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The Kentucky
Interlocal Cooperation Act

By Roy H. Owsley*

Taken at face value, one of the most significant pieces of Kentucky legislation in recent years affecting local government is the new Interlocal Cooperation Act.\(^1\) Reduced to simplest terms, it permits two or more “public agencies”\(^2\) to do jointly or cooperatively anything they are empowered to do separately or unilaterally.

The stated legislative purpose of the act is to permit local governmental units

to make the most efficient use of their powers by enabling them to cooperate with other localities on a basis of mutual advantage and thereby to provide services and facilities in a manner and pursuant to forms of governmental organization that will accord best with geographic, economic, population and other factors influencing the needs and development of local communities.\(^3\)

**Kentucky Act Follows National Trend**

Legislation of this kind has been endorsed in principle in recent years by an impressive list of organizations at both the state and national levels. These include the Council of State Governments, whose Committee of State Officials on State Legislation in the late 1950’s prepared and recommended the basic draft after which much of the recent legislation, including the

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2 The term “public agency” is defined by KRS 65.230 as any “political subdivision of this state; any agency of the state government or of the United States.”

3 KRS 65.220.
1962 Kentucky act, has been patterned. The list of proponents also includes the Advisory Commission on Intergovernmental Relations, which was authorized at the first session of the 86th Congress and approved by the President on September 24, 1959. At the state level some of the leagues of municipalities have been among the active sponsors of such legislation. These include the Kentucky Municipal League, which had this as one of its 1962 legislative objectives.

The Kentucky enactment is in keeping with a fast growing trend throughout the United States. Similar legislation, though not always as comprehensive nor usually as detailed as the 1962 Kentucky act, has been adopted by about half the States. These include Arizona, California, Colorado, Connecticut, Indiana, Illinois, Kansas, Michigan, Minnesota, Nevada, New Jersey, New York, Ohio, Oregon, Pennsylvania, Tennessee, and West Virginia. Actually, an earlier 1954 Kentucky enactment is worthy of inclusion in the list. In addition, the

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5 See Advisory Comm on Intergovernmental Relations, Governmental Structure, Organization and Planning in Metropolitan Areas 24-26 (1961).
7 The writer attended various meetings of the organization’s directors and legislative committee members to consider its 1962 legislative program.
13 Ill. Rev. Stat. ch. 24, §§1-1-3 (Smith-Hurd 1961). This simply provides that “The corporate authorities of each municipality may exercise jointly, with one or more other municipalities, all of the powers set forth in this code unless expressly provided otherwise.”
25 KRS 79.110-.150. These sections provide a broad, general authorization for cities and counties to contract with each other for governmental services.
Missouri constitution contains a sweeping provision for intergovernmental contracts and cooperation applicable to "any municipality or political subdivision" of the state.\textsuperscript{26a}

Although a few of these general enabling acts for intergovernmental agreements and joint efforts date back many years, starting with the California Joint Exercise of Powers Act of 1921, about half of them are less than ten years old. In addition, recent legislatures in most states have dealt with a constant stream of bills to permit intergovernmental cooperation or joint undertakings in specific fields of local government activity so numerous as almost to defy enumeration.

The compelling reason for this trend is the tremendous growth of urban areas, with its attendant and resulting problems for local governments, especially in the metropolitan areas. The composite of these problems is commonly referred to as "the metropolitan problem."

**THE METROPOLITAN PROBLEM**

Almost two-thirds of the nation's population growth between 1950 and 1960 took place in the suburbs outside central cities.\textsuperscript{26} The increase during the ten-year period in the metropolitan population of the United States, amounting to over 28.4 million, was more than the total of the 52 metropolitan areas that existed in 1900.\textsuperscript{27} In 1960, nearly eighty percent of the people in the United States lived in metropolitan areas or in cities of 2,500 or more outside metropolitan areas.\textsuperscript{28} Of this eighty percent, nearly 113,000,000 persons, or almost two-thirds of the total population, lived within 212 "standard metropolitan statistical areas" as defined by the Bureau of the Census—comprising, generally, central cities with 50,000 or more population and their surrounding suburban and fringe areas.\textsuperscript{29}

As the population of the suburban and fringe areas around central cities increase, there is a corresponding increase in the need and demand for more and better municipal-type services.

\textsuperscript{26a} Mo. Const. art. VI, §16 (1945).
\textsuperscript{26} Council of State Governments, State Responsibility in Urban Regional Development 12 (1962).
\textsuperscript{27} International City Managers Association (1313 East Sixtieth Street, Chicago), The Municipal Year Book 1961, 33 (1961).
\textsuperscript{28} Council of State Governments, State Responsibility in Urban Regional Development 9 (1982).
\textsuperscript{29} Ibid.
But, generally speaking, the governmental pattern in metropolitan areas has been so complex, and the constitutional and statutory restrictions on the structure and powers of city and county governments so formidable, as to make it exceedingly difficult for local officials and citizens to deal adequately and fairly with the situation.

The Advisory Commission on Intergovernmental Relations has estimated that 16,976 units of government (counties, independent school districts, cities, townships and special purpose districts) operated in 1960 in the 212 metropolitan areas. Although the average is about 80, the actual number ranges from a few units to hundreds.

As pointed out in one of the earlier authoritative studies on the subject,

small, numerous overlapping local units make it difficult to obtain satisfactory government. Specifically:

1. They produce inequities in tax burdens which are not in proportion to services received.
2. They make it difficult, if not impossible, to utilize centralized purchasing, budgeting, and other techniques of modern fiscal administration.
3. They dissipate political responsibility and thwart effective citizen control of local institutions.
4. They produce an unequal level of services at relatively high cost and forestall community-wide action to meet community-wide problems.

To meet the local government problems that have been created, or at least accentuated, by the tremendous expansion and urbanization of the population of the United States in recent decades, many approaches have been proposed. All but one of these have been tried with varying degrees of success in one or

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32 The principal ones are (1) annexation, (2) city-county consolidation, (3) city-county separation, (4) federation, (5) special service districts (either single-purpose or multi-purpose), and (6) functional transfers and joint efforts (including the so-called urban county arrangement). For a thoroughgoing and authoritative treatment of the several methods of attacking the metropolitan problem, see Council of State Governments, The States and the Metropolitan Problem 125-26 (1956).
33 This refers to federation, of which there is presently no true example in the United States. New York City and Dade County, Florida, are sometimes erroneously cited as examples of federation. The former is more correctly (Continued on next page)
more metropolitan areas in the United States. Only three of them, however, have been in widespread use over a long period of time. These are the establishment of special service districts, annexation, and functional transfers and joint efforts. Although annexation always has been the most frequently used method for adjusting municipal boundaries in urban areas, its relative importance in solving the metropolitan problem has decreased in the past half century. Today, intergovernmental agreements are perhaps "the most widely-used means of broadening the geographical base for handling common functions in metropolitan areas."

PRE-EXISTING LEGAL OBSTACLES TO FUNCTIONAL TRANSFERS AND JOINT EFFORTS

Inter-governmental agreements or contracts are almost invariably the basis for functional transfers and joint efforts in the local government field. But any such agreements, of course, must be grounded upon the local governments power to contract. And this is limited to such contracts as are authorized by their charters or applicable legislative acts, either in express terms or by necessary or fair implication.

(Footnote continued from preceding page)

classified as a consolidation and the latter as an urban county arrangement. See Council of State Governments, The States and the Metropolitan Problem 86-87 (1956).

34 "Prior to 1900, large-scale annexation or absorption of territory was the most significant means by which most central cities of metropolitan areas developed from small incorporations into major urban centers. However, at the very time when metropolitan areas were becoming numerous, residents of small incorporated suburbs and unincorporated communities obtained revisions in state laws and constitutional provisions which made annexation more difficult and the procedure highly complicated." Council of State Government, State Responsibility in Urban Regional Development 71 (1962).

35 Advisory Comm'n on Intergovernmental Relations, Draft Report, Alternative Approaches to Governmental Reorganization in Metropolitan Areas 83 (June 1962).

36 Some functional transfers, of course, are effected by self-executing state laws, sometimes referred to as legislative mandates. But these are the exception rather than the rule. "Bilateral or multilateral arrangements by which one unit of government performs functions for one or more others, usually on a compensatory basis, are frequently used. The local governments in and around Los Angeles County have developed this device more extensively than any other group of units in the United States. Some of this functional consolidation has been brought about by mandatory legislation, but the larger number of functions are integrated as the result of voluntary agreements." Council of State Governments, State-Local Relations 205 (1946).

37 McQuillan, Municipal Corporations §29.05 (3rd ed. 1939) and cases there cited; cf. Advisory Comm'n on Intergovernmental Relations, Draft Report, State Constitutional and Statutory Restrictions Upon the Structural, Functional and
In addition to the general rule of strict construction of municipal powers, there are two related rules that militate against functional transfers or joint local government efforts in the absence of specific legislative authority. The first is the general rule that "a municipal corporation's power ceases at the municipal boundaries and cannot, without specific legislative authority, be exercised beyond its geographical limits." The second is the "self-evident proposition that two lawfully and fully organized public or municipal corporations cannot have jurisdiction and control at one time of the same population and territory and exercise like or similar powers in the same boundaries." However, "in the absence of constitutional restrictions no objection exists to the power of the legislature to authorize the formation of two municipal corporations in the same territory at the same time for different purposes and to authorize them to cooperate so far as cooperation may be consistent with or desirable for the accomplishment of their respective powers."

In the light of these well established rules of construction, major functional consolidations and intergovernmental service contracts generally have been dependent upon the existence of express statutory authorizations, although much informal cooperation on a reciprocal basis is done in reliance on implied powers. For many years it has been common practice for states to authorize their political subdivisions to enter into interlocal agreements

(Footnote continued from preceding page)

Personnel Powers of Local Government 64 (1962). "Since in 48 states, Alaska and Texas excepted, the Dillon Rule governs—i.e., no local power exists unless it is expressly delegated or clearly implied—express statutory denials of local authority are less important generally, except for tax rate and debt limitations, than denials of omission."

38 Sedalia ex rel. Ferguson v. Shell Petroleum Corp., 81 F.2d 193 (8th Cir. 1936). See generally McQuillin, op. cit. supra note 37, §10.07, and other cases there cited.

39 McQuillin, op. cit. supra note 37, §283, quoted in Rash v. Louisville & Jefferson County Metropolitan Sewer Dist., 309 Ky. 442, 217 S.W.2d 232, 237 (1949).

40 Ibid.

41 Advisory Commission on Intergovernmental Relations, Draft Report, State Constitutional and Statutory Restrictions Upon the Structural, Functional and Personnel Powers of Local Government 78 (1962). Also, much contracting is done, and properly so, even in the absence of any express statutory authorization for intergovernmental agreements, under the general corporate powers to contract for the provision of services which the local government served has authority to finish. A more difficult problem usually is posed in such situations in ascertaining whether or not the other contracting party (i.e., the local government providing the service in question) is legally authorized to engage in such an activity outside its corporate boundaries.
or contracts, but the great majority of these enabling acts have been "particularistic; related, only to the peculiar requirements of a designated local activity."\(^{42}\) Moreover, such enabling legislation in many instances has been enacted only when specific need therefor has arisen, oftentimes resulting in a multiplicity of such statutes in force in the same state.\(^{43}\)

It is in recognition of the practical and legalistic considerations hereinabove set forth that national and statewide organizations of public officials have endorsed,\(^{44}\) and the legislatures of approximately half the states have passed legislation giving local governments express general authorization to cooperate and contract with each other.

**Differences Between the Suggested Draft and the Kentucky Act**

The Kentucky Interlocal Cooperation Act follows closely the wording of the draft proposed in 1957 by the Committee of State Officials on Suggested State Legislation.\(^{45}\) There are, however, some significant differences.

One important difference is that the Kentucky act provides no authorization for a "public agency" of this state to act jointly with one of another state. The provisions for interlocal agreements across state boundaries, giving these the status of "compacts," are a prominent feature of the basic proposal of the Council of State Governments.\(^{46}\) However, the omission from the Kentucky act is understandable and probably justifiable by reason of the fact that the State's largest and most densely populated urban

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\(^{43}\) Council of State Governments, State Responsibility in Urban Regional Development 84 (1962).

\(^{44}\) A further reason has been advanced by the Advisory Commission on Intergovernmental Relations for its advocacy of "legislation by States, authorizing, without limitation as to type of local government, two or more units of local government to exercise jointly or cooperatively, by contract or other mutually agreeable arrangement, any power possessed individually by the units concerned." This is "the encouragement which express general authorization to cooperate and contract would provide for local governments to seek to improve their services via this route." Advisory Comm. on Intergovernmental Relations, Draft Report, State Constitutional and Statutory Restrictions Upon the Structural, Functional and Personnel Powers of Local Government 78-79 (1962).


\(^{46}\) Id. at 94.
areas are physically separated from adjacent urban centers in adjoining states by rivers or other natural barriers.

Another major difference between the proposed draft and the Kentucky act is that the latter includes a lengthy and detailed section relating to financing. The draft proposal merely provides (1) that any interlocal agreement based on the act shall specify the “manner of financing the joint or cooperative undertaking and of establishing and maintaining a budget therefor” and (2) that any public agency entering into such an agreement “may appropriate funds and may sell, lease, give, or otherwise supply the joint board or other legal or administrative entity by providing such personnel or other services therefor as may be within its legal power to furnish.” The Kentucky act, in addition to retaining the provision for specifying the manner of financing in any interlocal agreement, provides that any “public agency acting separately or jointly with one or more of any such public agencies, may acquire, construct, maintain, add to and improve the necessary property, real and personal, which is required in order to perform the functions under the agreement, and for the purpose of defraying the costs may borrow money and issue negotiable revenue bonds.”

The provisions of the Kentucky Interlocal Cooperation Act relating to revenue bond issues, KRS 65.270, follow the general pattern of KRS ch. 58. As the latter provides ample authorization for the financing of joint public projects through revenue bonds, the reasons for inclusion of a separate new grant of authority of the same kind in the Interlocal Cooperation Act are not apparent. Although there are some differences in language, these do not appear to be compelling.

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47 KRS 65.270.
48 KRS 65.270(1).
49 This chapter, originally enacted as Ky. Acts 1946, ch. 126, provides a broad grant of authority for “governmental agencies,” including counties, cities, agencies or instrumentalities or other political subdivision of the State, to “acquire, construct, maintain, add to and improve” any “public project,” as broadly defined therein, acting separately or jointly with one or more other such agencies.
50 The principal differences in substance are: (1) Chapter 58 permits a 40-year maturity; the new act sets a limit of 30 years. (2) Chapter 58 specifies a “call” price of not exceeding 103 and accrued interest; the new act sets no limit. (3) Chapter 58 authorizes the rent or lease of any public project, or any portion thereof, to “any persons, partnerships, associations or corporations either public or private,” the new act contains no such provision. (4) Chapter 58 makes express provision for the appointment of a receiver in the event of a default on
A further difference between the Kentucky act and the Council of State Governments' draft proposal is that the former dealt with civil service status and rights of employees of joint agencies or activities. Such provisions were omitted from the draft proposal with the explanation that personnel and fiscal arrangements in the states vary too widely to make their inclusion in a national "model" advisable or feasible.

SALIENT PROVISIONS OF THE ACT

The Kentucky Interlocal Cooperation Act consists of ten sections. KRS 65.210 provides that it may be cited as "the Interlocal Cooperation Act." KRS 65.220 states the legislative purpose, quoted supra. KRS 65.230 refines the term "public agency." KRS 65.240-.260 spells out the basic powers granted, specifies in outline form the provisions to be included in any agreements made pursuant to the act, and provides for review by the Attorney General.

KRS 65.270, hereinafter reviewed, deals with the financing of any joint services or facilities covered by such an agreement and includes specific authorization for the issuance of revenue bonds. KRS 65.280(1) is designed to preserve any accrued civil service rights or benefits of public employees involved in transfers to any joint or cooperative activities under the act. KRS 65.280(2) also deals with civil service protection for employees of any such joint or cooperative activities, but is so worded as to make its application somewhat uncertain. KRS 65.290 requires the filing of the bonds; the new act makes no such provision. (5) The new act omits the provision of KRS 58.100, 58.110-.120, and 58.140, relating to refunding bonds, supplemental issues, and use of the power of condemnation, respectively.


56 The section reads:

In the event that the joint or cooperative action is such that its employees would be afforded civil service pension rights or benefits if they were employees of a city or county, such employees may be afforded the protection of civil service laws or regulations; provide, however, that such protection is available under the laws of this state.
of certified copies of any agreement made pursuant to the act, before it becomes operative, with specified public officials.\(^{57}\) KRS 65.300 provides that any such agreement which deals with services or facilities subject to the control of a state officer or agency shall, "as a condition precedent to its entry into force," be submitted to such officer or agency for approval or disapproval as to all matters within his or its jurisdiction.

The section relating to the basic powers granted, of course, contains the most important provisions of the act. It is therefore unfortunate that some of the wording of this section may be sufficiently uncertain as to invite litigation, or require subsequent legislation, for purposes of clarification. The wording in question is contained in the first sentence of KRS 65.240: "Any power or powers, privileges or authority exercised or capable of exercise by a public agency of this state may be exercised and enjoyed jointly with any other public agency of this state."

Does this mean that two or more public agencies may exercise a power jointly or cooperatively if only one of them possesses the power? This is the interpretation given by the Council of State Governments' committee which proposed the legislation back in 1957.\(^{58}\) Accordingly, to make certain that no local government effects, or undertakes to effect, an expansion of its own powers by entering into an agreement with another having more extensive powers, some similar enactments have limited their use to situations where all contracting parties could separately exercise the same power or perform the same function.\(^{59}\)

A check of several issues of the Legislative Record\(^ {60}\) for the 1962 regular session of the General Assembly reveals that the bill which became the Interlocal Cooperation Act\(^ {61}\) was identified as one "permitting a public agency to exercise and enjoy jointly any

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\(^{57}\) These are: (a) the county clerk of any county which is a party to the agreement, (b) the city clerk of any city which is a party thereto, (c) the county clerk of the county "wherein any other political subdivision of the state is located which is party to such agreement," and (d) the Kentucky Secretary of State.


\(^{59}\) Council of State Governments, State Responsibility in Urban Regional Development 84 (1962).

\(^{60}\) This is the official daily summary of legislative action by the Kentucky General Assembly, edited and published by the Legislative Research Commission.

\(^{61}\) S.B. 274, Ky. 1962.
of its powers, privileges or authority with any other public agency " This language would hardly suggest that any such public agency could join in the exercise of any powers not separately possessed by it, especially in view of the well known rule of strict construction of municipal powers followed by the Kentucky courts.62 Under the circumstances, the legislative intent on this point is at best uncertain.

Public and official understanding of the act perhaps also could have been improved by the inclusion of a simple, clear-cut authorization for the provision of one or more governmental services by one public agency for another on a contractual basis. The whole emphasis of the Kentucky Interlocal Cooperation Act is on "joint or cooperative action" under agreements providing for the creation of some "separate legal or administratve entity."63 or, as the only alternative, "an administrator or joint board responsible for administering the joint or cooperative undertaking."64 It is only by necessary and fair implication, if at all, that the act authorizes the furnishing of a governmental service on a contractual basis by one public agency for one or more others. But this is one of the two major types of interlocal agreements.65 Actually, it is the one most frequently employed.66

It is hardly realistic, therefore, for a supposedly comprehensive state enabling act "relating to interlocal contracts"67 to omit express provision for this type of interlocal arrangement. Fortunately, local governments are not wholly dependent on the 1962 act for broad authorization to contract with each other. Under

62 Municipal corporations possess only the powers expressly granted, those necessarily or fairly implied in or incident to powers expressly granted and those indispensable to the declared objects and purposes of the corporation. E.g. City of Harrodsburg v. Southern Ry., 313 S.W.2d 864 (Ky. 1958); Louisville and N. R.R. v. City of Hazard, 304 Ky. 370, 220 S.W.2d 917 (1947); Olson v. Preston St. Water Dist. No. 1, 291 Ky. 155, 163 S.W.2d 307 (1942); Board of Educ. v. Scott, 189 Ky. 225, 224 S.W.680 (1920); Walker v. City of Richmond, 179 Ky. 26, 189 S.W 1122 (1916).
63 KRS 65.250(2)(a).
64 Ibid.
65 "These interlocal arrangements are of two major types—(1) the provision of governmental services on a contractual basis by one unit of government to one or more additional units, and (2) the joint conduct by two or more units of government of a particular function or the joint operation of a particular governmental facility." Advisory Commn on Intergovernmental Relations, Draft Report, State Constitutional and Statutory Restrictions Upon the Structural, Functional and Personnel Powers of Local Government 102 (1962).
67 This is the wording of the title of Ky. Acts 1962, ch. 216.
a 1954 general statute, any county and cities located therein may contract with each other for the performance of governmental services. Since the authorization thereby provided is definite and certain, and at the same time less restrictive and complicated than the grant of powers contained in the 1962 law, it is entirely possible that the 1954 act will get much greater usage in the future than the new Interlocal Cooperation Act.

**CONCLUSION**

From the foregoing criticism, express and implied, it must be apparent that the writer is of the opinion the new Interlocal Cooperation Act leaves much to be desired, both as to content and wording. This is admitted. And this explains the dubious approbation accorded the legislation in the introductory sentence of this review.

On balance, however, the new act constitutes a welcome, if somewhat imperfect, addition to the statutory authorizations for intergovernmental cooperation in Kentucky. Its passage indicates an awareness on the part of the Legislature of the increasing and constantly changing needs of local governments and a willingness to give them greater flexibility and freedom of action in attempting to meet these new and changing needs. The fact that the legislation had the express or implied endorsement of organizations representing all three levels of government is itself also significant and encouraging.

Whether or not the Kentucky Interlocal Cooperation Act is ever extensively implemented, its passage, under the circumstances surrounding its sponsorship and submission to the Legislature, may have helped to prepare the way for more and better intergovernmental cooperation throughout the Commonwealth.

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68 KRS 79.110-.180.
69 These include the Advisory Commission on Intergovernmental Relations, the Council of State Governments, and the Kentucky Municipal League (See pp. 22-23 supra).