

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

MEASURE

2018 BR NUMBER **1834**

HOUSE BILL NUMBER **542**

RESOLUTION NUMBER _____

AMENDMENT NUMBER _____

SUBJECT/TITLE **An ACT relating to coal severance revenues.**

SPONSOR **Representative T. Couch**

NOTE SUMMARY

FISCAL ANALYSIS: IMPACT NO IMPACT INDETERMINABLE IMPACT

LEVEL(S) OF IMPACT: STATE LOCAL FEDERAL

BUDGET UNIT(S) IMPACT: **Local Government Economic Assistance Fund; Local Government Economic Development Fund**

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

FISCAL SUMMARY

FISCAL ESTIMATES	2017-2018	2018-2019	2019-2020	ANNUAL IMPACT AT FULL IMPLEMENTATION
REVENUES				
EXPENDITURES				
NET EFFECT		See explanation below	See explanation below	See explanation below

() indicates a decrease/negative

MEASURE'S PURPOSE: The purpose of this bill is to redirect coal severance revenues back to coal-producing counties.

PROVISIONS/MECHANICS: Section 1 amends KRS 42.450 to direct that 100 percent of coal severance revenues be directed into the Local Government Economic Assistance Fund (LGEAF).

Section 2 amends KRS 42.455 to sunset the current scheme of distribution of funds from the LGEAF and directs that, after August 1, 2018, funds be distributed according to the provisions of Section 7 of this Act.

Section 3 amends KRS 42.4582 to close the Local Government Economic Development Fund (LGEDF) on August 1, 2018 and transfers remaining balances to LGEAF.

Sections 4 to 6 of this bill amend various statutes to close operative language of the LGEDF on August 1, 2018.

Section 7 amends KRS 42.470 to require that coal severance revenues be distributed among the coal-producing counties on the basis of the tax collected in each county.

Sections 8 and 9 make technical and conforming changes.

Section 10 amends KRS 42.480 to require that the commissioner of the Department for Local Government provide the legislative body of each local government that will receive funds an estimate of the funds that will be allocated.

Sections 11 to 13 amend various statutes to sunset additional provisions on August 1, 2018.

Section 14 of this bill repeals KRS 42.490, relating to the transfer of county fund balances.

FISCAL EXPLANATION: This bill closes the LGEDF, directs all coal severance tax revenues into the LGEAF, and changes the way LGEAF is allocated to counties.

Under the Kentucky Revised Statutes, 50 percent of coal severance receipts are to go to the General Fund; 35 percent to go to and stay in the LGEDF; and 15 percent to go to the LGEDF, but then be moved to the LGEAF.

According to the Consensus Forecasting Group, coal severance revenues are projected to decrease to about \$78 million in FY 2018–2019 and about \$65 million in FY 2019–2020. Assuming this year’s budget bill does not change the allocation of coal severance revenues, and that coal severance tax receipts are evenly distributed through the year, this bill would reduce general fund receipts by about \$36 million in FY 2018–2019 and \$33 million in FY 2019–2020.

A comparison of the current statutory distribution to the proposed distribution is shown in the table below:

	FY 2018–2019		FY 2019–2020	
Projected Coal Receipts	\$78 million		\$65 million	
	Current Law	Proposed ¹	Current Law	Proposed
General Fund	\$39 million	\$3 million	\$33 million	\$0
LGEDF	\$27 million	\$2 million	\$22 million	\$0
LGEAF	\$12 million	\$73 million	\$10 million	\$65 million

¹ Takes into account effective date of August 1, 2018, while assuming receipts are evenly distributed throughout the year.

DATA SOURCE(S): LRC Appropriations and Revenue Staff; Department for Local Government; Office of the State Budget Director; Consensus Forecasting Group

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