

CORRECTIONS IMPACT STATEMENT

SESSION: 19RS BILL # HB 126 Introduced . BR # 918 DOC ID #: xxxx

BILL SPONSOR(S): Rep. L. Willner AMENDMENT SPONSOR(S): . .

SUBJECT: AN ACT relating to the fiduciary duties of the trustees and investment managers for the state-administered retirement systems.

SUMMARY OF LEGISLATION: Amend KRS 21.540, 61.650, and 161.430 to require the state-administered retirement systems to follow the state Model Procurement Code when contracting for investment management services; amend KRS 61.645 to grant the Attorney General concurrent jurisdiction to investigate and prosecute violations of the ethical and fiduciary duties of trustees and investment managers for the Kentucky Retirement Systems; amend KRS 161.250 to grant the Attorney General concurrent jurisdiction to investigate and prosecute violations of the ethical and fiduciary duties of trustees and investment managers for the Teachers' Retirement System; amend KRS 61.990 and 161.990 to provide that a knowing violation of the ethical and fiduciary duties of trustees and investment managers for the Kentucky Retirement Systems and the Teachers' Retirement System shall be a Class D felony.

This bill amendment committee substitute is expected to:

Have the following Corrections impact **Have no Corrections impact**

- | | |
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| <input checked="" type="checkbox"/> Creates new crime(s) | <input type="checkbox"/> Repeals existing crime(s) |
| <input type="checkbox"/> Increases penalty for existing crime(s) | <input type="checkbox"/> Decreases penalty for existing crime(s) |
| <input type="checkbox"/> Increases incarceration | <input type="checkbox"/> Decreases incarceration |
| <input type="checkbox"/> Reduces inmate/offender services | <input type="checkbox"/> Increases inmate/offender services |
| <input type="checkbox"/> Increases staff time or positions | <input type="checkbox"/> Reduces staff time or positions |
| <input type="checkbox"/> Changes elements of offense for existing crime(s) | |
| <input type="checkbox"/> Otherwise impacts incarceration (Explain) . | |

STATE IMPACT: Class A, B & C felonies are based on an average daily prison rate of \$71.10. Most Class D felons are housed in one of 76 full service jails for up to 5 years. DOC's cost to incarcerate a felony inmate in a jail is \$32.78 per day (includes jail per diem, medical & central office costs), not including substance abuse treatment. Projections are based on the daily rate x 365 x number of years.

Projected Impact: NONE MINIMAL to MODERATE (< \$1 million) SIGNIFICANT (> \$1 million)

HB 126 outlines ethical and fiduciary duties for trustees and investment managers of the state administered retirement system.

The legislation creates a Class D felony under KRS 61.990 for the knowing violation of KRS 61.655, which outlines conflicts of interest for trustees and employees of the Kentucky Retirement System; KRS 61.650, which outlines responsibilities for the board as trustees of funds; or KRS 61.645(15), which discusses informed actions by trustees in good faith.

Additionally, a Class D felony is created under KRS 161.990 for the knowing violation of KRS 161.430 related to investment of funds, or KRS 161.460, which outlines conflicts of interest for trustees and employees of the Teachers' Retirement System.

Statute references are added associated with the removal of a trustee from office upon felony convictions or violations under KRS 61.645(15), KRS 11A.020, KRS 11A.040, KRS 61.655, or KRS 61.650.

Department of Corrections records reflect zero (0) offenders incarcerated or under supervision for KRS 61.510-61.705 or under KRS 161. AOC records for FY2018 indicate zero (0) convictions under KRS 61.510-61.705 and no applicable convictions under KRS 161.

Overall, the number of convictions generated under HB 126 are not expected to be significant.

A Class D Felony sentence is 1 to 5 years.	10 Class D Felons cost KY \$119,649 to \$598,244
1 Class D Felon costs KY \$11,965 to \$59,824	100 Class D Felons cost KY \$1.2M to \$6M

LOCAL IMPACT: Local governments are responsible for the cost of incarcerating individuals charged with Class A or B misdemeanors and felony defendants until disposition of the case. While the expense varies by jail, this estimated impact will be based on \$31.34 per day, which equals the per diem and medical that DOC pays jails to house felony offenders.

Projected Impact: NONE MINIMAL to MODERATE (< \$1 million) SIGNIFICANT (> \$1 million)

As a Class D offender, offenders subject to this offense would serve their sentence in a county jail facility at a cost to the state of \$31.34 per day to the local jail. This provides additional revenue for jails. However, in times of current overcrowding any additional incarceration has an impact on the occupancy of jail beds.

Due to limited number of convictions generated under this legislation, the impact to incarceration at the local level would be minimal to non-existent.

The following offices contributed to this Corrections Impact Statement:

Dept. of Corrections Dept. of Kentucky State Police Administrative Office of the Courts Parole Board Other

NOTE: Consideration should be given to the cumulative impact of all bills that increase the felon population or that impose new obligations on state or local governments. The Department of Corrections and local jails continue to operate over capacity. Without steps to reduce the population, any legislation that increases population or lengthens the term of incarceration will have a significant impact on correctional operations.

APPROVED BY:  **1/18/2019**
Commissioner, Kentucky Department of Corrections Date