A Profile of Agriculture
and
Cost of Community Services Study

Campbell County, Kentucky

Commissioned by
Campbell County Conservation District

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American Farmland Trust

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American Farmland Trust (AFT) is a private, nonprofit conservation organization founded in 1980 to protect our nation's strategic agricultural resources. AFT works to stop the loss of productive farmland and to promote farming practices that lead to a healthy environment. AFT provides a variety of services to landowners, land trusts, public officials, planners, agricultural agencies and others. Services include Cost of Community Services studies, workshops on farmland protection and estate planning, farmland protection program development and agricultural economic analysis.

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EXECUTIVE SUMMARY

The Campbell County Conservation District (CCCD) commissioned American Farmland Trust (AFT) to develop an agricultural industry profile and conduct a Cost of Community Services (COCS) study for Campbell County. The purpose of these studies is to provide insight into the contribution that agriculture makes to the local tax base and quality of life. The study also will provide context for decisions about how to encourage the retention of agricultural lands and stimulate investment in the agricultural industry.

AFT collected and analyzed U.S. Census of Agriculture data and other sources to create a profile of Campbell County farming and show trends between 1987 and 2002 for a number of categories such as number of farms, acres of land in farms, sales and the larger economic impacts of agriculture. AFT found that agriculture in Campbell County was remarkably stable with positive signs of growth. Despite structural changes in the tobacco market and development pressure driving rapid increases in property valuations, Campbell County's farmland base has not changed very much in the last 15 years and has recently started to show economic growth. Farmers appear to be adapting to change and, with proper support and investment, prospects look good for continued diversification and growth, especially in industries such as cattle and calves and nursery and greenhouse production.

Agriculture is a significant part of the county land use and economics. There were 581 farms reported in the 2002 U.S. Census of Agriculture with 50,383 acres, representing 49 percent of the total land area. Some key statistics from the 2002 Census of Agriculture include the following:

- Average size of farm: 87 acres
- Median size of farm: 65 acres
- Estimated market value of land and buildings, average per farm: $306,013
- Market value of agricultural products sold: $5.85 million
  - Cattle and calves – $1.7 million
  - Nursery, greenhouse, floriculture and sod – $1.7 million
  - Tobacco – $721,000

  - Other products – $1.5 million
- Farm workers and payroll: 115 workers with a payroll of $1 million

The COCS study analyzes revenues and expenditures on a land use basis for fiscal year 2003–2004 (July 2003 through June 2004). It examines revenues by land use and the financial demands of public services (e.g., public safety, government administration, schools, courts, etc.) and shows the cost of providing these services to residential, commercial/industrial and farmland properties. The study reviewed the county budget including general and special funds, the Campbell County Public School District and other services including the library, Cooperative Extension and health services. City services were not included in the study, but property tax revenue for countywide services from those areas was included. The revenues and expenditures represent a significant portion of the government services provided to residents living in Campbell County.

The COCS study found that in Campbell County:

- 79 percent of revenue was generated by residential land uses, 20 percent was generated by commercial/industrial land uses, and 1 percent by farmland;
- 94 percent of expenditures went to provide services for residential land use compared with 6 percent for commercial/industrial uses and less than 1 percent for farmland.

In other words, for each $1 of revenue received from residential properties in Campbell County in fiscal year 2003–2004, $1.21 was spent providing services to those lands. For each $1 from commercial and industrial land uses, 30 cents was spent; and for each $1 received from farmland, 38 cents was spent providing services. Residential land uses created a deficit of $10.2 million that was offset by the surplus of the other two land use categories: $8.8 million from commercial/industrial and $401,066 from farmland. The Campbell County COCS findings demonstrate that a balance of land uses is necessary to ensure fiscal stability. While residential development contributes the largest amount of revenue, its net fiscal impact is negative because the total expenditures for that land use exceed its revenues.

While surveys by the Campbell County Farmland Working Group suggest public support for purchase of development rights (PDR) and agricultural development, it will take time to build that support. In the meantime, CCFWG could continue to do outreach and education to build support for a local PDR program while pursuing complementary alternatives including prioritizing what farmland should be saved, continuing to educate the public about the values of farmland, piloting a purchase of development rights program, and identifying ways to improve the economic viability of agriculture.

INTRODUCTION

Campbell County is experiencing rapid residential and commercial growth spreading out from heavily urbanized northern portions of the county along the Ohio River. Key factors driving this development are proximity to Cincinnati, recent riverfront development and the expansion of Cincinnati-Northern Kentucky airport in nearby Boone County.

Traditionally, tobacco was the county's leading agricultural commodity and the backbone of the rural economy. Recent structural changes in the industry resulted in a major decline in tobacco production and sales. From 1982 to 1997, prices appeared relatively stable due to the way tobacco prices were set, especially without factoring for inflation. However, between 1997 and 2002 the market value of tobacco sales fell 59 percent, from $1.8 million to $721,000. Today the county's farm economy is squeezed between rising land values and falling agricultural prices.

Concerned about how these changes would affect the future of agriculture, rural character and the quality of life in Campbell County, in 2004 the Campbell County Farmland Working Group (CCFWG) surveyed farmland owners and held focus groups to find out about public perception of farming and farmland, the obstacles to and benefits of farmland preservation, and how to promote and fund a farmland preservation program. As part of this effort, the CCFWG commissioned American Farmland Trust (AFT) to conduct two studies: a data analysis of the county's agricultural industry and a county-level Cost of Community Services (COCS) study. The purpose of these studies is to provide insight into agriculture's contribution to the economy, tax base and quality of life in Campbell County and to provide some context for local decisions about how to retain the county's farmland and stimulate investment in its food and farming system.

While the pressure to develop the county's remaining farmland appears to be increasing, CCFWG surveys found local support for agriculture and farmland protection. They received responses from 48 full-time and 245 part-time farmers owning 20,579 acres and found that many of them planned to farm "as long as I am able," or even, "forever." Farmers who anticipated continuing in agricultural production for at least 10 years or more operated on about 12,000 acres. Many respondents felt that there was too much development in the county, saying things like, "We need to preserve green space and make sure future generations have [the] opportunity to farm and enjoy nature." While there was a current of strong private property rights and resistance to government ("a person who owns a farm should be able to do what he or she wants to do with their property"), many of the people CCFWG surveyed believe that agricultural preservation is important as a buffer against new development, that farmland has wildlife and water quality benefits, and that farming is important to the culture and history of the county.

The purpose of these studies is to provide insight into the contribution agriculture makes to the local economy, tax base and quality of life in Campbell County and to provide some context for county officials' and residents' decisions about how to encourage the retention of agricultural lands and stimulate investment in the agricultural industry.

This report outlines the methodology and findings of each of these studies. It is organized in three sections: Agricultural Industry Profile, Cost of Community Services Study and a series of Appendices containing supporting project data as well as a previous analysis of potential funding for a purchase of development rights (PDR) program in Kenton County.

Campbell County

Campbell County, with an estimated 88,616 residents in 2000, is located in north central Kentucky, just south of the Ohio River and Cincinnati. Between 1990 and 2000, the population increased 5.4 percent.[1] Geographically, the county encompasses 138 square miles, or approximately 102,000 acres. County land use development is dominated by the city of Newport in the northern part of the county and the city of Alexandria in the center of the county. The topography in the southern part of the county is characterized by rolling hills interspersed with farmland and river valleys.

The original county included all of present day Boone, Kenton, Pendleton and most of Bracken and Grant counties. In 1840, when Kenton County was carved from Campbell

[1] U.S. Bureau of the Census, 2000

County, Alexandria was chosen as the geographic center of the new Campbell County. Since the greater amount of business was still done in Newport, the county determined to accept two county seats: Alexandria and Newport. Campbell County is one of only two counties in the state that can boast two seats of government.[2]

PROFILE OF THE AGRICULTURAL INDUSTRY

Method

AFT collected and analyzed U.S. Census of Agriculture data and other sources to create a profile of Campbell County farming and show trends between 1987 and 2002 for:

- Number of farms
- Land in farms
- Average size of farms
- Total market value of agricultural products sold
- Market value of the top four agricultural products sold
- Value of land and buildings
- Age of operators
- Ownership patterns
- Net cash return
- Agricultural land sale values

In some cases, AFT examined a particular statistic in greater detail to gain deeper insight into a trend. For example, information about the market value of agricultural products was compared against inflation for the time period studied and on an average-per-farm and an average-per-acre basis.

In other cases, trends were difficult to discern because of changes in census definitions and in the way the census has been collected. In 1997 the National Agricultural Statistics Service (NASS) took over responsibility for the U.S. Census of Agriculture. NASS made several significant changes in definitions and data collection both in the 1997 and in the 2002 census, which make it hard to compare recent data to data from 1992 and earlier. For example, in 1997 NASS expanded the definition of agriculture to include operations, such as maple syrup and Christmas tree production, which were not captured in previous surveys. In 2002, NASS adjusted its data collection methods to account for farms missed

[2] Campbell County Web site - http://www.campbellcountyky.org/

or misclassified by interviewing producers identified on randomly selected sample tracts and comparing this information to its census mailing list. Census data were then weighted to approximate data for operations that previously had not been included. Then NASS went back and adjusted the original 1997 data to reflect the "coverage adjustment." However, it did not adjust data previous to 1997, which had been collected by the Bureau of the Census.

Because of these changes, and because Census of Agriculture data show averages—and averages do not always reflect on-the-ground realities—AFT "ground-truthed" preliminary findings with the Campbell County Conservation District (CCCD) to get local feedback and to uncover any anomalies in the data.

AFT also measured the economic impacts of the agricultural industry using IMPLAN (IMPact analysis for PLANning) software. IMPLAN uses Census of Agriculture, County Business Patterns, the Regional Economic Information System, as well as Bureau of Labor Statistics data sources to show how sales in one sector affect other economic sectors, illustrating the relative impacts of agriculture, agricultural services and food processing on the county economy.

Findings

Overall, AFT found that Campbell County's agriculture was stable, with positive signs of economic health and future prospects. Despite structural changes in the tobacco market and development pressure driving rapid increases in property valuations, Campbell County's farmland base remains surprisingly stable. Farmers appear to be adapting to change and, with proper support and investment, prospects look good for continued diversification and growth, especially into industries such as cattle and calves and nursery and greenhouse production.

The number of farms has essentially remained the same, with a slight increase over the 15-year period, primarily due to the changes previously mentioned in the management of the census. Interestingly, the acreage of land in farms also increased 22 percent, from 41,411 to 50,383 acres. At the same time, the average size of farms increased.

A 58 percent decline in tobacco sales from 1997 to 2002 seems to have had little effect on the agricultural economy. Given the decline in tobacco, it is surprising that the total market value of agricultural products increased in real terms and on a per-acre basis over the period. Structural changes and the reduction in acreage quotas drove tobacco sales down from $1.8 million in 1997 to $721,000 in 2002. In 1997, tobacco represented 31 percent of the total market value of products sold, while by 2002 it represented only 12 percent of county sales.

There also are signs that agriculture is adapting to urban influences as well as agricultural economic forces. For example, nursery and greenhouse sales made up 29 percent of Campbell County's agricultural industry in 2002, up from 16 percent in 1997. With a 91 percent increase from 1997 to 2002, growth in this area is strong, with sales going from $897,000 to $1.7 million.

The profile that follows is based on several sources of data including U.S. Census of Agriculture data from 1982 to 2002, as well as IMPLAN fiscal impact software. The data are presented in PowerPoint slides (Appendix B) and in an Excel spread sheet (Appendix C) at the end of this report.

Number of Farms

While decreasing steadily across the nation and in Kentucky, in Campbell County the number of farms has increased.[3] Between 1987 and 2002, the number of farms in Campbell County grew 13 percent, from 512 to 581 farms. The state lost 15 percent of its farms during the same period. The two categories of farm size with the largest increases were those with 10 to 49 acres (from 162 to 219 farms) and those with more than 260 acres (from 15 to 31 farms).

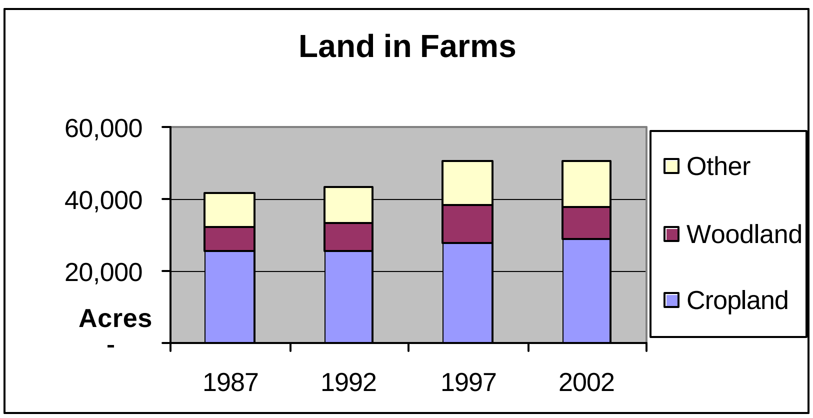
[3] For the purpose of the Census of Agriculture, a farm is any place from which $1,000 or more of agricultural products were produced and sold, or normally would have been sold, during the census year. The $1,000 value is not adjusted for inflation.

Average Size of Farms

The average size of farms in Campbell County increased to 87 acres, still small compared to the statewide average of 160 acres. Between 1987 and 2002, the average size of farms increased 7 percent, from 81 to 87 acres. This upward trend occurred despite the increased number of smaller farms reported in the adjusted 1997 data and the additional small farm data collected in 2002.

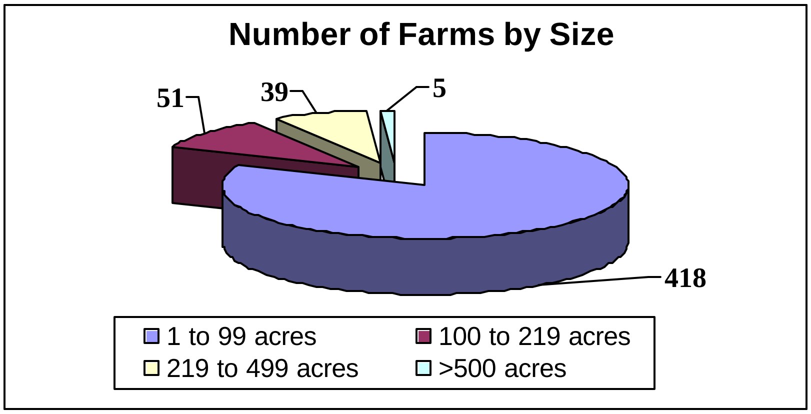
Land in Farms

Overall, the trend in land in farms is upward, with 41,411 acres in 1987 and 50,383 in 2002, a gain of 22 percent. In comparison, land in farms statewide declined about 2 percent during the same period. However, it is difficult to interpret trends in this category because of the changes in the way the Census of Agriculture collects data and reports land in farms.

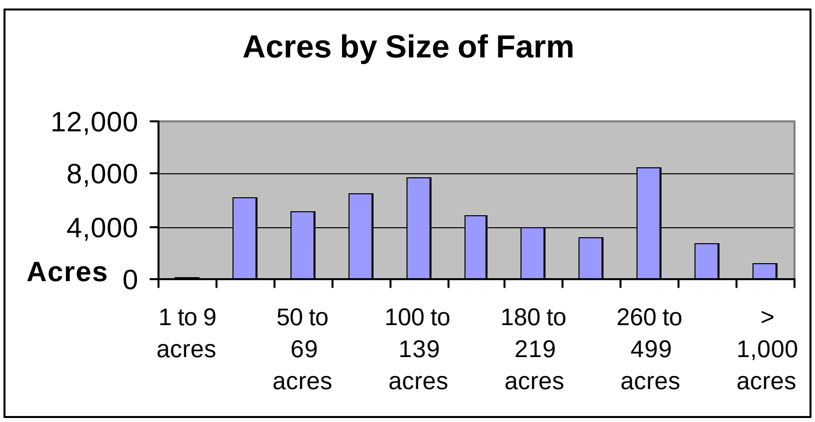


Farms by Size

The accompanying chart shows the number of farms in each size category used by the U.S. Census of Agriculture. The data shows that the most of the farms in the county have fewer than 100 acres, while only five farms have more than 500 acres.

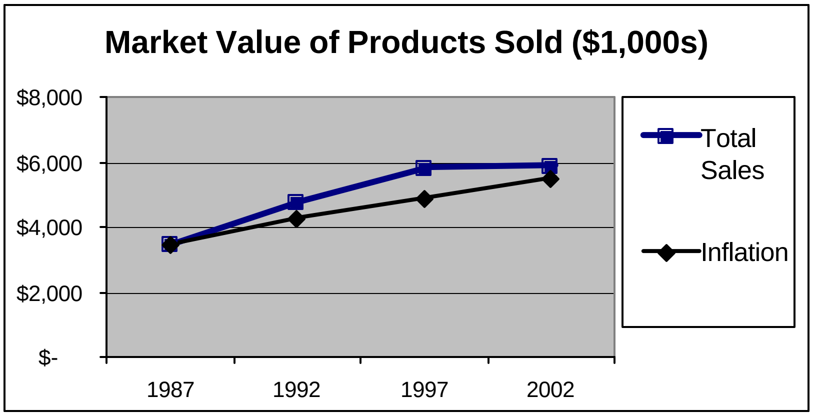


However, when considering the acreage of land in farms represented by different sizes of farms, the picture is slightly different. The acreage of land in farms by farm size is distributed more broadly across all categories. For example, farms that have less than 100 acres and farms with 100 to 219 acres each account for over 15,000 acres of land in farms. Farms with more than 220 acres account for another 15,000 acres.



Total Market Value of Agricultural Products Sold

The total market value of agricultural products sold in Campbell County increased 70 percent from 1987 to 2002, from $3.5 million to $5.8 million. These are direct sales reported by farm operators in the U.S. Census of Agriculture and do not include sales of agricultural supplies from business. This increase is actually fairly slight since the 1987 value, inflated over time, would be worth $5.5 million in 2002. Sales increased despite a sharp decline in tobacco sales, the second largest sales item in 1997.



Leading Agricultural Products

To better understand the overall trend in market value, AFT reviewed the top four commodities and tracked their sales over a 15-year period. In 1987, tobacco sales of $664,000 represented 19 percent of the market. Sales of this product peaked in 1997 at $1.8 million and then declined rapidly. Tobacco represented 12 percent of Campbell County's agricultural sales in 2002, decreasing 58 percent from 1997 to 2002, to $721,000.

Other top commodities in 1987 included dairy products ($442,000) and vegetables, sweet corn and melons ($204,000). These products have declined to the point where they no longer appear in the top four commodities. Picking up some of the slack, sales of cattle and calves increased 44 percent from 1987 to 2002, when they represented 28 percent of the market value of sales. Nursery and greenhouse sales also show signs of strength. They comprised 29 percent of Campbell County's market value in 2002—growing 91 percent from 1997 to 2002. The market value of other commodities increased 30 percent from 1987 to 2002. The remaining top commodity in 2004 is hay and silage at $220,000.

Average Sales Per Farm and Per Acre

Between 1987 and 2002, average sales per farm increased 50 percent. Measured on a per-acre basis, however, Campbell County agriculture is showing signs of being less productive. The average sales per acre increased 40 percent, but adjusted for inflation, the average per-acre market value of $83 in 1987 would have been worth $132 in 2002, while the actual value was only $116.

Net Cash Return

From 1987 to 2002, Campbell County agriculture experienced a dramatic decrease in its net cash return to a negative $1.9 million. Since net cash return is approximately the market value of products sold minus farm production expenses, the low return is due to high reported expenses. Farm production expenses were $8.7 million in 2002. The highest expenses reported were for supplies, repairs and maintenance ($1.5 million), hired farm labor ($1 million) and interest expense ($2.3 million). The high figure for interest expense implies that the residential portion of the farm property is being used to offset revenues for income tax purposes.

Value of Land and Buildings

The estimated market value of land and buildings increased 176 percent between 1987 and 2002, from an average per farm of $110,930 to $306,013. So, while net cash return is decreasing, the asset value of the property is increasing. Based on a review of county property records during the COCS study, much of this increased value is in the farmhouse. In addition, a review of real estate sales from the local Multiple Listing Service shows that from 1999 to 2005, almost 1,300 acres of farmland were sold at an average per-acre value of $5,771.[4] While the listings do not state the proposed use of the land, much of the acreage may have been sold for conversion to residential development.

Agricultural Land – Sales, Lease and Rental Values

In 2004, Campbell County agricultural lease values ranged from $45 to $50 per acre per year for row cropland. This is only slightly below the Kentucky average of $55 per acre. For pastureland, the lease values were $10 to $20 per acre per year, or $4 to $5 per month per cow/calf pair.[5]

[4] MLS listings and research provided by University of Kentucky, Cooperative Extension Service of Campbell County

[5] University of Kentucky, Cooperative Extension Service, Campbell County

Age of Operators

Campbell County farmers are, on average, getting older. From 1987 to 2002, the number of farm operators 65 or older increased 20 percent, while the number of farm operators under 45 years of age decreased 31 percent. The number of operators in the middle group (45 to 60 years old) increased by 26 percent.

Ownership and Employment

According to the 2002 Census of Agriculture, 285 operators (49 percent) listed farming as their principal occupation. Farms also employed 115 workers with a total payroll of just over $1 million, a 110 percent increase over 1997 payroll.

Economic Output of Agricultural Industry

The agricultural industry in Campbell County includes farmland, agricultural service firms and food processing industries.[6] Using IMPLAN software, AFT measured the direct output, employment compensation and proprietors' income from agricultural sectors and their secondary impacts on the larger economy.

Direct output is total industry production for a given year and is equal to shipments plus net additions to inventory. In 2001, Campbell County agriculture had a direct output of $11 million. The larger agricultural industry (agriculture and food processing) had a direct output of $376 million, representing about 14 percent of all economic output in the county.

The agricultural industry produced a total value-added impact of $88 million. Total value-added impacts include proprietors' income, employee compensation, other property income and indirect business taxes. With employment of 1,954 workers in 2001, compensation for employment was almost $68 million. In addition, proprietors received income of another $1.9 million, resulting in a total industry-produced income in Campbell County of roughly $70 million.

[6] The specific sectors include: farming oilseed, grain, vegetable and melon, tree nuts, fruits, greenhouse and nursery, tobacco, other crops, cattle, poultry and other animal production; agriculture and forestry support; and manufacturing involving fluid milk, animal processing, and bread and bakery products.

COST OF COMMUNITY SERVICES STUDY

Method

In communities that rely heavily on property taxes to generate revenues, Cost of Community Services studies are fairly straightforward. Revenues and expenditures from a recent fiscal period are distributed according to land use, and results are compared to provide a ratio that shows how much a community spent on public services for every $1 raised from a specific land use. In these communities, COCS studies are based on real time and real dollars.

A COCS study is a case study analysis of the net fiscal impacts of existing land uses on county budgets. It provides a snapshot in time of costs versus revenues based on current land use. Unlike traditional fiscal impact analysis, COCS studies are descriptive—not predictive—and are based on real budgets for a specific community. These analyses show what services residents and property owners receive in return for the taxes and fees they pay to their county government and how these costs and revenues relate to land use.

COCS researchers rely on public financial data, departmental records and budgets, assessor's data, and interviews with budget managers and financial officers to allocate revenues and figure out how public services were delivered in a specific year. In effect, the exercise is like balancing a checkbook of community land uses. Local budgetary information is allocated to major land use categories. The studies rely on budget and financial records and in-depth interviews with local government officials and budget managers to understand how revenues were generated and how appropriations were spent during a recent year. ***The goal of this COCS study is not to prescribe a course of action but to provide reliable financial data*** to help Campbell County officials make informed planning decisions and evaluate strategies to maintain a balance in the distribution of land uses in the future.

AFT developed this low-cost fiscal study to contribute local knowledge to decisions about land use. It is hoped that by using a community's own statistical, financial, land use and economic data, these studies will move public dialogue from speculation to projection—

from emotion to analysis. The results of this COCS study show the average fiscal impacts of current land uses in Campbell County.

AFT developed the COCS approach to investigate three common claims often heard at community meetings:

1. Open lands—including working agricultural and forest lands—are an interim land use that should be developed to their "highest and best use";
2. Agricultural land gets an "unfair" tax break when it is assessed at its actual use value for agriculture instead of at its potential use value for development;
3. Residential development will lower property taxes by increasing the tax base.

While it is true that 5 acres with a new house generates more total revenue than 5 acres of farmland, this tells us little about a community's fiscal stability. Farm, forests and open lands generate less revenue than residential, commercial or industrial properties, but they require little public expenditure due to the modest demand for infrastructure and public services. COCS studies determine the *net* fiscal impact of land uses in the present by comparing total revenues to total expenditures to ascertain the overall contribution of different land uses.

Before the study began, researchers contacted public officials to set up interviews, to understand local issues related to budgets and to define land use categories. After a review of the county property tax classification system, three land use categories were defined for this study:

- ***Residential Development*** – property used for dwellings, *including farmhouses*, mobile homes and rental units.

- ***Commercial and Industrial Development*** – property used for business purposes other than agricultural or forestry, including retail and wholesale production and utilities.
- ***Farmland*** – all agricultural parcels as defined by the Property Valuation Administration (PVA).

According to records from the PVA, the total equalized assessment of real property in the county in 2004 was approximately $4 billion, with residential properties (including mobile homes and farmhouses) accounting for 80 percent of the total value, or $3.2 billion. Commercial and industrial properties accounted for 19 percent or $769 million, while farm properties (land only) were less than 1 percent or $29 million.

COCS studies examine the relationship between public services or "community services" provided by local government and revenues (property taxes, fees for services, fines, etc.) generated by individuals and private entities representing local land uses. Additional revenues provided from state or other government bodies also are included in the analysis. Direct community service expenditures—public safety, public schools, highway maintenance, etc.—are comprised primarily of personnel and operating expenses. They cover salaries, health insurance, electricity, fuel for county vehicles and similar costs.

In this study, revenues and expenditures for three categories of services were included: county government services represented in both the general fund and special funds; Campbell County School District; and "other" services provided countywide including the library, Cooperative Extension and health services.

There are three basic steps in the process of conducting a COCS study:

1. Collect data: obtain relevant reports and other financial records, interview officials, boards and departments;
2. Allocate revenues and expenditures by land use;
3. Analyze data and calculate ratios.

The following sections describe these steps in Campbell County.

Cost of Community Services Study in Campbell County

Collect Data and Conduct Interviews

AFT scheduled appointments with county officials to obtain relevant information and collect necessary documents. Some of the important documents and sources of information provided include:

- Budget of Campbell County Fiscal Court: Financial Statement, July 2003–June 2004;
- Budget of Campbell County Fiscal Court: Statement of Expenditures, Encumbrances & Appropriations, as of June 2004;
- Sheriff's Property Tax Settlement – Tax Collection/Distribution Report, Tax Year 2003 Taxes;
- Campbell County School District, Summary of 6/30/2004 Financial Statement;
- Property Valuation Administrator's Assessment and Property Tax Roll Totals, Tax Year 2004;
- Campbell County Jail Report: Breakout of offenses
- Campbell County Clerk: Statement of Revenues and Expenditures – Regulatory Basis, Year End 2003
- Campbell County Police Salaries Report, as of July 2004
- Campbell County Police: Incident Analysis Report, Calendar Year 2004
- Campbell County Health Taxing District Statements of Revenues and Expenditures Resulting From Cash Transactions, June 30, 2004
- Historical Caseload for Campbell County, 2003-2004 Filings and Closings;
- Kentucky Court Records – http://www.kycourts.net/AOC/BPR/ResearchStats.

After analyzing the budget and finance statements, interviews were conducted to inform the researchers for the allocation of all fiscal year 2003–2004 revenues and expenditures into the three land use categories. In the interviews, officials were asked to provide additional records showing how revenue was generated by land use and the degree of services provided to residential, commercial/industrial and farmland. The next step involved allocating revenues and expenditures to the land use categories based on the information gathered from reports and interviews.

Allocate Revenues and Expenditures by Land Use

Revenues

Revenues for county government and community services come from a variety of sources. The occupational license fee was the largest source of revenue for county government at

$6.1 million, while general property taxes were the second largest at $3.6 million. Other revenues in general and special funds included motor vehicle property tax, payments from the state and federal government, fees and charges for services, grants, reimbursements from other local government services to the county, interest earned and rental of government property.

According to the occupational license administrator, contributions from residential and agricultural sources were extremely small and could not be identified under current record keeping practices, thus commercial/industrial sources were allocated 100 percent of the revenue.

The breakdown of property tax revenues into land use classes was available from the PVA. The property categories used by the PVA are grouped into four land use categories: residential, commercial, agricultural and mobile home. The mobile home totals were combined with the residential values for the COCS study. Most of the properties in the farmland category fall under the Current Agricultural Use Value Program assessed at the current use value rather than at the value of potential use for development. PVA records show a “Fair Cash Value” of land classified as agricultural as $251.6 million in 2004. The taxable value of these properties, after exemptions, was $134.6 million or about 53 percent of the fair cash value. Because farmhouses and the land they rest on are assessed at a higher value and because houses and their residents receive different services than farmland, their value was separated from the agricultural value and added to the residential category. The breakdown of property classifications is shown in Table 1

In some cases, revenues were related to only one land use. Fees from marriage licenses and animal shelter payments were some examples of residential revenue. Rental income from county properties and franchise taxes were commercial land use revenues. Farmland revenues came primarily from real estate taxes and from some portion of items such as deed transfers and recording fees. For the most part however, revenue line items were attributed to more than one land use and were allocated based on research or department records.

Table 1. Taxable Values and Land Use Categories					
Campbell County Property Assessment			**COCS Study Adjustments**		
Land Use	**Taxable Value***		**Residential**	**Commercial/ Industrial**	**Farmland**
Residential	$ 3,056,931,532		$ 3,056,931,532		
Commercial/ Industrial	$ 769,440,915			$ 769,440,915	
Agricultural **	$ 134,613,788		$ 105,298,348		$ 29,315,440
Mobile Homes	$ 6,648,086		$ 6,648,086		
Leasehold	$ 3,350,000			$ 3,350,000	
Total	$ 3,967,634,321		$ 3,168,877,966	$ 769,440,915	$ 29,315,440
Percentage of Total Taxable Value			79.868%	19.393%	0.739%

*Taxable properties only; does not include exempt properties such as government land or churches
**The value of the farmhouse and associated land was placed under the residential category, while the value of farmland and farm buildings was placed under the agricultural category.

Federal and state revenues to the county were allocated based on the service provided. For example, a grant to the county used for animal shelter equipment, ambulance services and highway safety was allocated in part as residential revenue (animal shelter) and in part as a combination of residential, commercial and farmland revenue, since ambulance services and highway safety are services to all three land categories. State revenue provided to fund roads was allocated proportionally to all properties in the county, based on the assumption that roads are used by residents for a variety of purposes (social, commuting to work, shopping, etc.), to provide commercial/industrial access and to farmland for shipping goods and receiving supplies.

Revenues from Other County Services

The county sheriff's department collects property taxes for the public school district, the library system, health department, the Conservation District and Cooperative Extension from all property owners in the county and distributes these revenues to the districts. Therefore, these revenues were allocated to all three land use categories based on the relative taxable value of residential, commercial/industrial and farmland properties as shown in Table 1 above.

Campbell County Schools Revenue

Campbell County is served by several school districts. For the most part, these school districts serve the incorporated cities. Since city services are not included in this analysis, it was felt that school services to those areas would also be left out of the study. The Campbell County School District, which provides service to the unincorporated or rural part of the county, has the largest budget of any service provider in the county with revenues of $39.3 million in fiscal year 2003–2004. Revenues for education services came primarily from property taxes ($7.8 million) and state sources ($14.7 million), with much smaller amounts from the federal government and other local sources. Property tax revenue was allocated to all three land uses based on assessed value of the unincorporated portion of the county, while revenue from state and federal sources was allocated entirely to residential land use.

Since the Campbell County School District primarily serves the unincorporated portion of the county, it was necessary to calculate property assessments that exclusively represent the unincorporated area. The numbers were obtained from similar PVA records showing tax assessments and values for the entire county including the cities. The city values were subtracted from those numbers shown in Table 1 to yield assessed values for properties in the school district as shown in Table 2.

Expenditures

County officials and department heads were interviewed to determine how county expenditures should be allocated to the three land use categories. Department heads gave an overview of their services and identified any relevant reports (criminal offense records, salary schedules, list of services, etc.) and other secondary sources of information. In the interviews, officials were asked which land use benefited from each expense. Several service expenditures such as public advocacy, animal control, parks, cultural programs and a few water system projects were allocated entirely to residential land use. Expenditures for education of almost $40 million are entirely residential. Dollars expended for library services are also residential. Economic development funds were allocated to commercial

Table 2. Campbell County School District Calculation of Taxable Values					
Campbell County Property Assessment			**COCS Study Adjustments**		
Land Use	**Taxable Value***		**Residential**	**Commercial/ Industrial**	**Farmland**
Residential	$ 3,056,931,532				
City Residential	$ 2,543,139,775				
Unincorporated Residential	$ 513,791,757		$ 513,791,757		
Commercial/ Industrial	$ 769,440,915			$ 769,440,915	
City Commercial	$ 708,109,010				
Unincorporated Commercial	$ 61,331,905			$ 61,331,905	
Agricultural **	$ 134,613,788		$ 105,298,348		$ 29,315,440
City Agricultural	$ 6,553,109				
Unincorporated Agricultural	$ 128,060,679		$ 99,887,330		$ 28,173,349
Mobile Homes	$ 6,648,086		$ 6,648,086		
City Mobile Homes	$ 1,002,211				
Unincorporated MH	$ 5,645,875		$ 5,645,875		
Total Unincorporated	$ 708,830,216		$ 619,324,962	$ 61,331,905	$ 28,173,349
Percentage of Total Taxable Value			87.373%	8.653%	3.975%

*Taxable properties only; does not include exempt properties such as government land or churches
**The value of the farmhouse and associated land was placed under the residential category, while the value of farmland and farm buildings was placed under the agricultural category.

and industrial land use. Health district services were primarily residential, with a small portion allocated to commercial. Most services, however, were allocated to two or more land use categories. Cooperative Extension, for example, was divided between residential (76 percent) commercial (6 percent) and farmland (18 percent).

Use of "Fallback" Percentages

Even after extensive record searches, in a few cases it was not possible to attribute some line items to specific land use categories. For example, administrative salaries and public buildings serve the entire county in a general capacity. In this situation, a fallback breakdown was applied. It was calculated based on the percentage of taxes contributed from real and personal property for fiscal year 2003–2004 taxes (see Table 1). The land use distribution of these revenues resulted in the following:

- 79.87 percent were from residential development;
- 19.39 percent from commercial and industrial development;
- 0.74 percent from agricultural land.

These fallback percentages were used for both revenues and expenditures, but only in cases where line items lacked a clear relationship to land use.

Analyze Data and Calculate Ratios

Once the necessary data were collected and interviews completed, the information was entered into a spreadsheet. The dollar amount for each line item of the budget was allocated among the three land use categories based on information from reports, interviews and research. Total revenues and total expenditures were summed for each of the three land use categories. By comparing total revenues to total expenditures in each category, the total net surplus or deficit was calculated.

Revenues and expenditures for services provided in Campbell County are included in this report as Appendix A. This information is also presented as ratios to show the actual expenditure for every dollar raised (see Table 3). The findings were rechecked for accuracy. Finally, draft findings were sent to the study sponsors for their review and comments. These comments were discussed with the sponsors and incorporated into the final report where appropriate.

Findings

In fiscal year 2003–2004, residential land in Campbell County generated $49.4 million in revenues to cover residential land use expenditures of $59.6 million. Comparing revenues to expenditures shows that residential land use had a deficit of $10.2 million, which was covered by a surplus of $401,066 from farmland and $8.8 million from commercial land.

The first two rows of the following table show the total dollar amounts allocated to each land use for revenues and expenditures. The third row shows the net impact on the budget for each land use. The next row of the table presents this same information in ratio form. This is a clear way to see how much each land use cost for each dollar of revenue that it generated for services in the county.

Table 3. Summary of COCS Results

Combined County, School and Other Services	**Fiscal Year 2003–2004 Actual**	**Residential**	**Commercial/ Industrial**	**Farmland**
a) Total Revenues	$ 62,528,605	$ 49,370,536	$ 12,506,863	$ 651,205
b) Total Expenditures	$ 63,529,355	$ 59,571,367	$ 3,707,849	$ 250,139
Net contribution (a-b)		$ (10,200,831)	$ 8,799,014	$ 401,066
Land use ratio*		$1.00 : $1.21	$1.00 : $0.30	$1.00 : $0.38
Percent of revenue by land use		78.96%	20.00%	1.04%
Percent of expenditure by land use		93.77%	5.84%	0.39%

*For every $1 of revenue from the land use category, the cost of providing services back to that land.

The final land use ratios show the costs required per $1 of revenue generated in fiscal year 2003–2004. For each $1 of revenue received from residential properties in Campbell County, the county spent $1.21 providing services to those lands. For each $1 from commercial land uses, 30 cents was spent providing services to those lands, and for each $1 received from farmland, .38 cents was spent providing services.

DISCUSSION

COCS studies provide a baseline of information to help local officials and citizens make informed land use decisions. They offer the benefit of hindsight to see the effect of development patterns to date. They also demonstrate the fiscal importance of privately owned land in agricultural uses. The purpose of this study was to determine the net fiscal contribution of agricultural land so that it may be duly considered in the planning process.

Because it is descriptive, the study should not be used to predict the impact of a single development or to project future costs of services created by new development.

The ratios for residential and commercial land use found in Campbell County are not unusual for COCS studies. The residential ratio of $1 of revenue to $1.21 expenditure is *slightly higher* than the national median of $1.15. A higher residential ratio in a COCS study shows that the other land use categories (in this case, commercial/industrial) are providing a substantial amount of revenue that allows the county to reduce the burden of services to residential properties. The commercial/industrial ratio of 30 cents is just above the national median of 28 cents. The farmland ratio of .38 cents is slightly higher than the national median of 36 cents.

The results of this study provide a reliable fiscal snapshot of the balance of land use in Campbell County. ***What they show is that even though farmland's absolute contribution is small, given its positive net fiscal impact and the market and non-market attributes it provides, Campbell's farmland should be duly considered in the county's planning process—and options like PDR are worthy of consideration.*** The results suggest that strategies to retain an agricultural land base would be a good long-term investment and that:

- Taxes and other revenues from residential land use do not cover all the public services residents receive from the county. A balance of land uses, including farmland, is needed to provide adequate revenue to pay for these services.
- Farmland pays more in local tax revenues than it receives in services. Kentucky's differential property tax program is justified as a way to provide an incentive to keep land open and in active agricultural use. Even with a reduced assessed value, agricultural properties contribute a surplus of revenue to pay for public services for residents of Campbell County.
- Farmland should not be considered an interim use awaiting conversion to a "highest and best" use. The trends in the agricultural industry suggest that this land use may continue to provide economic value to Campbell County.

Beyond its importance in supporting fiscal stability, active agricultural land provides many additional benefits to the county. Agriculture is an economic contributor that benefits the local economy through jobs, sales and products. Total agricultural product sales in Campbell County in 2002 were valued at $5.8 million by the U.S. Census of Agriculture, a 70 percent increase from 1987. In addition, farm operators produce significant agricultural value-added services and purchase materials, provide employment, spend money locally and have a positive impact on other sectors of the economy. Farmland contributes to the scenic and environmental values that give portions of Campbell County its rural character. Non-market natural resource benefits associated with these lands include maintenance of water quality, flood control and provision of wildlife habitat. Agriculture also contributes to long-held cultural values associated with rural farming communities and enhances the community's quality of life.

The Agricultural Industry Profile (AIP) and COCS studies illustrate various fiscal and economic characteristics of Campbell County agriculture. Overall, the AIP found Campbell's land base to be surprisingly stable and the agricultural economy shows some resiliency despite the dramatic decline of the tobacco industry. Given the recent passage of a federal tobacco buy-out, some farmers will have an influx of cash that they can put into other things.

Since the county does not have comparative advantage in tobacco, a further decline in this industry is likely and will trigger instability in the land base. As a result, this would be a good time to pilot a PDR program to offset this instability and for farmers to reinvest in other agricultural enterprises and/or to take advantage of state programs to stimulate diversification, alternative productions systems and new enterprise development.

An implicit threat is lack of public awareness and knowledge about the importance of agriculture. It is hoped that findings from these studies will get people thinking about issues resulting from the impact of changing land use patterns, escalating land values and development encroaching on farms and farmland.

By offering a fiscal snapshot, this study provides hindsight on the effect of development patterns to date and a baseline of information to help county officials and citizens make informed land use decisions. However, because these findings are descriptive, they should not be used to predict the impact of specific new developments. Furthermore, they show that taxes and other revenues from residential land use do not cover all the public services residents receive from the county. A balance of land uses, including farmland, is needed to support these services.

CCFWG should continue to build public awareness of the importance of agriculture and what county agriculture could be in the absence of a strong tobacco economy. Private organizations could take the lead on developing a local PDR program while pursuing complementary alternatives. These alternatives are laid out in the following recommendations.

Recommendations

1. Prioritize what farmland should be saved.
    a. Map strategic natural resources: soils, water, any unique microclimates, environmentally sensitive features, etc., to prioritize areas for protection.
    b. Review the census data on farm size provided in this report and tease out trends in a more exhaustive acreage analysis. This data could then be used to determine the strategic farm size to target or prioritize farms that might participate in a future PDR program.
    c. Look for ways to partner with the neighboring counties of Boone and Kenton. It may be that the best strategy for farmland protection is to identify a viable three-county area of farmland and establish a greenbelt of preserved farmland in northern Kentucky (possibly in conjunction with more agricultural counties to the south).
    d. The results of these efforts should be written up and shared with the County Cooperative Extension offices to be included in their plans for state funding.

2. Continue to educate the public about the values of farmland.

a. Review and analyze the 2004 CCFWG farmland survey to identify the total number of farmers responding, those farmers who seem committed to continuing their operations for more than 20 years and the acreage of farmland associated with committed farmers; use this information as a springboard for public education.
b. Promote the multiple values farmland offers the community: fiscal, economic, environmental and quality of life.
c. Build support for farmland preservation and overcome the perception that it is not worth public investment; engage the public and reach out to elected officials on a regular basis.
d. Develop agri-tourism, farmers' markets and other direct marketing outlets; start a "buy local" campaign; or try other ways to connect county residents with farms, farmers and farmland.

3. <u>Pilot a PDR program</u>
   a. Work with a land trust to pilot demonstration projects using private funds to match available state and federal funding.
   b. Identify demonstration projects with land trusts in neighboring counties of Kenton and Boone.
   c. Using the results of strategic analysis of farmland in the county or counties, CCFWG survey and other prioritizing tools, focus fund-raising efforts on one or two farms as a way to highlight farmland preservation.
4. <u>Improve the economic viability of agriculture</u>**.**
   a. Explore alternative enterprises such as goats, horses, floriculture, aquaculture and herb production.
   b. Provide marketing assistance and direct marketing opportunities for horticulture and alternative operations to take advantage of proximity to the Cincinnati metropolitan area.
   c. Work with Cooperative Extension, the Kentucky Agricultural Development Board, the Kentucky Cattlemen's Association and others to make a successful transition from tobacco to other commodities such as hay production and beef cattle.
   d. Take advantage of the county's underutilized forage base.

e. Help farmers implement best management practices such as pasture renovation, improved soil fertility and rotational grazing management.

Keeping farmers on the land will be as important to the future of Campbell County agriculture as keeping the land available for them to farm. In addition to pursuing a PDR program, CCFWG could investigate programs that improve and expand agricultural opportunities while also providing temporary farmland protection. For example, the Massachusetts Farm Viability program was created in 1994 to improve the economic productivity and environmental integrity of participating farms. The program has two phases. In Phase I, participating farmers work with a team to develop a plan to increase on-farm income and preserve the farm's environmental resources. In Phase II, the state provides funding to qualifying farmers to implement the plan. Farmers may apply for grants of $20,000 or $40,000 in exchange for five- or 10-year term easements.

Although these programs have not been tried at the county level, given the abrupt changes in the tobacco economy, it might be worth exploring in Campbell—or even at the tri-county level, possibly in conjunction with the state's Agricultural Development fund.

APPENDICES

A. Campbell County Services–Revenues and Expenditures

B. Agricultural Industry PowerPoint Slides

C. Agricultural Industry Data

D. Potential Funding for a PDR Program: Kenton County, Kentucky

APPENDIX A. CAMPBELL COUNTY SERVICES - REVENUES AND EXPENDITURES

REVENUES - FY 2004	Actual	Residential	Commercial/ Industrial	Farmland
County Government				
General Fund				
Real Property Taxes	$ 3,591,096	$ 2,868,208	$ 696,314	$ 26,574
Personal Property Taxes	$ 268,499	$ -	$ 268,499	$ -
Taxes - State	$ 51,695	$ -	$ 51,695	$ -
Motor Vehicle	$ 496,338	$ 397,070	$ 99,268	$ -
Motor Vehicle - State	$ 61,273	$ 49,018	$ 12,255	$ -
Delinquent Tax	$ 59,791	$ 47,755	$ 11,593	$ 442
Advertising Delinquent Taxes	$ 2,608	$ 2,608	$ -	$ -
Bank Share Taxes	$ 232,754	$ -	$ 232,754	$ -
Corporate Franchise Tax	$ 148,455	$ -	$ 148,455	$ -
Deed Transfer Tax	$ 306,507	$ 244,807	$ 59,432	$ 2,268
Insurance Tax	$ 689,999	$ 551,999	$ 138,000	$ -
Taxes	$ 5,909,015	$ 4,161,467	$ 1,718,264	$ 29,285
County Clerk Excess Fees 25%	$ 412,180	$ 326,880	$ 83,074	$ 2,227
County Sheriff Excess Fees 25%	$ 306,390	$ 244,714	$ 59,409	$ 2,267
Excess Fees	$ 718,570	$ 571,593	$ 142,483	$ 4,494
Rental Mot Veh Lic Fee	$ 55,098	$ -	$ 55,098	$ -
Rental Mot Veh Adm Fee	$ 1,704	$ -	$ 1,704	$ -
Park Permits	$ 51,843	$ 46,659	$ 5,184	$ -
Dog License Sold	$ 8,100	$ 8,100	$ -	$ -
Building Permits	$ 220,910	$ 218,701	$ 2,209	$ -
Licenses and Permits	$ 337,655	$ 273,460	$ 64,195	$ -
Federal & CDBG	$ 153,275	$ 153,275	$ -	$ -
State Grant	$ 1,849	$ 1,674	$ 151	$ 24
State Grant	$ 13,684	$ 11,286	$ 2,293	$ 104
State Grant - ADF	$ 24,563	$ 22,132	$ 2,431	$ -
State Grant - Litter Abatement	$ 49,184	$ 24,592	$ -	$ 24,592
Total State Grants	$ 89,280	$ 59,684	$ 4,875	$ 24,720
Stock Dividends	$ 60	$ 48	$ 12	$ 0
Police Incentive Pay	$ 110,576	$ 100,104	$ 9,023	$ 1,449
DES/HAZ Mat'l Cleanup Fee	$ 14,345	$ -	$ 14,345	$ -
Police Reports	$ 646	$ 585	$ 53	$ 8
Wireless Phone 911 Surcharge	$ 2,197	$ 1,758	$ 439	$ -
Intergovernmental Revenue	$ 127,824	$ 102,495	$ 23,872	$ 1,457
State (highway safety)	$ 6,268	$ 5,476	$ 542	$ 249
District Court	$ 243,534	$ 200,234	$ 42,497	$ 804
OEM	$ 13,033	$ 10,426	$ 2,607	$ -
County Attorney Salary	$ 83,724	$ 79,973	$ 3,751	$ -
P&Z Commission Insurance	$ 6,640	$ 5,312	$ 1,328	$ -
Child Support Salary	$ 575,870	$ 575,870	$ -	$ -
Drug Strike Force Expense	$ 18,085	$ 18,085	$ -	$ -
Dispatch Insurance	$ 96,548	$ 96,548	$ -	$ -
Reimbursements	$ 1,043,702	$ 991,925	$ 50,724	$ 1,053
State Grant	$ 766	$ 669	$ 66	$ 30
Misc.	$ 60	$ 52	$ 5	$ 2
Cable TV	$ 146,757	$ 146,757	$ -	$ -
Refunds	$ 68,834	$ 55,066	$ 13,313	$ 456
Workman's Comp	$ 3,061	$ 2,674	$ 265	$ 122
KACO/Colt Interest	$ 20,270	$ 16,190	$ 3,930	$ 150
Election Refund Exp	$ 39,600	$ 39,600	$ -	$ -
Total Refunds	$ 279,348	$ 261,008	$ 17,579	$ 760

APPENDIX A. CAMPBELL COUNTY SERVICES - REVENUES AND EXPENDITURES

REVENUES - FY 2004	Actual	Residential	Commercial/ Industrial	Farmland
Insurance Claims	$ 13,195	$ 10,028	$ 3,035	$ 132
Bd of Assessments	$ 400	$ 349	$ 35	$ 16
Health District Fee	$ 39,932	$ 39,932	$ -	$ -
Cable TV Interlocal Payment	$ 176,401	$ 176,401	$ -	$ -
Fiscal Court Filing Fees	$ 100,300	$ 82,467	$ 17,502	$ 331
Pk/Rec Tree/Bench Memorial	$ 1,325	$ 1,325	$ -	$ -
Dog Pound	$ 36,283	$ 36,283	$ -	$ -
Returned Check Fees	$ 175	$ 175	$ -	$ -
DARE Program	$ 558	$ 558	$ -	$ -
Surplus Mach/Equip Sales	$ 7,161	$ 5,442	$ 1,647	$ 72
Park Concessions	$ 4,861	$ 4,861	$ -	$ -
Dispatch Equip Lease	$ 30,270	$ 24,216	$ 6,054	$ -
Tenant Rental	$ 56,220	$ -	$ 56,220	$ -
Sale Surplus Property	$ 7,678	$ 5,835	$ 1,766	$ 77
Recycling	$ 11,308	$ 11,308	$ -	$ -
Park Rentals	$ 5,775	$ 5,198	$ 578	$ -
Copy Work	$ 1,206		$ 1,206	
Animal Shelter Donations	$ 4,911	$ 4,911	$ -	$ -
Insurance Claims	$ 6,183	$ 4,699	$ 1,422	$ 62
Occ. Tax Collection Fees	$ 30,795	$ -	$ 30,795	$ -
Police Forfeitures	$ 16,554	$ 16,554	$ -	$ -
Bond P&I Reim. A.J. Jolly	$ 15,026	$ 15,026	$ -	$ -
Bond P&I Reim. Ext. Center	$ 72,743	$ 51,204	$ 756	$ 20,784
Interest	$ 14,498	$ 11,018	$ 3,335	$ 145
Interest - Investments	$ 41,982	$ 31,906	$ 9,656	$ 420
Interest Law Enforcement Grant	$ 59	$ 59	$ -	$ -
Interest Animal Shelter Donation	$ 1,009	$ 1,009	$ -	$ -
SubTotal	$ 696,808	$ 540,765	$ 134,006	$ 22,038
Total General Fund	**$ 9,355,477**	**$ 7,115,672**	**$ 2,155,998**	**$ 83,807**
SPECIAL FUNDS				
Road Fund				
Truck License	$ 189,783		$ 189,783	$ -
Drivers License	$ 8,183	$ 6,546	$ 1,637	$ -
Municipal Road Aid	$ 21,905	$ 19,138	$ 1,895	$ 872
County Road Aid	$ 583,442	$ 509,753	$ 50,468	$ 23,221
Road Cut Receipts	$ 17	$ -	$ 17	$ -
Misc. Refunds	$ 1,975	$ 1,580	$ 395	$ -
Insurance Claims	$ 6,236	$ 4,178	$ 1,871	$ 187
Interest	$ 1,272	$ 852	$ 382	$ 38
Total Road Fund	$ 812,813	$ 542,048	$ 246,447	$ 24,318
03 Jail Fund				
Federal Prisoners	$ 125,298	$ 112,768	$ 12,530	$ -
State Fees	$ 219,673	$ 197,706	$ 21,967	$ -
State Medical	$ 38,728	$ 34,855	$ 3,873	$ -
Inmate Medical Co-Pay	$ 12,482	$ 12,482	$ -	$ -
Contract/Other Counties	$ 1,600	$ 1,440	$ 160	$ -
Court Costs	$ 69,416	$ 69,416	$ -	$ -
State Prisoners	$ 286,009	$ 257,408	$ 28,601	$ -
DUI Fees	$ 30,947	$ 30,947	$ -	$ -
Social Sec. Admin. Incentive	$ 2,400	$ 2,400	$ -	$ -
Work Release Program	$ 25,409	$ 25,409	$ -	$ -
Telephone Commission	$ 948	$ 948	$ -	$ -
Home Incarceration Fees	$ 9,335	$ 9,335	$ -	$ -
Jail Bond Acceptance Fees	$ 6,699	$ 6,699	$ -	$ -
Prisoner Booking Fees	$ 64,963	$ 64,963	$ -	$ -
Service Fees/Per Day-Diem	$ 50,600	$ 50,600	$ -	$ -
Service Fees/Credit Cards	$ 4,644	$ 4,644	$ -	$ -
Jail Reimbursement Program	$ 10,910	$ 10,910	$ -	$ -
Phone Commission	$ 50,851	$ 50,851	$ -	$ -

APPENDIX A. CAMPBELL COUNTY SERVICES - REVENUES AND EXPENDITURES

REVENUES - FY 2004	Actual	Residential	Commercial/ Industrial	Farmland
Jail Misc. Reimbursement	$ 165	$ 165	$ -	$ -
Insurance Reimbursement	$ 10,337	$ 9,303	$ 1,034	$ -
Interest	$ 1,192	$ 1,073	$ 119	$ -
Vending Commission	$ 903	$ 903	$ -	$ -
Total Jail Fund	$ 1,023,509	$ 955,225	$ 68,284	$ -
04 LGEA				
Mineral Tax	$ 6,255	$ -	$ 6,255	$ -
Interest	$ 14	$ -	$ 14	$ -
Total LGEA Fund	$ 6,269	$ -	$ 6,269	$ -
07 CDBG Fund	$ 182,910	$ 182,910	$ -	$ -
75 Jail Commissary				
Sales & Receipts	$ 44,498	$ 40,048	$ 4,450	$ -
Interest	$ 679	$ 611	$ 68	$ -
Total Jail Commissary Fund	$ 45,177	$ 40,659	**$ 4,518**	**$ -**
76 Developers Road Escrow Fund				
Developers/Road Escrow	$ 60,049	$ 60,049	$ -	$ -
Interest	$ 911	$ 911	$ -	$ -
Total Road Escrow Fund	$ 60,960	$ 60,960	$ -	$ -
83 Emergency Shelter Grant	$ 10,001	$ 10,001	$ -	$ -
85 Capital Projects Fund				
CDBG Grant - Senior Center	$ 20,680	$ 20,680	$ -	$ -
State Grant	$ 29,330	$ 29,330	$ -	$ -
Interest	$ 811	$ 811	$ -	$ -
Total Capital Projects Fund	$ 50,821	$ 50,821	$ -	$ -
86 Senior Citizens Tax Fund				
Payroll Taxes	$ 339,315	$ -	$ 339,315	$ -
Transfers - Districts	$ 40,000	$ 40,000	$ -	$ -
Sales - Sr. Picnic	$ 4,929	$ 4,929	$ -	$ -
Refunds/Reimbursements	$ 3,525	$ 3,525	$ -	$ -
Picnic Donations	$ 8,822	$ 8,822		
Interest	$ 1,737	$ 174	$ 1,563	$ -
Interest - Investments	$ 570	$ 57	$ 513	$ -
Total Senior Citizens Fund	$ 398,898	$ 57,507	$ 341,391	$ -
87 Mental Health Tax Fund				
Payroll Taxes	$ 678,556	$ -	$ 678,556	$ -
State - Safe Haven Grant	$ 123,989	$ 123,989	$ -	$ -
Interest	$ 1,734	$ 260	$ 1,474	$ -
Interest - Investments	$ 5,296	$ 794	$ 4,502	$ -
Total Mental Health Tax Fund	$ 809,575	$ 125,044	$ 684,532	$ -
88 Tank/Payroll Tax Fund				
Payroll Taxes	$ 6,107,514	$ -	$ 6,107,514	$ -
State Refund	$ 332,347	$ 199,408	$ 132,939	$ -
Misc/Other Receipts	$ 564	$ 17	$ 547	$ -
Interest	$ 10,095	$ -	$ 10,095	$ -
Interest - Investments	$ 51,440	$ -	$ 51,440	$ -
TANK/Payroll Tax Fund	$ 6,501,960	$ 199,425	$ 6,302,535	$ -
Total SPECIAL FUNDS	$ 9,902,893	$ 2,224,600	$ 7,653,975	$ 24,318
TOTAL CTY GOVERNMENT	**$ 19,258,370**	**$ 9,340,272**	**$ 9,809,972**	**$ 108,125**

APPENDIX A. CAMPBELL COUNTY SERVICES - REVENUES AND EXPENDITURES

REVENUES - FY 2004	Actual	Residential	Commercial/ Industrial	Farmland
OTHER PUBLIC SERVICES IN CAMBPELL COUNTY				
Health	$ 875,786	$ 699,490	$ 169,815	$ 6,481
Library	$ 2,311,616	$ 1,846,288	$ 448,222	$ 17,106
Cooperative Extension	$ 769,171	$ 614,337	$ 149,142	$ 5,692
Conservation	$ 68,464	$ 54,682	$ 13,275	$ 507
Total Other Services	$ 4,025,037	$ 3,214,797	$ 780,455	$ 29,785
EDUCATION				
Beginning Balance	$ 3,477,273	$ 3,244,296	$ 187,077	$ 45,900
Property Tax	$ 7,844,547	$ 6,853,780	$ 678,553	$ 312,213
Franchise Property Tax	$ 403,541	$ -	$ 403,541	$ -
Delinquent Property Tax	$ 116,547	$ 101,827	$ 10,081	$ 4,639
Motor Vehicle	$ 1,388,166	$ 1,263,231	$ 124,935	$ -
Utilities Tax	$ 2,013,415	$ 1,832,207	$ 181,207	$ -
Penalties and Interest on Taxes	$ 36,720	$ 32,082	$ 3,176	$ 1,461
Omitted Property Taxes	$ 139,880	$ 122,213	$ 12,100	$ 5,567
Tuition	$ 93,603	$ 93,603	$ -	$ -
Field Trips	$ 52,193	$ 52,193	$ -	$ -
Interest Income	$ 153,526	$ 143,240	$ 8,260	$ 2,027
Food Service	$ 500	$ 500	$ -	$ -
Community Service Activities	$ 5,236	$ 5,236	$ -	$ -
Other Revenue				
Building Rental	$ 19,684	$ 17,198	$ 1,703	$ 783
Contributions/Donations	$ 4,133	$ 4,133	$ -	$ -
Reimbursements (non-govt.)	$ 3,192	$ 3,192	$ -	$ -
Service to KY LSD	$ 21,244	$ 21,244	$ -	$ -
Services to other gov't units	$ 6,886	$ 6,886	$ -	$ -
Refund of prior year expenditure	$ 68,820	$ 68,820	$ -	$ -
Miscellaneous revenue	$ 7,564	$ 7,564	$ -	$ -
Misc. local reimbursement	$ 2,619	$ 2,619	$ -	$ -
State Program	$ 10,510,980	$ 10,510,980	$ -	$ -
Other State Funding	$ 153,421	$ 153,421	$ -	$ -
State Misc. Reimbursements	$ 166	$ 166	$ -	$ -
Other State Funding (3900)	$ 4,067,325	$ 4,067,325	$ -	$ -
Federal Revenue	$ 15,498	$ 15,498	$ -	$ -
Bond proceeds	$ 299,753	$ 261,894	$ 25,929	$ 11,930
Interfund transfers	$ 700,000	$ 611,590	$ 60,550	$ 27,860
Sale or Comp for loss of assets	$ 35,427	$ 30,953	$ 3,064	$ 1,410
Total General Fund	$ 31,641,860	$ 29,527,893	$ 1,700,177	$ 413,790
Special Revenue				
Other Revenue from Local Sources	$ 15,784	$ 15,784	$ -	$ -
Restr. State Rev KTLN	$ 1,484,186	$ 1,484,186	$ -	$ -
Restr Fed. Through State	$ 1,299,816	$ 1,299,816	$ -	$ -
Total Special Revenue (2)	$ 2,799,786	$ 2,799,786	$ -	$ -
Capital Outlay (310)				
Beginning Balance	$ 112,785	$ 112,785	$ -	$ -
Restristricted State	$ 419,640	$ 419,640	$ -	$ -
Total Capital Outlay	$ 532,425	$ 532,425	**$ -**	**$ -**
Building Fund				
General Real Property	$ 2,498,796	$ 2,183,198	$ 216,146	$ 99,452
Interest Income	$ 1,314	$ 1,148	$ 114	$ 52
Total Building Fund	$ 2,500,110	$ 2,184,346	$ 216,260	$ 99,504
Food Service Fund	$ 1,771,017	$ 1,771,017	$ -	$ -
Total Education	$ 39,245,198	$ 36,815,467	$ 1,916,436	$ 513,295
TOTAL REVENUES	**$ 62,528,605**	**$ 49,370,536**	**$ 12,506,863**	**$ 651,205**

APPENDIX A. CAMPBELL COUNTY SERVICES - REVENUES AND EXPENDITURES

EXPENDITURES FY 2004	Actual	Residential	Commercial/ Industrial	Farmland
GENERAL FUND				
General Government				
Judge/Executive Office	$ 87,999	$ 70,285	$ 17,063	$ 651
County Attorney	$ 580,389	$ 567,357	$ 12,553	$ 479
County Clerk	$ 33,230	$ 26,541	$ 6,443	$ 246
Sheriff's Office	$ 39,322	$ 31,407	$ 7,625	$ 291
Coroner	$ 77,759	$ 77,759	$ -	$ -
Administration	$ 490,647	$ 391,879	$ 95,136	$ 3,631
PVA Contribution	$ 105,400	$ 84,183	$ 20,437	$ 780
Board of Assessment	$ 800	$ 639	$ 155	$ 6
County Treasurer	$ 38,559	$ 30,797	$ 7,477	$ 285
Fiscal Affairs	$ 260,554	$ 208,104	$ 50,521	$ 1,928
Payroll Tax	$ 157,210	$ 106,877	$ 50,333	$ -
County Law Library	$ 1,200	$ 987	$ 209	$ 4
Elections	$ 201,696	$ 201,696	$ -	$ -
Planning & Zoning	$ 240,153	$ 237,752	$ 2,402	$ -
Economic Development	$ 94,205	$ -	$ 94,205	$ -
Courthouse & Fiscal Building	$ 171,612	$ 137,067	$ 33,276	$ 1,270
District Court Building	$ 227,287	$ 186,875	$ 39,662	$ 750
Information Technology	$ 69,700	$ 58,583	$ 10,859	$ 258
Total General Government	$ 2,877,721	$ 2,418,787	$ 448,355	$ 10,579
Protection to Persons and Property				
Juvenile Detention	$ 118,808	$ 118,808	$ -	$ -
Police	$ 1,836,996	$ 1,663,002	$ 149,985	$ 24,009
Fire Departments	$ 55,000	$ 43,929	$ 10,665	$ 407
Fire Equipment - EPA Grant	$ 22,716	$ 18,143	$ 4,405	$ 168
Rescue Services	$ 25,766	$ 20,579	$ 4,996	$ 191
Office/Emergency Mgt.	$ 190,298	$ 144,392	$ 44,569	$ 1,338
Forest Fire Protection	$ 802	$ 401		$ 401
Narcotics Enforcement	$ 30,000	$ 30,000	$ -	$ -
Public Advocacy	$ 11,077	$ 11,077	$ -	$ -
Total PPP	$ 2,291,463	$ 2,050,330	$ 214,619	$ 26,514
General Health and Sanitation				
Animal Shelter	$ 217,123	$ 217,123	$ -	$ -
Solid Waste	$ 104,042	$ 103,212	$ -	$ 829
Total Health & Sanitation	$ 321,165	$ 320,336	$ -	$ 829
Social Services				
Human Services	$ 105,861	$ 105,861	$ -	$ -
Pauper Burials	$ 8,400	$ 8,400	$ -	$ -
Total Social Services	$ 114,261	$ 114,261	$ -	$ -
Recreation and Culture				
Parks/Recreation	$ 226,257	$ 203,631	$ 22,626	$ -
Camping & Concession	$ 36,424	$ 32,781	$ 3,642	$ -
Interest Bond - Jolly Park	$ 197,258	$ 177,532	$ 19,726	$ -
Total Recreation	$ 459,938	$ 413,945	$ 45,994	$ -
Misc				
Lease Purchase	$ 368,432	$ 294,267	$ 71,439	$ 2,726
Site Development - Capital Project	$ 875,909	$ 699,588	$ 169,839	$ 6,482
General Services	$ 497,486	$ 397,342	$ 96,462	$ 3,681
Total Misc.	$ 1,741,827	$ 1,391,197	$ 337,740	$ 12,890
Total General Fund	$ 7,806,376	$ 6,708,856	$ 1,046,708	$ 50,812
Fringe Benefits	$ 1,632,834	1,404,237	212,268	16,328
General Fund + Administration	**$ 9,439,209**	**$ 8,113,093**	**$ 1,258,976**	**$ 67,140**

APPENDIX A. CAMPBELL COUNTY SERVICES - REVENUES AND EXPENDITURES

EXPENDITURES FY 2004	Actual	Residential	Commercial/ Industrial	Farmland
SPECIAL FUNDS				
Road Fund	$ 1,852,489	$ 1,479,583	$ 359,198	$ 13,708
Jail Fund	$ 2,787,673	$ 2,511,777	$ 275,896	$ -
L.G.E.A. Fund	$ 4,868	$ 4,253	$ 421	$ 194
Water Line Grant	$ 182,910	$ 182,910	$ -	$ -
Jail Commissary Fund	$ 82,874	$ 74,587	$ 8,287	$ -
Homeless Grant	$ 10,000	$ 10,000	$ -	$ -
Capital Projects Fund				
Buildings - Capital Project	$ 64,526	$ 55,439	$ 8,892	$ 195
Site Development	$ 71,929	$ 69,099	$ 2,830	$ -
Other Capital Projects	$ 760,633	$ 673,371	$ 85,338	$ 1,924
Total Capital Projects Fund	$ 897,088	$ 797,908	$ 97,061	$ 2,119
Senior Citizens Tax Fund	$ 318,731	$ 318,731	$ -	$ -
Mental Health	$ 659,305	$ 659,305	$ -	$ -
Transit Payroll				
Payroll Tax	$ 3,506,077	$ 2,103,646	$ 1,402,431	$ -
School Buses	$ 413,470	$ 413,470	$ -	$ -
General services	$ 2,546	$ 1,528	$ 1,018	$ -
Total Transit Payroll	$ 3,922,093	$ 2,353,256	$ 1,568,837	$ -
Total Special Funds	$ 10,718,031	$ 8,392,309	$ 2,309,701	$ 16,021
Total County Government Expenditures	$ 20,157,241	$ 16,505,402	$ 3,568,677	$ 83,162
Education	**$ 39,347,077**	**$ 39,347,077**	**$ -**	**$ -**
Other County Services				
Health	$ 875,786	$ 805,585	$ 70,201	$ -
Library	$ 2,311,616	$ 2,311,616	$ -	$ -
Cooperative Extension	$ 769,171	$ 584,570	$ 46,150	$ 138,451
Conservation	$ 68,464	$ 17,116	$ 22,821	$ 28,527
Total Other Services	$ 4,025,037	$ 3,718,888	$ 139,172	$ 166,977
TOTAL EXPENDITURES	**$ 63,529,355**	**$ 59,571,367**	**$ 3,707,849**	**$ 250,139**

COCS Findings	**Actual**	**Residential**	**Comm/Ind**	**Farmland**
Revenue	$ 62,528,605	$ 49,370,536	$ 12,506,863	$ 651,205
Expenditure	$ 63,529,355	$ 59,571,367	$ 3,707,849	$ 250,139
Net (Revenue minus Expenditure)	$ (1,000,750)	$ (10,200,831)	$ 8,799,014	$ 401,066
Land Use Ratio		1.21	0.30	0.38
Percent of Revenue		78.96%	20.00%	1.04%
Percent of Expenditure		93.77%	5.84%	0.39%

Agricultural Industry Profile

for

Campbell County, Kentucky

Trends Based on the U.S. Census of Agriculture

Campbell County, Kentucky

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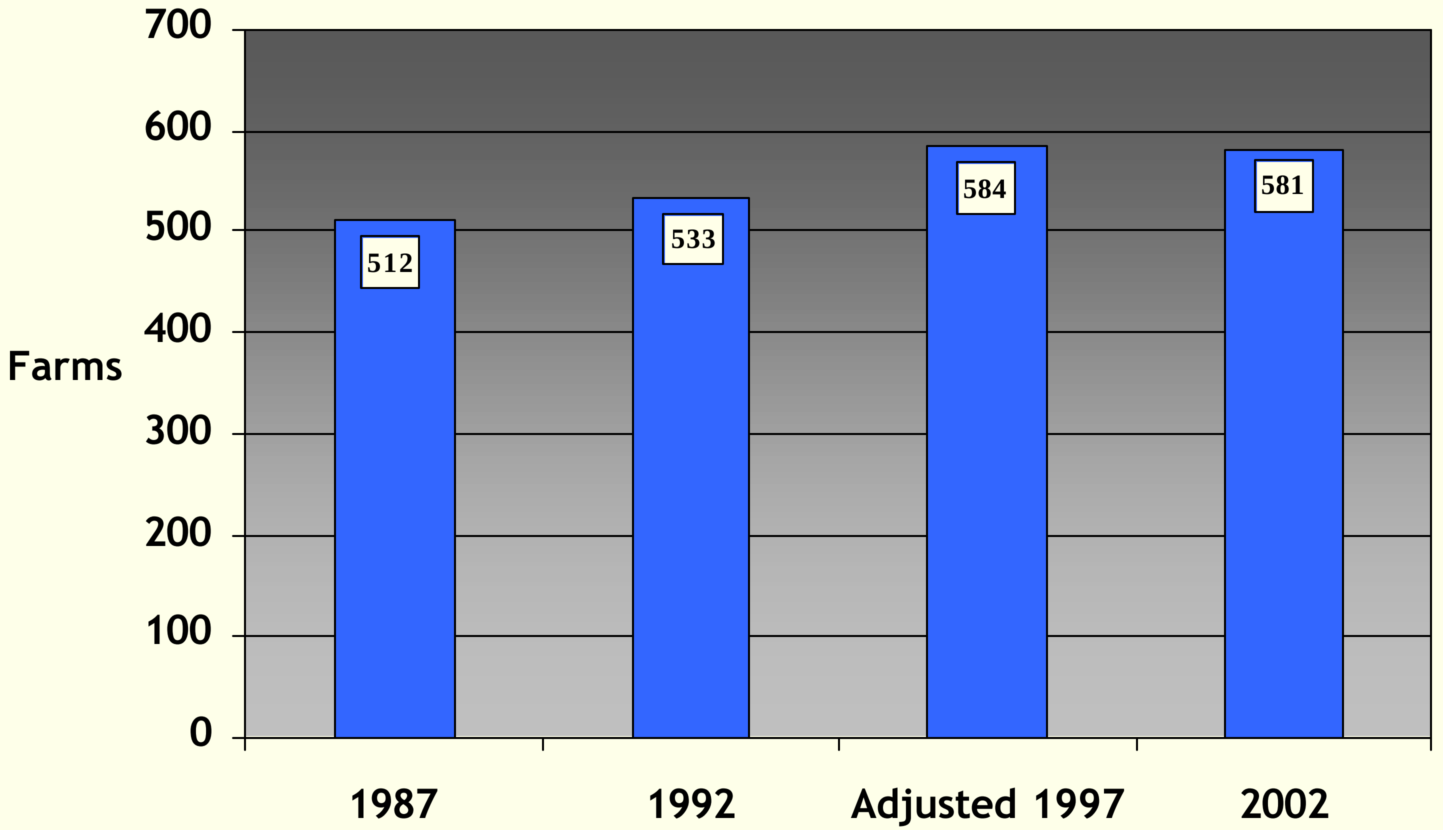
NASS Adjustments to the U.S. Census of Agriculture

State Adjustments in 2002			**Campbell County Comparison**	
	Nonresponse adjustment (percent)	Coverage adjustment (percent)	1997 Adjusted	1997 Original
Number of Farms	9.9	21.65	584	503
Land in Farms	10.18	9.27	50,294	45,108
Sales (1,000s)	6.78	7.12	$ 5,769,000	$ 5,441,000

The Number of Farms Increased Slightly



Source: United States Census of Agriculture, 1987, 1992, 1997, 2002.

Campbell County, Kentucky

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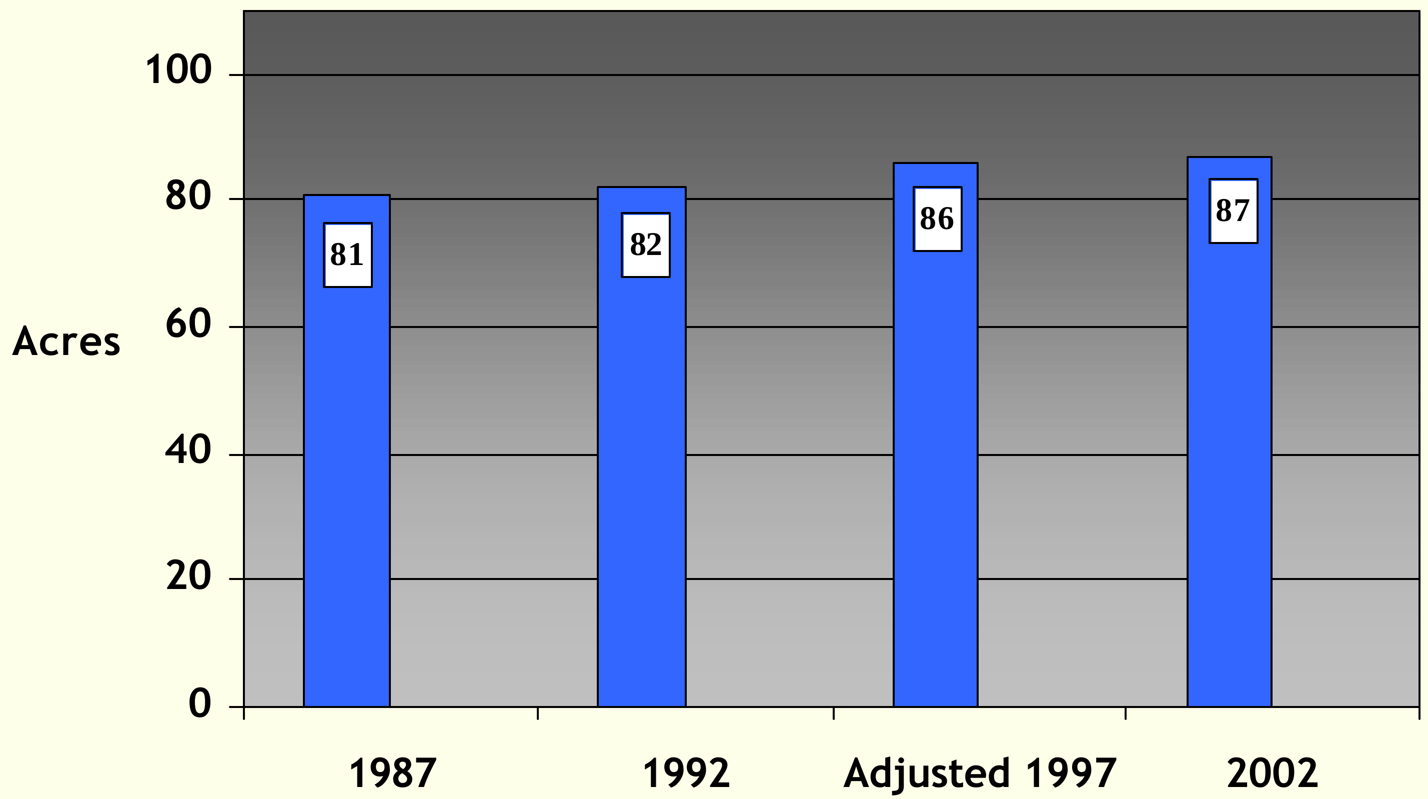
Average Size of Farms Showed Little Change



Source: United States Census of Agriculture, 1987, 1992, 1997, 2002.

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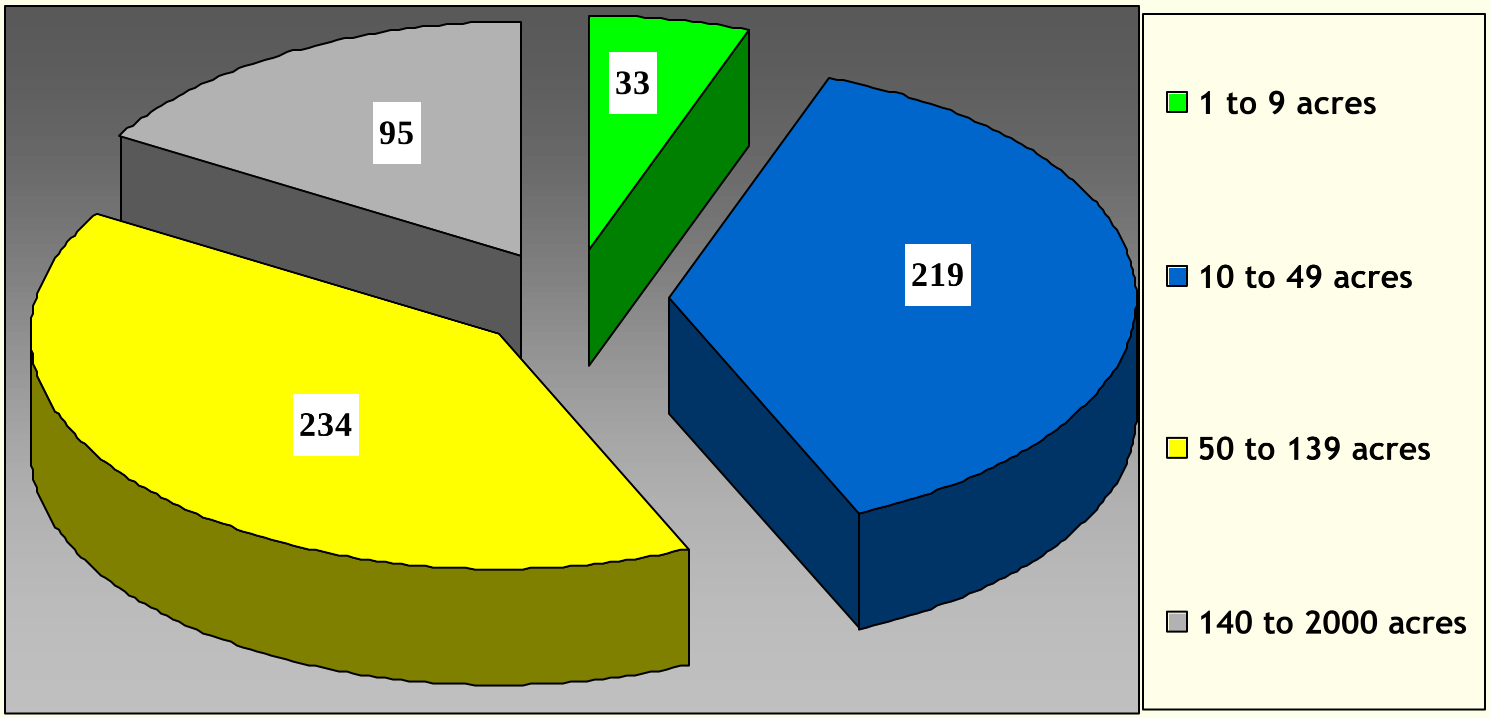
Number of Farms by Size in 2002



Source: United States Census of Agriculture, 2002.

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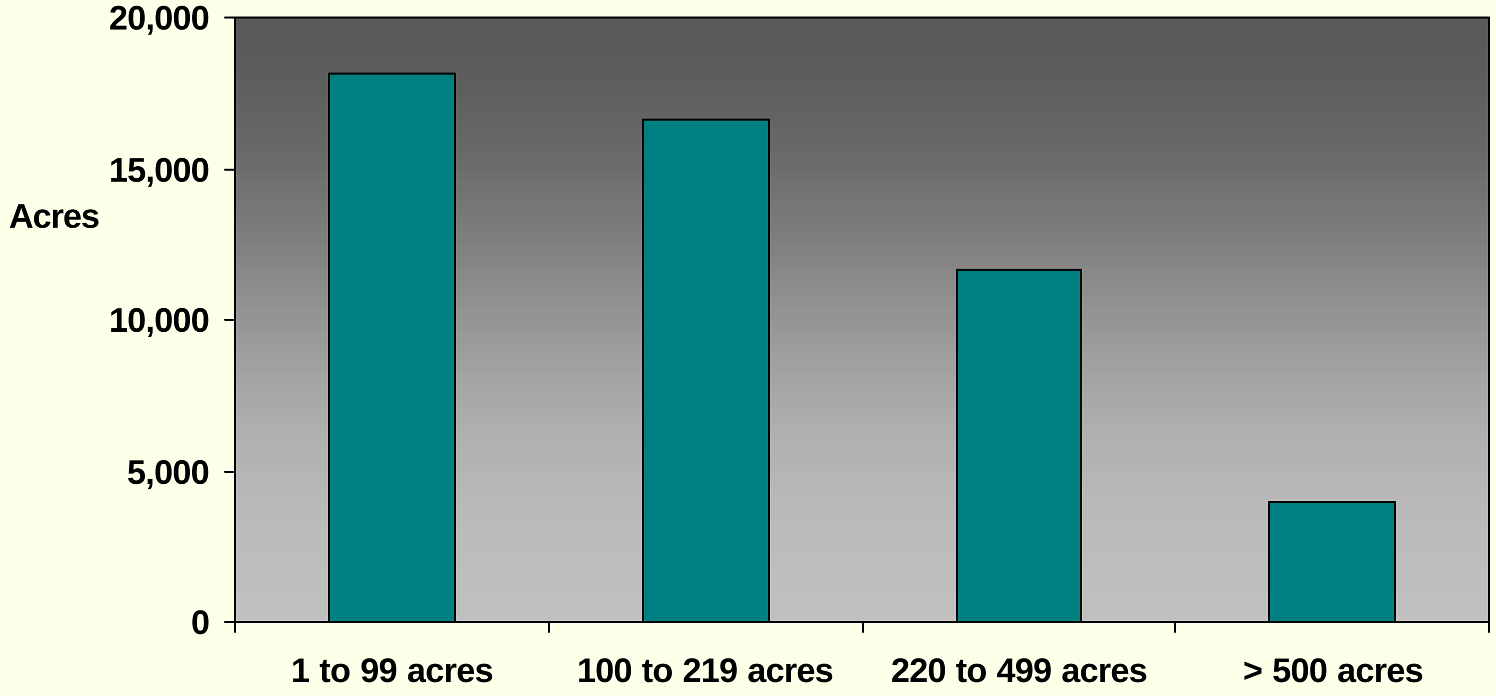
Acres of Land by Size of Farms in 2002



Source: United States Census of Agriculture, 2002.

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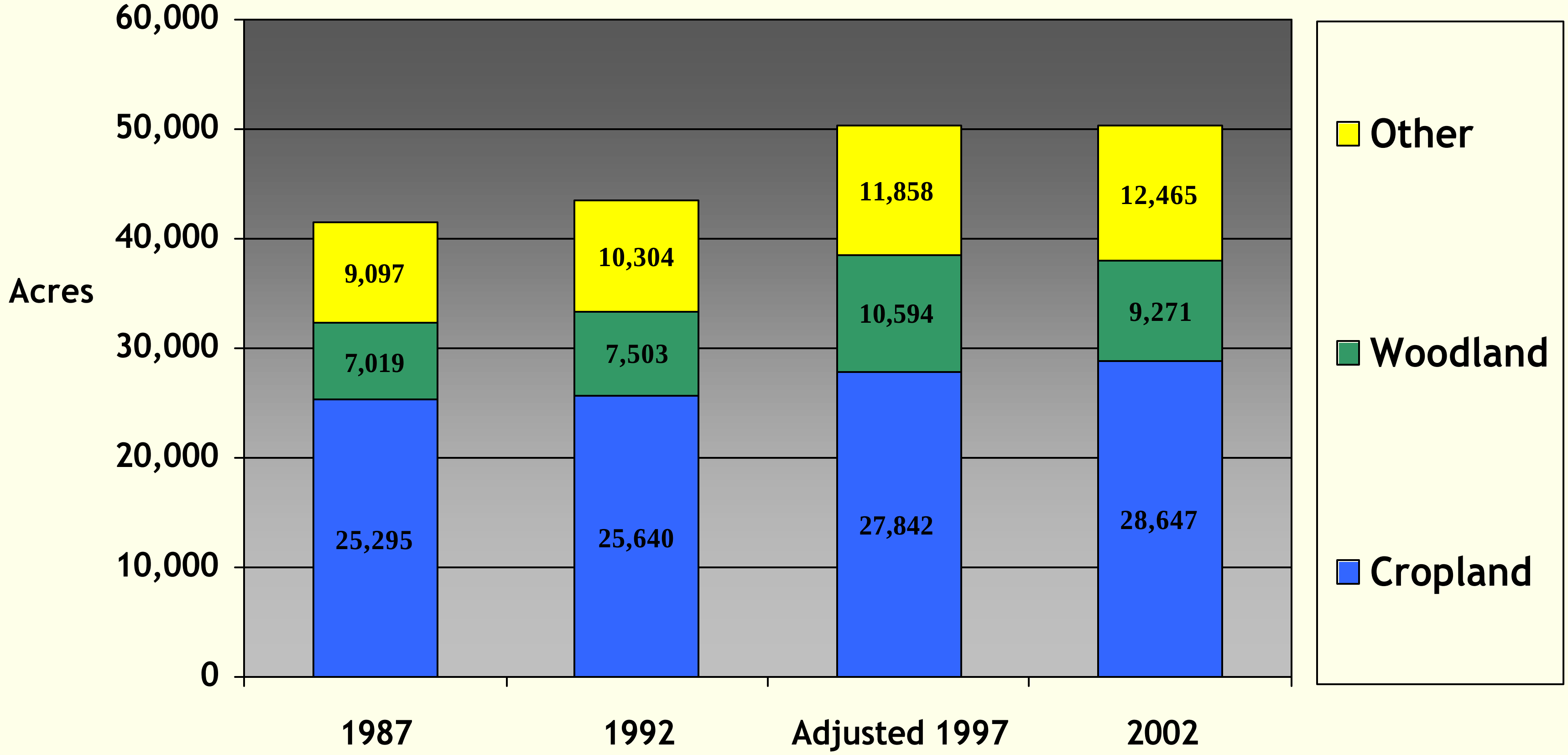
Land in Farms is Stable



Source: United States Census of Agriculture, 1987, 1992, 1997, and 2002.

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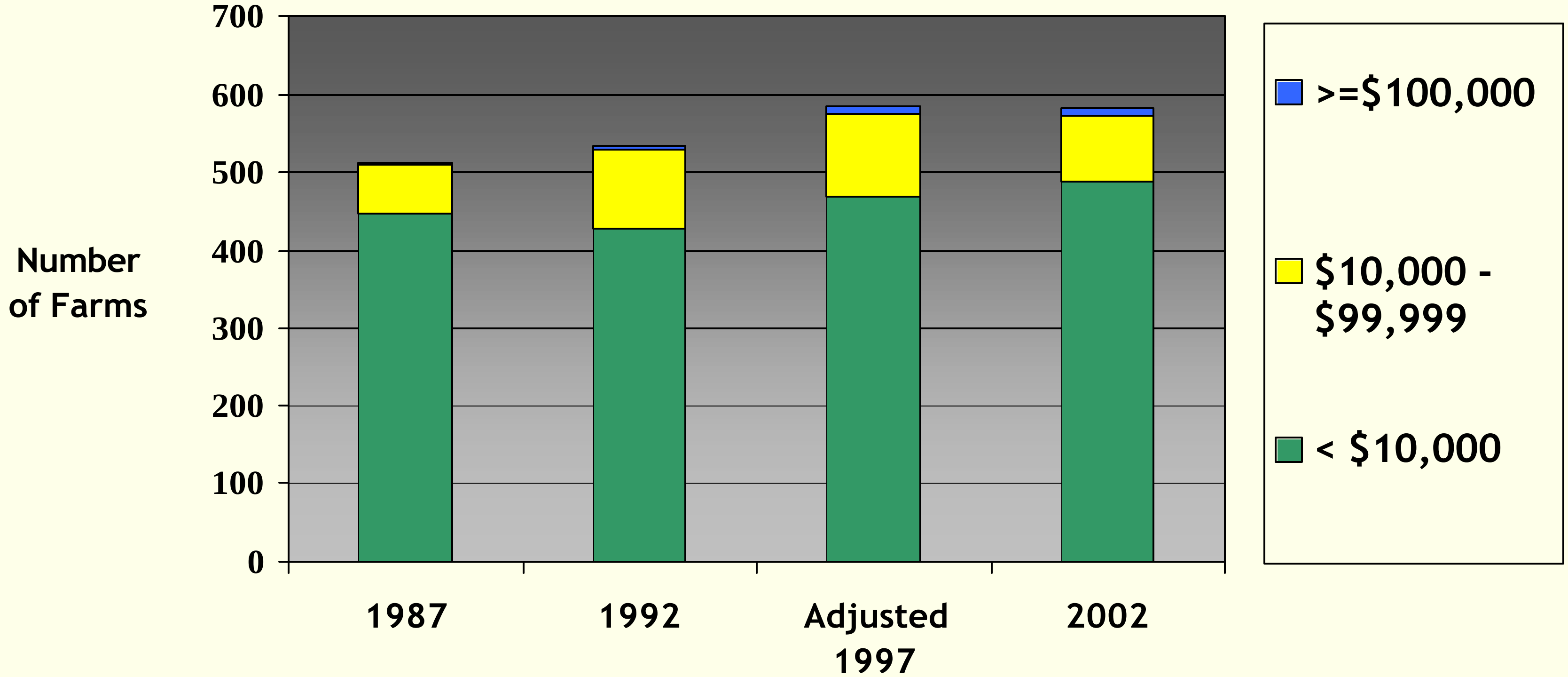
Number of Farms By Sales Categories



Source: United States Census of Agriculture, 1987, 1992, 1997, 2002.

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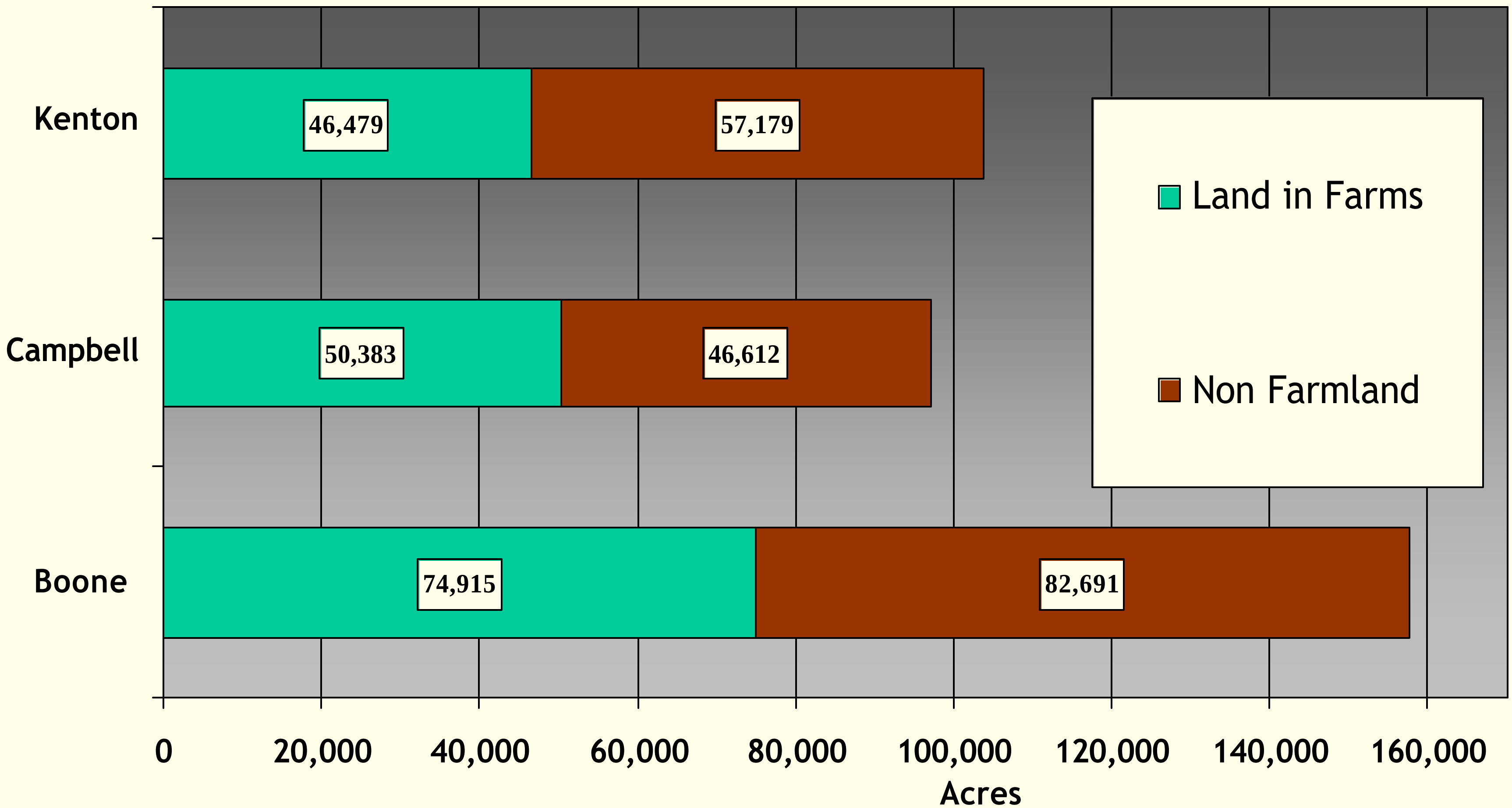
Campbell County Land In Farms Compared to Neighboring Counties in 2002



Source: United States Census of Agriculture, 2002.

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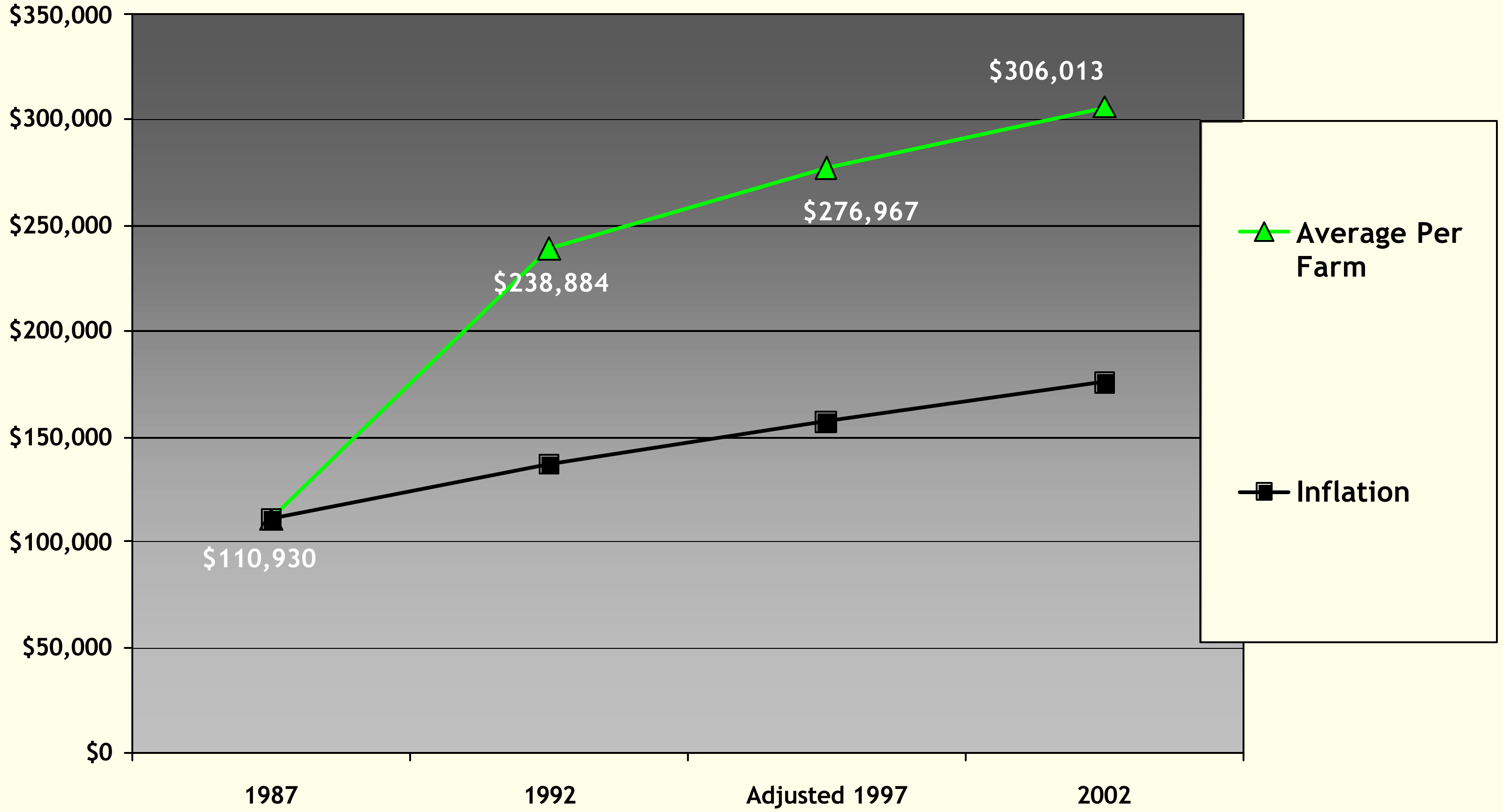
The Average Per Farm Value of Land & Buildings Rose 176%



Source: United States Census of Agriculture, 1987, 1992, 1997, 2002.

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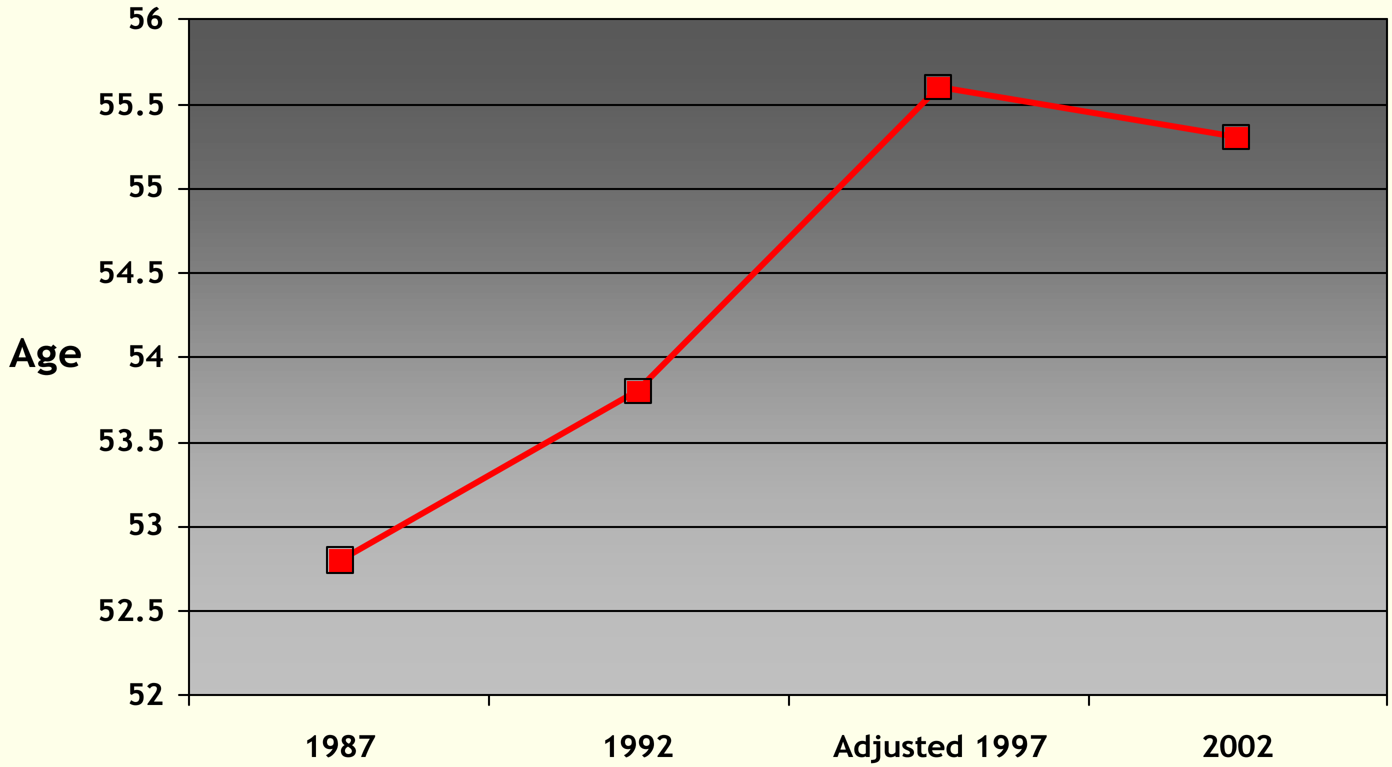
Average Age of Farmers has Increased



Source: United States Census of Agriculture, 1987, 1992, 1997, 2002.

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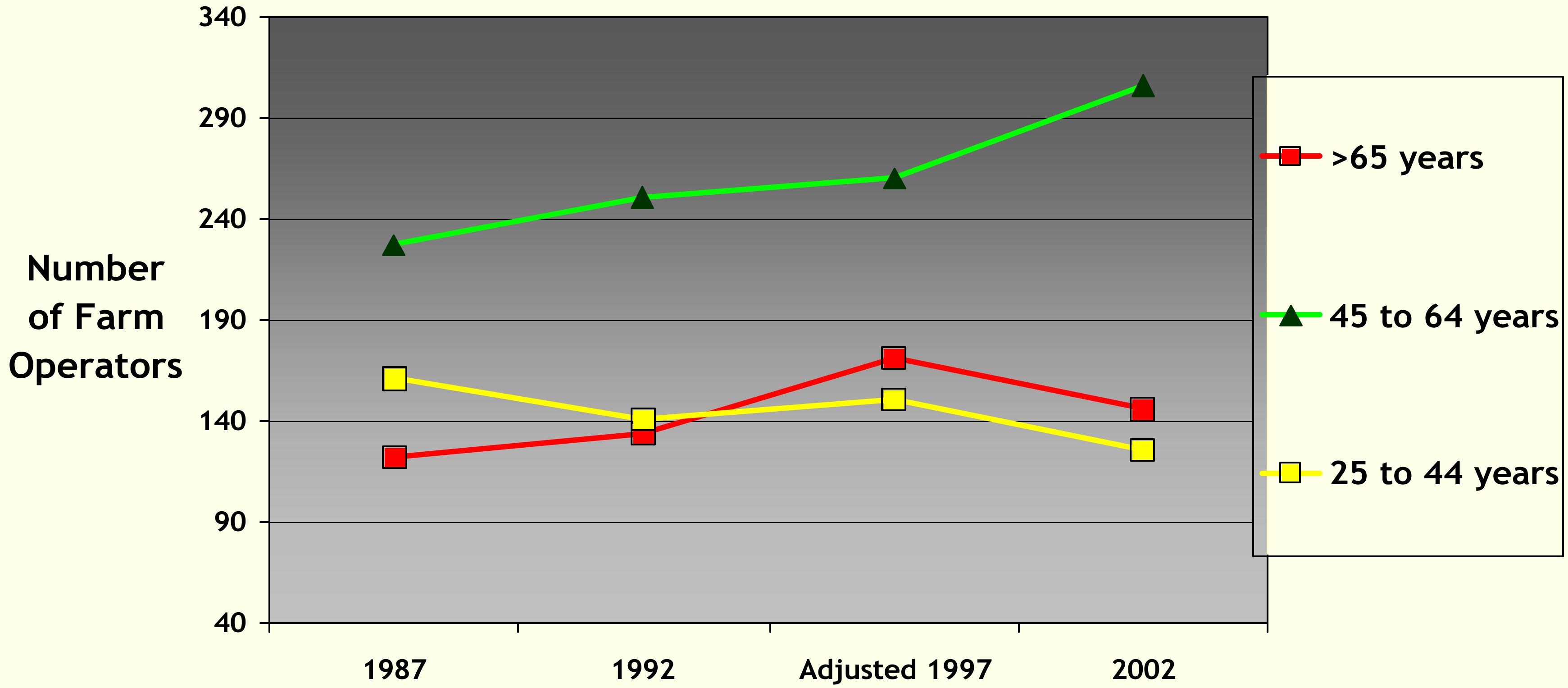
Younger Farmers (25 to 44) Decrease
Older Farmers (45 and up) Increase



Source: United States Census of Agriculture, 1987, 1992, 1997, 2002.

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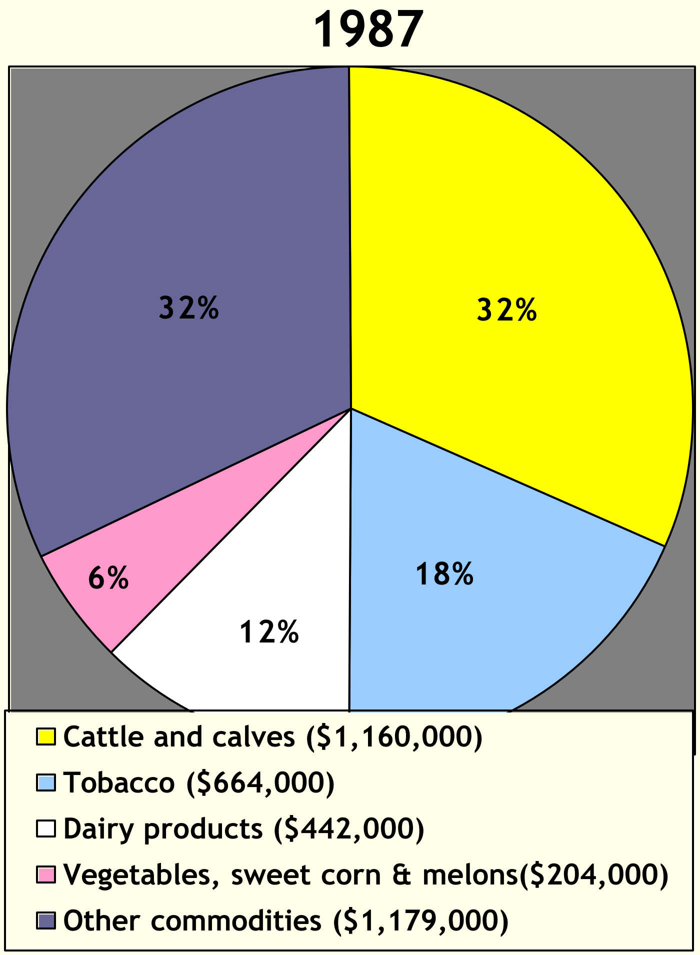
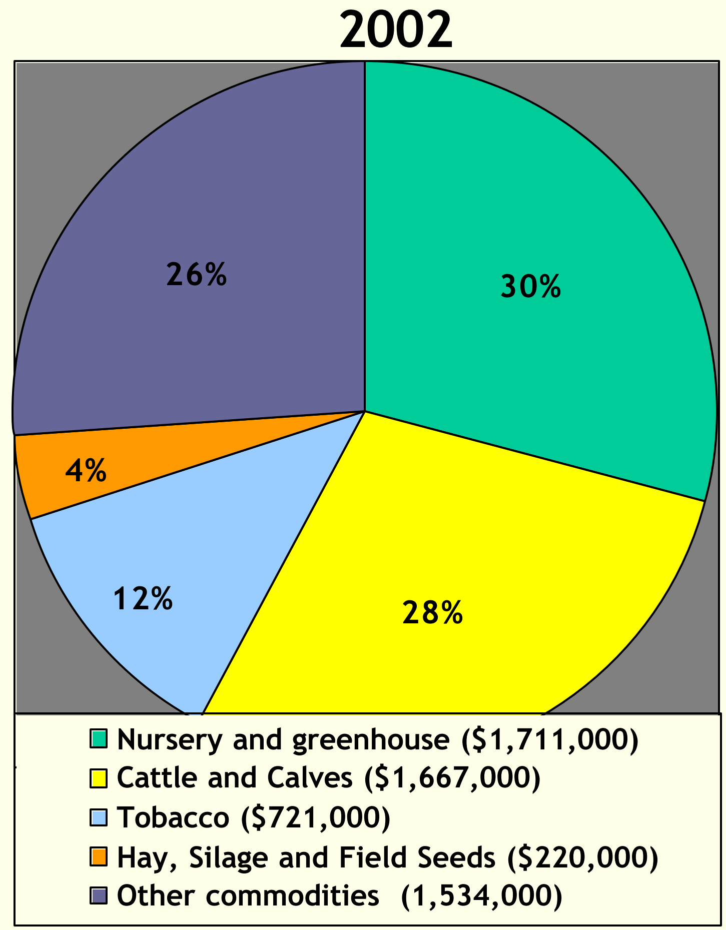
Nursery & Greenhouse Emerges as New Agricultural Industry Leader





Source: United States Census of Agriculture, 1987, 2002.

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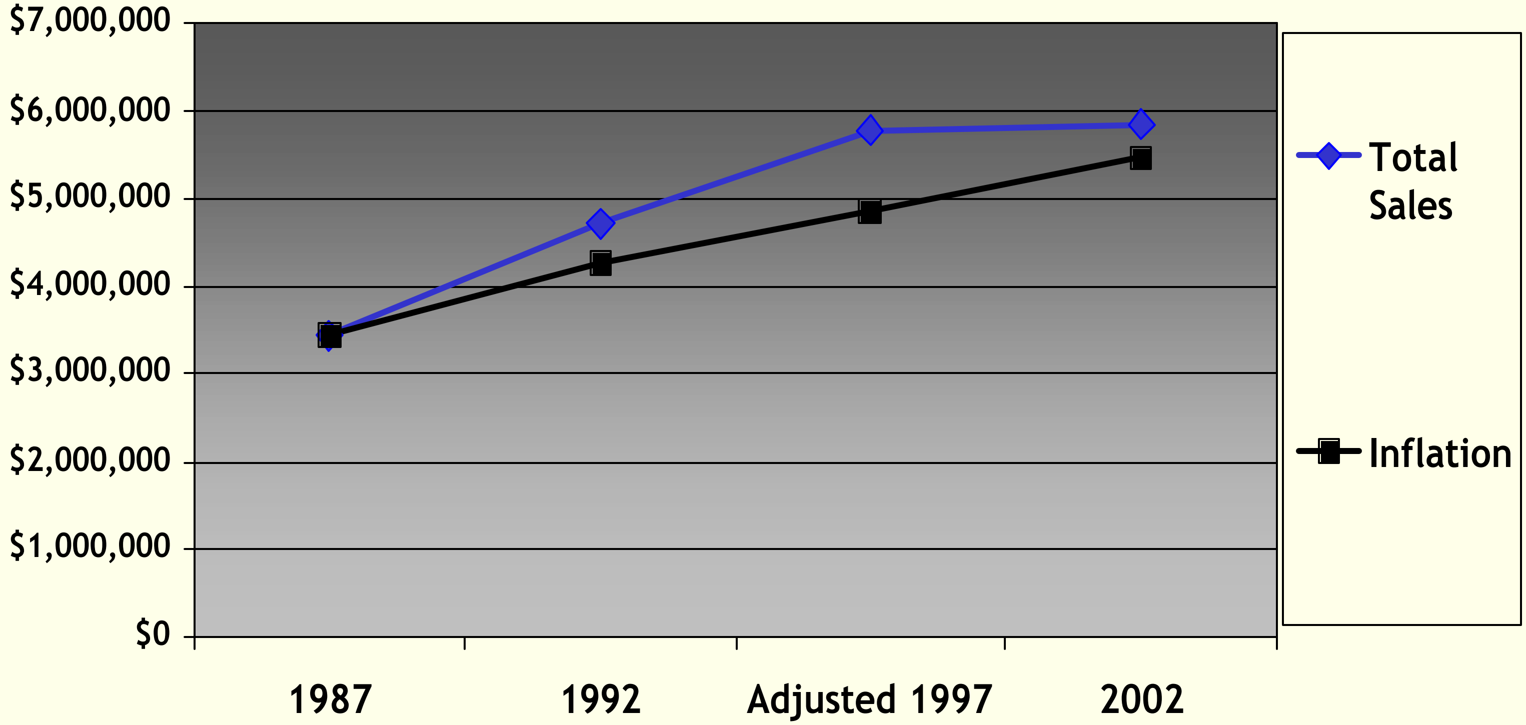
Market Value of Agricultural Products Sold Has Increased



Source: United States Census of Agriculture, 1987, 1992, 1997, 2002.

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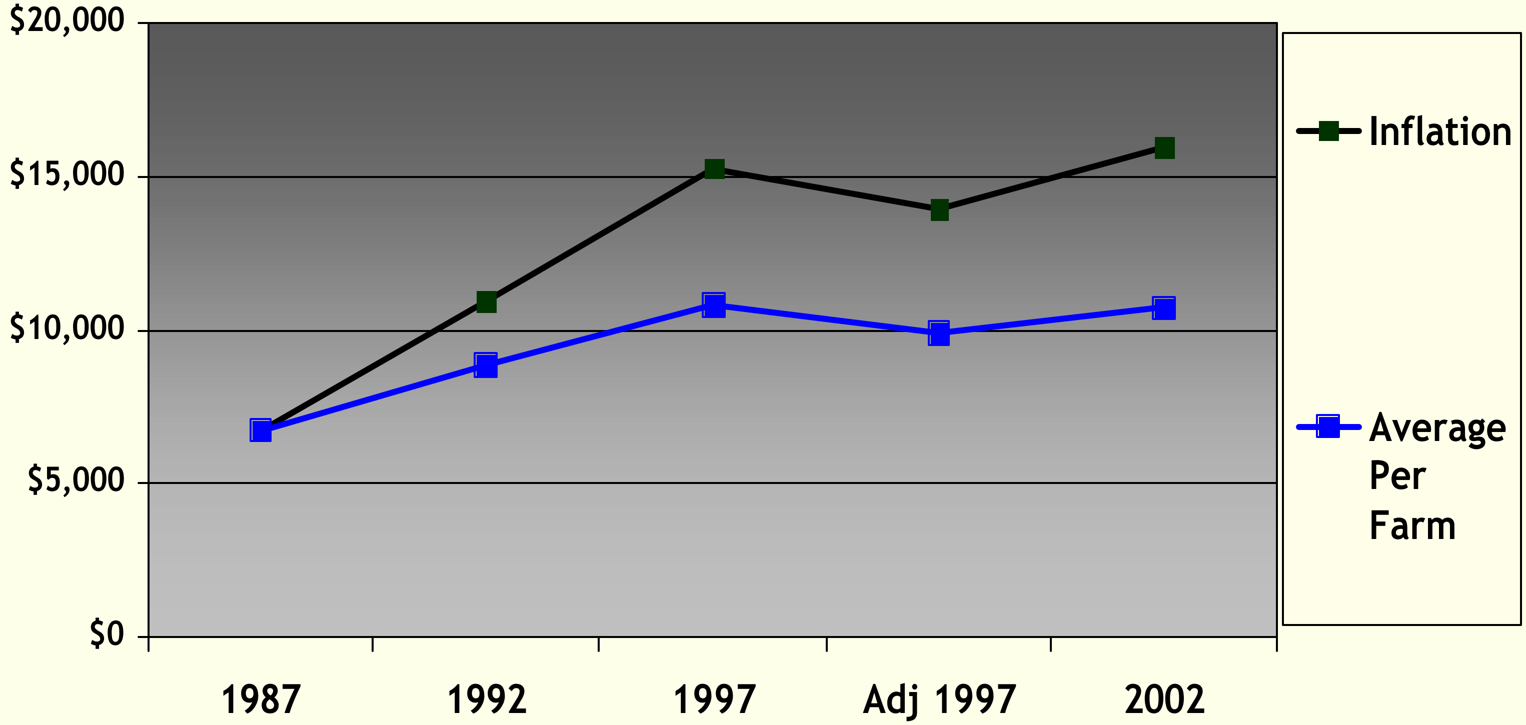
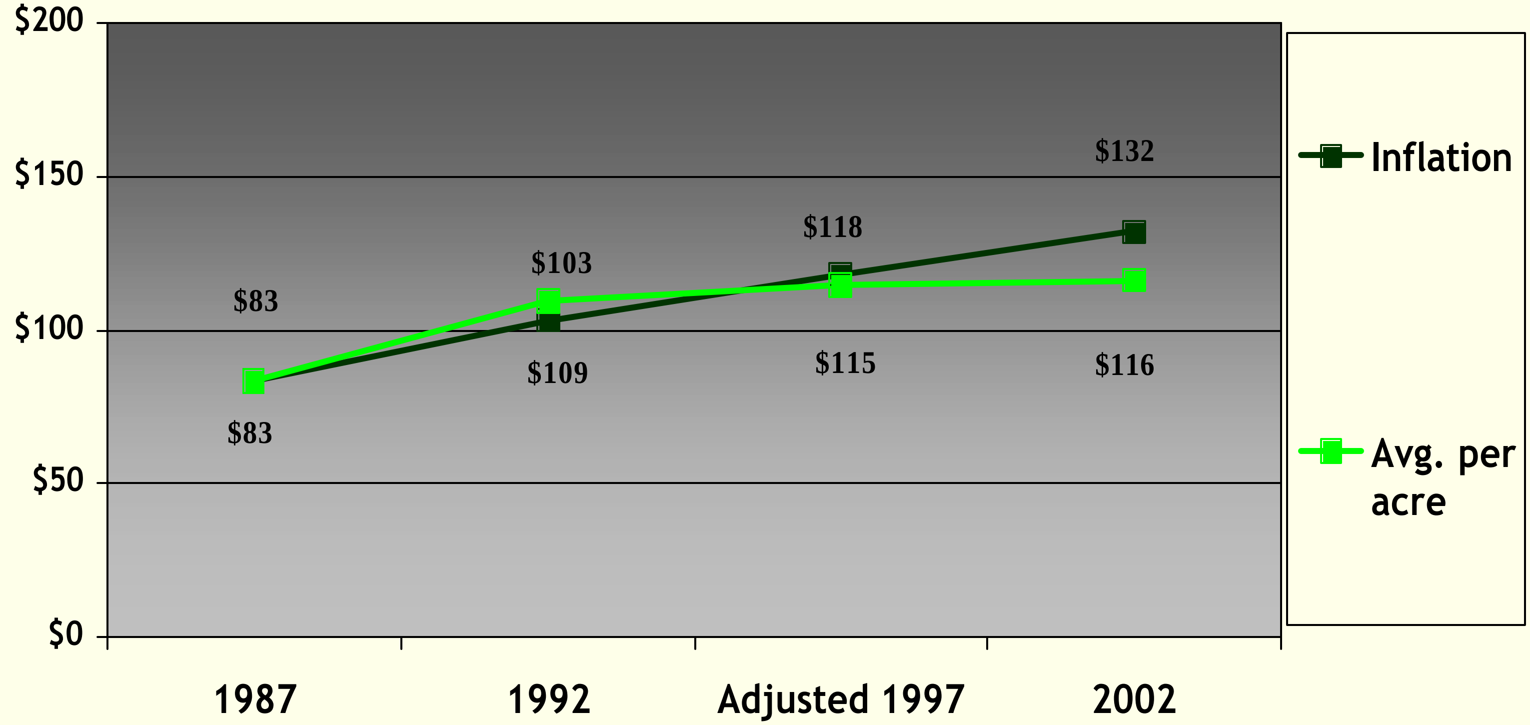
Sales Per Farm Are Not Keeping Up With Inflation



Source: United States Census of Agriculture, 1987, 1992, 1997, 2002.

Campbell County, Kentucky

Average Sales Per Acre Increased Slightly



Source: United States Census of Agriculture, 1987, 1992, 1997, 2002.

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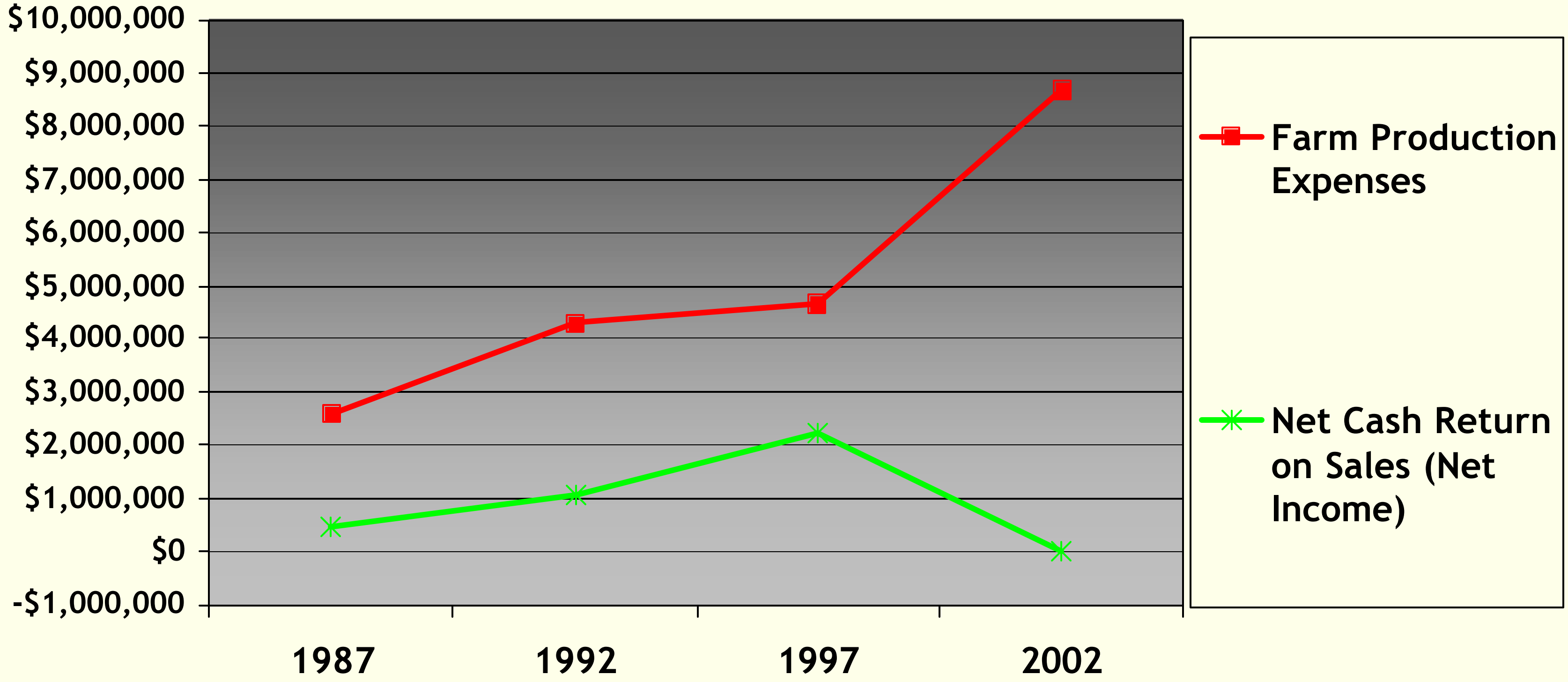
Farms Show Negative Net Cash Return by 2002



Source: United States Census of Agriculture, 1987, 1992, 1997, 2002.

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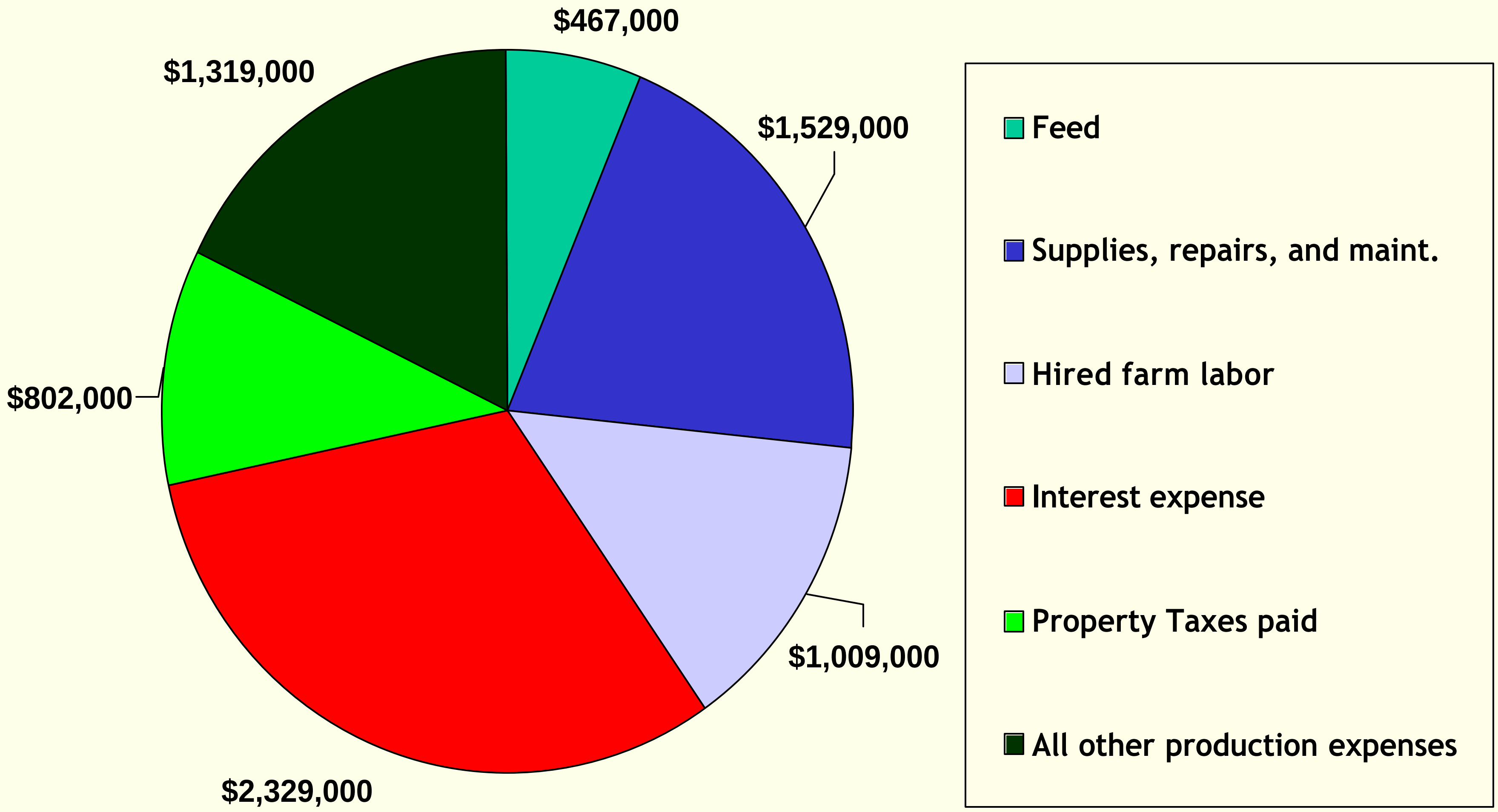
Major Production Expenses in 2002



Source: United States Census of Agriculture, 2002.

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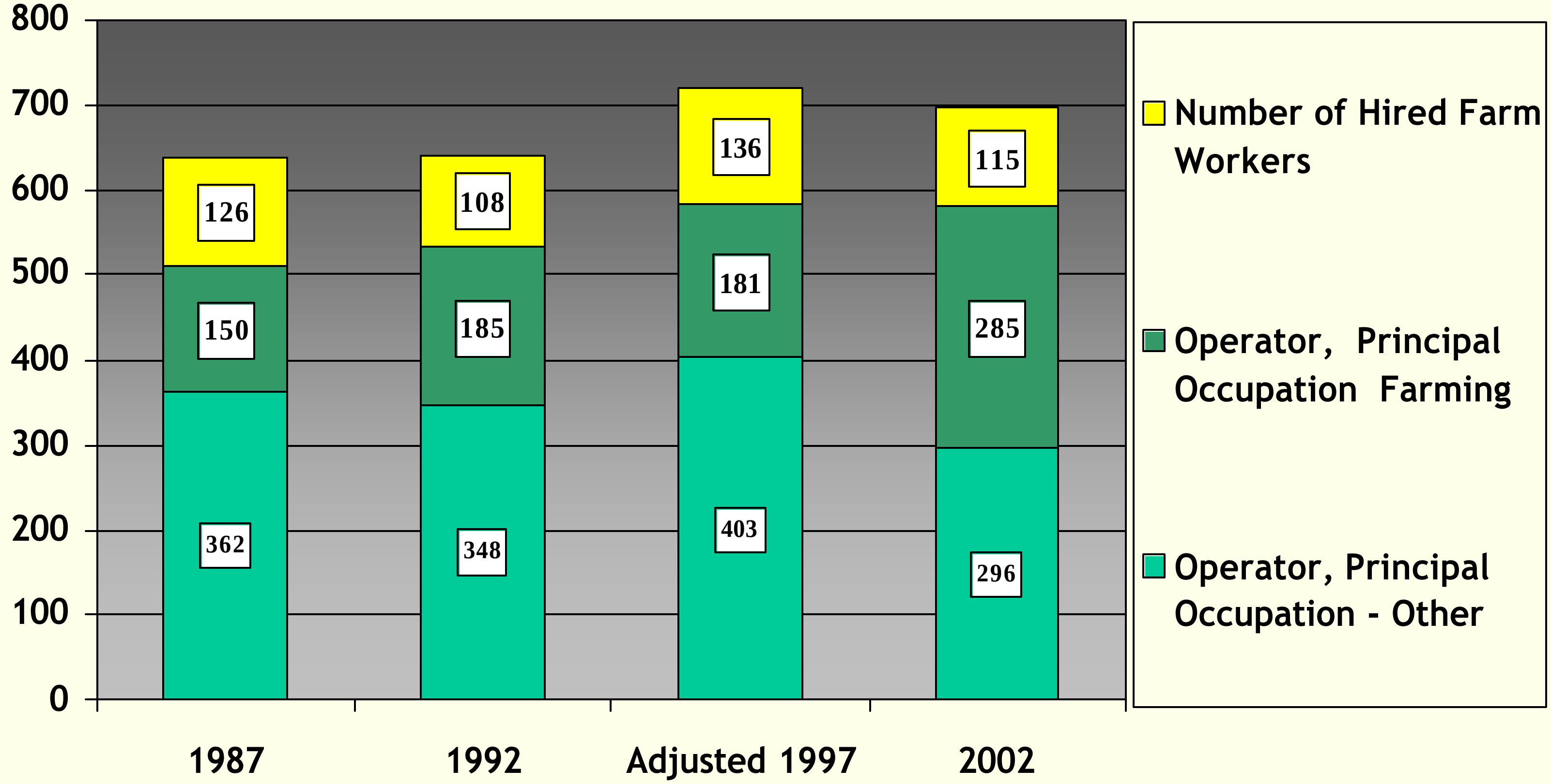
Farm Employment Increased Slightly



Source: United States Census of Agriculture, 1992, 1997, and 2002.

Campbell County, Kentucky

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The Agricultural Industry In the Larger Economy

Campbell County, Kentucky

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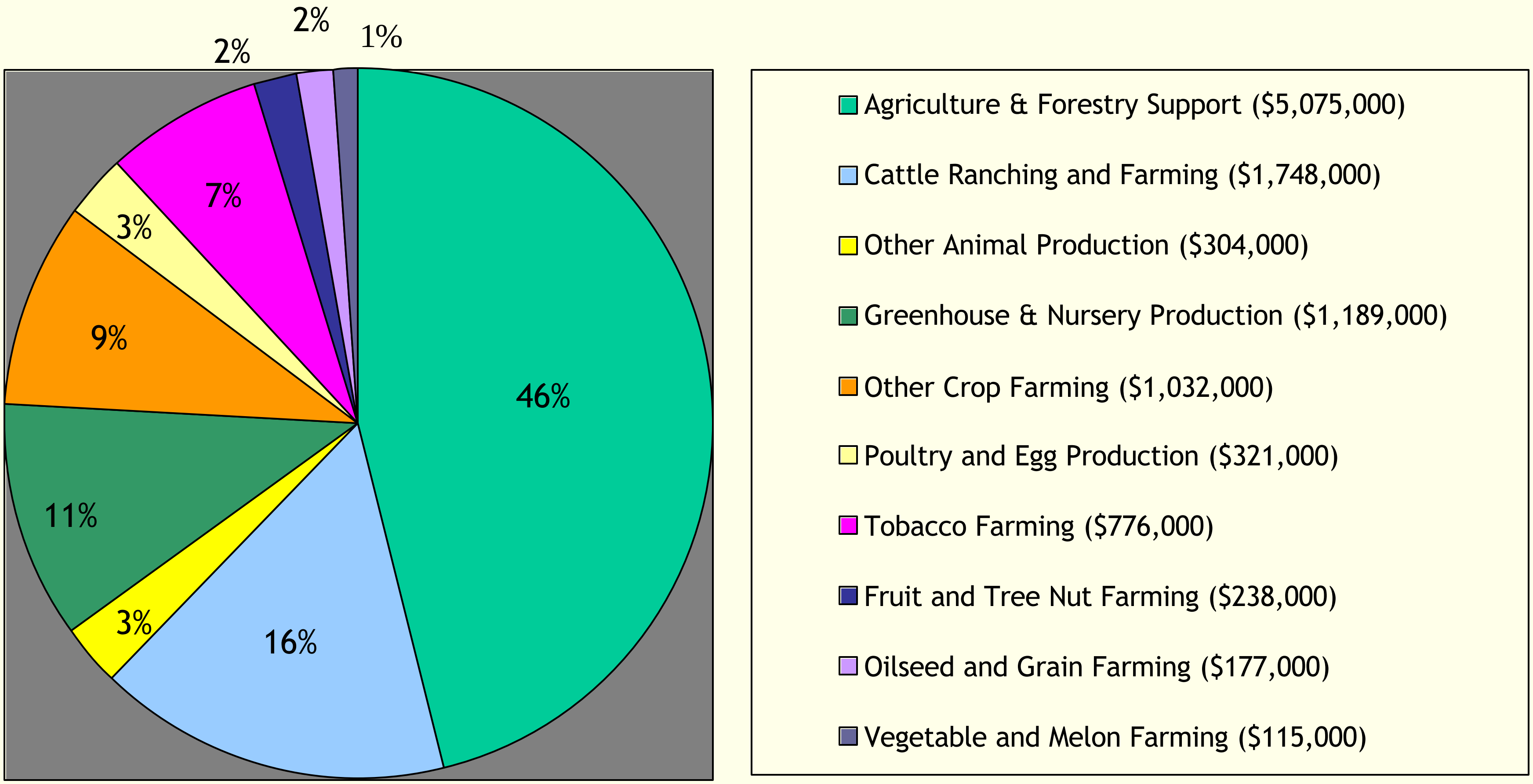
Agricultural Direct Output Amounted to $11 Million in 2002



Source: 2002 Minnesota IMPLAN Group, Inc. Stillwater, Minn.

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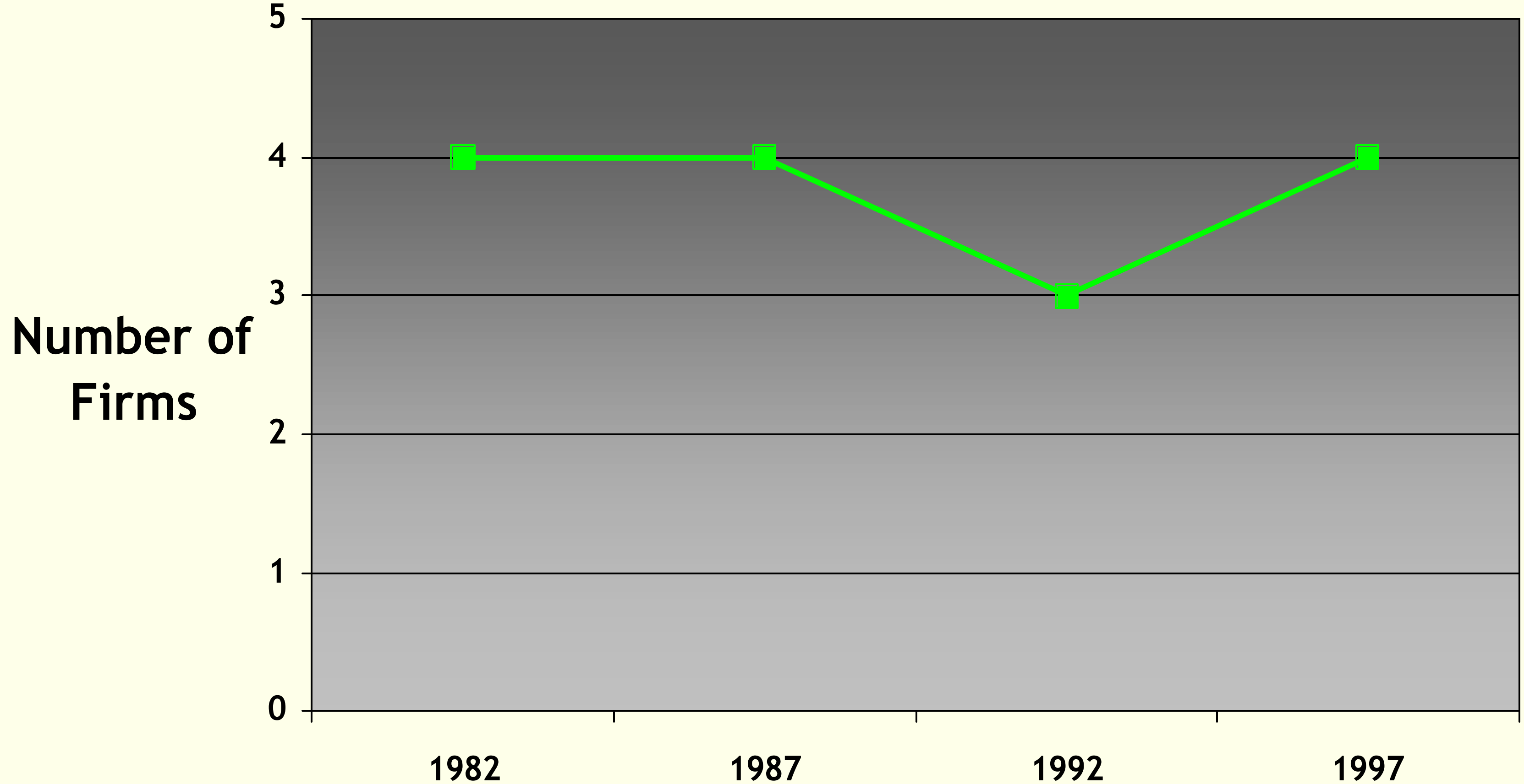
Food Processing Firms Remain Constant



Source: United States Bureau of the Census, County Business Patterns, 1982, 1987, 1992, 1997.

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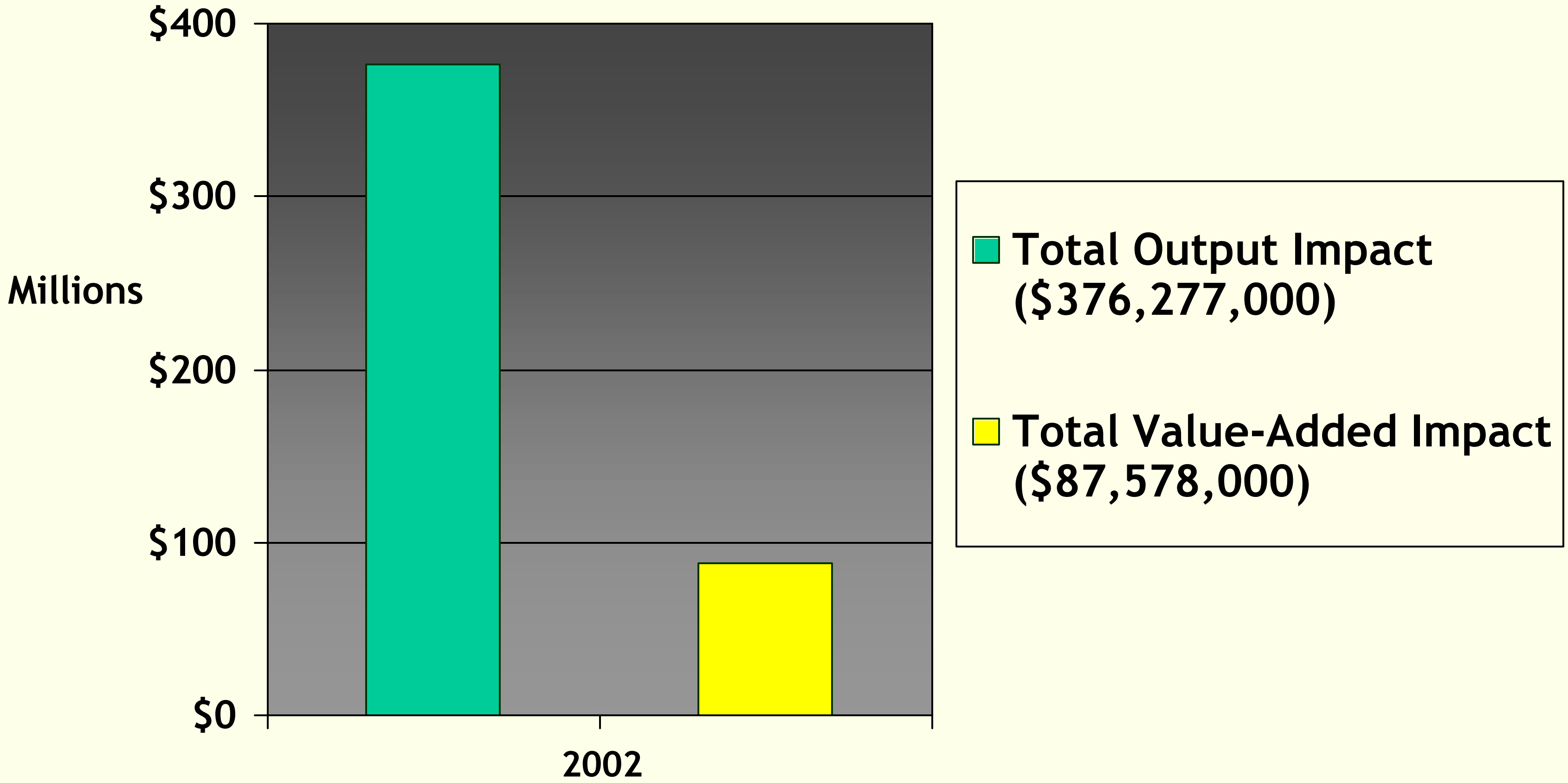
Total Economic Impacts Included $376 Million in Output Impacts and $88 Million in Value-Added Impacts



Source: 2002 Minnesota IMPLAN Group, Inc. Stillwater, Minn.

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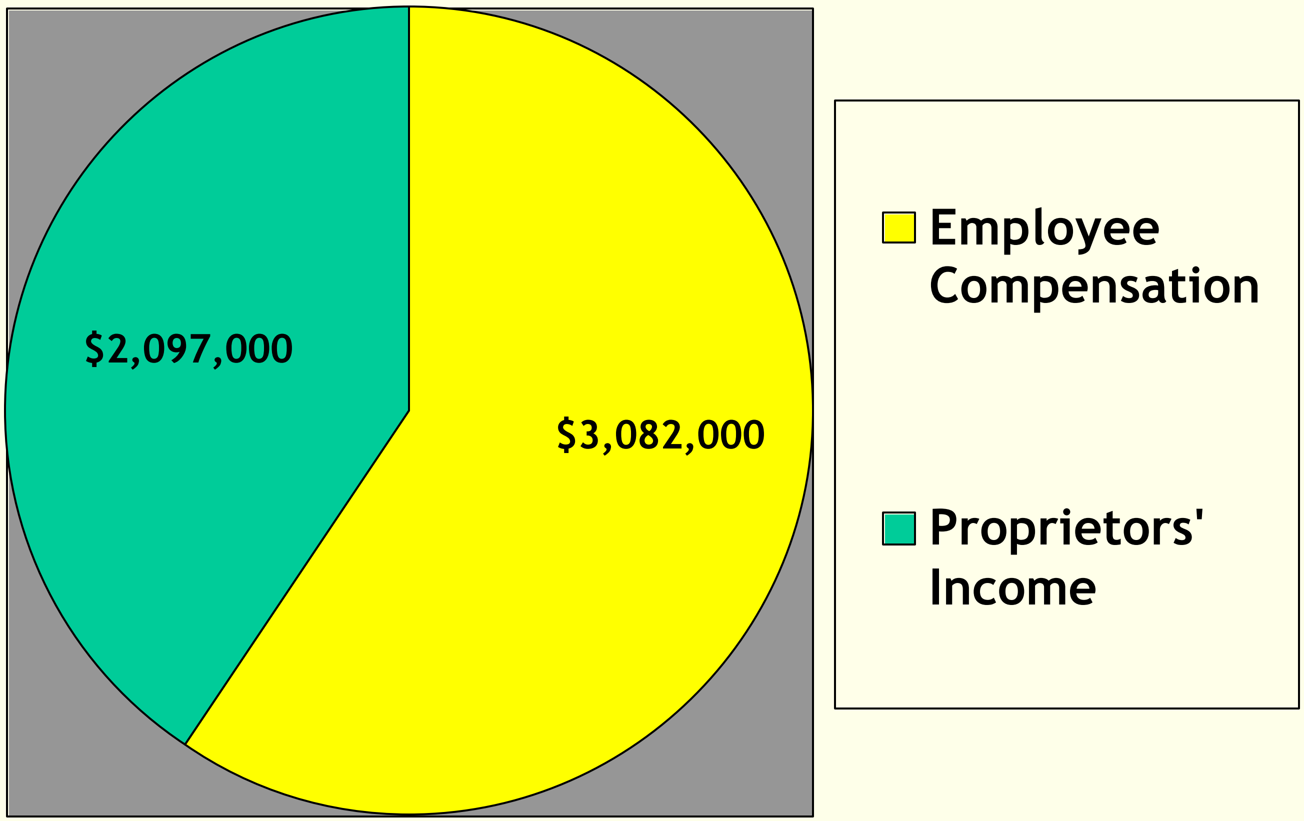
Agricultural Industry Income Reached $5.2 Million in 2002



Source: 2002 Minnesota IMPLAN Group, Inc. Stillwater, Minn.

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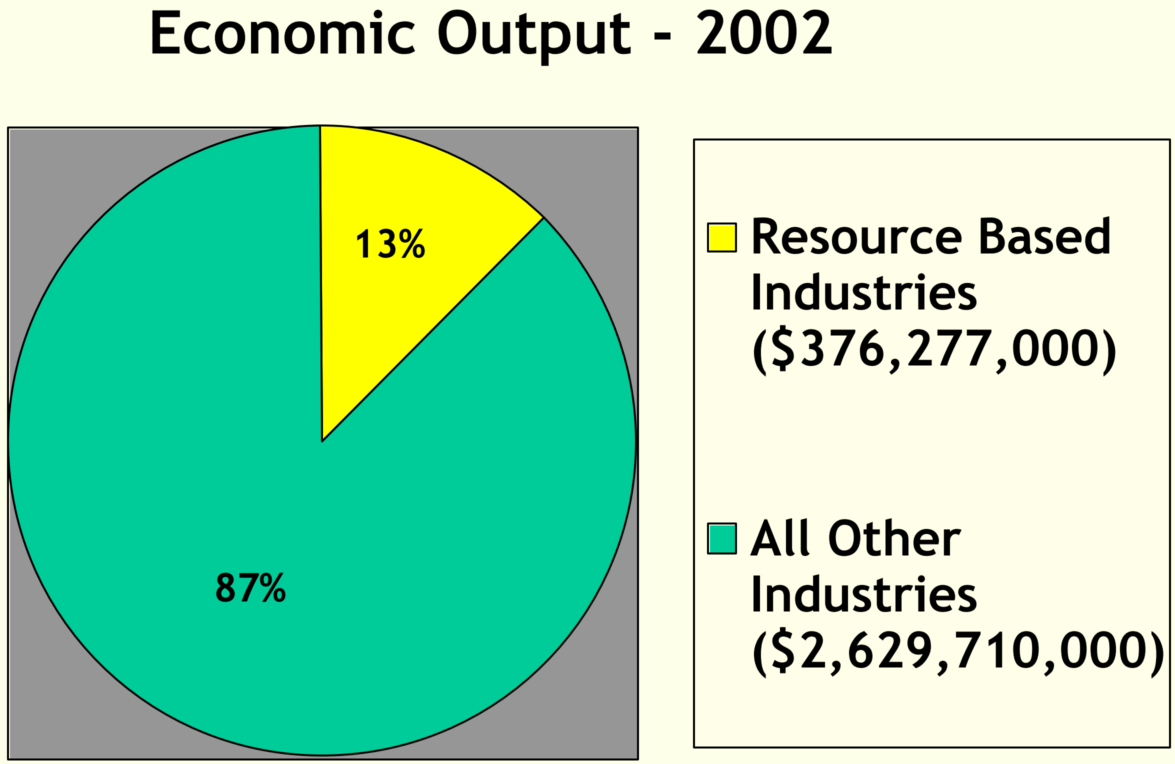
Resource Based Industries Accounted for 13 % of the Local Economy



Source: 2002 Minnesota IMPLAN Group, Inc.
Stillwater, Minn.

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Campbell, KY AIP data

Data Category	1987	1992	1997	Adjusted 1997	2002	change 87-97	change 87-02	change 97 - 02
1. Number of farms	512	533	503	584	581	-2%	13%	16%
State of Kentucky			82,273		86,541			5%
2. Average Size of Farms	81	82	90	86	87	11%	7%	-3%
State of Kentucky					160			
3. Land in farms								
Total Acreage	41,411	43,447	45,108	50,294	50,383	9%	22%	12%
Cropland	25,295	25,640	24,780	27,842	28,647	-2%	13%	16%
Woodland	7,019	7,503	9,617	10,594	9,271	37%	32%	-4%
Other	9,097	10,304	10,711	11,858	12,465	18%	37%	16%
State of Kentucky			13,334,234		13,843,706			4%
4. Estimated Market Value - Land & Buildings								
Avg. per farm	$ 110,930	$ 238,884	$ 273,774	$ 276,967	$ 306,013	147%	176%	11%
Total value ($1,000s)	$ 56,796,000	$ 127,325,000	$ 137,708,000	$ 161,749,000	$ 178,711,000	142%	215%	12%
Inflation	$ 110,930	$ 136,999	$ 156,733	$ 156,733	$ 175,669	41%	58%	12%
5. Average age of farmers								
Average Age	52.8	53.8	55.7	55.6	55.3	5%	5%	-1%
Under 25 years	2	7	2	2	3	0%	50%	50%
25 to 45	161	141	128	151	126	-20%	-22%	-2%
% under 25 to 44	31.4%	26.5%	25.4%	25.9%	21.7%		-31%	-15%
46 to 64	227	251	225	260	306	-1%	35%	36%
% 46 to 64			44.7%	44.5%	52.7%			18%
65 plus	122	134	148	171	146	21%	20%	-1%
% over 65	23.8%	25.1%	29.4%	29.3%	25.1%		5%	-15%
number of operators	512	533	503	584	581	-2%	13%	16%
6. Total market value of agricultural products sold								
Total Sales	$ 3,445,000	$ 4,721,000	$ 5,441,000	$ 5,769,000	$ 5,853,000	58%	70%	2%
Inflation	$ 3,445,000	$ 4,254,575	$ 4,867,441	$ 4,867,441	$ 5,455,502	41%	58%	12%
Avg. per farm	$ 6,729	$ 8,857	$ 10,817	$ 9,878	$ 10,074	61%	50%	2%
Inflation	$ 6,729	$ 8,310	$ 9,507	$ 9,507	$ 10,656	41%	58%	12%
Avg. per acre	$ 83	$ 109	$ 121	$ 115	$ 116	45%	40%	1%
Inflation	$ 83	$ 103	$ 118	$ 118	$ 132	41%	58%	12%

Campbell, KY AIP data

Data Category	1987	1992	1997	Adjusted 1997	2002	change 87-97	change 87-02	change 97 - 02
Top four products								
Tobacco	664,000	1,835,000	1,723,000	1,776,000	721,000	159%	9%	-58%
% of total	19%	39%	32%	31%	12%		-36%	-61%
Cattle and Calves	1,160,000	1,476,000	1,506,000	2,576,000	1,667,000	30%	44%	11%
% of total	34%	31%	28%	45%	28%		-15%	3%
Nursery and Greenhouse	0	456,000	897,000	0	1,711,000			91%
% of total	0%	10%	16%		29%			77%
Hay, silage, field seeds	0		0	0	220,000			
% of total	0%	0%	0%		4%			
Other livestock	0		471,000	0				-100%
% of total	0%	0%	9%		0%			
Equine	0		0	0				
% of total	0%	0%			0%			
Dairy Products	442,000	251,000	0	0%			-100%	
% of total	13%	5%						
Vegs, Sweet corn/melons	204,000						-100%	
% of total								
Other products	1,179,000	703,000	844,000	1,417,000	1,534,000	-28%	30%	82%
% of total	34%	15%	16%	25%	26%	-55%	-23%	69%
	100%	100%	100%		100%			
7. Number of farms within each gross sales category								
Less than $2,500	254	216	196	252	318	-23%	25%	62%
$2,500 to $4,999	112	113	111	121	86	-1%	-23%	-23%
$5,000 to $9,999	81	98	87	95	84	7%	4%	-3%
$10,000 to $24,999	43	68	63	66	55	47%	28%	-13%
$25,000 to $49,999	9	17	27	29	22	200%	144%	-19%
$50,000 to $99,999	10	17	9	11	7	-10%	-30%	-22%
$100,000 or more	3	4	10	10	9	233%	200%	-10%
Total	512	533	503	584	581	-2%	13%	16%
Sales < $10,000	447	427	394	468	488	-12%	9%	24%
Sales 10,000-99,999	62	102	99	106	84	60%	142%	-53%
Sales > $10,000	3	4	10	10	9	233%	200%	-10%

Campbell, KY AIP data

Data Category	1987	1992	1997	Adjusted 1997	2002	change 87-97	change 87-02	change 97 - 02
8. Farms by size - number of farms								
1 to 9 acres	**32**	**40**	**31**	**37**	**33**	-3%	3%	-11%
10 to 49 acres	**162**	**187**	**152**	**187**	**219**	-6%	35%	17%
50 to 69 acres	93	79	71	82	87	-24%	-6%	6%
70 to 99 acres	84	92	92	105	79	10%	-6%	-25%
1 to 99					**418**			
100 to 139 acres	63	55	70	79	68	11%	8%	-14%
50 to 139 acres	**240**	**226**	**233**	**266**	**234**	-3%	-3%	-12%
140 to 179 acres	35	30	30	34	31	-14%	-11%	-9%
180 to 219 acres	14	16	20	21	20	43%	43%	-5%
100 to 219					**51**			
220 to 259 acres	14	14	14	15	13	0%	-7%	-13%
260 to 499 acres	12	14	20	21	26	67%	117%	24%
220 to 219					**39**			
500 to 999 acres	3	6	3	3	4	0%	33%	33%
1,000 to 1,999 ac	0	0	0	0	1			
>500					**5**			
140 to 2000 acres	**43**	**50**	**87**	**94**	**185**	102%	330%	97%
total	**477**	**503**	**503**	**584**	**671**	5%	41%	15%
Farms by size - acres of land in farms								
1 to 9 acres					198	33 farms @ 6 acres		
10 to 49 acres					6291			
50 to 69 acres					5104			
70 to 99 acres					6554			
1 to 99 acres					**18147**			
100 to 139 acres					7783			
140 to 179 acres					4839			
180 to 219 acres					3999			
100 to 219 acres					**16621**			
220 to 259 acres					3130			
260 to 499 acres					8529			
220 to 499 acres					**11659**			
500 to 999 acres					2785			
1,000 to 1,999 ac					1171	estimated - 1 farm		

Campbell, KY AIP data

> 500 acres					3956			
Data Category	**1987**	**1992**	**1997**	**Adjusted 1997**	**2002**	**change 87-97**	**change 87-02**	**change 97 - 02**
9. Farm expenses								
Net Cash Return								
Per farm	$ 921	$ 2,004	$ 4,403	NA	$ (3,280)	378%	-456%	-174%
All farms	$ 471,552	$ 1,068,132	$ 2,214,709	NA	$ (1,905,680)	370%	-504%	-186%
Total prod. expenses	$ 2,584,000	$ 4,310,000	$ 4,647,000	NA	$ 8,663,000	80%	235%	86%
Market value- prod. Exp.	$ 861,000	$ 411,000	$ 794,000	NA	$ (2,810,000)	-8%	-426%	-454%
10. Farmers' and farm labor share of income								
Number of farmers	512.2929688	533.3470919	503	584	581	-2%	13%	-1%
Princ. Occ. Farming	150	185	155	181	285	3%	90%	57%
	29%	35%	31%	31%	49%			
Princ. Occ. Other	362	348	348	403	296	-4%	-18%	-27%
Hired farm (workers)	126	108	122	136	115	-3%	-9%	-15%
Hired farm labor (payroll)	210,000	246,000	589,000	481,000	$ 1,009,000	180%	380%	110%
11. County Farmland Comparison - 2002	Land in Farms	Non Farmland	Total Acreage	% farmland		**Inflation**		
Boone	74,915	82,691	157,606	47.53%		1987	$ 100.00	
Campbell	50,383	46,612	96,995	51.94%		1992	$ 123.50	
Grant	116,454	49,901	166,355	70.00%		1997	$ 141.29	
Kenton	46,479	57,179	103,658	44.84%		2002	$ 158.36	
Pendleton	132,402	47,140	179,542	73.74%				
totals	420,633	283,523	704,156	59.74%				

APPENDIX D. POTENTIAL FUNDING FOR A PDR PROGRAM

Methods

State and local PDR programs are funded in a variety of ways. Typically, county PDR programs rely on local government funds generated by bonds or appropriations, as well as a combination of state and federal funding. AFT researched the gamut of potential funding sources to find out which are available and legal in Kenton County, and interviewed key county officials to find out which funding mechanisms they would most likely support to fund a county PDR program.

Findings

While there are about a dozen legal and potentially available sources of funding for a Kenton County PDR program, AFT found that this is not a funding priority for the county officials we interviewed.

According to the Kenton County Treasurer, the county already imposes all of the taxes permitted by law. These include:

- Real property
- Automobile registration – 15.8 cents on $100 value; annual renewal
- Deed transfer – 1 percent of property value
- Tangible property (same as personal property)
- Bank shares
- Franchise tax on public utilities
- Payroll tax
- Transient lodging tax

According to the Deputy Judge, Kenton County is not permitted to institute any other taxes, and AFT's interviews with local officials found resistance to impose any new fees of any kind unless they have a direct impact on public safety. While willing to take a set of recommendations on funding PDR to the Judge Executive, the Deputy Judge indicated that general obligation bonds are not likely, nor is an appropriation for a farmland preservation program.

However, not all of the dozen or so possible ways to fund a PDR program in Kenton County require county funds. If private groups such as KCFWG or the Kenton Conservancy wanted to pursue funding, there are some options.

The federal Farm and Ranch Lands Protection Program (FRPP), the state PACE program and Kentucky Heritage Land Conservation Fund were found to be the most likely sources of funding to launch a Kenton County PDR program. Although there appears to be little support from public officials to create new sources of revenue or divert existing revenue for PDR, given the potential for matching state and federal funds, KCFWG could pilot a demonstration program leveraging funds from private donors or some of the following sources. This could show the farm community, local citizens and elected officials how PDR could work and why it would benefit the county, and lay the groundwork for dedicated funding in the future. Furthermore, if it could be shown that PDR was an investment in the infrastructure of agriculture, a pilot program could help dispel the opinion held by several people AFT interviewed that there is no future for agriculture in the county.

AFT identified potential sources of funding for a Kenton County PDR program. They are listed in alphabetical order. The supporting Table 3 summarizes funding sources according to their likeliness of acceptance by Kenton County officials.

Appropriations

Most local PDR programs use appropriations from the county government to partially fund their transactions. AFT is aware of 23 programs that used appropriations in 2003. This is a potential source of funding for a Kenton County program, and if approved, the appropriation amount probably would vary from year to year, depending upon the county's fiscal standing. The Judge Executive and fiscal court are responsible for setting the annual general fund budget and can make appropriations at their own discretion. While county officials indicated that they were unlikely to redirect appropriations to fund a PDR program, if citizen support grows, this could change.

Table 3. Potential Funding Sources for PDR in Kenton County			
Funding Sources	**Description**	**Possible**	**Comments**
Likely funding sources			
Federal Grant - Farm & Ranch Lands Protection Program (FRPP)	federal farmland protection program	Yes	Would be eligible if matching funds could be raised.
State Grant - Kentucky Heritage Land Conservation Fund	provides funding for protection of environmentally significant areas	Yes	If farms meet one of the four ecological program requirements.
State Grant - State Purchase of Agricultural Conservation Easements Program (PACE)	provides funding for purchasing conservation easements on farms	Yes	May be eligible if matching funds could be raised.
Possible funding sources			
Appropriations	funds from county general fund	Maybe	Possible but not likely in current economic situation.
Bonds, General Obligation	loan taken out by county against value of taxable property	Maybe	Possible but not likely in current economic situation.
Hazard Mitigation Grant Program	federal program provides funding for protection of farmland in floodplains	Maybe	County may be eligible if there are farms located on floodplains.
Lodging Tax	tax on transient lodging	Maybe	4% tax goes to Convention & Visitors Bureau; some could be used for PDR if a program were seen as supporting tourism.
Property Tax	tax on real property increased	Maybe	More likely if the economy improves.
Deed Transfer Tax	tax on deed recordation increased	Maybe	1% deed transfer tax already levied, goes to general fund and raised $559K in 2003.
ISTEA and TEA 21: Transportation Funding	federal program provides funding for protection of lands on scenic highways	Maybe	Funding is competitive and depends on the nature of the project.
Vehicle Registration Tax	surcharge on vehicle registration	Maybe	Collected annually, 15.8 cents per $100 car value.

Table 3 (continued). Potential Funding Sources for PDR in Kenton County					
Funding Sources		**Description**		**Possible**	**Comments**
Ag. Transfer Tax		back tax on agricultural land converted to a developed use		No	No tax of this kind in Kentucky; county cannot impose this tax.
Bonds, Revenue		loan paid from proceeds of taxes levied for a public project or with fees charged to project end user		No	Not likely for this use.
Cell Phone Tax		tax on cell phone use		No	State collects and uses for public safety and communications.
Check-Off Box		funds collected through check-off on income taxes		No	County cannot collect any income tax so this would not be possible.
Gas Tax		surcharge on gasoline tax		No	County cannot impose this tax.
Impact Fees		one-time fee to offset infrastructure costs of new development		No	There are no fees at this time and are not likely.
Lottery or Gaming Revenues		portion of lottery sales		No	County cannot collect any lottery proceeds.
Mitigation Fees		developer pays for land to be conserved in exchange for developing land		No	No fee or tax of this kind in the county.
Real Estate Transfer Tax		tax on the sale of property		No	County cannot impose this tax.
Sales Tax		tax on sale of goods & services increased		No	County cannot impose this tax.
Special District		defined district or area pays tax for additional services		No	County cannot impose a tax on a special district, but a new special district could be proposed.
Tax Increment Financing (TIF)		An incremental tax from the increased value of a designated economic development area		Maybe	Further research into Kentucky law is required.
Tobacco Tax		tax on cigarettes		No	County cannot collect this tax.
Grants, County				Unknown	None at this time.

Bonds

Counties in Kentucky have the authority to issue bonds for any purpose considered necessary by the local government. While a bond measure would likely result in a large amount of funding, the debt would need to be repaid. One strategy for repaying this debt would be with one of the tax revenue sources listed below. Bonds would allow more farmland to be protected sooner. AFT is aware of 28 cases where bonds were used to fund local PDR programs. Bonds could be a valuable source of funding a Kenton County program but are unlikely to be supported until the farm economy improves.

Farm and Ranch Lands Protection Program (FRPP)

Included in the 2002 Farm Bill, the federal Farm and Ranch Lands Protection Program (FRPP) provides matching grants to established state, local, private and tribal farmland protection programs. FRPP pays up to half of the final sale price of conservation easements, which has to be matched by the qualifying program. This would be a good source of funding if Kenton County can find a way to raise the match and become eligible to apply for FRPP funds. Other Kentucky counties have received FRPP funding. For example, the Lexington-Fayette Urban County Government program uses FRPP funds to match local program monies generated through appropriations, bonds and tobacco settlement funds.

Hazard Mitigation Grant Program

The federal Hazard Mitigation grant program was created in November 1988 by Section 404 of the Robert T. Stafford Disaster Relief and Emergency Assistance Act. It helps states and localities implement mitigation measures following a presidential disaster declaration. Funds have been used to purchase development rights on farmland located in 100-year floodplains. State, local and tribal governments and private nonprofit organizations that serve a public function are eligible for funding. Projects must fall within the state and local governments' overall mitigation strategy for the disaster area and comply with program guidelines to qualify. The program will cover up to 75 percent of project costs. In-kind services can be used to meet the state or local cost-share match. Each state sets its own priorities for funding and administering this program. Since Kenton is located on the Ohio, it may have floodplain farms. If so, these could be eligible for Hazard Mitigation grants.

Installment Purchase Agreements

An installment purchase agreement (IPA) is an innovative payment plan offered by a handful of jurisdictions with PDR programs. IPAs spread out bond payments for development rights so that landowners receive semi-annual, tax-exempt interest over a term of years (typically 20 to 30). The principal is due at the end of the contract term. Landowners also can sell or securitize IPA contracts at any point to realize the outstanding principal.

The day before settlement, the jurisdiction sets the rate for the interest paid to the IPA holder. The rate is typically pegged to the current return on U.S. Treasury bonds. However, counties and local governments can set a minimum interest rate to offer program participants additional security.

It appears that IPAs can be used in Kentucky, so Kenton should have the authority to issue multi-year general obligation bonds to enter into IPAs, assuming the state does not impose limitations on the maturity structure of their obligations. Because IPAs constitute long-term debt, agreements typically require the same approval process as bonds. Jurisdictions can purchase zero-coupon bonds to cover the final balloon payments. “Zeroes” do not generate regular interest income. Instead, they yield a lump sum when the bond matures.

While IPAs have several advantages—particularly stretching public funds so entities can purchase more easements when land is available and more affordable—the disadvantage is that they require a dedicated funding source to cover the interest and principal payments. Howard County, Maryland, uses proceeds from a local real estate transfer tax and the county’s share of a statewide agricultural transfer tax to support its program. Virginia Beach, Virginia, relies on revenue from a property tax increase and a tax on cellular phone use. Since it is unlikely that Kenton County officials will support any new taxes or bonds for PDR at this time, there will be little support for the requisite dedicated funding source for IPAs.

Kentucky Heritage Land Conservation Fund

The Kentucky Heritage Land Conservation Fund is targeted to ecologically significant properties, but farms are eligible if they meet one of the program's four environmental criteria. The fund was created to protect land that provides habitat for rare and endangered species, provides important areas for migratory birds, performs natural functions that are subject to alteration or loss, and preserves areas in their natural state for public use, outdoor recreation and education. Funding comes from the Kentucky Nature License Plate, environmental fines and un-mined mineral tax. The Kentucky Heritage Land Conservation Fund issues grants for both fee simple and easement purchase to local governments, state colleges and universities and state agencies. A local match is not required. If the right property were found, this program could fund the match to state or federal program funds and serve as a demonstration of how PDR would work in Kenton County.

Kentucky Purchase of Agricultural Conservation Easements Program (PACE)

In 1994, the Kentucky General Assembly established the PACE Corporation to ensure that land will continue to be available for agricultural uses. As of November 2004, the program had purchased 78 agricultural conservation easements on 17,531 acres for $15 million, with an average per-acre easement cost of $885. An additional 19 easements on 3,069 acres have been donated to the program. Funding sources include tobacco settlement funds, appropriations, bonds and FRPP. According to Brent Frazier, at the Kentucky Department of Agriculture, the state PACE program's relationship with any new, county-level program is up for negotiation. Currently, except for Lexington, there are no county level programs in the state. The Lexington-Fayette program is special because it began soon after the state program and was able to get some of the tobacco settlement funding, which, now that it is mostly exhausted, would no longer be available to other counties.

Property Tax

In 2002, AFT found that 17 local PDR programs used property tax as a dedicated revenue stream. Although not always popular, property taxes provide a steady source of revenue that varies very little year to year. Municipalities using property tax revenues to fund PDR can set funding levels and therefore determine how much they can do in any given year. In 2003, Kenton County's total taxable valuation was $7,204,817,542. An additional tax millage of $1 per thousand (.0001 mills) would have resulted in additional property tax revenues of $720,482 to support a program.

Deed Transfer Tax

A deed transfer tax, also known as a real estate transfer or recordation tax, is levied every time a real estate transaction takes place and is based on the value of the property in the transaction. The amount of revenue generated varies directly with the real estate market. The transfer tax is typically paid by the conveyer or seller of the property.

In fiscal year 2003, Kenton County charged a Deed Transfer Tax of 1 percent that generated revenues of $559,506 to support the General Fund. If there were the political will, it would be possible to expand this tax to support a PDR program.

Deed transfer taxes have been used to fund PDR successfully in other jurisdictions. For example, Maryland's state program and county programs in Harford, Howard and Washington use the real estate transfer tax as a dedicated revenue source.

Transient Lodging Tax

A Transient Lodging Tax is charged on hotel and motel room stays. In Kenton County, the tax is 4 percent and goes to the convention and visitors bureau. Kenton County could go through the same process as Lexington-Fayette to get legislative approval to implement this tax to support a PDR program. Lodging taxes typically are supported more by visitors who use county lodging facilities than by citizens of the county. Places with robust tourism can generate significant revenues with transient lodging tax, but it is unpredictable. Virginia's Loudoun and Albemarle counties used this tax to raise dedicated funds to support PDR, as well as using appropriations and, in Loudon's case, to match federal funds. Together, using all these funds, as of the end of 2003, they had raised $5.9 million (see Appendix E, local PACE tables). In 2002, Loudon's finance committee voted 2–1 to begin paying for PDR with $980,000 in Transient Lodging Tax money over the next year thereby ending other sources of local tax funding.

Transportation Funding (ISTEA and TEA-21)

The Intermodal Surface Transportation Efficiency Act (ISTEA) of 1991 provided federal funding for a broad range of highway and transit programs, including "transportation enhancement." Enhancements are intended to improve the cultural, aesthetic and environmental quality of transportation routes. Easement acquisitions that protect scenic views and historic sites along transportation routes are eligible for this program.

Adopted in May of 1998, the Transportation Equity Act for the 21st Century (TEA-21) re-authorized transportation spending through fiscal year 2003. Funding for enhancements was increased by nearly 40 percent to $3.6 billion. Private conservation organizations and public entities are eligible to apply. The program covers up to 80 percent of project costs. Congress is expected to address reauthorization of TEA-21 in 2005.

Maryland's Baltimore and Frederick counties and Peninsula Township in Michigan have used transportation funds to fund PDR projects.

Tax Increment Financing

Tax Increment Financing, or TIF, is a tool state lawmakers created to help local governments restore their most run-down areas or jumpstart economically sluggish parts of town. With this tool, financially strapped local governments can make the improvements they need, like new roads or new sewers, and provide incentives to attract businesses or help existing businesses expand, without tapping into general funds or raising taxes.

A tax increment is the difference between the amount of tax revenue generated before TIF district designation and the amount of tax revenue generated after TIF designation.

Establishment of a TIF district does not reduce tax revenues available to the overlapping taxing bodies. Taxes collected in the TIF district at the time of its designation continue to be distributed to the school districts, county, and all other taxing districts in the same manner as if the TIF designation did not exist. Only taxes generated by the incremental increase in the value of these properties after that time are available for use by the TIF.

In Elkart County, Indiana a new TIF district was created to address rising property tax rates. Indiana law allows tax increment financing for industrial development and redevelopment projects. The Elkhart County plan earmarks the revenues generated by future tax increases on real property and depreciable personal property—such as livestock, tractors and other agricultural equipment—to pay for the capital outlays of economic development and, in this case, farmland protection. Revenues from the voluntary TIF overlay district are channeled into a special account until there is enough money to begin acquiring easements and undertaking other agricultural economic development projects, such as improvements to roads and drainage systems.

It is unclear whether or not tax increment financing for farmland protection would be allowed in Kentucky without further legal research, but the legislative language appears to make it possible. Section 65.682, legislative finding, of the Kentucky Revised Statutes (KRS) 65.680 to 65.699, Incremental Financing for Economic Development, states that "*economic development be liberally construed and applied in order to advance public purposes*." The development area for a TIF district is a contiguous geographic area, which may be within one or more cities or counties, defined and created for economic development purposes by an ordinance of a city or county in which one or more projects are proposed to be located. A project is defined as the development of facilities for residential, commercial, industrial, public, recreational, or other uses, or for open space, or a combination, and is determined by the governing body establishing the development areas to be contributing to economic development.