

**COMMONWEALTH OF KENTUCKY STATE FISCAL NOTE STATEMENT
LEGISLATIVE RESEARCH COMMISSION
2018 REGULAR SESSION**

MEASURE

2018 BR NUMBER **1195**

HOUSE BILL NUMBER **366 GA**

RESOLUTION NUMBER _____

AMENDMENT NUMBER _____

SUBJECT/TITLE **An ACT relating to revenue measures, making an appropriation therefor, and declaring an emergency.**

SPONSOR **Representative Rudy**

NOTE SUMMARY

FISCAL ANALYSIS: IMPACT NO IMPACT INDETERMINABLE IMPACT

LEVEL(S) OF IMPACT: STATE LOCAL FEDERAL

BUDGET UNIT(S) IMPACT: _____

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

FISCAL SUMMARY

FISCAL ESTIMATES	2017-2018	2018-2019	2019-2020	ANNUAL IMPACT AT FULL IMPLEMENTATION
REVENUES		\$250,600,000 GF \$2,800,000 RF	\$231,200,000 GF \$3,000,000 RF	\$231,200,000 GF \$3,000,000 RF
EXPENDITURES				
NET EFFECT		\$250,600,000 GF \$2,800,000 RF	\$231,200,000 GF \$3,000,000 RF	\$231,200,000 GF \$3,000,000 RF

() indicates a decrease/negative

MEASURE'S PURPOSE: This bill contains the revenue measures included in the Governor's Executive Branch budget proposal and additional revenue measures. The courts have ruled that appropriations and revenue measures are two topics. Including appropriations and revenue measures in the same bill is a violation of Section 51 of the Kentucky Constitution. Therefore, the revenue measures contained in HB 200 have been included in this bill.

PROVISIONS/MECHANICS: Sections 1 to 7 create a distinct fund to be credited any moneys designated to the Commonwealth from the Volkswagen Environmental State Mitigation Trust.

Section 8 extends the new tire fee to July 1, 2020, increases the new tire fee to \$2 for each new tire purchased in this state, and restructures the fee to be imposed on the seller of the tire, which allows the sales tax to be imposed on the fee.

Section 9 creates the TVA Regional Development Agency Assistance Fund and appropriates \$2 million in FY 2018-2019 and \$4 million in FY 2019-2020 to the fund from the General Fund. Each fiscal court of a fund-eligible county may designate one agency to receive a portion of the total moneys in the fund, in equal portion. These moneys shall be used for economic development and job creation activities.

Section 10 increases the cigarette tax rate by 50 cents per pack on July 1, 2018.

Section 11 imposes a floor stock tax on retailers and wholesalers for cigarette stock on hand at 11:59 p.m. on June 30, 2018.

Section 12 suspends the applications accepted by the Department of Revenue for refunds of tax for the filming or producing of motion pictures from February 15, 2018, until July 1, 2020, and requires reporting.

Section 13 suspends the film industry tax credit application from February 15, 2018, until July 1, 2020, and requires reporting.

Sections 14 to 17 suspends tourism development applications from February 15, 2018, until July 1, 2020, and requires reporting.

Sections 18 to 21 imposes the wholesale opioid tax on all wholesale opioid distributors and mail-order pharmacies at a rate of \$0.25 per dose to be administered by the Department of Revenue.

Section 22 to 24 amends the Department of Revenue confidentiality statutes to allow detailed data about the suspended tax expenditures to be shared with the Legislative Research Commission.

Section 25 eliminates the \$10 personal credit for individual income tax.

Section 26 provides that the total amount of principal which a qualified applicant may owe the Kentucky Agricultural Finance Corporation at any one time shall not exceed \$5 million.

Section 27 allows the Kentucky Infrastructure Authority to charge an administrative fee of 0.5 percent on projects they administer.

Section 28 requires any revenue received from the sale or renewal of the Child Victims' Trust Fund License Plate in excess of actual costs incurred by the Transportation Cabinet be transferred to the Child Victims' Trust Fund on an annual basis.

Section 29 requires that any funds or assets recovered by the Attorney General in connection with a lawsuit or other types of actions be paid directly to the Commonwealth and deposited in a distinct trust and agency account for each settlement.

Section 30 allows the Auditor of Public Accounts to charge agencies for any additional expenses incurred when performing audits.

Section 31 allows the Personnel Board to assess each Executive Branch agency with employees covered by KRS Chapter 18A based on the authorized full-time positions of each agency on July 1 of each year.

Section 32 requires that fees imposed by the Kentucky River Authority for water withdrawal not be subject to state and local taxes.

Section 33 requires a school district that receives an allotment for an urgent needs school and subsequently receives funds resulting from litigation or insurance to reimburse the Commonwealth.

Section 34 establishes the Office of Employment Training Building Proceeds Fund and allows up to \$3 million of proceeds from the disposal of real property by the Office to be deposited in the fund.

Section 35 provides that any revenue derived from the establishment of statewide contracts by the Office of Material and Procurement Services be credited to a trust and agency account to be used to administer the program.

Section 36 allows the insurance surcharge rate to be calculated at a rate to provide sufficient funds for the Firefighters Foundation Program Fund and the Kentucky Law Enforcement Foundation Program Fund.

Section 37 allows the Department for Medicaid Services to impose copayments for services rendered to Medicaid recipients, not to exceed the amounts permitted by federal law or waivers.

Section 38 allows the Department for Medicaid Services to utilize premiums and cost-sharing for services rendered to Medicaid and KCHIP recipients, not to exceed the amounts permitted by federal law or waivers. Additionally, KCHIP premiums are suspended for the biennium.

Section 39 allows the Department of Insurance to assess an insurer at any rate between zero and 1 percent for the 2019 or 2020 Plan Year on any health benefit plan premium written by that insurer in the individual market segment.

Section 40 requires the Personnel Cabinet to collect a pro rata assessment from all state agencies, in all three branches of government, and other organizations that are supported by the personnel system.

Section 41 requires 0.075 percent to be withheld from employer's contribution rates if the Unemployment Insurance Trust Fund balance exceeds the balance of the trust fund as of December 31, 2017, and depositing these moneys into the Service Capacity Upgrade Fund and allows the Secretary to exercise discretion to reduce the percentage rate or suspend the required payments at any time.

Section 42 requires Insurance Premiums and Retaliatory taxes be credited to the General Fund.

Section 43 requires the Personnel Cabinet to collect a benefits assessment per month per employee eligible for health insurance coverage in the state group for use by the Cabinet in administering the health insurance program.

Section 44 requires that funds received by the Commonwealth from the disposal of any surplus property at the Kentucky School for the Blind, the Kentucky School for the Deaf, and the FFA Leadership Training Center be deposited in a separate restricted account for each facility and not be expended without appropriation authority granted by the General Assembly.

Section 45 establishes that if any section, subsection, or provision is found by a court to be invalid or unconstitutional, the decision of the court shall not affect any of the remaining sections, subsections, or provisions.

Sections 46 to 48 contain specific effective dates and an emergency clause.

FISCAL EXPLANATION: The provisions in this bill are generally recurring items to maintain current operations of the Executive Branch. The following charts depict the amounts of increase (decrease) of moneys to the specific funds noted.

Item Description	Fund	FY 19	FY 20
New Tire Fee	Waste Tire Fund	2.8	3.0
TVA Regional Development Agency Assistance Fund	General Fund	(2.0)	(4.0)
Cigarette Tax	General Fund	128.0	110.0
Wholesale Opioid Tax	General Fund	70.0	70.0
Individual Income Tax	General Fund	54.6	55.2

DATA SOURCE(S): LRC, Department of Revenue

PREPARER: Jennifer Hays **NOTE NUMBER:** 112 **REVIEW:** JAB **DATE:** 3/7/2018