

**COMMONWEALTH OF KENTUCKY FISCAL NOTE STATEMENT
LEGISLATIVE RESEARCH COMMISSION
2021 REGULAR SESSION
UPDATED**

MEASURE

2021 BR NUMBER 424

HOUSE BILL NUMBER 8 SCS 1

TITLE AN ACT relating to the Kentucky Employees Retirement System's employers, declaring an emergency, and making an appropriation therefor.

SPONSOR Senator Chris McDaniel

FISCAL SUMMARY

STATE FISCAL IMPACT: YES NO UNCERTAIN

OTHER FISCAL STATEMENT(S) THAT MAY APPLY: ACTUARIAL ANALYSIS
 LOCAL MANDATE CORRECTIONS IMPACT HEALTH BENEFIT MANDATE

APPROPRIATION UNIT(S) IMPACTED: State Government

FUND(S) IMPACTED: GENERAL ROAD FEDERAL RESTRICTED Various

FISCAL ESTIMATES	2020-2021	2021-2022	ANNUAL IMPACT AT FULL IMPLEMENTATION
REVENUES			
EXPENDITURES		\$54,365,900	Variable. See closing remarks.
NET EFFECT		\$54,365,900	Variable. See closing remarks.

() indicates a decrease/negative

PURPOSE OF MEASURE: House Bill (HB) 8 SCS 1 largely changes the Kentucky Employees Retirement System's (KERS) nonhazardous actuarially accrued liability (AAL) contribution that is payable by employers on or after July 1, 2021, from a value that is paid as a percent of pay on each employee to a set dollar amount (which may or may not be converted to a percent of pay); outlines which agencies comprise each of the three branches of State Government; establishes a process for allocating costs to employers in the event of a split, merger, the creation of a new agency, or in the event of an employer cessation; and outlines the support various employers will receive in subsidies from the state.

FISCAL EXPLANATION: Under HB 8 SCS 1, employers would make a single contribution composed of two parts -- an AAL contribution, which is a dollar amount based on the employer's share of the System's actuarial accrued liability, and a normal cost contribution based on a percentage of their employees' covered payroll. As it relates to State Government, the AAL contribution is the largest component of the employer contribution, while normal cost currently represents 10.10% of covered payroll.

This fiscal note addresses direct costs to all three branches of State Government, as well as any costs that may materialize from the bill's intent language as it pertains to subsidies to individual quasi-state agencies.

Cost Summary: State Government

To project future potential costs of HB 8 SCS 1, actual Fiscal Year (FY) 2020 reported contributions were used as the starting point (which are based on 83.43% of pay) and then multiplied by 1% to project FY 2021 baseline contributions (which are based on 84.43% of pay). As is outlined below, HB 8 SCS 1 is anticipated to reduce costs for the Executive and Judicial Branches of State Government, while the Legislative Branch will experience an increase in expenditures.

	Current Law		House Bill 8 Costs			6
	1	2	3	4	5	
Branch	Actual FY 20 Contribution (83.43% of Pay)	Projected FY 21 Contribution (84.43% of Pay) (1 * 1.01)	AAL Contribution	Normal Cost Contribution*	Total HB 8 Costs (3 + 4)	Difference (5 - 2)
Executive**	894,130,344	903,071,647	784,690,828	108,454,060	893,144,888	(9,926,800)
Judicial	53,125,801	53,657,059	25,511,246	6,450,069	31,961,315	(21,695,800)
Legislative	19,246,001	19,438,461	18,665,294	2,337,732	21,003,026	1,564,600
Total	966,502,146	976,167,167	828,867,368	117,241,861	946,109,229	(30,058,000)
Total GF						(25,258,500)

Notes:

*Normal cost contributions are based on FY 2020 reported payroll.

**Executive Branch difference shown is all fund sources. The assumed General Fund share of cost savings is \$5,127,300.

Cost Summary: Quasi-State Agencies

The impact to quasi-state agencies is based on a different methodology than was used for the three branches of State Government. The reasons for this include the following:

1. State Government's FY 2020 reported creditable compensation indicates that each branch materially exceeds the actuarially-assumed creditable compensation that appears in the actuarial analysis. For example, the actuarial analysis indicates that the three branches have a total payroll of \$1.087 billion, however, FY 2020 reported payroll reveals payroll was nearly \$1.161 billion, a difference of more than \$73 million. Unless budget reductions are imposed, each branch would be underfunded for the normal cost contribution component of HB 8 SCS 1 by more than \$7 million if the actuarially-assumed payroll is adopted. Quasi-state agencies, on the other hand, exhibit a high degree of volatility, with a significant number of these employers manipulating their payroll to avoid making employer contributions under current law.
2. A complete year of state-supported subsidies to certain quasi-state agencies is needed to build a solid base from which to project future costs. FY 2020 is the most recent completed FY from which a base can be formulated.

Attached to this fiscal note is an exhaustive list of each eligible employer as it relates to a state-provided subsidy. In total, covering all costs of the quasi-state agencies, including capturing any cost savings from curtailed FY 2020 subsidies, would amount to \$79,624,400. This is in addition to the FY 2020 subsidies.

Ultimately, HB 8 SCS 1 would increase General Fund expenditures by about \$54,365,900 (\$79,624,400 - \$25,258,500).

Annual Impact At Full Implementation

HB 8 SCS 1's annual impact beyond FY 2022 is subject to change over time and is contingent upon various factors. For example, the General Assembly reserves the right to appropriate state resources at its discretion, and individual quasi-state agencies may elect to increase or decrease membership, which will impact the amount of the subsidy they are awarded in future years.

DATA SOURCE(S): Kentucky Retirement Systems

PREPARER: Zach Ireland NOTE NUMBER: 87 REVIEW: JAB DATE: 3/3/2021

FY 2022 Quasi-State Agency Subsidy Estimates

Employer	Actual FY 20	FY 20	Difference	FY 22
	Cont.	Subsidy	FY 20 to HB 8	Subsidy
<i>University Roll-Up*</i>	48,235,774	7,434,389	20,080,342	22,099,200
EASTERN KY UNIV	4,611,257	-	8,909,739	8,909,700
KCTCS	9,456,615	-	854,903	854,900
KENTUCKY STATE UNIVERSITY	2,317,917	-	558,186	558,200
MOREHEAD STATE UNIVERSITY	2,063,132	-	4,912,999	4,913,000
MURRAY STATE UNIV	4,788,607	-	3,270,948	3,270,900
NORTHERN KY UNIVERSITY**	17,241,511	-	(2,018,923)	-
WESTERN KENTUCKY UNIV	7,756,735	-	3,592,490	3,592,500
Universities Increase Only	48,235,774	7,434,389	22,099,265	22,099,200
Universities Total Net Impact	48,235,774	7,434,389	20,080,342	22,099,200
ADANTA/BEHAVIORAL HLTH SR	2,201,195	1,632,548	3,006,195	3,006,200
COMMUNICARE INC	2,643,894	1,841,318	1,499,560	1,499,600
COMPREHEND INC REG MHMR B	2,194,943	1,496,992	(189,471)	1,307,500
CUMBERLAND RIVER MHMR	5,141,297	3,596,378	1,136,899	1,136,900
GREEN RVR REG MHMR BD	1,309,223	577,188	705,006	705,000
KY RIVER COMM CARE INC	-	-	1,450,798	<i>Section 7 Exclusion</i>
<i>LIFESKILLS INC & PENNYROYAL ROLL-UP</i>	<i>6,896,288</i>	<i>3,950,171</i>	<i>2,270,390</i>	<i>2,270,400</i>
LIFESKILLS INC***	5,265,617	2,768,417	3,901,061	3,901,100
PENNYROYAL REG MHMR BD***	1,630,671	1,181,754	(1,630,671)	(1,181,800)
MOUNTAIN COMP CARE CENTER	2,512,985	1,793,013	481,699	481,700
NEW VISTA OF THE BLUEGRASS, INC.	17,605,497	7,196,986	6,236,410	6,236,400
NORTHERN KY REG MHMR BD	67,275	48,744	3,062,160	3,062,200
SEVEN CO SERVICES INC	-	-	8,383,681	<i>Section 7 Exclusion</i>
WESTERN KY REG MHMR ADV	1,676,992	1,140,763	581,272	581,300
Regional Mental Health Increase Only	42,249,589	23,274,100	28,624,599	20,287,200
Regional Mental Health Units Total Net Impact	42,249,589	23,274,100	28,624,599	20,287,200
ALLEN CO HEALTH DEPT	457,208	254,190	59,358	59,400
ANDERSON CO HEALTH DEPT	191,475	103,853	120,811	120,800
ASHLAND BOYD CO HEALTH DP	520,229	295,109	547,103	547,100
BARREN RVR DIST HLTH DEPT	2,008,179	1,210,669	2,053,742	2,053,700
BELL CO HEALTH DEPT	446,074	257,066	226,555	226,600
BOURBON CO HEALTH CENTER	274,752	154,566	355,425	355,400
BOYLE CO HEALTH DEPT	246,962	143,630	146,848	146,800
BRACKEN CO HEALTH DEPT	181,935	102,143	(16,227)	85,900
BREATHITT CO HEALTH DEPT	597,660	346,498	530,900	530,900
BRECKINRIDGE CO HEALTH BD	241,256	140,154	221,234	221,200
BUFFALO TRACE HEALTH DEPT	338,778	182,786	315,098	315,100
BULLITT CO HEALTH DEPT	637,039	357,297	238,325	238,300
CALLOWAY CO HEALTH DEPT	285,516	158,558	(1,384)	157,200
CARTER CO HEALTH DEPT	167,809	94,499	168,424	168,400
CHRISTIAN CO HEALTH DEPT	713,227	386,415	144,503	144,500
CLARK CO HEALTH DEPT	732,944	429,133	368,208	368,200
CUMBERLAND VLY DIST HEALT	1,016,200	607,871	4,044,150	4,044,200
ESTILL CO HEALTH DEPT	178,193	109,459	147,743	147,700
FLEMING CO HEALTH DEP	174,255	100,819	97,499	97,500
FLOYD CO HEALTH CENTER	505,743	283,769	288,596	288,600
FRANKLIN CO HEALTH DEPT	1,172,960	667,595	288,604	288,600
GARRARD COUNTY HEALTH DPT	171,697	97,956	75,158	75,200

FY 2022 Quasi-State Agency Subsidy Estimates

Employer	Actual FY 20	FY 20	Difference	FY 22
	Cont.	Subsidy	FY 20 to HB 8	Subsidy
GATEWAY DIST HEALTH DEPT	1,059,087	596,307	756,133	756,100
GRAVES CO HEALTH CENTER	533,339	299,282	(96,460)	202,800
GRAYSON COUNTY HEALTH DEPT	242,448	132,470	56,354	56,400
GREEN RVR DIST HLTH DEPT	3,002,177	1,717,498	2,053,183	2,053,200
GREENUP CO HLTH DEPT	443,772	249,701	271,844	271,800
HARLAN CO HEALTH DEPT	361,955	215,082	96,259	96,300
HOPKINS CO HEALTH DEPT	746,827	418,259	375,777	375,800
JESSAMINE CO HEALTH DEPT	442,659	243,391	119,436	119,400
JOHNSON CO HEALTH DEPT	614,514	349,991	347,308	347,300
KNOX CO HEALTH DEPT	843,988	487,391	841,355	841,400
KY RIVER DIST HEALTH DEPT	1,395,032	800,075	2,695,673	2,695,700
LAKE CUMBERLAND DISTRICT	2,680,618	1,529,084	1,835,893	1,835,900
LAUREL CO HEALTH DEPT	575,250	326,904	322,593	322,600
LAWRENCE CO HEALTH DEPT	345,530	195,981	(63,869)	132,100
LEWIS CO HEALTH DEPT	258,889	152,113	(47,257)	104,900
LEX FAYETTE CO HLTH DEPT	3,173,467	1,774,850	2,309,242	2,309,200
LINCOLN CO HEALTH DEPT	220,149	122,112	91,613	91,600
LINCOLN TRL DIST HLTH DEP	1,745,938	958,567	2,238,686	2,238,700
LITTLE SANDY DIST HEALTH	-	-	-	<i>Section 7 Exclusion</i>
MADISON CO HEALTH DEP	1,779,014	1,004,651	1,477,251	1,477,300
MAGOFFIN CO HEALTH DEPT	222,543	127,425	176,859	176,900
MARSHALL CO HEALTH DEPT	582,513	335,396	462,282	462,300
MARTIN CO HEALTH DEPT	226,801	130,857	102,439	102,400
MERCER CO HEALTH DEPT	286,636	170,376	310,275	310,300
MONROE CO HEALTH DEPT	158,140	96,271	38,239	38,200
MONTGOMERY CO HEALTH DEPT	730,727	430,671	44,465	44,500
MUHLENBERG CO.HEALTH DEPT	340,933	191,455	157,532	157,500
N CENTRAL DIST HLTH DEPT	715,127	401,840	595,789	595,800
NORTHERN KY DIST HLTH DEP	3,123,952	1,770,260	423,422	423,400
OLDHAM CO HEALTH DEPT	530,154	288,415	137,251	137,300
PENNYRILE DIST HLTH DEPT	655,181	374,641	346,886	346,900
PIKE CO HEALTH DEPT	856,563	489,239	682,738	682,700
POWELL CO HEALTH DEPT	152,123	87,356	101,413	101,400
PURCHASE DIST HLTH DEPT	870,606	509,246	1,724,796	1,724,800
THREE RIVERS DIST HLTH	789,127	437,197	615,156	615,200
TODD CO HEALTH DEPT	157,848	87,952	127,271	127,300
WEDCO DIST HEALTH DEPT	1,391,869	784,451	397,618	397,600
WHITLEY CO HEALTH DEPT	838,813	484,348	891,784	891,800
WOODFORD CO HEALTH DEPT	251,724	139,455	89,199	89,200
Health Departments Increase Only	44,606,123	25,394,600	33,752,298	34,435,300
Health Departments Total Net Impact	44,606,123	25,394,600	33,527,101	34,435,300
ASST OF COMMONWEALTH ATTY	557,725	-	(136,910)	<i>Section 7 Exclusion</i>
CSG HEADQUARTERS	1,869,926	-	(461,513)	<i>Section 7 Exclusion</i>
HIGHSCHOOL ATHLETIC ASSOC	102,871	-	(12,301)	<i>Section 7 Exclusion</i>
KENTUCKY HOUSING CORP	5,727,587	-	677,255	677,300
KET FOUNDATION	906,635	-	81,419	<i>Section 7 Exclusion</i>
KY HIGHER ED STUD LN CORP	5,720,601	-	(124,232)	-
Non-P1 State Assoc/Corp. Increase Only	14,885,345	-	758,674	677,300

FY 2022 Quasi-State Agency Subsidy Estimates

Employer	Actual FY 20	FY 20	Difference	FY 22
	Cont.	Subsidy	FY 20 to HB 8	Subsidy
Non-P1 State Assoc/Corp. Total Net Impact	14,885,345	-	23,718	677,300
B.R.A.S.S.	320,563	49,195	(143,932)	(49,200)
BARREN RIVER CHILD ADVOCA	208,197	20,954	(150,582)	(21,000)
BETHANY HOUSE ABUSE SHEL	242,401	77,657	(102,502)	(77,700)
BLUEGRASS RAPE CRISIS CTR	355,033	132,130	(131,216)	900
BUFFALO TR CHILD ADV INC	61,974	17,885	(31,936)	(17,900)
CHILD ADV CTR OF GRN RVR	57,654	38,881	(18,039)	20,800
CHILD WATCH ADVOCACY CTR	114,273	-	(49,661)	-
COMMONWEALTH CREDIT UNION	-	-	-	<i>Section 7 Exclusion</i>
CUMBERLAND V C A CENTER	142,296	38,701	(70,550)	(38,700)
D.O.V.E.S.	241,988	49,195	(125,045)	(49,200)
FRANKLIN CO COUNCIL AGING	69,210	-	59,320	<i>Section 7 Exclusion</i>
GATEWAY CHILD ADVOCACY****	-	9,691	-	<i>Section 7 Exclusion</i>
HOPE HARBOR INC	228,144	55,531	(132,638)	(55,500)
JUDI'S PLACE FOR KIDS, INC.	64,936	45,695	9,156	9,200
KACAC	-	-	-	<i>Section 7 Exclusion</i>
KASAP	238,736	-	(138,259)	<i>Section 7 Exclusion</i>
KDVA	414,852	99,195	(204,208)	(99,200)
KY ASSOC OF REGIONAL PROG	58,746	-	52,034	<i>Section 7 Exclusion</i>
KY BAR ASSOCIATION	-	-	-	<i>Section 7 Exclusion</i>
KY EMPLOYERS MUTUAL INS	-	-	-	<i>Section 7 Exclusion</i>
KY OFFICE OF BAR ADMISSIO	92,577	-	61,959	<i>Section 7 Exclusion</i>
KY RIVER CHILD ADVOCACY	67,168	15,001	(37,461)	(15,000)
LAKE CUMB CHILD ADV CTR	95,797	23,487	(50,678)	(23,500)
LOTUS	450,602	67,689	(312,192)	(67,700)
MUN ELEC POW ASSOC OF KY	67,206	-	41,453	<i>Section 7 Exclusion</i>
NURSING HOME OMBUDSMAN	116,357	-	(44,528)	<i>Section 7 Exclusion</i>
O A S I S	356,107	171,725	(156,168)	15,600
PENNYRILE CHILD ADV CTR	72,753	31,563	(31,915)	(31,600)
SAFE HARBOR	406,510	49,195	(248,610)	(49,200)
SANCTUARY INC	291,237	314,741	(104,023)	210,700
SILVERLEALF	183,573	47,997	(33,234)	14,800
SPRINGHAVEN INC	266,682	85,605	(133,391)	(85,600)
WOMEN AWARE	111,384	49,195	(35,283)	13,900
Non-P1 State Agencies Increase Only	5,396,956	1,490,908	223,921	285,900
Non-P1 State Agencies Total Net Impact	5,396,956	1,490,908	(2,262,129)	(395,100)
ALLEN COUNTY ATTORNEY	97,288	-	15,068	15,100
ANDERSON COUNTY ATTORNEY	998	-	116,948	116,900
BARREN COUNTY ATTORNEY	197,802	-	(28,128)	-
BATH COUNTY ATTORNEY	-	-	104	100
BELL COUNTY ATTORNEY	147,175	-	(30,175)	-
BOONE COUNTY ATTORNEY	515,362	-	(194,675)	-
BOYLE COUNTY ATTORNEY	14,334	-	(5,911)	-
BRECKINRIDGE CO ATTORNEY	60,433	-	12,191	12,200
BULLITT COUNTY ATTORNEY	53,930	-	(15,664)	-
CALLOWAY COUNTY ATTORNEY	-	-	3,016	3,000
CARROLL COUNTY ATTORNEY	65,217	-	(14,135)	-
CASEY COUNTY ATTORNEY	55,407	-	13,078	13,100

FY 2022 Quasi-State Agency Subsidy Estimates

Employer	Actual FY 20	FY 20	Difference	FY 22
	Cont.	Subsidy	FY 20 to HB 8	Subsidy
CHILD SUPPORT ENFORCEMENT	68,786	-	(22,173)	-
CHRISTIAN COUNTY ATTORNEY	18,889	-	34,559	34,600
CLARK COUNTY ATTORNEY	144,161	-	(36,446)	-
CRITTENDEN CO ATTORNEY	28,711	-	4,461	4,500
DAVISS COUNTY ATTORNEY	36,084	-	68,556	68,600
EDMONSON COUNTY ATTORNEY	37,720	-	6,929	6,900
FAYETTE CO ATTORNEY OFF	53,093	-	117,442	117,400
FLOYD COUNTY ATTORNEY	40,851	-	32,889	32,900
FRANKLIN COUNTY ATTORNEY	206,534	-	72,406	72,400
GARRARD COUNTY ATTORNEY	-	-	58,733	58,700
GRANT COUNTY CHILD SUPPOR	65,580	-	(45,823)	-
GRAVES COUNTY ATTORNEY	-	-	227,691	227,700
HANCOCK COUNTY ATTORNEY	29,660	-	(8,655)	-
HARRISON COUNTY ATTORNEY	141,375	-	(131,439)	-
HICKMAN COUNTY ATTORNEY	17,284	-	57,332	57,300
HOPKINS COUNTY ATTORNEY	63,908	-	55,703	55,700
JACKSON COUNTY ATTORNEY	35,824	-	2,234	2,200
JEFFERSON CO ATTORNEY	222,391	-	722,992	723,000
JOHNSON COUNTY ATTORNEY	1,998	-	10,584	10,600
KENTON COUNTY ATTORNEY	51,080	-	4,448	4,400
KNOTT COUNTY ATTORNEY	61,950	-	16,024	16,000
KNOX COUNTY ATTORNEY	90,180	-	(89,868)	-
LARUE COUNTY ATTORNEY	85,694	-	(2,661)	-
LAUREL COUNTY ATTORNEY	26,364	-	171	200
LAWRENCE COUNTY ATTORNEY	36,796	-	(36,796)	-
LEE COUNTY ATTORNEY	67,549	-	(16,336)	-
LOGAN COUNTY ATTORNEY	546,533	-	(442,198)	-
MADISON COUNTY ATTORNEY	64,482	-	318,382	318,400
MAGOFFIN CO ATTORNEY	38,947	-	(20,558)	-
MCCRACKEN COUNTY ATTORNEY	103,834	-	(44,459)	-
MCCREARY COUNTY ATTORNEY	76,343	-	50,994	51,000
MEADE COUNTY ATTORNEY	16,519	-	83,764	83,800
MENIFEE COUNTY ATTORNEY	28,472	-	2,412	2,400
MERCER COUNTY ATTORNEY	-	-	34,486	34,500
MONROE CO ATTORNEY	98,163	-	(64,576)	-
MONTGOMERY CO ATTORNEY	86,197	-	21,051	21,100
MORGAN COUNTY ATTORNEY	195,936	-	(69,360)	-
OLDHAM COUNTY ATTORNEY	45,481	-	76,223	76,200
OWEN COUNTY ATTORNEY	-	-	42,234	42,200
PENDLETON COUNTY ATTORNEY	-	-	8,423	8,400
POWELL COUNTY ATTORNEY	194,639	-	(193,183)	-
PULASKI COUNTY ATTORNEY	93,907	-	52,599	52,600
ROCKCASTLE CO ATTORNEY	83,849	-	(39,004)	-
ROWAN COUNTY ATTORNEY	54,100	-	2,209	2,200
SHELBY COUNTY ATTORNEY	53,615	-	(25,333)	-
SIMPSON COUNTY ATTORNEY	46,400	-	(14,454)	-
SPENCER COUNTY ATTORNEY	-	-	99,905	99,900
TRIGG COUNTY ATTORNEY	60,685	-	(5,071)	-

FY 2022 Quasi-State Agency Subsidy Estimates

Employer	Actual FY 20	FY 20	Difference	FY 22
	Cont.	Subsidy	FY 20 to HB 8	Subsidy
TRIMBLE COUNTY ATTORNEY	58,128	-	(13,621)	-
UNION COUNTY ATTORNEY	77,298	-	(56,585)	-
WAYNE COUNTY ATTORNEY	-	-	36,395	36,400
WEBSTER COUNTY ATTORNEY	85,163	-	37,938	37,900
WHITLEY COUNTY ATTORNEY	145,092	-	(1,937)	-
County Attorneys Increase Only	5,094,193	-	2,520,573	2,520,500
County Attorneys Total Net Impact	5,094,193	-	851,348	2,520,500
Grand Total Net Impact	160,467,980	57,593,997	80,844,979	79,624,400

HB 8 Classification Summary	Actual FY 20	FY 20	Difference	FY 22
	Cont.	Subsidy	FY 20 to HB 8	Subsidy
Universities	48,235,774	7,434,389	20,080,342	22,099,200
Regional Mental Health Units	42,249,589	23,274,100	28,624,599	20,287,200
Health Departments	44,606,123	25,394,600	33,527,101	34,435,300
Non-P1 State Assoc/Corp.	14,885,345	-	23,718	677,300
Non-P1 State Agencies	5,396,956	1,490,908	(2,262,129)	(395,100)
County Attorneys	5,094,193	-	851,348	2,520,500
Total Increased Costs Only	160,467,980	57,593,997	83,107,107	80,019,500
Total General Fund Increase Over FY 2020	160,467,980	57,593,997	80,844,979	79,624,400

Notes:

*Universities were appropriated a subsidy in the 2014 RS, which was later impacted by budget reductions and performance funding.

**NKU has elected to cease participation in KERS.

***Lifeskills, Inc. and Pennyroyal Center merged as of July 1, 2019.

****Gateway Child Advocacy Center ceased participation since the 2019 actuarial valuation.