

**Local Government Mandate Statement  
Kentucky Legislative Research Commission  
2021 Regular Session**

**Part I: Measure Information**

**Bill Request #:** 266

**Bill #:** HB 175 GA

**Document ID #:** 6422

**Bill Subject/Title:** AN ACT relating to unlawful discriminatory practices.

**Sponsor:** Representative Savannah Maddox

Unit of Government:  City  County  Urban-County  
Unified Local  
 Charter County  Consolidated Local  Government

Office(s) Impacted: Local Government Offices

Requirement:  Mandatory  Optional

Effect on  
Powers & Duties:  Modifies Existing  Adds New  Eliminates Existing

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

This legislation creates new sections to KRS Chapter 237 to make it an unlawful discriminatory practice for financial institutions and governmental entities to refuse to do business with a firearm related entity.

Section 1 adds and defines terms used in the Act.

Section 2 makes it unlawful for financial institutions or a government entity to adopt a policy that it will not do business with a manufacturer, retailer or distributor of firearms, firearm accessories or ammunition; a shooting range; or a trade association, because they support or engage in the lawful commerce of firearms, firearm accessories, or ammunition products. HB 175 GA states that nothing in Sections 1-3 of this Act shall be construed to prohibit, restrict, or in any way interfere with a financial institution or government entity making any decision to do business with any entity when that decision is based on business or financial considerations.

Sections 3 of HB 175 GA allows the Attorney General to file a civil cause of action against a financial institution or government entity believed to be engaging in or have previously engaged in an unlawful discriminatory practice described by this legislation. HB 175 GA permits the recovery of civil penalties of up to \$10,000 per violation of Section 2.

**The fiscal impact of HB 175 GA on local governments is indeterminable. The potential impact may be limited and minimal, due to Section 3 restricting the civil penalty to \$10,000 per violation. Depending on the number of violations and judgements against a local government, the impact could be higher and moderate.**

According to the Kentucky League of Cities (KLC) civil liability can be quite costly for cities. A monetary judgment in excess of insurance policy limits could force a city to raise taxes and fees, reduce services to the public, and lay off personnel or eliminate positions entirely. Smaller cities with limited or no cash reserves and low tax revenue would be devastated.

Pooled insurance programs are offered by KLC through which cities may purchase insurance. It is unclear whether the discriminatory practice created by this legislation would be covered and would depend on the alleged claim. Most cities would have insurance covering general liability, public officials, law enforcement, workers' compensation, auto, and more. However, certain claims are not covered, such as intentional breach of contract or COVID-19.

Any claim paid likely would increase the premiums paid by the organization as part of their regular loss-ratio review. If an exceptionally large insurance claim was paid, the pool may force premiums for other cities participating in the insurance pool to increase.

The League of Cities indicated that most cities, especially the smaller ones, retain their city attorney on contract and pay on an hourly basis. In FY 2020, the average hourly rate was \$107. In defending a court case, cities attorneys are likely to spend many hours researching and defending these cases and legal costs would be quite costly to local governments.

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

Part II, above, pertains to HB 175 GA. **The fiscal statement to HB 175 GA is changed from potentially substantial, to minimal or moderate because of the \$10,000 limitation on civil penalties in Section 3.**

HB 175 GA retains the original definitions created in HB 175. It creates new sections of KRS Chapter 237 to make it unlawful for a financial institution or government entity to adopt a policy to refrain from doing business with the firearms industry without a business or financial reason. HB 175 GA removes the ability of a victim of an unlawful discriminatory practice, to bring a civil cause of action. It retains the ability of the Attorney General to file a civil cause of action in District Court and provides for civil penalties of up to \$10,000 per violation.

**Data Source(s):** LRC Staff, Kentucky League of Cities

**Preparer:** Mark Offerman      **Reviewer:** KHC      **Date:** 3/4/21