Local Government Mandate Statement
Kentucky Legislative Research Commission
2019 Regular Session

Part I: Measure Information

Bill Request #: 929

Bill #: HB 152

Document ID #: 1613

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

Sponsor: Representative Jim Stewart III

Unit of Government: **X** City **X** County **X** Urban-County Unified Local Government
X Charter County **X** Consolidated Local

Office(s) Impacted: ____

Requirement: **X** Mandatory ___ Optional

Effect on Powers & Duties: ___ Modifies Existing **X** Adds New ___ Eliminates Existing

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

HB 152 removes the ability to deduct transportation cost from the gross value as part of the severance tax calculation.

The fiscal impact on coal impact counties and coal-producing counties is estimated to be $4.6 million in FY 2019 and $5 million FY 2020 at full implementation. This estimated fiscal impact is based on the transportation deduction allowance in previous years, adjusted for current (reduced) coal severed in Kentucky. The Consensus Forecast Group estimate for coal severance tax receipts, which currently allows the deduction for transportation cost, is $77.9 million in FY 2019 and $65.1 million in FY 2020. Under the provisions of this bill, removing the deduction for transportation expense will increase the gross value of coal severed that is subject to the coal severance tax, which will result in **higher than estimated coal severance tax receipts as stated above, $4.6 million in 2019 and $5 million 2020.**

KRS 42.44582 established the Local Government Economic Development Fund (LGEDF). It requires that "Moneys shall be transferred from the general fund in an amount equal to fifty percent (50%) of the severance and processing taxes on coal collected annually, **unless otherwise amended by the budget bill**."

KRS 42.450 established the Local Government Economic Assistance Fund (LGEAF). KRS 42.4585 requires that an amount be transferred annually from the LGEDF into the LGEAF and that amount shall not be less than fifteen percent (15%) of the severance and processing taxes on coal collected annually.

As created, the LGEDF provides grants to help make communities attractive to new manufacturing and service industries, as well as to help eligible existing businesses expand. Traditionally, emphasis has been placed on identifying and implementing economic development and/or industrial development projects that will produce the most and best jobs for the least expenditure of funds.

The LGEAF was established to provide grants to local government to attract new industry and to improve the quality of life for the residents. KRS 42.4585 provides that 60% of the money in the fund will be distributed to coal producing counties based on severance tax collected from that county; 30% will be distributed to coal-producing counties based on per capita income, ton miles of road, and population, and the remaining 10% will go to coal impacted counties based on geographic are, ton miles of road, and per capita income.

Historically, the amounts appropriated to the LGEDF and the LGEAF are determined by language in the Enacted Executive Branch budget bills. In the current budget cycle in addition to a number of "off the top" budget appropriations**,** HB 265 from the 2018 Regular Session amends the 2018-2020 state/executive budget bill by providing that 100 percent of the severance and processing taxes on coal collected in excess of the official estimate presented by the Office of State Budget Director shall be transferred in each fiscal year from the General Fund to the LGEAF on a quarterly basis and dispersed per KRS 42.450.

Below is a current list of coal-producing and coal-impact counties that would be affected by HB 152:

Coal-Impact Counties					
Adair	Campbell	Franklin	Logan	Pulaski	Washington
Anderson	Christian	Henderson	Mason	Powell	Wolfe
Barren	Clark	Jackson	McCreary	Scott	Woodford
Boyd	Fayette	Jefferson	Montgomery	Shelby	
Bracken	Fleming	Laurel	Nelson	Warren	

Coal-Producing Counties					
Bell	Hancock	Knox	Martin	Owsley	Whitley
Breathitt	Harlan	Lawrence	Mclean	Perry	
Clay	Hopkins	Leslie	Muhlenberg	Pike	
Daviess	Johnson	Letcher	Morgan	Union	
Floyd	Knott	Magoffin	Ohio	Webster	

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

Part II refers to HB 152 as introduced. There are no prior versions of this bill to complete Part III.

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

Preparer: Wendell F. Butler **Reviewer:** KHC **Date:** 1/31/19