Local Government Mandate Statement Kentucky Legislative Research Commission 2022 Regular Session

Corrected 3/21/22

Part I: Measure Information

Bill Request #: 1535
Bill #: SB 111 HCS 1
Document ID #: _8128
Bill Subject/Title: AN ACT relating to tax increment financing and declaring an emergency.
Sponsor: Senator Rick Girdler
Unit of Government: X City X County X Urban-County Unified Local
<u>X</u> Charter County <u>X</u> Consolidated Local <u>X</u> Government Office(s) Impacted: Tax Departments/Administrators
Requirement: X Mandatory Optional
Effect on Powers & Duties: Modifies ExistingX Adds New Eliminates Existing

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

Currently, practice requires the engagement of a qualified independent outside consultant or financial adviser when establishing or modifying a local development area, irrespective of whether the city or county pledges occupational license taxes or the occupational license fee authorized by KRS 65.7056 as a part of the local tax revenues to support the local development area.

SB 111 HCS 1 provides that cities or counties pledge the occupational taxes or occupational license fees as a part of the local tax revenues to support the local development area *may* hire an independent consultant or financial adviser to analyze and report the data related to the development area project. The report *may* include cost and feasibility of the project, forty year projections of local tax revenue generated and displaced/lost by the project, and the net fiscal impact of the project.

If the city or county does elect to use an independent consultant or financial adviser, the consultant or adviser *shall* work with the city's or county's budget office in the development of the report and with the approval of the budget office, create a methodology to be used and assumptions to be made when preparing the report.

The developer requesting the local development area, shall pay all costs associated with the independent consultant or financial adviser report, unless the city or county agrees to pay for it.

A city or county shall file information regarding the local development area agreement with the Cabinet for Economic Development.

KRS 49.020 is amended to define "revenue and taxing agency" to mean any state or county government that issues final rulings, orders, and determinations affecting revenue and taxation agency, not including special taxing districts as current statute provides.

An emergency clause is declared and the Act takes effect upon its passage and approval by the Governor or upon its otherwise becoming a law.

The fiscal impact on local governments is expected to be positive with the benefit of the district outweighing any related expenses. How great the impact is will be dependent on the area and businesses included within the district.

SB 111 HCS 1 does not require the local government to hire an independent consultant or financial adviser. But if the local government opts to hire an independent consultant of financial adviser, the cost could be as high as \$200/hour and the amount of time necessary to complete the analysis and report could be significant. Presented only for reference: if 150 hours are charged, the cost would be \$30,000.

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

Part II refers to SB 111 HCS 1.

SB 111 HCS 1 keeps all the provisions of SB 111 GA and adds the following:

- A city or county shall file information regarding the local development area agreement with the Cabinet for Economic Development.
- Amends the definition for "revenue and taxing agency."

SB 111 GA keeps all the provisions of SB 111 as introduced and adds the following:

- SFA 1: Emergency clause was added.
- SFA 2: Title amendment related to the emergency clause.

SB 111 as introduced did not require a local mandate to be completed.

Data Source(s): LRC Staff

Preparer: Wendell F. Butler (kh) **Reviewer:** KHC **Date:** 3/21/22