursement at \$525,000 annually.

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 461, 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 no fiscal impact on the Kentucky Fire Commission. However, based on a population of about 3,500 firefighters, current year costs should equate to no more than approximately \$60,200 assuming an implementation date of April 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 461 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 461 is unclear regarding whether employers are to be reimbursed for health insurance contributions to the retirement systems. HB 461 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 and KFFPF stipend recipients as well as, the number of officers whose employment reduces total contributions to CERS.

If enacted, the bill will supersede the stipend amounts dictated within HB303, the 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, LRC Staff

PREPARER: Savannah Wiley and Zach Ireland NOTE NUMBER: 131 REVIEW: JAB DATE: 3/7/2018