

**COMMONWEALTH OF KENTUCKY STATE FISCAL NOTE STATEMENT
LEGISLATIVE RESEARCH COMMISSION
2017 REGULAR SESSION**

MEASURE

2017 BR NUMBER **1345**

SENATE BILL NUMBER **196**

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 Community and Technical College System, Kentucky Housing Corporation**

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

FISCAL SUMMARY

FISCAL ESTIMATES	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 measure develops a program for retraining dislocated coal industry workers and increasing reemployment, and creates a home energy efficiency incentive program.

PROVISIONS/MECHANICS: Section 1 directs the Education and Workforce Development Cabinet to create a program to prepare dislocated coal industry workers for new careers and to promulgate administrative regulations for implementation of the program prior to December 31, 2017, with an annual report submitted by October 1 of each year.

Section 2 creates various preferences within the merit system examination model to benefit coal miners with at least five years of experience, requiring at least five interview offers of available identified qualified individuals.

Section 3 creates Kentucky Housing Corporation (KHC) programs that provide home energy efficiency subsidies and loans, and Kentucky Community and Technical College System

(KCTCS) energy audit and certification training, homeowner and rental owner low and no-interest loans, subsidized energy efficiency improvements with Community Action Agencies. A Kentucky energy efficiency fund is created and funded with 1 percent of the General fund portion of coal severance receipts.

FISCAL EXPLANATION: 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.

The Office of Employment and Training estimates this type of program will cost approximately \$3.5 million to serve just over 1,000 individuals.

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 operated by the 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 percent. KHC projects the cost to subsidize the interest rate on these loans at \$1.3 million 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 KCTCS. 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 \$750,000.

The bill also designates 1 percent of the general fund share of coal severance receipts for the Kentucky energy efficiency fund. Under Consensus Forecasting Group (CFG) projections, this amount would be \$260,400 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 2019, while the programs would begin in FY 2018. 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, may need to divert funding from other programs to offset the costs.

DATA SOURCE(S): Kentucky Community and Technical College System, Education and Workforce Development Cabinet, Kentucky Housing Corporation

PREPARER: Jennifer Krieger NOTE NUMBER: 83 REVIEW: JRS DATE: 2/22/2017