

**USE OF FUNDS FROM THE KENTUCKY PURCHASE OF AGRICULTURAL
CONSERVATION EASEMENTS PROGRAM**
Results from the Survey of PACE Participants

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The Study

The Kentucky Purchase of Agricultural Conservation Easements (PACE) program was established by state legislation in 1994. Since the beginning of the program, over 15.5 million dollars have been spent to purchase the agricultural conservation easements of 78 farms totaling over 17,000 acres. An additional 19 agricultural conservation easements with over 3,000 acres have been donated to the PACE program.

In the fall of 2004, a survey of all PACE participants was conducted to determine how funds from the PACE program have been spent by the landowners in the program. There were a total of 90 different landowners who had participated in the PACE program. A mail questionnaire was sent to each of the 90 participating landowners. A total of 82 questionnaires were returned, for a response rate of 91 percent.

PACE Farm Characteristics

The major types of farming operations on the PACE farms were cattle (on 65% of the farms), tobacco (61%), hay (44%), corn/grain (35%), soybeans (21%), and dairy (12%). Other types of operations on the farms included pasture, equine, goats, silage/feed, swine, silviculture, agri-tourism, and vegetables, each occurring on less than 5% of the PACE farms. Respondents were from 22 counties, including Anderson, Boyle, Calloway, Christian, Daviess, Franklin, Garrard, Hardin, Henderson, Henry, Larue, Logan, Mercer, Nelson, Owen, Scott, Shelby, Simpson, Taylor, Trigg, Trimble, and Washington. The amount of farmland included in the PACE program on the respondents' farms were: 100 acres or less – 20%; 101-200 acres – 37%; 201-300 acres – 20%; and over 300 acres – 23%.

Use of PACE Funds

PACE respondents indicated many different uses of the PACE funds and benefits that they had received. Most landowners indicated multiple uses of their funds. The most frequent use of PACE funds was to pay down debt (52%). Next most frequent uses were to purchase farm equipment (42%), construct or improve buildings on the farm (39%), retain ownership of property for agriculture (39%), and for conservation practices (31%). Other common uses of the funds were to use funds for daily farm expenses (20%), other improvements in farming operations (20%), purchase more livestock (18%) general savings or investments (18%), ag land preservation efforts (18%), diversification to address changes in tobacco (17%), and other farm enhancements (13%).

Preserving Farmland and other Benefits

Ninety-three percent of landowners responded that participation in the PACE program will help them keep their property in agriculture. There are potential tax benefits from donating property to the PACE program or from that portion of the appraised property value not covered by PACE payment. Forty-six percent of the landowners responded that they received tax benefits from participation in the PACE program. Only 9% indicated that they received help or support from a local farmland preservation program.

Summary

There were many different ways that the funds expended by the PACE program for agricultural conservation easements were used. Nearly all of these uses were of the types that allowed the landowner to keep his or her agricultural operations functioning well or even enhanced the agricultural operations. Well over 90% indicated that participation in the PACE program has allowed them to keep their property in agriculture. These findings suggest that the PACE funds are having the intended effect of preserving farmland in Kentucky and helping to enhance the farming operations on those participating farms.

Table 1: Types of PACE Fund Uses.
Percentage of PACE Landowners who used PACE funds in the following way:

<u>Fund Usage</u>	<u>Percent of Landowners</u>
Pay down debt	52.4
Purchase farm equipment	41.5
Construct or improve buildings on the farm	39.0
Retaining ownership of property for agriculture	39.0
Conservation practices	30.5
Used funds for daily farm expenses	20.0
Other improvements in farming operations	20.0
General savings or investments	18.3
Purchase more livestock	18.3
Ag land preservation efforts	18.3
Diversification to address changes in tobacco	17.1
Other farm enhancements	13.4
Education or savings for yourself or other family members	11.0
Purchase more land for agriculture	8.5
Retirement fund	7.3
Purchase non-farm equipment	1.2
Trusts for children or other heirs	1.2

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