

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

**MEASURE**

2016 BR NUMBER **0073**

**SENATE** BILL NUMBER **38**

RESOLUTION NUMBER \_\_\_\_\_

AMENDMENT NUMBER \_\_\_\_\_

**SUBJECT/TITLE AN ACT relating to TVA in-lieu-of-tax payments, making an appropriation therefor, and declaring an emergency.**

**SPONSOR Senator Humphries**

**NOTE SUMMARY**

FISCAL ANALYSIS:  IMPACT     NO IMPACT     INDETERMINABLE IMPACT

LEVEL(S) OF IMPACT:  STATE     LOCAL     FEDERAL

BUDGET UNIT(S) IMPACT: **Department of Revenue**

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

**FISCAL SUMMARY**

FISCAL ESTIMATES	2015-2016	2016-2017	2017-2018	ANNUAL IMPACT AT FULL IMPLEMENTATION
<b>REVENUES</b>				
<b>EXPENDITURES</b>		\$1,024,831	\$2,222,640	\$6,000,000 beginning in FY 2020-2021
<b>NET EFFECT</b>		(\$1,024,831)	(\$2,222,640)	(\$6,000,000) beginning in FY 2020-2021

( ) indicates a decrease/negative

**MEASURE’S PURPOSE:** SB 38 would statutorily appropriate a portion of the annual payment made to the Commonwealth and deposited in the General Fund by the Tennessee Valley Authority (TVA), as a federally mandated payment in-lieu-of-tax, to local industrial development authorities for economic development and job creation activities undertaken locally by those authorities.

**PROVISIONS/MECHANICS:** SB 38 amends KRS 96.895 to begin transferring certain percentages of the TVA payment made to the state each year to the regional development agency assistance fund, which is established by the bill. This fund would serve only as a conduit for the funds to pass through and be paid to local industrial development authorities that are to be designated by the fiscal court of each county receiving a TVA in-lieu-of-tax payment in that year.

The annual amount of funding to be provided would be phased-in over a 5-year period,

beginning with 10% of the state TVA payment in FY 2016-2017, and increasing by 10% each year until it reaches 50% of the state payment in FY 2020-2021, at which point it will remain at 50% for each fiscal year thereafter. The total amount to be provided each year is capped as follows:

- FY 2016-2017: \$1.2 million
- FY 2017-2018: \$2.4 million
- FY 2018-2019: \$3.6 million
- FY 2019-2020: \$4.8 million
- FY 2020-2021 and beyond: \$6 million

**FISCAL EXPLANATION:** Based on the Consensus Forecasting Group estimate for the amount of the state TVA in-lieu-of-tax payment to be made in FYs 2016-2017 and 2017-2018, SB 38 would negatively impact the General Fund by requiring \$1,024,831 and \$2,222,640 to be distributed among the applicable local industrial development authorities in each of those years, respectively. Upon full implementation in FY 2020-2021 and beyond, the amount to be distributed in each year may reach the maximum amount of \$6 million as stated in the bill.

The Department of Revenue will incur some additional administrative duties as a result of this bill, in regards to requesting information from fiscal courts, processing payments, and recordkeeping. LRC staff estimates the impact of these duties will be minimal.

**DATA SOURCE(S):** CFG; LRC staff

**PREPARER:** Eric Kennedy **NOTE NUMBER:** 32 **REVIEW:** JRS **DATE:** 1/21/2016