



Kentucky's Coal Severance Tax

Research Report No. 439

Prepared By

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Kentucky Legislative Research Commission

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Kentucky's Coal Severance Tax

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Abstract

With decreasing tons of coal severed and lower overall coal prices, Kentucky's coal severance tax revenue has begun to decline from its peak of nearly \$300 million in fiscal year 2012. The tax rate is 4.5 percent of the gross value of coal severed or processed. A portion of the coal severance tax is returned to coal-producing and coal-impact counties through the local government economic assistance fund and the local government economic development fund. After initial specified deductions, 50 percent of the remaining coal severance tax revenue goes to the state's general fund, 15 percent goes to the local assistance fund, and 35 percent goes to the local development fund. There are further deductions before disbursements are made to counties and cities. In FY 2012, total local assistance fund allocations were nearly \$39 million and total local development allocations were more than \$61 million. In FY 2013, most coal-producing counties in Kentucky are unlikely to have sufficient single-county local development funds to complete all projects authorized for the county in the FY 2013/FY 2014 budget bill. Declining local development fund allocations would be a particular concern for counties using the funds to pay for recurring expenses such as debt service on previous bond issues.

Foreword

LRC staff thank officials and staff of the Kentucky Department for Local Government for their help, in particular Amy Barnes and Wendy Thompson. County Judges/Executive Donald E. Carroll of Hopkins County, Joseph A. Grieshop of Harlan County, Jody Jenkins of Union County, and Wayne T. Rutherford of Pike County provided useful information and perspectives, which are appreciated.

Within the Legislative Research Commission, staff thank Perry Papka for his assistance.

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Frankfort, Kentucky
July 11, 2013

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Summary

With decreasing tons of coal severed and lower overall coal prices, Kentucky's coal severance tax has declined from its peak of \$298 million in fiscal year 2012. As of May 2013, coal severance tax collections were down approximately 23 percent over the past year. Coal production in Kentucky has declined overall since 1990, when approximately 173 million tons of coal were mined. Kentucky coal production in 2011, nearly 109 million severed tons, was up slightly from the 2010 level. The production of coal in the state has shifted somewhat from eastern Kentucky to western Kentucky. The commodity price for central Appalachian coal, which includes eastern Kentucky coal, peaked in 2008 and 2009. Since mid-2011, prices have continued to decline, settling at approximately \$60 per ton in late 2012. The increasing availability of low-cost natural gas has contributed to declining coal prices.

The Kentucky coal severance tax was enacted in 1972; its base was broadened in 1978 to include processing of coal. The tax is 4.5 percent of the gross value of coal severed or processed. A portion of the tax is returned to coal-producing and coal-impact counties through the local government economic assistance fund and the local government economic development fund. After the "off-the-top" deductions, 50 percent of the remaining coal severance tax revenue goes to the state's general fund, 15 percent goes to the local assistance fund, and 35 percent goes to the local development fund. Off-the-middle deductions are made before funds are divided between the single-county and multicounty distribution funds, and then off-the-bottom deductions are made from the multicounty local development funds. At that point, disbursements can be made to counties and cities. Approximate total deductions are \$60 million for FY 2013 and \$58 million for FY 2014.

Over the period FY 2008 to FY 2012, total local assistance fund allocations increased to nearly \$39 million in FY 2012 as total coal severance tax revenues increased. Quarterly coal severance tax revenues have recently declined, however, so local governments face the prospect of smaller budgets in coming years.

Over the same time period, total local development allocations of \$61 million in FY 2012 were down more than 15 percent from the FY 2009 peak. In FY 2013, according to the Department for Local Government, the majority of coal-producing counties in Kentucky will not have sufficient local development funds to complete all of the projects authorized in HB 265, the FY 2013/FY 2014 budget bill. County fiscal courts may have to reprioritize their project lists for FY 2014 to include projects not completed in FY 2013 in addition to the projects in the bill for FY 2014. If coal severance tax revenues continue to decline, projects listed in HB 265 for FY 2014 may also not be completed. This becomes of particular concern when a county is using local development funds to pay for recurring expenses such as debt service on previous bond issues. These bond issues are the county's responsibility, so they do not necessarily represent an immediate potential fiscal obligation for the state should the county default. Given that it is the local fiscal court's responsibility to produce a prioritized list of the county's line-item projects, it is possible that the debt service may not be listed as a high priority for the county. Officials at the Department for Local Government indicate that most counties do highly prioritize their recurring expenses, and that while this is not yet a problem for any single county, it is a potential problem.

Kentucky's Coal Severance Tax

At its December 13, 2012, meeting, the Program Review and Investigations Committee voted to initiate a study of the distribution of coal severance tax revenue. Kentucky's coal severance tax is 4.5 percent of the gross value of coal severed, with a minimum tax of 50 cents per ton. The gross value is tons severed multiplied by price. The volume of coal severed and price can fluctuate depending on market conditions, so coal severance tax collections do as well. Tons severed have remained relatively stable from 2009 to 2011, but the price of coal has decreased as other energy sources, primarily natural gas, have increased their shares of the electricity generation market.

Coal production in Kentucky peaked in 2000. The continued high levels of severance tax collected as production declined were driven largely by higher coal prices. Kentucky's coal severance tax revenues have begun to decline, with continued declines in production and lower overall coal prices.

Major Conclusions

The report has five major conclusions.

This report has five major conclusions.

- With declining tons of coal severed, and lower overall coal prices, Kentucky's coal severance tax revenue has declined from its peak. As of May 2013, fiscal year 2013 coal severance tax collections are down approximately 23 percent from the comparable period in the previous fiscal year.
- A portion of the coal severance tax is returned to coal-producing and coal-impact counties through the local government economic assistance fund and the local government economic development fund. After designated deductions, 50 percent of the remaining coal severance tax revenue goes to the state's general fund, 15 percent goes to the local assistance fund, and 35 percent goes to the local development fund. Before disbursement to counties and cities, specified deductions are made from the single-county and multicounty local development funds. Approximate total deductions are \$60 million for FY 2013 and \$58 million for FY 2014.

- Declining coal severance tax revenue means smaller disbursements to both the local assistance fund and the local development fund. Local governments face the prospect of smaller allocations in coming years.
- Total allocations to the local assistance fund rose over the time period examined (FY 2008 to FY 2012) as total coal severance tax revenue increased. With the recent downturn in severance tax collections, this trend may not continue. FY 2012 local development fund allocations were down more than 15 percent from the FY 2009 peak.
- In FY 2013, the majority of coal counties in Kentucky will not have sufficient local development funds to complete all projects authorized for them in HB 265, the FY 2013/FY 2014 budget bill. County fiscal courts may have to reprioritize project lists for FY 2014 to include those projects not completed in FY 2013 in addition to projects in the bill for FY 2014. If coal severance tax revenue continues to decline, projects listed in HB 265 for FY 2014 may not be completed. Local governments may also face tough decisions if local assistance fund revenue continues to decline.

Kentucky Coal

Kentucky coal is in two distinct regions. Western Kentucky coal has lower heat content and higher sulfur content than eastern Kentucky coal.

Coal from the western Kentucky coalfields is generally higher in sulfur content and lower in heat value than coal from the eastern Kentucky coalfields. In the past, this has meant that coal from the eastern part of the state has been more competitive than coal from the western coalfields, but this has begun to change.

Both coalfields contain significant deposits of bituminous coal that is mined from surface and underground mines. Bituminous coal is a relatively soft coal containing bitumen, a soft tarlike substance. Bituminous coal is generally considered to be of higher quality than lignite coal but lower quality than anthracite coal. Bituminous coal contains 45 percent to 86 percent carbon and is generally 100 million to 300 million years old.¹

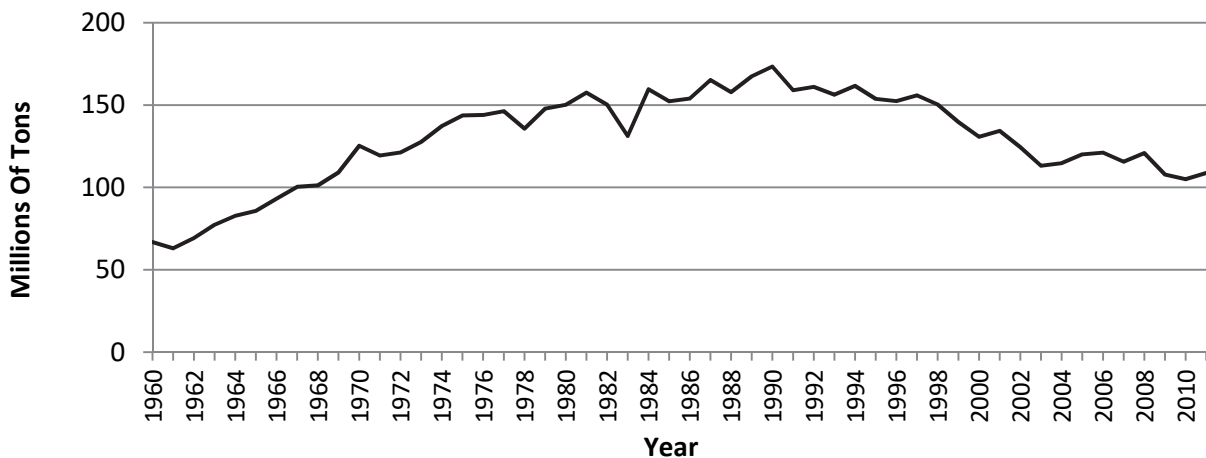
Production

Coal production in Kentucky has decreased since 1990.

Overall, coal production in Kentucky has declined since 1990, when approximately 173 million tons of coal were mined. Kentucky coal production in 2011, nearly 109 million severed tons, was up slightly from 2010. Figure A shows the history of coal production in the state since 1960 and the general decline in tons

severed since the 1990s. Since 2000, tons of coal severed has decreased on average nearly 1.7 percent per year.

Figure A
Kentucky Coal Production
1960 To 2011



Source: United States. Dept. of Energy. Energy Information Administration. State Energy Data System: Kentucky.

The gap between production volumes in eastern and western Kentucky has narrowed in recent years.

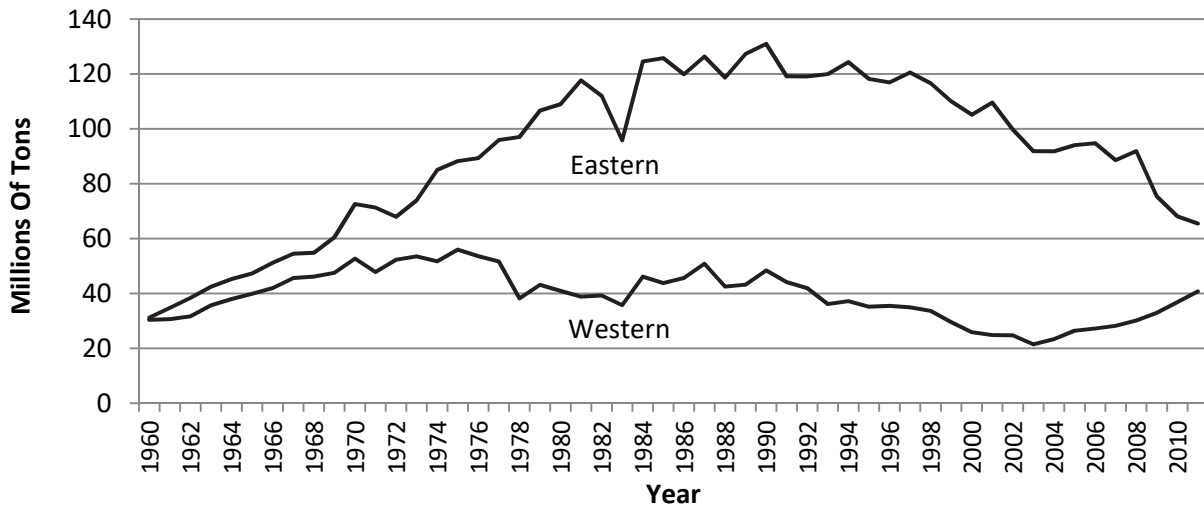
Figure B shows that the majority of coal severed in the state has come from mines in the eastern Kentucky coalfields, although the gap between east and west has narrowed in recent years. Eastern Kentucky coal represented nearly 62 percent of the coal mined in the state in 2011, down from a peak of more than 81 percent in 2001. The share of coal from the western Kentucky coalfields has been generally increasing since 2001.

Demand from electricity producers for western Kentucky coal has been steadily increasing. Power plants with the proper emission control technology are able to take advantage of the higher-sulfur coal and its generally lower price.

The number of underground mines in eastern Kentucky has been steadily decreasing.

The number of eastern Kentucky underground mines has been steadily decreasing since the mid-1980s, with fewer than 200 such mines in 2010. In 1985, there were approximately 900 underground mines in eastern Kentucky. This is partially attributable to the relatively high cost of underground mining, and to the switch by electricity producers to higher-sulfur western US coal. With thinner coal seams and available coal seams being farther underground, eastern Kentucky coal becomes costlier to mine. On average, eastern Kentucky coal is of higher quality, but higher costs of extraction can make it less attractive to end users.

Figure B
Coal Production In Kentucky's Eastern And Western Coalfields
1960 To 2011

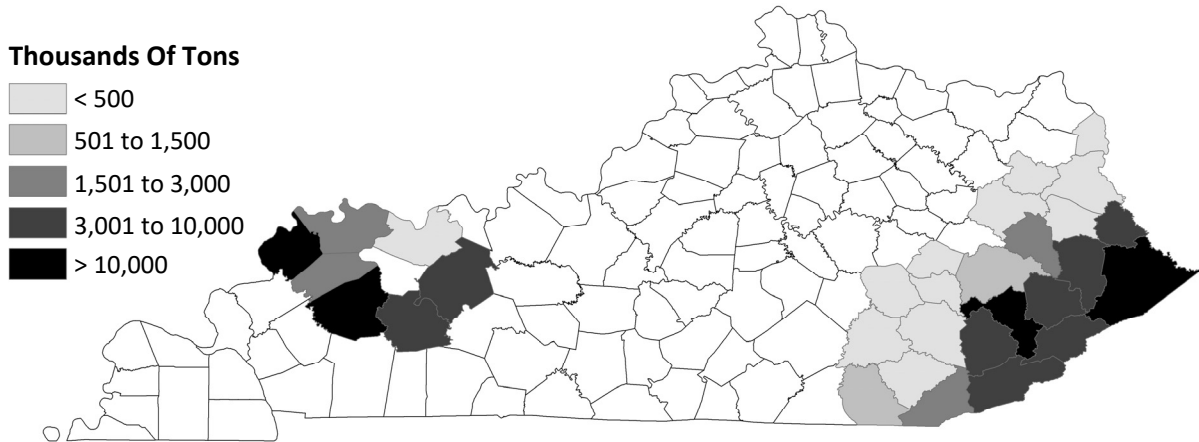


Source: Kentucky. Energy and Environment Cabinet. Dept. for Environmental Protection. Kentucky Energy Database. Web. May 9, 2013.

Production in many eastern Kentucky counties has declined significantly since 2001. Production in Pike County decreased more than 50 percent.

County-Level . Figure C shows county-level coal production in Kentucky in 2011. Figure D shows the county-level changes in production from 2001 to 2011. Production has shifted somewhat from eastern to western Kentucky. In 2001, all the counties mining more than 10 million tons of coal were in eastern Kentucky: Harlan, Knott, Letcher, Perry, and Pike. In 2011, two counties in the western coalfields (Hopkins and Union) produced more than 10 million tons; only two counties in eastern Kentucky did so (Perry and Pike). Coal production in Pike County declined more than 50 percent from 2001 to 2011 from 34 million tons to 15.2 million tons.

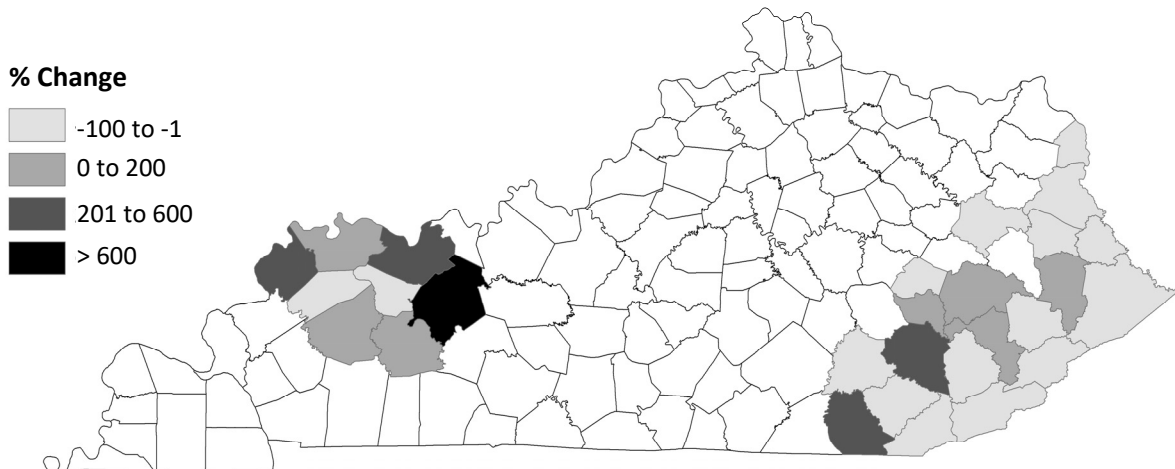
Figure C
Kentucky Coal Production By County
2011



Note: No shading indicates no coal was mined in the county.

Source: United States. Energy Information Administration. *Annual Coal Report*. 2011.

Figure D
Percentage Change In Kentucky Coal Production By County
2001 To 2011



Note: No shading indicates no coal was mined in the county.

Source: United States. Energy Information Administration. *Annual Coal Report*. 2001 and 2011.

Prices

Coal prices are determined by the cost of mining coal and the demand for coal. The price of coal differs by the region where it was mined.

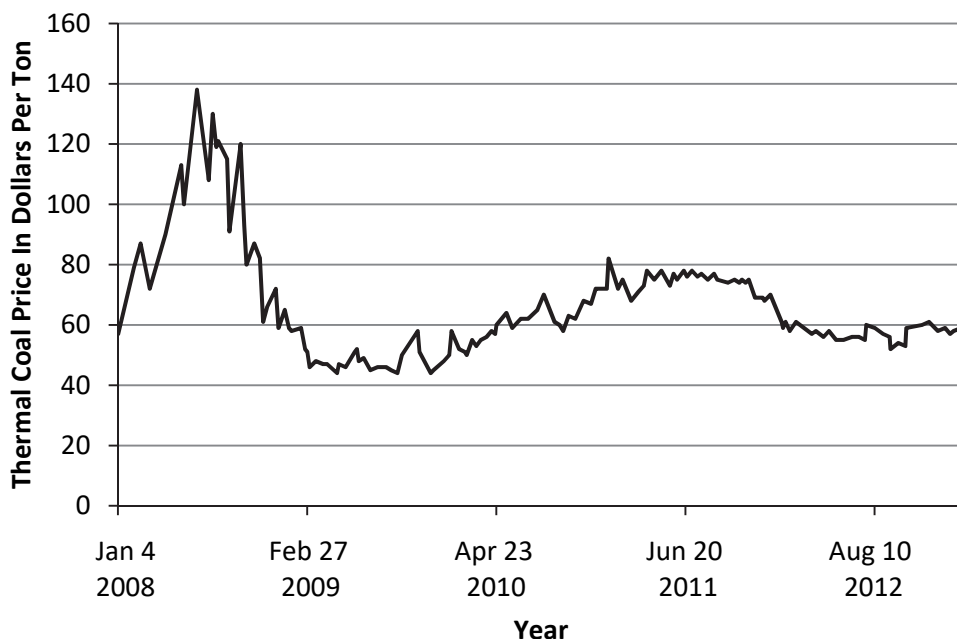
The price of coal is determined by the cost of mining it and demand for it. Change in the cost of mining is reflected in the price that the end user pays. As the relative prices of goods that are substitutes for coal change, the price of coal may be directly affected. For example, when the price of natural gas or oil goes up, electricity producers may find it more cost effective to use coal. If

this happened, and utilities were to purchase more coal, the price that producers of coal can charge for their product would increase. The price of coal differs by region of origin mostly because of the specific regional characteristics of the coal.

Coal commodity prices are down significantly from the peak prices of 2008.

Figure E shows the commodity price for central Appalachian coal from January 2008 to August 2012. The coal market is rapidly changing. The commodity price for central Appalachian coal, which includes eastern Kentucky coal, peaked in 2008. Since mid-2011, prices have continued to decline, settling at approximately \$60 per ton in late 2012. The increasing availability of low-cost natural gas has contributed to the decline in coal prices.

Figure E
Commodity Price For Central Appalachian Coal
2008 To 2012



Source: InfoMine. Thermal Coal CAPP Price. Web. May 9, 2013.

Coal Severance Tax Collections

The coal severance and processing tax rate is 4.5 percent of the gross value of coal severed or processed.

A coal severance tax was enacted in Kentucky in 1972. The base was broadened in 1978 when the tax was further applied to the processing of coal. Legislation enacted in 1974 mandates that a portion of the tax is to be returned to the counties in which the coal was severed. The tax, both for severance and processing, is 4.5 percent of the gross value of coal severed or processed, with a minimum tax of 50 cents per ton. Gross value is either the amount

received for the coal or the market value of the coal if it is consumed rather than sold (KRS 143.010(6), 143.020).^a

Transportation expenses are an allowable deduction from the gross value of the coal.

Tax revenue is collected by the Kentucky Department of Revenue. The Kentucky Department for Local Government disburses coal severance funds to counties.

Collection of the tax is typically done quarterly by the Kentucky Department of Revenue.^b Every entity that either severs or processes coal in Kentucky must obtain a coal severance account number from the department (KRS 143.030(1)). At the conclusion of the quarter, the Department of Revenue provides a report to the Kentucky Department for Local Government of the total funds collected for each county. It is the responsibility of the Department for Local Government to disburse these funds as well as maintain records of all requests and disbursements from the funds outlined below.

Statewide

Coal severance tax revenue was more than \$298 million in FY 2012. Adjusted for inflation, coal severance tax revenue was higher in the late 1980s and early 1990s.

Kentucky's coal severance tax remains an important source of revenue to the state and coal-producing counties. Figure F shows a history of coal severance tax collections in Kentucky for fiscal years 1988 to 2012 in nominal and inflation-adjusted dollars. In nominal terms, coal severance tax revenue peaked in FY 2012 at more than \$298 million. Adjusted for inflation, coal severance tax revenue was much higher in the late 1980s and early 1990s. As the amount of coal severed has generally been decreasing over this period, severance tax collections are largely driven by the market price of coal. Coal severance tax collections, in nominal dollars, were up slightly in FY 2012 over collections in FY 2011, growing by less than 1 percent.

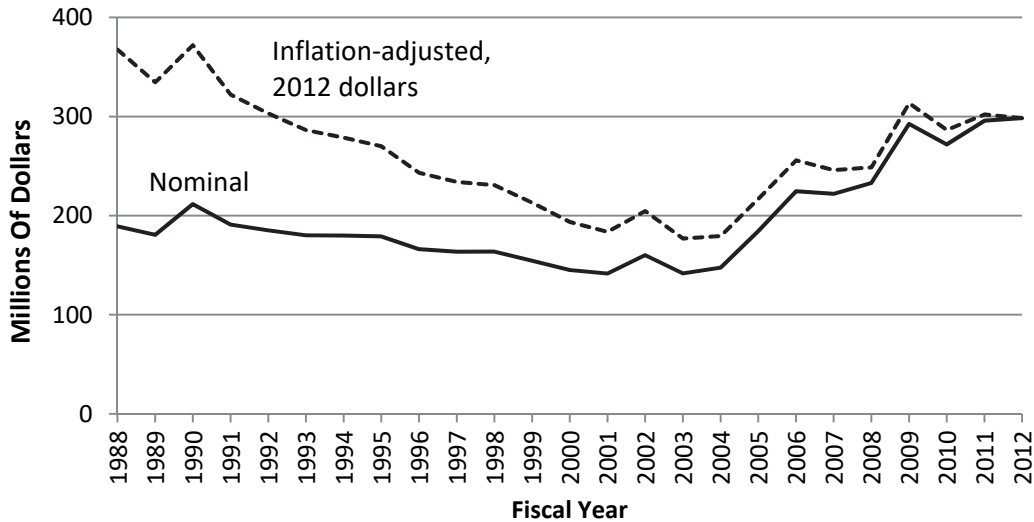
Beginning with the second quarter of FY 2012, coal severance tax revenue has been declining.

Figure F does not convey the recent trend in coal severance tax collections in Kentucky. Figure G, which shows the last 15 quarters of coal severance tax collections, shows a downward trend in collections over the last 6 quarters that is not evident in the annual data. Further, as of May 2013, FY 2013 coal severance tax collections are down approximately 23 percent over the same time in the previous fiscal year.

^a The minimum tax does not apply to taxpayers that only process coal. In the case of coal that is used in the burning of solid waste, the tax is limited to the lesser of 4 percent of the selling price or 50 cents per ton. Further, in the case of coal processors, the processor is taxed on the final sales price of the coal, reduced by the amount paid for the coal as well as any transportation expenses.

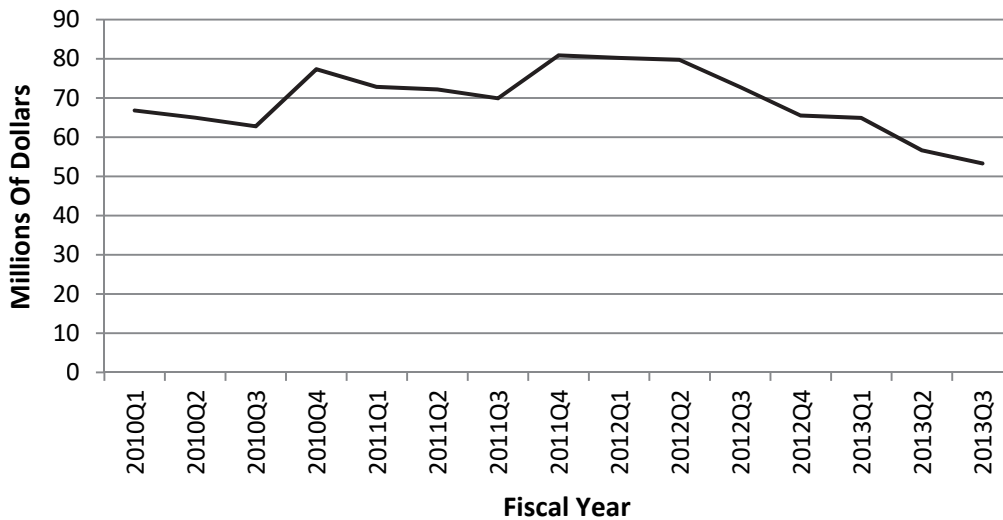
^b KRS 143.010(7) specifies that reporting is monthly unless the department authorizes quarterly reporting, which it typically does.

Figure F
Coal Severance Tax Revenue
FY 1988 To FY 2012



Sources: Kentucky. Revenue Cabinet. *Coal Severance Tax Receipts Report*. 1988 to 2012; United States. Bureau of Labor Statistics. Consumer Price Index. May 2012. Web. May 9, 2013; LRC staff calculations.

Figure G
Quarterly Coal Severance Tax Revenue
FY 2010 To FY 2013



Sources: Kentucky. Revenue Cabinet. *Quarterly Coal Severance Tax Revenue*. 2010 to 2013; LRC staff calculations.

County-Level

Coal severance tax collections are aggregated to the county level by the Department of Revenue in order to calculate how the funds are redistributed to the counties. Table 1 shows the top 10 counties in terms of coal severance tax collected for FY 2005 and FY 2012.^c

In FY 2012, 7 of the 10 counties with the highest coal severance tax collections were in eastern Kentucky.

In FY 2012, 7 of the top 10 counties were in the eastern portion of the state, but 2 of the top 5 counties were in western Kentucky. In FY 2005, no western Kentucky counties were in the top five. After adjusting for inflation, only Pike County showed a decline in the value of severance tax collections over the time period. Table A.1 in Appendix A shows severance tax collections for all counties for FY 2005 to FY 2012.

Table 1
County Coal Severance Tax Receipts For Top 10 Counties
FY 2005 And FY 2012

| County | FY 2005 | | FY 2012 | |
|------------|--------------|--------------------------|------------|--------------|
| | Receipts | Receipts In 2012 Dollars | County | Receipts |
| Pike | \$52,407,157 | \$61,840,445 | Pike | \$53,092,090 |
| Harlan | 20,899,255 | 24,661,121 | Harlan | 30,249,303 |
| Perry | 17,949,046 | 21,179,875 | Hopkins | 25,527,145 |
| Knott | 17,384,248 | 20,513,412 | Union | 23,812,732 |
| Letcher | 17,206,642 | 20,303,838 | Perry | 21,578,369 |
| Hopkins | 11,064,554 | 13,056,174 | Knott | 17,932,557 |
| Leslie | 8,127,256 | 9,590,162 | Letcher | 17,767,552 |
| Martin | 6,815,699 | 8,042,524 | Leslie | 16,146,048 |
| Muhlenberg | 4,734,998 | 5,587,298 | Martin | 11,948,479 |
| Union | 4,667,718 | 5,507,907 | Muhlenberg | 11,513,002 |

Sources: Kentucky. Revenue Cabinet. *Coal Severance Tax Receipts Report*. 2005 and 2012; United States. Bureau of Labor Statistics. Consumer Price Index. May 2012. Web. May 9, 2013; LRC staff calculations.

Table 2 shows the top 10 counties' inflation-adjusted coal severance tax receipt growth from FY 2005 to FY 2012. Many of the counties with the highest growth rates started with small bases; Union County is an exception.

^c County-level data for years before 2005 were not readily available.

In Union County, coal severance tax collections grew from just over \$5.5 million in FY 2005 in inflation-adjusted dollars to more than \$23 million in FY 2012. In Pike County, inflation-adjusted collections were down approximately 14 percent during the period.

Union County's collections were just over \$5.5 million in FY 2005 in inflation-adjusted dollars. By FY 2012, collections in that county had grown to more than \$23 million. The three counties with the least growth (Hancock, Jackson, and Laurel) all had zero collections in FY 2012. Most notable of the counties with negative, inflation-adjusted growth is Pike County. In FY 2005, its inflation-adjusted collections were nearly \$62 million, which decreased 14 percent to just over \$53 million in FY 2012. Pike County had the most severance revenue in both years, representing 28 percent of the state total in FY 2005 and 17 percent in FY 2012.

Table 2
Percentage Change In Inflation-Adjusted
Coal Severance Tax Revenue
From FY 2005 To FY 2012

| Highest 10 In Growth | | Lowest 10 In Growth | |
|-----------------------------|---------------|----------------------------|---------------|
| County | Change | County | Change |
| Owsley | 400% | Hancock | -100% |
| Magoffin | 335 | Jackson | -100 |
| Union | 332 | Laurel | -100 |
| Clay | 314 | Lawrence | -93 |
| Bell | 304 | Boyd | -47 |
| Breathitt | 230 | Morgan | -46 |
| Whitley | 139 | Johnson | -17 |
| Muhlenberg | 106 | Pike | -14 |
| Knox | 97 | Knott | -13 |
| Webster | 96 | Letcher | -12 |

Sources: Kentucky. Revenue Cabinet. *Coal Severance Tax Receipts Report*. 2005 and 2012; United States. Bureau of Labor Statistics. Consumer Price Index. May 2012. Web. May 9, 2013; LRC staff calculations.

Distribution Of Coal Severance Tax Revenue

Each quarter, once collections are received by the Department of Revenue, a distribution formula is applied to the revenue before it is disbursed to the general fund and two local funds, but not before deductions are made from the total collections.

A distribution formula is applied to coal severance tax revenue before disbursements are made to the general fund and two local funds. In FY 2013 and FY 2014, these *off-the-top deductions* are approximately \$1.9 million each year.

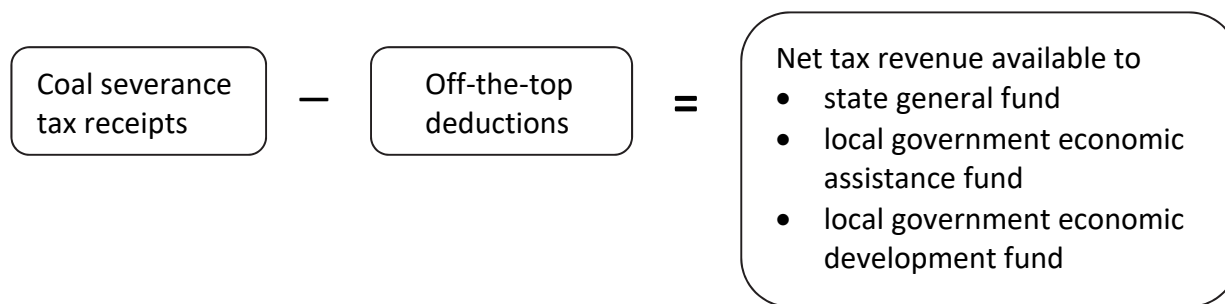
These deductions, commonly referred to as *off-the-top* because they are applied to total coal severance tax revenue, are authorized in the state budget. Table 3 shows the authorized off-the-top deductions for FY 2013 and FY 2014: an osteopathic scholarship fund as specified in KRS 164.7891 and the Trover medical clinic in Madisonville.^d These deductions total nearly \$1.9 million in each fiscal year. Figure H shows how off-the-top deductions are applied to coal severance tax revenues.

Table 3
Off-The-Top Deductions
FY 2013 And FY 2014

| Deduction | FY 2013 | FY 2014 |
|------------------------------|--------------------|--------------------|
| Osteopathic scholarship fund | \$872,500 | \$872,500 |
| Trover Clinic | 1,000,000 | 1,000,000 |
| Total | \$1,872,500 | \$1,872,500 |

Source: Kentucky. Dept. for Local Government. "Local Government Economic Development Fund Guidelines." Aug. 2012.

Figure H
Distribution To The General Fund, Local Government Economic Assistance Fund,
And Local Government Economic Development Fund



Fifty percent of funding remaining after the off-the-top deductions goes to the general fund, 15 percent goes to the local government economic assistance fund, and 35 percent goes to the local government economic development fund.

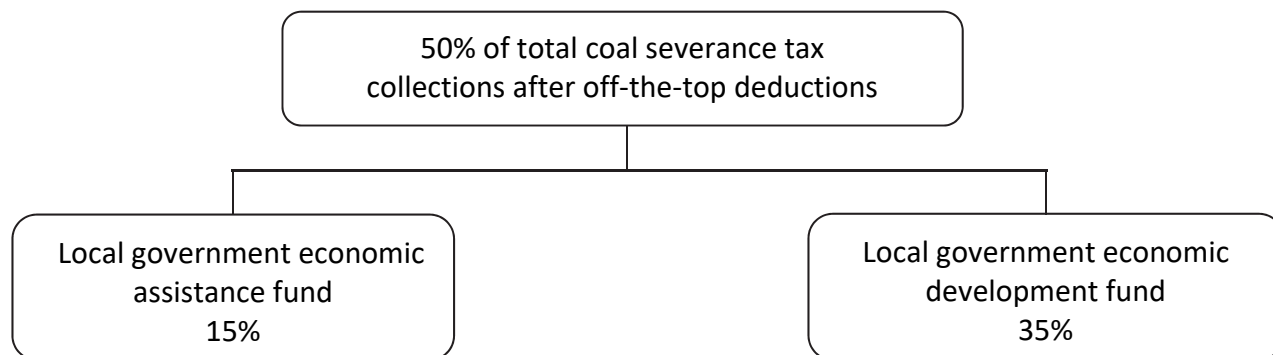
Once off-the-top deductions are applied, the remaining funds flow through a distribution formula set by Kentucky statute. Fifty percent of the remaining revenue raised by the tax goes directly to Kentucky’s general fund. The other 50 percent is placed in two local funds.

Figure I shows the distribution of revenue into the local government economic assistance fund and the local government economic development fund. Fifteen percent of total collections

^d The osteopathic scholarship fund provides scholarships for students to attend a school of osteopathic medicine in Kentucky. According to the American Osteopathic Association, the only osteopathic school of medicine in Kentucky is at the University of Pikeville.

after off-the-top deductions goes into the local assistance fund as specified in KRS 42.4585(2). The remaining 35 percent goes into the local development fund as specified in KRS 42.4582.

Figure I
Distribution To The Local Government Economic Assistance Fund
And Local Government Economic Development Fund



Off-the-middle deductions are made before funds are divided between the single-county and multicounty funds. *Off-the-bottom* deductions are made from the multicounty development funds. *Off-the-middle* deductions are approximately \$61 million in FY 2013 and \$58 million in FY 2014.

For the 35 percent directed into the local development fund, several *off-the-middle* and *off-the-bottom* deductions occur before funds are distributed to qualifying counties. *Off-the-middle* deductions come before funds are divided between the single-county and multicounty distribution funds. *Off-the-bottom* deductions come from the multicounty fund. Both types of deductions are covered in HB 265, the FY 2013/FY 2014 budget bill. Table 4 summarizes both deductions for FY 2013 and FY 2014. The deductions total approximately \$61 million in FY 2013 and \$58 million in FY 2014, reducing the total pool of funds available to eligible counties by these amounts. Appendix B has a more detailed description of the deductions.

Changes to the coal severance tax over time have been few and minor. For example, HB 892, enacted in 2000, created a nonrefundable tax credit against the coal severance tax for coal that is mined from thin seams or from seams with a high mining ratio.

Table 4
Off-The-Middle And Off-The-Bottom Deductions
FY 2013 And FY 2014

| | FY 2013 | FY 2014 |
|---|---------------------|---------------------|
| Off-The-Middle Deductions | | |
| Department for Local Government | \$669,700 | \$669,700 |
| Kentucky Infrastructure Authority | 370,000 | 370,000 |
| Read to Achieve | 3,000,000 | 3,000,000 |
| School Facilities Construction Commission | 4,617,900 | 4,617,900 |
| Mining engineering scholarships | 300,000 | 300,000 |
| Mine safety and licensing | 7,552,000 | 7,552,000 |
| Save the Children | 0 | 500,000 |
| School technology in coal counties | 2,500,000 | 2,500,000 |
| University of Kentucky Robinson Scholars Program | 1,000,000 | 1,000,000 |
| Debt service on previously issued bonds for water, sewer, and infrastructure projects* | 20,885,900 | 20,885,900 |
| Total off-the-middle deductions | \$40,895,500 | \$41,395,500 |
| Off-The-Bottom Deductions | | |
| Public Service Commission - Utility rate study | 200,000 | |
| Leslie County Veterans' Cemetery | 2,000,000 | |
| Mine Safety, Licensing and Mapping Application | 972,000 | |
| 12 regional industrial parks, marketing and maintenance | 200,000 | 200,000 |
| Energy Research and Development Pool | 3,500,000 | 3,500,000 |
| Operation UNITE | 2,000,000 | 2,000,000 |
| Lexington Downtown Redevelopment Project | 1,250,000 | 1,250,000 |
| Debt service on previously issued bonds for water, sewer, and infrastructure projects* | 5,778,500 | 5,778,500 |
| Drug courts | 1,800,000 | 1,800,000 |
| Total off-the-bottom deductions | \$17,700,500 | \$14,528,500 |
| HB 406 Part V Expendable Trust (interest)** | 600,000 | 600,000 |
| Total | \$58,596,000 | \$55,924,000 |

*Recurring expenses.

**Fund transfer authorized in HB 265, the FY 2013/FY 2014 budget bill.

Source: Kentucky. Dept. for Local Government. "Local Government Economic Development Fund Guidelines." Aug. 2012.

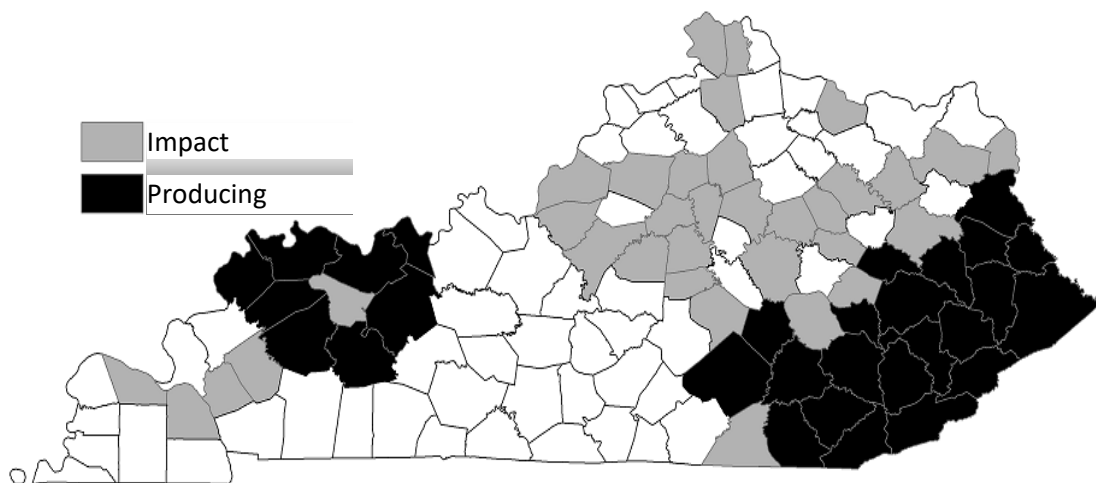
Local Government Economic Assistance Fund

The local government economic assistance fund, established by HB 970 (1980), is covered in KRS 42.450 to 42.495. According to the Department for Local Government, the fund was established to return a portion of the coal (and mineral) severance tax revenue to eligible local governments in order to improve their economic environments to attract new industry and to improve the quality of life for their residents.

Of the 15 percent of tax revenue allocated to the local assistance fund, 90 percent goes to eligible coal-producing counties and 10 percent is allocated to coal-impact counties. No coal is severed in coal-impact counties, but their roads are impacted by the transport of coal.

The local assistance fund is derived from the coal severance tax and the mineral severance tax. This report covers only the coal severance tax portion. Each year, the local assistance fund receives 15 percent of total coal severance tax revenues after off-the-top deductions, of which 90 percent is allocated to eligible coal-producing counties and 10 percent is allocated to coal-impact counties. No coal is severed in coal-impact counties, but their roads are impacted by the transport of coal. Figure J displays the coal-producing and coal-impact counties for FY 2013.

Figure J
Coal-Producing And Coal-Impact Counties
FY 2013



Note: Producing and impact counties that received at least one quarterly payment in FY 2013 are shown.

Source: Kentucky. Dept. for Local Government. *Quarterly LGEAF Coal Payments Summary*. 2013.

Funds are distributed to coal-producing counties based on the percentage of total tax collected in that county, per capita income, ton miles of resource roads, and population.

Figure K shows the local assistance fund distribution. Counties receive payments quarterly, and counties appear and disappear from the quarterly lists depending on the fund's criteria. Funds are allocated to coal-producing and coal-impact counties based on the following criteria in KRS 42.470.

- Of the 90 percent that goes to coal-producing counties,
 - 70 percent of the funds are allocated to each coal-producing county based on the ratio of tax collected in that county to total tax collected statewide; and
 - 30 percent are distributed to each coal-producing county based on per capita income of the county as a percentage of the sum of per capita incomes in the coal-producing counties (inverse order), the county's ton miles of resource roads in the county as a percentage of total ton miles in coal-producing counties, and the population of the county as a percentage of total population in coal-producing counties.^e Each factor is weighted evenly.
- The remaining 10 percent is distributed to coal-impact counties on the basis of county geographic area as a percentage of total geographic area in coal-impact counties (weighted 30 percent), the county's ton miles of resource roads as a percentage of total ton miles in coal-impact counties (weighted 40 percent), and per capita income of the county as a percentage of the sum of per capita income in the coal-impact counties (inverse order) (weighted 30 percent).^f

Funds are distributed to coal-impact counties based on geographic area, ton miles of resource roads, and per capita income.

In coal-producing counties, 30 percent of local assistance fund revenue must be used for the coal haul highway road system. The remaining 70 percent can be used on specified types of projects. In coal-impact counties, 100 percent of local assistance fund revenue must be used for the coal haul highway road system.

Table 5 shows how the funds, according to KRS 42.455(2)(c)(7) and 42.4701(c), must be utilized in coal-producing and coal-impact counties.^g In coal-producing counties, 30 percent of the local assistance fund revenue must be used for the coal haul highway road system. This system of roads is defined by the Kentucky Transportation Cabinet. The remaining 70 percent may be used for any of the types of projects shown in Table 5. In coal-impact

^e In practice, for the calculation involving per capita income, each county's per capita income is divided by the sum of the per capita incomes in the appropriate counties—either producing or impact, depending on which calculation is being performed. The inverse is then taken of this percentage. All inverses are totaled, and each county's percentage of the sum of the inverses is then taken. It is this percentage that is used to determine the fraction the county receives.

^f In order to qualify for these funds, a county must have within its geographic boundaries in any single year at least 0.25 percent of the total ton miles within coal-impacted counties during the most recent 3-year period.

^g According to KRS 42.455(3), local assistance fund revenue may be used for repayment of debt on long-term bond issues so long as the revenue from the bond issue is being expended on the priority categories as outlined in KRS 42.455(2)(c). These categories are listed in Table 5.

counties, 100 percent of local assistance fund revenue must be spent on public transportation projects, including mass transit systems or street and road projects.

Figure K
Distribution Of Local Government Economic Assistance Fund

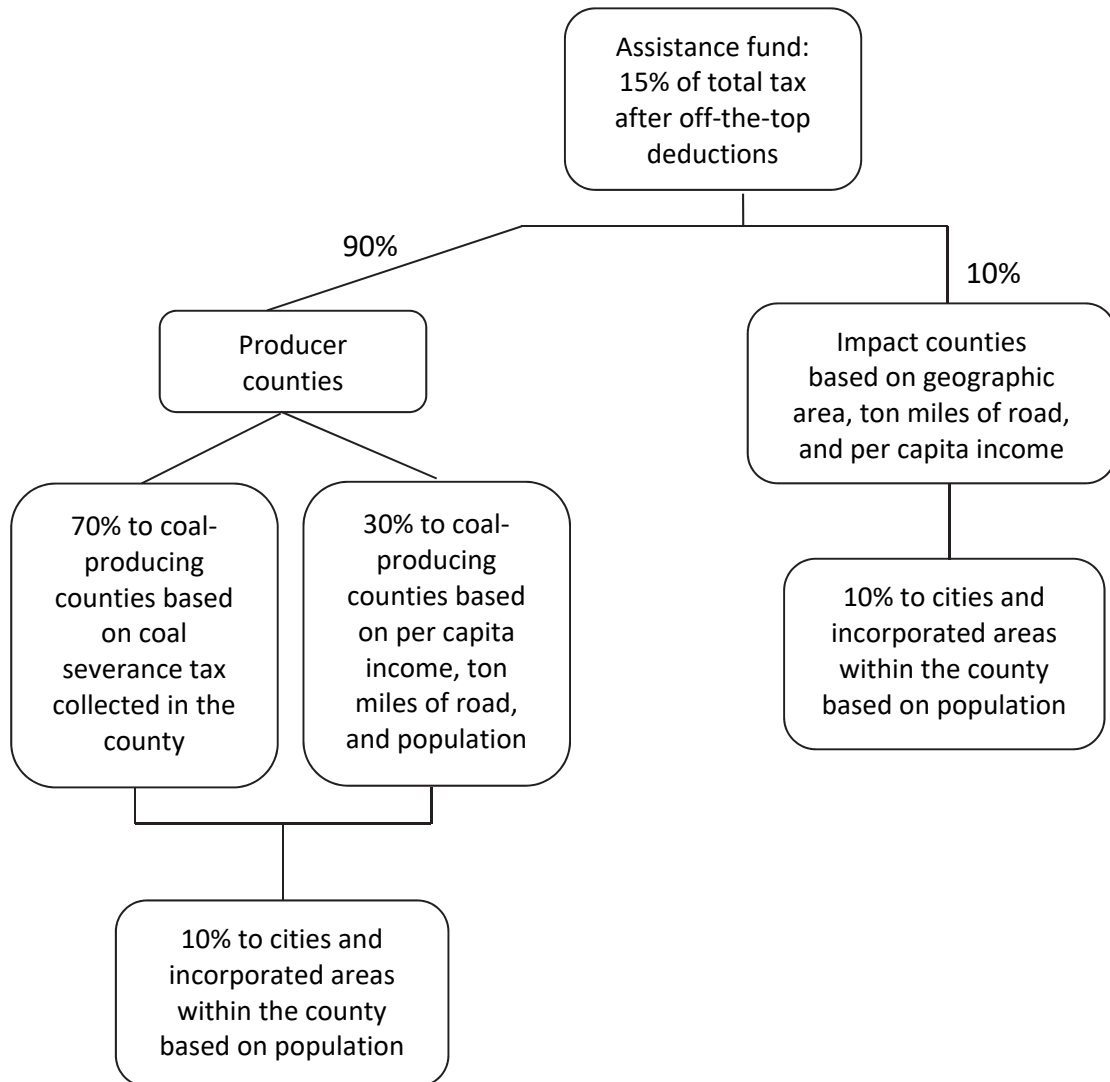


Table 5
Statutorily Approved Uses Of Local Government Economic Assistance Funding

| Coal-Producing Counties | Coal-Impact Counties |
|---------------------------------|--|
| 70% | 100% |
| Public safety | Impact funds may be spent only for public transportation, including mass transit systems, streets, and roads |
| Environmental protection | |
| Public transportation | |
| Health | |
| Recreation | |
| Educational facilities | |
| Social services | |
| Industrial/economic development | |
| Vocational education | |
| Workforce training | |
| Secondary wood industry | |

Source: Kentucky. Dept. for Local Government. "Local Government Economic Assistance Fund (LGEA)." Presentation at Governor's Local Issues Conference. Aug. 2012.

In FY 2013, uses of local assistance fund revenue included support of local fire protection services and improvements to water and sewer systems.

Examples Of Uses. Based on interviews with several county judges/executive in eastern and western Kentucky, FY 2013 local assistance fund revenue not earmarked for the coal haul highway system was used mostly in the broad categories of public safety, environmental protection, and health. In one eastern Kentucky county, it was being used to help support the ongoing operation of fire protection services. In a county in western Kentucky, it was being used to support a number of activities including ambulance services, services for senior citizens, and several economic development activities. In another western Kentucky county, local assistance fund revenue was being allocated, supported by matching federal grants, to upgrade the sheriff's emergency communication systems. It was often reported that local assistance fund revenue was being expended for public health, frequently for upgrading local water and sewer systems.

Based on interviews done for this report, county judges/executive are preparing for possibly lower local assistance fund and local development fund revenues.

Based on the interviews done for this report, county judges/executive are aware of the declining coal severance tax revenues and are preparing for lower local assistance fund and local development fund revenues. One county judge/executive remarked that after conversations with coal operators in the county about declining tons severed, he determined that it would be prudent to reserve some local assistance fund revenue in anticipation of future declines in coal severance tax revenue.

Many interviewed judges/executive remarked that future declines in local assistance fund revenue may mean cuts to services in counties.

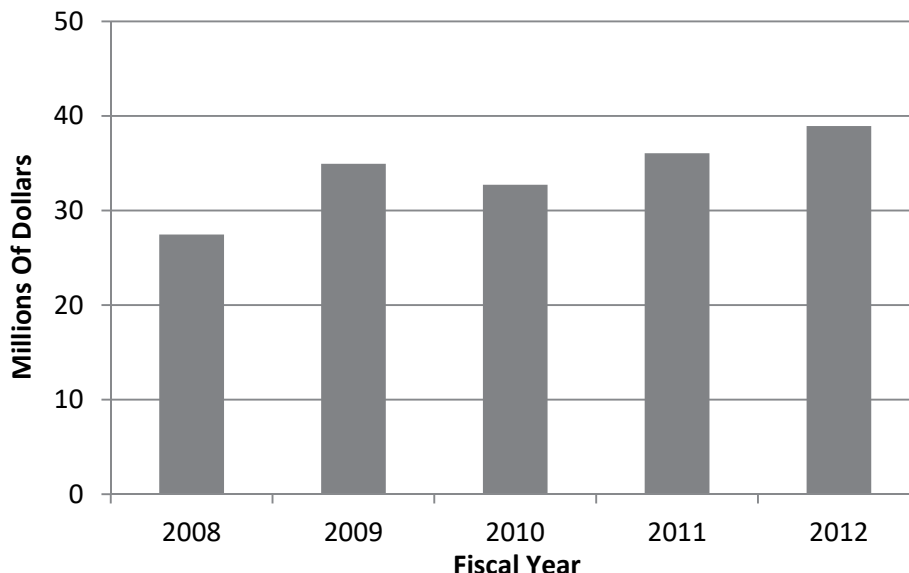
Many of the judges/executive remarked that continued declines in local assistance fund revenue could mean cuts to services or cuts in payroll in the future. For example, in FY 2013, Letcher County has received approximately \$1.3 million in local assistance fund revenue. In FY 2012, total local assistance fund disbursements to Letcher County were more than \$2 million, making it likely that Letcher County will end this fiscal year below last year's total. Several judges/executive remarked that there were items that could be trimmed from budgets before payroll cuts might need to be made.

Trends In Allocations. Local assistance fund allocations to counties vary annually depending on the criteria for determining how the funds are distributed. Figure L shows total, statewide local assistance fund allocations for FY 2008 to FY 2012. Total allocations for FY 2012 were nearly \$38.9 million. Generally, total allocations have risen as total coal severance tax revenues have increased.

Local assistance fund allocations increased from FY 2008 to nearly \$39 million in FY 2012. For this period, the five eastern Kentucky counties receiving the most local assistance fund revenue were Pike, Harlan, Perry, Knott, and Letcher. The top five western Kentucky counties were Hopkins, Union, Muhlenberg, Henderson, and Webster.

Table 6 shows the 5-year total allocations (FY 2008 to FY 2012) for the top five counties in eastern and western Kentucky that received local assistance fund revenue in any of these years. The yearly totals for all counties that received funds appear in Table A.2 in Appendix A. Four of the top five eastern Kentucky counties in terms of total local assistance fund allocations received more funds than the top western Kentucky county over the period examined. The top five eastern Kentucky counties were Pike, Harlan, Perry, Knott, and Letcher. The top five western Kentucky counties were Hopkins, Union, Muhlenberg, Henderson, and Webster.

Figure L
Total Local Government Economic Assistance Fund Disbursements
FY 2008 To FY 2012



Sources: Kentucky. Dept. for Local Government. *Quarterly LGEAF Coal Payments Summary*. 2008 to 2012; LRC staff calculations.

Table 6
5-Year Total County-Level Local Government
Economic Assistance Fund Amounts
For Top Five Counties In Eastern And Western Kentucky

| Eastern Kentucky | | Western Kentucky | |
|------------------|--------------|------------------|--------------|
| County | 5-Year Total | County | 5-Year Total |
| Pike | \$24,279,321 | Hopkins | \$9,803,234 |
| Harlan | 13,673,397 | Union | 5,223,869 |
| Perry | 12,436,457 | Muhlenberg | 5,053,867 |
| Knott | 10,507,147 | Henderson | 4,009,757 |
| Letcher | 9,102,561 | Webster | 3,465,861 |

Note: Totals are for FY 2008 to FY 2012.

Sources: Kentucky. Dept. for Local Government. *Quarterly LGEAF Coal Payments Summary*. 2008 to 2012; LRC staff calculations.

Local Government Economic Development Fund

The local government economic development fund receives 35 percent of coal severance tax revenue after off-the-top deductions.

The local government economic development fund, created in 1992 and governed by KRS 42.4588, provides grants from coal severance tax revenues to coal severance and processing counties. The fund receives 35 percent of the coal severance tax revenue that remains after the off-the-top deductions as specified in KRS 42.4582 and 42.4585. Generally, the tax revenue allocated to this fund is to be used for projects including industrial park

developments, regional parks, and job development incentive grants made to individual firms.

All recent budgets have included language that modified the structure of the local development fund program to expand eligible activities.

However, each Kentucky state budget enacted for FY 2005 to FY 2014 included language that modified the structure of the local development fund program. Specifically, eligible activities were expanded to include public health and safety projects, economic development projects, public infrastructure projects, information technology development and access projects, and public water and wastewater projects.

Before the revenue can be allocated to individual counties from the fund, there are several off-the-middle and off-the-bottom deductions as specified in KRS 42.4592.

One-third of local development fund revenue after off-the-middle deductions is allocated to counties based on the ratio of tax collected in that county to total tax collected statewide in the current and preceding 4 years.

The revenue remaining after the off-the-middle deductions is distributed quarterly to counties according to KRS 42.4592. Each coal-producing county receives a share of the revenue based on that county's percentage of total coal produced in the state over the specified time period. The statute specifies that 33 $\frac{1}{3}$ percent of the remaining funds after deductions be allocated to each coal-producing county based on the ratio of total tax collected in the current and preceding 4 years on coal severed in each respective county to the total tax collected statewide in the current and preceding 4 years.

Another one-third of local development fund revenue is allocated to counties based on mining employment, mining earnings, and the surplus labor rate.

Another 33 $\frac{1}{3}$ percent of the revenue remaining after the off-the-middle deductions is allocated quarterly to each coal-producing county based on three equally weighted factors. The factors, which are computed for the current year and the preceding 4 years, are

- the percentage of employment in mining in relation to total employment in the county,
- the percentage of earnings in mining in relation to total earnings in the county, and
- the surplus labor rate.^h

These two one-third distributions combined are commonly referred to as the single-county distributions.

These two individual 33 $\frac{1}{3}$ percent distributions are commonly referred to collectively as the single-county distributions. Together they represent 66 $\frac{2}{3}$ percent of the total revenue distributed from the local development fund after the off-the-middle deductions.

^h The surplus labor rate is the total number of residents in a county who can be classified as unemployed or as discouraged workers, divided by the total civilian labor force. KRS 42.4592 mandates that the Office of Employment and Training calculate this rate annually.

A hypothetical example of this calculation follows. It is assumed that the total amount of local development fund revenue for distribution after the off-the-middle distributions is \$99 million and that the hypothetical county's share of statewide severance tax is 10 percent, its share of mining employment is 2 percent, its share of mining earnings is 5 percent, and its surplus labor rate share is 4 percent. The county would receive approximately \$4.5 million in single-county funds of the total \$99 million in local development fund revenue remaining after the off-the-middle deductions.

For the first 33⅓ percent, based on a 10 percent share of statewide severance taxes collected, the county would receive \$3.3 million:

$$\$99 \text{ million} \times 33\frac{1}{3} \% \times 10 \% = \$3.3 \text{ million}$$

Of the next 33⅓ percent, the county would receive the following because all three criteria (2 percent share of mining employment, 5 percent share of mining earnings, and 4 percent surplus labor rate) are weighted equally:

$$\begin{aligned} &(\$99 \text{ million} \times 11\frac{1}{9} \% \times 2 \%) + \\ &(\$99 \text{ million} \times 11\frac{1}{9} \% \times 5 \%) + \\ &(\$99 \text{ million} \times 11\frac{1}{9} \% \times 4 \%) = \$1.21 \text{ million} \end{aligned}$$

The remaining one-third of the local development fund revenue is commonly referred to as the multicounty distribution.

The remaining 33⅓ percent of local development fund revenue is commonly referred to as the multicounty distribution. KRS 42.4592(1)(c) specifies that these funds be reserved for expenditures on industrial development projects that benefit two or more coal-producing counties.ⁱ

Off-the-bottom deductions come from the multicounty portion of the local development fund distribution.

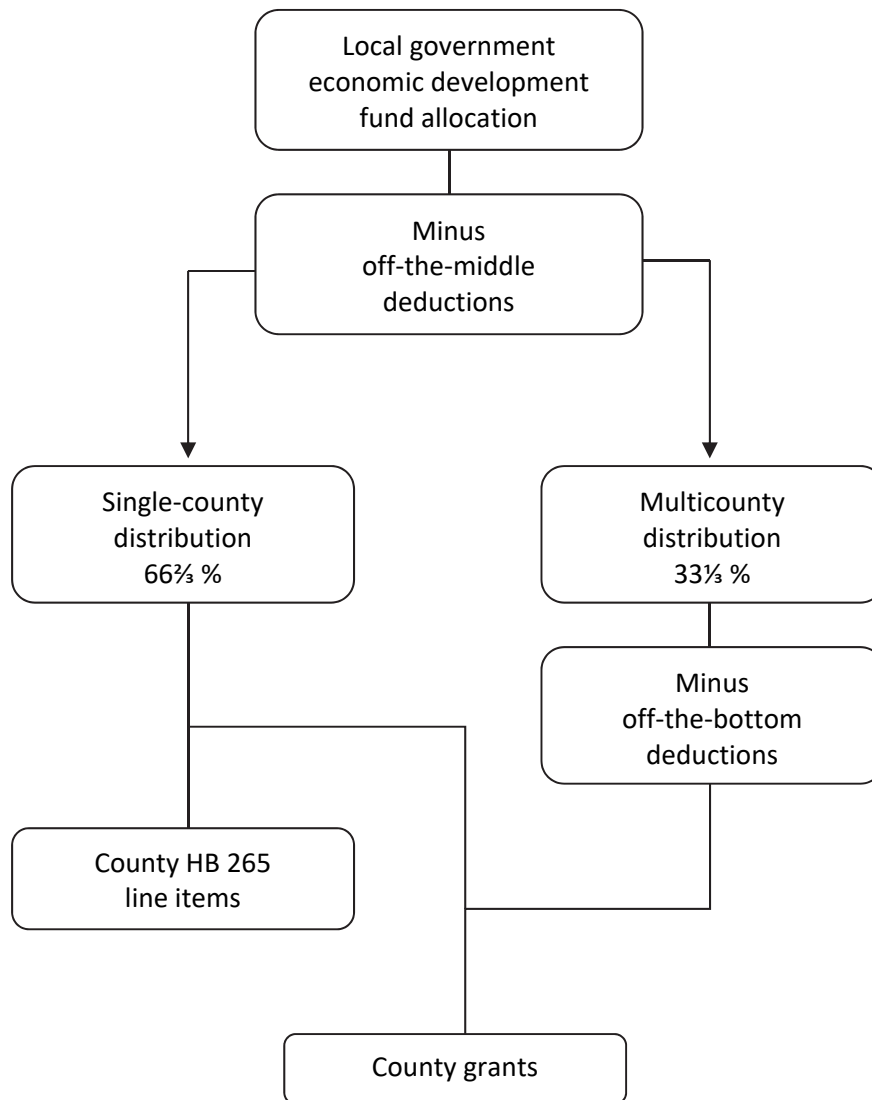
Several off-the-bottom deductions occur before the remaining 33⅓ percent can be allocated to the multicounty distribution account. Among the deductions that may be made are funds for

- energy research and development,
- Operation Unite,
- marketing and maintenance of the 12 multicounty regional industrial parks, and
- debt service on bonds.

What remains after these deductions is the balance for all multicounty projects along with any balance that has been carried forward from previous budget years. Figure M shows how funds flow through this funding allocation.

ⁱ According to KRS 42.4592(1)(c), a coal-producing county is any county that has produced coal in the current year or any of the 4 preceding years.

Figure M
Distribution Of Local Government Economic Development Fund



The local development fund program consists of line-item awards, as specified in 2012 HB 265, and grant awards. Specified line-item projects take precedence over grant awards.

HB 265 from the 2012 session authorizes a number of line-item projects in coal counties that are to be funded from local development fund revenue.

Line-Item Awards. HB 265, the budget bill for FY 2013 and FY 2014, authorizes line-item projects in coal counties that are to be funded from the single-county local development fund accounts. HB 265 identifies specific projects and designates an award amount for each project. The Department for Local Government is charged with administering each line-item project.^j

^j The Kentucky Infrastructure Authority administers the water and sewer projects that are listed as coal severance projects in HB 265.

Each county's fiscal court creates a prioritized list of the projects authorized in HB 265. Projects can be authorized only when sufficient funds are available in the county's local development fund account.

HB 265 contains estimates of the costs of projects authorized by the bill. However, bill language specifies that the actual award amounts are contingent on the actual revenue that is received and deposited into the county accounts. Each county fiscal court was asked to prioritize the projects in its county and was charged with passing a resolution creating the prioritized list of projects contained in the budget bill. As sufficient funds are available in a county's account, the projects proceed in order of priority. A memorandum of agreement (MOA) is required for each project. The MOA cannot be executed if there are insufficient funds in the county's account.^k Projects that previously had been awarded local development fund revenue in an MOA are not eligible for another award if the MOA had been fully executed.

Line-item projects in HB 265 supersede statute and take precedence over grant award projects.

Grant Awards. The line-item projects listed in HB 265 supersede statute. Grant projects will be considered after all HB 265 line-item projects are funded in a given fiscal year and funds remain available in a county's single-county account.

Single-county projects are located in and benefit the individual county. Joint-county projects benefit two or more coal-producing counties. Regional industrial park/business park projects involve three or more counties.

Three types of grant awards may be made. Single-county development projects are those in which the project is located in and benefits the individual county and uses only funds from the county's individual account. Joint-county development projects benefit two or more coal-producing counties using funds from the individual accounts of the participating counties. Finally, regional industrial park/business park projects involve three or more counties, of which at least two are coal-producing counties.^l Generally, regional industrial park projects are funded from the multicounty accounts.

HB 265 specifies the types of activities that may be funded by local development fund grants. These projects must be nonrecurring investments and can include

- public health and safety;
- economic development, including industrial development;
- public infrastructure;
- information technology development and access; and
- public water and wastewater development.

Total single-county and multicounty local development fund allocations were \$61.3 million in FY 2012, down more than 15 percent since FY 2009.

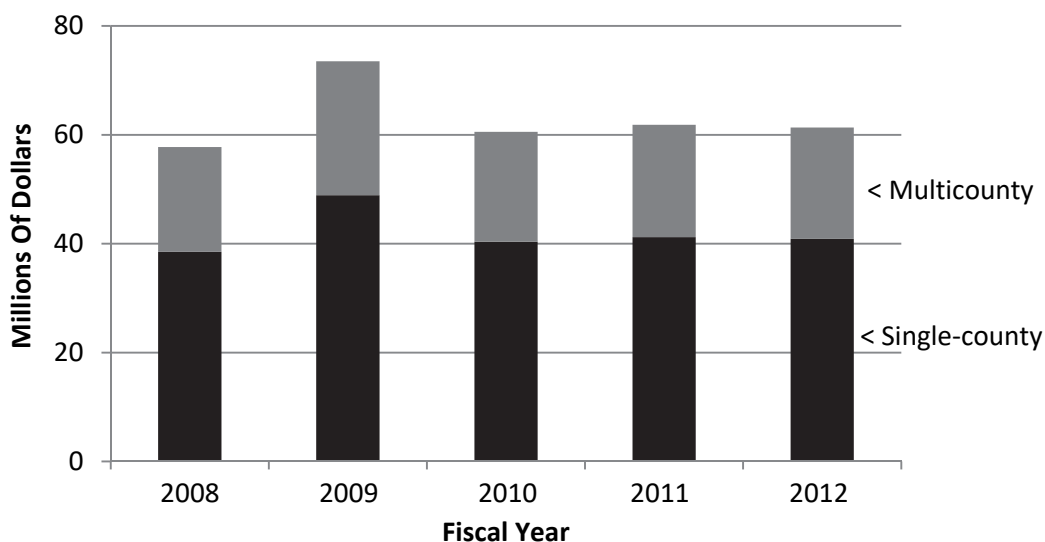
Allocations. Figure N shows total single-county and multicounty local development fund allocations for FY 2008 to FY 2012. Total allocations were \$61.3 million in FY 2012, down more than

^k According to the Department for Local Government, the total cost of projects in a county in many cases exceeds local development fund revenue available in that county.

^l These projects are not related to the HB 265 Regional Industrial Parks line item.

15 percent since FY 2009. The multicounty account total allocation remained relatively stable over this period. Total coal severance tax collections were not significantly different in FY 2012 than in FY 2009. The yearly totals for all counties that received funds appear in Table A.3 in Appendix A.

Figure N
Local Government Economic Development Fund Allocations
FY 2008 To FY 2012



Sources: Kentucky. Dept. for Local Government. *Quarterly LGEDF Coal Payments Summary*. 2008 to 2012; LRC staff calculations.

Most of the 10 counties with the largest local development fund allocations were in eastern Kentucky in FY 2008 and FY 2012.

Table 7 shows the top 10 counties in terms of total single-county local development fund allocations in FY 2008 and FY 2012. The counties in the top 10 are similar in both years; most of them are in the eastern portion of the state.

Table 7
Top 10 County Local Government Economic Development Fund Single-County Allocations FY 2008 And FY 2012

| FY 2008 | | FY 2012 | |
|---------|-------------|---------|-------------|
| County | Allocation | County | Allocation |
| Pike | \$6,186,662 | Pike | \$5,087,158 |
| Knott | 3,584,755 | Harlan | 3,430,099 |
| Harlan | 3,178,338 | Knott | 3,299,834 |
| Letcher | 2,926,766 | Perry | 3,097,728 |
| Leslie | 2,689,528 | Martin | 2,957,198 |
| Perry | 2,619,518 | Letcher | 2,645,355 |
| Martin | 2,532,507 | Leslie | 2,094,267 |
| Hopkins | 1,626,124 | Hopkins | 1,901,443 |
| Union | 1,333,905 | Webster | 1,834,172 |
| Webster | 1,310,345 | Floyd | 1,781,640 |

Note: All counties are in eastern Kentucky except Hopkins, Union, and Webster, which are in the west.

Source: Kentucky. Dept. for Local Government. *Quarterly LGEDF Coal Payments Summary*. 2008 to 2012; LRC staff calculations.

Table 8 shows the top 20 counties in terms of the percentage of severance tax paid returned to the county in the form of either local assistance fund or local development fund revenues over the past 5 fiscal years. These totals do not include multicounty local development fund revenue; the necessary data to allocate these funds to the appropriate counties were unavailable.

Over the period FY 2008 to FY 2012, the percentage of severance tax returned to counties was generally 20 percent to 30 percent of what coal companies in those counties paid.

Generally, the percentage of tax returned to the counties over the examined time period was from 20 percent to 30 percent of what coal companies in those counties paid. Notable exceptions were Clay, Johnson, and Whitley, in which the funds received were more than two-thirds of the tax paid over the 5-year period.^m

^m It is likely that there were counties for which the percentage of tax returned was even higher than for any of the counties listed in Table 8. However, due to disclosure issues with the data, this cannot be stated conclusively.

Table 8
Local Government Economic Assistance And
Local Government Economic Development Funding Returned
As A Percentage Of Severance Tax Collected
FY 2008 To FY 2012

| County | Severance Tax 5-Year Total | % Of Tax Returned (Local Assistance + Local Development) |
|------------|-------------------------------|--|
| Pike | \$261,292,836 | 21% |
| Harlan | 153,159,294 | 20 |
| Perry | 130,398,507 | 21 |
| Hopkins | 111,640,508 | 17 |
| Knott | 104,208,145 | 30 |
| Letcher | 94,809,440 | 25 |
| Leslie | 65,582,234 | 28 |
| Union | 63,038,814 | 20 |
| Martin | 61,599,998 | 33 |
| Floyd | 56,004,002 | 29 |
| Muhlenberg | 41,809,505 | 25 |
| Bell | 41,191,539 | 28 |
| Breathitt | 38,544,874 | 27 |
| Magoffin | 27,853,208 | 30 |
| Webster | 26,570,147 | * |
| Knox | 8,110,795 | 49 |
| Johnson | 7,303,517 | 72 |
| Henderson | 6,730,113 | * |
| Clay | 6,153,838 | 68 |
| Whitley | 4,065,829 | 68 |

* In selected years in these counties, coal severance tax collections were not reported publicly so as to not disclose the identity of the companies in the county.

Sources: Kentucky. Dept. for Local Government. *Quarterly LGEDF Coal Payments Summary*. 2008 to 2012; Kentucky. Revenue Cabinet. *Coal Severance Tax Receipts Report*. 2008 to 2012; LRC staff calculations.

Fiscal Year Allocations And Budget Bill Line Items

According to the Department for Local Government, few local development fund grants are now made because HB 265 line-item projects generally exhaust each county's single-county local development fund account.

According to the Department for Local Government, the practice of adding line-item projects using coal severance tax revenue to the biennial budget bill began during the administration of Governor Paul Patton. These line-item projects take precedence over any other project that might be undertaken with local development fund revenue, since language in each budget bill supersedes statute that governs distribution of the funds. In particular, the Kentucky

Department for Local Government states that few, if any, grants are being awarded as the HB 265 line-item projects for FY 2013 are generally exhausting most funds allocated to each county's single-county local development fund account.

Total coal severance tax collections for FY 2013 will likely be significantly less than the Consensus Forecasting Group's forecast.

According to department officials, this is occurring primarily for two reasons. First, coal severance tax revenues have generally been declining over the past several quarters. Second, and perhaps more importantly, the FY 2013 Consensus Forecasting Group's estimate for coal severance tax revenue was optimistic for FY 2013, according to the department. As of the date of this report, which includes the May coal severance tax receipts, total tax collections were just over \$213 million. The forecast for FY 2013 was \$337 million in collections. With 1 month of collections outstanding in the current fiscal year, it appears that total collections will be significantly lower than the forecast. The Consensus Forecasting Group's forecast for FY 2014 is \$353.4 million, which is greater than the estimate for FY 2013. If coal severance tax revenues continue to decline, this problem will be exacerbated in FY 2014, as there will not be nearly enough tax revenue to meet the needs of the budgeted line items in HB 265.

Of the 38 counties receiving a FY 2013 local development fund single-county allocation, 27 will not have sufficient funds to complete all line-item projects.

Table 9 shows the total allocations for each county receiving local development fund single-county funds in FY 2013 and the total for HB 265 line-item projects for each county in that year.ⁿ The table also includes any FY 2012 line-item projects that were not completed in that year. Given that the last quarterly allocation to each county's local development fund account was made in April 2013, Table 9 shows that of the 38 counties receiving a FY 2013 allocation, 27 will not have sufficient funds to complete all the line-item projects included in HB 265. This becomes of particular concern when counties are using local development fund revenue to pay for recurring expenses such as debt service on previous bond issues.

ⁿ The FY 2013 total allocation amount includes any remaining FY 2012 funds that were not spent in the previous fiscal year.

With declining coal severance tax revenue, counties with recurring expenses being paid by local development fund revenue could face problems.

These bond issues are the county's responsibility, so they do not necessarily represent an immediate potential fiscal obligation for the state, should the county default. Given that it is the local fiscal court's responsibility to produce a prioritized list of the county's line-item projects, it is possible that the debt service may not be listed as a high priority for the county.

For example, Knott County is currently using local development fund money to make a recurring bond payment of \$825,000 in FY 2013 on a sportsplex. Total FY 2013 local development fund disbursements to the county were approximately \$2.25 million, although the payment declined each quarter. The first payment was more than \$650,000; the last was just over \$400,000. Based on actual FY 2013 deposits and including the more than \$2.4 million that it carried forward from FY 2012, the county did not earn enough to complete all projects included on its HB 265 project list. With a zero balance going forward into FY 2014, the recurring bond payment will now represent a more significant portion of the county's local development fund revenue, assuming that FY 2014 fund disbursements are similar to those in FY 2013. Given declining coal severance tax revenues, FY 2014 disbursements are likely to be smaller than those in FY 2013.

Officials at the Department for Local Government indicate that most counties do highly prioritize their recurring expenses and that no county has had insufficient local development fund revenue to cover its recurring expenses. A decline in coal severance tax revenues means that this could be a problem in the future.

Table 9
Projected Local Government Economic Development Fund County Account Balances
FY 2013

| County | FY 2013 Allocation* | FY 2012 Budget Line Items | FY 2013 Budget Line Items | FY 2013 Ending Balance |
|---------------|----------------------------|----------------------------------|----------------------------------|-------------------------------|
| Pike | \$4,691,609 | \$0 | \$8,268,846 | -\$3,577,237 |
| Letcher | 3,284,634 | 0 | 4,427,000 | -1,142,366 |
| Webster | 1,727,250 | 0 | 2,475,000 | -747,750 |
| Hopkins | 1,388,273 | 0 | 2,075,000 | -686,727 |
| Breathitt | 1,334,162 | 0 | 1,910,000 | -575,838 |
| Leslie | 3,036,811 | \$125,000 | 3,445,000 | -533,189 |
| Harlan | 4,621,403 | 0 | 5,096,998 | -475,595 |
| Bell | 3,488,768 | 0 | 3,963,293 | -474,525 |
| Union | 3,194,513 | 250,000 | 3,413,000 | -468,487 |
| Henderson | 2,156,527 | 1,511,498 | 1,036,500 | -391,471 |
| Lee | 509,424 | 0 | 725,196 | -215,772 |
| Clay | 1,276,006 | 0 | 1,490,000 | -213,994 |
| Floyd | 2,465,297 | 0 | 2,658,000 | -192,703 |
| Perry | 4,644,259 | 0 | 4,817,724 | -173,465 |
| Menifee | 335,146 | 0 | 430,000 | -94,854 |
| Crittenden | 104,809 | 0 | 190,000 | -85,191 |
| Whitley | 311,801 | 125,000 | 269,000 | -82,199 |
| Pulaski | 227,660 | 141,030 | 148,105 | -61,475 |
| Daviess | 295,744 | 0 | 355,404 | -59,660 |
| Laurel | 221,848 | 78,000 | 201,000 | -57,152 |
| Elliott | 356,228 | 0 | 410,000 | -53,772 |
| Hancock | 62,992 | 0 | 109,595 | -46,603 |
| Knott | 4,664,735 | 0 | 4,705,000 | -40,265 |
| Owsley | 536,231 | 205,053 | 371,062 | -39,884 |
| Jackson | 662,213 | 289,324 | 408,307 | -35,418 |
| Greenup | 30,012 | 0 | 36,012 | -6,000 |
| Boyd | 206,348 | 0 | 212,000 | -5,652 |
| Morgan | 261,103 | 0 | 255,000 | 6,103 |
| Carter | 9,639 | 0 | 0 | 9,639 |
| Rockcastle | 52,005 | 0 | 0 | 52,005 |
| Ohio | 654,254 | 0 | 596,512 | 57,742 |
| Magoffin | 1,629,101 | 0 | 1,562,500 | 66,601 |
| Wolfe | 289,272 | 0 | 220,500 | 68,772 |
| Lawrence | 566,764 | 0 | 495,000 | 71,764 |
| Muhlenberg | 1,709,052 | 0 | 1,560,000 | 149,052 |
| Johnson | 774,905 | 0 | 623,000 | 151,905 |
| Knox | 700,383 | 50,000 | 155,000 | 495,383 |
| Martin | 5,299,384 | 0 | 2,485,000 | 2,814,384 |

* Includes any remaining FY 2012 funds.

Sources: Kentucky. Dept. for Local Government. *LGEDF Single County Coal Estimates*. 2013; Kentucky. Revenue Cabinet. *Coal Severance Tax Receipts Report*. 2013; LRC staff calculations.

Appendix A

County-Level Coal Severance Tax Collections, Local Government Economic Assistance Fund Allocations, And Local Government Economic Development Fund Allocations

Table A.1
Coal Severance Tax Collections
FY 2005 To FY 2012

| County | FY 2005 | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 | FY 2011 | FY 2012 |
|------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Bell | \$1,822,860 | \$3,994,968 | \$5,830,791 | \$7,639,879 | \$9,014,357 | \$7,362,210 | \$8,482,057 | \$8,693,035 |
| Boyd | 446,202 | 718,356 | 151,366 | 813,036 | 1,343,330 | 533,345 | 394,022 | 278,190 |
| Breathitt | 2,097,688 | 5,587,635 | 6,934,993 | 6,030,727 | 6,599,514 | 9,427,037 | 8,314,930 | 8,172,667 |
| Clay | 235,592 | 526,246 | 417,842 | 365,154 | 1,612,561 | 1,096,369 | 1,929,085 | 1,150,669 |
| Crittenden | * | * | * | * | 0 | 0 | 0 | 0 |
| Daviess | 0 | 0 | * | * | 820,417 | * | * | * |
| Elliott | * | * | * | * | * | * | 0 | * |
| Floyd | 4,428,229 | 5,629,344 | 5,399,256 | 11,752,070 | 18,008,381 | 7,833,112 | 8,608,458 | 9,801,980 |
| Hancock | 1,211 | * | * | * | * | * | * | * |
| Harlan | 20,899,255 | 23,488,457 | 22,320,091 | 23,332,985 | 30,756,054 | 32,598,573 | 36,222,378 | 30,249,303 |
| Henderson | * | * | * | * | 6,730,113 | * | * | * |
| Hopkins | 11,064,554 | 13,721,123 | 16,682,472 | 18,462,656 | 20,229,629 | 22,971,214 | 24,449,864 | 25,527,145 |
| Jackson | 60,366 | 164,174 | 116,479 | 168,696 | * | * | * | 0 |
| Jefferson | 0 | 1,866 | * | 0 | 0 | 0 | 0 | 0 |
| Johnson | 1,291,974 | 890,478 | 1,285,422 | 1,657,122 | 2,971,075 | 733,303 | 679,209 | 1,262,809 |
| Knott | 17,384,248 | 20,837,460 | 21,281,331 | 23,028,473 | 23,371,931 | 20,328,647 | 19,546,537 | 17,932,557 |
| Knox | 842,074 | 632,900 | 945,547 | 551,131 | 1,506,810 | 1,517,860 | 2,580,283 | 1,954,712 |
| Laurel | 361,068 | 325,735 | * | 134,823 | 160,396 | * | * | * |
| Lawrence | 2,307,352 | 3,075,483 | 1,759,507 | 912,362 | 1,821,271 | 990,345 | 131,284 | 194,723 |
| Lee | * | 22,574 | 34,110 | * | * | 0 | 0 | 0 |
| Leslie | 8,127,256 | 10,230,112 | 10,866,581 | 9,811,408 | 13,028,001 | 12,325,238 | 14,271,540 | 16,146,048 |
| Letcher | 17,206,642 | 21,611,412 | 18,259,694 | 16,435,052 | 21,727,922 | 19,294,034 | 19,584,879 | 17,767,552 |
| Magoffin | 1,446,068 | 2,991,727 | 2,054,080 | 2,074,093 | 5,692,812 | 5,100,213 | 7,555,758 | 7,430,333 |
| Martin | 6,815,699 | 8,816,535 | 9,993,968 | 9,679,480 | 14,133,681 | 12,874,192 | 12,964,166 | 11,948,479 |
| Menifee | * | * | 0 | * | 0 | 0 | 0 | * |
| Morgan | 47,512 | 29,316 | 95,851 | 146,826 | 658,375 | * | * | 30,303 |

| County | FY 2005 | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 | FY 2011 | FY 2012 |
|--------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Muhlenberg | 4,734,998 | 5,278,760 | 5,425,498 | 6,784,251 | 7,055,794 | 7,039,752 | 9,416,707 | 11,513,002 |
| Ohio | * | * | * | 0 | * | * | * | * |
| Owsley | 47,375 | 121,175 | 141,383 | 234,523 | 198,662 | * | 255,111 | 279,664 |
| Perry | 17,949,046 | 20,869,583 | 21,418,788 | 22,937,607 | 28,899,058 | 29,891,381 | 27,092,093 | 21,578,369 |
| Pike | 52,407,157 | 60,016,398 | 53,744,264 | 52,946,766 | 57,313,616 | 47,503,662 | 50,436,702 | 53,092,090 |
| Pulaski | 0 | 0 | * | * | * | 0 | 0 | * |
| Rockcastle | 0 | * | * | 0 | 0 | 0 | 0 | 0 |
| Union | 4,667,718 | 4,026,072 | 4,817,526 | 4,844,362 | 4,861,608 | 9,007,868 | 20,512,244 | 23,812,732 |
| Webster | 2,819,547 | 3,750,220 | 4,499,737 | 5,034,883 | 6,782,106 | 8,245,840 | * | 6,507,319 |
| Whitley | 530,237 | 254,670 | 509,081 | 384,625 | 1,067,408 | 323,820 | 792,899 | 1,497,077 |
| Wolfe | 0 | 0 | * | 0 | 0 | 0 | 0 | * |
| Total | \$183,938,708 | \$223,977,807 | \$221,416,062 | \$232,555,110 | \$290,780,750 | \$270,341,379 | \$295,933,529 | \$298,060,468 |

*Data not publicly disclosed due to a small number of companies in the county in this year.

Sources: Kentucky. Revenue Cabinet. *Coal Severance Tax Receipts Report*. 2005 to 2012; LRC staff calculations.

Table A.2
Local Government Economic Assistance Fund County-Level Fund Allocations
FY 2008 To FY 2012

| County | FY 2008 | FY 2009 | FY 2010 | FY 2011 | FY 2012 | 5-Year Total |
|---------------|----------------|----------------|----------------|----------------|----------------|---------------------|
| Anderson | \$43,161 | \$54,895 | \$51,688 | \$56,916 | \$59,966 | \$266,626 |
| Bath | 50,371 | 64,486 | 63,573 | 50,410 | 17,863 | 246,702 |
| Bell | 785,346 | 989,989 | 807,253 | 1,175,442 | 1,160,259 | 4,918,289 |
| Boone | 40,175 | 55,765 | 55,653 | 61,755 | 64,831 | 278,178 |
| Boyd | 313,848 | 402,505 | 344,988 | 246,722 | 379,006 | 1,687,069 |
| Boyle | 44,406 | 51,288 | 47,706 | 52,729 | 58,275 | 254,403 |
| Bracken | 41,326 | 52,735 | 13,823 | N/A | N/A | 107,885 |
| Breathitt | 693,342 | 778,301 | 962,408 | 1,021,648 | 1,115,156 | 4,570,855 |
| Bullitt | 47,607 | 60,575 | 59,603 | 48,951 | 74,472 | 291,208 |
| Caldwell | 78,374 | 102,395 | 88,388 | 75,002 | 77,704 | 421,863 |
| Campbell | 31,691 | 40,550 | 10,571 | N/A | N/A | 82,812 |
| Carter | N/A | 60,680 | 76,522 | 84,272 | 21,544 | 243,019 |
| Clark | 105,748 | 177,281 | 181,733 | 212,183 | 241,711 | 918,656 |
| Clay | 244,319 | 364,142 | 345,450 | 427,753 | 452,006 | 1,833,671 |
| Crittenden | 87,056 | 69,471 | 18,191 | N/A | N/A | 174,718 |
| Daviess | 453,832 | 572,785 | 574,895 | 693,765 | 770,235 | 3,065,512 |
| Elliott | 113,841 | 199,473 | 143,989 | N/A | 217,562 | 674,864 |
| Fayette | 98,789 | 152,383 | 139,519 | 148,371 | 156,469 | 695,531 |
| Fleming | 59,472 | 73,871 | 75,582 | 85,055 | 91,582 | 385,561 |
| Floyd | 1,122,035 | 2,157,732 | 1,540,821 | 1,344,926 | 1,439,626 | 7,605,140 |
| Franklin | 40,987 | 54,375 | 55,404 | 64,624 | 71,891 | 287,280 |
| Grant | 52,270 | 73,787 | 71,661 | 76,912 | 77,595 | 352,225 |
| Hancock | 89,057 | 37,375 | 34,589 | 167,883 | 181,008 | 509,913 |
| Harlan | 2,109,664 | 2,408,136 | 2,755,323 | 3,242,604 | 3,157,670 | 13,673,397 |
| Henderson | 668,376 | 763,881 | 760,822 | 847,839 | 968,839 | 4,009,757 |
| Hopkins | 1,630,645 | 1,775,026 | 1,836,435 | 2,194,430 | 2,366,698 | 9,803,234 |
| Jackson | 194,766 | 233,615 | 230,281 | 222,489 | 102,712 | 983,863 |
| Jefferson | 65,680 | 85,824 | 83,673 | 96,561 | 110,856 | 442,595 |
| Johnson | 423,675 | 642,754 | 565,265 | 504,137 | 529,284 | 2,665,116 |
| Kenton | 32,829 | 44,896 | 42,666 | 47,454 | 49,811 | 217,656 |
| Knott | 2,029,915 | 2,347,979 | 1,995,657 | 1,983,408 | 2,150,188 | 10,507,147 |
| Knox | 271,558 | 380,638 | 407,893 | 552,954 | 469,188 | 2,082,230 |
| Laurel | 326,106 | 390,766 | 331,113 | 272,642 | 282,899 | 1,603,526 |
| Lawrence | 688,259 | 865,665 | 819,613 | 777,684 | 679,766 | 3,830,987 |
| Lee | 81,247 | 76,559 | 97,784 | 76,360 | 75,986 | 407,936 |
| Leslie | 870,596 | 1,108,908 | 1,135,363 | 1,285,547 | 1,465,913 | 5,866,326 |
| Letcher | 1,518,481 | 1,887,019 | 1,850,420 | 1,837,150 | 2,009,492 | 9,102,561 |
| Lincoln | 67,711 | 76,145 | 70,867 | 76,763 | 82,025 | 373,511 |
| Livingston | 53,279 | 68,254 | 63,734 | 18,848 | N/A | 204,116 |
| Lyon | 67,726 | 88,035 | 75,274 | 62,455 | 67,770 | 361,260 |
| Madison | 118,945 | 147,567 | 107,857 | 91,025 | 92,490 | 557,884 |
| Magoffin | 322,075 | 581,850 | 633,458 | 834,970 | 1,047,782 | 3,420,134 |
| Martin | 931,824 | 1,115,848 | 1,263,717 | 1,174,692 | 1,277,026 | 5,763,108 |
| Mason | 45,193 | 54,219 | 53,356 | 58,997 | 64,838 | 276,603 |
| McCreary | 88,290 | 107,791 | 27,436 | 77,367 | 122,698 | 423,582 |

| County | FY 2008 | FY 2009 | FY 2010 | FY 2011 | FY 2012 | 5-Year Total |
|---------------|---------------------|---------------------|---------------------|---------------------|---------------------|----------------------|
| McLean | 80,904 | 109,778 | 94,528 | 122,261 | 197,287 | 604,758 |
| Menifee | N/A | 41,203 | N/A | N/A | N/A | 41,203 |
| Mercer | 66,219 | 81,387 | 66,992 | 69,898 | 70,254 | 354,750 |
| Montgomery | 41,520 | 52,708 | 51,523 | 41,499 | 14,729 | 201,979 |
| Morgan | 148,375 | 282,241 | 201,842 | 257,727 | 181,533 | 1,071,718 |
| Muhlenberg | 866,213 | 993,613 | 860,101 | 1,004,410 | 1,329,529 | 5,053,867 |
| Nelson | 58,932 | 76,170 | 73,588 | 80,816 | 88,128 | 377,634 |
| Ohio | 140,985 | 378,165 | 538,619 | 741,814 | 971,025 | 2,770,609 |
| Owsley | 143,288 | 178,787 | 160,500 | 191,704 | 203,938 | 878,217 |
| Perry | 1,959,787 | 2,555,184 | 2,645,863 | 2,714,146 | 2,561,477 | 12,436,457 |
| Pike | 4,691,999 | 5,627,144 | 4,411,452 | 4,504,709 | 5,044,017 | 24,279,321 |
| Powell | 112,677 | 179,570 | 179,375 | 206,400 | 242,724 | 920,746 |
| Pulaski | 163,866 | 280,475 | 200,584 | 246,181 | 319,618 | 1,210,725 |
| Rockcastle | 147,146 | 178,339 | 122,302 | 90,054 | 88,691 | 626,533 |
| Rowan | 13,500 | 63,285 | 65,665 | 74,821 | 80,486 | 297,757 |
| Scott | 49,361 | 70,273 | 67,787 | 73,622 | 74,089 | 335,131 |
| Shelby | 59,378 | 79,713 | 81,473 | 95,270 | 106,908 | 422,742 |
| Union | 495,524 | 531,293 | 556,062 | 1,741,004 | 1,899,986 | 5,223,869 |
| Washington | 52,412 | 66,542 | 63,790 | 69,405 | 74,913 | 327,062 |
| Webster | 500,615 | 689,546 | 784,834 | 778,155 | 712,711 | 3,465,861 |
| Whitley | 264,621 | 306,400 | 308,691 | 255,299 | 424,997 | 1,560,008 |
| Wolfe | 97,325 | 151,276 | 152,398 | 176,091 | 212,382 | 789,472 |
| Woodford | 54,374 | 75,901 | 70,118 | 77,269 | 82,984 | 360,646 |
| Total | \$27,452,914 | \$34,947,207 | \$32,730,104 | \$36,044,250 | \$38,885,098 | \$170,059,574 |

Note: County-level values may not add to column total shown because of rounding.

Sources: Kentucky. Dept. for Local Government. *Quarterly LGEAF Coal Payments Summary*. 2008 to 2012; LRC staff calculations.

Table A.3
Local Government Economic Development Fund County-Level Fund Allocations
FY 2008 To FY 2012

| County | FY 2008 | FY 2009 | FY 2010 | FY 2011 | FY 2012 | 5-Year Total |
|-------------------|----------------|----------------|----------------|----------------|----------------|---------------------|
| Multiple counties | \$19,250,609 | \$24,600,428 | \$20,177,969 | \$20,608,956 | \$20,446,596 | \$105,084,559 |
| Bell | 1,010,818 | 1,378,340 | 1,303,183 | 1,425,776 | 1,482,973 | 6,601,090 |
| Boyd | 204,762 | 261,635 | 147,109 | 143,309 | 156,539 | 913,354 |
| Breathitt | 1,020,868 | 1,340,108 | 1,270,666 | 1,250,156 | 1,139,758 | 6,021,555 |
| Carter | 225,004 | 287,502 | N/A | N/A | N/A | 512,506 |
| Clay | 324,916 | 432,475 | 468,616 | 546,181 | 594,235 | 2,366,423 |
| Crittenden | 230,393 | 293,668 | 143,557 | 130,193 | 136,062 | 933,873 |
| Daviess | 85,156 | 123,790 | 88,079 | 125,694 | 148,307 | 571,025 |
| Elliott | 203,631 | 262,944 | 140,088 | 188,339 | 206,080 | 1,001,082 |
| Floyd | 1,269,582 | 1,879,150 | 1,714,200 | 1,776,294 | 1,781,640 | 8,420,866 |
| Hancock | 110,026 | 140,604 | 49,824 | 55,768 | 65,183 | 421,404 |
| Harlan | 3,178,338 | 3,887,638 | 3,246,148 | 3,420,071 | 3,430,099 | 17,162,294 |
| Henderson | 541,801 | 714,405 | 647,644 | 668,815 | 672,527 | 3,245,192 |
| Hopkins | 1,626,124 | 2,075,830 | 1,706,570 | 1,845,150 | 1,901,443 | 9,155,116 |
| Jackson | 84,550 | 106,894 | 322,564 | 343,683 | 371,634 | 1,229,324 |
| Johnson | 465,301 | 616,937 | 517,764 | 520,937 | 459,056 | 2,579,995 |
| Knott | 3,584,755 | 4,525,829 | 4,574,740 | 4,565,217 | 3,299,834 | 20,550,376 |
| Knox | 366,733 | 465,330 | 327,084 | 376,989 | 367,305 | 1,903,440 |
| Laurel | 168,441 | 214,218 | 148,793 | 171,057 | 184,103 | 886,611 |
| Lawrence | 584,277 | 708,664 | 520,355 | 459,173 | 413,185 | 2,685,655 |
| Lee | 421,441 | 538,096 | 452,650 | 462,944 | 484,651 | 2,359,782 |
| Leslie | 2,689,528 | 3,426,447 | 2,031,516 | 2,049,630 | 2,094,267 | 12,291,389 |
| Letcher | 2,926,766 | 3,636,792 | 2,724,356 | 2,677,094 | 2,645,355 | 14,610,363 |
| Magoffin | 772,857 | 1,050,001 | 945,166 | 982,135 | 1,193,256 | 4,943,415 |
| Martin | 2,532,507 | 3,156,354 | 3,005,907 | 2,903,071 | 2,957,198 | 14,555,036 |
| Menifee | 104,720 | 133,454 | 200,101 | 210,714 | 212,031 | 861,021 |
| Morgan | 251,885 | 337,705 | 266,569 | 270,670 | 295,299 | 1,422,128 |
| Muhlenburg | 897,104 | 1,142,144 | 957,064 | 1,048,811 | 1,177,148 | 5,222,271 |
| Ohio | 274,045 | 361,979 | 248,125 | 361,110 | 562,116 | 1,807,375 |
| Owsley | 360,375 | 460,731 | 344,748 | 342,644 | 343,313 | 1,851,811 |
| Perry | 2,619,518 | 3,388,185 | 3,063,834 | 3,060,893 | 3,097,728 | 15,230,158 |
| Pike | 6,186,662 | 7,451,457 | 5,708,438 | 5,516,645 | 5,087,158 | 29,950,359 |
| Pulaski | N/A | 15 | 104,258 | 114,303 | 135,172 | 353,748 |
| Rockcastle | 186,226 | 236,953 | 134,992 | 122,097 | N/A | 680,269 |

| County | FY 2008 | FY 2009 | FY 2010 | FY 2011 | FY 2012 | 5-Year Total |
|---------------|---------------------|---------------------|---------------------|---------------------|---------------------|----------------------|
| Union | 1,333,905 | 1,673,935 | 1,125,051 | 1,371,017 | 1,592,600 | 7,096,508 |
| Webster | 1,310,345 | 1,736,903 | 1,200,566 | 1,184,862 | 1,834,172 | 7,266,848 |
| Whitley | 227,737 | 295,676 | 220,261 | 230,621 | 242,592 | 1,216,887 |
| Wolfe | 120,121 | 153,495 | 285,352 | 295,849 | 129,176 | 983,995 |
| Total | \$57,751,827 | \$73,496,712 | \$60,533,908 | \$61,826,869 | \$61,339,789 | \$314,949,104 |

Note: County-level values may not add to column total shown because of rounding.

Sources: Kentucky. Dept. for Local Government. *Quarterly LGEDF Coal Payments Summary*. 2008 to 2012;
 LRC staff calculations.

Appendix B

Descriptions Of Items In Table 4

Off-The-Middle Items

The Department of Local Government (\$669,700 per fiscal year) and the Kentucky Infrastructure Authority (KIA) (\$370,000 each fiscal year) are allocated these funds for their support of activities in coal counties.

The Read to Achieve Program in the Department of Education is given \$3,000,000 each fiscal year. Kentucky's Read to Achieve Program, according to the Department of Education, is a diagnostic and intervention program designed to help struggling readers in the state primary education program.

Each fiscal year, \$4,617,900 is provided to the School Facilities Construction Commission for debt service on \$54,700,000 in schools facilities construction projects from 2002 to 2004.

Each fiscal year, \$300,000 is provided to the University of Kentucky to fund a Mining Engineering Scholarship Program.

Each fiscal year, \$7,552,000 is provided for the Mine Safety and Licensing budget to help implement mine safety statutory requirements in Kentucky.

In FY 2014, \$500,000 is provided for the Save the Children program. Save the Children is an independent organization that assists children in the United States and the world.

In each fiscal year, \$2,500,000 is provided to the Department of Education for the purpose of enhancing education technology in local school districts in coal-producing counties.

Each fiscal year, the Robinson Scholars Program at the University of Kentucky is provided \$1,000,000. The Robinson Scholars Program funds scholarships for students from 29 eastern Kentucky counties with historically low rates of college attendance.

Each fiscal year, \$4,091,400 is provided to the Kentucky Infrastructure Authority for debt service support on \$54,765,000 in bonds issued for KIA water and sewer projects in 2002 to 2004.

Each fiscal year, \$694,200 is provided to the Kentucky Infrastructure Authority for debt service support on \$80,000,000 in KIA water and sewer projects for which bonds were issued in 2004 to 2006.

Each fiscal year, \$8,562,300 is provided to the Kentucky Infrastructure Authority for debt service support on \$100,000,000 in KIA water and sewer projects for which bonds were issued in 2006 to 2008.

Each fiscal year, \$7,538,000 is provided to the Kentucky Infrastructure Authority for debt service support on \$75,000,000 in KIA water and sewer projects for which bonds were issued in 2008 to 2010.

Off-The-Bottom Items

In FY 2014 only, \$200,000 is provided to the Public Service Commission for an impact study of utility rates on the aluminum smelting industry.

In FY 2013 only, \$2,000,000 is provided to the Leslie County Fiscal Court for Kentucky Veterans Cemetery South East, which is in that county.

In FY 2013 only, \$972,000 is provided for a mine safety licensing and mapping application.

In each fiscal year, \$200,000 is provided to the Department for Local Government to be distributed to the 12 Multi-County Regional Industrial Park Authorities.

In each fiscal year, \$3,500,000 is provided to the Department for Energy Development and Independence to support energy research and development projects targeted solely to counties eligible for funding from the local government economic development fund.

In each fiscal year, \$2,000,000 is provided to the Kentucky Office of Drug Control Policy to support the Operation UNITE grants in coal-producing counties. Operation UNITE is a regional antidrug initiative that seeks to empower citizen groups and community leaders to help keep people from using drugs.

In each fiscal year, \$1,250,000 is provided to the city of Lexington for the planning and design of the renovation of Rupp Arena in downtown Lexington.

In each fiscal year, \$5,778,500 is provided to the general fund to pay the debt service on the \$80,000,000 Infrastructure for Economic Development Fund for Coal-Producing Counties Bond Pool (2004-2006).

In each fiscal year, \$1,800,000 is provided to the Justice and Public Safety Cabinet's Office of Drug Control Policy to support the Drug Court program serving coal-producing counties.

Endnote

¹ United States. Energy Information Administration. "Coal Explained." n.d. Accessed Feb. 18, 2013.

