## Local Government Mandate Statement Kentucky Legislative Research Commission 2018 Regular Session

## **Part I: Measure Information**

<b>Bill Request #:</b> 1401						
Bill #: SB 191						
<b>Document ID #:</b> 4440						
Bill Subject/Title: AN ACT relating to public finance.						
Sponsor: Senator Wil R. Schroder						
Unit of Government: City		Urban-County Unified Local				
Charter County	Consolidated Local	Government				
Office(s) Impacted: Any agency of local governmet entering into a bond, note, or lease.						
Requirement: X Mandatory Optional						
Effect on Powers & Duties: X Modifies Existing X Adds New Eliminates Existing						

## Part II: Bill Provisions and the Estimated Fiscal Impact Relating to Local Government

Currently any challenge to the validity of an ordinance or resolution approving the issuance of bonds and notes must be brought within thirty (30) days from the date on which the adoption of the ordinance or resolution is published. SB 191 expands this requirement to include ordinances or resolutions approving leases, as well as the resulting notes, bonds, or leases. If the action is not brought within thirty days, the action shall be forever barred.

Except for bonds issued for the purposes of construction, renovation, or purchase of new or existing housing, or bonds sold at a private negotiated sale, no bond sale may occur until the sales (regardless of the sale price) are publicized by area newspapers or posted to a nationally recognized electronic bidding system. Deleted is the requirement that bonds issued for \$10 million or more must be advertised in publications aimed at bond buyers.

SB 191 expands the list of "buildings" or "industrial buildings" that may be financed through a bond issue to include buildings used by sec. 501 (c)(3) organizations in any manner related to that entity's exempt purposes.

The maximum maturity date of any bond is increased from thirty to forty years or the anticipated useful life of the building or equipment purchased, whichever is shorter.

The time frame for which an advertisement regarding an ordinance, resolution, regulation, order, rule, report, statement, or certificate must be published if it was not previously published within the initial thirty day period following the completion of the act is increased from ten to fifteen days. Publication beyond the initial thirty days will not invalidate any ordinance or resolution.

Revenues resulting from taxes levied to pay the debt charges of a bond shall be deemed pledged to go towards the principal and the premium and interest on the bonds. Payments required for the payment of a lease shall be deemed pledged for the principal and interest portions of a lease payment and any prepayment penalties on a lease.

The holder of a bond shall have a first lien on those tax revenues established to pay for that specific bond or lease. No filing is necessary under the Uniform Commercial Code to allow for this. The pledge of the tax is all the appropriation needed and no further appropriation is required.

Tax revenue appropriations shall be deemed pledged for renewable obligations, and the bond or lease holder shall continue to have first lien on those appropriations.

Public Property of any local government is exempt from seizure except when the local government has failed to comply with a court order or judgement; or within 24 months the local government did not petition the court for a payment schedule; or periodic payments for damages was not an option and the local government has agreed to pay the damages in full after 24 months from the entry of the judgement.

Any court order providing for the seizure of public property, including moneys, shall not impair the ability of the local government to continue to provide essential services, including meeting payroll related to those essential services and payroll for those employees involved with the collection of revenues.

A local government's funds in the hands of its Treasurer or already deposited shall not be subject to garnishment except when a payment schedule has been requested by motion to the Circuit Court, and the payment schedule is equal or less than ten years regarding a final judgement not covered by insurance

A court when determining a local government's ability to enter into a payment schedule shall consider funds available in the current fiscal year and revenues reasonably expected to be collected in subsequent fiscal years The court may also consider total expenses of the local government for the provision of essential public services, the payment of debt for existing obligations, any other expenses necessary for the efficient administration of the local government, maintenance cost related to existing infrastructure, and any new cost reasonably anticipated for the local government.

If the judgement exceeds 25% of the local government's preceding year's total revenues, the court may consider revenue or debt financing.

Any court-establishment payment plan must specify the total amount awarded, amount of each payment, the payment interval, and the number of payments. Any judgement shall bear interest at a 3% interest rate.

The court may modify the payment schedule for good cause.

The fiscal impact of SB 191 on local governments as it pertains to the issuance of bonds is expected to be minimal. The changes are procedural dealing with time frames and public awareness. There may be a slight savings resulting from the posting of bond issuances over the internet as opposed to publications aimed at bond buyers.

The fiscal impact of SB 191 on local governments as it pertains to judgements and payment schedules is indeterminable and depends on future litigation.

## Part III: Differences to Local Government Mandate Statement from Prior Versions

Part II pertains to the bill as introduced. No prior versions of the bill have been introduced necessitating Part III to be completed at this time.

**Data Source(s):** <u>LRC Staff</u>

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