

# CORRECTED FISCAL NOTE

## SB 2099 - HB 2339

April 2, 2007

**SUMMARY OF BILL:** Changes the coal severance tax from twenty cents (20¢) per ton to 4.5% of the gross value of all coal products severed from Tennessee. Authorizes the state to retain 3% of coal severance tax revenue for administrative costs. The remaining coal severance tax revenue shall be apportioned as follows: (1) 15% to the counties of severance to be used for education, highway construction, and stream cleaning activities, (2) 70% to the Division of Energy within the Department of Economic and Community Development (ECD) for grant programs and loans made for residential energy conservation, and (3) 15% to the Tennessee Surface Mine Reclamation Fund for use by ECD for the acquisition and reclamation of land disturbed by past coal mining.

### **ESTIMATED FISCAL IMPACT:**

On March 8, 2007, we issued a fiscal note for this bill indicating the following fiscal estimate:

*Increase State Revenues –*

*Net Impact - \$90,700 / Department of Revenue*

*\$2,520,000 / Division of Energy (ECD)*

*\$540,000 / Tennessee Surface Mine Reclamation Fund*

*Increase State Expenditures - \$32,000 – One-Time*

*Decrease Local Govt. Revenues – Net Impact - \$129,100*

Based on new information, the fiscal impact of this bill is estimated as follows:

**(CORRECTED)**

**Increase State Revenues –**

**Net Impact - \$171,300 / Department of Revenue**

**\$4,337,000 / Division of Energy (ECD)**

**\$929,000 / Tennessee Surface Mine Reclamation Fund**

**Increase State Expenditures - \$32,000 – One-Time**

**Increase Local Govt. Revenues – Net Impact - \$260,000**

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**(CORRECTED)**

Assumptions:

- Coal severance tax collections were \$689,843 in FY05-06.
- Currently, local governments are apportioned 97% of coal severance tax collections; the state retains 3% for administrative costs.
- Local governments were apportioned approximately \$669,100 in FY05-06 ( $\$689,843 \times 97\% = \$669,148$ ).
- The state retained approximately \$20,700 in FY05-06 ( $\$689,843 \times 3\% = \$20,695$ ).
- Quantity of coal severed in Tennessee is estimated to be 3,449,215 tons ( $\$689,843 \div \$0.20$  current per ton tax = 3,449,215 tons)
- The Energy Information Administration of the U.S. Department of Energy has estimated the price of coal in the Central Appalachia to be approximately \$41.15 per ton (as of March 3, 2007).
- Gross value of coal severed in Tennessee is estimated to be \$141,935,000 (3,449,215 tons  $\times$  \$41.15 per ton = \$141,935,197).
- Total coal severance tax is estimated to be \$6,387,000 in FY07-08 ( $\$141,935,000$  gross value  $\times$  4.5% = \$6,387,075).
- The state retains 3% (or approximately \$192,000) of the total coal severance tax for administrative costs.
- The remaining coal severance tax collections are estimated to be approximately \$6,195,000 ( $\$6,387,000 - \$192,000 = \$6,195,000$ ).
- Local governments are estimated to receive approximately \$929,000 in FY07-08 ( $\$6,195,000 \times 15\%$  proposed = \$929,250).
- The Division of Energy is estimated to receive approximately \$4,337,000 in FY07-08 ( $\$6,195,000 \times 70\% = \$4,336,500$ ).
- The Tennessee Surface Mine Reclamation Fund is estimated to receive approximately \$929,000 in FY07-08 ( $\$6,195,000 \times 15\% = \$929,250$ ).
- The net increase to state revenues is estimated to be \$5,437,300 in FY07-08 ( $[\$192,000 + \$4,337,000 + \$929,000] - \$20,700$  for FY05-06 = \$5,437,300).
- The net increase to local governments is estimated to be \$260,000 ( $\$929,000$  estimate for FY07-08 - \$669,100 from FY05-06 = \$259,900).
- The increase to one-time state expenditures for computer and software enhancements is estimated to be \$32,000.

**CERTIFICATION:**

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

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(CORRECTED)**

A handwritten signature in black ink, reading "James W. White". The signature is written in a cursive style with a prominent initial "J" and a distinct "W".

James W. White, Executive Director

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