

AN ACT relating to area development districts.

***Be it enacted by the General Assembly of the Commonwealth of Kentucky:***

➔Section 1. KRS 147A.090 is amended to read as follows:

**(1)** Each district board of directors shall have the power, duty, and authority to:

**(a)**~~(1)~~ Establish such functional advisory committees as may be necessary and advisable. These functional advisory committees shall be organized to meet ~~the~~~~[such]~~ guidelines as may be required for federal or state assistance;

**(b)**~~(2)~~ Conduct the necessary research and studies and coordinate and cooperate with all appropriate groups and agencies in order to develop, and adopt and revise, when necessary, a district development plan or series of plans, including, but not limited to, the following districtwide plan elements: goals and objectives; water and sewer; land-use; and open space and recreation. **District development**~~[Such]~~ plans shall serve as a general guide for public and private actions and decisions to **ensure**~~[assure]~~ the development of public and private property in the most appropriate relationships;

**(c)**~~(3)~~ Prepare annually a report of its activities to the cities and counties within the district, the legislature,~~[and]~~ the Governor, **and the Attorney General**. The board shall make copies of the report available to members of the public within the district; and

**(d)**~~(4)~~ Comply with the provisions of KRS 65A.010 to 65A.090.

**(2) The board of directors of an area development district shall not establish any separately incorporated or formed entity related to or under the direction of the area development district.**

**(3) (a) As used in this subsection:**

**1. "Interested individual" means a current board member, employee, or executive director of an area development district, or any person who served as a board member or executive director or was employed by**

the area development district during the current or two (2) prior calendar years;

2. "Related entity" means:

a. Any entity, venture, operation, or program established or created by an interested person or combination of interested persons; or

b. Any entity, venture, operation, or program in which an interested person serves on the board or is involved as a manager, director, investor, employee, contractor, or participant; and

3. "Transaction" means awarding any grant, distributing any funds, or entering into any contract, agreement, or financial arrangement.

(b) Prior to entering into any transaction with a related entity, whether as a result of a competitive solicitation or procurement process, or through some other process or procedure, the board of directors of the area development district shall obtain approval from the Attorney General.

(c) To comply with paragraph (b) of this subsection, the board of directors shall submit to the Attorney General, in the form and format required by the Attorney General, the following:

1. A description of the proposed grant, contract, agreement, or financial arrangement, including the fund source, proposed term, purpose of the relationship, and how the entity was selected;

2. A description of the fiscal or financial controls that are in place to ensure proper monitoring and oversight;

3. A summary and citation to any state or federal statutes, administrative regulations, or policies that establish conditions or requirements regarding the award of grants, distribution of funds, or the execution of any contract, agreement, or financial arrangement, as proposed by the board of directors; and

4. Any additional information required by the Attorney General.
- (d) The Attorney General shall review the information submitted to determine whether the proposed grant, contract, agreement, or financial arrangement:
1. Complies with relevant state and federal laws, including any conflict of interest provisions that apply; and
  2. Includes sufficient transparency, accountability, and oversight so that appropriate firewalls are in place and fiscal risk is minimized.
- (e) If the Attorney General determines that the proposed grant, contract, agreement, or financial arrangement meets the requirements of paragraph (d) of this subsection, the Attorney General shall communicate in writing to the board of directors that it may proceed with the grant, contract, agreement, or financial arrangement as described in the materials submitted to the Attorney General for consideration.
- (f) If the Attorney General fails to act within sixty (60) days of receipt of a submission, the request shall be considered approved by the Attorney General.
- (g) If the Attorney General finds that the proposed grant, contract, agreement, or financial arrangement does not meet the requirements of paragraph (d) of this subsection, the Attorney General shall detail in writing, addressed to the board of directors, the specific areas where the proposed grant, contract, agreement, or financial arrangement fails to meet the requirements of paragraph (d) of this subsection. If the deficiencies identified by the Attorney General can be remedied, the board of directors may address the deficiencies and resubmit the request.
- (h) This subsection applies to all grants, contracts, agreements, or financial arrangements that use state or federal funds made available on or after the effective date of this Act regardless of any existing grant allocations,

contracts, agreements, or financial arrangements with related entities.

- (i) To the extent that an area development district has established an entity described in subsection (2) of this section that is in existence on the effective date of this Act, and the area development district desires to award a grant to or enter into a contract, agreement, or financial arrangement with that entity, paragraphs (b) to (g) of this subsection shall apply.
- (j) If the Attorney General becomes aware that any area development district has failed to follow the requirements of this subsection, the Attorney General may take any action necessary to recoup any amounts paid or distributed to a related entity or an entity described in subsection (2) of this section.
- (k) Knowingly providing false information to the Attorney General as required by this subsection shall constitute a violation of KRS 522.050.