

**Local Government Mandate Statement
Kentucky Legislative Research Commission
2024 Regular Session**

Part I: Measure Information

Bill Request #: 159

Bill #: HB 88 GA

Document ID #: 3395

Bill Title: AN ACT relating to unlawful trade practices and declaring an emergency.

Sponsor: Representative Michael Lee Meredith

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

Office(s) Impacted: Law Enforcement, Jails

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

Section 3 of HB 88 GA creates a new section of KRS Chapter 367 to establish guidelines and restrictions for service agreements in residential real estate transactions to provide clarity and structure in these dealings. Under subsection 2, service agreements cannot:

- Last more than two years
- Be binding on future owners of the property
- Impose a lien, encumbrance, or other real property interest on the property
- Require or permit recording of the agreement
- Restrict the resolution of disputes to binding arbitration
- Waive the owner's rights to class action relief
- Allow transfer of the service provider's rights to someone else without the written agreement of the owner

Service agreements that violate these restrictions, whether or not they are recorded, shall be void and unenforceable and apply retroactively and prospectively to any past or future service agreements.

The section also prohibits service providers from recording a service agreement or a notice or memorandum of a service agreement, except as provided in KRS 376.075 and 426.720. Violation of this restriction is a Class B misdemeanor and the service provider can be sued for damages arising from the recording.

The fiscal impact of HB 88 GA is indeterminable. The bill establishes a new Class B misdemeanor, so any additional person incarcerated in local jails as a result of the bill will represent a new cost. However, it is not clear how many people would be incarcerated as a result of this new violation.

For people jailed as a result of this, the cost would be as follows. A person convicted of a Class B misdemeanor may be incarcerated for up to 90 days. Misdemeanants are housed in one of Kentucky's 74 full-service jails or three life safety jails. While the expense of housing inmates varies by jail, this estimated impact will be based on an average cost to incarcerate of \$44.97 per day. While the majority of misdemeanor defendants are granted bail, those who do not will also cost local jails an average cost to incarcerate of \$44.97 per day.

Data Source(s): LRC Staff; Kentucky Department of Corrections

Preparer: Ryan Brown (BL) **Reviewer:** KHC **Date:** 2/26/24