



One-half of the revenues collected from state severance and processing tax on minerals are transferred into the LGEAF and allocated among the counties based on the tax collected on minerals severed in that county, with 10% of that amount allocated to incorporated cities within the county. In the event that a tax refund is issued which reduces the total tax collections, the local allocation is therefore also reduced. The local share of the refunded amount is paid by reducing the current quarterly allocations as necessary, including carrying the refund forward to future quarterly allocations if the current quarterly amount is insufficient to satisfy the refund in full.

Such a reduction in the local allocation would often be unexpected and, depending on the size of the refund, may in some cases result in a financial hardship on a county or city that had already budgeted the estimated LGEAF receipts.

HB 52 GA changes the formula used for allocating Local Government Economic Development Funds and Local Government Economic Assistance Funds back to the coal producing counties. HB 52 GA proposes to use a ratio of coal severed in each respective county to the coal severed statewide. Currently, a ratio of coal tax collected is used.

HB 52 GA would lessen the local impact by amending KRS 42.470 to provide that a mineral producing county's quarterly LGEAF payment may be reduced by no more than 50% as a result of any tax refund issued to the taxpayer severing and/or processing the minerals in the county. If a tax refund is paid and the county's allocated share of the refunded amount is greater than 50% of its quarterly payment, the remainder would carry forward to be offset in successive quarters as necessary until it is accounted for in full.

HB 52 GA provides that if the amount of funds allocated to an incorporated area is less than \$25 in any given quarter, then the allotment shall be distributed to the county to which the funds were allocated.

**HB 52 SCS 2 retains all the provisions pertaining to the local government economic assistance and development programs and adds language regarding the pay for Kentucky State Police Officers. It also creates new ranks within KSP below that of sergeant such as "Trooper," "Senior Trooper," "Trooper First Class," and "Master Trooper." HB 52 SCS 2 also adds language to KRS Chapter 139 dealing with sales and use tax.**

HB 52 SCS 2 will not affect local governments **except** for a provision that will require a city or local law enforcement agency that hires a peace officer who has been employed by a state law enforcement agency for three (3) years or less to reimburse the state law enforcement agency **all** the costs expended with the initial hiring of that officer, including but not limited to the application process, training costs, equipment costs, salary and fringe benefits.

HB 52 SCS 2 adds provisions within KRS Chapter 139 regarding Sales and Use Tax and are outside the scope of this local mandate.

HB 52 SCS 2 declares an emergency to ensure an effective date coinciding with the start of the fiscal year, July 1, 2016 except for the Sales and Use Tax provisions of SCS 2 which will have an effective of August 1, 2016.

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

HB 52 SCS 2 would have no impact on the total amount of local LGGEAF allocations over time. Eventually, the full local share of any tax refund would be paid just as it is today. However, the bill would have a positive impact within any given quarter in which more than 50% of the allocation would be offset by the state under current procedures to account for a refund.

In any case where the local share of the amount to be refunded is more than 50% of a county's allocation, this bill would act to smooth out the offset over time, thereby reducing the current negative impact on relevant local governments.

This bill relates to tax refunds, which may arise in a multitude of taxpayer-specific situations. It is impossible to accurately estimate the number and amount of refunds that may occur that would impact any given county's LGGEAF allocations under the provisions of this bill. Furthermore, the impact on local governments would not be uniform across the state, but would vary based on refunds paid and the amount of minerals severance tax collected in each county.

HB 52 SCS 2 will require a city or local law enforcement agency that hires a peace officer who has been employed by a state law enforcement agency for three (3) years or less to reimburse the state law enforcement agency **all** the costs expended with the initial hiring of that officer, including but not limited to the application process, training costs, equipment costs, salary and fringe benefits. This reimbursement will only occur if the local agency hires a current state law enforcement officer, therefore it will be part of the decision-making process regarding hiring the applicant.

Regarding the reimbursement from the local law enforcement agency to the state agency, the Kentucky State Police provided the following: It costs \$410,023 to purchase all the equipment used to train and prepare a cadet class of 60 to graduate and be "road ready." **That is \$6,824 per cadet.** This includes uniforms, tasers, and guns. It does not include the cost of ammunition used during the class or food cost. KSP spends \$1.1 million on an ammunition order each year, but only a portion is used for cadet training.

The largest cost of a class is the payroll. For a class of 60, the payroll cost is \$1.6 million in salary and fringe benefits just to get them to the graduation date. **That is approximately \$27,000 in salary and fringe benefits just for the 22 weeks of cadet training per cadet.**

**Data Source(s):** LRC Staff; RS 2015, HB194; Kentucky State Police

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