

AN ACT relating to coal severance tax distributions, making an appropriation therefor, and declaring an emergency.

***Be it enacted by the General Assembly of the Commonwealth of Kentucky:***

➔Section 1. KRS 42.4582 is amended to read as follows:

- (1) There is hereby established in the State Treasury a fund entitled "Local Government Economic Development Fund." The fund may receive state appropriations, gifts, grants, and federal funds and shall be disbursed by the State Treasurer upon the warrant of the secretary of the Finance and Administration Cabinet. Any unallotted or unencumbered balances in the fund shall be invested as provided for in KRS 42.500(9). Income earned from the investments shall be prorated for grants to counties according to the allotment schedule set out in KRS 42.4592.
- (2)
  - (a) Moneys shall be transferred from the general fund in an amount equal to seventy percent (70%)~~[fifty percent (50%)]~~ of the severance and processing taxes on coal collected annually~~[, unless otherwise amended by the budget bill]~~.
  - (b) The transfers shall be made quarterly, based upon the revenue estimates prevailing at the time each quarterly transfer is due, except that the last quarterly transfer shall be made after the close of the fiscal year accounting records, and shall be adjusted to provide the balance of the annual transfer required by this subsection.
  - (c) The quarterly calculation and transfer of funds pursuant to this section shall be made only after distribution of the quarterly installment of the annual amount from the prior calendar year allowed as an incentive to an approved company under KRS 143.024 and 154.27-060.

➔Section 2. KRS 42.4585 is amended to read as follows:

- (1) A portion of each quarterly transfer of moneys provided for in KRS 42.4582 shall be transferred from the local government economic development fund into the local

government economic assistance fund.

- (2) The amount transferred annually from the local government economic development fund ~~to~~~~into~~ the local government economic assistance fund under the provisions of subsection (1) of this section shall be **the greater of thirty-five percent (35%)**~~not less than an amount equal to fifteen percent (15%)~~ of the severance and processing taxes on coal collected annually **or forty million dollars (\$40,000,000)**.
- (3) The quarterly calculation and transfer of funds pursuant to subsections (1) and (2) of this section shall be made only after distribution of the quarterly installment of the annual amount from the prior calendar year allowed as an incentive to an approved company under KRS 143.024 and 154.27-060.

➔Section 3. KRS 42.455 is amended to read as follows:

- (1) There is established within the Department for Local Government a Local Government Economic Assistance Program to consist of a system of grants to local governments to improve the environment for new industry and to improve the quality of life for the residents.

- (2) **Moneys deposited in the local government economic assistance fund established by KRS 42.450 shall be used to support the local government economic assistance program annually as follows:**

**(a) Thirteen percent (13%)**~~Grants obtained under this program shall be used for priority expenditures. Thirty percent (30%) of all moneys in the fund~~ shall be spent on the coal haul road system as described in subsection (7) of this section; **and**

**(b)**~~The remaining~~ **eighty-seven percent (87%)**~~seventy percent (70%) of the fund~~ shall be **used to provide grants for expenditures in the**~~spent on~~ priority categories **listed below, except that**~~limited to the following, but in no event shall~~ grants obtained under this program **shall not** be used for expenses related to administration of government:

- ~~1.(a)}~~ Public safety, including law enforcement, fire protection, ambulance service, and other related services;
- ~~2.(b)}~~ Environmental protection, including sewage disposal, sanitation, solid waste, and other related programs;
- ~~3.(c)}~~ Public transportation, including mass transit systems, streets, and roads;
- ~~4.(d)}~~ Health;
- ~~5.(e)}~~ Recreation;
- ~~6.(f)}~~ Libraries and educational facilities;
- ~~7.(g)}~~ Social services for the poor, the elderly, and individuals with disabilities;
- ~~8.(h)}~~ Industrial and economic development;
- ~~9.(i)}~~ Vocational education;
- ~~10.(j)}~~ Workforce training; and
- ~~11.(k)}~~ Secondary wood industry development.
- (3) The use of entitlement funds for repayment of debt as related to long-term bond issues is permissible as long as the revenue from the bond issues is expended on priority categories.
- (4) Grants obtained under this program may be used as local portion to secure federal programs as long as program expenditures are in the priority category area. Interest earned on funds received by local units of government shall be considered available for use by the local unit of government in the priority expenditure categories.
- (5) The Department for Local Government shall be responsible for the promulgation of rules and regulations necessary to implement the grants programs authorized by this section.
- (6) The Department for Local Government shall assure that a public hearing is held on the expenditure of funds received under KRS 42.450 to 42.495. Advertisement of

the public hearing shall be published at least once but may be published two (2) or more times, provided that one (1) publication occurs not less than seven (7) days nor more than twenty-one (21) days before the scheduled date of the public hearing. The Department for Local Government shall submit an annual report to the Governor indicating how the grants were used and an evaluation of the program's effectiveness in improving the economy of the units of government receiving assistance.

- (7) On or before August 15, 1980, and each year thereafter, the Transportation Cabinet shall publish and furnish to the Department for Local Government a directory, including supporting maps and other documents, designating the official state coal road system in coal-impact and coal-producing counties which shall include all public highways, roads, and streets over which quantities of coal, sufficient to significantly affect the condition and state of repair of highways, roads, and streets, have been transported in the immediately preceding fiscal year. The cabinet shall further publish the total county mileage of the official state coal road system and the total ton/miles within each coal-impact and coal-producing county for said preceding fiscal year.
- (8) Every person shipping or transporting coal, and every carrier for hire or common carrier hauling coal over the public highways, roads, and streets shall file with the Transportation Cabinet such information and at intervals as the cabinet shall designate by regulation duly adopted for the purpose of identifying those highways, roads, and streets comprising the coal haul road system and the quantities of coal transported thereon, in order that the cabinet can accurately calculate total ton/miles within each coal-impact and coal-producing county.
- (9) The Department of Revenue shall make available to the Transportation Cabinet coal severance and processing tax data for use in verifying and supplementing the information furnished under the provisions of subsection (8) of this section. The

information shall be furnished in such a manner as to conceal the identity of individual taxpayers; if the data cannot be furnished without revealing the identity of individual taxpayers, it shall be withheld.

➔Section 4. KRS 42.470 is amended to read as follows:

Moneys in the local government economic assistance fund shall be allocated among the counties as follows:

(1) Funds allocated under KRS 42.4585:

- (a) Sixty percent (60%) shall be distributed to each coal producing county on the basis of the ratio of tax collected on coal severed in each respective county to the tax collected statewide.
- (b) Thirty percent (30%) shall be distributed to each coal producing county on the basis of per capita income (inverse order), ton miles of resource roads and population, equally weighted.
- (c) Ten percent (10%) shall be distributed to non-coal producing counties impacted by the transport of coal on the basis of geographic area, ton miles of resource roads, and per capita income (inverse order), weighted on a basis of 30/100, 40/100, and 30/100, respectively. The expenditure of such funds shall be limited to the categories of projects set out in KRS 42.455(2)(~~b~~) 3.~~{(e)}~~. All counties shall receive an annual payment based on the average of total ton miles within the county during the most recent three (3) year period. To qualify for the funds distributed under the provisions of this paragraph, a county must have within its geographic boundaries in any single year twenty-five hundredths of one percent (0.25%) of the total ton miles within coal impact counties during the most recent three (3) year period.

(2) All funds allocated under KRS 42.450(2) shall be distributed among the mineral producing counties on the basis of the tax collected on minerals severed in each respective county.

→Section 5. Due to extreme fiscal need in coal producing counties, an emergency is declared to exist, and this Act takes effect upon its passage and approval by the Governor or upon its otherwise becoming a law.

→Section 6. The provisions of this Act apply for fiscal years beginning on or after July 1, 2016.