Local Government Mandate Statement
Kentucky Legislative Research Commission
2025 Regular Session

Part I: Measure Information

Bill Request #:	1345	**Bill #:**	HB 538
Document ID #:	4027	**Sponsor:**	Representative Chris Lewis
Bill Title:	AN ACT relating to consolidated local governments.		

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

Office(s) Impacted: All in Consolidated Local Governments (Louisville-Metro)

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 538 would amend KRS 67C.111 to lower the population threshold required to establish a new city in a county containing a consolidated local government from 6,000 to 3,000 persons. It would amend KRS 65.003 to establish an ethics commission in a consolidated local government that would be responsible for the enforcement of the code of ethics. It would also amend KRS 67C.103 to impose restrictions on council district formation and redistricting. The amendments to KRS 67C.103 would also require that regulations issued by local health boards and local solid waste management boards operating under KRS Chapter 109 or 212, which apply to individuals or businesses within the jurisdiction of a consolidated local government, be approved by the consolidated local government council or otherwise expire after 30 days.

Additionally, the bill would create a new section in KRS Chapter 67C to mandate the establishment of an office of internal audit, headed by a chief audit executive who would be elected. The office would be required to have a sufficient budget to conduct the activities and fulfill the responsibilities set out by statute and by any ordinances passed by the consolidated local government council. The office of internal audit would be

authorized to conduct financial and performance audits and reviews of all departments, offices, boards, and activities of the consolidated local government and have any other duties, powers, and authorities as set out by ordinance.

The fiscal impact of HB 538 would be indeterminable but is likely to be negative.

The bill includes multiple provisions that could have varying financial effects on a consolidated local government. Louisville/Jefferson County Metro Government is the only consolidated local government in Kentucky and would be directly impacted by these changes.

Lowering the population threshold for establishing a new city could lead to the creation of additional municipalities within the county, potentially affecting the distribution of local tax revenues, service costs, and administrative expenses.

Additionally, requiring local health board and solid waste management board regulations to receive council approval or expire after 30 days may introduce administrative costs or delays in implementing public health and waste management measures.

The establishment of an office of internal audit, with a chief audit executive elected rather than appointed, would result in additional operational expenses related to staffing, elections, and oversight. The mandate that the office be funded would require at least some level of expenditure, and the broad scope of the board could necessitate increased hiring. However, long-term savings may result from the board's financial and performance audits of local government activities.

Data Source(s): LRC Staff

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