

1 AN ACT relating to coal severance revenues.

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

3 ➔Section 1. KRS 42.450 is amended to read as follows:

4 (1) There is hereby established in the State Treasury a fund entitled "Local Government  
5 Economic Assistance Fund." The fund may receive state appropriations, gifts,  
6 grants, and federal funds and shall be disbursed by the State Treasurer upon the  
7 warrant of the secretary of the Finance and Administration Cabinet. Any unallotted  
8 or unencumbered balances in the fund shall be invested pursuant to KRS 42.500  
9 and the income earned from the investment shall be prorated for expenditure in coal  
10 producing and coal impact counties according to each county's allocable part in the  
11 fund.

12 (2) (a) Effective July 1, 1981, an amount equal to one-half (1/2) of the tax collected  
13 annually on the sale of minerals, exclusive of coal, shall be transferred from  
14 the general fund into this fund.

15 **(b) Effective August 1, 2018, an amount equal to one hundred percent (100%)**  
16 **of the tax collected on severing or processing coal pursuant to KRS 143.020**  
17 **shall be transferred from the general fund into this fund.**

18 (c) The transfers **of taxes provided in paragraphs (a) and (b) of this subsection**  
19 shall be made quarterly, based upon the revenue estimates prevailing at the  
20 time each quarterly transfer is due, except that the last quarterly transfer shall  
21 be made after the close of the fiscal year accounting records, and shall be  
22 adjusted to provide the balance of the annual transfer required by this  
23 subsection.

24 (3) Effective October 1, 2010, the quarterly transfer of funds required by subsection  
25 (2)(a) of this section shall be made only after the quarterly installment of the annual  
26 amount from the prior calendar year allowed as an incentive to an approved  
27 company under KRS 143A.025 and 154.27-060 has been made.

1       ➔Section 2. KRS 42.455 is amended to read as follows:

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

6       (2) **Prior to August 1, 2018:**

7       **(a)** Grants obtained under this program shall be used for priority expenditures.  
8       Thirty percent (30%) of all moneys in the fund shall be spent on the coal haul  
9       road system as described in **paragraph (f) of this** subsection~~[(7) of this~~  
10      ~~section]~~. The remaining seventy percent (70%) of the fund shall be spent on  
11      priority categories limited to the following, but in no event shall grants  
12      obtained under this program be used for expenses related to administration of  
13      government:

14      **1.[(a)]** Public safety, including law enforcement, fire protection,  
15      ambulance service, and other related services;

16      **2.[(b)]** Environmental protection, including sewage disposal, sanitation,  
17      solid waste, and other related programs;

18      **3.[(c)]** Public transportation, including mass transit systems, streets, and  
19      roads;

20      **4.[(d)]** Health;

21      **5.[(e)]** Recreation;

22      **6.[(f)]** Libraries and educational facilities;

23      **7.[(g)]** Social services for the poor, the elderly, and individuals with  
24      disabilities;

25      **8.[(h)]** Industrial and economic development;

26      **9.[(i)]** Vocational education;

27      **10.[(j)]** Workforce training; and

1           II.~~(k)~~ Secondary wood industry development;~~[-]~~

2           (b)~~(3)~~ The use of entitlement funds for repayment of debt as related to long-  
3 term bond issues is permissible as long as the revenue from the bond issues is  
4 expended on priority categories;~~[-]~~

5           (c)~~(4)~~ Grants obtained under this program may be used as local portion to  
6 secure federal programs as long as program expenditures are in the priority  
7 category area. Interest earned on funds received by local units of government  
8 shall be considered available for use by the local unit of government in the  
9 priority expenditure categories;~~[-]~~

10           (d)~~(5)~~ The Department for Local Government shall be responsible for the  
11 promulgation of rules and regulations necessary to implement the grants  
12 programs authorized by this section;~~[-]~~

13           (e)~~(6)~~ The Department for Local Government shall assure that a public hearing  
14 is held on the expenditure of funds received under KRS 42.450 to 42.495.  
15 Advertisement of the public hearing shall be published at least once but may  
16 be published two (2) or more times, provided that one (1) publication occurs  
17 not less than seven (7) days nor more than twenty-one (21) days before the  
18 scheduled date of the public hearing. The Department for Local Government  
19 shall submit an annual report to the Governor indicating how the grants were  
20 used and an evaluation of the program's effectiveness in improving the  
21 economy of the units of government receiving assistance;~~[-]~~

22           (f)~~(7)~~ On or before August 15, 1980, and each year thereafter, the  
23 Transportation Cabinet shall publish and furnish to the Department for Local  
24 Government a directory, including supporting maps and other documents,  
25 designating the official state coal road system in coal-impact and coal-  
26 producing counties which shall include all public highways, roads, and streets  
27 over which quantities of coal, sufficient to significantly affect the condition

1 and state of repair of highways, roads, and streets, have been transported in the  
 2 immediately preceding fiscal year. The cabinet shall further publish the total  
 3 county mileage of the official state coal road system and the total ton/miles  
 4 within each coal-impact and coal-producing county for said preceding fiscal  
 5 year; ~~and~~

6 ~~(g)(8)~~ Every person shipping or transporting coal, and every carrier for hire or  
 7 common carrier hauling coal over the public highways, roads, and streets shall  
 8 file with the Transportation Cabinet such information and at intervals as the  
 9 cabinet shall designate by regulation duly adopted for the purpose of  
 10 identifying those highways, roads, and streets comprising the coal haul road  
 11 system and the quantities of coal transported thereon, in order that the cabinet  
 12 can accurately calculate total ton/miles within each coal-impact and coal-  
 13 producing county; ~~and~~

14 ~~(h)(9)~~ The Department of Revenue shall make available to the Transportation  
 15 Cabinet coal severance and processing tax data for use in verifying and  
 16 supplementing the information furnished under the provisions of *paragraph*  
 17 *(g) of this* subsection ~~(8) of this section~~. The information shall be furnished  
 18 in such a manner as to conceal the identity of individual taxpayers; if the data  
 19 cannot be furnished without revealing the identity of individual taxpayers, it  
 20 shall be withheld.

21 **(3) Effective August 1, 2018, moneys shall be allocated among the counties as**  
 22 **provided by Section 7 of this Act.**

23 ➔Section 3. KRS 42.4582 is amended to read as follows:

- 24 (1) There is hereby established in the State Treasury a fund entitled "Local Government  
 25 Economic Development Fund." The fund may receive state appropriations, gifts,  
 26 grants, and federal funds and shall be disbursed by the State Treasurer upon the  
 27 warrant of the secretary of the Finance and Administration Cabinet. Any unallotted

1 or unencumbered balances in the fund shall be invested as provided for in KRS  
 2 42.500(9). Income earned from the investments shall be prorated for grants to  
 3 counties according to the allotment schedule set out in KRS 42.4592.

4 (2) **Prior to August 1, 2018:**

5 (a) Moneys shall be transferred from the general fund in an amount equal to fifty  
 6 percent (50%) of the severance and processing taxes on coal collected  
 7 annually, unless otherwise amended by the budget bill;~~[-]~~

8 (b) The transfers shall be made quarterly, based upon the revenue estimates  
 9 prevailing at the time each quarterly transfer is due. Each quarterly transfer  
 10 shall be adjusted to account for refunds by determining the total amount of  
 11 refunds paid in the prior fiscal year, dividing that amount by four (4), and  
 12 reducing each transfer by this amount. The last quarterly transfer shall be  
 13 made after the close of the fiscal year accounting records, and shall be  
 14 adjusted to provide the balance of the annual transfer required by this  
 15 subsection; **and**~~[-]~~

16 (c) The quarterly calculation and transfer of funds pursuant to this section shall be  
 17 made only after distribution of the quarterly installment of the annual amount  
 18 from the prior calendar year allowed as an incentive to an approved company  
 19 under KRS 143.024 and 154.27-060.

20 **(3) On August 1, 2018, the fund shall be closed and all moneys remaining in the**  
 21 **fund at that time shall be transferred to the local government economic**  
 22 **assistance fund established by Section 1 of this Act and shall be allocated among**  
 23 **the counties as provided by Section 7 of this Act.**

24 ➔Section 4. KRS 42.4585 is amended to read as follows:

25 **Prior to August 1, 2018:**

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

1 government economic assistance fund;~~[-]~~

2 (2) The amount transferred annually from the local government economic development  
3 fund into the local government economic assistance fund under the provisions of  
4 subsection (1) of this section shall be not less than an amount equal to fifteen  
5 percent (15%) of the severance and processing taxes on coal collected annually;  
6 and~~[-]~~

7 (3) The quarterly calculation and transfer of funds pursuant to subsections (1) and (2) of  
8 this section shall be made only after distribution of the quarterly installment of the  
9 annual amount from the prior calendar year allowed as an incentive to an approved  
10 company under KRS 143.024 and 154.27-060.

11 ➔Section 5. KRS 42.4588 is amended to read as follows:

12 (1) (a) A Local Government Economic Development Program is established to  
13 consist of a system of grants to counties to attract new industry. Grants from funds  
14 provided for in KRS 42.4592(1)(a) and (b) shall be administered by the Department  
15 for Local Government. Grants from funds provided for in KRS 42.4592(1)(c) shall  
16 be administered by the Kentucky Economic Development Finance Authority.

17 (b) All references in this section to the commissioner of the Department for Local  
18 Government relate only to the grants or industrial development projects  
19 funded through KRS 42.4592(1)(a) and (b). All references in this section to  
20 the secretary of the Cabinet for Economic Development or the Kentucky  
21 Economic Development Finance Authority relate only to grants or industrial  
22 development projects funded through KRS 42.4592(1)(c).

23 (2) Grants obtained under this program shall be used for:

24 (a) Industrial development projects if an industrial firm has agreed with the local  
25 government, to the satisfaction of the Kentucky Economic Development  
26 Finance Authority or the Department for Local Government, to develop, in  
27 conjunction with the industrial development project, manufacturing,

- 1 processing, assembling, or other facilities approved by the secretary of the  
2 Cabinet for Economic Development or the commissioner of the Department  
3 for Local Government;
- 4 (b) Industrial development projects if the secretary of the Cabinet for Economic  
5 Development or the commissioner of the Department for Local Government  
6 finds that the project is necessary for the creation of an environment for new  
7 industry in order to obtain an agreement from an industrial firm to develop  
8 manufacturing, processing, assembling, or other facilities approved by the  
9 secretary of the Cabinet for Economic Development or the commissioner of  
10 the Department for Local Government; and
- 11 (c) Debt service for industrial development projects, as defined in subsection  
12 (2)(a) and (b) of this section, or for facilities approved by the secretary of the  
13 Cabinet for Economic Development or the commissioner of the Department  
14 for Local Government under the provisions of subsection (3) of this section.
- 15 (3) The secretary of the Cabinet for Economic Development or the commissioner of the  
16 Department for Local Government may approve facilities, other than  
17 manufacturing, processing, or assembling facilities, for industrial development  
18 projects when the secretary or the commissioner finds that the facility will add value  
19 to a product. Value-added facilities shall include data processing,  
20 telecommunication, and distribution facilities but shall not include retail facilities or  
21 coal mining, coal processing, or coal transportation facilities. The secretary or the  
22 commissioner may also approve privately owned facilities for transient lodging and  
23 recreation where the secretary or commissioner finds that the cost of the recreation  
24 component of the facility is equal to, or greater than, the cost of the lodging  
25 component of the facility. The criteria for approval of applications for grants  
26 provided for in subsection (10)(a), (b), and (c) of this section shall be paramount in  
27 the case of lodging and recreational facilities.

- 1 (4) Applications for grants from funds provided for in KRS 42.4592(1)(a) and (b) shall  
2 be made by the legislative bodies of one (1) or more counties with accounts in the  
3 local government economic development fund. Applications for grants from funds  
4 provided for in KRS 42.4592(1)(c) shall be made by the legislative bodies of two  
5 (2) or more counties with accounts in the local government economic development  
6 fund. No grant shall be awarded without application for a grant.
- 7 (5) A grant may be awarded for an industrial development project located in a county  
8 that does not have an account in the local government economic development fund,  
9 if the secretary of the Cabinet for Economic Development or the commissioner of  
10 the Department for Local Government finds that the industrial development project  
11 may be reasonably expected to create jobs for residents of the local unit or units of  
12 government applying for the grant. Application for the grant shall be made by the  
13 legislative bodies of one (1) or more counties with accounts in the local government  
14 economic development fund.
- 15 (6) An industrial development project may include legal, accounting, engineering, and  
16 marketing expenses for a regional industrial park, in addition to the activities set  
17 forth in subsection (11)(a) of this section.
- 18 (7) Grants awarded from funds provided for in KRS 42.4592(1)(a) and (b) shall not  
19 exceed the total balance of the accounts of the applicant counties at the time of the  
20 award of the grant.
- 21 (8) Grants awarded under the provisions of subsection (2)(c) of this section may be for  
22 a period not to exceed the current biennium of the Commonwealth and shall be  
23 limited to an amount not to exceed the amount estimated to be allocated to the  
24 applicant county or counties for the current biennium under the provisions of KRS  
25 42.4592(1)(a) and (b).
- 26 (9) Approval of grant applications shall be by the secretary of the Cabinet for Economic  
27 Development or the commissioner of the Department for Local Government. Award



1 of grants from funds provided for in KRS 42.4592(1)(c) shall be by the Kentucky  
2 Economic Development Finance Authority. Award of grants from funds provided  
3 for in KRS 42.4592(1)(a) and (b) shall be by the commissioner of the Department  
4 for Local Government.

5 (10) Criteria for approval of applications and the award of grants to be considered, if  
6 applicable, shall include:

7 (a) The number of jobs to be created or preserved, directly or indirectly, by the  
8 industrial development project;

9 (b) Payrolls, and the taxes generated, both at the state and local levels, by the  
10 industrial development project and taxes generated by the employment created  
11 or preserved by the industrial development project;

12 (c) The size, nature, and cost of the industrial development project, including the  
13 prospect of the industrial development project providing long-term jobs in  
14 enterprises consistent with the changing economies of the affected local units  
15 of government;

16 (d) The needs, and degree of needs, of the local units of government which will  
17 be affected by the industrial development project;

18 (e) The needs of any industrial firm benefiting from the industrial development  
19 project;

20 (f) The amount and kind of assistance, if any, available to an industrial firm from  
21 other government agencies through tax exemption or abatement, financing  
22 assistance through industrial development bonds, and otherwise, with respect  
23 to the industrial development project;

24 (g) The amount of capital made available to the facility by lenders and by the  
25 industrial firm; and

26 (h) The economic feasibility of the facility.

27 (11) For purposes of this section:

- 1 (a) "Industrial development project" includes the acquisition of any real estate and  
2 the construction, acquisition, and installation thereon and with respect thereto  
3 of improvements and facilities necessary and useful for the improvement of  
4 the real estate for conveyance to or lease to industrial firms to be used for  
5 manufacturing, processing, or assembling purposes, including surveys; site  
6 tests and inspections; subsurface site work; excavation, removal of structures,  
7 roadways, cemeteries, and other surface obstructions; filling, grading, and  
8 provision of drainage; storm water retention; installation of utilities, such as  
9 water, sewer, sewage treatment, gas, electricity, communication, and other  
10 similar facilities; off-site construction of utility extensions to the boundaries  
11 of the real estate; construction and installation on the real estate of the  
12 industrial firm of buildings, including buildings to be used for worker training  
13 and education; rail facilities; roads; sidewalks; curbs; other improvements to  
14 the real estate necessary to its manufacturing, processing, assembling, or other  
15 approved use by industrial entities; workforce training; and job development  
16 incentive grants;
- 17 (b) "Industrial firm" means any corporation, limited liability company, limited  
18 liability partnership, partnership, person, or other legal entity, whether  
19 domestic or foreign, which will itself or through its subsidiaries and affiliates  
20 construct and develop a manufacturing, processing, assembling, or other  
21 approved facility on the site of an industrial development project financed  
22 pursuant to this section;
- 23 (c) "Job development incentive grant" means an award to a county of funds from  
24 its account administered by the Department for Local Government pursuant to  
25 KRS 42.4592(1)(a) and (b) for the use by the county to encourage job  
26 development for those industrial development projects located in that county  
27 which create at least twenty-five (25) new full-time jobs held by Kentucky

1 residents who receive a minimum wage of at least one hundred thirty percent  
2 (130%) of the federal minimum wage. Each job development incentive grant  
3 shall be limited to five thousand dollars (\$5,000) for each job created which  
4 fulfills the requirements of this subsection. The industrial firm receiving the  
5 job development incentive grant shall pay its employees at the project site an  
6 average wage equal to or greater than one hundred fifty percent (150%) of the  
7 federal minimum wage and shall invest at least ten thousand dollars (\$10,000)  
8 per new job created. After a fiscal court has received authorization for the job  
9 development grant by the Department for Local Government, the county, the  
10 industrial firm, and the Department for Local Government shall enter into an  
11 agreement committing the grant funds to be disbursed at such time as the  
12 industrial firm certifies the authenticity of the following information to be  
13 delivered to the county:

- 14 1. The industrial firm has made at least the minimum investment required;
- 15 2. At least twenty-five (25) new full-time Kentucky jobs have been created  
16 at the project site by the industrial firm;
- 17 3. No employee at the project site is paid a salary by the industrial firm  
18 which is less than one hundred thirty percent (130%) of the federal  
19 minimum wage;
- 20 4. The employees at the project site are paid an average wage by the  
21 industrial firm at least equal to one hundred fifty percent (150%) of the  
22 federal minimum wage;
- 23 5. Each employee hired for the project by the industrial firm shall have  
24 worked on a full-time basis at the minimum wages described in this  
25 section at least twelve (12) full consecutive months at the site prior to  
26 any grant funds disbursement; and
- 27 6. No job created by the industrial firm after twenty-four (24) months from

1           the date of the first eligible hire at the project site shall be considered for  
2           the grant.

3           If the county is satisfied the information provided is accurate and qualifies the  
4           industrial firm for the job development incentive grant as described in the  
5           agreement, it shall forward the certified information to the Department for  
6           Local Government, which shall make the job development grant disbursement  
7           upon sufficient evidence that all terms of the agreement have been met; and

8           (d) "Regional industrial park" means an industrial development project authorized  
9           for a grant award by the Kentucky Economic Development Finance Authority  
10          for a minimum of three (3) counties eligible for grant funds provided for in  
11          KRS 42.4592(1)(c), which coalition may include a county as approved under  
12          subsection (5) of this section.

13       (12) Findings by the secretary of the Cabinet for Economic Development or the  
14          commissioner of the Department for Local Government, provided for in subsections  
15          (2)(b), (3), and (5) of this section, shall be made in writing to the affected counties,  
16          the Governor, and the Legislative Research Commission.

17       (13) By October 1 of each odd-numbered year, the secretary of the Cabinet for Economic  
18          Development and the commissioner of the Department for Local Government shall  
19          each provide, in writing, to the Governor and the Legislative Research Commission  
20          a listing of all applications for grants received pursuant to this section subsequent to  
21          the last report, indicating which applications were approved or disapproved, with  
22          the reason for disapproval when the decision was to disapprove, and a listing of all  
23          grants awarded, with the amount of the award, the recipient county, and the related  
24          industrial development project.

25       (14) (a) Projects specifically authorized by appropriations made by the General  
26          Assembly in an enacted budget bill, with the funding source identified as  
27          funds allocated to individual counties under KRS 42.4592(1)(a) or (b), shall

1 be deemed approved and shall not be subject to the application process  
2 established in this section.

3 (b) Projects described in paragraph (a) of this subsection shall be subject to a  
4 memorandum of agreement between the entity identified in the appropriation  
5 and the Department for Local Government. The memorandum of agreement  
6 shall address the legal requirements for the disbursement and accounting of  
7 funds.

8 (c) Within thirty (30) days of the receipt of a written request from an entity  
9 designated in the appropriation for funding related to a project described in  
10 paragraph (a) of this subsection, the Department for Local Government shall  
11 prepare and send a memorandum of agreement to the designated entity for  
12 review and signature. Upon receipt of the signed memorandum of agreement  
13 from the designated entity, the Department for Local Government shall release  
14 the funds for the project for use by the designated entity.

15 (d) Funds appropriated for specific projects as described in paragraph (a) of this  
16 subsection shall not be expended for any other purpose, provided that the  
17 commissioner of the Department for Local Government may, upon written  
18 request by a designated entity identifying an extraordinary circumstance or  
19 emergency situation, approve the reallocation of funds appropriated for a  
20 specific project as described in paragraph (a) of this subsection to the extent  
21 necessary to address the extraordinary circumstance or emergency situation.  
22 Any approval under this paragraph shall be made in writing, and shall be  
23 reported to the State Budget Director and the Interim Joint Committee on  
24 Appropriations and Revenue within thirty (30) days of the approval being  
25 made.

26 **(15) On and after August 1, 2018, no new grants shall be issued and the program**  
27 **shall be terminated.**

1       ➔Section 6. KRS 42.4592 is amended to read as follows:

2       (1) **Prior to August 1, 2018,** moneys remaining in the local government economic  
3       development fund following the transfer of moneys to the local government  
4       economic assistance fund provided for in KRS 42.4585 shall be allocated as  
5       follows:

6       (a) Thirty-three and one-third percent (33-1/3%) shall be allocated to each coal  
7       producing county on the basis of the ratio of total coal severed in the current  
8       and preceding four (4) years in each respective county to the total coal severed  
9       statewide in the current and four (4) preceding years;

10       (b) Thirty-three and one-third percent (33-1/3%) shall be allocated quarterly to  
11       each coal-producing county on the basis of the following factors, which shall  
12       be computed for the current and four (4) preceding years, and which shall be  
13       equally weighted:

14               1. Percentage of employment in mining in relation to total employment in  
15               the respective county;

16               2. Percentage of earnings from mining in relation to total earnings in the  
17               respective county; and

18               3. Surplus labor rate; and

19       (c) Thirty-three and one-third percent (33-1/3%) shall be reserved for expenditure  
20       for industrial development projects benefiting two (2) or more coal-producing  
21       counties. For purposes of this paragraph, "coal-producing county" shall mean  
22       a county which has produced coal in the current or any one of the four (4)  
23       preceding years.

24       (2) (a) For purposes of paragraph (b) of subsection (1) of this section, "percentage of  
25       employment in mining" and "percentage of earnings from mining" shall be  
26       provided by the Office of Employment and Training in the Education and  
27       Workforce Development Cabinet, and "surplus labor rate" shall be the rate

1 published for the latest available five (5) year period by the Office of  
2 Employment and Training as provided in paragraph (b) of this subsection.

3 (b) 1. Each year the Office of Employment and Training shall estimate surplus  
4 labor for each county and for the Commonwealth and shall annually  
5 publish an estimate of the surplus labor rate for each county and the  
6 Commonwealth.

7 2. The estimate of surplus labor for each county and for the  
8 Commonwealth shall be made using the best practical method available  
9 at the time the estimates are made. In determining the method to be  
10 adopted, the Office of Employment and Training may consult with  
11 knowledgeable individuals, including but not limited to the Office of the  
12 United States Bureau of Labor Statistics, state and national researchers,  
13 state and local officials, and staff of the Legislative Research  
14 Commission. The description of the method used to estimate surplus  
15 labor shall be reported in each annual publication provided for in  
16 subparagraph 1. of this paragraph.

17 3. For purposes of this section, "surplus labor" means the total number of  
18 residents who can be classified as unemployed or as discouraged  
19 workers, and "surplus labor rate" means the percentage of the potential  
20 civilian labor force which is surplus labor.

21 (3) The funds allocated under the provisions of paragraphs (a) and (b) of subsection (1)  
22 of this section shall retain their identity with respect to the county to which they are  
23 attributable, and a separate accounting of available moneys within the fund shall be  
24 maintained for the respective counties. Accounting for funds allocated under the  
25 provisions of this section shall be by the Department for Local Government.

26 ➔Section 7. KRS 42.470 is amended to read as follows:

27 Moneys in the local government economic assistance fund shall be allocated among the

1 counties as follows:

2 (1) Funds allocated under KRS 42.4585 prior to August 1, 2018:

3 (a) Sixty percent (60%) shall be distributed to each coal producing county on the  
4 basis of the ratio of coal severed in each respective county to the coal severed  
5 statewide;~~[-]~~

6 (b) Thirty percent (30%) shall be distributed to each coal producing county on the  
7 basis of per capita income (inverse order), ton miles of resource roads and  
8 population, equally weighted; and~~[-]~~

9 (c) Ten percent (10%) shall be distributed to non-coal producing counties  
10 impacted by the transport of coal on the basis of geographic area, ton miles of  
11 resource roads, and per capita income (inverse order), weighted on a basis of  
12 30/100, 40/100, and 30/100, respectively. The expenditure of such funds shall  
13 be limited to the categories of projects set out in KRS 42.455(2)(a)3~~(e)~~. All  
14 counties shall receive an annual payment based on the average of total ton  
15 miles within the county during the most recent three (3) year period. To  
16 qualify for the funds distributed under the provisions of this paragraph, a  
17 county must have within its geographic boundaries in any single year twenty-  
18 five hundredths of one percent (0.25%) of the total ton miles within coal  
19 impact counties during the most recent three (3) year period; and~~[-]~~

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

23 (b) All funds allocated under KRS 42.450(2)(b) shall be distributed among the  
24 coal-producing counties on the basis of the tax collected on coal severed of  
25 processed in each respective county.

26 ~~(c)~~~~(b)~~ In no event shall the amount of funds distributed to a mineral producing  
27 county, and to the incorporated areas within that county under KRS 42.475, in



1 any given quarter be reduced by greater than fifty percent (50%) as a result of  
2 any refund of the tax imposed on the severance and processing of minerals. If  
3 a refund of tax occurs and a county's allocated share of the refund amount is  
4 greater than fifty percent (50%) of the quarterly distribution due that county  
5 and its incorporated areas, the remainder shall carry forward to be offset in  
6 successive quarters as necessary until it is satisfied in full.

7 →Section 8. KRS 42.472 is amended to read as follows:

8 Moneys from tar sands distributed to counties under KRS 42.470(2)(a) shall be used for  
9 economic development purposes as approved by the Department for Local Government.

10 →Section 9. KRS 42.475 is amended to read as follows:

11 (1) Except as provided in subsection (2) of this section, ten percent (10%) of the funds  
12 allocated to each county under the provisions of KRS 42.470(1) shall be allotted to  
13 the incorporated areas within the county based on the ratio that the population of  
14 each incorporated area bears to the total population of all the incorporated areas  
15 within the county[; ~~except that incorporated areas shall not be eligible for funds  
16 allocated to counties under the provisions of KRS 42.490 and 1980 Acts, ch. 394,  
17 sec. 11].~~

18 (2) If the amount of funds to be allotted to an incorporated area under subsection (1) of  
19 this section is less than twenty- five dollars (\$25) in any given quarter, then the  
20 allotment shall not be made and the applicable funds shall instead be distributed to  
21 the county to which they were allocated under KRS 42.470.

22 →Section 10. KRS 42.480 is amended to read as follows:

23 (1) (a) On or before July 1, 1992, and each year thereafter ***through July 1, 2018***, the  
24 commissioner of the Department for Local Government shall provide the  
25 Cabinet for Economic Development, the Kentucky Economic Development  
26 Finance Authority, and the legislative body of each local government eligible  
27 for funds under the provisions of KRS 42.450 to 42.495, an estimate of the

1 funds that will be allocated to the local government~~[ for fiscal year 1992-93,~~  
 2 ~~and each year thereafter].~~

3 **(b) No later than August 1, 2018, and each year thereafter, the commissioner of**  
 4 **the Department for Local Government shall provide the legislative body of**  
 5 **each local government eligible for funds under KRS 42.450 to 42.495 an**  
 6 **estimate of the funds that will be allocated to the local government.**

7 (2) On or before the fifteenth of the first month of a quarter, the commissioner of the  
 8 Department for Local Government shall cause to be remitted to the legislative  
 9 bodies of the local governments eligible for funds from the local government  
 10 economic assistance fund, the funds allocated to the respective local governments  
 11 for the prior quarter; except that the remittance for the last quarter of a fiscal year  
 12 shall be made after the close of the fiscal year accounting records and shall be  
 13 adjusted to provide the balance of the annual allocation due the local government.

14 ➔Section 11. KRS 143.090 is amended to read as follows:

15 (1) The Transportation Cabinet shall certify to the commissioner of the Department of  
 16 Revenue by October 1 of each fiscal year **prior to fiscal year 2018-2019** the amount  
 17 required for lease rental payments to the Kentucky Turnpike Authority for resource  
 18 recovery road projects.

19 (2) The Department for Energy Development and Independence shall certify to the  
 20 commissioner of the Department of Revenue by October 1 of each **fiscal** year **prior**  
 21 **to fiscal year 2018-2019** the amount of the annual lease rental payments required to  
 22 be made for any energy research development or demonstration project undertaken  
 23 by the Department for Energy Development and Independence. The amount so  
 24 certified shall in no case exceed three million dollars (\$3,000,000) in any one (1)  
 25 year.

26 (3) Upon receiving the certifications provided for in subsections (1) and (2) of this  
 27 section, the commissioner of the Department of Revenue shall cause the certified

1 amounts to be deposited from the proceeds of the tax levied by KRS 143.020 to the  
2 credit of the transportation fund and the Department for Energy Development and  
3 Independence, respectively, unless otherwise provided by the General Assembly in  
4 a budget bill, as follows:

5 (a) An amount equal to the amount certified by the Transportation Cabinet shall  
6 be deposited to the transportation fund (road fund); and

7 (b) An amount equal to the amount certified by the Department for Energy  
8 Development and Independence shall be transferred by appropriate interfund  
9 transfer procedures to the Department for Energy Development and  
10 Independence.

11 (4) All tax levied prior to August 1, 2018, by KRS 143.020 collected in excess of the  
12 amount required to be deposited to the transportation fund (road fund) or transferred  
13 to the Department for Energy Development and Independence shall be deposited by  
14 the Department of Revenue to the credit of the general fund.

15 (5) If the proceeds of the tax levied by KRS 143.020 are less than the amounts certified  
16 under subsections (1) and (2) of this section, the commissioner of revenue shall  
17 prorate the proceeds to the transportation fund and the Department for Energy  
18 Development and Independence based upon the ratio of each certified amount to the  
19 total of the two (2) certified amounts.

20 ➔Section 12. KRS 164.7890 is amended to read as follows:

21 (1) To ensure the public health purpose of access to pharmaceutical services in the coal-  
22 producing counties of the Commonwealth, which have been traditionally  
23 underserved for pharmaceutical services due to a shortage of pharmacists in the  
24 Commonwealth, the General Assembly hereby establishes a coal county scholarship  
25 program to provide eligible Kentucky students the opportunity to attend an  
26 accredited school of pharmacy or a provisionally accredited school of pharmacy in  
27 the Commonwealth, and to become certified pharmacists in the Commonwealth,

1 provided that the scholarship recipient agrees to practice pharmacy in a coal-  
2 producing county for each year a scholarship is provided.

3 (2) "Coal-producing county" as used in this section has the same meaning as in KRS  
4 42.4592(1)(c).

5 (3) The authority may award scholarships, to the extent funds are available for that  
6 purpose, to any person who:

7 (a) Is a Kentucky resident;

8 (b) Is considered a permanent resident of a coal-producing county for at least one  
9 (1) year immediately preceding July 1 of the academic year in which the  
10 scholarship is made for students who first receive a scholarship under this  
11 section on or after July 1, 2014;

12 (c) Is a United States citizen as determined by the institution in accordance with  
13 criteria established by the Council on Postsecondary Education for the  
14 purposes of admission and tuition assessment;

15 (d) Is enrolled or accepted for enrollment in a Pharm.D. program at an accredited  
16 institution or a provisionally accredited institution in the Commonwealth on a  
17 full-time basis, or is a student who has a disability defined by Title II of the  
18 Americans with Disabilities Act, 42 U.S.C. secs. 12131 et seq., certified by a  
19 licensed physician to be unable to attend the eligible program of study full-  
20 time because of the disability;

21 (e) Agrees to render one (1) year of qualified service in a coal-producing county  
22 of the Commonwealth for each year the scholarship was awarded. "Qualified  
23 service" means a full-time practice in a coal-producing county of the  
24 Commonwealth of Kentucky as a licensed pharmacist for a majority of the  
25 calendar year, except that an individual having a disability defined by Title II  
26 of the Americans with Disabilities Act, 42 U.S.C. secs. 12131 et seq., whose  
27 disability, certified by another licensed physician, prevents him or her from

1 practicing full-time, shall be deemed to perform qualified service by  
2 practicing the maximum time permitted by the attending physician, in the  
3 coal-producing county; and

4 (f) Agrees to sign a promissory note as evidence of the scholarship awarded and  
5 the obligation to repay the scholarship amount or render pharmacy service as  
6 agreed in lieu of payment.

7 (4) (a) Notwithstanding KRS 164.753(3), the amount of the scholarship shall not  
8 exceed forty percent (40%) of the approximate average of first professional  
9 year in-state tuition for all pharmacy schools in the United States. The  
10 authority shall establish, by administrative regulation a procedure for  
11 awarding scholarships which shall give preference to students residing in coal-  
12 producing counties and which shall establish procedures to award scholarships  
13 should funding be insufficient to award scholarships to all eligible students.  
14 The authority may also, by administrative regulation, establish scholarship  
15 amounts based on demonstration of initial financial need by eligible students.

16 (b) The actual amount of the scholarship awarded to each eligible student by the  
17 authority for each semester shall be based on the amount of funds available  
18 and the criteria established under paragraph (a) of this subsection.

19 (5) (a) The authority shall require each student receiving a scholarship to execute a  
20 promissory note as evidence of the obligation.

21 (b) The recipient shall render one (1) year of qualified service in a coal-producing  
22 county for each year the scholarship was awarded. Upon completion of each  
23 year of qualified service in a coal-producing county, the authority shall cancel  
24 the appropriate number of promissory notes. Promissory notes shall be  
25 canceled by qualified service in the order in which the promissory notes were  
26 executed. Service credit shall not include residency service.

27 (c) If a recipient fails to complete an eligible program of study, or fails to render

1 service as a pharmacist as agreed in this subsection, the recipient shall be  
2 liable for the total repayment of the sum of all outstanding promissory notes  
3 and accrued interest.

4 (6) Any person who is in default on any obligation to the authority under any program  
5 administered by the authority under KRS 164.740 to 164.785 shall not be awarded a  
6 scholarship or have a promissory note canceled until all financial obligations to the  
7 authority are satisfied, except that ineligibility for this reason may be waived by the  
8 authority for cause.

9 (7) A repayment obligation imposed by this section shall not be voidable by reason of  
10 the age of the recipient at the time of executing the promissory note.

11 (8) Failure to meet repayment obligations imposed by this section shall be cause for the  
12 revocation of the scholarship recipient's license to practice pharmacy, subject to the  
13 procedures set forth in KRS Chapter 311.

14 (9) Notwithstanding KRS 164.753(3), the authority shall establish by administrative  
15 regulation procedures for the administration of this program, including but not  
16 limited to the execution of appropriate contracts and promissory notes, cancellation  
17 of obligations, the rate of repayment, and deferment of repayment of outstanding  
18 debt.

19 (10) Notwithstanding any other statute to the contrary, the maximum interest rate  
20 applicable to repayment of a promissory note under this section shall be twelve  
21 percent (12%) per annum, except that if a judgment is rendered to recover payment,  
22 the judgment shall bear interest at the rate of five percent (5%) greater than the rate  
23 actually charged on the promissory note.

24 (11) (a) The coal county pharmacy scholarship fund is hereby created as a revolving  
25 fund in the State Treasury to be administered by the Kentucky Higher  
26 Education Assistance Authority for the purpose of providing scholarships to  
27 qualifying students studying pharmacy in schools in the Commonwealth.

- 1 (b) The fund shall consist of amounts transferred from coal severance tax receipts  
2 as provided in paragraph (c) of this subsection and any other proceeds from  
3 grants, contributions, appropriations, or other moneys made available for the  
4 fund.
- 5 (c) 1. Prior to August 1, 2018, receipts from the coal severance tax levied  
6 under KRS 143.020 shall be transferred to the fund on an annual basis in  
7 an amount not to exceed the lesser of:
- 8 a. Four percent (4%) of the total annual coal severance tax revenues  
9 collected under KRS 143.020; or
- 10 b. The amount necessary to provide full funding for all students who  
11 qualify for a scholarship under this section, considering all other  
12 resources available.
- 13 2. Transfers required by subparagraph 1. of this paragraph shall be made as  
14 follows:
- 15 a. On or before August 1 of each year, sixty-five percent (65%) of the  
16 amount of funding provided for in this paragraph shall be  
17 transferred to the fund; and
- 18 b. The remaining thirty-five percent (35%) shall be transferred on or  
19 before December 1 of each year.
- 20 3. The amount transferred shall be based upon the prevailing revenue  
21 estimate for coal severance tax receipts at the time each transfer is made.
- 22 (d) Any unallotted or unencumbered balances in the trust fund shall be invested as  
23 provided in KRS 42.500(9).
- 24 (e) Income earned from the investments shall be credited to the trust fund.
- 25 (f) Notwithstanding KRS 45.229, any fund balance at the close of the fiscal year  
26 shall not lapse but shall be transferred to the Osteopathic Medicine  
27 Scholarship Program described in KRS 164.7891 within ninety (90) days of

1 the end of the fiscal year.

2 (g) All amounts included in the fund shall be continuously appropriated only for  
3 the purposes specified in this section.

4 (h) A general statement that all continuing appropriations are repealed,  
5 discontinued, or suspended shall not operate to repeal, discontinue, or suspend  
6 this fund or to repeal this action.

7 (i) All moneys repaid to the authority under this section shall be added to the  
8 fund.

9 ➔Section 13. KRS 164.7891 is amended to read as follows:

10 (1) It is the intent of the General Assembly to establish a scholarship program to  
11 provide eligible Kentucky students the opportunity to attend an accredited  
12 osteopathic school of medicine located in the Commonwealth and become certified  
13 practitioners rendering medical service in the Commonwealth.

14 (2) The Kentucky Higher Education Assistance Authority may award scholarships, to  
15 the extent funds are available for that purpose, to persons who declare an intent to  
16 become osteopaths and practice in the Commonwealth and who are eligible under  
17 subsection (4) of this section.

18 (3) The authority may award scholarships to students who meet the following criteria:

19 (a) Kentucky residents who are United States citizens as determined by the  
20 institution in accordance with criteria established by the Council on  
21 Postsecondary Education for the purposes of admission and tuition  
22 assessment;

23 (b) Students who are enrolled or accepted for enrollment in an eligible program of  
24 study accredited by the Bureau of Professional Education of the American  
25 Osteopathy Association or its successor, on a full-time basis, or eligible  
26 students who have a disability defined by Title II of the Americans with  
27 Disabilities Act, 42 U.S.C. secs. 12131 et seq., certified by a licensed



- 1 physician to be unable to attend the eligible program of study full-time  
2 because of the disability;
- 3 (c) Students who agree to render one (1) year of qualified service in the  
4 Commonwealth for each year the scholarship was awarded. "Qualified  
5 service" means a full-time practice in the Commonwealth of Kentucky as a  
6 licensed doctor of osteopathy for a majority of the calendar year in the fields  
7 of family practice, general practice, general internal medicine, general  
8 pediatrics, general obstetrics, or gynecology, except that an individual having  
9 a disability defined by Title II of the Americans with Disabilities Act, 42  
10 U.S.C. secs. 12131 et seq., whose disability, certified by another licensed  
11 physician, prevents him or her from practicing full-time, shall be deemed to  
12 perform qualified service by practicing the maximum time permitted by the  
13 attending physician; and
- 14 (d) Students who sign a promissory note as evidence of the scholarship awarded  
15 and the obligation to repay the scholarship amount or render medical service  
16 as agreed in lieu of payment.
- 17 (4) The amount of the scholarship awarded to an eligible student by the authority shall  
18 be equal to the difference between:
- 19 (a) The average of the prevailing amount charged for in-state tuition at the  
20 University of Kentucky School of Medicine and the University of Louisville  
21 School of Medicine; and
- 22 (b) The prevailing amount charged for tuition at the osteopathic school of  
23 medicine in which the student is enrolled.
- 24 (5) The authority shall require a promissory note to be executed by the student as  
25 evidence of the obligation. The recipient shall render one (1) year of qualified  
26 service for each year the scholarship was awarded. Upon completion of each year of  
27 qualified service, the authority shall cancel the appropriate number of promissory

1 notes. Promissory notes shall be canceled by qualified service in the order in which  
2 the promissory notes were executed. Service credit shall not include residency  
3 service. In the event a recipient fails to complete an eligible program of study, or  
4 fails to render qualified medical service as a primary care physician as agreed in  
5 subsection (3) of this section, the recipient shall be liable for the total repayment of  
6 the sum of all outstanding promissory notes and accrued interest.

7 (6) A scholarship shall not be awarded or a promissory note cancellation shall not be  
8 granted to any person who is in default on any obligation to the authority under any  
9 program administered by the authority under KRS 164.740 to 164.785 until  
10 financial obligations to the authority are satisfied, except that ineligibility for this  
11 reason may be waived by the authority for cause.

12 (7) A repayment obligation imposed by this section shall not be voidable by reason of  
13 the age of the recipient at the time of executing the promissory note.

14 (8) Failure to meet repayment obligations imposed by this section shall be cause for the  
15 revocation of the scholarship recipient's license to practice medicine, subject to the  
16 procedures set forth in KRS Chapter 311.

17 (9) Notwithstanding KRS 164.753(3), the authority shall establish by administrative  
18 regulation procedures or the terms of promissory notes for the administration of this  
19 program, including the execution of appropriate contracts and promissory notes,  
20 cancellation of the obligation, the rate of repayment and deferment of repayment of  
21 outstanding debt, and the priority of awarding scholarships if funds are insufficient  
22 to honor all requests.

23 (10) Notwithstanding any other statute to the contrary, the maximum interest rate  
24 applicable to repayment of a promissory note under this section shall be twelve  
25 percent (12%) per annum, except that if a judgment is rendered to recover payment,  
26 the judgment shall bear interest at the rate of five percent (5%) greater than the rate  
27 actually charged on the promissory note.

- 1 (11) (a) The "Osteopathic Medicine Scholarship Program" is hereby created as a  
2 special trust fund in the State Treasury administered by the Kentucky Higher  
3 Education Assistance Authority for the purpose of providing funds for  
4 scholarships to eligible students studying osteopathic medicine in schools in  
5 the Commonwealth.
- 6 (b) Prior to August 1, 2018, funding shall be transferred to the special trust fund  
7 from the coal severance tax revenues levied under KRS 143.020 in an amount  
8 that permits each Kentucky resident eligible under subsection (3) of this  
9 section to be awarded a scholarship in the amount established under  
10 subsection (4) of this section. No more than four percent (4%) of the coal  
11 severance tax revenues levied under KRS 143.020 and collected annually shall  
12 be transferred to the trust fund. To the extent this appropriation and other  
13 funds are available, the authority shall award scholarships to all renewal  
14 applicants and eligible students in accordance with the formula for  
15 determining the amount of the scholarship award established in this section.
- 16 (c) The trust fund may~~[-also]~~ receive state appropriations, gifts, and grants from  
17 public and private sources, and federal funds. Any unallotted or  
18 unencumbered balances in the trust fund shall be invested as provided in KRS  
19 42.500(9). Income earned from the investments shall be credited to the trust  
20 fund. Any fund balance at the close of the fiscal year shall not lapse but shall  
21 be carried forward to the next fiscal year and continuously appropriated only  
22 for the purposes specified in this section. A general statement that all  
23 continuing appropriations are repealed, discontinued, or suspended shall not  
24 operate to repeal, discontinue, or suspend this fund or to repeal this section.
- 25 (d) All moneys repaid to the authority under this section shall be added to the  
26 appropriations made for purposes of this section, and the funds and  
27 unobligated appropriations shall not lapse.

1 (12) On or before August 1 of each year, sixty-five percent (65%) of the amount of  
2 funding provided in subsection (11)(b) of this section shall be transferred to the  
3 special trust fund and the remaining thirty-five percent (35%) shall be transferred on  
4 or before December 1 of each year. The revenue transfers shall be based upon the  
5 revenue estimates prevailing at the time each transfer is due.

6 ➔Section 14. The following KRS section is repealed:

7 42.490 Transfer of fund balances of county.