

# Mineral Severance and Coal Severance Funds



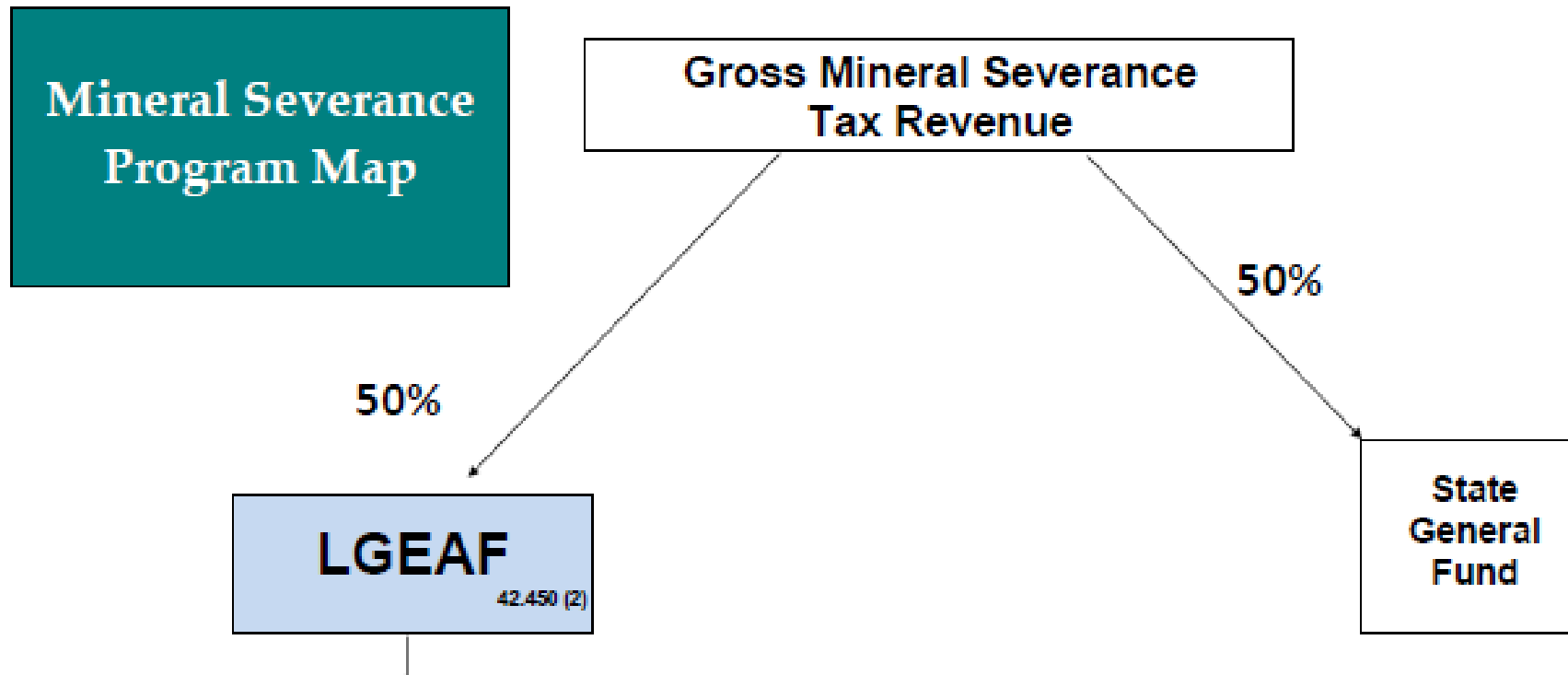
# Severance Fund Programs

Coal and mineral severance tax funds are distributed on a quarterly basis through two programs:

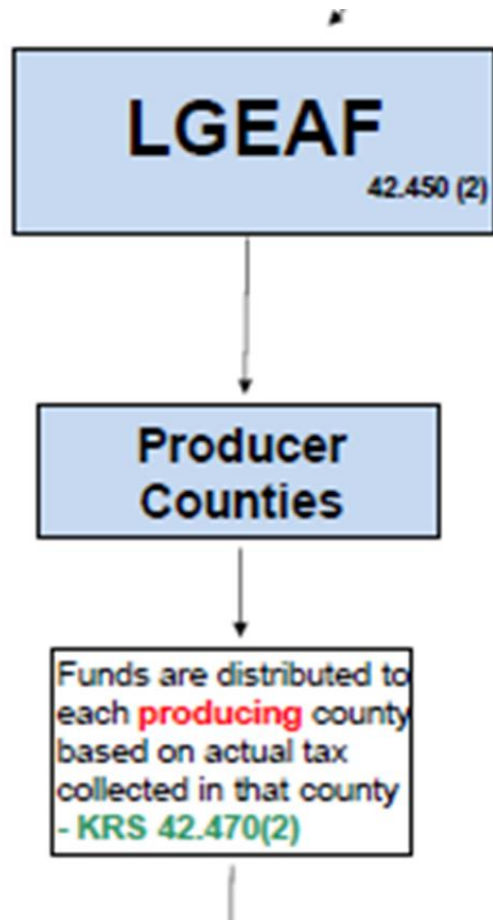
- **Local Government Economic Assistance Fund**
  - LGEAF
- **Local Government Economic Development Fund**
  - LGEDF



# LGEAF - Mineral Distribution Formula



# LGEAF Mineral Distribution Formula



## LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND

- KRS 42.450, 42.455, 42.470, 42.475.
- Eligible counties are producers of non-coal minerals such as limestone, clay, oil or natural gas .
- 50% of taxes paid go back to the state.
- 50% of taxes paid go back to the county.



# LGEAF Mineral Distribution Formula

Total Producer County's  
LGEA Allocation

10%  
of each county's  
allocation is

Distributed to each  
municipality within the  
county based on  
population\*  
- KRS 42.475

\*If the amount of funds allocated is  
less than \$25 in any given quarter, the  
allotment shall be distributed to the  
county.  
- KRS 42.475(2)

## LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND

- 10% of each county's allocation gets divided among the cities within the county.
  - Based upon population



# **LGEAF Mineral Allocation**

**In Fiscal Year 2019 -**

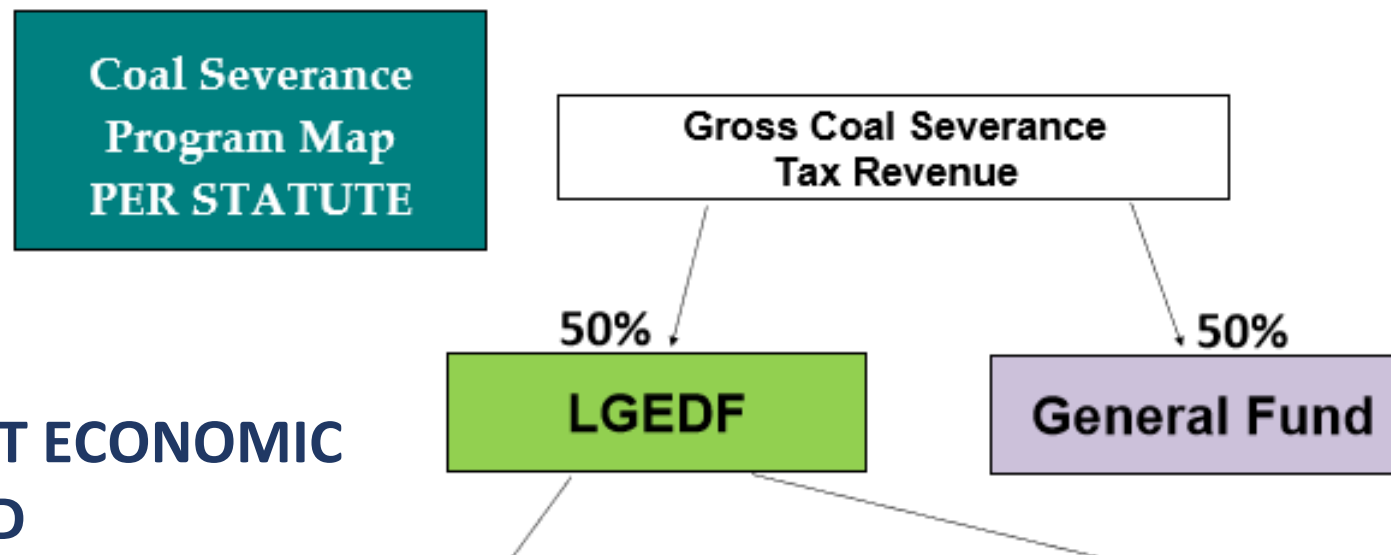
**\$17,769,806.13 was allocated to participating counties and cities.**

**Projection for Fiscal Year 2020 –**

**\$16,229,100**



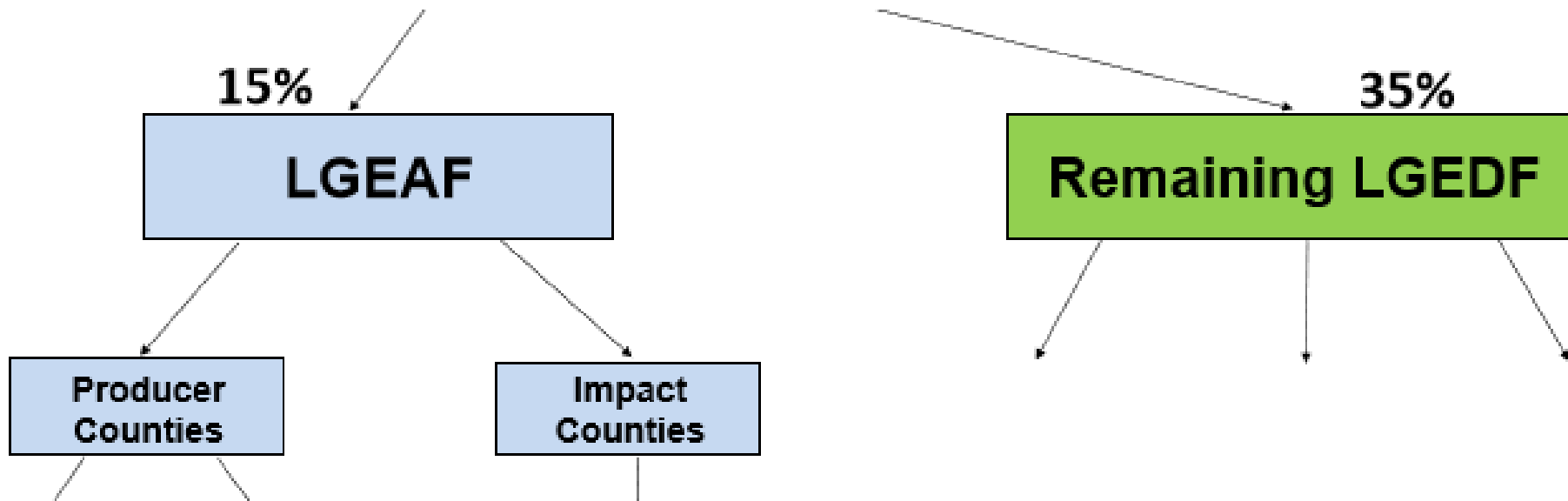
# Coal Severance Funds per statute



- **LOCAL GOVERNMENT ECONOMIC DEVELOPMENT FUND**
- **Coal Severance taxes**
  - Governed by KRS 42.4588 – 42.495  
Law states the fund is to receive 50% of coal severance taxes collected annually.

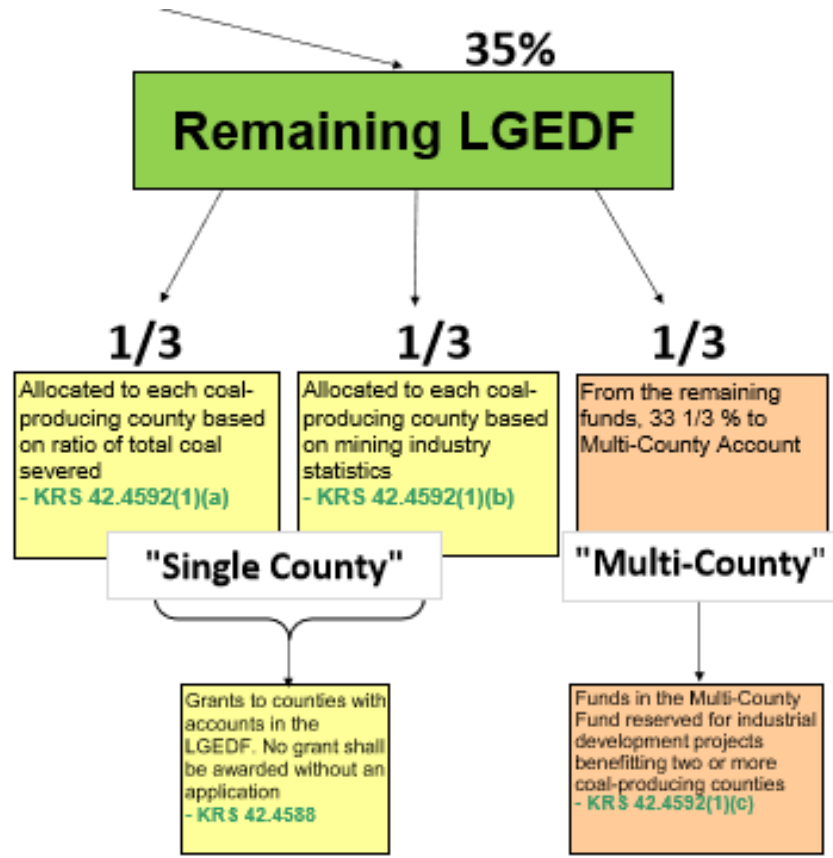


# Coal Severance Funds per statute

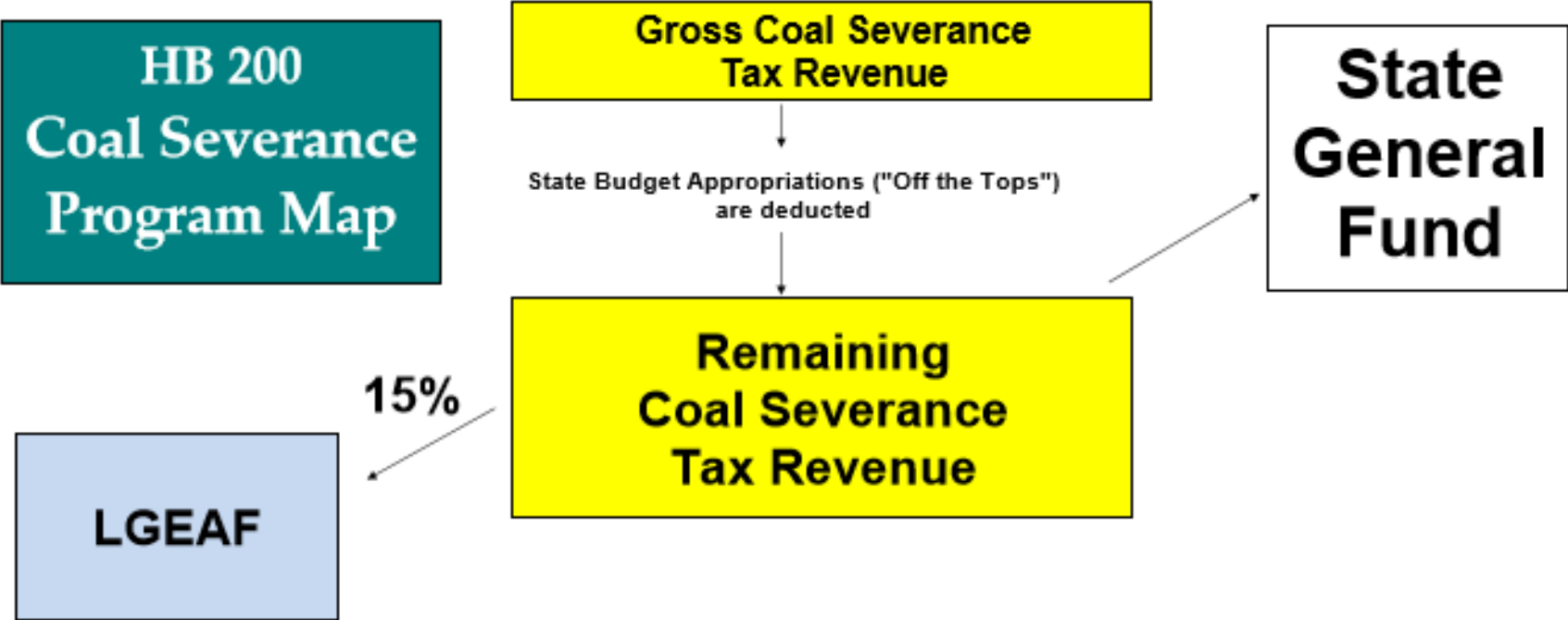




# Coal Severance Funds per statute



# Coal Severance Funds per HB 200



	Fiscal Year 2019	Fiscal Year 2020
<b>Off the Tops</b>		
Kentucky Infrastructure Authority (KIA)	\$ 370,000.00	\$ 370,000.00
Department for Local Government (DLG)	\$ 669,700.00	\$ 669,700.00
Debt Service (100%)	\$ 28,955,100.00	\$ 27,456,700.00
<b>Total "Off the Top" Deductions</b>	\$ 29,994,800.00	\$ 28,496,400.00
<i>per quarter</i>	\$ 7,498,700.00	\$ 7,124,100.00
<b>From the General Fund</b>		
LGEDF - Single County Program	\$ 15,896,000.00	\$ 7,500,000.00
<b>Total "Off the General Fund" Appropriations</b>	\$ 15,896,000.00	\$ 7,500,000.00
<i>per quarter</i>	\$ 3,974,000.00	\$ 1,875,000.00
<b>Off the Middle</b>		
Robinson Scholars Program - UK	\$ 1,000,000.00	
Operation Unite	\$ 500,000.00	\$ 500,000.00
Mining Engineering Scholarships	\$ 350,000.00	\$ 350,000.00
Local Government Economic Assistance Fund (LGEAF)	\$ 3,686,100.00	\$ 642,900.00
<b>Total "Off the Middle" Deductions</b>	\$ 5,536,100.00	\$ 1,492,900.00
<i>per quarter</i>	\$ 1,384,025.00	\$ 373,225.00
<b>LGEDF/Single County</b>		
LGEDF - Single County Program	\$ 10,359,900.00	\$ 6,007,100.00
transfer in from Kentucky Coal Fields Endowment Fund	\$ 7,563,400.00	\$ 7,563,400.00
<b>Total LGEDF/Single County</b>	\$ 17,923,300.00	\$ 13,570,500.00
<i>per quarter</i>	\$ 4,480,825.00	\$ 3,392,625.00

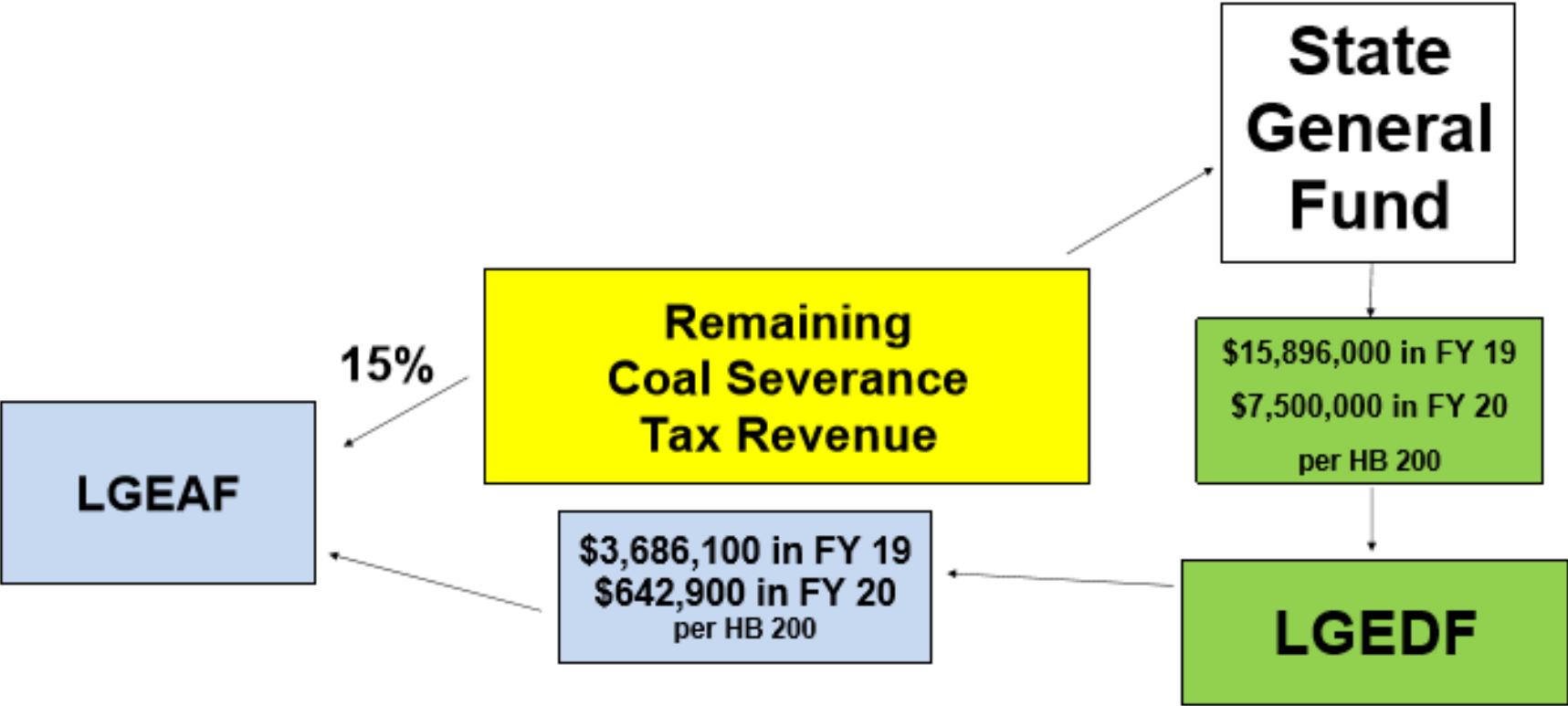
# “Off the Top” Appropriations

- **Fiscal Year 2019**
  - \$29,994,800
  - \$7,498,700 per quarter
- **Fiscal Year 2020**
  - \$28,496,400
  - \$7,124,100 per quarter

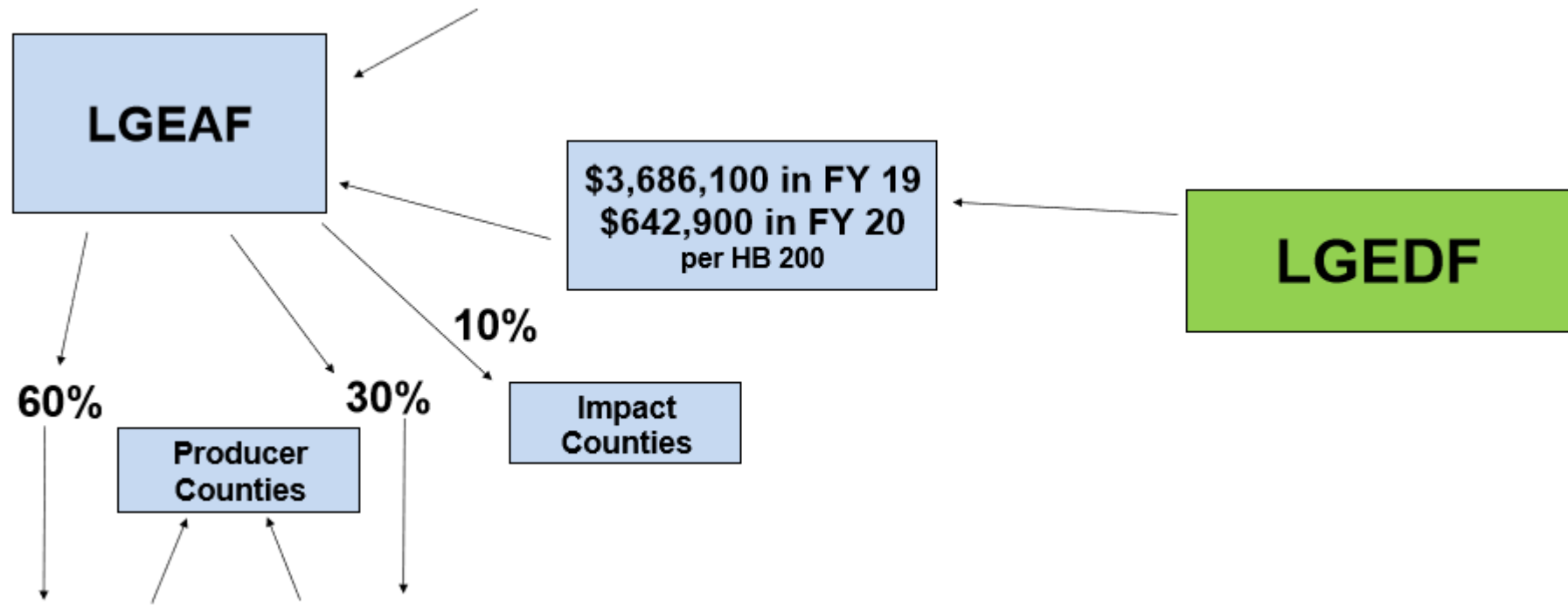


# Coal Severance Funds

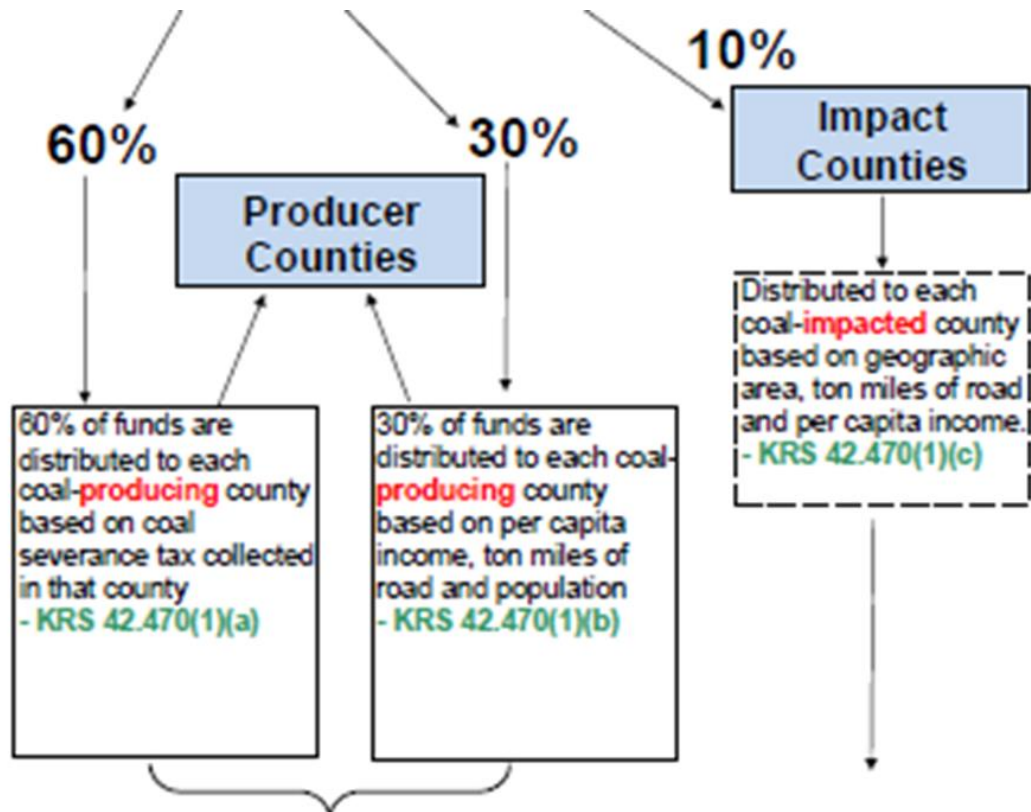
# LGEAF COAL Distribution Formula



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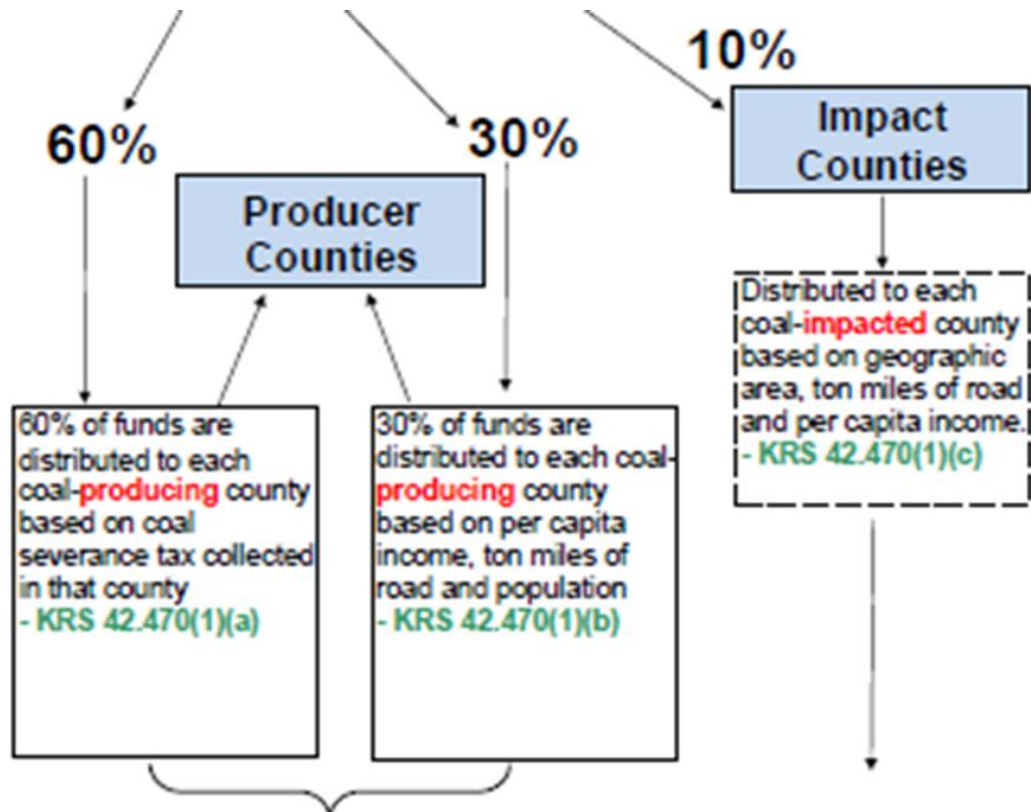


## LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND

- KRS 42.450, 42.455, 42.4585, 42.470, 42.475
- For the counties in which coal is severed:
  - 60% of funds are distributed to the “producer” counties based on tax collected in that county.
  - 30% of funds are distributed to the “producer” counties based on per capita income, population and ton miles.



# LGEAF - COAL Distribution Formula

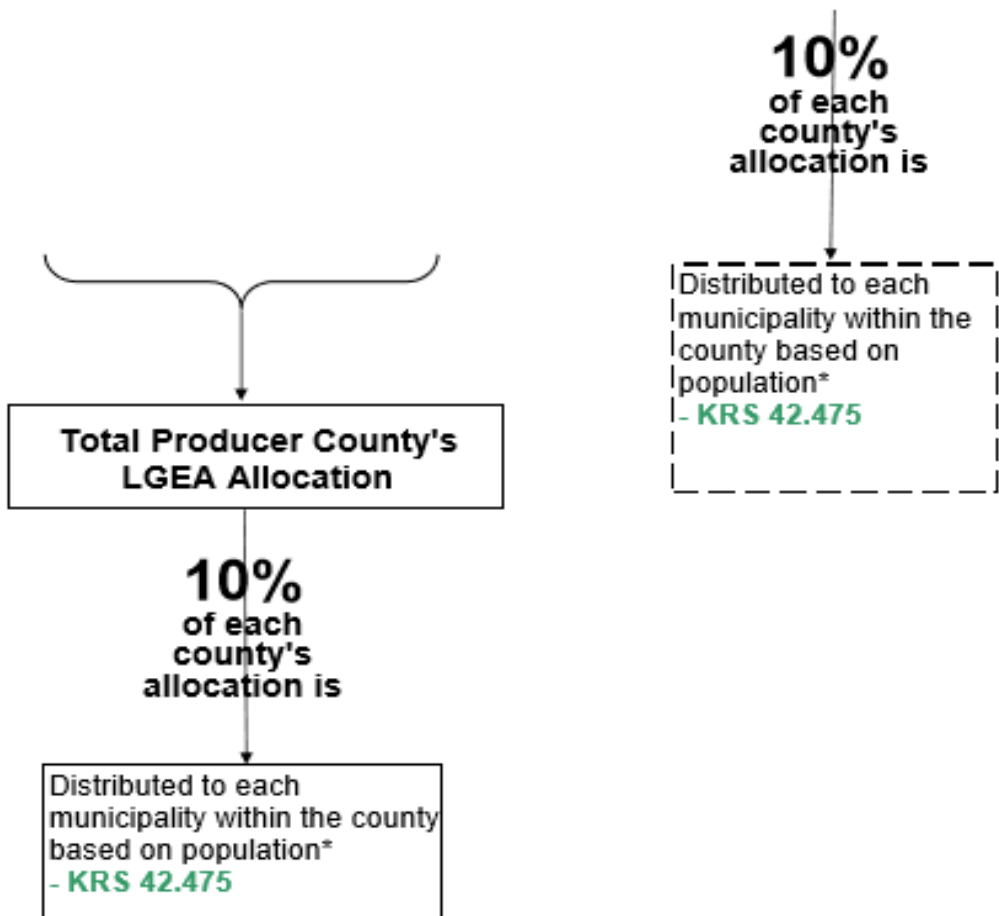


- KRS 42.470(1)(c)
- For the counties that have coal hauled through them and have a certain percent of total ton miles, i.e. “impact counties”:

- 10% is distributed to each “impact county.”



# LGEAF - COAL Distribution Formula



- For both “Producer” and “Impact” counties :
  - 10% of each county’s allocation is distributed to each city within the county based on population.





# LGEAF - COAL

## How Producer Counties and Municipalities Can Spend LGEA Funds

**100%**

~~70%~~ of funds must be spent on priority categories:

- (a) Public Safety
- (b) Environmental Protection
- (c) Public Transportation
- (d) Health
- (e) Recreation
- (f) Educational Facilities
- (g) Social Services
- (h) Industrial/Economic Dev.
- (i) Vocational Education
- (j) Workforce Training
- (k) Secondary Wood Ind.

~~30%~~ of funds must be spent on coal haul road system as published by the Transportation Cabinet.  
- KRS 42.455(2),(7)

## ~~How Impact Counties and Municipalities Can Spend LGEA Funds~~

~~100%~~ of funds must be spent on Public Transportation, including mass transit systems, streets and roads.  
- KRS 42.470(c)  
- KRS 42.455(2)(c)



# Expenditure of LGEAF

## 100% of LGEAF Coal and Mineral can be spent on:

- public safety, including law enforcement, fire protection, ambulance service and other related services;
- environmental protection, including sewage disposal, sanitation, solid waste and other related programs;
- public transportation, including mass transit systems, street and roads;
- health;
- recreation;
- libraries and educational facilities;
- services for the poor, aged, and handicapped;
- industrial and economic development;
- vocational education; and
- workforce training.



# Excess LGEAF - COAL

HB 200, as amended by HB 265, directs that if actual coal severance tax revenue collected for the Fiscal Year (FY) exceeds the official estimate provided by the Office of the State Budget Director (OSBD), 100% of the excess revenue shall be allocated to the LGEA coal severance program.



# Excess LGEAF - COAL

- The annual projection for FY 19 coal severance tax revenue was \$77,900,000.
- Actual revenue collected was \$92,906,946.91 – an excess of **\$15,006,946.91**.
- Funds are to be treated as normal LGEAF – Coal funds.
- Projection for FY 20 for gross coal severance tax revenue is \$65,100,000



# **LGEAF - COAL Allocation**

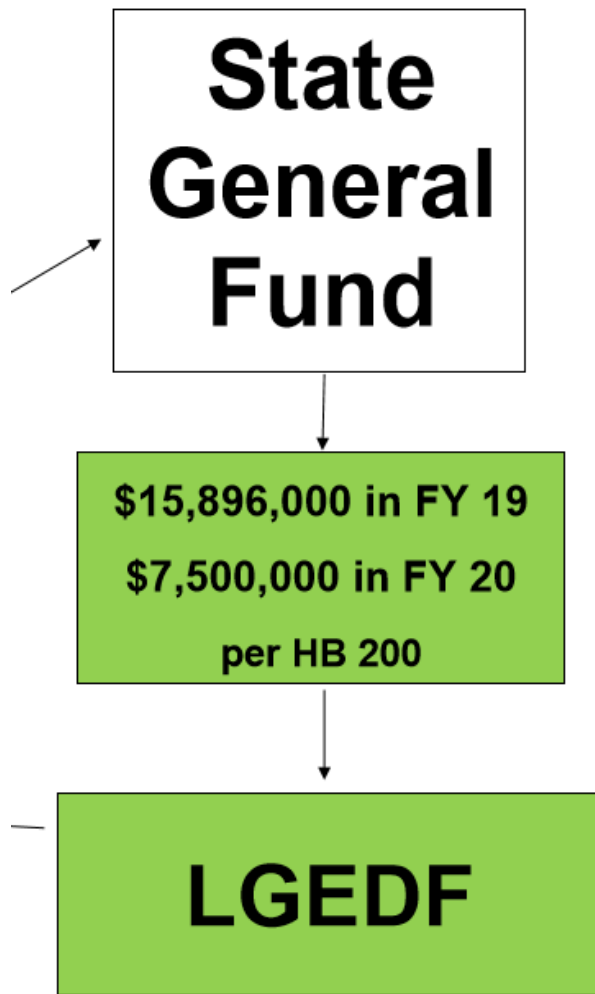
In Fiscal Year 2019 -

**\$11,055,931.71 PLUS the  
\$15,006,946.91 was allocated to  
participating counties and cities.**

Projection for Fiscal Year 2020 –

**\$6,596,625**

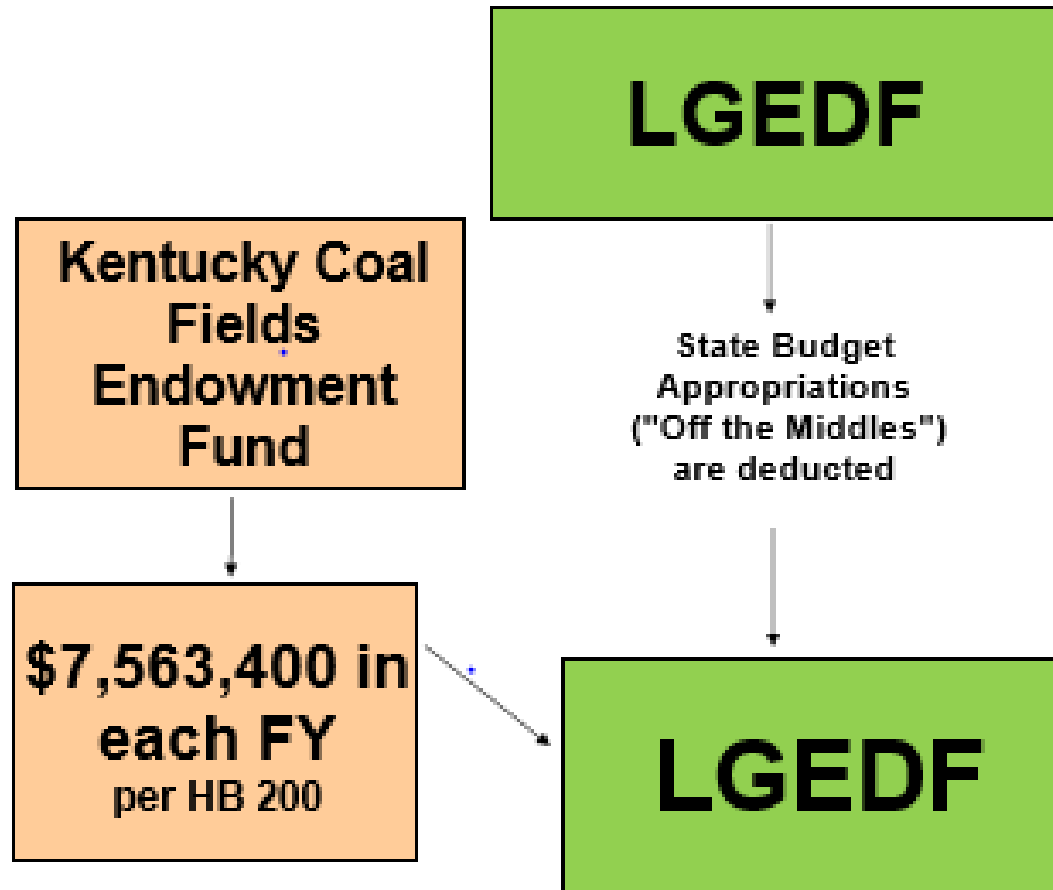




- **LOCAL GOVERNMENT ECONOMIC DEVELOPMENT FUND**
- **Coal Severance taxes**
  - Governed by KRS 42.4588 – 42.495
  - Law states the fund is to receive 50% of coal severance taxes collected annually; however, HB 200 provides a direct appropriation in each fiscal year to the LGEDF.



**Coal Severance Funds per HB 200**



# Coal Severance Funds per HB 200



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# Off the Middle Appropriations

- **Fiscal Year 2019**
  - \$5,536,100
  - \$1,384,025 per quarter
- **Fiscal Year 2020**
  - \$1,492,900
  - \$373,225 per quarter



# Coal Severance Funds per HB 200

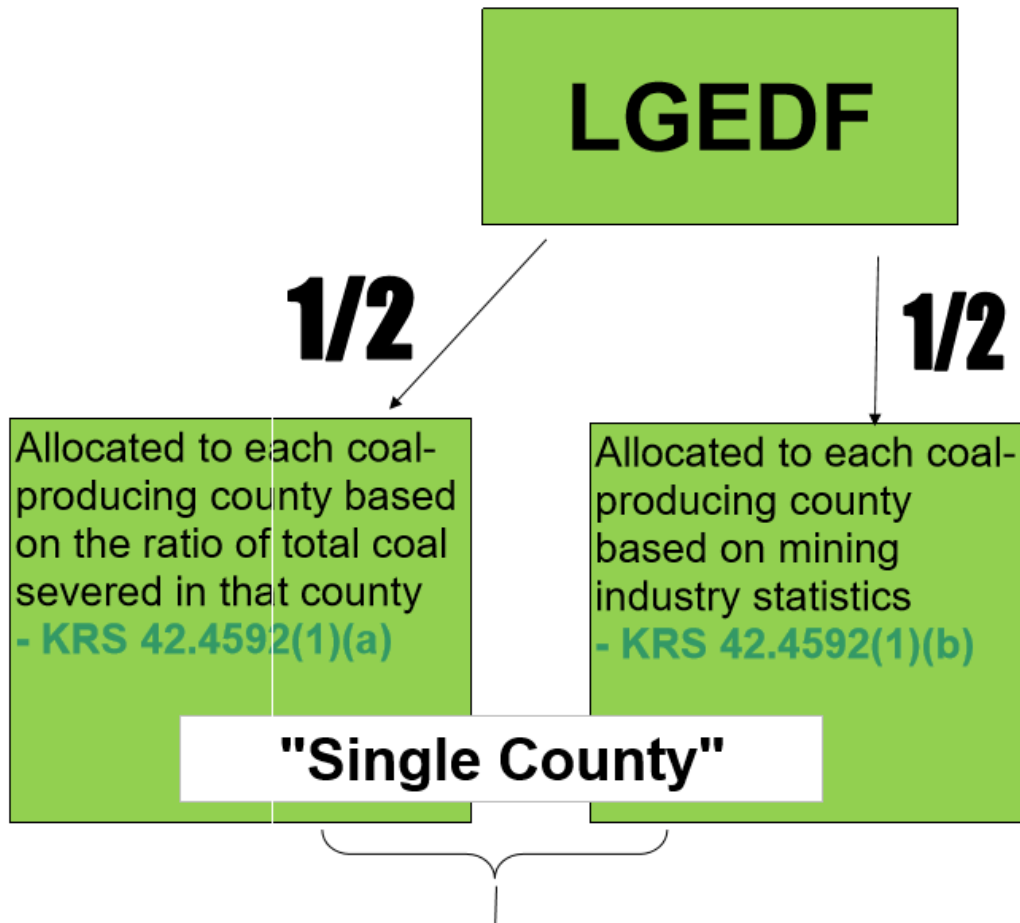


- **Fiscal Year 2019**
  - **\$17,923,300**
  - **\$4,480,825 per quarter**
- **Fiscal Year 2020**
  - **\$13,570,500**
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**LGEDF Amounts**



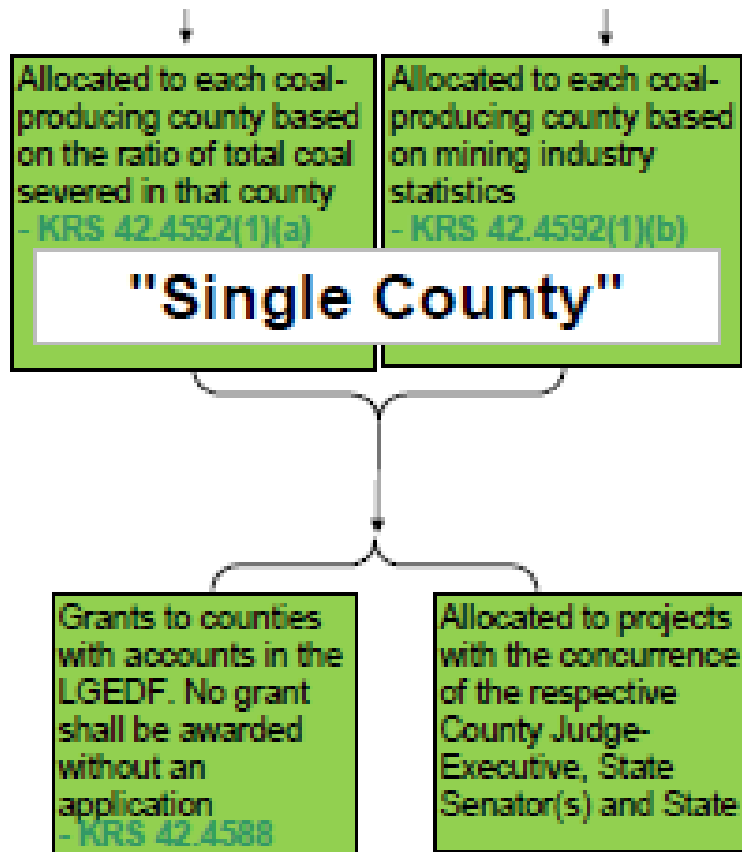
# LGEDF Distribution Formula



- **Eligible LGEDF Participants:**
  - A county is eligible if there is coal production at any time during first quarter of the current year or each of the four previous years.
- **Funds are distributed as follows:**
  - 50% allocated to each coal producing county based on the ratio of total coal severed in the county.
  - 50% allocated to the participating counties based on:
    - Mining Earnings
    - Mining Employment
    - Surplus Labor Rate



# LGEDF Distribution Formula



## Two types of Awards of LGED Funds:

### 1. HB 200 Awards

- Projects must have concurrence of the respective county judge-executive, state senator(s), and state representative(s).

### 2. LGEDF Grant Awards

- Accepted if a county cannot achieve concurrence for a project.
- Fiscal Court can apply under KRS 42.4588.
- KRS 42.4588 says that grant funds can only be used for industrial development activities.



# LGEDF Grants

- **42.4588 defines industrial development as follows:**

*'Industrial development project' includes the acquisition of any real estate and the construction, acquisition, and installation thereon and with respect thereto of improvements and facilities necessary and useful for the improvement of the real estate for conveyance to or lease to industrial firms to be used for manufacturing, processing, or assembling purposes, including surveys; site tests and inspections; subsurface site work; excavation, removal of structures, roadways, cemeteries, and other surface...*



# LGEDF Grants

*...obstructions; filling, grading, and provision of drainage; storm water retention; installation of utilities, such as water, sewer, sewage treatment, gas, electricity, communication, and other similar facilities; off-site construction of utility extensions to the boundaries of the real estate; construction and installation on the real estate of the industrial firm of buildings, including buildings to be used for worker training and education; rail facilities; roads; sidewalks; curbs; other improvements to the real estate necessary to its manufacturing, processing, assembling, or other approved use by industrial entities; workforce training; and job development incentive grants...”*



# How LGED Funds are used

- Public Infrastructure
- Road Equipment
- Economic Development
- Parks and Recreation
- Support of Senior Citizen Centers
- Jail Expenses
- Debt Retirement
- Support of Volunteer Fire Departments
- Emergency Services



# Questions?

**Coal Development Branch  
Office of Federal and State Grants  
Department for Local Government  
100 Airport Road, 3<sup>rd</sup> Floor  
Frankfort, Kentucky 40601  
502-573-2382  
800-346-5606**

**[http://kydlgweb.ky.gov/StateGrants/16 Coal.cfm](http://kydlgweb.ky.gov/StateGrants/16_Coal.cfm)**

**Relevant Statutes 42.450 – 42.495**

