

**COMMONWEALTH OF KENTUCKY STATE FISCAL NOTE STATEMENT
LEGISLATIVE RESEARCH COMMISSION
2018 REGULAR SESSION**

MEASURE

2018 BR NUMBER **0433**

SENATE BILL NUMBER **9**

RESOLUTION NUMBER _____

AMENDMENT NUMBER _____

SUBJECT/TITLE **An ACT relating to TVA in-lieu-of-tax payments, making an appropriation therefor, and declaring an emergency.**

SPONSOR **Senator S. Humphries**

NOTE SUMMARY

FISCAL ANALYSIS: IMPACT NO IMPACT INDETERMINABLE IMPACT

LEVEL(S) OF IMPACT: STATE LOCAL FEDERAL

BUDGET UNIT(S) IMPACT: _____

FUND(S) IMPACT: GENERAL ROAD FEDERAL RESTRICTED AGENCY _____ OTHER

FISCAL SUMMARY

| FISCAL ESTIMATES | 2017-2018 | 2018-2019 | 2019-2020 | ANNUAL IMPACT AT FULL IMPLEMENTATION |
|-------------------------|------------------|------------------|------------------|---|
| REVENUES | (\$0) | (\$6 million) | (\$6 million) | (\$6 million) |
| EXPENDITURES | | | | |
| NET EFFECT | (\$0) | (\$6 million) | (\$6 million) | (\$6 million) |

() indicates a decrease/negative

MEASURE’S PURPOSE: The purpose of this measure is to direct more of the revenue from the Tennessee Valley Authority (TVA) in-lieu-of-tax payments to the counties serviced by the TVA by creating a fund to give money to agencies designated by those counties.

PROVISIONS/MECHANICS: This measure amends KRS 96.895 to change the distribution of TVA in-lieu-of-tax payments. Currently, 70% of the revenue goes to cities, counties, and school districts in the TVA service area or where the TVA owns property. The other 30% of the revenue goes to the General Fund.

This bill creates the regional development agency assistance fund (RDAAF). The 30% of the TVA in-lieu-of-tax payments that currently goes to the General Fund will be split, with 50% of the portion (15% of the total), limited to \$6 million, going to the RDAAF and the remaining portion going to the General Fund. This is shown in the table below:

| Destination | Current | Proposed |
|------------------------------------|------------------|------------------------------|
| Counties, Cities, School Districts | 70% | 70% |
| RDAAF | (Does not exist) | 15% (Limited to \$6 million) |
| General Fund | 30% | Remainder (at least 15%) |

FISCAL EXPLANATION:

The Consensus Forecasting Group projects that TVA in-lieu-of-tax revenues allocated to the General Fund will be approximately \$12.58 million in fiscal year 2017–2018, \$12.81 million in fiscal year 2018–2019, and \$13.04 million in fiscal year 2019–2020.

Since, under this bill, money is moved to the RDAAF for fiscal years starting on or after July 1, 2018, there is no fiscal impact in fiscal year 2017–2018. However, starting in fiscal year 2018–2019, the General Fund will lose half of its projected revenue from the TVA in-lieu-of-tax payments. This is estimated to be in excess of \$6 million. Since the bill includes a statutory cap of \$6 million redirected from the General Fund, the loss to the General Fund will never exceed \$6 million.

DATA SOURCE(S): LRC Appropriations and Revenue Staff; Consensus Forecasting Group

PREPARER: Amit M. Shanker **NOTE NUMBER:** 5 **REVIEW:** JAB **DATE:** 1/4/2018