

**Local Government Mandate Statement
Kentucky Legislative Research Commission
2020 Regular Session**

Part I: Measure Information

Bill Request #: 483

Bill #: HB 209

Document ID #: 1038

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

Sponsor: Representative Jim Stewart

Unit of Government: City County Urban-County
Unified Local
 Charter County Consolidated 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 209 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 \$4.4 million in FY 2020 and \$4.0 million FY 2021 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 Forecasting Group estimate for coal severance tax receipts, which currently allows the deduction for transportation cost, is \$56 million in FY 2020 and \$45.9 million in FY 2021. 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, \$4.4 million in 2020 and \$4.0 million 2021.**

KRS 42.4582 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-impact and coal-producing counties that would be affected by HB 209:

Coal-Impact Counties				
Anderson	Clark	Hardin	Kenton	Scott
Boone	Fayette	Henderson	Nelson	Shelby
Bullitt	Franklin	Jackson	Powell	Washington
Carter	Grant	Jefferson	Pulaski	Wolfe
				Woodford

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

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

Part II, above, pertains to the bill as introduced.

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

Preparer: Wendell F. Butler **Reviewer:** _____ **Date:** _____