

**Local Government Mandate Statement
Kentucky Legislative Research Commission
2018 Regular Session**

Part I: Measure Information

Bill Request #: 1834

Bill #: HB 542

Document ID #: 5559

Bill Subject/Title: AN ACT relating to coal severance revenues.

Sponsor: Representative Tim Couch

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: Bill Provisions and the Estimated Fiscal Impact Relating to Local Government

HB 542 amends Chapter 42 of the Kentucky Revised Statutes to provide that coal severance and processing tax revenues are distributed according to the amount of tax collected on severed and processed coal in that county. The coal severance program currently allocates half (50%) of the revenues to the General Fund with the remaining half going to the Local Government Economic Assistance Fund (LGEAF). The 50/50 split is after “off the top allocations” provide for in the current budget. **Under the provisions of HB 542, all revenues (100%) would go to the LGEAF (to the coal producing and coal impact counties) and none would go to the General Fund.**

Currently, severance monies are allocated as such:

Total gross coal severance receipts for the first quarter of fiscal year 2017 (July) were \$23,027,797.78. After budgetary allocations and the 50% split, \$9,745,398.89 went to the LGEAF. Total gross coal severance receipts for the second quarter of fiscal year 2017 (October) were \$24,267,395.59. After budgetary allocations and the 50% split, \$10,365,197.80 went to the LGEAF.

	Fiscal 17 Budget		
	Off the Top Allocations	1st Quarter FY 17	2nd Quarter FY 17
Total Gross Coal Severance Receipts:		\$ 23,027,797.78	\$ 24,267,395.59
Osteopathic medicine scholarships:	\$ 306,000.00	\$ 76,500.00	\$ 76,500.00
Coal county pharmacy scholarships:	\$ 540,000.00	\$ 135,000.00	\$ 135,000.00
Trover Clinic Grant:	\$ 496,000.00	\$ 124,000.00	\$ 124,000.00
Robinson Scholars:	\$ 1,000,000.00	\$ 250,000.00	\$ 250,000.00
Mining engineering scholarship:	\$ 300,000.00	\$ 75,000.00	\$ 75,000.00
Operation UNITE:	\$ 2,000,000.00	\$ 500,000.00	\$ 500,000.00
SOAR administrative costs:	\$ 200,000.00	\$ 50,000.00	\$ 50,000.00
KIA administrative costs:	\$ 370,000.00	\$ 92,500.00	\$ 92,500.00
DLG administrative cost:	\$ 669,700.00	\$ 167,425.00	\$ 167,425.00
Save the Children:	\$ 500,000.00	\$ 125,000.00	\$ 125,000.00
Family Medicine Residency at Owensboro Health:	\$ 414,000.00	\$ 103,500.00	\$ 103,500.00
Debt Service:	\$ 7,352,300.00	\$ 1,838,075.00	\$ 1,838,075.00
Net amount after allocations:		\$ 19,490,797.78	\$ 20,730,395.59
50% to LEAGF		\$ 9,745,398.89	\$ 10,365,197.80

HB 542 would allocate all the monies net of allocations to the coal-producing counties through the LGEAF.

The fiscal impact of HB 542 on any particular county is expected to range from significant to substantial depending on the amount of coal severed or processed in that county. Counties that are large producers will receive a greater amount of revenues.

The Department of Local Government provided the following list of coal-producing and coal-impact counties. Information is as of the second quarter of fiscal year 2018:

Coal producing counties: Bell, Breathitt, Clay, Davies, Floyd, Hancock, Harlan, Hopkins, Johnson, Knott, Knox, Lawrence, Leslie, Letcher, Magoffin, Martin, McLean, Morgan, Muhlenberg, Ohio, Owsley, Perry, Pike, Union, Webster, and Whitley.

Impact counties, those with no production, would be negatively impacted with the **loss of all revenues**. In fiscal year 2015, this group includes the following counties: Adair, Anderson, Barren, Boyd, Bracken, Campbell, Christian, Clark, Fayette, Franklin, Henderson, Jackson, Jefferson, Laurel, Logan, Mason, McCreary, Montgomery, Nelson, Powell, Pulaski, Rowan, Scott, Shelby, Warren, Washington, Wolfe, and Woodford.

The effective date for the new allocation of coal severance and processing tax revenue is August 1, 2018.

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

Part II pertains to the bill as introduced. No prior versions of the bill have been introduced necessitating Part III to be completed at this time.

Data Source(s): LRC Staff, Department of Local Government

Preparer: Wendell F. Butler **Reviewer:** KHC **Date:** 3/12/18

