

**COMMONWEALTH OF KENTUCKY FISCAL NOTE STATEMENT  
LEGISLATIVE RESEARCH COMMISSION  
2019 REGULAR SESSION**

**MEASURE**

2019 BR NUMBER 1179

HOUSE BILL NUMBER 198

**TITLE** AN ACT relating to the distribution of coal severance receipts.

**SPONSOR** Representative Jim Gooch Jr.

**FISCAL SUMMARY**

STATE FISCAL IMPACT:  YES  NO  UNCERTAIN

OTHER FISCAL STATEMENT(S) THAT MAY APPLY:  ACTUARIAL ANALYSIS  LOCAL MANDATE  CORRECTIONS IMPACT  HEALTH BENEFIT MANDATE

APPROPRIATION UNIT(S) IMPACTED: Local Government Economic Development Fund, Local Government Economic Assistance Fund, Kentucky Higher Education Assistance Authority

FUND(S) IMPACTED:  GENERAL  ROAD  FEDERAL  RESTRICTED \_\_\_\_\_

FISCAL ESTIMATES	2018-2019	2019-2020	ANNUAL IMPACT AT FULL IMPLEMENTATION
REVENUES			(Indeterminable)
EXPENDITURES			
NET EFFECT			(Indeterminable)

( ) indicates a decrease/negative

**PURPOSE OF MEASURE:** This measure creates a new section of KRS 42.450 to 42.495 to change the distribution of coal severance and processing tax receipts.

**FISCAL EXPLANATION:** This measure would have no fiscal impact in Fiscal Year 2018-2019 because it would only apply to periods beginning on or after July 1, 2019.

This measure would have no fiscal impact in Fiscal Year 2019-2020 because the current budget, 2018 Ky. Acts ch. 169, as amended by Ky. Acts Chs. 201 and 203, notwithstanding KRS 42.250 to 42.495, which is the range that the new section of this measure would fall within.

The fiscal impact at full implementation is currently indeterminable.

The statutes currently require a number of “off the top” distributions of coal severance and processing tax receipts. This includes distributions to the coal county pharmacy scholarship fund under KRS 164.7890 and to the osteopathic medicine scholarship program under KRS 164.7891. This also includes distributions mandated under KRS 143.090 for resource recovery road projects and energy research projects. It should be noted that although these distributions are mandated by statute, they are frequently notwithstanding in the budget bill while other off the top distributions are provided for in the budget bill. This measure eliminates these statutory distributions.

The statutes currently allocate 50 percent of the severance and processing tax receipts remaining after the off the top distributions to the General Fund. The remaining receipts are then allocated 35 percent to the Local Government Economic Development Fund (LGEDF) (See KRS 42.4582 and KRS 42.4585) and 15 percent to the Local Government Economic Assistance Fund (LGEAF) under KRS 42.4585. This measure changes these distributions as discussed below.

The measure provides for: (1) an administrative fee equal to one half of one percent of each project funded by LGEDF that is administered by the Department for Local Government (DLG); (2) an identical fee for projects funded by LGEDF and administered by the Kentucky Infrastructure Authority; (3) an annual appropriation equal to 100 percent of the debt service necessary to support the listed bonds; and (4) after those distributions, all remaining coal severance and processing tax receipts are to be distributed 50 percent to LGEDF and 50 percent to the LGEAF.

This measure also eliminates incentives that would refund coal severance and processing tax under KRS 143.023, 143.024, 154.27-020, and 154.27-060.

**DATA SOURCE(S): LRC Staff**

**PREPARER: Kevin Branscum NOTE NUMBER: 42 REVIEW: JAB DATE: 2/14/2019**

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