

**COMMONWEALTH OF KENTUCKY STATE FISCAL NOTE STATEMENT
LEGISLATIVE RESEARCH COMMISSION
2016 REGULAR SESSION**

MEASURE

2016 BR NUMBER **341**

SENATE BILL NUMBER **21**

RESOLUTION NUMBER _____

AMENDMENT NUMBER _____

SUBJECT/TITLE **An ACT relating to coal severance revenues.**

SPONSOR **Senator Jones**

NOTE SUMMARY

FISCAL ANALYSIS: IMPACT NO IMPACT INDETERMINABLE IMPACT

LEVEL(S) OF IMPACT: STATE LOCAL FEDERAL

BUDGET UNIT(S) IMPACT: **Local Government Economic Development Fund and Local Government Economic Assistance Fund**

FUND(S) IMPACT: GENERAL ROAD FEDERAL RESTRICTED AGENCY _____ OTHER

FISCAL SUMMARY

FISCAL ESTIMATES	2015-2016	2016-2017	2017-2018	ANNUAL IMPACT AT FULL IMPLEMENTATION
REVENUES		(\$62.9 million)*	(\$58.5 million)	(indeterminable)
EXPENDITURES				
NET EFFECT		(\$62.9 million)	(\$58.5 million)	

() indicates a decrease/negative

*Note: All coal severance revenues are still deposited in the general fund. However, the legislation allocates all coal severance receipts to coal producing counties, resulting in a negative impact to resources available in the general fund for other purposes.

MEASURE'S PURPOSE: The purpose of this measure is to distribute 100% of the coal severance and processing tax revenues according to the amount of revenue produced in each county.

Currently the coal severance program allocates 50% of the total revenues to the general fund with the remaining revenues split between the Local Government Economic Assistance Fund (LGEAF) (15%) and the Local Government Economic Development Fund (LGEDF) (35%).

Under the provisions of SB 21, all coal severance revenues (100%) would be returned to the LGEAF (to the coal-producing counties on the basis of the tax collected on coal severed or processed in each respective county) and none would go to the general fund or to the LGEDF as SB 21 terminates that fund effective August 1, 2016.

SB 21 also stops the use of coal severance revenue from being allocated to the Osteopathic Medicine Scholarship Fund and the Coal County Scholarship Fund (Pharmacy scholarships).

PROVISIONS/MECHANICS: Section 1 amends KRS 42.450 to transfer 100% of the tax collected on severing or processing coal from the general fund into the Local Government Economic Assistance Fund (LGEAF).

Section 2 amends 42.455 to terminate the Local Government Economic Development Fund (LGEDF) effective August 1, 2016 and allocates moneys among the counties as provided by Section 7 of this Act.

Section 3 amends KRS 42.4582 so that upon closure of LGEDF on August 1, 2016, any remaining balance shall transfer to LGEAF.

Section 4 amends KRS 42.4585 to end the transfer of the 15% of the gross coal severance revenue from the LGEDF to the LGEAF as of August 1, 2016.

Section 5 amends KRS 42.4588 to state that after August 1, 2016, no new grants shall be issued by LGEDF and the program shall be terminated.

Section 6 amends KRS 42.4592 to discontinue transfer of LGEDF funds to the single and multi-county funds.

Section 7 amends KRS 42.470 to discontinue the current allocations of the LGEAF program, effective August 1, 2016 and states that all funds allocated under KRS 42.450 (2)(b) shall be distributed among the coal-producing counties on the basis of the tax collected on coal severed or processed in each respective county.

Section 8 amends KRS 42.472 to correct citing to KRS 42.470(2)(a).

Section 9 amends KRS 42.475 to remove the exception that incorporated areas shall not be eligible for funds allocated to counties under the provisions of KRS 42.490 and 1980 Acts, Ch. 394, sec. 11.

Section 10 amends KRS 42.480 to end current reporting requirements by the Commissioner of the Department for Local Government effective July 31, 2016. This section also adds the requirement that no later than August 1, 2016, and each year thereafter, the Commissioner of the Department for Local Government shall provide the legislative body of each local government eligible for funds under KRS 42.450 to 42.495 an estimate of the funds that will be allocated to the local government.

Section 11 amends KRS 143.090 to state that beginning with Fiscal years 2016 - 2017, the Kentucky Transportation Cabinet will no longer be required to certify the amount required for lease rental payments to the Kentucky Turnpike Authority for resource recovery road projects.

This Section also states beginning with Fiscal years 2016-2017 that the Department for Energy Development and Independence is no longer required to certify to the Commissioner of the Department of Revenue the amount of annual lease rental payments required to be made for any energy research development or demonstration project undertaken by the Department for Energy Development and Independence.

Section 12 amends KRS 164.7890 to discontinue the allocation of coal severance revenue to fund the Coal County Scholarship Fund effective August 1, 2016.

Section 13 amends KRS 164.7891 to discontinue the allocation of coal severance revenue to fund the Osteopathic Medicine Scholarship Program effective August 1, 2016.

Section 14 repeals KRS 42.490, Transfer of fund balances of county.

FISCAL EXPLANATION:

*Note: All coal severance revenues are still deposited in the general fund. However, the legislation allocates all coal severance receipts to coal producing counties, resulting in a negative impact to resources available in the general fund for other purposes.

Currently 50% of the coal severance revenue remains in the general fund where it is appropriated for various purposes. This measure transfers 100% of the coal severance revenue to the Local Government Economic Assistance Fund to be appropriated back to the areas the coal was severed or processed.

According to the latest forecast from the Consensus Forecasting Group, coal severance revenue is projected to be \$125.7 million in FY 2017 and \$117 million in FY 2018. Using those projections, if this measure passes, the general fund would be affected by the loss of \$62.9 million in FY 2017 and \$58.5 million in FY 2018.

DATA SOURCE(S):LRC Staff

PREPARER: Stephanie Rich **NOTE NUMBER:** 31 **REVIEW:** JRS **DATE:** 1/20/2016