Legislative Update
February 28, 2018

With the deadlines for filing new bills in the House and Senate occurring this week, 98 new bills were filed in the Chambers on Monday alone. Quite a few of these were for the inclusion of "gender-neutral language" into various existing statutes. These are likely nothing more than placeholder bills which the sponsor(s) can amend with totally new bill language at any time. As of today, there have been 615 bills filed in the House and 219 filed in the Senate.

It is worth noting that a KRS "housekeeping" bill has yet to be filed. Since Rep. Jerry Miller filed two of these in the last session - and one passed - it might be a reasonable assumption that he would file the other one again this year, possibly as a committee substitute to one of the "gender neutral" bills he filed today.

HB 490, sponsored by Rep. Kevin Sinnette, was posted on Friday (among about 60 others). The proposal would allow any “home rule” class city to impose up to a 3% restaurant tax to defray the city’s contributions to the County Employees Retirement System. There is an emergency clause attached to the bill.

HB 599, sponsored by Rep. Jason Petrie, was posted today. The proposal would increase the state’s sales tax rate to 8% effective October 1, 2018 and lower income tax rate brackets effective January 1, 2019. The bill would eliminate/sunset various tax expenditures. It would also reduce the pension exclusion from $41,110 to $31,110. There is an emergency clause attached to the bill.

HB 585, sponsored by Rep. Tim Couch, was posted today. The proposal would eliminate various tax expenditures. There is an emergency clause attached to the bill.

HB 569, sponsored by Rep. Kevin Sinnette, was posted today. The proposal would raise the state sales tax to 7% as of October 1, 2018 and eliminate exemptions from the sales tax on a wide array of items, as well as sales to state/local governments. No exclusive purpose for these additional revenues was stated in the bill so any funds collected would go into the state’s General Fund.

This bill should be popular. HB 553, sponsored by Rep. Jim DeCesare, was posted today. The proposal would essentially eliminate the merit system for state employees.

It should be noted that DeCesare is one of the four House members that signed the secret agreement dealing with sexual harassment charges late last year. He has also announced he will not be seeking re-election.

HB 551, sponsored by Reps. Jim Wayne and Rocky Adkins, was posted today. The proposal would require the state-administered pension plans to follow the purchasing requirements in KRS Chapter 45a when contracting for investment management services. The Attorney General would be given authority to investigate/prosecute violations of ethical and fiduciary duties of both trustees and investment managers. Provides that a knowing violation of said duties would be a Class D felony.

HB 547, sponsored by Rep. Kevin Sinnette, was posted today. The proposal would reverse the increases in the ARC for all KRS employers proposed for the next two years and reset them to the same rates as being paid in the current year. This bill also has an emergency clause attached to it.

HB 539, sponsored by Rep. Steve Riley, was posted today. Among its many provisions are those that would affect CERS separation from KRS. The details are similar, if not exact, to SB 226 from the 2107 Session. Outside those, it would allow CERS Tier III employees a one-time opportunity to transfer into the Tier II defined benefit plan. All CERS retirees would be permitted to participate in the Kentucky Employee Health Insurance plan, instead of that being restricted to under-65 retirees.

The proposal also seems to include similar proposals for TRS participants as those being proposed in SB 1. There is an emergency clause attached to this legislation so, if passed, it would take effect upon signature by the Governor.

A Committee Substitute was made and approved today to SB 66. It would redefine previously established rules for agencies to cease participation in KRS. It adds eligibility to leave KRS to local/district health departments and state universities/community colleges. Entities would have up to July 1, 2018, to elect to cease participation; the effective date would be June 30, 2019, so they would pay into the system for an additional year. One requirement of cessation has been that the employer would establish a new retirement plan for its employees – this proposal would prohibit that new plan from being a defined benefit plan. Once the cost of cessation is determined (and that cost is spelled out in the bill [but it doesn't appear to be actuarially determined]), a payment schedule is established. The employer seeking to leave KRS would first pay the same amount in FY19 and FY20 as it paid in FY18 then, for FY21 (July 1, 2020) the contribution would increase by no more than 5% year-over-year and shall continue until the amount due is full paid. The employer would have up to 40 years to pay this debt owed to KRS – 10 years or so beyond the time at which SB 1 presumes the unfunded liability is to be eliminated.

For those CERS employers wishing to remain in KRS, and for a period of ten years, the combined year-over-year increase for the pension and insurance funds would not exceed 12%.

This bill has an emergency clause meaning it would take effect upon the signature of the Governor.

The pension reform bill, SB 1 gets its first hearing today in the Senate State Government Committee; we expect there to be a Committee Substitute making a few minor changes. We are also expecting the House to introduce a Committee Substitute to HB 200, the Governor's proposed budget. This could be introduced at a meeting of the Appropriations & Revenue Committee after the Hose adjourns today. More on both of these this evening.

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