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

Part I: Measure Information

Bill Request #: 341
Bill #: SB 21
Bill Subject/Title: An ACT relating to coal severance revenues.
Sponsor: Senator Ray S. Jones II
Unit of Government: X City X County X Urban-County Unified Local X Charter County X Consolidated Local X Government
Office(s) Impacted:
Requirement: X Mandatory Optional
Effect on Powers & Duties: X Modifies Existing Adds New Eliminates Existing

Part II: Purpose and Mechanics

SB 21 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 (LGEAF) (15%) and the Local Government Economic Development Fund (LGEDF) (35%). Under the provisions of SB 21, 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 or to the LGEDF as SB 21 shuts down that fund effective August 1, 2016.

Total gross coal severance receipts for the first quarter of fiscal year 2016 (July) were \$41,148,558.23, meaning that the 50% split between the LGEAF and LGEDF after the quarterly deductions for the "Off the Top" appropriations amounted to \$20,240,216.62. The 15% allocated to the LGEAF was \$6,072,064.98. There are multiple special funds that receive allocations from the remaining, leaving a net of \$3,870,201.63 for the LGEDF.

Total gross coal severance receipts for the second quarter of fiscal year 2016 (October) were \$37,636,109.84, meaning that the 50% split between the LGEAF and LGEDF after the quarterly deductions for the "Off the Top" appropriations amounted to \$18,483,992.42. The 15% allocated to the LGEAF was \$5,545,197.73. There are multiple special funds that receive allocations from the remaining, leaving a net of \$2,640,844.69 for the LGEDF.

The local mandate relates to the amount of revenue that would be received by a county in any particular fiscal year effective August 1, 2016.

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

The fiscal impact of SB 21 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 for the first quarter of fiscal year 2016 are: Bell, Breathitt, Clay, Daviess, Floyd, Hancock, Harlan, Hopkins, Johnson, Knott, Knox, Lawrence, Leslie, Letcher, Magoffin, Martin, McLean, Muhlenberg, Ohio, Owsley, Perry, Pike, Union, Webster, and Whitley.

Impact counties, those with no production, would be negatively impacted with the **loss of all revenues**. Coal impact counties for the first quarter of fiscal year 2016 are: Anderson, Boyd, Clark, Fayette, Franklin, Henderson, Jackson, Jefferson, Laurel, McCreary, Morgan, Nelson, Powell, Pulaski, Rowan, Shelby, Washington, Wolfe, and Woodford.

Data Source(s): Appropriations and Revenue Staff, LRC; Coal Development Branch Staff,

Governor's Office of Local Development.

Preparer: Wendell F. Butler **Reviewer:** JWN **Date:** 12/7/15