

**Local Mandate Fiscal Impact Estimate  
Kentucky Legislative Research Commission  
2016 Regular Session**

**Part I: Measure Information**

**Bill Request #:** 978

**Bill #:** HB 266

**Bill Subject/Title:** AN ACT relating to coal severance tax distributions, making an appropriation therefor, and declaring an emergency.

**Sponsor:** Representative Chris R Harris

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

Office(s) Impacted: \_\_\_\_\_

Requirement:  Mandatory  Optional

Effect on

Powers & Duties:  Modifies Existing  Adds New  Eliminates Existing

**Part II: Purpose and Mechanics**

HB 266 increases the amount transferred from the general fund to the Local Government Economic Development Fund (LGEDF) from an amount equal to 50% of the severance and processing taxes on coal collected annually to 70% of that amount. HB 266 also increases the amount transferred from the LGEDF to the Local Government Economic Assistance Fund (LGEAF) from an amount not less than fifteen percent (15%) of the severance and processing taxes on coal collected annually to the greater of thirty-five percent (35%) or forty million dollars (\$40,000,000).

HB 266 adds language requiring that the moneys deposited in the LGEAF be used to support the local Government Economic Assistance Program, a system of grants administered by the Department of Local Government. HB 266 further reduces the percentage from 30% to 13%, the amount of grant money under this program that must be spent on the coal haul road system. Conversely, HB 266 also increases from 70% to 87%, the grant money under this program that can ONLY be used for the following priority categories currently in statute:

Public safety.  
Environmental protection.  
Public transportation.  
Health.  
Recreation.  
Libraries and educational facilities.  
Social services.  
Industrial and economic development.  
Vocational education.  
Workforce training.  
Secondary wood industry development.

HB 266 adds language to **prohibit** funds originating from the Government Economic Assistance Program from being used for expenses related to the administration of government.

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

**The fiscal impact of HB 266 on local governments regarding the amount spent on coal haul roads is expected to be minimal.** Estimates reflect an average additional amount equal to \$61,000 per year to be available for coal haul roads between 2016 and 2018 due to the adjusted factors, albeit the total amount per year is decreasing over the same time frame due to a decrease in coal tax revenues.

**The fiscal impact of HB 266 on local governments regarding the amount spent on the priority categories listed above is expected to be significant.** Estimates reflect an average additional amount equal to \$24 million per year to be available for priority category spending between 2016 and 2018, albeit the total amount per year is decreasing over the same time frame due to a decrease in coal tax revenues.

Attached are the calculations used to derive at the above impacts.

	Current Calculations							
	2016		2017		2018			
Estimated Coal Severance Tax Per Consensus Forecast	\$138,400,000		\$120,700,000		\$107,600,000			
	50%		50%		50%			
Transfer from the General Fund to Local Government Economic Development Fund	\$69,200,000		\$60,350,000		\$53,800,000			
	15%		15%		15%			
Transfer from Local Government Economic Development Fund to the Local Government Economic Assistance Fund	\$20,760,000		\$18,105,000		\$16,140,000			
	30%	70%	30%	70%	30%	70%		
Amount spent on Coal Haul Roads	\$6,228,000		\$5,431,500		\$4,842,000			
Amount spent on priority categories	\$14,532,000		\$12,673,500		\$11,298,000			
	Proposed Calculations							
	2016		2017		2018			
Estimated Coal Severance Tax Per Consensus Forecast	\$138,400,000		\$120,700,000		\$107,600,000			
	70%		70%		70%			
Transfer from the General Fund to Local Government Economic Development Fund	\$96,880,000		\$84,490,000		\$75,320,000		The minimum proposed by HB 266 would be the amount transferred in 2018 to the Local Government Economic Assistance Fund based on Consensus Forecast estimates.	
	35%		35%		35%			
Transfer from Local Government Economic Development Fund to the Local Government Economic Assistance Fund	\$48,440,000		\$42,245,000		\$37,660,000		\$40,000,000	
	13%	87%	13%	87%	13%	87%	13%	87%
Amount spent on Coal Haul Roads	\$6,297,200		\$5,491,850		\$4,895,800		\$5,200,000	
Amount spent on priority categories	\$42,142,800		\$36,753,150		\$32,764,200		\$34,800,000	
Increases to coal haul roads:	\$69,200		\$60,350		\$53,800		Average \$61,117	
Increases to priority categories:	\$27,610,800		\$24,079,650		\$21,466,200		\$24,385,550	

**Data Source(s):** LRC Staff, Consensus Forecast Group, Governor's Office of Economic Analysis

**Preparer:** Wendell F. Butler      **Reviewer:** JWN      **Date:** 1/19/16