

**Local Mandate Fiscal Impact Estimate  
Kentucky Legislative Research Commission  
2017 Regular Session**

**Part I: Measure Information**

**Bill Request #:** 834

**Bill #:** HB 168

**Bill Subject/Title:** AN ACT relating to TVA in-lieu-of-tax payments and making an appropriation therefor.

**Sponsor:** Representative Bart T. Rowland

Unit of Government:  City  County  Urban-County  
 Charter County  Consolidated Local  Unified Local  
Government

Office(s) Impacted: \_\_\_\_\_

Requirement:  Mandatory  Optional

Effect on Powers & Duties:  Modifies Existing  Adds New  Eliminates Existing

**Part II: Purpose and Mechanics**

The Tennessee Valley Authority (TVA) is a publicly-owned utility created by the Federal Government, and therefore exempt from taxation in any manner or form by any state, county, municipality, or subdivision or district thereof. Properties acquired by the TVA are no longer subject to state and local taxation. In order to provide financial assistance to those taxing districts in which the TVA is located, Section 13 of the Federal TVA Act requires the TVA to make payments in lieu of taxation. These payments are based on equally weighted factors made up of

- the percentage of gross receipts earned within the state to total gross receipts and
- the percentage of the book value of power property within the state to total property.

Thirty percent (30%) of the total TVA payment made to Kentucky pursuant to the Federal TVA Act currently goes to the general fund and seventy percent (70%) is a local portion that goes to the counties, cities, and school districts.

HB 168 establishes the Regional Development Agency Assistance Fund (RDAAF) within the State Treasury and provides that a **portion of the in-lieu-of tax payment currently received from the TVA and designated to the general fund (the 30% state portion) be**

**transferred from the general fund to the RDAAF.** The fund will provide moneys to local industrial development authorities as designated by the fiscal court of each county for the purposes of economic development and job creation; and for the purposes of acquiring federal, state, or private matching funds.

The Department of Revenue shall request from the fiscal courts of each county that receives a payment from the 70% local portion of TVA funds, the name and address of the **one** agency designated to receive the payment from the RDAAF. The fiscal courts must respond within 60 days with the name of the designated recipient or the payment otherwise due to the designated agency will be reallocated equally among the agencies so designated by the other fiscal courts. Any funds - inclusive of any interest earned - remaining in the fund at the close of the fiscal year shall be carried to the subsequent year.

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

**The fiscal impact of HB 186 to local governments is expected to be significant.**

The diversion of general fund moneys to the impacted counties represents **funding in addition to** the TVA funds they currently receive. Impacted counties are those counties that have TVA property located within the county. Fund-eligible counties are those counties that were either served by a utility that purchases power from the TVA, distributes TVA power in Kentucky, the situs for any TVA property, or one of the following counties:

Adair	Caldwell	Edmonson	Henderson	McCracken	Ohio	Union
Allen	Calloway	Fulton	Hickman	McCreary	Russell	Warren
Ballard	Carlisle	Graves	Livingston	Metcalfe	Simpson	Wayne
Barren	Christian	Grayson	Logan	Monroe	Todd	Webster
Bell	Clinton	Harlan	Lyon	Muhlenberg	Trigg	Whitley
Butler	Cumberland	Hart	Marshall			

The amount going to the counties will be based on 50% of the total fiscal payment but shall not exceed six million dollars (\$6,000,000). Based on estimates from the Consensus Forecast Group regarding future TVA payments, the additional aggregate funding to the counties for fiscal years beginning **on or after July 1, 2017** will break down as shown:

	FYE 2017*	FYE 2018	FYE 2019	FYE 2020	FYE 2021
Consensus Forecast Estimates - state portion	\$ 10,248,314	\$ 11,113,202			
Based on the 2018 estimate.			\$ 11,113,202	\$ 11,113,202	\$ 11,113,202
	50%	50%	50%	50%	50%
Proposed transfer to the Regional Development Agency Assistance Fund:	\$ 5,124,157	\$ 5,556,601	\$ 5,556,601.00	\$ 5,556,601.00	\$ 5,556,601.00

\*FYE 2017 presented for comparison purposes.

The actual general fund portion of TVA receipts for 2015 were \$9,452,432; the amount that would have been transferred to the Regional Development Agency Fund under this proposal would have been \$4,726,216.

The actual general fund portion of TVA receipts for 2016 were \$10,119,810; the amount that would have been transferred to the Regional Development Agency Fund under this proposal would have been \$5,059,905.

**Data Source(s):** LRC Staff, Tennessee Valley Authority

**Preparer:** Wendell F. Butler      **Reviewer:** JWN      **Date:** 1/13/17