

**Local Government Mandate Statement  
Kentucky Legislative Research Commission  
2025 Regular Session**

**Part I: Measure Information**

<b>Bill Request #:</b>	1703	<b>Bill #:</b>	HB 492
<b>Document ID #:</b>	3772	<b>Sponsor:</b>	Representative Rebecca Raymer
<b>Bill Title:</b>	AN ACT relating to prohibited uses of state tax dollars.		

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

Office(s) Impacted:              All local government entities          

Requirement:             Mandatory             Optional

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

Other Fiscal Statement(s) that may exist:     Actuarial Analysis             Corrections Impact  
     Health Benefit Mandate     State Employee Health Plan

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

HB 492 would prohibit the use of state tax dollars to compensate individuals who are unlawfully present in the United States, as defined in 8 U.S.C. § 1325, for any goods or services sold, provided, or performed by them to or for any governmental entity or other person.

The Kentucky Office of Homeland Security would be required to assist in the implementation and enforcement of this section of HB 492, and would be authorized promulgate administrative regulations as necessary.

**The fiscal impact of HB 492 is indeterminable, but likely negative.**

The General Assembly allocates various funds to local governments in Kentucky. For example, the 2024-2026 Budget of the Commonwealth provides funding through the Department for Local Government, the Local Government Economic Assistance Fund,

and the Local Government Economic Development Fund. The table below outlines expenditures by fund source from the 2024-2026 budget:

Department for Local Government			
Fund Source	Revised FY 2024	Enacted FY 2025	Enacted FY 2026
General Fund	\$ 110,512,100.00	\$ 12,847,600.00	\$ 13,493,800.00
Restricted Funds	\$ 1,399,800.00	\$ 2,787,400.00	\$ 2,288,900.00
TOTAL EXPENDITURES	\$ 111,911,900.00	\$ 15,635,000.00	\$ 15,782,700.00
Local Government Economic Assistance Fund			
Fund Source	Revised FY 2024	Enacted FY 2025	Enacted FY 2026
General Fund	\$ 38,295,500.00	\$ 37,228,200.00	\$ 31,983,900.00
TOTAL EXPENDITURES	\$ 38,295,500.00	\$ 37,228,200.00	\$ 31,983,900.00
Local Government Economic Development Fund			
Fund Source	Revised FY 2024	Enacted FY 2025	Enacted FY 2026
General Fund	\$ 42,780,500.00	\$ 42,689,300.00	\$ 28,548,600.00
Restricted Funds	\$ 125,000.00	–	–
TOTAL EXPENDITURES	\$ 42,905,500.00	\$ 42,689,300.00	\$ 28,548,600.00
Local Government Regional Development Agency Assistance Fund			
Fund Source	Revised FY 2024	Enacted FY 2025	Enacted FY 2026
Restricted Funds	\$ 6,000,000.00	\$ 6,000,000.00	\$ 6,000,000.00
TOTAL EXPENDITURES	\$ 6,000,000.00	\$ 6,000,000.00	\$ 6,000,000.00

Source: 2024-2026 Executive Budget pages 22-39.

Additional state tax dollars allocated by the General Assembly within the budget flow to local governments through other sources.

Federal law, under the Immigration Reform and Control Act (IRCA) of 1986, prohibits any employer, including local governments in Kentucky, from knowingly hiring, recruiting, or continuing to employ individuals who are unlawfully present in the United States. While local governments cannot directly hire unauthorized immigrants, they may contract with businesses that employ or subcontract with them. The number of unauthorized immigrants currently providing services to local governments in Kentucky is unknown.

The Migration Policy Institute (MPI) estimated that as of 2019, approximately 46,000 unauthorized immigrants lived in Kentucky. Of the 43,000 unauthorized immigrants over the age of 16, an estimated 29,000 (68%) were working.

To comply with HB 492, local governments may need to ensure that all contractors and subcontractors verify work eligibility through E-Verify or other methods, increasing administrative costs and potentially delaying contracts. While the Kentucky Office of Homeland Security would be required to assist in this effort, the extent of the burden on local governments remains unclear.

Additionally, excluding unauthorized immigrant workers from compensation could force contractors to hire higher-cost workers, increasing overall contract expenses for local governments. If contractors are unable to find replacement workers, they may face service disruptions, delays in fulfilling local government contracts, or may choose to refrain from contracting with local governments altogether.

**Data Source(s):** LRC Staff; Migration Policy Institute; Office of State Budget Director

**Preparer:** AS **Reviewer:** BW (MDA) **Date:** 2/19/25