Local Government Mandate Statement Kentucky Legislative Research Commission 2018 Regular Session

Part I: Measure Information

Bill Request #: 0366							
Bill #: HB 114 GA							
Document ID #:							
Bill Subject/Title: AN ACT relating to TVA in-lieu-of-tax payments, making an appropriation therefor, and declaring an emergency.							
Sponsor: Rep. B. Rowland							
Unit of Government: City x County Urban-County Unified Local Charter County Consolidated Local Government							
Office(s) Impacted:							
Requirement: Mandatory Optional							
Effect on Powers & Duties: Modifies Existingx Adds New Eliminates Existing							
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Part II: Bill Provisions and the Estimated Fiscal Impact Relating to Local Government

The purpose of this measure is to direct more of the revenue from the Tennessee Valley Authority (TVA) in-lieu-of-tax payments to the counties services by the TVA by creating a fund to give money to agencies designated by those counties.

This measure amends KRS 96.895 to change the distribution of TVA in-lieu-of-tax payments. Currently, 70% of the revenue goes to cities, counties, and school districts in the TVA service area or where the TVA owns property. The other 30% of the revenue goes to the General Fund.

This bill creates the regional development agency assistance fund (RDAAF). The 30% of the TVA in-lieu-of-tax payments that currently goes to the General Fund will be split, with a portion, increasing over three years to \$6 million, going to the RDAAF and the remaining portion going to the General Fund. This is shown in the table below:

Destination	Current	Proposed	
Counties, Cities, School	70%	70%	
Districts			
RDAAF	(Does not exist)	\$2 million (FY 2019)	
		\$4 million (FY 2020)	
		\$6 million (FY 2021 onward)	
General Fund	30%	Remainder (at least 15%)	

The Consensus Forecasting Group (CFG) projects that TVA in-lieu-of-tax revenues allocated to the General Fund will be approximately \$12.58 million in fiscal year 2017–2018, \$12.81 million in fiscal year 2018–2019, and \$13.04 million in fiscal year 2019–2020.

Since, under this bill, money is moved to the RDAAF for fiscal years starting on or after July 1, 2018, there is no fiscal impact in fiscal year 2017–2018. However, starting in fiscal year 2018–2019, the General Fund will lose a substantial portion of its projected revenue from the TVA in-lieu-of-tax payments.

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 are 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			

Part III: Differences to Local Government Mandate Statement from Prior Versions

There were no changes between House committee substitute 1 and the GA version of this bill.

The HCS version differs from the bill as introduced in two major ways. First, the list of fund-eligible counties is fixed, and can only be changed by a future act of the General Assembly. Second, the amount diverted to the RDAAF has been reduced. In the bill as introduced, 50% of the general fund portion, up to \$6 million, of the TVA funds was to go to the RDAAF. This would have been \$6 million per year, based on CFG estimates. In

this substitute, that amount has been reduced to 2 million in FY 2019, 4 million in FY 2020, and 6 million in FY 2021 and subsequent years.

Data Source(s): LRC Appropriations and Revenue Staff; Tennessee Valley Authority

Preparer: Amit M. Shanker **Reviewer:** KHC **Date:** 3/19/18