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

MEASURE

2016 BR NUMBER **1480** **SENATE** BILL NUMBER **303**

RESOLUTION NUMBER_____ AMENDMENT NUMBER _____

SUBJECT/TITLE An ACT relating to economic and workforce development and making an appropriation therefor.

SPONSOR Senator Ray Jones

NOTE SUMMARY

FISCAL ANALYSIS: ☒ IMPACT ☐ NO IMPACT ☐ INDETERMINABLE IMPACT

LEVEL(S) OF IMPACT: ☒ STATE ☐ LOCAL ☐ FEDERAL

BUDGET UNIT(S) IMPACT: **Kentucky Housing Corporation, Kentucky Community and Technical College System**

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				
EXPENDITURES		Indeterminable	Indeterminable	Indeterminable
NET EFFECT		(Indeterminable)	(Indeterminable)	(Indeterminable)

( ) indicates a decrease/negative

MEASURE'S PURPOSE: The bill would develop a program aimed at retraining dislocated coal industry workers and increasing their employability, and would also create a program to incentivize home energy efficiency.

PROVISIONS/MECHANICS: Section 1 directs the Education and Workforce Development Cabinet to create a program to prepare dislocated coal industry workers for new careers.

Section 2 creates various preferences within the merit system examination model to benefit coal miners with at least five years of experience.

Section 3 creates a number of programs aimed at incentivizing Kentuckians to make their homes and rental units more energy-efficient, as well as training workers to conduct energy audits and perform energy efficiency contracting. It also creates the Kentucky energy efficiency fund, which would be funded by 1% of the General Fund portion of coal severance receipts.

<u>FISCAL EXPLANATION</u>: The Education and Workforce Development Cabinet states that the impact of Section 1 fits within the existing scope of its operations, and will result in no added costs.

Likewise, the Personnel Cabinet states that its existing merit system framework can be easily adapted to the changes in Section 2, and would be absorbed into its existing operations at minimal to no cost.

Section 3 creates or impacts four separate programs to be operated by the Kentucky Housing Corporation (KHC), which is a quasi-governmental agency and does not receive funding through the commonwealth's budget process. Two of these programs would provide subsidies and low-interest and no-interest loans to homeowners or owners of rental units to use toward energy-efficient improvements. KHC projects the annual impact of these two programs to involve 325 loans each year at a maximum amount of $20,000 each, with a loan rate of 0.99%. KHC projects the cost to subsidize the interest rate on these loans at $1,300,000 annually, due to the way it pre-funds the costs of the subsidy. In addition, KHC projects a cost of $291,000 annually for a program manager and two additional consultants' contract salaries, as well as program costs of $59,300 for loan servicing, marketing, and software licenses. This results in a total cost for these two programs of $1,650,300.

A third program included in Section 3 involves subsidies for energy-efficient home improvements for low-income Kentuckians. KHC reports that this program falls under the mission of its Weatherization Assistance Program, which operates under the same parameters as the language in the bill. Therefore, there would be no added costs for this provision.

The fourth program in Section 3 is a partnership between KHC and the Kentucky Community and Technical College System. The partnership would provide training and certification in energy auditing and energy-efficient contracting, with an emphasis on training dislocated coal industry workers. KHC and KCTCS jointly operated a similar program in the past, the BPI Energy Auditor Program, which lasted two years before ending due to lack of interest. Based on the costs of that program and other similar programs, they estimate the maximum annual cost of this program at between $725,000 and $750,000.

The bill also designates 1% of the General Fund share of coal severance receipts for the Kentucky energy efficiency fund. Under Consensus Forecasting Group (CFG) projections for the biennium, these amounts would be $616,100 in FY 2017 and $556,400 in FY 2018. The actual revenues, however, may vary from the CFG forecast based on actual receipts. The Finance and Administration Cabinet states that there may be indeterminable costs involved in administering this fund, but they are expected to be relatively minimal.

The bill is unclear regarding where funding for these programs would come from should coal severance receipts be insufficient to cover all costs, and it is clear that this is likely to be the case. Additionally, the new fund would not be operational until FY 2018, while the programs would begin in FY 2017. Therefore, they would be entirely funded through those agencies' normal operating budgets during the first year.

KHC currently receives its funding entirely from non-General Fund sources, so any cost overruns would be absorbed by that agency in the absence of a General Fund appropriation. KCTCS, however, may reach into its General Fund appropriation to absorb those costs, which may offset funding to other programs.

DATA SOURCE(S): **Education and Workforce Development Cabinet, Kentucky Housing Corporation, Kentucky Community and Technical College System**
PREPARER: **Chuck Truesdell** **NOTE NUMBER**: **142** **REVIEW**: **JRS** **DATE**: **3/9/2016**
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