Local Government Mandate Statement Kentucky Legislative Research Commission 2021 Regular Session

Part I: Measure Information

Bill Request #: 850
Bill #: SB 125
Document ID #: 5412
Bill Subject/Title: AN ACT relating to the West End Opportunity Partnership and making an appropration therefor.
Sponsor: Senator Robert Stivers
Unit of Government: City County Urban-County Unified Local
Charter County _X Consolidated Local Government
Office(s) Impacted:
Requirement: X Mandatory Optional
Effect on Powers & Duties: Modifies ExistingX Adds New Eliminates Existing Power Hard Bill Providing and the Estimated Figure Lympot Poleting to Legal

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

The purpose of SB 125 is to provide funding to the West End Opportunity Partnership to assist with the revitalization efforts in the development area. SB 125 specially defines the development area as a region within a consolidated local government bounded by:

- (a) To the south, Algonquin Parkway to the Seventh Street south intersection;
- (b) To the east, Ninth Street south to the Seventh Street south intersection and then Seventh Street south to Algonquin Parkway; and
- (c) The Ohio River to the north and west.

Prior to taking any development actions, SB 125 requires the West End Opportunity Partnership to receive a combined \$20 million from private sector investors and a consolidated local government and \$10 million from the state.

SB 125 also requires the consolidated local government to pledge 80% of its incremental tax revenues to the West End Opportunity Partnership for a 30-year term beginning in the

calendar year following the full receipt of the \$30 million in initial funds. The incremental local tax revenues are described as the difference in old revenues and new revenues that are received from real property tax and occupational license tax collected within the development area. Old revenues are the revenues received in the calendar year immediately preceding the calendar year in which the \$30 million in initial funds were received, and new revenues are the revenues received beginning in the calendar year the \$30 million in initial funds were received.

The fiscal impact of SB 125 is indeterminable. The specific tax data needed from the development area to determine the estimated amount of the fiscal impact is not available. With the pledge of incremental local tax revenues, the fiscal impact is expected to decrease the consolidated local government's revenues.

In regards to real property tax revenues, a consolidated local government has the statutory authority to impose a compensating tax rate, which would be the rate estimated to produce an amount of revenue in the current year approximately equal to the amount produced in the preceding year. If imposed, the compensating tax rate would not be subject to voter recall. The compensating tax rate would provide the consolidated local government the ability to offset a reduction in revenues that may occur as a result of SB 125. Whether the compensating tax rate is higher or lower than the current tax rate depends on the total value of the property assessments in the consolidated local government's jurisdiction. When the compensating tax rate is higher, the unintentional consequence can be an increase in tax collection issues, especially if the consolidated local government has a struggling economy. Any increase in tax collection issues will result in a decrease in tax revenues for the consolidated local government.

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

Part II, above, pertains to the bill as introduced.

Data Source(s): LRC Staff

Preparer: Cynthia Brown **Reviewer:** KHC **Date:** 3/3/21