

CHAPTER 25

(SB 106)

AN ACT relating to the administrative dissolution of cities.

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

➔SECTION 1. A NEW SECTION OF KRS CHAPTER 81 IS CREATED TO READ AS FOLLOWS:

- (1) *In order to update the record of incorporated cities listed in the Secretary of State's office, every city operating as a public corporation and a unit of local government shall file with the Department for Local Government before September 1, 2022, a document listing the name of the city, the address and phone number of its headquarters, the year of its incorporation if it is known, and its form of government. Any city that made a filing with the Department for Local Government pursuant to KRS 83A.085 after January 1, 2022, shall be deemed in compliance with this subsection without any further action.*
- (2) *If a city does not timely file the information set out in subsection (1) of this section, the Department for Local Government shall, no later than October 15, 2022, notify the city in writing by first class mail return receipt requested at the city's last known official address, that the city is not in compliance with the provisions of subsection (1) of this section. The notice shall include:*
 - (a) *The filing requirements imposed by this section; and*
 - (b) *A statement to the city that failure to comply with the requirements of subsection (1) of this section by December 1, 2022, shall subject the city to administrative dissolution proceedings under this section.*
- (3) *If the Department for Local Government does not receive a response from the city by December 1, 2022, then the Department for Local Government shall cause to be published in a newspaper of general circulation serving the residents in the area of the city pursuant to KRS Chapter 424, and in a prominent place on the department's Web site, a notice stating that:*
 - (a) *The city has failed to respond in accordance with the provisions of subsections (1) and (2) of this section, and therefore, the city is subject to dissolution proceedings if the city fails to respond to the requirements of subsection (1) of this section, or any citizen, resident, or creditor of the city fails to enter a defense as set out in this subsection by January 1, 2023;*
 - (b) *Creditors of the city are hereby notified that the debts of the city shall be extinguished if they are not otherwise discoverable in the administrative hearing, or unless a successful defense is entered pursuant to the administrative hearing convened pursuant to this section; and*
 - (c) *Citizens, residents, or creditors of the city may enter a defense to the administrative dissolution by sending in written notice to the Department for Local Government that includes their name and other contact information, the city's name in question, a preliminary statement of their legal claim of why the city should not be administratively dissolved, or the entry of a claim against the city by a creditor, and any other information the Department for Local Government deems necessary to carry out the provisions of this subsection.*
- (4) *After January 1, 2023, the Department for Local Government shall arrange for an administrative hearing to be set pursuant to the provisions of KRS Chapter 13B to determine whether or not the city shall be administratively dissolved for failure to comply with subsection (1) of this section. The hearing shall be conducted within the boundaries of the city being administratively dissolved, or if no place within the city is suitable, the administrative hearing shall be conducted in a place as close as possible to the city in order to provide easy access to the hearing by persons living within the city. If a citizen, resident, or creditor of the city has entered a defense pursuant to this section by January 1, 2023, the defense shall be heard at the hearing, and the hearing officer shall decide whether or not the city shall be administratively dissolved. If no citizen, resident, or creditor of the city enters a defense to administrative dissolution, then the city shall be declared administratively dissolved.*
- (5) *No city shall be dissolved pursuant to this section if:*
 - (a) *The city is maintaining a city government by both the election or appointment of officers and the levying and collection of necessary taxes;*

- (b) The city provides the information required in subsection (1) of this section in response to the inquiries in subsections (1) to (3) of this section before January 1, 2023; or*
 - (c) A successful defense is made to the petition as set out in subsection (4) of this section.*
- (6) Any elected official of the city, any citizen or resident of the city, or any creditor may appeal the decision of the hearing officer in accordance with the provisions of KRS Chapter 13B.*
- (7) If the city is dissolved pursuant to this section, the Department for Local Government shall notify the Secretary of State and the county clerk of each county wherein the city was located of the dissolution. The county clerk shall properly index and file the notice as a permanent record in that office.*
- (8) Any debts of the city shall be satisfied on a pro rata basis. Any assets of the city remaining after dissolution shall be transferred to the county or counties in which the city was located. If the creditors agree to a pro rata share of the city's remaining assets, or if no creditors appear after notification occurs or the time period elapses pursuant to subsection (4) of this section, then the remaining debts of the city shall be extinguished. In no event shall the county be liable for any remaining debts of the city after the assignment of any remaining assets.*
- (9) Any judgment granting the dissolution of a city made pursuant to this section shall not impair the incorporation of a city at a future date under the provisions of KRS 81.050 and 81.060 that may include all or a portion of the former city's boundaries.*
- (10) (a) If a city that is dissolved pursuant to this section has a utility in operation at the time of dissolution, then that utility shall remain in operation pursuant to the authority under which it was created unless the utility is declared part of the county or reorganized under paragraph (b) of this subsection. However, the county judge/executive of the county in which the utility operates shall make appointments to replace any board members whose terms expire after the dissolution of the city.*
 - (b) With the agreement of the board of the city utility, or in the absence of a board, at the discretion of the county judge/executive, the county judge/executive may declare the city utility a department of the county or may reorganize the city utility as a special district, either standing alone or combining it with an existing special district in operation in the county under the provisions of KRS 67.715.*

Signed by Governor March 24, 2022.