Local Mandate Fiscal Impact Estimate
Kentucky Legislative Research Commission
2015 Regular Session

Part I: Measure Information

Bill Request #: 116

Bill #: HB 23

Bill Subject/Title: AN ACT relating to coal severance revenues.

Sponsor: Rep. Fitz Steele

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

Office(s) Impacted: ____

Requirement: X Mandatory ___ Optional

Effect on Powers & Duties: ___ Modifies Existing ___ Adds New ___ Eliminates Existing

Part II: Purpose and Mechanics

HB 23 amends various sections of Chapter 42 of the Kentucky Revised Statutes to provide that coal severance and processing tax revenues are distributed according to the amount of revenue produced in that county. The coal severance program currently allocates half (50%) of the revenues to the General Fund with the remaining revenues split between the Local Government Economic Assistance Fund (15%) and the Local Government Economic Development Fund (35%). Under the provisions of HB 23, all revenues (100%) would be returned to the LGEAF (to the coal producing and coal impact counties) and none would go to the General Fund.

Total gross coal severance receipts for the first quarter of fiscal year 2015 were $48,321,066, meaning that the 50% split between the LGEAF and LGEDF amounted to $23,826,470. The 15% allocated to the LGEAF was $7,147,941. There are multiple special funds that receive allocations from the remaining, leaving a net of $6,380,579 for the LGEDF.

The local mandate relates to the amount of revenue that would be received by a county in any particular fiscal year beginning in fiscal year 2016.

Part III: Fiscal Explanation, Bill Provisions, and Estimated Cost

The fiscal impact of HB 23 on any particular county is expected to range from significant to substantial depending on the amount of coal severed or processed in that county. Counties that are large producers are likely to receive a greater amount of revenues. Counties that produce less coal severance revenue would be negatively impacted due to the loss of the employment and earning components currently in use in the formula.

Coal producing counties in the first quarter of fiscal year 2015 include: Bell, Breathitt, Clay, Daviess, Floyd, Harlan, Henderson, Hopkins, Johnson, Knott, Knox, Laurel, Lawrence, Lee, Leslie, Letcher, Magoffin, Martin, McLean, Muhlenberg, Ohio, Owsley, Perry, Pike, Pulaski, Rockcastle, Union, Webster, and Whitley.

Impact counties, those with no production, would be negatively impacted with the **loss of all revenues**. So far in fiscal year 2015, this group includes the following counties: Anderson, Bath, Boyd, Caldwell, Carter, Clark, Fayette Franklin, Jackson, Jefferson, Lyon, Madison, Marshall, McCreary, Montgomery, Morgan, Nelson, Powell, Rowan, Shelby, Wolfe, and Woodford.

Data Source(s): Appropriations and Revenue Staff, LRC; Coal Development Branch Staff, Governor's Office of Local Development

Preparer: Erica Warren **Reviewer:** MCY **Date:** 1/9/15