

Labor

	Revised FY 2000	Requested FY 2001	Requested FY 2002	Recommended FY 2001	Recommended FY 2002
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	21,367,300	21,668,100	21,743,900	22,470,400	22,539,400
Total General Fund	21,367,300	21,668,100	21,743,900	22,470,400	22,539,400
Restricted Funds					
Balance Forward	368,436,400	270,949,500	197,638,500	270,949,500	197,638,500
Current Receipts	67,037,000	65,090,500	65,870,500	65,090,500	65,870,500
Non-Revenue Receipts	156,916,100	148,967,600	148,909,300	148,967,600	148,909,300
Total Restricted Funds	592,389,500	485,007,600	412,418,300	485,007,600	412,418,300
Federal Funds					
Balance Forward	66,800				
Current Receipts	3,386,200	3,453,000	3,453,000	3,453,000	3,453,000
Total Federal Funds	3,453,000	3,453,000	3,453,000	3,453,000	3,453,000
TOTAL SOURCE OF FUNDS	617,209,800	510,128,700	437,615,200	510,931,000	438,410,700
EXPENDITURES BY CLASS					
Personnel Cost	30,248,100	28,684,900	30,209,100	28,953,800	30,534,800
Operating Expenses	158,413,200	141,903,600	141,938,200	142,504,800	142,409,400
Grants, Loans or Benefits	156,851,000	141,610,000	139,860,000	141,610,000	139,860,000
Capital Outlay	278,000	291,700	319,500	223,900	318,100
Construction	470,000				
TOTAL EXPENDITURES	346,260,300	312,490,200	312,326,800	313,292,500	313,122,300
EXPENDITURES BY FUND SOURCE					
General Fund	21,367,300	21,668,100	21,743,900	22,470,400	22,539,400
Restricted Funds	321,440,000	287,369,100	287,129,900	287,369,100	287,129,900
Federal Funds	3,453,000	3,453,000	3,453,000	3,453,000	3,453,000
TOTAL EXPENDITURES	346,260,300	312,490,200	312,326,800	313,292,500	313,122,300
EXPENDITURES BY UNIT					
General Administration and Support	5,020,800	5,837,400	5,942,900	6,737,400	6,842,900
Workplace Standards	153,771,000	137,116,700	135,913,400	137,019,000	135,808,900
Workers Claims	15,637,000	14,942,300	15,806,800	14,942,300	15,806,800
Ky Occupational Safety and Health Review Comm.	494,000	429,800	443,100	429,800	443,100
Workers' Compensation Funding Commission	171,337,500	154,164,000	154,220,600	154,164,000	154,220,600
TOTAL EXPENDITURES	346,260,300	312,490,200	312,326,800	313,292,500	313,122,300

The Labor Cabinet is created in KRS Chapter 336 and charged with exercising the administrative functions of the state concerning employer-employee relationships. The Cabinet is headed by a Secretary appointed by the Governor who is responsible for activities relating to wages and hours, occupational safety and health of employees, child labor, apprenticeship, and workers' compensation.

The following boards and councils are attached to the Labor Cabinet for administrative purposes: Kentucky Labor-Management Advisory Council, Prevailing Wage Review Board, Kentucky Occupational Safety and Health Standards Board,

Apprenticeship and Training Council, State Labor Relations Board, Child Labor Committee, the Kentucky Employees Insurance Association, and the Workers' Compensation Advisory Council. In addition, workers' compensation reform legislation (House Bill 928) enacted by the 1994 General Assembly transferred the Kentucky Workers' Compensation Funding Commission to the Labor Cabinet for administrative purposes, and also established the Employers Mutual Insurance Authority, an off-budget entity administratively attached for administrative purposes to the Labor Cabinet.

The organizational units under the direction of the Secretary of Labor are the Office of the Secretary, General Counsel, Administrative Services, Labor-Management Relations, and the Department of Workplace Standards. The Secretary of Labor also oversees administrative duties of the Department of Workers' Claims, with the Commissioner of the Department being responsible for the daily programmatic activities. The Kentucky Occupational Safety and Health (KOSH) Review Commission is an independent agency administered by an executive director. The Kentucky Workers' Compensation Funding Commission is administratively attached to the Labor Cabinet.

Labor
General Administration and Support

	Revised FY 2000	Requested FY 2001	Requested FY 2002	Recommended FY 2001	Recommended FY 2002
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	532,800	545,600	558,700	1,445,600	1,458,700
Total General Fund	532,800	545,600	558,700	1,445,600	1,458,700
Restricted Funds					
Balance Forward	696,400				
Non-Revenue Receipts	3,791,600	5,291,800	5,384,200	5,291,800	5,384,200
Total Restricted Funds	4,488,000	5,291,800	5,384,200	5,291,800	5,384,200
TOTAL SOURCE OF FUNDS	5,020,800	5,837,400	5,942,900	6,737,400	6,842,900
EXPENDITURES BY CLASS					
Personnel Cost	3,819,000	4,305,700	4,537,300	4,622,900	4,914,100
Operating Expenses	964,800	1,252,400	1,213,000	1,903,000	1,737,600
Grants, Loans or Benefits	120,000	120,000	120,000	120,000	120,000
Capital Outlay	117,000	159,300	72,600	91,500	71,200
TOTAL EXPENDITURES	5,020,800	5,837,400	5,942,900	6,737,400	6,842,900
EXPENDITURES BY FUND SOURCE					
General Fund	532,800	545,600	558,700	1,445,600	1,458,700
Restricted Funds	4,488,000	5,291,800	5,384,200	5,291,800	5,384,200
TOTAL EXPENDITURES	5,020,800	5,837,400	5,942,900	6,737,400	6,842,900
EXPENDITURES BY UNIT					
Office of the Secretary				900,000	900,000
General Administration and Support	5,020,800	5,837,400	5,942,900	5,837,400	5,942,900
TOTAL EXPENDITURES	5,020,800	5,837,400	5,942,900	6,737,400	6,842,900

This program includes the Office of the Secretary of Labor, the Office of General Counsel, the Office of Administrative Services, and the Office of Labor-Management Relations.

The Secretary of the Labor Cabinet is responsible for the duties set forth in KRS 336.015(1), including administering programs for Employment Standards Apprenticeship and Training, Special Fund, Coal Workers' Pneumoconiosis Fund, and the Occupational Safety and Health Programs. The Office of General Counsel represents the Cabinet in wage and hour actions, occupational safety and health prosecutions and personnel and administrative actions. The Office of Labor-Management Relations works to improve relationships between labor and management and coordinates the activity of the Labor-Management Advisory Council. The Office of Administrative Services provides administrative support to Labor Cabinet programs.

The Office of Labor-Management Relations is funded with General Fund, while the other subprograms are funded by agency fund non-revenue receipts. The agency funds are Workers' Compensation assessments, which are collected by the Kentucky Workers' Compensation Funding Commission and transferred to the Cabinet in accordance with the passage of the Appropriations Act.

Policy

Additional General Fund support in the amount of \$900,000 each year of the biennium is provided for the Collective Bargaining proposal for state and local government employees.

Additional restricted funds in the amount of \$625,800 in fiscal year 2001 and \$537,600 in fiscal year 2002 are recommended in order to create an Office of Information Technology and fund several major information technology projects. These projects include document imaging, optical character recognition, electronic data interchange, and database management. The Office will be staffed by six full-time employees, and training costs are included as well.

**Labor
Workplace Standards**

	Revised FY 2000	Requested FY 2001	Requested FY 2002	Recommended FY 2001	Recommended FY 2002
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	1,834,500	2,122,500	2,185,200	2,024,800	2,080,700
Total General Fund	1,834,500	2,122,500	2,185,200	2,024,800	2,080,700
Restricted Funds					
Balance Forward	10,420,000	4,000,000	4,000,000	4,000,000	4,000,000
Current Receipts	3,500,000	3,237,500	3,000,000	3,237,500	3,000,000
Non-Revenue Receipts	138,738,000	128,303,700	127,275,200	128,303,700	127,275,200
Total Restricted Funds	152,658,000	135,541,200	134,275,200	135,541,200	134,275,200
Federal Funds					
Balance Forward	54,900				
Current Receipts	3,223,600	3,453,000	3,453,000	3,453,000	3,453,000
Total Federal Funds	3,278,500	3,453,000	3,453,000	3,453,000	3,453,000
TOTAL SOURCE OF FUNDS	157,771,000	141,116,700	139,913,400	141,019,000	139,808,900
EXPENDITURES BY CLASS					
Personnel Cost	12,434,800	11,015,500	11,468,000	10,967,200	11,416,900
Operating Expenses	3,524,200	3,478,800	3,470,600	3,429,400	3,417,200
Grants, Loans or Benefits	137,731,000	122,490,000	120,740,000	122,490,000	120,740,000
Capital Outlay	81,000	132,400	234,800	132,400	234,800
TOTAL EXPENDITURES	153,771,000	137,116,700	135,913,400	137,019,000	135,808,900
EXPENDITURES BY FUND SOURCE					
General Fund	1,834,500	2,122,500	2,185,200	2,024,800	2,080,700
Restricted Funds	148,658,000	131,541,200	130,275,200	131,541,200	130,275,200
Federal Funds	3,278,500	3,453,000	3,453,000	3,453,000	3,453,000
TOTAL EXPENDITURES	153,771,000	137,116,700	135,913,400	137,019,000	135,808,900
EXPENDITURES BY UNIT					
Employment Standards	1,834,500	2,122,500	2,185,200	2,024,800	2,080,700
Compliance	3,998,000	4,133,700	4,428,200	4,133,700	4,428,200
Education and Training	4,536,500	4,610,000	4,724,000	4,610,000	4,724,000
Special Fund	140,498,500	124,619,800	122,658,100	124,619,800	122,658,100
KCWP Fund	2,903,500	1,630,700	1,917,900	1,630,700	1,917,900
TOTAL EXPENDITURES	153,771,000	137,116,700	135,913,400	137,019,000	135,808,900

The Department of Workplace Standards consists of the Division of Employment Standards, Apprenticeship and Training, the Division of Occupational Safety and Health Compliance, the Division of Education and Training for Occupational Safety and Health, the Division of Special Fund, and the Division of Coal Workers' Pneumoconiosis Fund.

**Labor
Workplace Standards
Employment Standards**

	Revised FY 2000	Requested FY 2001	Requested FY 2002	Recommended FY 2001	Recommended FY 2002
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	1,834,500	2,122,500	2,185,200	2,024,800	2,080,700
Total General Fund	1,834,500	2,122,500	2,185,200	2,024,800	2,080,700
TOTAL SOURCE OF FUNDS	1,834,500	2,122,500	2,185,200	2,024,800	2,080,700
EXPENDITURES BY CLASS					
Personnel Cost	1,558,000	1,707,900	1,798,900	1,659,600	1,747,800
Operating Expenses	276,500	414,600	386,300	365,200	332,900
TOTAL EXPENDITURES	1,834,500	2,122,500	2,185,200	2,024,800	2,080,700
EXPENDITURES BY FUND SOURCE					
General Fund	1,834,500	2,122,500	2,185,200	2,024,800	2,080,700
TOTAL EXPENDITURES	1,834,500	2,122,500	2,185,200	2,024,800	2,080,700

The Division of Employment Standards oversees statutory programs pertaining to wages and hours, discrimination and apprenticeship.

The Wage and Hour subprogram has the responsibility for enforcing all statutes pertaining to Employment Standards as set forth in KRS Chapters 337, 339, and 207. These include: payment of wages, withholding from wages, remittance of gratuities, minimum wage, overtime, lunch periods, rest periods, wage discrimination because of sex, prevailing wage, child labor, and discrimination in employment against the physically handicapped. The goal of this program is to complete approximately 2,900 investigations of employers, to correct approximately 1,600 violations of Kentucky wage and hour laws and to return approximately \$2,000,000 in unpaid wages to 7,500 employees. Some 82,000 employers with over 1,666,000 employees are covered under these statutes.

The Apprenticeship subprogram administers the apprenticeship statutes in KRS Chapter 343. The objective of this program is to encourage the entrance into voluntary agreements of apprenticeship between employers and employees which will equip young people for profitable employment. The goal of this program is to monitor approximately 275 sponsors to assure that they are meeting the standards of providing quality training to approximately 2,366 apprentices registered in this program.

Policy

Additional General Fund support in the amount of \$146,300 in fiscal year 2001 and \$157,100 in fiscal year 2002 is recommended to fund three additional wage and hour investigators and the associated operating expenses. Currently, there are 19 investigators working to eliminate a backlog of over 900 cases.

**Labor
Workplace Standards
Compliance**

	Revised FY 2000	Requested FY 2001	Requested FY 2002	Recommended FY 2001	Recommended FY 2002
SOURCE OF FUNDS					
Restricted Funds					
Balance Forward	667,700				
Non-Revenue Receipts	1,793,800	2,509,900	2,804,400	2,509,900	2,804,400
Total Restricted Funds	2,461,500	2,509,900	2,804,400	2,509,900	2,804,400
Federal Funds					
Balance Forward	16,000				
Current Receipts	1,520,500	1,623,800	1,623,800	1,623,800	1,623,800
Total Federal Funds	1,536,500	1,623,800	1,623,800	1,623,800	1,623,800
TOTAL SOURCE OF FUNDS	3,998,000	4,133,700	4,428,200	4,133,700	4,428,200
EXPENDITURES BY CLASS					
Personnel Cost	2,789,000	2,927,300	3,076,200	2,927,300	3,076,200
Operating Expenses	958,000	936,400	982,000	936,400	982,000
Grants, Loans or Benefits	216,000	240,000	240,000	240,000	240,000
Capital Outlay	35,000	30,000	130,000	30,000	130,000
TOTAL EXPENDITURES	3,998,000	4,133,700	4,428,200	4,133,700	4,428,200
EXPENDITURES BY FUND SOURCE					
Restricted Funds	2,461,500	2,509,900	2,804,400	2,509,900	2,804,400
Federal Funds	1,536,500	1,623,800	1,623,800	1,623,800	1,623,800
TOTAL EXPENDITURES	3,998,000	4,133,700	4,428,200	4,133,700	4,428,200

This division, through enforcement of the provisions of KRS Chapter 338, promotes the safety, health, and general welfare of workers by ensuring that employers are preventing hazards to the safety and health of all employees arising from exposure to harmful conditions and practices in work environments. The Division is responsible for the enforcement of Kentucky's occupational safety and health standards, rules and regulations within both the public and private sectors. Through a Safety Inspection Branch and a Health Inspection Branch, the Division maintains a field staff of Safety Compliance Officers and Industrial Hygienists who conduct inspections of workplaces in which hazardous conditions are identified, violations of safety and health standards are cited, and abatement dates are assigned. In some instances, penalties are assessed for violations.

Although all penalties collected by the Division for violations are contributed to the General Fund, the Division's operations are not supported with General Fund. A federal grant from the U. S. Department of Labor, Occupational Safety and Health Administration provides funding for this program, with an agency fund match provided by the Kentucky Workers' Compensation Funding Commission through its assessments.

**Labor
Workplace Standards
Education and Training**

	Revised FY 2000	Requested FY 2001	Requested FY 2002	Recommended FY 2001	Recommended FY 2002
SOURCE OF FUNDS					
Restricted Funds					
Balance Forward	776,100				
Non-Revenue Receipts	2,018,400	2,780,800	2,894,800	2,780,800	2,894,800
Total Restricted Funds	2,794,500	2,780,800	2,894,800	2,780,800	2,894,800
Federal Funds					
Balance Forward	38,900				
Current Receipts	1,703,100	1,829,200	1,829,200	1,829,200	1,829,200
Total Federal Funds	1,742,000	1,829,200	1,829,200	1,829,200	1,829,200
TOTAL SOURCE OF FUNDS	4,536,500	4,610,000	4,724,000	4,610,000	4,724,000
EXPENDITURES BY CLASS					
Personnel Cost	3,033,300	3,077,200	3,231,500	3,077,200	3,231,500
Operating Expenses	1,457,200	1,430,400	1,395,200	1,430,400	1,395,200
Capital Outlay	46,000	102,400	97,300	102,400	97,300
TOTAL EXPENDITURES	4,536,500	4,610,000	4,724,000	4,610,000	4,724,000
EXPENDITURES BY FUND SOURCE					
Restricted Funds	2,794,500	2,780,800	2,894,800	2,780,800	2,894,800
Federal Funds	1,742,000	1,829,200	1,829,200	1,829,200	1,829,200
TOTAL EXPENDITURES	4,536,500	4,610,000	4,724,000	4,610,000	4,724,000

This division promotes voluntary compliance with the Kentucky Occupational Safety and Health rules and regulations by providing training, on-site consultations, distribution of technical and informational materials, gathering and monitoring statistical data concerning job injuries and illnesses, technical assistance, and acting as a liaison between the Cabinet and the Kentucky Occupational Safety and Health Standards Board.

The Training Branch develops and presents courses for employers to encourage voluntary compliance with safety and health standards, and also for employees to make them aware of job hazards which they may then avoid or assist in correcting. The Consultation Branch conducts surveys of business establishments at the request of employers to identify safety and health hazards. The Standards Branch provides information relative to standards and requirements, and processes variance requests from employers.

The Management Information System unit handles collection, analysis, and reporting of statistics to develop safer work environments. The Survey subprograms provide published reports of this information.

Funding for this budget unit consists of federal funds and workers' compensation assessments.

**Labor
Workplace Standards
Special Fund**

	Revised FY 2000	Requested FY 2001	Requested FY 2002	Recommended FY 2001	Recommended FY 2002
SOURCE OF FUNDS					
Restricted Funds					
Balance Forward	8,879,500	4,000,000	4,000,000	4,000,000	4,000,000
Current Receipts	3,500,000	3,237,500	3,000,000	3,237,500	3,000,000
Non-Revenue Receipts	132,119,000	121,382,300	119,658,100	121,382,300	119,658,100
Total Restricted Funds	144,498,500	128,619,800	126,658,100	128,619,800	126,658,100
TOTAL SOURCE OF FUNDS	144,498,500	128,619,800	126,658,100	128,619,800	126,658,100
EXPENDITURES BY CLASS					
Personnel Cost	4,729,000	2,978,100	3,016,500	2,978,100	3,016,500
Operating Expenses	754,500	641,700	641,600	641,700	641,600
Grants, Loans or Benefits	135,015,000	121,000,000	119,000,000	121,000,000	119,000,000
TOTAL EXPENDITURES	140,498,500	124,619,800	122,658,100	124,619,800	122,658,100
EXPENDITURES BY FUND SOURCE					
Restricted Funds	140,498,500	124,619,800	122,658,100	124,619,800	122,658,100
TOTAL EXPENDITURES	140,498,500	124,619,800	122,658,100	124,619,800	122,658,100

The Special Fund is a workers' compensation fund used to pay a portion of compensatory awards for work-related subsequent injuries and occupational diseases. Concern over escalating Special Fund liability, particularly for Black Lung disease, prompted the calling of a Special Session of the General Assembly in 1987. This session produced HB 1, which revamped Kentucky's workers' compensation claims resolution system and enacted new criteria designed to contain future Special Fund occupational disease liability.

In spite of the 1987 legislation, Special Fund liability continued to grow. Another major piece of legislation, HB 928, was passed by the 1994 General Assembly and included several provisions designed to reduce future liability. However, continued concern over increasing workers' compensation costs overall and in particular, the Special Fund's liability, resulted in a December, 1996 Extraordinary Session to again address workers' compensation issues. The product of that session was House Bill 1, enacted into law on December 12, 1996.

House Bill 1 repealed future Special Fund liability for injuries and diseases arising on or after December 12, 1996, the effective date of the Reform Act. However, the legislation was not made retroactive with respect to pre-December 12, 1996, injuries or occupational diseases and will not affect prior awards or claims arising before that date. Therefore, the Division of Special Fund will continue to exist with the same statutory mission it had prior to the passage of the Reform Act.

Policy

Projected expenditures for Special Fund awards in each year of the 2000-2002 biennium are \$121,000,000 for fiscal year 2001 and \$119,000,000 for fiscal year 2002. This is a reduction of the fiscal year 2000 (current year) awards budgeted at \$135,015,000. The significant drop is the result of House Bill 928 and House Bill 1 of the 1996 Extraordinary Session of the General Assembly. The recommended budget for the 2000-2002 biennium includes funding for 49 full-time positions. This is a reduction of 27 positions due to a combination of legislative and programmatic changes.

**Labor
Workplace Standards
KCWP Fund**

	Revised FY 2000	Requested FY 2001	Requested FY 2002	Recommended FY 2001	Recommended FY 2002
SOURCE OF FUNDS					
Restricted Funds					
Balance Forward	96,700				
Non-Revenue Receipts	2,806,800	1,630,700	1,917,900	1,630,700	1,917,900
Total Restricted Funds	2,903,500	1,630,700	1,917,900	1,630,700	1,917,900
TOTAL SOURCE OF FUNDS	2,903,500	1,630,700	1,917,900	1,630,700	1,917,900
EXPENDITURES BY CLASS					
Personnel Cost	325,500	325,000	344,900	325,000	344,900
Operating Expenses	78,000	55,700	65,500	55,700	65,500
Grants, Loans or Benefits	2,500,000	1,250,000	1,500,000	1,250,000	1,500,000
Capital Outlay			7,500		7,500
TOTAL EXPENDITURES	2,903,500	1,630,700	1,917,900	1,630,700	1,917,900
EXPENDITURES BY FUND SOURCE					
Restricted Funds	2,903,500	1,630,700	1,917,900	1,630,700	1,917,900
TOTAL EXPENDITURES	2,903,500	1,630,700	1,917,900	1,630,700	1,917,900

The Coal Workers' Pneumoconiosis Fund was created by the 1996 Extraordinary Session on December 12, 1996. Prior to this session, it had been determined that Coal Workers' Pneumoconiosis (Black Lung) placed a substantial burden on all employers of the Commonwealth through the Special Fund assessments. The establishment of this fund is intended to ensure that liabilities incurred as a result of workers' compensation awards for Coal Workers' Pneumoconiosis be the financial responsibility of employers engaged in the severance and processing of coal. Funding is provided by an assessment imposed at the rate of three percent on the workers' compensation premiums paid by every employer engaged in the severance or processing of coal. In addition, an assessment at the rate of two and one-half cents per ton is imposed upon the total annual amount of tons of coal severed by every entity engaged in the severance of coal, as required by KRS Chapter 143. The Kentucky Workers' Compensation Funding Commission recently continued rates for 2000 at one percent of premium and one cent per ton. These rates will be adjusted annually depending on the actuarial projection of claims liability.

The Fund is responsible for the administration, legal representation and maintenance of records regarding the payment of claims. The Fund has one-half of the liability for income benefits awarded for claims brought under KRS Chapter 342 for the last exposure incurred on or after December 12, 1996; the effective date of the Reform Act passed during the 1996 Extraordinary Session of the General Assembly.

Policy

Restricted funds in the amount of \$1,250,000 in fiscal year 2001 and \$1,500,000 in fiscal year 2002 are included for Black Lung awards.

**Labor
Workers Claims**

	Revised FY 2000	Requested FY 2001	Requested FY 2002	Recommended FY 2001	Recommended FY 2002
SOURCE OF FUNDS					
Restricted Funds					
Balance Forward	1,539,600				
Non-Revenue Receipts	14,097,400	14,942,300	15,806,800	14,942,300	15,806,800
Total Restricted Funds	15,637,000	14,942,300	15,806,800	14,942,300	15,806,800
TOTAL SOURCE OF FUNDS	15,637,000	14,942,300	15,806,800	14,942,300	15,806,800
EXPENDITURES BY CLASS					
Personnel Cost	12,192,000	11,628,400	12,260,400	11,628,400	12,260,400
Operating Expenses	3,365,000	3,313,900	3,534,300	3,313,900	3,534,300
Capital Outlay	80,000		12,100		12,100
TOTAL EXPENDITURES	15,637,000	14,942,300	15,806,800	14,942,300	15,806,800
EXPENDITURES BY FUND SOURCE					
Restricted Funds	15,637,000	14,942,300	15,806,800	14,942,300	15,806,800
TOTAL EXPENDITURES	15,637,000	14,942,300	15,806,800	14,942,300	15,806,800

The Commonwealth of Kentucky adopted a Workers' Compensation Act in 1916 under which employees were granted replacement income and medical services for disability arising from on-the-job accidents. In exchange, employers were afforded immunity from common lawsuits.

Over the past eighty-one years, Kentucky's Workers' Compensation Program has undergone incremental changes generally marked by expansion of coverage to include additional work-related conditions (i.e., occupational diseases) and increases in the amount of benefits granted workers. Reform occurred during the 1994 Regular Session of the General Assembly with the passage of House Bill 928. Before 1994, the main function of the department was to adjudicate disputes between employers and employees as to entitlement of benefits. Through the impetus of the 1994 statutory changes, the means of delivering industrial health care was altered, efforts began to curtail the expansion of benefits and the administrative and adjudicative arms of the program were strengthened.

House Bill 1, passed by the 1996 Extraordinary Session of the General Assembly, completed the reform of the workers' compensation program. House Bill 1 was adopted on December 12, 1996. This legislation emphasizes administrative resolution of benefit disputes rather than adjudicative claims processing. The new law also represents a marked shift toward fiscal responsibility in the workers' compensation program and is intended to roll back the estimated price of \$1 billion per year paid by the Commonwealth's employers to sustain the program. Through this reform legislation, the program is being restored to its core purpose of promptly delivering wage replacement benefits and medical services to industrially injured workers in a nonadversarial manner.

Funding for the Department of Workers Claims is provided by the Kentucky Workers' Compensation Funding Commission's special assessments imposed upon workers' compensation premiums paid by employers and self-insureds.

Policy

The recommended budget for the 2000-2002 biennium includes funding for 242 permanent full-time positions. This is a reduction of 25 positions due to a combination of legislative and programmatic changes. Personnel will be further reduced by nine positions due to the elimination of the Workers' Compensation Board on July 1, 2000, per House Bill 1 and an additional 16 vacant positions will be reduced due to a decrease in caseload.

Labor
Ky Occupational Safety and Health Review Comm.

	Revised FY 2000	Requested FY 2001	Requested FY 2002	Recommended FY 2001	Recommended FY 2002
SOURCE OF FUNDS					
Restricted Funds					
Balance Forward	30,400				
Non-Revenue Receipts	289,100	429,800	443,100	429,800	443,100
Total Restricted Funds	319,500	429,800	443,100	429,800	443,100
Federal Funds					
Balance Forward	11,900				
Current Receipts	162,600				
Total Federal Funds	174,500				
TOTAL SOURCE OF FUNDS	494,000	429,800	443,100	429,800	443,100
EXPENDITURES BY CLASS					
Personnel Cost	449,500	381,100	398,300	381,100	398,300
Operating Expenses	44,500	48,700	44,800	48,700	44,800
TOTAL EXPENDITURES	494,000	429,800	443,100	429,800	443,100
EXPENDITURES BY FUND SOURCE					
Restricted Funds	319,500	429,800	443,100	429,800	443,100
Federal Funds	174,500				
TOTAL EXPENDITURES	494,000	429,800	443,100	429,800	443,100

The Kentucky Occupational Safety and Health Review Commission is an independent quasi-judicial administrative agency which hears and rules on appeals of citations issued by the Division of Occupational Safety and Health Compliance in the Labor Cabinet. For organizational purposes, the Commission is in the Labor Cabinet.

The Review Commission receives and processes over 200 cases per year. Hearings are held throughout the state by hearing officers. Written findings of fact, conclusions of law, and the recommended decisions issued by the hearing officers may be appealed to the Commission and then to Franklin Circuit Court.

Funding for the Commission consists of funds derived from the federal Occupational Safety and Health Grant and restricted funds provided by the Kentucky Workers' Compensation Funding Commission from its Special Fund assessments.

Labor
Workers' Compensation Funding Commission

	Revised FY 2000	Requested FY 2001	Requested FY 2002	Recommended FY 2001	Recommended FY 2002
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	19,000,000	19,000,000	19,000,000	19,000,000	19,000,000
Total General Fund	19,000,000	19,000,000	19,000,000	19,000,000	19,000,000
Restricted Funds					
Balance Forward	355,750,000	266,949,500	193,638,500	266,949,500	193,638,500
Current Receipts	63,537,000	61,853,000	62,870,500	61,853,000	62,870,500
Total Restricted Funds	419,287,000	328,802,500	256,509,000	328,802,500	256,509,000
TOTAL SOURCE OF FUNDS	438,287,000	347,802,500	275,509,000	347,802,500	275,509,000
EXPENDITURES BY CLASS					
Personnel Cost	1,352,800	1,354,200	1,545,100	1,354,200	1,545,100
Operating Expenses	150,514,700	133,809,800	133,675,500	133,809,800	133,675,500
Grants, Loans or Benefits	19,000,000	19,000,000	19,000,000	19,000,000	19,000,000
Construction	470,000				
TOTAL EXPENDITURES	171,337,500	154,164,000	154,220,600	154,164,000	154,220,600
EXPENDITURES BY FUND SOURCE					
General Fund	19,000,000	19,000,000	19,000,000	19,000,000	19,000,000
Restricted Funds	152,337,500	135,164,000	135,220,600	135,164,000	135,220,600
TOTAL EXPENDITURES	171,337,500	154,164,000	154,220,600	154,164,000	154,220,600
EXPENDITURES BY UNIT					
Workers' Compensation Funding Commission	1,737,000	1,727,200	1,932,900	1,727,200	1,932,900
Benefit Reserve	166,697,000	150,806,100	150,369,800	150,806,100	150,369,800
KCWP Fund	2,903,500	1,630,700	1,917,900	1,630,700	1,917,900
TOTAL EXPENDITURES	171,337,500	154,164,000	154,220,600	154,164,000	154,220,600

The Workers' Compensation Funding Commission was created through the passage of House Bill 1 by the 1987 Extraordinary Session of the General Assembly. House Bill 928, passed by the 1994 General Assembly, transferred the Commission to the Labor Cabinet for administrative purposes. The agency has the public purpose of controlling, investing, and managing the funds collected pursuant to KRS Chapter 342.

The Commission collects two separate assessments as required by KRS Chapter 342. One assessment is imposed on Kentucky workers' compensation premiums received by all insurance carriers and group self-insurers, and on a calculation-based premium equivalent for employers carrying their own risk. A second assessment is imposed on such premiums received from employers engaged in the severance or processing of coal. In addition to these assessments, House Bill 1 of the 1996 Extraordinary Session also mandates that beginning with fiscal year 1998 and all fiscal years thereafter, the Revenue Cabinet credit \$19 million in coal severance tax revenues levied under KRS 143.020 to the Benefit Reserve Fund within the Commission. These funds, coupled with the two assessments, are to be used: to fund and pre-fund the liabilities of the Special Fund and the Coal Workers' Pneumoconiosis Fund; finance the administration and operations of the Special Fund and the Coal Workers' Pneumoconiosis Fund; finance the administration and operations of the Funding Commission; finance all programs in the Labor Cabinet except the Division of Employment Standards and Mediation and the Office of Labor-Management Relations; and pay the liabilities and fund the operating budget for the Uninsured Employers' Fund in the Office of the Attorney General.

These assessments are credited to the Commission's Benefit Reserve Fund and the excess of collections over Special Fund liabilities, the Coal Workers' Pneumoconiosis Fund liabilities and budgeted expenditures are invested according to the Commission's policies and in compliance with KRS Chapter 386. The agency may perform or contract for audits of those entities subject to assessments, and may coordinate with other governmental agencies to ensure compliance with the statutes relating to workers' compensation funding.

The Commission is governed by a Board of Directors composed of the Cabinet Secretaries of Labor, Economic Development and Revenue, and four members representing insurers and insureds, who are appointed by the Governor. The Board appoints an executive director to carry out the business of the Commission.

The Board is required to engage a certified public accountant to conduct an annual examination of the Commission's affairs and report the findings to the Governor and the Auditor of Public Accounts.

Included in the operating expenses are the fund transfers which represent the amounts the Commission will transfer to the Labor Cabinet and the Uninsured Employers' Fund for those programs statutorily supported by assessments.

The revenue information combines the cash within the state accounting system and the cash located with the Commission long-term investment management firms. Presently, the Funding Commission has an agreement with the Office of Financial Management and Economic Analysis for short-term investments. The remaining balance of the Benefit Reserve Fund is divided among three long-term investment managers, including National Asset Management; Western Asset Management; and the Janus Corporation.

Natural Resources and Environmental Protection

	Revised FY 2000	Requested FY 2001	Requested FY 2002	Recommended FY 2001	Recommended FY 2002
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	56,469,500	68,933,000	69,888,700	59,280,300	61,912,100
Mandated Allotments	858,500				
Total General Fund	57,328,000	68,933,000	69,888,700	59,280,300	61,912,100
Restricted Funds					
Balance Forward	50,779,100	41,091,700	33,415,800	41,091,700	33,415,800
Current Receipts	18,470,700	16,258,600	16,564,300	18,358,600	19,340,800
Non-Revenue Receipts	10,019,700	8,317,200	8,749,300	8,315,400	8,745,900
Total Restricted Funds	79,269,500	65,667,500	58,729,400	67,765,700	61,502,500
Federal Funds					
Balance Forward	1,438,900				
Current Receipts	56,880,400	62,132,600	62,104,900	62,107,300	62,057,000
Non-Revenue Receipts	-390,800	-240,400	183,800	-238,600	187,200
Total Federal Funds	57,928,500	61,892,200	62,288,700	61,868,700	62,244,200
TOTAL SOURCE OF FUNDS	194,526,000	196,492,700	190,906,800	188,914,700	185,658,800
EXPENDITURES BY CLASS					
Personnel Cost	93,642,900	97,033,400	100,870,500	94,717,000	98,637,700
Operating Expenses	15,130,200	18,387,600	18,762,100	16,630,800	16,691,900
Grants, Loans or Benefits	22,937,700	24,448,900	23,697,500	23,498,900	22,747,500
Debt Service		203,000	406,000	203,000	1,317,000
Capital Outlay	4,723,500	6,004,000	4,137,500	3,449,200	3,231,500
Construction	17,000,000	17,000,000	17,000,000	17,000,000	17,000,000
TOTAL EXPENDITURES	153,434,300	163,076,900	164,873,600	155,498,900	159,625,600
EXPENDITURES BY FUND SOURCE					
General Fund	57,328,000	68,933,000	69,888,700	59,280,300	61,912,100
Restricted Funds	38,177,800	32,251,700	32,696,200	34,349,900	35,469,300
Federal Funds	57,928,500	61,892,200	62,288,700	61,868,700	62,244,200
TOTAL EXPENDITURES	153,434,300	163,076,900	164,873,600	155,498,900	159,625,600
EXPENDITURES BY UNIT					
General Administration and Support	11,544,100	12,276,800	12,942,100	11,689,400	11,958,700
Natural Resources	23,292,100	27,114,600	25,676,600	23,566,600	24,644,500
Environmental Protection	61,526,500	65,036,300	66,211,600	62,232,700	63,541,500
Surface Mining Reclamation and Enforcement	31,684,600	33,106,200	34,237,400	32,693,000	33,923,100
Abandoned Mine Lands Reclamation Projects	22,000,000	22,000,000	22,000,000	22,000,000	22,000,000
Environmental Quality Commission	251,800	289,900	270,300	274,300	265,900
Kentucky Nature Preserves Commission	1,476,700	1,529,600	1,568,700	1,319,400	1,325,000
Kentucky River Authority	1,658,500	1,723,500	1,966,900	1,723,500	1,966,900
TOTAL EXPENDITURES	153,434,300	163,076,900	164,873,600	155,498,900	159,625,600

The Natural Resources and Environmental Protection Cabinet is charged with broad responsibilities for the protection and preservation of land, air, and water resources.

**Natural Resources and Environmental Protection
General Administration and Support**

	Revised FY 2000	Requested FY 2001	Requested FY 2002	Recommended FY 2001	Recommended FY 2002
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	9,279,700	10,050,400	10,641,100	9,488,300	9,705,600
Total General Fund	9,279,700	10,050,400	10,641,100	9,488,300	9,705,600
Restricted Funds					
Balance Forward	788,800	476,700	226,000	476,700	226,000
Current Receipts	-2,100	800	800	800	800
Non-Revenue Receipts	227,700	193,400	203,200	191,600	199,800
Total Restricted Funds	1,014,400	670,900	430,000	669,100	426,600
Federal Funds					
Balance Forward	208,800				
Current Receipts	1,649,200	1,916,800	2,013,100	1,891,500	1,965,200
Non-Revenue Receipts	-131,300	-135,300	-142,100	-133,500	-138,700
Total Federal Funds	1,726,700	1,781,500	1,871,000	1,758,000	1,826,500
TOTAL SOURCE OF FUNDS	12,020,800	12,502,800	12,942,100	11,915,400	11,958,700
EXPENDITURES BY CLASS					
Personnel Cost	9,836,200	10,524,500	11,048,400	10,089,900	10,424,200
Operating Expenses	1,615,700	1,697,600	1,827,300	1,599,500	1,534,500
Capital Outlay	92,200	54,700	66,400		
TOTAL EXPENDITURES	11,544,100	12,276,800	12,942,100	11,689,400	11,958,700
EXPENDITURES BY FUND SOURCE					
General Fund	9,279,700	10,050,400	10,641,100	9,488,300	9,705,600
Restricted Funds	537,700	444,900	430,000	443,100	426,600
Federal Funds	1,726,700	1,781,500	1,871,000	1,758,000	1,826,500
TOTAL EXPENDITURES	11,544,100	12,276,800	12,942,100	11,689,400	11,958,700
EXPENDITURES BY UNIT					
Secretary	1,440,000	1,621,300	1,718,000	1,613,900	1,658,700
Administrative Services	1,935,400	2,047,500	2,133,100	1,952,800	2,003,100
Administrative Hearings	795,100	829,100	881,100	756,100	772,800
Legal Services	5,157,100	5,321,400	5,634,500	5,087,500	5,237,000
Information Services	1,609,200	1,716,800	1,800,000	1,546,100	1,591,700
Inspector General	607,300	740,700	775,400	610,000	630,200
Wage Equity				123,000	65,200
TOTAL EXPENDITURES	11,544,100	12,276,800	12,942,100	11,689,400	11,958,700

The General Administration and Support appropriation unit is responsible for providing the executive direction, leadership, and administrative support necessary in accomplishing the goals and missions of the Natural Resources and Environmental Protection Cabinet.

The Office of the Secretary formulates and executes Cabinet policies based on administration priorities, state and federal statutes and regulations, legislative initiatives, and the concerns of the general public. The budget preparation and oversight functions as well as the Ombudsman functions also reside here.

The Division of Administrative Services provides centralized support to the Cabinet in the areas of personnel management, accounting, grants administration, and property and facilities management; and is also responsible for coordinating the development and implementation of the Cabinet's public information and environmental education efforts.

Natural Resources and Environmental Protection
Natural Resources

	Revised FY 2000	Requested FY 2001	Requested FY 2002	Recommended FY 2001	Recommended FY 2002
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	13,666,300	17,883,700	16,692,900	14,335,700	15,660,800
Mandated Allotments	858,500				
Total General Fund	14,524,800	17,883,700	16,692,900	14,335,700	15,660,800
Restricted Funds					
Balance Forward	3,489,000	2,611,300	1,557,000	2,611,300	1,557,000
Current Receipts	931,100	946,400	970,400	946,400	970,400
Non-Revenue Receipts	4,207,000	3,197,300	3,237,700	3,197,300	3,237,700
Total Restricted Funds	8,627,100	6,755,000	5,765,100	6,755,000	5,765,100
Federal Funds					
Balance Forward	310,800				
Current Receipts	2,591,400	4,183,600	3,919,300	4,183,600	3,919,300
Non-Revenue Receipts	-150,700	-150,700	-150,700	-150,700	-150,700
Total Federal Funds	2,751,500	4,032,900	3,768,600	4,032,900	3,768,600
TOTAL SOURCE OF FUNDS	25,903,400	28,671,600	26,226,600	25,123,600	25,194,500
EXPENDITURES BY CLASS					
Personnel Cost	12,310,400	11,980,800	12,489,000	11,587,700	12,510,500
Operating Expenses	2,500,600	3,434,600	2,670,300	2,567,300	2,133,600
Grants, Loans or Benefits	8,167,500	9,850,400	9,769,900	9,100,400	9,019,900
Debt Service					705,000
Capital Outlay	313,600	1,848,800	747,400	311,200	275,500
TOTAL EXPENDITURES	23,292,100	27,114,600	25,676,600	23,566,600	24,644,500
EXPENDITURES BY FUND SOURCE					
General Fund	14,524,800	17,883,700	16,692,900	14,335,700	15,660,800
Restricted Funds	6,015,800	5,198,000	5,215,100	5,198,000	5,215,100
Federal Funds	2,751,500	4,032,900	3,768,600	4,032,900	3,768,600
TOTAL EXPENDITURES	23,292,100	27,114,600	25,676,600	23,566,600	24,644,500
EXPENDITURES BY UNIT					
Commissioner	458,600	554,200	535,200	831,600	1,519,200
Forestry	13,278,400	15,163,300	13,795,100	11,940,700	12,074,800
Conservation	7,302,700	9,165,000	9,064,600	8,342,400	8,307,700
Energy	2,252,400	2,232,100	2,281,700	2,230,200	2,281,000
Wage Equity				221,700	461,800
TOTAL EXPENDITURES	23,292,100	27,114,600	25,676,600	23,566,600	24,644,500

The programs in the Department of Natural Resources are primarily concerned with the conservation, preservation, protection, perpetuation, and enhancement of the Commonwealth's natural land resources for the benefit of present as well as future generations of Kentucky citizens.

Policy

Included in the Governor's recommendation is an allocation from the General Fund in the amount of \$221,700 in fiscal year 2001 and \$461,800 in fiscal year 2002 for the Wage Equity Plan.

**Natural Resources and Environmental Protection
Natural Resources
Commissioner**

	Revised FY 2000	Requested FY 2001	Requested FY 2002	Recommended FY 2001	Recommended FY 2002
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	416,000	440,700	461,500	718,100	1,445,500
Total General Fund	416,000	440,700	461,500	718,100	1,445,500
Restricted Funds					
Balance Forward	300	300	200	300	200
Non-Revenue Receipts	42,600	113,400	73,500	113,400	73,500
Total Restricted Funds	42,900	113,700	73,700	113,700	73,700
TOTAL SOURCE OF FUNDS	458,900	554,400	535,200	831,800	1,519,200
EXPENDITURES BY CLASS					
Personnel Cost	395,500	446,600	467,800	409,100	432,600
Operating Expenses	63,100	71,900	67,400	111,300	106,100
Debt Service					705,000
Capital Outlay		35,700		311,200	275,500
TOTAL EXPENDITURES	458,600	554,200	535,200	831,600	1,519,200
EXPENDITURES BY FUND SOURCE					
General Fund	416,000	440,700	461,500	718,100	1,445,500
Restricted Funds	42,600	113,500	73,700	113,500	73,700
TOTAL EXPENDITURES	458,600	554,200	535,200	831,600	1,519,200

Policy

Additional General Fund support in the amount of \$416,000 in fiscal year 2002 is provided for debt service to purchase timber and mineral rights to preserve Black Mountain.

Additional General Fund support in the amount of \$289,000 for fiscal year 2002 is provided for debt service to fund the "Forestry Radio System" capital project. This will enhance communication for firefighters allowing for quicker reaction to changing situations associated with fighting forest fires.

Additional restricted fund support is recommended in the amount of \$70,800 in fiscal year 2001 and \$30,900 in fiscal year 2002 for a full-time position and related operating costs. The additional staff support is needed to communicate and track the implementation of regulations, as well as, leverage contributions and matching funds associated with the Kentucky Heritage Land Conservation Fund.

Natural Resources and Environmental Protection
Natural Resources
Forestry

	Revised FY 2000	Requested FY 2001	Requested FY 2002	Recommended FY 2001	Recommended FY 2002
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	9,287,900	12,600,700	11,326,500	9,378,100	9,606,200
Mandated Allotments	858,500				
Total General Fund	10,146,400	12,600,700	11,326,500	9,378,100	9,606,200
Restricted Funds					
Balance Forward	893,500	145,400	25,700	145,400	25,700
Current Receipts	784,300	784,300	784,300	784,300	784,300
Non-Revenue Receipts	206,100	206,100	206,100	206,100	206,100
Total Restricted Funds	1,883,900	1,135,800	1,016,100	1,135,800	1,016,100
Federal Funds					
Balance Forward	241,000				
Current Receipts	1,250,700	1,550,700	1,550,700	1,550,700	1,550,700
Non-Revenue Receipts	-98,200	-98,200	-98,200	-98,200	-98,200
Total Federal Funds	1,393,500	1,452,500	1,452,500	1,452,500	1,452,500
TOTAL SOURCE OF FUNDS	13,423,800	15,189,000	13,795,100	11,966,400	12,074,800
EXPENDITURES BY CLASS					
Personnel Cost	10,375,800	9,909,300	10,314,500	9,351,500	9,917,000
Operating Expenses	2,039,000	2,890,900	2,183,300	2,039,200	1,607,900
Grants, Loans or Benefits	550,000	550,000	549,900	550,000	549,900
Capital Outlay	313,600	1,813,100	747,400		
TOTAL EXPENDITURES	13,278,400	15,163,300	13,795,100	11,940,700	12,074,800
EXPENDITURES BY FUND SOURCE					
General Fund	10,146,400	12,600,700	11,326,500	9,378,100	9,606,200
Restricted Funds	1,738,500	1,110,100	1,016,100	1,110,100	1,016,100
Federal Funds	1,393,500	1,452,500	1,452,500	1,452,500	1,452,500
TOTAL EXPENDITURES	13,278,400	15,163,300	13,795,100	11,940,700	12,074,800

The Division of Forestry is responsible for providing technical assistance on sound forest management practices to private woodland owners, enhancing the state's woodlands by acquiring new forest land and reforesting idle or unproductive land, and protecting the Commonwealth's 11.9 million acres of forest resources from forest fires and insect and disease pests.

A total of \$240,000 is included each year for emergency fire suppression costs. Language contained in the Appropriations Bill declares expenditures in excess of this amount to be a necessary governmental expense to be paid from the General Fund Surplus Account (KRS 48.700) or the Budget Reserve Trust Fund (KRS 48.705).

Natural Resources and Environmental Protection
Natural Resources
Conservation

	Revised FY 2000	Requested FY 2001	Requested FY 2002	Recommended FY 2001	Recommended FY 2002
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	3,809,500	4,685,700	4,744,500	3,863,100	3,987,600
Total General Fund	3,809,500	4,685,700	4,744,500	3,863,100	3,987,600
Restricted Funds					
Balance Forward	377,000	592,400	550,000	592,400	550,000
Current Receipts	146,800	162,100	186,100	162,100	186,100
Non-Revenue Receipts	3,405,800	2,825,300	2,905,600	2,825,300	2,905,600
Total Restricted Funds	3,929,600	3,579,800	3,641,700	3,579,800	3,641,700
Federal Funds					
Current Receipts	156,000	1,449,500	1,228,400	1,449,500	1,228,400
Total Federal Funds	156,000	1,449,500	1,228,400	1,449,500	1,228,400
TOTAL SOURCE OF FUNDS	7,895,100	9,715,000	9,614,600	8,892,400	8,857,700
EXPENDITURES BY CLASS					
Personnel Cost	997,900	1,059,800	1,115,400	1,042,200	1,108,500
Operating Expenses	188,900	258,900	209,900	203,900	209,900
Grants, Loans or Benefits	6,115,900	7,846,300	7,739,300	7,096,300	6,989,300
TOTAL EXPENDITURES	7,302,700	9,165,000	9,064,600	8,342,400	8,307,700
EXPENDITURES BY FUND SOURCE					
General Fund	3,809,500	4,685,700	4,744,500	3,863,100	3,987,600
Restricted Funds	3,337,200	3,029,800	3,091,700	3,029,800	3,091,700
Federal Funds	156,000	1,449,500	1,228,400	1,449,500	1,228,400
TOTAL EXPENDITURES	7,302,700	9,165,000	9,064,600	8,342,400	8,307,700

The Division of Conservation is responsible for assisting Kentucky's 121 conservation districts in developing and implementing sound conservation programs to protect, enhance, and develop the Commonwealth's natural resources so these resources serve the greatest number of people for the longest period of time. The Division is also responsible for developing educational activities; assisting the local conservation districts through financial assistance and providing loans for equipment for conservation and water quality-related work on Kentucky lands; and providing administrative services to the State Soil and Water Conservation Commission.

Natural Resources and Environmental Protection
Natural Resources
Energy

	Revised FY 2000	Requested FY 2001	Requested FY 2002	Recommended FY 2001	Recommended FY 2002
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	152,900	156,600	160,400	154,700	159,700
Total General Fund	152,900	156,600	160,400	154,700	159,700
Restricted Funds					
Balance Forward	2,218,200	1,873,200	981,100	1,873,200	981,100
Non-Revenue Receipts	552,500	52,500	52,500	52,500	52,500
Total Restricted Funds	2,770,700	1,925,700	1,033,600	1,925,700	1,033,600
Federal Funds					
Balance Forward	69,800				
Current Receipts	1,184,700	1,183,400	1,140,200	1,183,400	1,140,200
Non-Revenue Receipts	-52,500	-52,500	-52,500	-52,500	-52,500
Total Federal Funds	1,202,000	1,130,900	1,087,700	1,130,900	1,087,700
TOTAL SOURCE OF FUNDS	4,125,600	3,213,200	2,281,700	3,211,300	2,281,000
EXPENDITURES BY CLASS					
Personnel Cost	541,200	565,100	591,300	563,200	590,600
Operating Expenses	209,600	212,900	209,700	212,900	209,700
Grants, Loans or Benefits	1,501,600	1,454,100	1,480,700	1,454,100	1,480,700
TOTAL EXPENDITURES	2,252,400	2,232,100	2,281,700	2,230,200	2,281,000
EXPENDITURES BY FUND SOURCE					
General Fund	152,900	156,600	160,400	154,700	159,700
Restricted Funds	897,500	944,600	1,033,600	944,600	1,033,600
Federal Funds	1,202,000	1,130,900	1,087,700	1,130,900	1,087,700
TOTAL EXPENDITURES	2,252,400	2,232,100	2,281,700	2,230,200	2,281,000

The Division of Energy has responsibility for stimulating more efficient utilization of energy in all sectors of the Kentucky economy in order to reduce energy costs and enhance national energy security.

Major functions of the Division involve awarding grants to schools and hospitals and to the industrial sector; providing technical assistance to all Kentuckians in energy efficiency and alternative energy sources such as solar, wood, geothermal, and wind; conducting emergency planning to handle energy shortages; and compiling energy data for Kentucky.

**Natural Resources and Environmental Protection
Environmental Protection**

	Revised FY 2000	Requested FY 2001	Requested FY 2002	Recommended FY 2001	Recommended FY 2002
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	22,073,200	28,494,700	29,692,500	23,591,100	24,245,900
Total General Fund	22,073,200	28,494,700	29,692,500	23,591,100	24,245,900
Restricted Funds					
Balance Forward	14,663,400	8,357,900	4,799,800	8,357,900	4,799,800
Current Receipts	13,686,000	11,512,600	11,866,900	13,612,600	14,643,400
Non-Revenue Receipts	3,855,600	3,663,600	4,245,800	3,663,600	4,245,800
Total Restricted Funds	32,205,000	23,534,100	20,912,500	25,634,100	23,689,000
Federal Funds					
Balance Forward	639,500				
Current Receipts	13,458,000	16,039,500	15,637,500	16,039,500	15,637,500
Non-Revenue Receipts	1,508,700	1,767,800	2,267,000	1,767,800	2,267,000
Total Federal Funds	15,606,200	17,807,300	17,904,500	17,807,300	17,904,500
TOTAL SOURCE OF FUNDS	69,884,400	69,836,100	68,509,500	67,032,500	65,839,400
EXPENDITURES BY CLASS					
Personnel Cost	43,006,400	44,750,000	46,546,400	43,859,700	45,398,400
Operating Expenses	7,364,400	9,134,300	9,922,400	8,362,000	8,761,500
Grants, Loans or Benefits	6,076,700	6,226,400	5,547,900	6,026,400	5,347,900
Debt Service					206,000
Capital Outlay	2,979,000	2,825,600	2,094,900	1,884,600	1,727,700
Construction	2,100,000	2,100,000	2,100,000	2,100,000	2,100,000
TOTAL EXPENDITURES	61,526,500	65,036,300	66,211,600	62,232,700	63,541,500
EXPENDITURES BY FUND SOURCE					
General Fund	22,073,200	28,494,700	29,692,500	23,591,100	24,245,900
Restricted Funds	23,847,100	18,734,300	18,614,600	20,834,300	21,391,100
Federal Funds	15,606,200	17,807,300	17,904,500	17,807,300	17,904,500
TOTAL EXPENDITURES	61,526,500	65,036,300	66,211,600	62,232,700	63,541,500
EXPENDITURES BY UNIT					
Commissioner	1,594,700	1,699,300	1,755,300	1,707,400	1,930,200
Water	22,393,000	24,428,400	24,494,000	23,902,800	24,050,400
Waste Management	21,218,600	21,094,100	21,345,700	19,676,400	20,273,200
Air Quality	11,400,700	12,010,800	12,412,100	11,976,500	12,386,800
Environmental Services	4,459,500	4,368,000	4,440,200	4,276,000	4,371,200
Maxey Flats	460,000	1,435,700	1,764,300	459,800	473,900
Wage Equity				233,800	55,800
TOTAL EXPENDITURES	61,526,500	65,036,300	66,211,600	62,232,700	63,541,500

The Department for Environmental Protection is charged with the responsibility of protecting the environmental health of Kentucky's citizens through the prevention, abatement, and control of water, land, and air pollution.

Policy

Included in the Governor's recommendation is an allocation from the General Fund in the amount of \$233,800 in fiscal year 2001 and \$55,800 in fiscal year 2002 for the Wage Equity Plan.

**Natural Resources and Environmental Protection
Environmental Protection
Commissioner**

	Revised FY 2000	Requested FY 2001	Requested FY 2002	Recommended FY 2001	Recommended FY 2002
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	1,410,000	1,501,900	1,587,300	1,510,000	1,762,200
Total General Fund	1,410,000	1,501,900	1,587,300	1,510,000	1,762,200
Restricted Funds					
Balance Forward	182,100	138,600	96,200	138,600	96,200
Current Receipts	8,000	8,100	8,200	8,100	8,200
Non-Revenue Receipts	133,200	146,900	154,300	146,900	154,300
Total Restricted Funds	323,300	293,600	258,700	293,600	258,700
TOTAL SOURCE OF FUNDS	1,733,300	1,795,500	1,846,000	1,803,600	2,020,900
EXPENDITURES BY CLASS					
Personnel Cost	1,338,200	1,412,500	1,483,300	1,367,600	1,385,200
Operating Expenses	207,800	236,800	241,000	236,800	236,000
Debt Service					206,000
Capital Outlay	48,700	50,000	31,000	103,000	103,000
TOTAL EXPENDITURES	1,594,700	1,699,300	1,755,300	1,707,400	1,930,200
EXPENDITURES BY FUND SOURCE					
General Fund	1,410,000	1,501,900	1,587,300	1,510,000	1,762,200
Restricted Funds	184,700	197,400	168,000	197,400	168,000
TOTAL EXPENDITURES	1,594,700	1,699,300	1,755,300	1,707,400	1,930,200

Policy

Additional General Fund support in the amount of \$8,100 each year of the biennium will ensure the maintenance of newly created systems for the Empower Kentucky Simplified Regulatory System.

Additional General Fund support in the amount of \$206,000 in fiscal year 2002 is provided for debt service for the "State Owned Dam Repair" capital project.

Natural Resources and Environmental Protection
Environmental Protection
Water

	Revised FY 2000	Requested FY 2001	Requested FY 2002	Recommended FY 2001	Recommended FY 2002
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	10,726,500	11,572,200	11,844,400	11,046,600	11,400,800
Total General Fund	10,726,500	11,572,200	11,844,400	11,046,600	11,400,800
Restricted Funds					
Balance Forward	1,452,400	188,400		188,400	
Current Receipts	824,000	932,200	1,002,500	932,200	1,002,500
Non-Revenue Receipts	792,100	795,300	806,000	795,300	806,000
Total Restricted Funds	3,068,500	1,915,900	1,808,500	1,915,900	1,808,500
Federal Funds					
Balance Forward	35,000				
Current Receipts	6,255,500	8,153,700	7,524,400	8,153,700	7,524,400
Non-Revenue Receipts	2,495,900	2,786,600	3,316,700	2,786,600	3,316,700
Total Federal Funds	8,786,400	10,940,300	10,841,100	10,940,300	10,841,100
TOTAL SOURCE OF FUNDS	22,581,400	24,428,400	24,494,000	23,902,800	24,050,400
EXPENDITURES BY CLASS					
Personnel Cost	14,522,100	15,494,200	16,208,300	15,045,000	15,839,300
Operating Expenses	2,542,500	2,900,300	2,952,900	3,106,100	3,195,500
Grants, Loans or Benefits	4,465,300	5,127,400	4,434,800	4,927,400	4,234,800
Capital Outlay	863,100	906,500	898,000	824,300	780,800
TOTAL EXPENDITURES	22,393,000	24,428,400	24,494,000	23,902,800	24,050,400
EXPENDITURES BY FUND SOURCE					
General Fund	10,726,500	11,572,200	11,844,400	11,046,600	11,400,800
Restricted Funds	2,880,100	1,915,900	1,808,500	1,915,900	1,808,500
Federal Funds	8,786,400	10,940,300	10,841,100	10,940,300	10,841,100
TOTAL EXPENDITURES	22,393,000	24,428,400	24,494,000	23,902,800	24,050,400

Operating under authority granted by both state and federal statutes, the Division of Water is responsible for administering programs to: ensure a continuous supply of safe drinking water; ensure the maintenance of water quality in the state; protect the state's water storage supplies from harmful overflows; preserve the safety of the Commonwealth's citizens by preventing improper construction of water improvements; and promote and regulate the conservation, development, and most beneficial use of the state's water resources.

Policy

Additional General Fund support in the amount of \$397,900 in fiscal year 2001 and \$434,700 in fiscal year 2002 to continue support for the implementation of Empower Kentucky permitting projects. Funds for one new staff member, consultant fees, and operating will ensure maintenance of software and hardware, which improve response time, better communication within the Cabinet and with citizens, and improved documentation.

Additional federal funds are included in the amount of \$1,708,400 in fiscal year 2001 and \$1,708,400 in fiscal year 2002 to implement restoration strategies in priority unified assessment watersheds as part of the Clean Water Action Plan (CWAP). Funds are provided for four positions, operating, and grants to provide the necessary guidance, oversight and administration of the CWAP projects.

Additional federal funds are included in the amount of \$65,200 in fiscal year 2001 and \$37,400 in fiscal year 2002 for one position and operating to continue documentation of significant problems associated with point and non-point source pollution from timber harvesting operations and provide technical assistance to the Division of Forestry personnel.

**Natural Resources and Environmental Protection
Environmental Protection
Waste Management**

	Revised FY 2000	Requested FY 2001	Requested FY 2002	Recommended FY 2001	Recommended FY 2002
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	4,994,100	8,897,000	9,363,300	5,379,300	5,514,300
Total General Fund	4,994,100	8,897,000	9,363,300	5,379,300	5,514,300
Restricted Funds					
Balance Forward	10,547,500	6,017,200	3,147,100	6,017,200	3,147,100
Current Receipts	4,464,900	1,739,000	1,636,800	3,839,000	4,413,300
Non-Revenue Receipts	2,270,100	2,480,400	3,041,800	2,480,400	3,041,800
Total Restricted Funds	17,282,500	10,236,600	7,825,700	12,336,600	10,602,200
Federal Funds					
Balance Forward	310,200				
Current Receipts	5,430,600	5,919,700	6,153,500	5,919,700	6,153,500
Non-Revenue Receipts	-781,600	-812,100	-841,800	-812,100	-841,800
Total Federal Funds	4,959,200	5,107,600	5,311,700	5,107,600	5,311,700
TOTAL SOURCE OF FUNDS	27,235,800	24,241,200	22,500,700	22,823,500	21,428,200
EXPENDITURES BY CLASS					
Personnel Cost	15,340,800	15,400,800	15,934,900	14,731,000	15,184,900
Operating Expenses	1,873,300	2,081,400	2,300,400	2,157,000	2,299,900
Grants, Loans or Benefits	1,191,400	688,400	688,400	688,400	688,400
Capital Outlay	713,100	823,500	322,000		
Construction	2,100,000	2,100,000	2,100,000	2,100,000	2,100,000
TOTAL EXPENDITURES	21,218,600	21,094,100	21,345,700	19,676,400	20,273,200
EXPENDITURES BY FUND SOURCE					
General Fund	4,994,100	8,897,000	9,363,300	5,379,300	5,514,300
Restricted Funds	11,265,300	7,089,500	6,670,700	9,189,500	9,447,200
Federal Funds	4,959,200	5,107,600	5,311,700	5,107,600	5,311,700
TOTAL EXPENDITURES	21,218,600	21,094,100	21,345,700	19,676,400	20,273,200

The Division of Waste Management, under the authority granted by KRS 224, is responsible for programs to regulate the generation, transportation, storage, treatment, and disposal of all hazardous wastes in the state; to ensure proper disposal of all solid waste produced in the Commonwealth; and to remove abandoned vehicles from the landscape in conjunction with local entities. Additional responsibilities include: encouraging the wise use and recycling of our resources; providing technical assistance to counties and solid waste management districts to facilitate compliance with 401 KAR, Chapter 49; investigating and restoring abandoned hazardous waste disposal sites; and educating Kentucky citizens in order to promote a better understanding of waste management issues.

Policy

Additional General Fund support in the amount of \$442,700 in fiscal year 2001 and \$420,500 in fiscal year 2002 is provided for Empower Kentucky project support. Funds are provided for one full-time employee and operating to maintain the newly created Simplified Regulatory Systems.

Additional restricted funds are recommended to continue the collection of Hazardous Waste Assessment fees in the amount of \$2,100,000 in fiscal year 2001 and \$2,776,500 in fiscal year 2002. If legislation is not enacted continuing the assessment: General Fund dollars will be needed to support the state cost share of managing the federal Superfund sites, the remediation of sites not eligible for federal funding, the salaries of the State Superfund Section employees, and the activities of the Cabinet Emergency Response Team.

Additional federal funds in the amount of \$291,800 for fiscal year 2002 are recommended in association with the above Hazardous Waste Assessment fees.

Natural Resources and Environmental Protection
Environmental Protection
Air Quality

	Revised FY 2000	Requested FY 2001	Requested FY 2002	Recommended FY 2001	Recommended FY 2002
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	1,127,800	1,564,800	1,527,700	1,530,500	1,502,400
Total General Fund	1,127,800	1,564,800	1,527,700	1,530,500	1,502,400
Restricted Funds					
Balance Forward	1,794,000	1,770,200	1,457,200	1,770,200	1,457,200
Current Receipts	8,368,900	8,813,100	9,199,200	8,813,100	9,199,200
Non-Revenue Receipts	201,300	-248,700	-271,200	-248,700	-271,200
Total Restricted Funds	10,364,200	10,334,600	10,385,200	10,334,600	10,385,200
Federal Funds					
Balance Forward	267,500				
Current Receipts	1,595,100	1,752,300	1,735,100	1,752,300	1,735,100
Non-Revenue Receipts	-183,700	-183,700	-183,700	-183,700	-183,700
Total Federal Funds	1,678,900	1,568,600	1,551,400	1,568,600	1,551,400
TOTAL SOURCE OF FUNDS	13,170,900	13,468,000	13,464,300	13,433,700	13,439,000
EXPENDITURES BY CLASS					
Personnel Cost	8,914,300	9,285,500	9,616,900	9,437,000	9,718,800
Operating Expenses	1,457,800	1,680,600	1,817,100	1,553,100	1,689,900
Grants, Loans or Benefits	336,500	327,100	341,200	327,100	341,200
Capital Outlay	692,100	717,600	636,900	659,300	636,900
TOTAL EXPENDITURES	11,400,700	12,010,800	12,412,100	11,976,500	12,386,800
EXPENDITURES BY FUND SOURCE					
General Fund	1,127,800	1,564,800	1,527,700	1,530,500	1,502,400
Restricted Funds	8,594,000	8,877,400	9,333,000	8,877,400	9,333,000
Federal Funds	1,678,900	1,568,600	1,551,400	1,568,600	1,551,400
TOTAL EXPENDITURES	11,400,700	12,010,800	12,412,100	11,976,500	12,386,800

The Division of Air Quality is responsible for the identification and implementation of measures necessary to attain and maintain ambient air quality standards as mandated by the federal Clean Air Act and KRS 224.033. The Division accomplishes these goals by operating a comprehensive program involving air quality monitoring, planning, construction and operation permitting, source inspections to ensure compliance with air pollution laws and regulations, and enforcement actions as required.

The 1990 Clean Air Act Amendments imposed new permitting requirements to protect air quality with one of the primary focuses on air toxics. Federal law requires that an emission fee be levied on facilities with significant air pollutants to fund the implementation of the many new requirements. If a state does not assume authorization, the fee will be collected by the U.S. Environmental Protection Agency to fund a federal permitting program.

Policy

Additional General Fund support in the amount of \$411,900 in fiscal year 2001 and \$355,100 in fiscal year 2002 is provided for Empower Kentucky project support. Funds are provided for one full-time staff member and operating to maintain the newly created Simplified Regulatory Systems.

Natural Resources and Environmental Protection
Environmental Protection
Environmental Services

	Revised FY 2000	Requested FY 2001	Requested FY 2002	Recommended FY 2001	Recommended FY 2002
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	3,354,800	3,523,100	3,605,500	3,431,100	3,536,500
Total General Fund	3,354,800	3,523,100	3,605,500	3,431,100	3,536,500
Restricted Funds					
Balance Forward	687,400	243,500	99,300	243,500	99,300
Current Receipts	20,200	20,200	20,200	20,200	20,200
Non-Revenue Receipts	458,900	489,700	514,900	489,700	514,900
Total Restricted Funds	1,166,500	753,400	634,400	753,400	634,400
Federal Funds					
Balance Forward	26,800				
Current Receipts	176,800	213,800	224,500	213,800	224,500
Non-Revenue Receipts	-21,900	-23,000	-24,200	-23,000	-24,200
Total Federal Funds	181,700	190,800	200,300	190,800	200,300
TOTAL SOURCE OF FUNDS	4,703,000	4,467,300	4,440,200	4,375,300	4,371,200
EXPENDITURES BY CLASS					
Personnel Cost	2,591,000	2,831,900	2,962,000	2,739,900	2,893,000
Operating Expenses	1,181,500	1,213,100	1,246,200	1,213,100	1,246,200
Grants, Loans or Benefits	25,000	25,000	25,000	25,000	25,000
Capital Outlay	662,000	298,000	207,000	298,000	207,000
TOTAL EXPENDITURES	4,459,500	4,368,000	4,440,200	4,276,000	4,371,200
EXPENDITURES BY FUND SOURCE					
General Fund	3,354,800	3,523,100	3,605,500	3,431,100	3,536,500
Restricted Funds	923,000	654,100	634,400	654,100	634,400
Federal Funds	181,700	190,800	200,300	190,800	200,300
TOTAL EXPENDITURES	4,459,500	4,368,000	4,440,200	4,276,000	4,371,200

The Division of Environmental Services provides the laboratory services essential for characterizing, evaluating, and documenting the nature and extent of environmental pollutants in the Commonwealth. These services, required by KRS 224.033(7), are conducted in support of the regulatory, permitting, and enforcement activities for air, water, and waste management activities and for the investigation of spills and other environmental emergencies.

Policy

Additional General Fund support in the amount of \$87,800 in each year of the biennium is provided for Empower Kentucky project support costs. This additional funding will provide for the maintenance of the newly created systems.

**Natural Resources and Environmental Protection
Environmental Protection
Maxey Flats**

	Revised FY 2000	Requested FY 2001	Requested FY 2002	Recommended FY 2001	Recommended FY 2002
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	460,000	1,435,700	1,764,300	459,800	473,900
Total General Fund	460,000	1,435,700	1,764,300	459,800	473,900
TOTAL SOURCE OF FUNDS	460,000	1,435,700	1,764,300	459,800	473,900
EXPENDITURES BY CLASS					
Personnel Cost	300,000	325,100	341,000	305,400	321,400
Operating Expenses	101,500	1,022,100	1,364,800	95,900	94,000
Grants, Loans or Benefits	58,500	58,500	58,500	58,500	58,500
Capital Outlay		30,000			
TOTAL EXPENDITURES	460,000	1,435,700	1,764,300	459,800	473,900
EXPENDITURES BY FUND SOURCE					
General Fund	460,000	1,435,700	1,764,300	459,800	473,900
TOTAL EXPENDITURES	460,000	1,435,700	1,764,300	459,800	473,900

Originally opened as a disposal site for low-level nuclear waste, Maxey Flats was closed in 1977, and the Commonwealth assumed ownership and responsibility in 1978. Since that time, the Commonwealth has provided monitoring and maintenance activities at the site utilizing a combination of state and federal funds. Overall efforts have focused on minimizing any negative health impact on the citizens who live in the vicinity of the site while working toward final closure.

Recent state efforts have resulted in the site being added to the federal Superfund list for cleanup, and the site is currently in the remedial design phase of the remedy authorized by the U.S. Environmental Protection Agency. Actual remediation has begun but is not expected to be completed for several years. After remediation, the Commonwealth will continue to be responsible for operating and maintaining the site.

Appropriated funds are provided for monitoring and maintenance activities at the site.

**Natural Resources and Environmental Protection
Surface Mining Reclamation and Enforcement**

	Revised FY 2000	Requested FY 2001	Requested FY 2002	Recommended FY 2001	Recommended FY 2002
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	10,045,200	10,676,700	10,983,900	10,263,500	10,669,600
Total General Fund	10,045,200	10,676,700	10,983,900	10,263,500	10,669,600
Restricted Funds					
Balance Forward	28,258,900	26,411,600	24,316,700	26,411,600	24,316,700
Current Receipts	2,338,200	2,330,500	2,321,900	2,330,500	2,321,900
Non-Revenue Receipts	1,649,800	1,758,600	1,825,800	1,758,600	1,825,800
Total Restricted Funds	32,246,900	30,500,700	28,464,400	30,500,700	28,464,400
Federal Funds					
Balance Forward	279,800				
Current Receipts	17,140,200	17,966,100	18,508,400	17,966,100	18,508,400
Non-Revenue Receipts	-1,615,900	-1,720,600	-1,788,800	-1,720,600	-1,788,800
Total Federal Funds	15,804,100	16,245,500	16,719,600	16,245,500	16,719,600
TOTAL SOURCE OF FUNDS	58,096,200	57,422,900	56,167,900	57,009,700	55,853,600
EXPENDITURES BY CLASS					
Personnel Cost	25,938,500	27,034,500	27,960,000	26,621,400	27,645,700
Operating Expenses	3,160,500	3,562,300	3,792,600	3,562,200	3,792,600
Grants, Loans or Benefits	1,347,400	1,298,900	1,300,000	1,298,900	1,300,000
Capital Outlay	1,238,200	1,210,500	1,184,800	1,210,500	1,184,800
TOTAL EXPENDITURES	31,684,600	33,106,200	34,237,400	32,693,000	33,923,100
EXPENDITURES BY FUND SOURCE					
General Fund	10,045,200	10,676,700	10,983,900	10,263,500	10,669,600
Restricted Funds	5,835,300	6,184,000	6,533,900	6,184,000	6,533,900
Federal Funds	15,804,100	16,245,500	16,719,600	16,245,500	16,719,600
TOTAL EXPENDITURES	31,684,600	33,106,200	34,237,400	32,693,000	33,923,100
EXPENDITURES BY UNIT					
Commissioner	2,185,700	2,279,900	2,354,700	2,231,200	2,317,000
Permits	7,567,300	8,024,500	8,406,900	7,921,500	8,328,200
Field Services	12,650,300	13,232,500	13,641,800	12,971,000	13,443,900
Abandoned Lands	9,281,300	9,569,300	9,834,000	9,569,300	9,834,000
TOTAL EXPENDITURES	31,684,600	33,106,200	34,237,400	32,693,000	33,923,100

The Department for Surface Mining Reclamation and Enforcement was created in 1977 to implement the provisions of the federal Surface Mining Control and Reclamation Act of 1977 pursuant to Public Law 95-87. The Department's mission is to protect the public and minimize the environmental aspects caused by surface mining and the surface effects of underground mining.

**Natural Resources and Environmental Protection
Surface Mining Reclamation and Enforcement
Commissioner**

	Revised FY 2000	Requested FY 2001	Requested FY 2002	Recommended FY 2001	Recommended FY 2002
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	1,049,600	1,074,800	1,100,600	1,026,100	1,062,900
Total General Fund	1,049,600	1,074,800	1,100,600	1,026,100	1,062,900
Restricted Funds					
Balance Forward	13,779,500	13,522,700	13,273,100	13,522,700	13,273,100
Current Receipts	868,500	860,300	850,900	860,300	850,900
Non-Revenue Receipts	10,800	95,200	165,100	95,200	165,100
Total Restricted Funds	14,658,800	14,478,200	14,289,100	14,478,200	14,289,100
Federal Funds					
Balance Forward	3,100				
Non-Revenue Receipts	-3,100				
Total Federal Funds					
TOTAL SOURCE OF FUNDS	15,708,400	15,553,000	15,389,700	15,504,300	15,352,000
EXPENDITURES BY CLASS					
Personnel Cost	1,893,200	2,010,200	2,075,900	1,961,500	2,038,200
Operating Expenses	292,500	269,700	278,800	269,700	278,800
TOTAL EXPENDITURES	2,185,700	2,279,900	2,354,700	2,231,200	2,317,000
EXPENDITURES BY FUND SOURCE					
General Fund	1,049,600	1,074,800	1,100,600	1,026,100	1,062,900
Restricted Funds	1,136,100	1,205,100	1,254,100	1,205,100	1,254,100
TOTAL EXPENDITURES	2,185,700	2,279,900	2,354,700	2,231,200	2,317,000

**Natural Resources and Environmental Protection
Surface Mining Reclamation and Enforcement
Permits**

	Revised FY 2000	Requested FY 2001	Requested FY 2002	Recommended FY 2001	Recommended FY 2002
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	2,959,100	3,438,700	3,636,000	3,335,700	3,557,300
Total General Fund	2,959,100	3,438,700	3,636,000	3,335,700	3,557,300
Restricted Funds					
Balance Forward	206,700	278,600	160,000	278,600	160,000
Current Receipts	10,400	10,400	10,400	10,400	10,400
Non-Revenue Receipts	381,200	186,700	207,700	186,700	207,700
Total Restricted Funds	598,300	475,700	378,100	475,700	378,100
Federal Funds					
Balance Forward	33,200				
Current Receipts	4,634,700	4,674,500	4,818,300	4,674,500	4,818,300
Non-Revenue Receipts	-379,400	-404,400	-425,500	-404,400	-425,500
Total Federal Funds	4,288,500	4,270,100	4,392,800	4,270,100	4,392,800
TOTAL SOURCE OF FUNDS	7,845,900	8,184,500	8,406,900	8,081,500	8,328,200
EXPENDITURES BY CLASS					
Personnel Cost	5,868,600	6,029,400	6,252,100	5,926,500	6,173,400
Operating Expenses	784,800	1,148,000	1,320,300	1,147,900	1,320,300
Grants, Loans or Benefits	881,900	833,400	834,500	833,400	834,500
Capital Outlay	32,000	13,700		13,700	
TOTAL EXPENDITURES	7,567,300	8,024,500	8,406,900	7,921,500	8,328,200
EXPENDITURES BY FUND SOURCE					
General Fund	2,959,100	3,438,700	3,636,000	3,335,700	3,557,300
Restricted Funds	319,700	315,700	378,100	315,700	378,100
Federal Funds	4,288,500	4,270,100	4,392,800	4,270,100	4,392,800
TOTAL EXPENDITURES	7,567,300	8,024,500	8,406,900	7,921,500	8,328,200

The Division of Permits is responsible for efficiently reviewing all applications for permits to surface mine in the Commonwealth for compliance with Kentucky statutes and the federal Surface Mining Control and Reclamation Act. The program also administers the federal Small Operator's Assistance and Lands Unsuitable for Mining programs and processes applications for underground mining to determine the surface effects of such operations.

One third of the permit and acreage fees generated by this program will be returned to the county of origin as provided under KRS 350.139; a total of \$675,000 in General Fund moneys is included each year for this purpose.

Policy

The Governor recommends additional General Fund support in the amount of \$408,600 in fiscal year 2001 and \$549,400 in fiscal year 2002 for the continued implementation of the electronic permitting Empower Kentucky project.

**Natural Resources and Environmental Protection
Surface Mining Reclamation and Enforcement
Field Services**

	Revised FY 2000	Requested FY 2001	Requested FY 2002	Recommended FY 2001	Recommended FY 2002
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	6,036,500	6,163,200	6,247,300	5,901,700	6,049,400
Total General Fund	6,036,500	6,163,200	6,247,300	5,901,700	6,049,400
Restricted Funds					
Balance Forward	1,441,400	605,700	404,200	605,700	404,200
Current Receipts	3,600	4,100	4,900	4,100	4,900
Non-Revenue Receipts	-446,600	359,700	309,800	359,700	309,800
Total Restricted Funds	998,400	969,500	718,900	969,500	718,900
Federal Funds					
Balance Forward	215,900				
Current Receipts	6,534,200	7,067,800	7,285,200	7,067,800	7,285,200
Non-Revenue Receipts	-529,000	-563,800	-584,600	-563,800	-584,600
Total Federal Funds	6,221,100	6,504,000	6,700,600	6,504,000	6,700,600
TOTAL SOURCE OF FUNDS	13,256,000	13,636,700	13,666,800	13,375,200	13,468,900
EXPENDITURES BY CLASS					
Personnel Cost	10,163,800	10,645,500	11,027,700	10,384,000	10,829,800
Operating Expenses	1,398,100	1,446,100	1,481,200	1,446,100	1,481,200
Grants, Loans or Benefits	190,500	190,500	190,500	190,500	190,500
Capital Outlay	897,900	950,400	942,400	950,400	942,400
TOTAL EXPENDITURES	12,650,300	13,232,500	13,641,800	12,971,000	13,443,900
EXPENDITURES BY FUND SOURCE					
General Fund	6,036,500	6,163,200	6,247,300	5,901,700	6,049,400
Restricted Funds	392,700	565,300	693,900	565,300	693,900
Federal Funds	6,221,100	6,504,000	6,700,600	6,504,000	6,700,600
TOTAL EXPENDITURES	12,650,300	13,232,500	13,641,800	12,971,000	13,443,900

The Division of Field Services is responsible for developing policies and procedures for reclamation and enforcement programs in coal and non-coal minerals, and conducting an effective inspection program to carry out these policies and procedures in accordance with applicable federal and state statutes.

**Natural Resources and Environmental Protection
Surface Mining Reclamation and Enforcement
Abandoned Lands**

	Revised FY 2000	Requested FY 2001	Requested FY 2002	Recommended FY 2001	Recommended FY 2002
SOURCE OF FUNDS					
Restricted Funds					
Balance Forward	12,831,300	12,004,600	10,479,400	12,004,600	10,479,400
Current Receipts	1,455,700	1,455,700	1,455,700	1,455,700	1,455,700
Non-Revenue Receipts	1,704,400	1,117,000	1,143,200	1,117,000	1,143,200
Total Restricted Funds	15,991,400	14,577,300	13,078,300	14,577,300	13,078,300
Federal Funds					
Balance Forward	27,600				
Current Receipts	5,971,300	6,223,800	6,404,900	6,223,800	6,404,900
Non-Revenue Receipts	-704,400	-752,400	-778,700	-752,400	-778,700
Total Federal Funds	5,294,500	5,471,400	5,626,200	5,471,400	5,626,200
TOTAL SOURCE OF FUNDS	21,285,900	20,048,700	18,704,500	20,048,700	18,704,500
EXPENDITURES BY CLASS					
Personnel Cost	8,012,900	8,349,400	8,604,300	8,349,400	8,604,300
Operating Expenses	685,100	698,500	712,300	698,500	712,300
Grants, Loans or Benefits	275,000	275,000	275,000	275,000	275,000
Capital Outlay	308,300	246,400	242,400	246,400	242,400
TOTAL EXPENDITURES	9,281,300	9,569,300	9,834,000	9,569,300	9,834,000
EXPENDITURES BY FUND SOURCE					
Restricted Funds	3,986,800	4,097,900	4,207,800	4,097,900	4,207,800
Federal Funds	5,294,500	5,471,400	5,626,200	5,471,400	5,626,200
TOTAL EXPENDITURES	9,281,300	9,569,300	9,834,000	9,569,300	9,834,000

The Division of Abandoned Lands is responsible for reclaiming lands previously surface mined or used in connection with surface mining which have been abandoned or left unreclaimed under Title IV of Public Law 95-87 or KRS 350.

Federal funds for this program are derived from federal tax levies imposed under Public Law 95-87 on all coal mined since August 3, 1977. Approximately 150,000 acres of abandoned mine lands in Kentucky are eligible for eventual reclamation under Public Law 95-87. If Kentucky does not maintain an approved Abandoned Mine Land Reclamation program, moneys allocated for reclamation projects in the state may be reallocated to other coal-producing states.

All funds collected from the forfeiture of surface mining bonds are utilized in the reclamation of lands on which the bonds were forfeited. The collection and expenditure of these restricted funds from the Guaranty Bond Forfeiture account is included each year of the biennium.

**Natural Resources and Environmental Protection
Abandoned Mine Lands Reclamation Projects**

	Revised FY 2000	Requested FY 2001	Requested FY 2002	Recommended FY 2001	Recommended FY 2002
SOURCE OF FUNDS					
Federal Funds					
Current Receipts	22,000,000	22,000,000	22,000,000	22,000,000	22,000,000
Total Federal Funds	22,000,000	22,000,000	22,000,000	22,000,000	22,000,000
TOTAL SOURCE OF FUNDS	22,000,000	22,000,000	22,000,000	22,000,000	22,000,000
EXPENDITURES BY CLASS					
Personnel Cost	500,000	500,000	500,000	500,000	500,000
Grants, Loans or Benefits	6,600,000	6,600,000	6,600,000	6,600,000	6,600,000
Construction	14,900,000	14,900,000	14,900,000	14,900,000	14,900,000
TOTAL EXPENDITURES	22,000,000	22,000,000	22,000,000	22,000,000	22,000,000
EXPENDITURES BY FUND SOURCE					
Federal Funds	22,000,000	22,000,000	22,000,000	22,000,000	22,000,000
TOTAL EXPENDITURES	22,000,000	22,000,000	22,000,000	22,000,000	22,000,000

The Abandoned Mine Lands (AML) Reclamation Projects program in the Department for Surface Mining Reclamation and Enforcement receives funding for the reclamation of mine sites that have been abandoned or left unreclaimed under Title IV of Public Law 95-87 or KRS 350. If the Commonwealth does not maintain an approved AML Reclamation program, moneys allocated for reclamation projects within the state may be reallocated to other coal-producing states. The Natural Resources and Environmental Protection Cabinet continues to reclaim abandoned mine sites through a priority ranking system which reclaims first those sites which are considered the most threat to human life and safety. Providing clean, safe, potable water to the citizens of the coal fields whose drinking water supplies have been contaminated by past mining continues to be a high priority.

Administered by the Division of Abandoned Lands, all funds appropriated in this program are expended for design and construction activities associated with the reclamation of abandoned mine sites.

**Natural Resources and Environmental Protection
Environmental Quality Commission**

	Revised FY 2000	Requested FY 2001	Requested FY 2002	Recommended FY 2001	Recommended FY 2002
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	249,800	283,300	269,300	267,700	264,900
Total General Fund	249,800	283,300	269,300	267,700	264,900
Restricted Funds					
Balance Forward	6,600	6,600		6,600	
Current Receipts	1,800		1,000		1,000
Non-Revenue Receipts	200				
Total Restricted Funds	8,600	6,600	1,000	6,600	1,000
TOTAL SOURCE OF FUNDS	258,400	289,900	270,300	274,300	265,900
EXPENDITURES BY CLASS					
Personnel Cost	197,800	219,100	220,900	205,500	221,900
Operating Expenses	54,000	70,800	49,400	68,800	44,000
TOTAL EXPENDITURES	251,800	289,900	270,300	274,300	265,900
EXPENDITURES BY FUND SOURCE					
General Fund	249,800	283,300	269,300	267,700	264,900
Restricted Funds	2,000	6,600	1,000	6,600	1,000
TOTAL EXPENDITURES	251,800	289,900	270,300	274,300	265,900
EXPENDITURES BY UNIT					
Environmental Quality Commission	251,800	289,900	270,300	273,600	259,200
Wage Equity				700	6,700
TOTAL EXPENDITURES	251,800	289,900	270,300	274,300	265,900

The Environmental Quality Commission, codified in KRS 224.041-224.055, is an independent, seven-member, citizen body representing various viewpoints and areas of the state. The Commission serves in an advisory capacity to the Governor and the Natural Resources and Environmental Protection Cabinet on environmental rules, regulations, policies, plans, and procedures. The Commission also serves as a working public forum for the exchange of views, concerns, information, and recommendations relating to the quality of the natural environment.

Policy

Included in the Governor's recommendation is an allocation from the General Fund in the amount of \$700 in fiscal year 2001 and \$6,700 in fiscal year 2002 for the Wage Equity Plan.

**Natural Resources and Environmental Protection
Kentucky Nature Preserves Commission**

	Revised FY 2000	Requested FY 2001	Requested FY 2002	Recommended FY 2001	Recommended FY 2002
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	786,300	1,166,300	1,222,000	956,100	978,300
Total General Fund	786,300	1,166,300	1,222,000	956,100	978,300
Restricted Funds					
Balance Forward	555,900	267,900	135,400	267,900	135,400
Current Receipts	117,000	73,500	55,500	73,500	55,500
Non-Revenue Receipts	245,400	132,300	130,800	132,300	130,800
Total Restricted Funds	918,300	473,700	321,700	473,700	321,700
Federal Funds					
Current Receipts	41,600	26,600	26,600	26,600	26,600
Non-Revenue Receipts	-1,600	-1,600	-1,600	-1,600	-1,600
Total Federal Funds	40,000	25,000	25,000	25,000	25,000
TOTAL SOURCE OF FUNDS	1,744,600	1,665,000	1,568,700	1,454,800	1,325,000
EXPENDITURES BY CLASS					
Personnel Cost	1,066,600	1,126,000	1,178,900	954,300	1,010,100
Operating Expenses	235,400	267,200	274,300	250,200	199,900
Grants, Loans or Benefits	129,200	93,400	93,500	93,400	93,500
Capital Outlay	45,500	43,000	22,000	21,500	21,500
TOTAL EXPENDITURES	1,476,700	1,529,600	1,568,700	1,319,400	1,325,000
EXPENDITURES BY FUND SOURCE					
General Fund	786,300	1,166,300	1,222,000	956,100	978,300
Restricted Funds	650,400	338,300	321,700	338,300	321,700
Federal Funds	40,000	25,000	25,000	25,000	25,000
TOTAL EXPENDITURES	1,476,700	1,529,600	1,568,700	1,319,400	1,325,000
EXPENDITURES BY UNIT					
Kentucky Nature Preserves Commission	1,476,700	1,529,600	1,568,700	1,281,800	1,278,400
Wage Equity				37,600	46,600
TOTAL EXPENDITURES	1,476,700	1,529,600	1,568,700	1,319,400	1,325,000

The 1976 General Assembly established the Kentucky Nature Preserves Commission with the passage of KRS 146.410-146.530. The mandated goals of the Commission are two-fold: to inventory Kentucky for its natural diversity, including its plants, animal life, biological communities, and areas of natural significance; and to protect these natural features by establishing a system of nature preserves.

KRS 141.450-141.480 provides funds for the acquisition and management of nature preserves through a tax refund checkoff system. The Commission, together with the Kentucky Department of Fish and Wildlife Resources, shares equally the receipts generated by the Non-game Species Protection and Habitat Acquisition program, an income tax refund donation program enacted by the 1980 General Assembly.

Policy

Included in the Governor's recommendation is an allocation from the General Fund in the amount of \$37,600 in fiscal year 2001 and \$46,600 in fiscal year 2002 for the Wage Equity Plan.

**Natural Resources and Environmental Protection
Kentucky River Authority**

	Revised FY 2000	Requested FY 2001	Requested FY 2002	Recommended FY 2001	Recommended FY 2002
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	369,000	377,900	387,000	377,900	387,000
Total General Fund	369,000	377,900	387,000	377,900	387,000
Restricted Funds					
Balance Forward	3,016,500	2,959,700	2,380,900	2,959,700	2,380,900
Current Receipts	1,398,700	1,394,800	1,347,800	1,394,800	1,347,800
Non-Revenue Receipts	-166,000	-628,000	-894,000	-628,000	-894,000
Total Restricted Funds	4,249,200	3,726,500	2,834,700	3,726,500	2,834,700
TOTAL SOURCE OF FUNDS	4,618,200	4,104,400	3,221,700	4,104,400	3,221,700
EXPENDITURES BY CLASS					
Personnel Cost	787,000	898,500	926,900	898,500	926,900
Operating Expenses	199,600	220,800	225,800	220,800	225,800
Grants, Loans or Benefits	616,900	379,800	386,200	379,800	386,200
Debt Service		203,000	406,000	203,000	406,000
Capital Outlay	55,000	21,400	22,000	21,400	22,000
TOTAL EXPENDITURES	1,658,500	1,723,500	1,966,900	1,723,500	1,966,900
EXPENDITURES BY FUND SOURCE					
General Fund	369,000	377,900	387,000	377,900	387,000
Restricted Funds	1,289,500	1,345,600	1,579,900	1,345,600	1,579,900
TOTAL EXPENDITURES	1,658,500	1,723,500	1,966,900	1,723,500	1,966,900
EXPENDITURES BY UNIT					
Kentucky River Authority	1,289,500	1,339,700	1,571,100	1,339,700	1,571,100
Locks and Dams Program	369,000	383,800	395,800	383,800	395,800
TOTAL EXPENDITURES	1,658,500	1,723,500	1,966,900	1,723,500	1,966,900

Created by the 1988 General Assembly, the Kentucky River Authority is an 11-member body appointed by the Governor to provide for the proper maintenance of the Kentucky River locks and dams once ownership of these properties is transferred from the U.S. government to the Commonwealth. The Authority is authorized and empowered under KRS 151 to carry out its mission through a variety of activities, including the issuance of revenue bonds payable from fees collected from all facilities, except those primarily agricultural in nature, using water from the Kentucky River or its tributaries.

Policy

Additional restricted fund support in the amount of \$80,800 in fiscal year 2001 and \$85,100 in fiscal year 2002 is provided for two additional staff and operating expenses. The additional staff support is needed to administer the current capital construction projects, prepare water supply and drought response plans, and continue current programs.

Personnel

	Revised FY 2000	Requested FY 2001	Requested FY 2002	Recommended FY 2001	Recommended FY 2002
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	3,297,100	3,376,200	3,489,000	3,438,300	3,517,300
Current Year Appropriation	7,000,000				
Total General Fund	10,297,100	3,376,200	3,489,000	3,438,300	3,517,300
Restricted Funds					
Balance Forward	11,348,400	10,068,000	6,382,200	10,068,000	6,382,200
Current Receipts	29,116,100	27,791,000	28,536,800	27,755,600	28,527,300
Non-Revenue Receipts	3,103,000	-850,000	200,000	-850,000	200,000
Total Restricted Funds	43,567,500	37,009,000	35,119,000	36,973,600	35,109,500
TOTAL SOURCE OF FUNDS	53,864,600	40,385,200	38,608,000	40,411,900	38,626,800
EXPENDITURES BY CLASS					
Personnel Cost	40,090,100	29,336,200	31,185,400	29,262,900	31,104,200
Operating Expenses	3,706,500	4,400,800	4,191,100	4,500,800	4,291,100
Capital Outlay		266,000	150,200	266,000	150,200
TOTAL EXPENDITURES	43,796,600	34,003,000	35,526,700	34,029,700	35,545,500
EXPENDITURES BY FUND SOURCE					
General Fund	10,297,100	3,376,200	3,489,000	3,438,300	3,517,300
Restricted Funds	33,499,500	30,626,800	32,037,700	30,591,400	32,028,200
TOTAL EXPENDITURES	43,796,600	34,003,000	35,526,700	34,029,700	35,545,500
EXPENDITURES BY UNIT					
General Operations	22,138,100	13,667,500	13,841,400	13,731,400	13,903,300
Public Employees Deferred Compensation Authority	3,992,500	4,943,200	5,773,700	4,915,600	5,740,700
Workers' Compensation Benefits and Reserve	17,666,000	15,392,300	15,911,600	15,382,700	15,901,500
TOTAL EXPENDITURES	43,796,600	34,003,000	35,526,700	34,029,700	35,545,500

The Personnel Cabinet was created by Executive Order 96-909, which became effective on July 16, 1996. The Personnel Cabinet provides the leadership and services necessary for effective, efficient, and innovative human resources management of the highest quality for Kentucky State Government, its employees, and the citizens of the Commonwealth.

The Office of the Secretary provides executive policy and management support to the various departments and divisions of the Cabinet, promulgates administrative regulations, and advises the Personnel Board on matters pertaining to the classified service. In addition, the Office conducts investigations on all matters relating to the personnel laws and rules and provides other services as enumerated in KRS 18A.030.

The Office of Administrative and Legal Services is responsible to the Cabinet Secretary for updating, maintaining, directing and implementing the State Affirmative Action Program. In addition, the General Counsel provides legal services to the Personnel Cabinet.

The Administrative Services Branch is responsible for the Personnel Cabinet's budgeting, accounting, purchasing, property management, payroll and personnel management. The Systems Management Branch is responsible for the Cabinet's information resource activities.

The Department for Employee Relations, consisting of the divisions of Employee Benefits and Communications and Recognition, also administers the state's workers' compensation program. Included in the duties of this department is responsibility for administration of the state employee life insurance, health insurance, sick-leave sharing, flexible benefits,

workplace safety, and employee suggestion programs; communications with state employees about personnel-related and other relevant issues; and the Kentucky Employee Assistance Program (KEAP), which provides counseling assistance and dispute resolution assistance to state employees and agencies

The Department for Personnel Administration consists of the divisions of Classification and Compensation, Employee Record and Staffing Services, and the Office of Performance Management. The responsibilities of this department include recruiting, counseling, testing, and certifying persons for employment with the Commonwealth; maintaining a fair and equitable classification and compensation system for state government; auditing and certifying state payrolls; preparing and maintaining the official personnel and payroll records of state employees; and coordinating and implementing employee performance evaluation systems throughout state government

The Workers' Compensation program, a part of the Department for Employee Relations, provides benefits to state employees injured during the course of their employment and maintains an adequate reserve of funds through the Commonwealth's self-insurance plan to meet the Commonwealth's potential liability for workers' compensation claims

The Kentucky Employees Deferred Compensation Authority, created by Executive Order 94-1235, administers deferred compensation plans as established in the U.S. Internal Revenue Codes 457 and 401(b) and KRS 18A.230-18A.350 as a tax-sheltered, supplemental retirement savings program exclusively as an optional benefit for Kentucky's public employees

Policy

Wage Equity Plan

The Executive Budget recommends a comprehensive reform of personnel policy with the establishment of a new Wage Equity Plan. This initiative will provide a more fair, consistent and equitable compensation system for state employees within the KRS Chapter 18A and KRS Chapter 16 personnel systems and will assist in attracting and retaining qualified personnel

The Plan will be incorporated in enabling legislation to be recommended to the 2000 General Assembly.

Under this recommendation, the buying power of state employees will be maintained to keep up with changing economic conditions. On July 1 of each year, all employees will receive a wage increase based upon the estimated cost-of-living index. For the 2000-2002 biennium, this wage adjustment will be 2.4 percent in each fiscal year. In addition, an annual cost-of-living increase (2.4 percent each fiscal year) to the entry level wage of the KRS Chapter 18A and Chapter 16 salary schedules will provide another pay raise to some employees on July 1 of each year. An additional wage adjustment will be provided on each employee's annual increment date ranging from one percent to three percent to recognize and compensate the employee for his/her respective years of service in the grade assigned to the job classification

Moreover, job classifications will be assigned to their proper pay grades. On January 1, 2001, classifications that have been determined by the Personnel Cabinet to be below their appropriate pay grade will be raised one grade. Classifications that are five pay grades too low will be raised by two pay grades. On January 1, 2002, classifications that are in grades too low will be raised by one grade. Continued grade raises in 2003 and 2004 will bring all job classifications to their proper grade. Employees that are paid less than the new minimum pay for their grade and years of service in the grade assigned to their job classification will receive a pay raise to that new minimum pay

Personnel Cabinet

The Personnel Cabinet will assume additional responsibilities in implementing the Wage Equity Plan. An additional \$100,000 allocated from the General Fund in each year of the biennium for anticipated increases in computer services costs.

Included in the Governor's recommendation is an allocation from the General Fund in the amount of \$44,300 in fiscal year 2001 and \$46,200 in fiscal year 2002 for the Wage Equity Plan for Personnel Cabinet employees

A General Fund current year appropriation in the amount of \$7 million is included to support the additional costs of providing single Option "A" health insurance coverage to members of the state group in 22 counties where the \$214 budgeted state contribution costs in calendar year 2000 are insufficient. In addition, restricted funds totaling \$4 million are also provided pursuant to the Commonwealth's agreement with Anthem to pay for any losses up to 125 percent of premium for providing coverage to members of the state group in 17 Western Kentucky counties where coverage was not offered by other health insurance carriers.

Additional restricted funds are also provided for these Cabinet programs:

- A total of \$91,800 in fiscal year 2001 and \$8,400 in fiscal year 2002 for the purchase of an imaging system "jukebox" 1

maintain accurate employee records:

- A total of \$163,400 in fiscal year 2001 and \$160,800 in fiscal year 2002 to support four additional personnel and operating costs for a new Mediation Branch. This branch will provide dispute resolution assistance to state employees and agency managers to improve work relationships;
- A total of \$137,100 in fiscal year 2001 and \$225,300 in fiscal year 2002 to support an additional seven positions for participant services, pay-out counseling and investment activities in the Public Employees Deferred Compensation Authority. Four positions will be added in fiscal year 2001; an additional three positions will be added in fiscal year 2002; and
- A total of \$31,800 in fiscal year 2002 for managing elections of the Personnel Board

In accordance with Part II of the Capital Projects Budget, General Fund support in the amount of \$1,450,000 in fiscal year 2001 is provided for the initial design of a new personnel-payroll system. Additional General Fund in the amount of \$550,000 in fiscal year 2001 is also recommended for on-line access to employee records. The current lease for real property exceeding \$200,000 annually is authorized.

Postsecondary Education

	Revised FY 2000	Requested FY 2001	Requested FY 2002	Recommended FY 2001	Recommended FY 2002
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	1,015,293,300	1,034,230,900	1,172,172,900	1,034,598,300	1,151,526,300
Tobacco Settlement - I				7,055,000	8,189,500
Continuing Appropriation	343,500				
Reorganization Adjustments	-221,500				
Total General Fund	1,015,415,300	1,034,230,900	1,172,172,900	1,041,653,300	1,159,715,800
Restricted Funds					
Balance Forward	3,386,400	3,308,000	1,827,700	3,307,200	4,310,000
Current Receipts	1,429,705,700	1,472,973,500	1,521,957,000	1,473,012,600	1,522,095,800
Non-Revenue Receipts	32,289,700	26,747,300	44,587,300	30,517,900	47,465,900
Total Restricted Funds	1,465,381,800	1,503,028,800	1,568,372,000	1,506,837,700	1,573,871,700
Federal Funds					
Balance Forward	1,100				
Current Receipts	294,718,300	304,666,100	318,626,200	304,666,100	318,626,200
Non-Revenue Receipts	2,558,300	2,558,300	2,558,300	2,558,300	2,558,300
Total Federal Funds	297,277,700	307,224,400	321,184,500	307,224,400	321,184,500
TOTAL SOURCE OF FUNDS	2,778,074,800	2,844,484,100	3,061,729,400	2,855,715,400	3,054,772,000
EXPENDITURES BY CLASS					
Personnel Cost	1,535,362,900	1,594,831,400	1,657,500,500	1,595,083,800	1,657,909,500
Operating Expenses	679,950,300	707,246,100	736,669,700	706,246,400	735,368,200
Grants, Loans or Benefits	357,944,200	334,147,700	455,519,500	343,612,700	441,139,000
Debt Service	86,245,700	83,674,100	85,369,800	83,674,100	85,371,800
Capital Outlay	115,264,500	122,757,100	125,642,400	122,788,400	125,673,700
TOTAL EXPENDITURES	2,774,767,600	2,842,656,400	3,060,701,900	2,851,405,400	3,045,462,200
EXPENDITURES BY FUND SOURCE					
General Fund	1,015,415,300	1,034,230,900	1,172,172,900	1,041,653,300	1,159,715,800
Restricted Funds	1,462,074,600	1,501,201,100	1,567,344,500	1,502,527,700	1,564,561,900
Federal Funds	297,277,700	307,224,400	321,184,500	307,224,400	321,184,500
TOTAL EXPENDITURES	2,774,767,600	2,842,656,400	3,060,701,900	2,851,405,400	3,045,462,200
EXPENDITURES BY UNIT					
Council on Postsecondary Education	105,028,900	56,622,700	150,161,400	67,864,700	144,118,500
Kentucky Higher Education Assistance Authority	71,690,000	89,400,100	106,182,100	87,990,300	98,321,900
Eastern Kentucky University	178,166,700	186,413,800	195,580,300	186,545,900	195,715,600
Kentucky State University	49,785,100	51,517,100	53,565,000	51,517,100	53,565,000
Morehead State University	108,866,000	112,648,200	116,944,400	112,746,200	117,044,700
Murray State University	103,103,200	106,977,800	111,706,500	107,075,800	111,806,800
Northern Kentucky University	95,370,300	103,311,200	110,904,700	103,311,200	110,904,700
University of Kentucky	1,129,045,400	1,162,595,200	1,196,474,800	1,162,595,200	1,196,474,800
University of Louisville	451,171,900	466,545,400	477,887,000	465,836,100	476,914,200
Western Kentucky University	153,623,000	164,523,000	179,674,000	164,621,000	179,774,300
Kentucky Community and Technical College System	328,917,100	342,101,900	361,621,700	341,301,900	360,821,700
TOTAL EXPENDITURES	2,774,767,600	2,842,656,400	3,060,701,900	2,851,405,400	3,045,462,200

Requested columns in the Postsecondary Education section for the Council on Postsecondary Education, the Universities, and the Kentucky Community and Technical College System represent the recommendations of the Council on Postsecondary Education as provided by KRS 164.020.

The recommended budget for postsecondary education increases the net operating appropriations to the universities and the Kentucky Community and Technical College System by at least 2.4 percent each year. In addition, \$28.9 million in fiscal year 2001 and \$71.9 million in fiscal year 2002 are included for operations and maintenance of new facilities coming on line in the biennium, new initiatives recommended by the Council on Postsecondary Education, and funding to move Kentucky institutions toward funding goals relative to benchmark institutions. Funding is recommended for the Strategic Investment and Incentive Trust Funds in the amount of \$42.4 million in fiscal year 2001 and \$122.2 million in fiscal year 2002. Funding for debt service in the amount of \$20.9 million in fiscal year 2002 is included in the Physical Facilities Trust Fund to support bonds for projects with a total cost of \$207.4 million. Funding for debt service in the amount of \$3.8 million in fiscal year 2002 is included in the Technology Initiatives Trust Fund to support bonds for instructional and research equipment with a total cost of \$20 million. Project authorizations and descriptions, by institution, are provided in the capital construction section of this document. Distribution of the appropriations to the Strategic Investment and Incentive Trust Funds will be made by the Council on Postsecondary Education based on criteria developed to achieve the goals established by House Bill 1, the Kentucky Postsecondary Education Improvement Act of 1997. More detailed information regarding the funding of the Strategic Investment and Incentive Trust Funds is included in the Council on Postsecondary Education section of this document. Finally, funding is provided in the Surplus Expenditure Plan in the amount of \$120 million for the Endowment Program initiated last biennium.

**Postsecondary Education
Council on Postsecondary Education**

	Revised FY 2000	Requested FY 2001	Requested FY 2002	Recommended FY 2001	Recommended FY 2002
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	102,794,400	54,167,700	147,706,400	57,923,800	131,558,400
Tobacco Settlement - I				5,055,000	6,080,000
Reorganization Adjustments	-221,500				
Total General Fund	102,572,900	54,167,700	147,706,400	62,978,800	137,638,400
Restricted Funds					
Current Receipts	1,355,000	1,355,000	1,355,000	1,355,000	1,355,000
Non-Revenue Receipts				2,430,900	4,025,100
Total Restricted Funds	1,355,000	1,355,000	1,355,000	3,785,900	5,380,100
Federal Funds					
Balance Forward	1,000				
Current Receipts	1,100,000	1,100,000	1,100,000	1,100,000	1,100,000
Total Federal Funds	1,101,000	1,100,000	1,100,000	1,100,000	1,100,000
TOTAL SOURCE OF FUNDS	105,028,900	56,622,700	150,161,400	67,864,700	144,118,500
EXPENDITURES BY CLASS					
Personnel Cost	6,269,700	6,724,500	6,917,700	6,370,100	6,608,400
Operating Expenses	4,199,800	4,283,800	4,350,400	4,269,400	4,277,100
Grants, Loans or Benefits	94,446,900	45,501,900	138,780,800	57,112,700	133,120,500
Capital Outlay	112,500	112,500	112,500	112,500	112,500
TOTAL EXPENDITURES	105,028,900	56,622,700	150,161,400	67,864,700	144,118,500
EXPENDITURES BY FUND SOURCE					
General Fund	102,572,900	54,167,700	147,706,400	62,978,800	137,638,400
Restricted Funds	1,355,000	1,355,000	1,355,000	3,785,900	5,380,100
Federal Funds	1,101,000	1,100,000	1,100,000	1,100,000	1,100,000
TOTAL EXPENDITURES	105,028,900	56,622,700	150,161,400	67,864,700	144,118,500
EXPENDITURES BY UNIT					
Agency Operations	3,949,000	4,340,700	4,449,900	3,992,000	4,088,000
Pass Through Programs	14,760,900	10,701,900	11,180,800	12,757,700	8,940,500
Eisenhower Math/Science Education Act Program	1,101,000	1,100,000	1,100,000	1,100,000	1,100,000
Commonwealth Virtual University	7,483,000	8,130,100	8,780,700	7,610,000	7,760,000
Strategic Investment and Incentive Trust Funds	77,735,000	32,350,000	124,650,000	42,405,000	122,230,000
TOTAL EXPENDITURES	105,028,900	56,622,700	150,161,400	67,864,700	144,118,500

The Council on Postsecondary Education serves as the representative agency in matters of postsecondary education and in this role brings a statewide perspective to postsecondary education issues and planning. The primary mission of the Council is the coordination and implementation of an effective system of postsecondary education that will meet the current and future educational needs of the Commonwealth. The Council not only has the responsibility for guiding the system, but also serves as an advocate for postsecondary education.

The 1997 First Extraordinary Session of the General Assembly resulted in elimination of the old Council on Higher Education and its replacement by the Council on Postsecondary Education. The new Council has fewer members in total but added a faculty representative. The new Council's powers are broader with new authority to address unnecessary program duplication, to eliminate academic programs, and to require institutions to refine mission statements and strategic plans so as to conform to new strategic agenda. House Bill 1, the primary reform bill for postsecondary education, sets out six goals for the postsecondary education system. The six goals, codified in KRS 164.003 are summarized below

- A seamless, integrated system of postsecondary education strategically planned and adequately funded to enhance economic development and quality of life
- A major comprehensive research institution ranked nationally in the top 20 public universities at the University of Kentucky.
- A premier, nationally-recognized metropolitan research university at the University of Louisville
- Regional universities, with at least one nationally-recognized program of distinction or one nationally-recognized applied research program, working cooperatively with other postsecondary institutions to assure statewide access to baccalaureate and master's degrees of a quality at or above the national average
- A comprehensive community and technical college system with a mission that assures, in conjunction with other postsecondary institutions, access throughout the Commonwealth to a two year course of general studies designed for transfer to a baccalaureate program, the training necessary to develop a workforce with the skills to meet the needs of new and existing industries, and remedial and continuing education to improve the employability of citizens
- An efficient, responsive, and coordinated system of autonomous institutions that delivers educational services to citizens in quantities and of a quality that is comparable to the national average

The Council is the liaison between postsecondary education and other segments of the education community. This role is particularly important in relation to other state agencies relating to elementary and secondary education and those directly impacting postsecondary education. The merger of the Kentucky Tech postsecondary technical institutions into the system of postsecondary education and the creation of a new entity, the Kentucky Community and Technical College System (KCTCS) gives the Council a broader role in coordination of manpower training.

Statutory responsibilities as detailed in KRS Chapter 164 primarily involve: determining the needs of postsecondary education in the Commonwealth; developing and implementing a strategic agenda and strategic implementation plan designed to achieve the legislatively mandated goals for postsecondary education; reviewing, revising, and approving mission statements for the state universities and KCTCS; coordinating the development and management of a Commonwealth Virtual University; reviewing, modifying, approving and eliminating academic programs; reviewing and recommending funding for the public institutions; administering the strategic investment and incentive trust funds; approving and recommending capital projects; maintaining a statewide system of accountability; and licensing private and proprietary degree-granting and proprietary baccalaureate degree-granting institutions. The Council also is the representative agency of the Commonwealth in postsecondary education matters not specifically delegated by statute to any of the public institutions and for interstate compacts and agreements.

**Postsecondary Education
Council on Postsecondary Education
Agency Operations**

	Revised FY 2000	Requested FY 2001	Requested FY 2002	Recommended FY 2001	Recommended FY 2002
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	3,949,000	4,340,700	4,449,900	3,992,000	4,088,000
Total General Fund	3,949,000	4,340,700	4,449,900	3,992,000	4,088,000
TOTAL SOURCE OF FUNDS	3,949,000	4,340,700	4,449,900	3,992,000	4,088,000
EXPENDITURES BY CLASS					
Personnel Cost	3,198,600	3,575,900	3,688,000	3,241,600	3,399,400
Operating Expenses	695,900	710,300	707,400	695,900	634,100
Capital Outlay	54,500	54,500	54,500	54,500	54,500
TOTAL EXPENDITURES	3,949,000	4,340,700	4,449,900	3,992,000	4,088,000
EXPENDITURES BY FUND SOURCE					
General Fund	3,949,000	4,340,700	4,449,900	3,992,000	4,088,000
TOTAL EXPENDITURES	3,949,000	4,340,700	4,449,900	3,992,000	4,088,000

The Agency Operations program contains the operating activities of the Council and its staff except for those of the Kentucky Commonwealth Virtual University and the Kentucky Commonwealth Virtual Library. In addition to the general activities associated with the operation of a state agency, the Agency Operations program includes funding for systemwide accountability and assessment, development of the strategic agenda, and the action agenda. Administration of the Strategic Investment and Incentive Trust Funds is located in the Agency Operations program.

Significant expenditure items include dues for the State Higher Education Executive Officers and the Education Commission of the States. Staff support related to equal opportunity activities also is located in this program. Funding for specific equal opportunity initiatives like the Governor's Minority Student College Preparation Program and the SREB Faculty Diversity Program are located in Pass-Through Programs.

The Council consists of five primary program units: Executive Support and Communications; Academic Affairs; Finance; the Kentucky Commonwealth Virtual University and the Kentucky Commonwealth Virtual Library; and Information, Technology and Operations. Staff support and operations for all of these units except for the Kentucky Commonwealth Virtual University and the Kentucky Commonwealth Virtual Library are contained in the Agency Operations program.

The Academic Affairs unit encompasses: all aspects of academic program approval and review including modification and elimination of institutional academic programs; licensure of private and proprietary, degree-granting postsecondary education institutions; establishment of minimum admissions standards; development and implementation of a system of institutional accountability and assessment; coordination of statewide faculty development initiatives; and, development of the statewide strategic agenda and the action agenda. The Council's efforts in support of elementary and secondary education reform are centered in the Academic Affairs unit as are the liaison efforts with the Workforce Development Cabinet for adult and basic education, and with the Economic Development Cabinet for efforts related to the new knowledge-based economy. Development of criteria for the Strategic Investment and Incentive Trust Funds is a responsibility shared by the Academic Affairs and Finance units.

The Finance unit serves as the review and financial analysis arm of the Council for budget, capital construction, tuition, and other areas with financial implications like benchmark funding and space utilization. Coordination for the Strategic Investment and Incentive Trust Funds and for institutional special initiatives is centered in the Finance unit.

The Executive Support and Communications unit provides overall leadership and direction to the agency. Responsibilities include: administrative functions of the Office of the President; Council and governmental relations; equal opportunity initiatives; and, communications with the press and external advocacy groups.

The Information, Technology and Operations unit is new, with activities separated into the three sub-units identified in the title of the unit. Information includes data collection and analysis. Technology includes operation of the internal Local Area Network and associated hardware and software; technical support for the Kentucky Commonwealth Virtual University and the Kentucky Commonwealth Virtual Library; and, coordination of statewide technology initiatives with the public and private postsecondary education institutions. The Operations sub-unit includes traditional business activities of the agency including development and implementation of the agency operating budget; accounting; personnel management; purchasing, legal services; telecommunications; and, printing.

**Postsecondary Education
Council on Postsecondary Education
Pass Through Programs**

	Revised FY 2000	Requested FY 2001	Requested FY 2002	Recommended FY 2001	Recommended FY 2002
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	14,760,900	10,701,900	11,180,800	10,326,800	6,415,400
Total General Fund	14,760,900	10,701,900	11,180,800	10,326,800	6,415,400
Restricted Funds					
Non-Revenue Receipts				2,430,900	2,525,100
Total Restricted Funds				2,430,900	2,525,100
TOTAL SOURCE OF FUNDS	14,760,900	10,701,900	11,180,800	12,757,700	8,940,500
EXPENDITURES BY CLASS					
Grants, Loans or Benefits	14,760,900	10,701,900	11,180,800	12,757,700	8,940,500
TOTAL EXPENDITURES	14,760,900	10,701,900	11,180,800	12,757,700	8,940,500
EXPENDITURES BY FUND SOURCE					
General Fund	14,760,900	10,701,900	11,180,800	10,326,800	6,415,400
Restricted Funds				2,430,900	2,525,100
TOTAL EXPENDITURES	14,760,900	10,701,900	11,180,800	12,757,700	8,940,500
EXPENDITURES BY UNIT					
Contract Spaces	2,324,000	2,430,900	2,525,100	2,430,900	2,525,100
Consortia	59,000	60,500	61,800	60,500	61,800
Professional Education Preparation Program	427,000	437,400	447,600	437,400	447,600
Rural Nursing & Allied Health Program	416,000	426,100	436,200		
Telecommunications Consortia	187,000	191,500	196,100	191,500	196,100
Minority Student College Prep Program	221,000	500,000	500,000	226,300	231,700
EPSCOR Program	2,504,500	4,525,000	4,725,000	6,564,600	2,626,200
Keys to KERA Program	72,500				
State Autism Training Center	223,000	228,500	234,000	228,500	234,000
Paducah Regional Higher Education Center	180,000				
Literacy Development Grant Program	1,200,000				
Osteopathic Medicine Scholarship Program	1,664,400				
UK-Paducah Engineering Instructional Support	450,000				
KCTCS-Lees Coll Robinson Trust Funds Repl.	1,500,000				
UL-Labor Management Center Expansion	182,600				
UL-Glasgow Residency Program Expansion	349,900				
Ky Rural Development Center	1,000,000			750,000	750,000
Early Reading Incentive Grant	1,800,000	1,800,000	1,800,000	1,800,000	1,800,000
SREB Doctoral Scholars Program		102,000	255,000	68,000	68,000
TOTAL EXPENDITURES	14,760,900	10,701,900	11,180,800	12,757,700	8,940,500

The Council on Postsecondary Education has been designated as the receiving agency for several programs. Funds are appropriated to the Council and subsequently "passed-through" to other agencies or entities. The Council monitors the implementation of the programs but is not responsible for actual day-to-day operations. For purposes of display, these programs have been grouped together under the heading of Pass Through Programs. A brief description of each program is provided below.

The **Contract Spaces Program** provides students with access to Veterinary Medicine and Optometry programs through contracts administered by the Southern Regional Education Board (SREB). Veterinary Medicine spaces are provided at Auburn University and Tuskegee Institute. Optometry spaces are provided at the Southern College of Optometry, the University of Alabama, and Indiana University. Contract fees guarantee a fixed number of spaces in these academic programs for qualified Kentucky residents. Enrolled students are assured in-state fees or, in the case of private institutions, are charged a lower tuition. Contract funds also cover the Small Grants program, which covers travel expenses for faculty when travel is necessary to gain access to specialized equipment and other resources. As a member of the SREB, a regional compact of 15 southern and eastern states, Kentucky underwrites a portion of SREB central administration costs.

The Contract Spaces Program is based on a sharing concept whereby institutions make available a certain number of training spaces that are, in turn, committed to contracting states. The SREB coordinates this process and facilitates planning activities by assessing needs and allocating available spaces to meet needs. Training spaces in these professional areas are limited, and the Contract Spaces program is the only source of significant educational opportunities in these areas for Kentucky students.

Funding for Veterinary Medicine spaces is based on entering class sizes of 34 at Auburn and two at Tuskegee. Funding for Optometry Spaces is based on entering class sizes of eight at Southern, three at Alabama, and three at Indiana University. The source of funds for the Contract Space Program in the 2000-02 biennium will be provided by Lottery funds in the KEES program that are in excess of the amount needed to fund scholarships for all students who qualified in accordance with the provisions of Senate Bill 21 as enacted by the 1998 Regular Session of the General Assembly.

The **Experimental Program to Stimulate Competitive Research (EPSCoR)** is a unique infrastructure-building effort initiated by the National Science Foundation (NSF) in 1978 that encourages local action to develop long-term improvements in a state's science and engineering enterprise. The Kentucky EPSCoR program began with a planning grant in 1985 and a five-year \$16.5 million program began in 1986. That program was funded based on a dollar-for-dollar match between state General Funds and federal funds through NSF. Since that time, the program has grown to one that also includes the federal Department of Defense, Department of Energy, the Environmental Protection Agency (EPA), the National Aeronautics and Space Administration (NASA), and the National Institutes of Health. The Kentucky EPSCoR program is administered by the Kentucky Science and Technology Council (KSTC) through an agreement with the Kentucky Statewide EPSCoR Committee. The Kentucky EPSCoR program has and continues to successfully compete for federal EPSCoR and EPSCoR type funds.

Expansion funds for the EPSCoR program in the amount of \$4 million in the first year of the biennium are part of the Governor's Knowledge Based Economy Initiative.

Funding provided will be used for matching federal funds received for EPSCoR and EPSCoR type programs designed to enhance Kentucky's basic science and engineering infrastructure as well as for necessary administrative costs by the KSTC limited to not more than four percent of the appropriation in each fiscal year.

The basic purpose of the **Professional Education Preparation (PEP) Program** is to increase the proportion of students from health manpower shortage counties (primarily rural) who apply to, are accepted by, and graduate from, medical and dental school. The program is based on the premise that students from underserved areas are more likely to return to these areas than are other students. The program consists of several elements designed to enhance the academic skills of target area students including Pre-Freshman Workshops, Undergraduate Training Conferences, Assessment Conferences, and Practice MCAT/DAT Seminars. The PEP Program includes the Pikeville College of Osteopathic Medicine, the University of Kentucky, and the University of Louisville.

The **Kentucky Telecommunications Consortium (ETV)** was established in 1978 with funding provided through the budget of the Council on Postsecondary Education. Programming and any needed staff services are provided by Kentucky Educational Television through a Memorandum of Agreement with the Council on Postsecondary Education. The Consortium pays for telecourse rental costs for courses which can be used on the ETV network and for which students can receive college credit. With the funds made available by the Council on Postsecondary Education, Kentucky Educational Television provides management, promotion, and broadcast services for the Consortium.

Since the late 1970s, the Council on Postsecondary Education has supported cooperative activities among and services to seven postsecondary education institutions in the Greater Louisville area through the interstate **Metroversity Consortium**. On behalf of the participating institutions, Metroversity operates the Educational Opportunity Center, a cross-registration program, student and faculty competitions and activities, and interlibrary courier service. The Consortia also maintains a cable TV channel for institutional use. State funds represent less than 10 percent of Metroversity's total budget.

The primary impact of the Metroversity Consortia is to provide, through a sharing of resources and effort, a wide range of services to students, faculty, institutions, and citizens of the Greater Louisville area. Through cooperative arrangements developed and administered by Metroversity, services that would normally be beyond the capability of a single institution are cost-effectively made available to all seven member institutions. The following are examples: Cross-registration program – 500 students annually; Library Exchange – 20,000 volumes exchanged annually; Student Competitions – 700-1,000 students annually; Faculty Exchanges – involves seven institutions; Cable TV Offerings – five hours per day, five days per week; and Educational Opportunity Center – 3,000 clients annually.

In fiscal year 1987, the Commonwealth expanded its commitment to the recruitment and retention of minority students at traditionally white public higher education institutions through an initiative called the **Minority Student College Preparation Program**. Through this program, middle school students are acquainted with a college campus and encouraged to prepare for college enrollment. The program is designed to be administered in a cooperative fashion between the Council on Postsecondary Education and the seven traditionally white institutions across the state, and a limited number of special providers who influence college going decisions.

The major goals of the program are: to make young African-American students aware of college and to realize it as an achievable option in their future; reduce the high school drop-out rate for African-American high school students; to increase the recruitment, retention and graduation of minority students; and, to prepare these students to do well in college once enrolled. Approximately 1,200 minority students enrolled in middle schools will be involved in activities funded through this program during each year of the biennium. Activities include academic enrichment classes; counseling, tutoring, and test-taking exercises to assist in overcoming academic deficiencies; and intensive on-campus summer experiences for over 400 students. Colleges also promote workshops on student financial aid, values, careers, and how to succeed in college.

The 1996-98 budget provided \$200,000 in fiscal year 1998 to implement the provisions of House Bill 159, as enacted by the 1996 General Assembly, regarding the establishment and operation of a **State Autism Training Center**. The Council on Postsecondary Education contracts with the University of Louisville to provide training and support for individuals involved in the delivery of services for persons diagnosed as being autistic or having autistic related disorders.

Policy

Funding for the following programs has been transferred to the base budgets of the participating institutions: Rural Allied Health and Nursing Program; Paducah Regional Higher Education Center; Paducah Engineering Instructional Support; Lees College Funds Replacement; Labor Management Center Expansion; and Glasgow Residency Program. In addition, funding for the Osteopathic Medical Scholarship Program has been transferred to the Kentucky Higher Education Assistance Authority.

**Postsecondary Education
Council on Postsecondary Education
Eisenhower Math/Science Education Act Program**

	Revised FY 2000	Requested FY 2001	Requested FY 2002	Recommended FY 2001	Recommended FY 2002
SOURCE OF FUNDS					
Federal Funds					
Balance Forward	1,000				
Current Receipts	1,100,000	1,100,000	1,100,000	1,100,000	1,100,000
Total Federal Funds	1,101,000	1,100,000	1,100,000	1,100,000	1,100,000
TOTAL SOURCE OF FUNDS	1,101,000	1,100,000	1,100,000	1,100,000	1,100,000
EXPENDITURES BY CLASS					
Grants, Loans or Benefits	1,101,000	1,100,000	1,100,000	1,100,000	1,100,000
TOTAL EXPENDITURES	1,101,000	1,100,000	1,100,000	1,100,000	1,100,000
EXPENDITURES BY FUND SOURCE					
Federal Funds	1,101,000	1,100,000	1,100,000	1,100,000	1,100,000
TOTAL EXPENDITURES	1,101,000	1,100,000	1,100,000	1,100,000	1,100,000

The Dwight D. Eisenhower Mathematics and Science Education Program is designed to improve the skills of teachers and the quality of instruction in mathematics and science in the nation's public and private elementary and secondary schools. It provides financial assistance to states through activities implemented by state and local education agencies, state agencies for postsecondary education, and institutions of postsecondary education. A major focus is to increase instructional and career opportunities for under-represented and under-served populations in scientific and technical fields. Funds are distributed to a state based on a formula that considers its school-age population and the number of children identified as economically disadvantaged. The Council is responsible for administering Kentucky's share of the funds for use by public and independent institutions of postsecondary education.

**Postsecondary Education
Council on Postsecondary Education
Commonwealth Virtual University**

	Revised FY 2000	Requested FY 2001	Requested FY 2002	Recommended FY 2001	Recommended FY 2002
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	6,128,000	6,775,100	7,425,700	6,255,000	6,405,000
Total General Fund	6,128,000	6,775,100	7,425,700	6,255,000	6,405,000
Restricted Funds					
Current Receipts	1,355,000	1,355,000	1,355,000	1,355,000	1,355,000
Total Restricted Funds	1,355,000	1,355,000	1,355,000	1,355,000	1,355,000
TOTAL SOURCE OF FUNDS	7,483,000	8,130,100	8,780,700	7,610,000	7,760,000
EXPENDITURES BY CLASS					
Personnel Cost	3,071,100	3,148,600	3,229,700	3,128,500	3,209,000
Operating Expenses	3,503,900	3,573,500	3,643,000	3,573,500	3,643,000
Grants, Loans or Benefits	850,000	1,350,000	1,850,000	850,000	850,000
Capital Outlay	58,000	58,000	58,000	58,000	58,000
TOTAL EXPENDITURES	7,483,000	8,130,100	8,780,700	7,610,000	7,760,000
EXPENDITURES BY FUND SOURCE					
General Fund	6,128,000	6,775,100	7,425,700	6,255,000	6,405,000
Restricted Funds	1,355,000	1,355,000	1,355,000	1,355,000	1,355,000
TOTAL EXPENDITURES	7,483,000	8,130,100	8,780,700	7,610,000	7,760,000

House Bill 1, the Kentucky Postsecondary Education Reform Act, in 1997 authorized the creation of the Kentucky Commonwealth Virtual University (KCVU). The KCVU and its companion, Kentucky Commonwealth Virtual Library (KCVL), began operating in 1999. The KCVU coordinates the offering of courses and programs online to help meet the needs primarily of working and geographically isolated Kentuckians who cannot get to campuses. Offering convenience and coordination, the KCVU allows colleges and universities to provide courses and programs and grant credit and degrees. Students enroll directly through the KCVU, but the host institution receives their tuition.

The KCVL ensures that all Kentuckians, including KCVU students, have high-quality library and information resources, and well-trained staff to consult. The KCVL is a consortium of the public and private colleges and universities, libraries, and public schools. The KCVL hosts 32 electronic databases with more than 5,000 full-text journal and newspaper titles, and 11 online catalogs with more than 10 million volumes. Students at all levels can connect to the library through their institutions; all other Kentuckians, through libraries.

For the initial, fall 1999 term, KCVU's headcount enrollment was 235 in 22 courses. Preliminary headcount enrollment for the 2000 spring term is 1,400 in 164 courses. The headcount enrollment is expected to increase to 5,000 by fall 2004. Nine institutions provided courses for the KCVU for the 1999 fall term. Twenty institutions are offering courses for the 2000 spring term.

The General Assembly authorized \$8 million for 1998-99 and \$12.3 million for 1999-2000 in the Technology Trust Fund for improvements in postsecondary education. These totals included an unspecified amount for the KCVU and the KCVL. Of these appropriations, \$3.3 million was interest on a \$19.4 million bond issue for technology improvements related to the KCVU and the KCVL.

The combined recurring budget for the KCVU and the KCVL is approximately \$7.5 million, including approximately \$1.4 million from sources other than the General Fund appropriation. For example, to help pay for electronic databases, the Kentucky Department for Libraries and Archives contributes \$400,000, the Kentucky Department of Education contributes \$300,000, and the independent colleges and universities contribute \$125,000. The public universities contribute \$106,000 that is not included in the KCVU operating budget but is paid directly to database vendors.

Fixed costs account for nearly three-fourths of the KCVU and KCVL budget. As enrollment in the KCVU increases, cost per student will go down. All Kentuckians already may tap the virtual library. Also, the KCVU budget includes \$1.6 million toward the establishment and operation of the Kentucky Information Highway.

About 80 percent of the budget is covered by a General Fund appropriation. Long-range plans call for the KCVU to pay for more of its costs by generating or redistributing tuition and fees, through revenue-producing ventures such as sharing production costs for programs and courses, through royalty agreements, and sale of advertising, books, and materials.

**Postsecondary Education
Council on Postsecondary Education
Strategic Investment and Incentive Trust Funds**

	Revised FY 2000	Requested FY 2001	Requested FY 2002	Recommended FY 2001	Recommended FY 2002
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	77,735,000	32,350,000	124,650,000	37,350,000	114,650,000
Tobacco Settlement - I				5,055,000	6,080,000
Total General Fund	77,735,000	32,350,000	124,650,000	42,405,000	120,730,000
Restricted Funds					
Non-Revenue Receipts					1,500,000
Total Restricted Funds					1,500,000
TOTAL SOURCE OF FUNDS	77,735,000	32,350,000	124,650,000	42,405,000	122,230,000
EXPENDITURES BY CLASS					
Grants, Loans or Benefits	77,735,000	32,350,000	124,650,000	42,405,000	122,230,000
TOTAL EXPENDITURES	77,735,000	32,350,000	124,650,000	42,405,000	122,230,000
EXPENDITURES BY FUND SOURCE					
General Fund	77,735,000	32,350,000	124,650,000	42,405,000	120,730,000
Restricted Funds					1,500,000
TOTAL EXPENDITURES	77,735,000	32,350,000	124,650,000	42,405,000	122,230,000
EXPENDITURES BY UNIT					
Research Challenge Trust Fund	6,000,000		14,600,000	5,055,000	9,380,000
Regional University Excellence Trust Fund	6,000,000		18,000,000		15,700,000
Technology Initiative Trust Fund	6,184,000		7,500,000		7,500,000
Physical Facilities Trust Fund	31,551,000		20,800,000		20,900,000
Postsecondary Workforce Development Trust Fund	6,000,000	8,000,000	15,000,000	8,000,000	15,000,000
Student Financial Aid and Advancement Trust Fund	22,000,000	22,350,000	37,500,000	22,350,000	37,500,000
Adult Education and Literacy Trust Fund		2,000,000	7,000,000	7,000,000	12,000,000
Science and Technology Trust Fund			4,250,000		4,250,000
TOTAL EXPENDITURES	77,735,000	32,350,000	124,650,000	42,405,000	122,230,000

The **Strategic Investment and Incentive Trust Funds** were created as a result of the Kentucky Postsecondary Education Improvement Act of 1997 (HB 1) and fundamentally changed the funding process for postsecondary education. Appropriations for eight Strategic Investment and Incentive Trust Funds (a Research Challenge Trust Fund; a Regional University Excellence Trust Fund; a Technology Initiative Trust Fund; a Physical Facilities Trust Fund; a Postsecondary Workforce Development Trust Fund; a Student Financial Aid and Advancement Trust Fund; an Adult Education and Literacy Trust Fund; and a Science and Technology Trust Fund) are made to the Council which is responsible for establishing criteria and distributing these funds to postsecondary institutions in a manner which will allow the Commonwealth to reach the six goals established in House Bill 1.

Funding for the Strategic Investment and Incentive Trust Funds is detailed in the table below. Funding for debt service in the amount of \$20.9 million in fiscal year 2002 is included in the Physical Facilities Trust Fund to support bonds for projects with a total cost of \$207.4 million. Funding for debt service in the amount of \$3.8 million in fiscal year 2002 is included in the Technology Initiative Trust Fund to support bonds for instructional and research equipment with a total cost of \$20 million. Project authorization and descriptions, by institution, are provided in the capital construction section of this document.

	<u>FY 2001</u>	<u>FY 2002</u>
Research Challenge Trust Fund		
Enrollment Growth and Retention Program		3,300,000
Lung Cancer Research – Phase I Tobacco Settlement Funding	5,055,000	6,080,000
Total Research Challenge Trust Fund	<u>5,055,000</u>	<u>9,380,000</u>
Regional University Excellence Trust Fund		
Enrollment Growth and Retention Program		5,700,000
Action Agenda		10,000,000
Total Regional University Excellence Trust Fund		<u>15,700,000</u>
Technology Initiative Trust Fund		
Equipment Replacement - \$20 million authorization		3,800,000
Network Infrastructure		1,200,000
Public Communications Campaign (KEES Program Transfer – Lottery)		1,500,000
Faculty Development		1,000,000
Total Technology Initiative Trust Fund		<u>7,500,000</u>
Physical Facilities Trust Fund (all debt service)		
Capital Renewal and Maintenance - \$30 million authorization		3,018,000
Renovation, Replacement, and Infrastructure - \$103.4 million authorization		10,436,000
New Construction - \$74 million authorization		7,446,000
Total Physical Facilities Trust Fund		<u>20,900,000</u>
Postsecondary Workforce Development Trust Fund		
Enrollment Growth and Retention Program		7,000,000
Workforce Training	6,000,000	6,000,000
KCTCS Administrative System	2,000,000	2,000,000
Total Postsecondary Workforce Development Trust Fund	<u>8,000,000</u>	<u>15,000,000</u>
Student Financial Aid and Advancement Trust Fund – KEES Program (Lottery)	22,350,000	37,500,000
Adult Education And Literacy Trust Fund	7,000,000	12,000,000
Science and Technology Trust Fund		
Research and Development		3,000,000
Commercialization		750,000
Regional Technology Service		500,000
Total Science and Technology Trust Fund		<u>4,250,000</u>
TOTAL TRUST FUND APPROPRIATIONS	<u>42,405,000</u>	<u>122,230,000</u>

Research Challenge Trust Fund

This Trust Fund includes \$5.1 million in the first year of the biennium and \$9.4 million in the second year of the biennium to be assigned to the following subsidiary programs:

1. Enrollment Growth and Retention Program Notwithstanding the provisions of KRS 164.7917(1)(b) and (c) the enrollment growth and retention funds in the amount of \$3.3 million in the second year of the biennium will be distributed based on guidelines developed by the Council on Postsecondary Education to provide incentives to the University of Kentucky, the University of Louisville, and Lexington Community College to achieve targeted increases in enrollment and retention rates. Additional information about the targeted enrollment and retention

goals is provided in this document immediately following the section on the Kentucky Higher Education Assistance Authority.

2. Lung Cancer Research Program. Funding from the Phase I Tobacco Settlement has been allocated to this program in the amount of \$5.1 million in the first year and \$6.1 million in the second year. Notwithstanding the provisions of KRS 164.7917(1)(b) and (c) the guidelines regarding matching requirements and distribution of funding to the University of Kentucky and the University of Louisville for lung cancer research projects will be made by the Council on Postsecondary Education.
3. Endowment Program. The Endowment Program of the Research Challenge Trust Fund will receive up to \$100 million dollars in the first year of the biennium through the Surplus Expenditure Plan. The endowment funds will require a dollar-for-dollar match by the institutions resulting in a total of \$200 million for endowment activities. The University of Kentucky will be eligible to match \$66.7 million and the University of Louisville will be eligible to match \$33.3 million.

Regional University Excellence Trust Fund

1. Enrollment Growth and Retention Program. Notwithstanding the provisions of KRS 164.7919(1)(b) and (c) the enrollment growth and retention funds in the amount of \$5.7 million in the second year of the biennium will be distributed based on guidelines developed by the Council on Postsecondary Education to provide incentives to the comprehensive universities to achieve targeted increases in enrollment and retention rates. Additional information about the targeted enrollment and retention goals is provided in this document immediately following the section on the Kentucky Higher Education Assistance Authority.
2. Action Agenda. Funding in the amount of \$10 million in the second year of the biennium is provided to be allocated among the comprehensive universities as prescribed by KRS 164.7919(1)(b). Funding will pay for initiatives to achieve the goals of the Action Agenda, 2020 Vision, and the Postsecondary Education Reform Act of 1997. The comprehensive universities will develop proposals for these funds based on criteria approved by the Council on Postsecondary Education. The Council on Postsecondary Education is encouraged to allocate \$4.0 million to initiatives addressing issues of teacher quality, pre-service training and in-service professional development, as identified by the Teacher Quality Task Force recommendations.

Examples of other initiatives that may be funded include: projects to aid in recruitment and retention of students; projects to increase the awareness about an institution and its academic offerings among populations within its region; initiatives including collaboration with area elementary and secondary education institutions; efforts to increase the cultural and racial diversity among students, faculty, and staff; programs to provide services in the community for persons with disabilities; projects designed to solve community problems; and initiatives specifically identified in the institutions' responses to the Action Agenda.

3. Endowment Program. The Endowment Program of the Regional University Excellence Trust Fund will receive up to \$20 million dollars in the first year of the biennium through the Surplus Expenditure Plan. The endowment funds will require a dollar-for-dollar match by the institutions resulting in a total of \$40 million for endowment activities. Funding will be allocated as prescribed by KRS 164.7919(1)(b). However, notwithstanding KRS 164.7919(1)(b), any funding beyond the first \$10 million not matched by an individual institution by June 30, 2002 will become available for matching by the other comprehensive institutions pursuant to guidelines to be established by the Council on Postsecondary Education.

Technology Initiatives Trust Fund

Funding in the amount of \$7.5 million in the second year of the biennium is provided for the following subsidiary programs:

1. Equipment Replacement. \$3.8 million is provided for debt service for a \$20 million seven-year bond issue to replace and upgrade instructional and research equipment with an expected life of five years or less. Institutions will be required to match funds for research equipment on a dollar-for-dollar basis. Institutions must assure the Council that they will maintain at least the current level of financial support for instructional and research equipment replacement. Allocations to the institutions that meet these requirements will be proportional, based on institutional instructional and research expenditures.

2. Network Infrastructure \$1.2 million is provided for expansion of the communications network infrastructure used by the Kentucky Commonwealth Virtual University, the Kentucky Commonwealth Virtual Library, and the institutions.
3. Public Communications Campaign \$1.5 million is provided for a multi-year public communications campaign targeted at the least educated and most economically troubled groups and areas of the state. The first phase will promote education and test for the most effective messages and delivery systems for motivating Kentuckians to continue their education. The second phase will refine and expand those programs found most effective in sustaining high school completion and college-going rates. These funds will be used to leverage additional support for the campaign from other private and public organizations. Funding for this activity will be provided by Lottery funds in the KEES program that are in excess of the amount needed to pay scholarships for all students who qualified in accordance with the provisions of Senate Bill 21 as enacted by the 1998 General Assembly.
4. Faculty Development \$1 million is provided to support programs within and across postsecondary institutions that implement best practices for faculty development in teaching and advising. In order to maintain high levels of productivity, both current and future faculty will need help adjusting to innovations in programs, methods, and technology. The funds will be used by the Council to conduct systemwide activities and activities targeted toward specific purposes such as effective use of computing technologies in instruction.

Funds for subsidiary programs will be allocated based on guidelines developed by the Council.

Physical Facilities Trust Fund

Funding in the amount of \$21.7 million in the second year of the biennium is provided for the following subsidiary programs:

1. Capital Renewal and Maintenance Program Debt service in the amount of \$3.0 million is provided in the second year of the biennium to fund a \$30 million bond issue for capital renewal and maintenance. Institutions will be required to match state funds on a dollar-for-dollar basis for projects to be approved by the Council.
2. Renovation, Replacement, and Infrastructure Program Debt service in the amount \$10.7 million is provided in the second year of the biennium to fund projects costing \$103.4 million as recommended by the Council and described in the capital construction section of this document.
3. New Construction. Debt service in the amount of \$7.4 million is provided in the second year of the biennium to fund projects costing \$74 million as recommended by the Council and described in the capital construction section of this document.

Postsecondary Education Workforce Development Trust Fund

Funding in the amount of \$8 million the first year of the biennium and \$15 million in the second year of the biennium is provided for the Kentucky Community and Technical College System for the following subsidiary programs:

1. Enrollment Growth and Retention Program Funding in the amount of \$7 million in the second year of the biennium will be distributed based on guidelines developed by the Council on Postsecondary Education to provide incentives for KCTCS to achieve targeted increases in enrollment and retention rates. Additional information about the targeted enrollment and retention goals is provided in this document immediately following the section on the Kentucky Higher Education Assistance Authority.
2. Workforce Training Program. Funding in the amount of \$6 million each year of the biennium is provided to continue the current base appropriation to this program. Funding for worker training in the 2000-02 biennium will be used for programs on a non-recurring basis and will not be used to establish permanent KCTCS program offerings. In addition, the Council on Postsecondary Education is encouraged to allocate at least \$2 million of this appropriation each year for high-tech training consistent with the proposed Knowledge Based Economy Initiative.
3. Administrative Information Systems Funding in the amount of \$2 million each year of the biennium is provided to continue implementation of the administrative information software systems necessary for KCTCS to function as an institution in the Kentucky system of postsecondary education.

Student Financial Aid and Advancement Trust Fund

Funding in the amount of \$22.4 million in the first year of the biennium and \$37.5 million in the second year of the biennium is provided to expand the Kentucky Excellence in Education Scholarship (KEES) Program in accordance with the funding mechanism established by Senate Bill 21 as enacted by the 1998 General Assembly.

Adult Education and Literacy Trust Fund

Funding for this new trust fund is a result of the work of the Task Force on Adult Education and reflects the position that policy leadership and planning responsibility for adult education and literacy be assigned to the Council on Postsecondary Education. Funding is provided in the amount of \$2 million each year to support county and regional strategies, statewide initiatives, research and development activities. Funding in the amount of \$5 million in the first year of the biennium and \$10 million in the second year of the biennium is provided for additional services as determined by the statewide strategic agenda developed by the Council on Postsecondary Education in collaboration with the Department for Adult Education and Literacy.

Science and Technology Trust Fund

Funding for this new trust fund is a result of the work of the Kentucky Science and Technology Corporation that developed a strategic plan for the state that assigns responsibility to the Council on Postsecondary Education to help universities transform research knowledge into marketable products. Funding in the amount of \$4.2 million is provided in the second year of the biennium to support advanced scientific research at all universities, technology transfer to the marketplace, and establishment of regional postsecondary-based corporations to help rural industries access new markets.

**Postsecondary Education
Kentucky Higher Education Assistance Authority**

	Revised FY 2000	Requested FY 2001	Requested FY 2002	Recommended FY 2001	Recommended FY 2002
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	30,603,200	51,405,500	52,541,500	49,100,000	49,379,500
Tobacco Settlement - I				2,000,000	2,109,500
Continuing Appropriation	172,000				
Total General Fund	30,775,200	51,405,500	52,541,500	51,100,000	51,489,000
Restricted Funds					
Balance Forward	1,341,300	3,308,000	1,827,700	3,307,200	4,310,000
Current Receipts	13,121,300	13,944,300	15,120,400	13,983,400	15,259,200
Non-Revenue Receipts	29,447,400	22,245,000	37,395,000	23,584,700	36,248,500
Total Restricted Funds	43,910,000	39,497,300	54,343,100	40,875,300	55,817,700
Federal Funds					
Current Receipts	312,000	325,000	325,000	325,000	325,000
Total Federal Funds	312,000	325,000	325,000	325,000	325,000
TOTAL SOURCE OF FUNDS	74,997,200	91,227,800	107,209,600	92,300,300	107,631,700
EXPENDITURES BY CLASS					
Personnel Cost	9,600,900	10,590,700	10,968,900	10,771,400	11,251,000
Operating Expenses	3,240,500	3,678,600	3,572,500	4,202,600	4,117,100
Grants, Loans or Benefits	58,800,800	75,130,800	90,736,700	72,985,000	82,016,500
Debt Service			904,000		906,000
Capital Outlay	47,800			31,300	31,300
TOTAL EXPENDITURES	71,690,000	89,400,100	106,182,100	87,990,300	98,321,900
EXPENDITURES BY FUND SOURCE					
General Fund	30,775,200	51,405,500	52,541,500	51,100,000	51,489,000
Restricted Funds	40,602,800	37,669,600	53,315,600	36,565,300	46,507,900
Federal Funds	312,000	325,000	325,000	325,000	325,000
TOTAL EXPENDITURES	71,690,000	89,400,100	106,182,100	87,990,300	98,321,900
EXPENDITURES BY UNIT					
General Administration and Support	12,889,200	14,269,300	15,445,400	15,005,300	16,305,400
College Access Program	32,326,800	33,905,400	34,130,000	33,905,400	34,130,000
Work Study Program	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Kentucky Tuition Grant	14,320,400	14,546,800	14,645,200	14,546,800	14,645,200
Teacher Scholarships	1,801,600	1,983,300	2,022,500	1,983,300	2,022,500
Ky National Guard Tuition	1,571,000			1,736,000	1,972,900
Osteopathic Medicine Scholarship	1,211,000	1,775,300	1,869,000	1,620,000	1,579,500
Early Childhood-Scholarship Program				2,000,000	2,109,500
Ky Educational Excellence Scholarships	6,570,000	21,920,000	37,070,000	16,193,500	24,556,900
TOTAL EXPENDITURES	71,690,000	89,400,100	106,182,100	87,990,300	98,321,900

The Kentucky Higher Education Assistance Authority (KHEAA) mission is to serve the Commonwealth by providing statewide programs of financial assistance and related services to enable students to pursue postsecondary education programs. The statewide objective is to expand the opportunities for persons to attend eligible postsecondary institutions by providing student financial aid which facilitates both access to and choice among public and independent institutions in keeping with each person's education and career objectives as provided under KRS 164.740-164.785.

Kentucky Higher Education Assistance Authority (KHEAA) is statutorily responsible for administration of state grant, work study, scholarship, and college savings programs for postsecondary students. The agency is the designated guarantor of insured student loans under the Higher Education Act of 1965, as amended for Kentucky and Alabama. In addition, KHEAA disseminates postsecondary school and financial aid information. The agency provides administrative services at no cost to the Kentucky Department of Education for its Minority Educator Recruitment and Retention program and Occupational/Physical Therapy Incentive program and to the Kentucky National Guard for its Tuition Assistance Program. KHEAA continues to expand its guarantee service to other areas that promote opportunities for the Kentucky students.

The Kentucky Higher Education Assistance Authority Program (KHEAA) administers the following student aid programs:

The College Access Program (CAP) awards grants to Kentucky's financially needy, undergraduate students enrolled in a public or private non-profit college, public technical colleges, or proprietary schools.

The Kentucky Tuition Grant (KTG) program provides need-based grants to qualified Kentucky students who choose to attend one of the Commonwealth's 21 participating independent colleges and is designed to assist full-time students with tuition charges at these schools.

The Teacher Scholarship program is designed to assist highly qualified, financially needy, Kentucky students with the costs incurred while seeking initial teacher certification. Recipients must agree to render qualified teaching service in the Commonwealth.

The Work-Study program allows students to work and earn funds to apply toward college expenses while gaining valuable career-related work experience. It provides contacts in a student's career field and creates a valuable work ethic for the student.

The Kentucky National Guard Tuition Award program provides tuition assistance to active members of the Kentucky National Guard to attend Kentucky's state-supported postsecondary educational institutions. The Department of Military Affairs selects the recipients and KHEAA forwards funds to the schools to be disbursed to the students.

The Osteopathic Medicine Scholarship program provides tuition equalization awards to eligible students who choose to attend a Kentucky school of osteopathic medicine rather than a state medical school. Recipients must agree to provide medical services in Kentucky one year for each year they receive a scholarship.

The Kentucky Educational Excellence Scholarship (KEES) program provides merit-based scholarships to eligible high school students based on their yearly grade point average and supplemental awards based on their highest ACT (or equivalent SAT) score attained by their high school graduation date. The scholarships can be used to pay the expenses of each year of college or technical training.

Policy

The Governor's budget recommendation provides restricted fund replacement dollars in the amount of \$13,456,400 in fiscal year 2001 and \$13,202,400 in fiscal year 2002 for the College Access Program.

Restricted fund replacement dollars in the amount of \$6,055,200 in fiscal year 2001 and \$5,953,200 in fiscal year 2002 are included for the Kentucky Tuition Grant program.

The Governor's budget recommendation provides restricted fund replacement dollars in the amount of \$6,738,000 in fiscal year 2001 and \$6,910,000 in fiscal year 2002 for the Kentucky Educational Excellence Scholarship (KEES). Additional agency fund dollars are provided for the program in the amount of \$9,455,500 in fiscal year 2001 and \$17,646,900 in fiscal year 2002.

Funds from the trust fund will also be used for other related postsecondary programs. (The following chart illustrates the recommended distribution of the lottery funds.) Merit Scholarship dollars for the KEES program will be made available to all students who qualify in accordance with the provisions of Senate Bill 21 as enacted by the 1998 Regular Session of the General Assembly as the highest priority use of the funds.

Included in the Governor's budget recommendation are agency funds in the amount of \$1,620,000 in fiscal year 2001 and \$1,579,500 in fiscal year 2002 for the Osteopathic Medicine Scholarship Program. Funding amounts were derived assuming that the scholarships will be computed based on the average public school tuition rate.

The Governor's budget recommendation funds the Work-Study Program with agency fund dollars in the amount of \$1,000,000 in each year of the biennium.

The Governor's budget recommendation provides agency funds in the amount of \$1,736,000 in fiscal year 2001 and \$1,972,900 in fiscal year 2002 for the National Guard Tuition Assistance program. These funds will be derived from Lottery proceeds through the Council on Postsecondary Education.

Included in the Governor's budget recommendation is an allocation from the Phase I Tobacco Settlement in the amount of \$2,000,000 in fiscal year 2001 and \$2,109,500 in fiscal year 2002 for the Early Childhood Care Caseworker Scholarship program.

Included in the Governor's budget recommendation are agency funds in the amount of \$655,100 in fiscal year 2001 and \$327,100 in fiscal year 2002 to fund technology enhancements for KHEAA's administrative activities.

The Governor's budget recommendation provides agency funded debt service in the amount of \$906,000 in fiscal year 2002 for KHEAA's new administrative building.

The Governor's budget recommends that the Empower Kentucky savings derived from agency funds be returned to KHEAA. The amount of those savings are \$34,700 in fiscal year 2001 and \$83,500 in fiscal year 2002.

Included in the Governor's budget recommendation are agency fund dollars to underwrite the costs associated with the administration of the KEES program. These funds are derived from lottery receipts. The amount of this additional funding is \$696,900 in fiscal year 2001 and \$712,200 in fiscal year 2002.

**Higher Education Programs Funded By Lottery Receipts
Distribution over the 2000-2001 Biennium**

Lottery Resources	Recommended FY 2000	Recommended FY 2001
	Revenue Estimate: 01/00 Forecast	
Net Lottery Revenues	\$ 152,000,000	\$ 153,000,000
<i>Less: Collaborative Center for Literacy Development</i>	<i>\$ (1,200,000)</i>	<i>\$ (1,200,000)</i>
<i>Less: Early Reading Incentive Fund</i>	<i>\$ (1,800,000)</i>	<i>\$ (1,800,000)</i>
Total Net Lottery Revenues to be distributed	<u>\$ 149,000,000</u>	<u>\$ 150,000,000</u>

Lottery Distribution		
Merit Scholarship Trust Fund (15%/25%)	\$ 22,350,000	\$ 37,500,000
College Access Program/ Kentucky Tuition Grants Program (32%/40%)	\$ 47,680,000	\$ 48,000,000
Total Lottery Distribution	<u>\$ 70,030,000</u>	<u>\$ 85,500,000</u>

Merit Scholarship Distribution over the 2000-2002 Biennium		
Kentucky Educational Excellence Scholarship (KEES)	\$ 16,193,500	\$ 24,556,900
Kentucky Educational Excellence Scholarship (KEES) Reserve Fund	\$ 1,989,600	\$ 6,945,100
Kentucky National Guard Tuition Assistance	\$ 1,736,000	\$ 1,972,900
Contract Spaces Program	\$ 2,430,900	\$ 2,525,100
Public Communications Campaign		\$ 1,500,000
Total Merit Scholarship Distribution	<u>\$ 22,350,000</u>	<u>\$ 37,500,000</u>

*Merit Scholarship dollars for the KEES program will be made available to all students who qualify in accordance with the provisions of Senate Bill 21 as enacted by the 1998 Regular Session of the General Assembly as the highest priority use of these funds.

**The reserve fund will be used to fund future scholarships in the event that sufficient funds are realized.

POSTSECONDARY EDUCATION REFORM

HISTORY

The enactment of the Postsecondary Education Improvement Act of 1997 was the culmination of months of deliberations that began with Governor Paul Patton's Inaugural Address on December 12, 1995. His statement that "we must have a system of higher education which is more responsive, more efficient, and more relevant" and his promise of increased funding for meaningful change in the system, initiated a process that dramatically altered the landscape of Kentucky postsecondary education.

At Governor Patton's request, the 1996 General Assembly created the Task Force on Postsecondary Education (SCR 93) and charged it with reviewing the status of postsecondary education, including governance and funding, and to report its findings to both the Governor and the Legislative Research Commission. The Task Force was composed of six senators, six representatives, and six members of the executive branch. With help from the National Center for Higher Education Management Systems and the Education Commission of the States, the Governor led the effort resulting in the document *Postsecondary Education in Kentucky: An Assessment*, which was presented to the Task Force in March, 1997, after months of testimony and discussion.

The recommendations that grew out of the *Assessment* were the basis of House Bill 1, the focus of the Extraordinary Session of the General Assembly, which convened on May 12, 1997. After three weeks of intense discussions, Governor Patton signed the Postsecondary Education Reform Act into law on May 30. A 204-page bill, House Bill 1, resulted in numerous changes to the postsecondary education system of the Commonwealth. Perhaps the four most significant were:

- the reorganization and strengthening of the Council on Postsecondary Education (CPE);
- the creation of the Kentucky Community and Technical College System (KCTCS);
- the creation of the Strategic Committee on Postsecondary Education (SCOPE); and
- the change in the funding process for postsecondary education.

The CPE was strengthened in a number of ways, including responsibility for the Kentucky Commonwealth Virtual University (KCVU) and the clear authority to eliminate academic programs and revise institutional missions. In addition, the Council's coordinating authority now extends to the postsecondary technical institutions that will become part of KCTCS.

The Strategic Committee on Postsecondary Education is composed of six members of the CPE, plus the CPE President, the Governor and six of his appointees; and 14 designated leaders of the General Assembly (seven from each chamber). Aside from the responsibility to act as a search committee in the selection of the first CPE President, SCOPE's duties are advisory. Its purpose is to act as a forum for leaders from the CPE and executive and legislative branches to engage in discussions about the needs and plans for postsecondary education.

Finally, House Bill 1 made important changes in the way public postsecondary education is funded. Reference to the funding formula has been eliminated from the statutes. In its place, House Bill 1 created six Strategic Investment and Incentive Trust Funds (a Research Challenge Trust Fund; a Regional University Excellence Trust Fund; a Technology Initiative Trust Fund; a Physical Facilities Trust Fund; a Postsecondary Workforce Development Trust Fund; and a Student Financial Aid and Advancement Trust Fund) designed to provide the significant new funding the institutions need to achieve excellence.

STATUS OF POSTSECONDARY EDUCATION REFORM

The Action Agenda

Building on the Kentucky Postsecondary Education Improvement Act of 1997 and *2020 Vision*, the Council in 1999 approved the next step in changing and improving postsecondary education in Kentucky: an Action Agenda, developed by the Council and colleges and universities, laying out what they and Kentucky will do through 2004 to bring the Commonwealth closer to achieving its goals for 2020. A key feature: projected increases in enrollment, retention, and graduation rates needed to move Kentucky toward national averages. In shaping the Action Agenda, the Council and its staff solicited proposals and reactions from a broad range of Kentuckians through a wide variety of methods: statewide teleconference, KET call-in show, discussions with campus administrators and faculty senate leaders, in-depth telephone interviews with legislators, teachers, principals, and superintendents, and focus groups of students, alumni, parents, and employers. Comment on the Action Agenda also was sought from business and civic leaders.

Kentucky Community and Technical College System

In 1999, its second full year, the Kentucky Community and Technical College System increased enrollment by nearly three percent to 46,716 students, full and part time. The KCTCS enrolled about 82,000 students in noncredit continuing education classes and in customized training for business and industry. The KCTCS also enrolled about 60,000 students in noncredit training for fire and rescue services, and 1,500 students in academic and technical programs in correctional institutions. The KCTCS Board of Regents and President Michael B. McCall continued to support consolidation at community and technical colleges where local citizens and civic and business leaders sought those changes. In 1999, the Council on Postsecondary Education approved nearly a dozen new academic programs and allowed the KCTCS to approve most future programs. The KCTCS that year created administrative processes to link its 28 colleges on 50 campuses, installing a systemwide computer network that drew national notice. The Council has approved all five regional postsecondary education centers, and the KCTCS is working with the comprehensive universities to develop them. The centers and locations are Southeast (London, Corbin, Somerset), Northeast (Prestonsburg), South (Glasgow), Central (Elizabethtown), and West (Hopkinsville).

Kentucky Commonwealth Virtual University

In apparently the most successful startup of a consortium cyber university, the KCVU enrolled 235 students – many taking more than one course – for its first term, fall 1999. Some two dozen courses in nine pilot programs were offered. They ranged from nursing to office management to firefighter certification. Enrollment more than quadrupled for the spring 2000 term, when some 150 courses were available. In 1999, the KCVU filled its top three positions – chief executive, academic, and student services officers – along with others, including marketing director and staffing of its Call Center. The KCVU teamed with the Kentucky Department of Education to create the Kentucky Virtual High School (KCVH), the most ambitious undertaking of its kind in the country. The KCVH began offering courses, including foreign languages, in the spring 2000 term.

Kentucky Commonwealth Virtual Library

In 1999, the Kentucky Commonwealth Virtual Library (KCVL) rolled out an expanding array of databases – including full text of thousands of journals, magazines, and newspapers as well as indexes and abstracts – that all Kentuckians can access at home, at work, and at libraries across the Commonwealth. Besides building an all-purpose website, KCVL designed an online tutorial to help its users, including KCVU students, learn how to search for information and evaluate it. The virtual library implemented a common library system for public institutions so users can more easily determine what libraries have in their collections and order documents on loan. The KCVL also is working with libraries to put their Kentuckiana collections online.

Changes in Base Funding for Public Postsecondary Education

House Bill 1 eliminated the enrollment-driven funding formula and called for the Council to develop a new approach. Working in conjunction with the colleges and universities, the Governor's Office, and legislative staff, the Council in 1999 selected new, national benchmark institutions for each university and the KCTCS. With those benchmarks as a gauge, funding – beginning with the 2000-2002 biennium – will be based on an analysis of state General Fund and tuition and fees revenue per full-time-equivalent student compared to that of similar institutions nationwide. The Council endorsed using the 55th percentile among the benchmark institutions as the funding objective for requesting state support. The 2000-2002 budget request is based on achieving the funding objective over a three-year period.

Incentive Trust Funds: Endowment

As of January 2000, more than \$105 million of the \$110 million available to the institutions in public dollars for endowed positions has been matched by private fundraising. Fellowships, professorships, and more than 80 endowed chairs have been established through the Research Challenge Trust Fund. The University of Kentucky and the University of Louisville have matched their shares of the total of \$100 million reserved for them. The University of Kentucky and the University of Louisville are using the money to expand and improve targeted programs. Western Kentucky University has matched and Eastern Kentucky University has almost matched their portions of the \$10 million set aside for comprehensive universities.

Incentive Trust Funds: Regional Excellence, Workforce Development

Northern Kentucky University, Morehead State University, and Kentucky State University won Council approval in 1999 to fund their programs of distinction from the Regional University Excellence Trust Fund. (Programs at WKU, ECU, and Murray State University were approved in 1998.) Based on appropriations for the three years beginning in 1997, Morehead may receive up to \$2.6 million for its Institute for Regional Analysis and Public Policy, NKU received \$2.2 million for its Center for Integrative Natural Science and Mathematics, and KSU received \$1.2 million for its Aquaculture Program. The Council approved a \$12-million proposal by the KCTCS for use of the Postsecondary Workforce Development Trust Fund for the two-year period ending in June

2000. The Council staff is reviewing the programs of distinction and the programs supported by the Research Challenge Trust Fund and will report on them to CPE in 2000.

The Need for Space – and the Use of Space – at Colleges and Universities

The Council in 1999 approved guidelines and standards for creation and use of space – measures to evaluate the need for new or renovated space at public colleges and universities. The Council contracted with Paulien & Associates Inc. and the National Center for Higher Education Management Systems to develop guidelines and standards following their nationwide review of space-planning practices. The conclusion: Kentucky's public institutions generally have enough space for now, though some need more in selected categories such as research labs. Average weekly use of classrooms, teaching labs, and the seats, desks, and stations in them in fall 1998 was below the standards the Council has adopted. Classrooms were used 24.9 hours (standard: 36) at 56.7 percent occupancy per session (standard: 67 percent). Teaching labs were used 15.5 hours (standard: 23) at 72.6 percent occupancy per session (standard: 80 percent).

New Academic Programs – and New Ways To Approve Them

In 1999, the Council approved nearly two dozen academic programs including associate degrees in Network and Information Systems Technology (Kentucky Advanced Technology Institute, Paducah Community College, and Somerset Community College); bachelor's degrees in Early Childhood Education (WKU), Computer Electronic Networking (EKU), and Environmental Science and Studies (NKU); a master's degree in Computer Science (NKU), and doctorates in mechanical and electrical engineering (UofL). The Council adopted program approval policies that are in line with reform goals, reflect international best practices, and strengthen partnerships between the Council and governing boards. As a first step, in April 1999, the Council delegated to the KCTCS Board of Regents authority for approving programs in the following areas: certificate, diploma, and associates in arts, science, applied science, and applied technology.

Stronger Minimum Admissions Requirements

Reflecting new minimum high school graduation requirements, the Pre-College Curriculum (PCC) – courses that students must take to be admitted unconditionally to Kentucky public universities – has been strengthened. The revised PCC, most of which applies to students who seek to enter four-year degree programs beginning in 2002, includes one more credit each in social studies and science, two credits in foreign language (effective 2004), one in arts appreciation, and half credits in health and physical education.

Systemwide Assessment and Placement (Remedial Courses)

In November 1999, the Council approved a policy establishing a minimum standard for placing students in appropriate levels of courses in English, math, and reading. The policy emphasizes placement based on what a student knows – not just the completion of certain courses in high school. It reflects comment by the institutions' chief academic officers and Kentucky Department of Education staff.

P-16 Council

In 1999, the Council on Postsecondary Education and the State Board of Education created the P-16 Council (preschool through undergraduate), composed of three members each of the Board and the Council, along with the Commissioner of Education and the CPE President. Advancing both KERA and House Bill 1, the P-16 Council is focusing on the preparation and professional development of teachers, and on defining what is expected of students graduating from high school and entering colleges and universities. Projects that the Council and the Board have undertaken with the P-16 Council include middle school math and science teacher academies, incentive funds for the creation of model schools to prepare teachers, and a communications campaign to persuade more Kentuckians to go to college.

Kentucky Educational Excellence Scholarships (KEES)

The first students to benefit from the program – merit scholarships based on grades and standardized test scores – entered college in fall 1999. An estimated 14,000 students will receive payments during the 1999-2000 year totaling about \$6 million.

The Council on Postsecondary Education's 1999 Status Report to the Governor and the General Assembly can be found on the Council's website: cpe.state.ky.us.

EXPENDITURE CLASSIFICATION FOR POSTSECONDARY EDUCATION

Instruction - Includes all funds expended for credit and non-credit courses for academic, vocational, and remedial purposes in regular, special, and extension sessions. Expenditures for departmental research and public service that are not separately budgeted are also included. This category includes subcategories for General Academic Instruction, Occupational/Technical Instruction, Summer and Special Session Instruction, Community Education, and Preparatory/Adult Basic Education.

Research - Includes all expenditures for activities specifically organized to produce research outcomes. This category includes subcategories for Institutes and Research Centers and Individual and Project Research.

Public Service - Includes expenditures for activities established primarily to provide non-instructional services beneficial to individuals outside the institution. This category includes subcategories for Community Service, Cooperative Extension Service, and Public Broadcasting Services.

Libraries - Includes expenditures for all activities that directly support the collection, cataloging, storage, and distribution of published materials in support of an institution's academic programs. To be included in this activity, a library should be separately organized and serve more than one academic department or activity.

Academic Support - Includes funds expended primarily to provide support services for the institution's primary missions-instruction, research, and public service. This category includes subcategories for Museums and Galleries, Audio/Visual Services, Academic Computing Support, Ancillary Support, Academic Administration, Academic Personnel Development, and Course and Curriculum Development.

Student Services - Includes funds for the Office of Admissions and Records and those activities whose primary purpose is to contribute to the student's intellectual, cultural, and social development outside the context of the formal instruction program. This category includes subcategories for Student Services Administration, Social and Cultural Development, Counseling and Career Guidance, Financial Aid Administration, Student Admissions, Student Records, Student Health Services, and Intercollegiate Athletics. Intercollegiate Athletics includes expenditures for the coaches, trainers, officiating, travel, grants-in-aid, ticket sales, advertising, and other expenditures necessary to maintain intercollegiate participation. An appropriate portion of the office and staff of the athletic director should be included. Excluded are those activities that relate to intramural athletics. Intercollegiate Athletics is categorized as an "education and general" expenditure unless it is operating as a self-supporting activity.

Institutional Support - Includes expenditures for those activities carried out to provide for both the day-to-day functioning and the long-range viability of the institution as an operating institution, exclusive of physical plant operations. This category includes subcategories for Executive Management, Fiscal Operations, General Administration and Logistical Services, Administrative Computing Support, and Public Relations/Development.

Operation and Maintenance of Plant - Includes all expenditures of current operating funds for the operation and maintenance of the physical plant, net amounts charged to Auxiliary Enterprises, Hospitals, and/or Independent Operations. This category includes subcategories for Physical Plant Administration, Building Maintenance, Custodial Service, Utilities, Landscape and Grounds Maintenance, and Major Repairs and Renovations.

Scholarships and Fellowships - Includes expenditures made in the form of outright grants to students selected by the institution and financed by current funds. This category includes subcategories for Scholarships (undergraduate awards) and Fellowships (graduate awards).

Mandatory Transfers - Includes transfers from the Current Funds group to other fund groups arising out of binding legal agreements related to the financing of educational plant and/or grant agreements that require matching funds. This category includes subcategories for Provision for Debt Service on Educational Plant, Loan Fund Matching Grants, and Other Mandatory Transfers.

Auxiliary Enterprises - Includes expenditures and transfers associated with the operation of auxiliary enterprises. An auxiliary enterprise is an entity that exists to furnish goods or services to students, faculty, or staff and may incidentally serve the general public as well. Fee charges are directly related to, though not necessarily equal to, the cost of the goods or services. This category includes subcategories for Auxiliary Enterprises-Student; Auxiliary Enterprises-Faculty Staff; Intercollegiate Athletics; and Mandatory Transfers/Auxiliary Enterprises.

Hospitals - Includes all expenditures and transfers associated with the patientcare operations of a university-operated hospital. Expenditures for those activities that take place within the hospital but are more appropriately classified as instruction or research are excluded. This category includes subcategories for Direct Patient Care, Health Care Supportive Services, Administration of Hospitals, Physical Plant Operations for Hospitals, and Mandatory Transfers/Hospitals.

SOURCE: Uniform Financial Reporting Manual for Kentucky's Institutions of Public Higher Education, adopted by the Council on Higher Education, January 1978.

**2000-2002 TUITION RATES
(Per Semester)**

In an effort to provide institutions with more management flexibility, the Council on Postsecondary Education approved tuition guidelines that decentralized the tuition-setting responsibilities. Beginning with the 2000-2002 biennium the institutions are responsible for setting their tuition rates. This new flexibility will allow institutions to set rates differentiated by factors such as residency status; program level (i.e., undergraduate, graduate, and first professional) and program (e.g., business and biology). In addition, rates may be set on a per credit hour basis. Each institution submitted projected tuition rates for 2000-2001 and 2001-2002 to the Council. The projected tuition rates included in the table below are subject to change by the institutions.

<u>Institution/Level/Residency Status</u>	<u>1999-00*</u>	<u>2000-01**</u>	<u>Dollar Increase</u>	<u>Percent Increase</u>	<u>2001-02**</u>	<u>Dollar Increase</u>	<u>Percent Increase</u>
Eastern Kentucky University							
Undergraduate							
Resident	1,010	1,086	76	7.5%	1,167	81	7.5%
Nonresident	3,030	3,257	227	7.5%	3,502	245	7.5%
Graduate							
Resident	1,110	1,193	83	7.5%	1,283	90	7.5%
Nonresident	3,330	3,580	250	7.5%	3,848	268	7.5%
Kentucky State University							
Undergraduate							
Resident	1,010	1,050	40	4.0%	1,098	47	4.5%
Nonresident	3,030	3,151	121	4.0%	3,293	142	4.5%
Graduate							
Resident	1,110	1,154	44	4.0%	1,206	52	4.5%
Nonresident	3,330	3,463	133	4.0%	3,619	156	4.5%
Morehead State University							
Undergraduate							
Resident	1,010	1,040	30	3.0%	1,070	30	2.9%
Nonresident – Contiguous Tier Counties	N/A	1,040	N/A	N/A	1,070	30	2.9%
Nonresident	3,030	3,120	90	3.0%	3,210	90	2.9%
Graduate							
Resident	1,110	1,140	30	2.7%	1,170	30	2.6%
Nonresident	3,330	3,430	100	3.0%	3,530	100	2.9%
Murray State University***							
Undergraduate							
Resident	1,010	1,071	61	6.0%	1,135	64	6.0%
Nonresident	3,030	3,212	182	6.0%	3,405	193	6.0%
Graduate							
Resident	1,110	1,177	67	6.0%	1,247	71	6.0%
Nonresident	3,330	3,530	200	6.0%	3,742	212	6.0%

<u>Institution/Level/Residency Status</u>	<u>1999-00*</u>	<u>2000-01**</u>	<u>Dollar Increase</u>	<u>Percent Increase</u>	<u>2001-02**</u>	<u>Dollar Increase</u>	<u>Percent Increase</u>
Northern Kentucky University***							
Undergraduate							
Resident							
Full-Time (12 SCH)	1,010	1,066	56	5.5%	1,124	58	5.4%
Part-Time (per credit hour)	N/A	90	N/A	N/A	95	5	5.6%
Nonresident							
Full-time (12 SCH)	3,030	3,197	167	5.5%	3,372	175	5.5%
Part-Time (per credit hour)	N/A	267	N/A	N/A	282	15	5.6%
Graduate							
Resident							
Full-Time (9 SCH)	1,110	1,171	61	5.5%	1,235	64	5.5%
Part-Time (per credit hour)	N/A	131	N/A	N/A	138	7	5.3%
Nonresident							
Full-Time (9 SCH)	3,330	3,513	183	5.5%	3,706	193	5.5%
Part-Time (per credit hour)	N/A	390	N/A	N/A	412	22	5.6%
MBA							
Resident							
Full-Time (9 SCH)	1,110	1,277	167	15.0%	1,468	191	15.0%
Part-Time (per credit hour)	N/A	143	N/A	N/A	164	21	14.7%
Nonresident							
Full-Time (9 SCH)	3,330	3,829	499	15.0%	4,404	575	15.0%
Part-Time (per credit hour)	N/A	425	N/A	N/A	489	64	15.1%
Law							
Resident							
Full-Time (12 SCH)	2,780	2,933	153	5.5%	3,097	164	5.6%
Part-Time (per credit hour)	N/A	245	N/A	N/A	258	13	5.3%
Nonresident							
Full-Time (12 SCH)	7,465	7,876	411	5.5%	8,309	433	5.5%
Part-Time (per credit hour)	N/A	658	N/A	N/A	693	35	5.3%
University of Kentucky							
Undergraduate							
Resident	1,480	1,555	75	5.1%	1,635	80	5.1%
Nonresident	4,440	4,665	225	5.1%	4,905	240	5.1%
Graduate							
Resident	1,630	1,715	85	5.2%	1,805	90	5.2%
Nonresident	4,890	5,145	255	5.2%	5,415	270	5.2%
Law							
Resident	2,780	2,939	159	5.7%	3,125	186	6.3%
Nonresident	7,465	7,725	260	3.5%	8,012	287	3.7%

<u>Institution/Level/Residency Status</u>	<u>1999-00*</u>	<u>2000-01**</u>	<u>Dollar Increase</u>	<u>Percent Increase</u>	<u>2001-02**</u>	<u>Dollar Increase</u>	<u>Percent Increase</u>
University of Kentucky (continued)							
Medicine							
Resident	4,945	5,100	155	3.1%	5,283	183	3.6%
Nonresident	12,640	12,640	-	0.0%	12,640	-	0.0%
Dentistry							
Resident	4,080	4,250	170	4.2%	4,489	239	5.6%
Nonresident	10,320	10,700	380	3.7%	11,136	436	4.1%
Pharmacy							
Resident	2,365	2,500	135	5.7%	2,670	170	6.8%
Nonresident	6,945	7,375	430	6.2%	7,887	512	6.9%
Lexington Community College							
Undergraduate							
Resident	810	810	-	0.0%	810	-	0.0%
Nonresident	2,430	2,555	125	5.1%	2,685	130	5.1%
University of Louisville							
Undergraduate							
Resident	1,480	1,575	95	6.4%	1,669	95	6.0%
Nonresident	4,440	4,724	284	6.4%	5,008	284	6.0%
Graduate							
Resident	1,630	1,735	105	6.4%	1,839	104	6.0%
Nonresident	4,890	5,203	313	6.4%	5,515	312	6.0%
Law							
Resident	2,780	2,989	209	7.5%	3,213	224	7.5%
Nonresident	7,465	8,025	560	7.5%	8,627	602	7.5%
Medicine							
Resident	4,945	5,440	495	10.0%	5,984	544	10.0%
Nonresident	12,640	13,904	1,264	10.0%	15,295	1,391	10.0%
Dentistry							
Resident	4,080	4,570	490	12.0%	5,118	549	12.0%
Nonresident	10,320	11,559	1,239	12.0%	12,946	1,387	12.0%
Western Kentucky University							
Undergraduate							
Resident							
Full-Time – Main Campus	1,010	1,075	65	6.4%	1,145	70	6.5%
Full-Time – Community College	N/A	1,010	N/A	N/A	1,010	-	0.0%
Part-Time – Main Campus (per credit hour)	N/A	90	N/A	N/A	95	5	5.6%
Part-Time – Community College (per credit hour)	N/A	84	N/A	N/A	84	-	0.0%

<u>Institution/Level/Residency Status</u>	<u>1999-00*</u>	<u>2000-01**</u>	<u>Dollar Increase</u>	<u>Percent Increase</u>	<u>2001-02**</u>	<u>Dollar Increase</u>	<u>Percent Increase</u>
Western Kentucky University (continued)							
Nonresident							
Full-Time	3,030	3,225	195	6.4%	3,435	210	6.5%
Full-Time – Incentive Grant Counties	N/A	1,275	N/A	N/A	1,345	70	5.5%
Part-Time (per credit hour)	N/A	269	N/A	N/A	286	17	6.3%
Part-Time – Incentive Grant Counties (per credit hour)	N/A	106	N/A	N/A	112	6	5.7%
Graduate							
Resident							
Full-Time	1,110	1,175	65	5.9%	1,245	70	6.0%
Part-Time (per credit hour)	N/A	132	N/A	N/A	140	8	6.1%
Nonresident							
Full-Time	3,330	3,330	-	0.0%	3,330	-	0.0%
Part-Time (per credit hour)	N/A	370	N/A	N/A	370	-	0.0%
Kentucky Community and Technical College System							
Community Colleges							
Resident	550	575	25	4.5%	605	30	5.2%
Nonresident	1,650	1,725	75	4.5%	1,815	90	5.2%
Technical Colleges							
Resident	330	380	50	15.2%	440	60	15.8%
Nonresident	660	760	100	15.2%	880	120	15.8%

* As approved by the Council on Postsecondary Education.

** As set by individual institutions.

*** The planned rates are based on the Council's biennial state appropriations request being funded. These rates may increase if not funded.

NOTE: Rates in 2000-2001 and 2001-2002 are subject to change.

ENROLLMENT HIGHLIGHTS

A total of 189,264 students were reported as enrolled in fall 1999 at Kentucky's public and independent postsecondary education institutions. Public institutions enrolled 158,942 106,100 at the universities, 42,348 at the community colleges (including Lexington Community College), and 10,494 at the technical colleges. Independent two-year and four-year institutions reported a total of 26,422 students. An additional 3,900 students were reported as enrolled in Bible colleges, seminaries, and other independent institutions which are licensed by the Council on Postsecondary Education.

Headcount enrollment in Kentucky's public universities and community colleges changed very little from fall 1998 to fall 1999. Enrollment at the universities decreased by 0.7 percent, while there was a 2.5 percent increase at the community colleges. The technical colleges showed an increase from fall 1998 to fall 1999 of 1.5 percent. There was an increase in enrollment in the independent four-year institutions of 0.1 percent. The one remaining two-year institution reported an increase in enrollment of 1.1 percent. Bible colleges showed an increase of 8.7 percent, and enrollment at the reporting seminaries increased by 10.4 percent. Frontier School of Midwifery reported an increase of 23.4 percent.

Fall 1999 enrollment at the public universities and community colleges includes 23,189 first-time freshmen – 14,554 at the universities and 8,635 at the community colleges. These numbers represent a 0.3 percent decrease in the headcount enrollment of first-time freshmen from fall 1998.

There are 11,999 black students enrolled in fall 1999 at Kentucky's public universities, community colleges, and technical colleges.

Number and Percent of Black Students

	1998		1999	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Universities	7,576	7.1	7,881	7.4
Community Colleges	3,436	8.3	3,553	8.4
Technical Colleges	553	5.4	565	5.4
Total	11,565	7.3	11,999	7.5

Nontraditional (age 25 or older) students make up 29.8 percent of the total public university and community college undergraduate enrollment. The universities reported nontraditional student undergraduate enrollment at 24.0 percent, while 41.5 percent of the community college students are 25 years or older. These percents vary little from the fall 1998 nontraditional enrollment (24.8 at the universities and 42.3 at the community colleges).

**TOTAL HEADCOUNT ENROLLMENT AND PERCENTAGE CHANGE
KENTUCKY STATE-SUPPORTED AND INDEPENDENT INSTITUTIONS
FALL 1998 AND FALL 1999**

<u>INSTITUTIONS</u>	<u>FALL 1998 HEADCOUNT</u>	<u>FALL 1999 HEADCOUNT</u>	<u>PERCENT CHANGE</u>
<u>State-Supported</u>			
Universities	106,803	106,100	-0.7
Lexington Community College	6,118	6,807	11.3
Kentucky Community and Technical College System (KCTCS)			
Community Colleges	35,193	35,541	1.0
Technical Colleges	10,336	10,494	1.5
KCTCS Subtotal	45,529	46,035	1.1
Total State Supported	158,450	158,942	0.3
<u>Independent</u>			
Four-Year Institutions	25,924	25,945	0.1
Two-Year Institutions	472	477	1.1
Total Four-Year and Two-Year	26,396	26,422	0.1
Bible Colleges	506	550	8.7
Seminaries	2,825	3,118	10.4
Other Independent Institutions	188	232	23.4
Total Independent	29,915	30,322	1.4
Total State Supported and Independent	188,365	189,264	0.5

Source: Council on Postsecondary Education Data Base

ENROLLMENT, RETENTION, AND GRADUATION RATE TARGETS

In support of the 1999-2004 Action Agenda for postsecondary education, the Council working with the presidents of the universities and the Kentucky Community and Technical College System (KCTCS) and representatives from the Governor's Office for Policy and Management and the Legislative Research Commission staff, established enrollment, retention, and graduation rate targets that will be used in measuring progress toward increased educational access and attainment.

These projections were calculated using historical and projected population data by county and past enrollment trends to estimate future enrollments. The targets in enrollment, retention and graduation rates contribute to growth reflected in the RAND Corporation projection of a 60,000-student increase needed to reach national averages by 2014. The enrollment targets reflect modest increases and a reversal of a five-year decline in enrollment that has been experienced in the system (-6.1% excluding technical college enrollments) from 1993 to 1998.

Enrollment

<u>Undergraduate</u>	<u>1998</u>	<u>Increase by 2002</u>	<u>Increase 2002-04*</u>	<u>Projected 2004</u>	<u>Total Projected Change</u>	<u>Total Percent Change</u>
Eastern Kentucky University	13,500	800	100	14,400	900	6.7%
Kentucky State University	2,200	200	200	2,600	400	18.2%
Morehead State University	6,700	300	100	7,100	400	6.0%
Murray State University	7,300	200	200	7,700	400	5.4%
Northern Kentucky University	10,600	500	400	11,500	900	8.5%
University of Kentucky	17,200	200	100	17,500	300	1.7%
University of Louisville	14,600	-200	-100	14,300	-300	-2.1%
Western Kentucky University	12,700	700	100	13,500	800	6.3%
Total	84,800	2,700	1,100	88,600	3,800	4.5%
KCTCS	45,500	5,000	500	51,000	5,500	12.1%
Lexington Community College	6,100	1,100	600	7,800	1,700	27.9%
System Total	136,400	8,800	2,200	147,400	11,000	8.1%
Independents	24,200	1,000	1,000	26,200	2,000	8.3%
GRAND TOTAL	160,600	9,800	3,200	173,600	13,000	8.1%

<u>Graduate/ Professional **</u>	<u>1998</u>	<u>Increase by 2002</u>	<u>Increase 2002-04*</u>	<u>Projected 2004</u>	<u>Total Projected Change</u>	<u>Total Percent Change</u>
University of Kentucky	7,000	100	100	7,200	200	2.9%
University of Louisville	6,100	200	100	6,400	300	4.9%

* The 2002-04 increases include fall 2004 projected growth figures.

** Postdoctoral enrollments are excluded from the graduate/professional projections.

The University of Kentucky expects graduate enrollments to remain stable at approximately 5,200 students. Professional enrollments in law, medicine and dentistry and house staff (residents/interns) are not projected to increase. The professional program in pharmacy is expected to grow to meet industry needs for more graduates in this discipline.

The University of Louisville is projecting increased graduate levelmaster's and doctoral enrollments, from 4,300 to 4,600. Professional enrollments in law are expected to decrease and enrollments in medicine and dentistry are projected to increase (out-of-state) slightly.

<u>College-Going Rate</u>	<u>1998</u>	<u>2002</u>	<u>2004</u>	<u>2006</u>
In-State	46.3	47.8	48.8	49.8
Out-of-State	6.8	7.0	7.0	7.0
Total	53.1	54.8	55.8	56.8

To reach the enrollment goal of 60,000 more students by 2014 (RAND projections), the college-going rate in Kentucky must reach the national average (67% in 1997). The projected increase reflects the incremental progress needed to reach our goal.

<u>Retention</u>	<u>1998</u>	<u>2002</u>	<u>2004</u>	<u>2006</u>
Eastern Kentucky University	63%	66%	67%	69%
Kentucky State University	57%	60%	62%	65%
Morehead State University	64%	66%	68%	69%
Murray State University	72%	73%	74%	75%
Northern Kentucky University	63%	65%	67%	69%
University of Kentucky	80%	81%	82%	83%
University of Louisville	71%	73%	75%	77%
Western Kentucky University	68%	69%	70%	72%
Kentucky Community and Technical College System	53%	56%	57%	59%
Lexington Community College	62%	63%	64%	65%

The projections reflect fall-to-fall, one-year, first-time freshmen retention rates for each institution. As first-year retention rates improve and students are moved through the system in larger numbers, graduation rates and other indicators of student success should rise.

<u>Graduation Rates</u>	<u>1998</u>	<u>2002</u>	<u>2004</u>	<u>2006</u>
Eastern Kentucky University	26.6%	29.0%	30.6%	35.0%
Kentucky State University	33.9%	35.8%	37.0%	40.4%
Morehead State University	40.8%	42.2%	43.1%	45.6%
Murray State University	38.7%	40.2%	41.2%	44.0%
Northern Kentucky University	24.0%	26.6%	28.3%	30.3%
University of Kentucky	48.4%	52.4%	54.6%	55.7%
University of Louisville	28.3%	30.9%	34.4%	39.0%
Western Kentucky University	38.8%	40.3%	41.3%	44.1%

These projections reflect full-time baccalaureate degree enrollments.

The model also identifies Kentucky counties that should be targets of increased recruitment and enrollment. Underserved counties are defined as having high unemployment, low per capita income, low adult educational attainment and low college-going rates.

Each of the objectives will be reviewed biennially to determine the need for adjustment to continue progress toward growth goals. Institutional mission and role will continue to be addressed particularly as they relate to each institution's ability to target underserved areas and help solve community and statewide educational issues.

Enrollment Projection Model Target Enrollment Counties

The enrollment projections included in the 1999-2004 Action Agenda were calculated using historical and projection population data by county and past enrollment trends to estimate future enrollments. In addition, the model identified Kentucky counties that should be targeted for increased recruitment and enrollment based on four factors: high unemployment, low per capita income, low adult educational attainment and low college-going rates. The target counties are:

Adair	Crittenden	Jackson	Martin	Pike
Allen	Cumberland	Johnson	Mason	Powell
Ballard	Edmonson	Knott	McCreary	Rockcastle
Bath	Elliott	Knox	McLean	Russell
Bell	Estill	Laurel	Menifee	Spencer
Bracken	Fleming	Lawrence	Metcalfe	Trimble
Breathitt	Fulton	Lee	Morgan	Union
Breckinridge	Gallatin	Leslie	Muhlenberg	Wayne
Butler	Grant	Letcher	Nicholas	Whitley
Caldwell	Graves	Lewis	Ohio	Wolfe
Carter	Grayson	Lincoln	Owen	
Casey	Green	Livingston	Owsley	
Clay	Hart	Lyon	Pendleton	
Clinton	Hickman	Magoffin	Perry	

**Postsecondary Education
Eastern Kentucky University**

	Revised FY 2000	Requested FY 2001	Requested FY 2002	Recommended FY 2001	Recommended FY 2002
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	65,726,700	66,874,000	71,081,200	67,006,100	71,216,500
Total General Fund	65,726,700	66,874,000	71,081,200	67,006,100	71,216,500
Restricted Funds					
Current Receipts	81,321,300	87,345,700	91,149,300	87,345,700	91,149,300
Total Restricted Funds	81,321,300	87,345,700	91,149,300	87,345,700	91,149,300
Federal Funds					
Current Receipts	31,118,700	32,194,100	33,349,800	32,194,100	33,349,800
Total Federal Funds	31,118,700	32,194,100	33,349,800	32,194,100	33,349,800
TOTAL SOURCE OF FUNDS	178,166,700	186,413,800	195,580,300	186,545,900	195,715,600
EXPENDITURES BY CLASS					
Personnel Cost	102,948,600	107,062,600	111,304,000	107,194,700	111,439,300
Operating Expenses	36,960,800	38,529,900	40,675,300	38,529,900	40,675,300
Grants, Loans or Benefits	17,933,500	19,401,400	20,949,400	19,401,400	20,949,400
Debt Service	8,033,700	8,829,000	10,060,700	8,829,000	10,060,700
Capital Outlay	12,290,100	12,590,900	12,590,900	12,590,900	12,590,900
TOTAL EXPENDITURES	178,166,700	186,413,800	195,580,300	186,545,900	195,715,600
EXPENDITURES BY FUND SOURCE					
General Fund	65,726,700	66,874,000	71,081,200	67,006,100	71,216,500
Restricted Funds	81,321,300	87,345,700	91,149,300	87,345,700	91,149,300
Federal Funds	31,118,700	32,194,100	33,349,800	32,194,100	33,349,800
TOTAL EXPENDITURES	178,166,700	186,413,800	195,580,300	186,545,900	195,715,600
EXPENDITURES BY UNIT					
Instruction	58,362,900	61,996,100	64,281,700	62,128,200	64,417,000
Research	814,000	833,500	853,400	833,500	853,400
Public Service	16,510,000	16,890,900	17,280,900	16,890,900	17,280,900
Libraries	4,135,900	4,204,400	4,274,500	4,204,400	4,274,500
Academic Support	26,055,900	26,598,400	27,154,100	26,598,400	27,154,100
Student Services	9,853,800	10,090,400	10,332,700	10,090,400	10,332,700
Institutional Support	8,305,300	8,958,100	9,580,400	8,958,100	9,580,400
Operation and Maintenance of Plant	15,669,500	15,866,000	17,807,700	15,866,000	17,807,700
Scholarships and Fellowships	18,568,300	20,051,500	21,615,100	20,051,500	21,615,100
Mandatory Transfers	6,514,700	7,015,900	7,917,800	7,015,900	7,917,800
Auxilliary Enterprises	13,376,400	13,908,600	14,482,000	13,908,600	14,482,000
TOTAL EXPENDITURES	178,166,700	186,413,800	195,580,300	186,545,900	195,715,600

Eastern Kentucky University (EKU) was established by the 1906 General Assembly. The university's three primary responsibilities are: (1) to provide instruction in the arts and sciences, in business, in professional education, and in technical subjects; (2) to provide service to the community and region through the faculty serving as consultants in their fields of specialization and engaging in research dealing with problems of society; and (3) to engage in research to advance knowledge in the subject matter areas with which the various colleges of the university are concerned. These purposes of the university are accomplished by the College of Arts and Humanities; College of Business; College of Education; College of Applied Arts and Technology; College of Health, Physical Education, Recreation, and Athletics; College of Allied Health and Nursing; College of Law Enforcement; College of Natural and Mathematical Sciences; College of Social and Behavioral Sciences; and the Graduate School.

In keeping with its statutory mandates, its Council on Postsecondary Education Mission Statement, and in harmony with the Strategic Plan for Postsecondary Education in Kentucky, the ECU Board of Regents has adopted a strategic plan that clearly defines the institutional mission, goals, and strategic directions for the future.

Each college, department, and support unit of the university has developed unit goals and objectives that support the institution's aims and has translated these goals and objectives into operational plans. In the final analysis, these plans have a direct relationship to the three primary purposes of the institution.

**Postsecondary Education
Kentucky State University**

	Revised FY 2000	Requested FY 2001	Requested FY 2002	Recommended FY 2001	Recommended FY 2002
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	20,872,800	21,807,400	22,404,000	21,807,400	22,404,000
Total General Fund	20,872,800	21,807,400	22,404,000	21,807,400	22,404,000
Restricted Funds					
Current Receipts	16,677,800	17,181,800	18,332,300	17,181,800	18,332,300
Total Restricted Funds	16,677,800	17,181,800	18,332,300	17,181,800	18,332,300
Federal Funds					
Current Receipts	12,234,500	12,527,900	12,828,700	12,527,900	12,828,700
Total Federal Funds	12,234,500	12,527,900	12,828,700	12,527,900	12,828,700
TOTAL SOURCE OF FUNDS	49,785,100	51,517,100	53,565,000	51,517,100	53,565,000
EXPENDITURES BY CLASS					
Personnel Cost	27,954,900	29,074,800	30,356,500	29,074,800	30,356,500
Operating Expenses	9,287,200	9,715,600	10,119,900	9,715,600	10,119,900
Grants, Loans or Benefits	4,764,700	4,896,800	5,014,200	4,896,800	5,014,200
Debt Service	2,650,600	2,615,100	2,632,100	2,615,100	2,632,100
Capital Outlay	5,127,700	5,214,800	5,442,300	5,214,800	5,442,300
TOTAL EXPENDITURES	49,785,100	51,517,100	53,565,000	51,517,100	53,565,000
EXPENDITURES BY FUND SOURCE					
General Fund	20,872,800	21,807,400	22,404,000	21,807,400	22,404,000
Restricted Funds	16,677,800	17,181,800	18,332,300	17,181,800	18,332,300
Federal Funds	12,234,500	12,527,900	12,828,700	12,527,900	12,828,700
TOTAL EXPENDITURES	49,785,100	51,517,100	53,565,000	51,517,100	53,565,000
EXPENDITURES BY UNIT					
Instruction	12,664,200	13,490,400	13,996,400	13,490,400	13,996,400
Research	2,413,800	2,480,600	2,574,800	2,480,600	2,574,800
Public Service	3,602,200	3,702,000	3,842,600	3,702,000	3,842,600
Libraries	1,251,200	1,285,900	1,334,700	1,285,900	1,334,700
Academic Support	1,296,800	1,332,800	1,383,400	1,332,800	1,383,400
Student Services	4,086,700	4,199,900	4,359,400	4,199,900	4,359,400
Institutional Support	5,423,800	5,574,100	5,785,800	5,574,100	5,785,800
Operation and Maintenance of Plant	7,916,800	8,136,200	8,445,300	8,136,200	8,445,300
Scholarships and Fellowships	4,764,700	4,896,700	5,014,200	4,896,700	5,014,200
Mandatory Transfers	2,280,900	2,236,500	2,244,400	2,236,500	2,244,400
Auxilliary Enterprises	4,084,000	4,182,000	4,584,000	4,182,000	4,584,000
TOTAL EXPENDITURES	49,785,100	51,517,100	53,565,000	51,517,100	53,565,000

Kentucky State College was established in 1886 by an Act of the Kentucky General Assembly. In its early years, the institution's purpose was to train Negro teachers for the Negro public schools in the Commonwealth. With the passage of the 1890 Morrill Act by the U.S. Congress, the college became a land-grant institution. A tripartite mission was instituted: teaching, research, and public service. The 1972 General Assembly elevated the college to university status, effective July 1, 1973. Since that time, the General Assembly has amended Kentucky Revised Statute 164.290 to further read . . . "It is the intent of the General Assembly that Kentucky State University shall serve as a four-year residential institution emphasizing a program of liberal studies appropriate to its size and resources." In sum, Kentucky State University (KSU) is a multipurpose institution with state and land-grant standing. The university is authorized to provide both undergraduate and graduate programs of instruction and is accredited by regional and national accreditation agencies.

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Student enrollment has stabilized at approximately 2,400. The student body is fully integrated, serving both white and black residential students and a significant number of commuting students representing the ethnic and geographic diversity of the Commonwealth.

Kentucky State University is the Commonwealth's designated, small public liberal studies university providing a common liberal studies core curriculum for all students and baccalaureate programs in the traditional arts and sciences. Kentucky State University's academic offerings are further enhanced by a variety of baccalaureate and associate degree programs in career and vocational-oriented courses of instruction such as business, computer sciences, medical technology, office administration, and nursing. Pre-professional programs in law, dentistry, medicine, veterinary medicine, optometry, allied health, and engineering are also offered. The university's liberal studies focus is further enhanced by the Whitney M. Young, Jr. College of Leadership Studies, an honors college established in 1983 which offers a baccalaureate degree earned through an innovative program of seminars and tutorials based on the Great Books Program of St. John's College (Annapolis, Maryland). Kentucky State University's Community Programs serve non-traditional learners within the framework of the general mission of the university.

Since 1973, Kentucky State University has offered a graduate program at the master's degree level in Public Affairs (M.P.A.). This multidisciplinary curriculum is specially designed to train prospective and current state government employees for challenging careers in Frankfort and elsewhere in the Commonwealth. The M.P.A. also provides internship training for its students.

At Kentucky State University, both faculty and staff are engaged in the shared work of advancing the purposes of quality education at the undergraduate and graduate levels. At the same time, the university continues its traditional land-grant research and public service functions, providing a range of community services for citizens throughout the Commonwealth. A particular objective of the university is to address the needs of state government employees in Frankfort and citizens in adjacent counties. In-service offerings include seminars and workshops yielding college credits.

**Postsecondary Education
Morehead State University**

	Revised FY 2000	Requested FY 2001	Requested FY 2002	Recommended FY 2001	Recommended FY 2002
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	38,121,700	39,599,000	39,812,600	39,697,000	39,912,900
Total General Fund	38,121,700	39,599,000	39,812,600	39,697,000	39,912,900
Restricted Funds					
Balance Forward	2,045,100				
Current Receipts	36,750,000	39,385,000	41,158,700	39,385,000	41,158,700
Total Restricted Funds	38,795,100	39,385,000	41,158,700	39,385,000	41,158,700
Federal Funds					
Balance Forward	100				
Current Receipts	31,949,100	33,664,200	35,973,100	33,664,200	35,973,100
Total Federal Funds	31,949,200	33,664,200	35,973,100	33,664,200	35,973,100
TOTAL SOURCE OF FUNDS	108,866,000	112,648,200	116,944,400	112,746,200	117,044,700
EXPENDITURES BY CLASS					
Personnel Cost	52,362,900	54,658,100	56,084,100	54,756,100	56,184,400
Operating Expenses	16,944,100	16,335,400	16,490,500	16,335,400	16,490,500
Grants, Loans or Benefits	28,034,900	30,317,100	33,903,100	30,317,100	33,903,100
Debt Service	5,855,000	5,588,100	4,628,800	5,588,100	4,628,800
Capital Outlay	5,669,100	5,749,500	5,837,900	5,749,500	5,837,900
TOTAL EXPENDITURES	108,866,000	112,648,200	116,944,400	112,746,200	117,044,700
EXPENDITURES BY FUND SOURCE					
General Fund	38,121,700	39,599,000	39,812,600	39,697,000	39,912,900
Restricted Funds	38,795,100	39,385,000	41,158,700	39,385,000	41,158,700
Federal Funds	31,949,200	33,664,200	35,973,100	33,664,200	35,973,100
TOTAL EXPENDITURES	108,866,000	112,648,200	116,944,400	112,746,200	117,044,700
EXPENDITURES BY UNIT					
Instruction	28,504,500	29,033,700	29,616,400	29,131,700	29,716,700
Research	584,900	439,900	413,500	439,900	413,500
Public Service	5,575,600	5,637,100	5,715,900	5,637,100	5,715,900
Libraries	2,387,500	2,452,500	2,514,800	2,452,500	2,514,800
Academic Support	5,188,800	5,222,900	5,362,100	5,222,900	5,362,100
Student Services	6,887,000	7,074,200	7,257,600	7,074,200	7,257,600
Institutional Support	9,980,100	10,116,200	10,365,000	10,116,200	10,365,000
Operation and Maintenance of Plant	5,038,900	5,178,300	5,312,200	5,178,300	5,312,200
Scholarships and Fellowships	28,034,900	30,403,300	32,903,800	30,403,300	32,903,800
Mandatory Transfers	3,669,600	3,780,800	3,889,000	3,780,800	3,889,000
Non-Mandatory Transfers	3,093,000	3,166,600	3,237,800	3,166,600	3,237,800
Auxilliary Enterprises	9,921,200	10,142,700	10,356,300	10,142,700	10,356,300
TOTAL EXPENDITURES	108,866,000	112,648,200	116,944,400	112,746,200	117,044,700

Morehead State University's (MoSU) roots extend back to its days as a private normal school in the late-1800s. In 1922, the institution became a state normal school to meet expanded higher education needs for teacher training in Kentucky. After

several name changes and an expanded perspective on higher education, MoSU was granted university status in 1966 to provide undergraduate and selected master's and specialist programs for the citizens of northern and eastern Kentucky. MoSU has grown both in size and in the quality of its instructional, research, and public service programs and activities.

Morehead State University has operationalized its mission through the adoption of seven statements of ideals which accent the intellectual, creative, ethical, and technical development of students; the discovery and integration of knowledge; the development of leadership qualities, the utilization of past achievements and values to respond to the challenges of the future; and commitment to excellence and integrity.

The university's four divisions – Academic Affairs, Student Life, Administrative and Fiscal Services, and University Advancement – work in harmony to implement strategies to fulfill the institution's ongoing strategic goals for quality education. The university accreditation was reaffirmed in 1990 by the Southern Association of Colleges and Schools and programs in veterinary technology, social work, radiologic technology, teacher education, nursing, and music are accredited through individual professional agencies.

The MoSU campus is located in the Appalachian foothills with main campus facilities in the city of Morehead and an agricultural center in Rowan County. Art and music facilities provide cultural programs and activities for the campus, community, and surrounding area. A modern student athletic center provides health, physical education, and recreation opportunities for students, employees, and members of the community. Over 47 percent of the university's students live in 13 residence halls and the university provides extensive student development programs to meet the needs of a holistic education for all students.

**Postsecondary Education
Murray State University**

	Revised FY 2000	Requested FY 2001	Requested FY 2002	Recommended FY 2001	Recommended FY 2002
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	45,024,100	47,177,100	49,596,400	47,275,100	49,696,700
Total General Fund	45,024,100	47,177,100	49,596,400	47,275,100	49,696,700
Restricted Funds					
Current Receipts	49,463,100	52,018,600	53,972,400	52,018,600	53,972,400
Total Restricted Funds	49,463,100	52,018,600	53,972,400	52,018,600	53,972,400
Federal Funds					
Current Receipts	8,616,000	7,782,100	8,137,700	7,782,100	8,137,700
Total Federal Funds	8,616,000	7,782,100	8,137,700	7,782,100	8,137,700
TOTAL SOURCE OF FUNDS	103,103,200	106,977,800	111,706,500	107,075,800	111,806,800
EXPENDITURES BY CLASS					
Personnel Cost	62,306,600	64,684,000	67,180,400	64,782,000	67,280,700
Operating Expenses	22,432,000	23,365,900	24,159,200	23,365,900	24,159,200
Grants, Loans or Benefits	12,749,100	13,551,700	14,158,400	13,551,700	14,158,400
Debt Service	2,718,200	2,382,900	3,101,100	2,382,900	3,101,100
Capital Outlay	2,897,300	2,993,300	3,107,400	2,993,300	3,107,400
TOTAL EXPENDITURES	103,103,200	106,977,800	111,706,500	107,075,800	111,806,800
EXPENDITURES BY FUND SOURCE					
General Fund	45,024,100	47,177,100	49,596,400	47,275,100	49,696,700
Restricted Funds	49,463,100	52,018,600	53,972,400	52,018,600	53,972,400
Federal Funds	8,616,000	7,782,100	8,137,700	7,782,100	8,137,700
TOTAL EXPENDITURES	103,103,200	106,977,800	111,706,500	107,075,800	111,806,800
EXPENDITURES BY UNIT					
Instruction	36,367,300	38,381,400	40,088,400	38,479,400	40,188,700
Research	1,834,900	1,902,300	1,987,500	1,902,300	1,987,500
Public Service	4,133,200	4,385,100	4,577,000	4,385,100	4,577,000
Libraries	2,520,400	2,613,000	2,730,000	2,613,000	2,730,000
Academic Support	3,418,300	3,816,100	3,974,800	3,816,100	3,974,800
Student Services	6,609,100	6,852,000	7,158,800	6,852,000	7,158,800
Institutional Support	9,141,000	9,476,900	9,901,200	9,476,900	9,901,200
Operation and Maintenance of Plant	8,895,500	9,222,400	9,635,300	9,222,400	9,635,300
Scholarships and Fellowships	13,071,300	13,551,700	14,158,400	13,551,700	14,158,400
Mandatory Transfers	2,718,200	2,382,900	3,101,100	2,382,900	3,101,100
Auxilliary Enterprises	14,394,000	14,394,000	14,394,000	14,394,000	14,394,000
TOTAL EXPENDITURES	103,103,200	106,977,800	111,706,500	107,075,800	111,806,800

Murray State University (MuSU) was created by the Kentucky General Assembly in 1922 as Murray State Normal School. The university's role has expanded since its founding, as indicated by changes in its name: Murray State Teachers' College (1930), Murray State College (1948), and Murray State University (1966). The MuSU tradition of quality education through close interaction between students and faculty has been maintained as the institution has enlarged its mission at the direction of the Board of Regents and the General Assembly. Today Murray State University serves West Kentucky as an educational and cultural center whose achievements continue to improve the quality of life of citizens in its region.

The Kentucky Higher Education Assistance Authority (KHEAA) mission is to serve the Commonwealth by providing statewide programs of financial assistance and related services to enable students to pursue postsecondary education programs. The statewide objective is to expand the opportunities for persons to attend eligible postsecondary institutions by providing student financial aid which facilitates both access to and choice among public and independent institutions in keeping with each person's education and career objectives as provided under KRS 164.740-164.785.

Kentucky Higher Education Assistance Authority (KHEAA) is statutorily responsible for administration of state grant, work study, scholarship, and college savings programs for postsecondary students. The agency is the designated guarantor of insured student loans under the Higher Education Act of 1965, as amended for Kentucky and Alabama. In addition, KHEAA disseminates postsecondary school and financial aid information. The agency provides administrative services at no cost to the Kentucky Department of Education for its Minority Educator Recruitment and Retention program and Occupational/Physical Therapy Incentive program and to the Kentucky National Guard for its Tuition Assistance Program. KHEAA continues to expand its guarantee service to other areas that promote opportunities for the Kentucky students.

The Kentucky Higher Education Assistance Authority Program (KHEAA) administers the following student aid programs:

The College Access Program (CAP) awards grants to Kentucky's financially needy, undergraduate students enrolled in a public or private non-profit college, public technical colleges, or proprietary schools.

The Kentucky Tuition Grant (KTG) program provides need-based grants to qualified Kentucky students who choose to attend one of the Commonwealth's 21 participating independent colleges and is designed to assist full-time students with tuition charges at these schools.

The Teacher Scholarship program is designed to assist highly qualified, financially needy, Kentucky students with the costs incurred while seeking initial teacher certification. Recipients must agree to render qualified teaching service in the Commonwealth.

The Work-Study program allows students to work and earn funds to apply toward college expenses while gaining valuable career-related work experience. It provides contacts in a student's career field and creates a valuable work ethic for the student.

The Kentucky National Guard Tuition Award program provides tuition assistance to active members of the Kentucky National Guard to attend Kentucky's state-supported postsecondary educational institutions. The Department of Military Affairs selects the recipients and KHEAA forwards funds to the schools to be disbursed to the students.

The Osteopathic Medicine Scholarship program provides tuition equalization awards to eligible students who choose to attend a Kentucky school of osteopathic medicine rather than a state medical school. Recipients must agree to provide medical services in Kentucky one year for each year they receive a scholarship.

The Kentucky Educational Excellence Scholarship (KEES) program provides merit-based scholarships to eligible high school students based on their yearly grade point average and supplemental awards based on their highest ACT (or equivalent SAT) score attained by their high school graduation date. The scholarships can be used to pay the expenses of each year of college or technical training.

Policy

The Governor's budget recommendation provides restricted fund replacement dollars in the amount of \$13,456,400 in fiscal year 2001 and \$13,202,400 in fiscal year 2002 for the College Access Program.

Restricted fund replacement dollars in the amount of \$6,055,200 in fiscal year 2001 and \$5,953,200 in fiscal year 2002 are included for the Kentucky Tuition Grant program.

The Governor's budget recommendation provides restricted fund replacement dollars in the amount of \$6,738,000 in fiscal year 2001 and \$6,910,000 in fiscal year 2002 for the Kentucky Educational Excellence Scholarship (KEES). Additional agency fund dollars are provided for the program in the amount of \$9,455,500 in fiscal year 2001 and \$17,646,900 in fiscal year 2002.

Funds from the trust fund will also be used for other related postsecondary programs. (The following chart illustrates the recommended distribution of the lottery funds.) Merit Scholarship dollars for the KEES program will be made available to all students who qualify in accordance with the provisions of Senate Bill 21 as enacted by the 1998 Regular Session of the General Assembly as the highest priority use of the funds.

Included in the Governor's budget recommendation are agency funds in the amount of \$1,620,000 in fiscal year 2001 and \$1,579,500 in fiscal year 2002 for the Osteopathic Medicine Scholarship Program. Funding amounts were derived assuming that the scholarships will be computed based on the average public school tuition rate.

The Governor's budget recommendation funds the Work-Study Program with agency fund dollars in the amount of \$1,000,000 in each year of the biennium.

The Governor's budget recommendation provides agency funds in the amount of \$1,736,000 in fiscal year 2001 and \$1,972,900 in fiscal year 2002 for the National Guard Tuition Assistance program. These funds will be derived from Lottery proceeds through the Council on Postsecondary Education.

Included in the Governor's budget recommendation is an allocation from the Phase I Tobacco Settlement in the amount of \$2,000,000 in fiscal year 2001 and \$2,109,500 in fiscal year 2002 for the Early Childhood Care Caseworker Scholarship program.

Included in the Governor's budget recommendation are agency funds in the amount of \$655,100 in fiscal year 2001 and \$327,100 in fiscal year 2002 to fund technology enhancements for KHEAA's administrative activities.

The Governor's budget recommendation provides agency funded debt service in the amount of \$906,000 in fiscal year 2002 for KHEAA's new administrative building.

The Governor's budget recommends that the Empower Kentucky savings derived from agency funds be returned to KHEAA. The amount of those savings are \$34,700 in fiscal year 2001 and \$83,500 in fiscal year 2002.

Included in the Governor's budget recommendation are agency fund dollars to underwrite the costs associated with the administration of the KEES program. These funds are derived from lottery receipts. The amount of this additional funding is \$696,900 in fiscal year 2001 and \$712,200 in fiscal year 2002.

goals is provided in this document immediately following the section on the Kentucky Higher Education Assistance Authority.

2. Lung Cancer Research Program. Funding from the Phase I Tobacco Settlement has been allocated to this program in the amount of \$5.1 million in the first year and \$6.1 million in the second year. Notwithstanding the provisions of KRS 164.7917(1)(b) and (c) the guidelines regarding matching requirements and distribution of funding to the University of Kentucky and the University of Louisville for lung cancer research projects will be made by the Council on Postsecondary Education.
3. Endowment Program. The Endowment Program of the Research Challenge Trust Fund will receive up to \$100 million dollars in the first year of the biennium through the Surplus Expenditure Plan. The endowment funds will require a dollar-for-dollar match by the institutions resulting in a total of \$200 million for endowment activities. The University of Kentucky will be eligible to match \$66.7 million and the University of Louisville will be eligible to match \$33.3 million.

Regional University Excellence Trust Fund

1. Enrollment Growth and Retention Program. Notwithstanding the provisions of KRS 164.7919(1)(b) and (c) the enrollment growth and retention funds in the amount of \$5.7 million in the second year of the biennium will be distributed based on guidelines developed by the Council on Postsecondary Education to provide incentives to the comprehensive universities to achieve targeted increases in enrollment and retention rates. Additional information about the targeted enrollment and retention goals is provided in this document immediately following the section on the Kentucky Higher Education Assistance Authority.
2. Action Agenda. Funding in the amount of \$10 million in the second year of the biennium is provided to be allocated among the comprehensive universities as prescribed by KRS 164.7919(1)(b). Funding will pay for initiatives to achieve the goals of the Action Agenda, 2020 Vision, and the Postsecondary Education Reform Act of 1997. The comprehensive universities will develop proposals for these funds based on criteria approved by the Council on Postsecondary Education. The Council on Postsecondary Education is encouraged to allocate \$4.0 million to initiatives addressing issues of teacher quality, pre-service training and in-service professional development, as identified by the Teacher Quality Task Force recommendations.

Examples of other initiatives that may be funded include: projects to aid in recruitment and retention of students; projects to increase the awareness about an institution and its academic offerings among populations within its region; initiatives including collaboration with area elementary and secondary education institutions; efforts to increase the cultural and racial diversity among students, faculty, and staff; programs to provide services in the community for persons with disabilities; projects designed to solve community problems; and initiatives specifically identified in the institutions' responses to the Action Agenda.

3. Endowment Program. The Endowment Program of the Regional University Excellence Trust Fund will receive up to \$20 million dollars in the first year of the biennium through the Surplus Expenditure Plan. The endowment funds will require a dollar-for-dollar match by the institutions resulting in a total of \$40 million for endowment activities. Funding will be allocated as prescribed by KRS 164.7919(1)(b). However, notwithstanding KRS 164.7919(1)(b), any funding beyond the first \$10 million not matched by an individual institution by June 30, 2002 will become available for matching by the other comprehensive institutions pursuant to guidelines to be established by the Council on Postsecondary Education.

Technology Initiatives Trust Fund

Funding in the amount of \$7.5 million in the second year of the biennium is provided for the following subsidiary programs:

1. Equipment Replacement. \$3.8 million is provided for debt service for a \$20 million seven-year bond issue to replace and upgrade instructional and research equipment with an expected life of five years or less. Institutions will be required to match funds for research equipment on a dollar-for-dollar basis. Institutions must assure the Council that they will maintain at least the current level of financial support for instructional and research equipment replacement. Allocations to the institutions that meet these requirements will be proportional, based on institutional instructional and research expenditures.

2. Network Infrastructure \$1.2 million is provided for expansion of the communications network infrastructure used by the Kentucky Commonwealth Virtual University, the Kentucky Commonwealth Virtual Library, and the institutions.
3. Public Communications Campaign \$1.5 million is provided for a multi-year public communications campaign targeted at the least educated and most economically troubled groups and areas of the state. The first phase will promote education and test for the most effective messages and delivery systems for motivating Kentuckians to continue their education. The second phase will refine and expand those programs found most effective in sustaining high school completion and college-going rates. These funds will be used to leverage additional support for the campaign from other private and public organizations. Funding for this activity will be provided by Lottery funds in the KEES program that are in excess of the amount needed to pay scholarships for all students who qualified in accordance with the provisions of Senate Bill 21 as enacted by the 1998 General Assembly.
4. Faculty Development \$1 million is provided to support programs within and across postsecondary institutions that implement best practices for faculty development in teaching and advising. In order to maintain high levels of productivity, both current and future faculty will need help adjusting to innovations in programs, methods, and technology. The funds will be used by the Council to conduct systemwide activities and activities targeted toward specific purposes such as effective use of computing technologies in instruction.

Funds for subsidiary programs will be allocated based on guidelines developed by the Council.

Physical Facilities Trust Fund

Funding in the amount of \$21.7 million in the second year of the biennium is provided for the following subsidiary programs:

1. Capital Renewal and Maintenance Program Debt service in the amount of \$3.0 million is provided in the second year of the biennium to fund a \$30 million bond issue for capital renewal and maintenance. Institutions will be required to match state funds on a dollar-for-dollar basis for projects to be approved by the Council.
2. Renovation, Replacement, and Infrastructure Program Debt service in the amount \$10.7 million is provided in the second year of the biennium to fund projects costing \$103.4 million as recommended by the Council and described in the capital construction section of this document.
3. New Construction. Debt service in the amount of \$7.4 million is provided in the second year of the biennium to fund projects costing \$74 million as recommended by the Council and described in the capital construction section of this document.

Postsecondary Education Workforce Development Trust Fund

Funding in the amount of \$8 million the first year of the biennium and \$15 million in the second year of the biennium is provided for the Kentucky Community and Technical College System for the following subsidiary programs:

1. Enrollment Growth and Retention Program Funding in the amount of \$7 million in the second year of the biennium will be distributed based on guidelines developed by the Council on Postsecondary Education to provide incentives for KCTCS to achieve targeted increases in enrollment and retention rates. Additional information about the targeted enrollment and retention goals is provided in this document immediately following the section on the Kentucky Higher Education Assistance Authority.
2. Workforce Training Program. Funding in the amount of \$6 million each year of the biennium is provided to continue the current base appropriation to this program. Funding for worker training in the 2000-02 biennium will be used for programs on a non-recurring basis and will not be used to establish permanent KCTCS program offerings. In addition, the Council on Postsecondary Education is encouraged to allocate at least \$2 million of this appropriation each year for high-tech training consistent with the proposed Knowledge Based Economy Initiative.
3. Administrative Information Systems Funding in the amount of \$2 million each year of the biennium is provided to continue implementation of the administrative information software systems necessary for KCTCS to function as an institution in the Kentucky system of postsecondary education.

Student Financial Aid and Advancement Trust Fund

Funding in the amount of \$22.4 million in the first year of the biennium and \$37.5 million in the second year of the biennium is provided to expand the Kentucky Excellence in Education Scholarship (KEES) Program in accordance with the funding mechanism established by Senate Bill 21 as enacted by the 1998 General Assembly.

Adult Education and Literacy Trust Fund

Funding for this new trust fund is a result of the work of the Task Force on Adult Education and reflects the position that policy leadership and planning responsibility for adult education and literacy be assigned to the Council on Postsecondary Education. Funding is provided in the amount of \$2 million each year to support county and regional strategies, statewide initiatives, research and development activities. Funding in the amount of \$5 million in the first year of the biennium and \$10 million in the second year of the biennium is provided for additional services as determined by the statewide strategic agenda developed by the Council on Postsecondary Education in collaboration with the Department for Adult Education and Literacy.

Science and Technology Trust Fund

Funding for this new trust fund is a result of the work of the Kentucky Science and Technology Corporation that developed a strategic plan for the state that assigns responsibility to the Council on Postsecondary Education to help universities transform research knowledge into marketable products. Funding in the amount of \$4.2 million is provided in the second year of the biennium to support advanced scientific research at all universities, technology transfer to the marketplace, and establishment of regional postsecondary-based corporations to help rural industries access new markets.

**Postsecondary Education
Northern Kentucky University**

	Revised FY 2000	Requested FY 2001	Requested FY 2002	Recommended FY 2001	Recommended FY 2002
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	34,721,700	39,730,100	44,114,100	39,730,100	44,114,100
Total General Fund	34,721,700	39,730,100	44,114,100	39,730,100	44,114,100
Restricted Funds					
Current Receipts	54,191,300	57,123,800	60,333,300	57,123,800	60,333,300
Total Restricted Funds	54,191,300	57,123,800	60,333,300	57,123,800	60,333,300
Federal Funds					
Current Receipts	5,673,000	5,673,000	5,673,000	5,673,000	5,673,000
Non-Revenue Receipts	784,300	784,300	784,300	784,300	784,300
Total Federal Funds	6,457,300	6,457,300	6,457,300	6,457,300	6,457,300
TOTAL SOURCE OF FUNDS	95,370,300	103,311,200	110,904,700	103,311,200	110,904,700
EXPENDITURES BY CLASS					
Personnel Cost	57,151,400	61,574,900	66,320,100	61,574,900	66,320,100
Operating Expenses	15,757,400	17,997,600	19,807,400	17,997,600	19,807,400
Grants, Loans or Benefits	10,424,100	11,189,500	11,648,500	11,189,500	11,648,500
Debt Service	6,064,500	6,032,600	6,042,100	6,032,600	6,042,100
Capital Outlay	5,972,900	6,516,600	7,086,600	6,516,600	7,086,600
TOTAL EXPENDITURES	95,370,300	103,311,200	110,904,700	103,311,200	110,904,700
EXPENDITURES BY FUND SOURCE					
General Fund	34,721,700	39,730,100	44,114,100	39,730,100	44,114,100
Restricted Funds	54,191,300	57,123,800	60,333,300	57,123,800	60,333,300
Federal Funds	6,457,300	6,457,300	6,457,300	6,457,300	6,457,300
TOTAL EXPENDITURES	95,370,300	103,311,200	110,904,700	103,311,200	110,904,700
EXPENDITURES BY UNIT					
Instruction	32,844,200	36,499,500	39,727,700	36,499,500	39,727,700
Research	211,100	261,200	361,200	261,200	361,200
Public Service	2,239,400	3,250,700	3,672,900	3,250,700	3,672,900
Libraries	4,074,900	4,329,500	4,596,800	4,329,500	4,596,800
Academic Support	4,438,600	4,796,500	5,244,700	4,796,500	5,244,700
Student Services	6,802,700	7,269,300	7,594,400	7,269,300	7,594,400
Institutional Support	12,001,900	12,901,800	13,806,600	12,901,800	13,806,600
Operation and Maintenance of Plant	6,698,100	7,203,300	8,600,600	7,203,300	8,600,600
Scholarships and Fellowships	9,649,600	10,371,000	10,819,900	10,371,000	10,819,900
Mandatory Transfers	5,767,600	5,737,500	5,747,000	5,737,500	5,747,000
Non-Mandatory Transfers	4,354,500	4,355,000	4,355,000	4,355,000	4,355,000
Auxilliary Enterprises	6,287,700	6,335,900	6,377,900	6,335,900	6,377,900
TOTAL EXPENDITURES	95,370,300	103,311,200	110,904,700	103,311,200	110,904,700

Northern Kentucky University (NKU) is a comprehensive institution of higher education located in a large metropolitan area. The university, therefore, recognizes an obligation to serve as a multipurpose, metropolitan institution. In order to meet the needs of the eight-county northern Kentucky region, NKU provides programs at the associate, bachelor's, master's, and first professional degree levels. The university started in 1948 as an extension center of the University of Kentucky (UK) and later as part of the University of Kentucky's Community College System, and became an autonomous senior institution in 1968 by an act of the Kentucky General Assembly. A Board of Regents was appointed, and subsequently, the Board of Trustees of the University of Kentucky turned over the Covington facilities and assets of Northern Community College to Northern Kentucky State College. These facilities, along with the community college faculty and students, formed the nucleus of Northern.

Limited space at the Covington campus and a rapidly growing enrollment necessitated the move to a new campus, built in Highland Heights. Beginning in the fall semester 1972, most baccalaureate classes were moved to the Highland Heights campus with the first bachelor's degrees awarded in the spring of 1973.

In 1976, Northern Kentucky State College was changed to Northern Kentucky University under KRS 164.290. The programs of study offered by the university are those of a multipurpose state institution. There are 68 undergraduate degree programs offered in the arts and sciences, in business, and in professional studies areas. Master's degrees in education, business administration, public administration, nursing, and joint JB/MBA degree are offered as well as a juris doctor degree. The NKU Graduate Center, created in response to NKU's special mission of exploring experimental methods of delivering education, offers degree programs in community nutrition (with Eastern Kentucky University), library science (with UK), nursing (with UK), and social work (with UK).

Northern Kentucky University also works closely with vocational schools in the area in joint programs in the areas of industrial education, nursing, and data processing to avoid duplication of facilities and to facilitate student movement between the vocational school and the university.

In 1981, the Commonwealth of Kentucky and the state of Ohio entered into a reciprocal tuition agreement at the graduate and first-professional degree levels. The agreement permits citizens of northern Kentucky and Cincinnati to attend either NKU or the University of Cincinnati at resident tuition rates. In 1991, a reciprocity agreement was developed to include selected undergraduate programs at the University of Cincinnati, Cincinnati Technical College, and NKU. Approximately 600 students from Northern Kentucky are taking advantage of over 200 University of Cincinnati programs now available to them.

**Postsecondary Education
University of Kentucky**

	Revised FY 2000	Requested FY 2001	Requested FY 2002	Recommended FY 2001	Recommended FY 2002
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	290,835,300	306,727,800	317,275,200	306,727,800	317,275,200
Total General Fund	290,835,300	306,727,800	317,275,200	306,727,800	317,275,200
Restricted Funds					
Current Receipts	749,016,100	764,923,800	786,522,500	764,923,800	786,522,500
Total Restricted Funds	749,016,100	764,923,800	786,522,500	764,923,800	786,522,500
Federal Funds					
Current Receipts	89,194,000	90,943,600	92,677,100	90,943,600	92,677,100
Total Federal Funds	89,194,000	90,943,600	92,677,100	90,943,600	92,677,100
TOTAL SOURCE OF FUNDS	1,129,045,400	1,162,595,200	1,196,474,800	1,162,595,200	1,196,474,800
EXPENDITURES BY CLASS					
Personnel Cost	641,914,100	661,635,000	681,210,400	661,635,000	681,210,400
Operating Expenses	374,684,100	385,629,900	398,550,900	385,629,900	398,550,900
Grants, Loans or Benefits	46,601,600	47,367,600	48,173,200	47,367,600	48,173,200
Debt Service	27,567,100	27,359,000	27,391,400	27,359,000	27,391,400
Capital Outlay	38,278,500	40,603,700	41,148,900	40,603,700	41,148,900
TOTAL EXPENDITURES	1,129,045,400	1,162,595,200	1,196,474,800	1,162,595,200	1,196,474,800
EXPENDITURES BY FUND SOURCE					
General Fund	290,835,300	306,727,800	317,275,200	306,727,800	317,275,200
Restricted Funds	749,016,100	764,923,800	786,522,500	764,923,800	786,522,500
Federal Funds	89,194,000	90,943,600	92,677,100	90,943,600	92,677,100
TOTAL EXPENDITURES	1,129,045,400	1,162,595,200	1,196,474,800	1,162,595,200	1,196,474,800
EXPENDITURES BY UNIT					
Instruction	244,822,000	253,705,500	260,779,700	253,705,500	260,779,700
Research	152,232,000	156,178,100	159,564,100	156,178,100	159,564,100
Public Service	147,479,300	151,727,600	155,611,300	151,727,600	155,611,300
Libraries	20,612,500	21,727,100	22,566,200	21,727,100	22,566,200
Academic Support	48,159,000	49,781,900	51,363,700	49,781,900	51,363,700
Student Services	20,460,200	20,915,700	21,391,500	20,915,700	21,391,500
Institutional Support	45,507,600	46,359,500	47,248,100	46,359,500	47,248,100
Operation and Maintenance of Plant	41,124,800	42,260,400	46,124,600	42,260,400	46,124,600
Scholarships and Fellowships	46,601,600	47,367,600	48,173,200	47,367,600	48,173,200
Mandatory Transfers	16,571,700	16,361,200	16,397,500	16,361,200	16,397,500
Auxilliary Enterprises	69,038,800	70,767,600	72,545,000	70,767,600	72,545,000
Hospitals	276,435,900	285,443,000	294,709,900	285,443,000	294,709,900
TOTAL EXPENDITURES	1,129,045,400	1,162,595,200	1,196,474,800	1,162,595,200	1,196,474,800

The University of Kentucky serves as the principal graduate degree granting institution in the Commonwealth's system of postsecondary education for statewide instruction, research, and public service programs in all fields without geographic limitation. Kentucky Revised Statute (KRS) 164.125 authorizes the university to offer baccalaureate, professional, master's, specialist, doctoral, and postdoctoral programs and to conduct joint doctoral programs in cooperation with other institutions. It designates the university as the Commonwealth's principle institution to conduct statewide research and service programs. As the Commonwealth's only comprehensive land-grant university with a statewide mission, the University of Kentucky exists to ensure the citizens of the Commonwealth and, by extension, the nation and the world the finest opportunities for education and

and the greatest benefits of knowledge. The university creates, preserves, and disseminates knowledge. It seeks to provide a optimal environment for teaching, learning, and research. The university aspires to be an institution recognized nationally and internationally for excellence in teaching, research and public service, and a sustaining resource for the intellectual, social, cultural, and economic development of the Commonwealth. Kentucky Revised Statute (KRS) 164.003 sets forth the goal that the University of Kentucky will be a major comprehensive research institution ranked nationally in the top 20 public universities by the year 2020.

Research and Service functions are further defined by state and federal statutes as necessary and appropriate for the Commonwealth's land-grant institution in accordance with the Morrill Act of 1862. KRS 164.100 is Kentucky's Land-Grant Act, the Hatch Act of 1887 and KRS 164.110 support research and agricultural extension; KRS 164.120 supports instruction and the Smith-Lever Act, KRS 164.605, and KRS 164.675 support cooperative extension.

In accordance with the provisions of the Postsecondary Education Improvement Act of 1997, the University of Kentucky Community College system, in future biennia, is a branch of the Kentucky Community and Technical College System. The Lexington Community College will remain under the jurisdiction of the University of Kentucky. Funding for the Lexington Community College included in this recommendation is as follows:

	2000-01	2001-02
General Fund	7,812,700	8,488,000
Restricted Agency Funds	12,458,700	12,944,800
Federal Funds	4,281,800	4,297,300
Total Funds	<u>24,553,200</u>	<u>25,730,100</u>

**Postsecondary Education
University of Louisville**

	Revised FY 2000	Requested FY 2001	Requested FY 2002	Recommended FY 2001	Recommended FY 2002
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	163,357,500	172,442,500	178,152,100	171,733,200	177,179,300
Continuing Appropriation	171,500				
Total General Fund	163,529,000	172,442,500	178,152,100	171,733,200	177,179,300
Restricted Funds					
Current Receipts	260,136,900	265,936,700	270,892,800	265,936,700	270,892,800
Total Restricted Funds	260,136,900	265,936,700	270,892,800	265,936,700	270,892,800
Federal Funds					
Current Receipts	27,506,000	28,166,200	28,842,100	28,166,200	28,842,100
Total Federal Funds	27,506,000	28,166,200	28,842,100	28,166,200	28,842,100
TOTAL SOURCE OF FUNDS	451,171,900	466,545,400	477,887,000	465,836,100	476,914,200
EXPENDITURES BY CLASS					
Personnel Cost	286,963,900	296,707,700	304,023,200	296,707,700	304,023,200
Operating Expenses	107,933,800	112,613,200	115,666,200	111,903,900	114,693,400
Grants, Loans or Benefits	24,319,700	24,903,400	25,501,100	24,903,400	25,501,100
Debt Service	15,275,000	15,641,600	16,017,000	15,641,600	16,017,000
Capital Outlay	16,679,500	16,679,500	16,679,500	16,679,500	16,679,500
TOTAL EXPENDITURES	451,171,900	466,545,400	477,887,000	465,836,100	476,914,200
EXPENDITURES BY FUND SOURCE					
General Fund	163,529,000	172,442,500	178,152,100	171,733,200	177,179,300
Restricted Funds	260,136,900	265,936,700	270,892,800	265,936,700	270,892,800
Federal Funds	27,506,000	28,166,200	28,842,100	28,166,200	28,842,100
TOTAL EXPENDITURES	451,171,900	466,545,400	477,887,000	465,836,100	476,914,200
EXPENDITURES BY UNIT					
Instruction	105,105,700	109,676,200	112,408,400	109,676,200	112,408,400
Research	59,399,700	62,873,300	64,381,100	62,873,300	64,381,100
Public Service	75,230,500	77,485,400	79,390,800	77,485,400	79,390,800
Libraries	13,200,800	13,517,700	13,842,100	13,517,700	13,842,100
Academic Support	28,840,400	29,532,500	30,241,300	29,532,500	30,241,300
Student Services	10,073,400	10,315,100	10,562,600	10,315,100	10,562,600
Institutional Support	45,966,300	47,069,500	48,199,100	47,069,500	48,199,100
Operation and Maintenance of Plant	21,447,100	21,961,900	22,489,000	21,961,900	22,489,000
Scholarships and Fellowships	25,493,700	26,105,600	26,732,100	26,105,600	26,732,100
Mandatory Transfers	15,275,000	15,641,600	16,017,000	15,641,600	16,017,000
Auxilliary Enterprises	29,267,000	29,969,400	30,688,700	29,969,400	30,688,700
Hospitals	21,872,300	22,397,200	22,934,800	21,687,900	21,962,000
TOTAL EXPENDITURES	451,171,900	466,545,400	477,887,000	465,836,100	476,914,200

As the University of Louisville (U of L) prepares to embark upon a new millennium, it stands poised to make bold strides forward. During the 1998-2000 biennium, U of L made good progress towards achieving its state-mandated goal of becoming a preeminent metropolitan research university.

The University of Louisville's role in Kentucky's postsecondary education system underwent a fundamental change in May of 1997. It was then that U of L, the Commonwealth, and the Council on Postsecondary Education (CPE) revised the University's mission statement. The university's new mission continues the institution's historical emphasis on undergraduate and graduate education while placing a new emphasis on research.

The benefits of becoming a premier research university cannot be overstated. Top research universities attract millions of dollars in federal funding and private grants, which in turn drives economic growth in all sectors of the state's economy. By focusing on this goal, U of L can help unleash Kentucky's economic potential and prepare its citizens for the 21st century.

From its inception, U of L has been dedicated to providing programs related to the needs of Louisville's metropolitan area and the entire Commonwealth. As a major institution of higher learning, the University is committed to the values of scholarship, community service, and research.

The University of Louisville also fulfills a unique role as a "metropolitan university." This means much more than simply being located in a metropolitan area. The university has a commitment to providing the highest quality education to all students in the Louisville metropolitan area. Other beneficiaries of U of L programs include: traditional and nontraditional students from the surrounding metropolitan area, other parts of Kentucky, and other states and countries; U of L alumni; Kentucky citizens; businesses, governmental agencies, service agencies, and cultural organizations; employers and professionals; and individual foundations, corporations, and businesses who contribute to and/or benefit from the University.

The University of Louisville is located in Kentucky's largest metropolitan area and is one of the state's largest universities. It was a municipally supported public institution for many decades prior to joining the state university system in 1970.

The University has three campuses. The 169-acre Belknap Campus is three miles from downtown Louisville and houses eight of the University's 12 colleges, schools, and divisions. The Health Sciences Center is situated in downtown Louisville's medical complex and houses the University's health-related programs and the University of Louisville Hospital. The 243-acre Shelby Campus located in eastern Jefferson County contains the National Crime Prevention Institute and the University Center for Continuing and Professional Education.

**Postsecondary Education
Western Kentucky University**

	Revised FY 2000	Requested FY 2001	Requested FY 2002	Recommended FY 2001	Recommended FY 2002
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	59,589,500	63,859,000	66,463,000	63,957,000	66,563,300
Total General Fund	59,589,500	63,859,000	66,463,000	63,957,000	66,563,300
Restricted Funds					
Current Receipts	68,684,200	69,970,500	74,026,700	69,970,500	74,026,700
Non-Revenue Receipts	2,842,300	4,502,300	7,192,300	4,502,300	7,192,300
Total Restricted Funds	71,526,500	74,472,800	81,219,000	74,472,800	81,219,000
Federal Funds					
Current Receipts	20,733,000	24,417,200	30,218,000	24,417,200	30,218,000
Non-Revenue Receipts	1,774,000	1,774,000	1,774,000	1,774,000	1,774,000
Total Federal Funds	22,507,000	26,191,200	31,992,000	26,191,200	31,992,000
TOTAL SOURCE OF FUNDS	153,623,000	164,523,000	179,674,000	164,621,000	179,774,300
EXPENDITURES BY CLASS					
Personnel Cost	89,495,400	94,651,300	101,989,500	94,749,300	102,089,800
Operating Expenses	29,460,000	32,744,900	36,913,000	32,744,900	36,913,000
Grants, Loans or Benefits	17,798,600	18,260,600	21,413,000	18,260,600	21,413,000
Debt Service	6,479,700	4,547,700	3,879,700	4,547,700	3,879,700
Capital Outlay	10,389,300	14,318,500	15,478,800	14,318,500	15,478,800
TOTAL EXPENDITURES	153,623,000	164,523,000	179,674,000	164,621,000	179,774,300
EXPENDITURES BY FUND SOURCE					
General Fund	59,589,500	63,859,000	66,463,000	63,957,000	66,563,300
Restricted Funds	71,526,500	74,472,800	81,219,000	74,472,800	81,219,000
Federal Funds	22,507,000	26,191,200	31,992,000	26,191,200	31,992,000
TOTAL EXPENDITURES	153,623,000	164,523,000	179,674,000	164,621,000	179,774,300
EXPENDITURES BY UNIT					
Instruction	54,134,500	58,346,600	61,920,200	58,444,600	62,020,500
Research	4,967,600	6,623,100	10,746,300	6,623,100	10,746,300
Public Service	12,339,600	14,914,200	16,232,900	14,914,200	16,232,900
Libraries	4,837,200	5,247,100	5,493,500	5,247,100	5,493,500
Academic Support	5,401,700	5,819,400	6,659,200	5,819,400	6,659,200
Student Services	11,529,900	12,092,100	12,499,900	12,092,100	12,499,900
Institutional Support	12,167,900	13,528,900	14,130,700	13,528,900	14,130,700
Operation and Maintenance of Plant	11,522,300	12,313,000	13,516,000	12,313,000	13,516,000
Scholarships and Fellowships	16,121,500	16,312,500	19,155,500	16,312,500	19,155,500
Mandatory Transfers	4,265,800	4,266,100	3,562,800	4,266,100	3,562,800
Auxilliary Enterprises	16,335,000	15,060,000	15,757,000	15,060,000	15,757,000
TOTAL EXPENDITURES	153,623,000	164,523,000	179,674,000	164,621,000	179,774,300

Western Kentucky University aspires to be the best comprehensive public institution in Kentucky and among the best in the nation. Western Kentucky University is a center of teaching and learning where qualified students may receive general and specialized postsecondary education at the undergraduate and graduate levels. The university is authorized to offer programs as set forth in Kentucky Revised Statute 164.295. Students are provided with rigorous academic programs in the liberal arts and sciences, and traditional and emerging professional programs, with emphasis at the baccalaureate level, complemented by relevant associate and graduate-level programs.

The university places a premium on teaching and learning. Its faculty engage in creative activity and diverse scholarship including, basic and applied research, designed to expand knowledge, improve instruction, increase learning, and provide optimum service to the state and nation. The university directly supports its constituents in its designated service area of Kentucky with professional and technical expertise, cultural enrichment, and educational assistance. The university promotes research and public service in support of economic development, quality of life, and improvement of education at all levels, particularly elementary and secondary schools. Western Kentucky University recognizes that its mission continues to evolve in response to regional, national, and global changes, and the need for lifelong learning.

Organizationally, the university has been divided into the areas of academic affairs, student affairs, financial affairs, development and alumni relations, information technology, legal and personal affairs, public affairs, and presidential which includes the Office of the President, the Board of Regents, and Athletics to facilitate the offering of programs and services. Four academic colleges, the Community College, graduate studies, and a variety of academic support offices are administered through the Office of the Provost and Vice President of Academic Affairs.

**Postsecondary Education
Kentucky Community and Technical College System**

	Revised FY 2000	Requested FY 2001	Requested FY 2002	Recommended FY 2001	Recommended FY 2002
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	163,646,400	170,440,800	183,026,400	169,640,800	182,226,400
Total General Fund	163,646,400	170,440,800	183,026,400	169,640,800	182,226,400
Restricted Funds					
Current Receipts	98,988,700	103,788,300	109,093,600	103,788,300	109,093,600
Total Restricted Funds	98,988,700	103,788,300	109,093,600	103,788,300	109,093,600
Federal Funds					
Current Receipts	66,282,000	67,872,800	69,501,700	67,872,800	69,501,700
Total Federal Funds	66,282,000	67,872,800	69,501,700	67,872,800	69,501,700
TOTAL SOURCE OF FUNDS	328,917,100	342,101,900	361,621,700	341,301,900	360,821,700
EXPENDITURES BY CLASS					
Personnel Cost	198,394,500	207,467,800	221,145,700	207,467,800	221,145,700
Operating Expenses	59,050,600	62,351,300	66,364,400	61,551,300	65,564,400
Grants, Loans or Benefits	42,070,300	43,626,900	45,241,100	43,626,900	45,241,100
Debt Service	11,601,900	10,678,100	10,712,900	10,678,100	10,712,900
Capital Outlay	17,799,800	17,977,800	18,157,600	17,977,800	18,157,600
TOTAL EXPENDITURES	328,917,100	342,101,900	361,621,700	341,301,900	360,821,700
EXPENDITURES BY FUND SOURCE					
General Fund	163,646,400	170,440,800	183,026,400	169,640,800	182,226,400
Restricted Funds	98,988,700	103,788,300	109,093,600	103,788,300	109,093,600
Federal Funds	66,282,000	67,872,800	69,501,700	67,872,800	69,501,700
TOTAL EXPENDITURES	328,917,100	342,101,900	361,621,700	341,301,900	360,821,700
EXPENDITURES BY UNIT					
Instruction	131,197,200	138,431,400	142,016,800	138,431,400	142,016,800
Public Service	13,330,500	13,934,300	14,540,600	13,934,300	14,540,600
Libraries	5,277,900	5,507,800	5,666,300	5,507,800	5,666,300
Academic Support	18,261,200	19,040,100	19,657,500	19,040,100	19,657,500
Student Services	16,492,800	17,045,300	17,494,500	17,045,300	17,494,500
Institutional Support	45,837,100	47,707,300	49,112,900	47,707,300	49,112,900
Operation and Maintenance of Plant	24,889,700	26,141,700	37,149,200	25,341,700	36,349,200
Scholarships and Fellowships	49,085,400	50,361,900	51,698,900	50,361,900	51,698,900
Mandatory Transfers	11,601,900	10,678,100	10,712,900	10,678,100	10,712,900
Auxilliary Enterprises	12,943,400	13,254,000	13,572,100	13,254,000	13,572,100
TOTAL EXPENDITURES	328,917,100	342,101,900	361,621,700	341,301,900	360,821,700

The Postsecondary Education Improvement Act of 1997 created the Kentucky Community and Technical College System (KCTCS) with a mission that assures, in conjunction with other postsecondary institutions, access throughout the Commonwealth to a two-year course of general studies designed for transfer to a baccalaureate program, the training necessary to develop a workforce with skills to meet the needs of new and existing industries, and remedial and continuing education to improve the employability of citizens.

The Kentucky Community and Technical College System is a new, ninth institution of postsecondary education in Kentucky. The System is composed of 28 community and technical colleges. Thirteen of the fourteen community colleges formerly under the jurisdiction of the University of Kentucky transferred to KCTCS. Lexington Community College remains under the jurisdiction of the University of Kentucky. All of the postsecondary technical institutions formerly a part of Kentucky Tech in the Workforce Development Cabinet were transferred to KCTCS.

The Southern Association of Colleges and Schools (SACS) approved the change in governance of the 13 community colleges early 1998. The community colleges were formally transferred from the University of Kentucky to KCTCS on January 14, 1998. The Council for Occupational Education has approved the change in governance for the technical schools. The postsecondary technical institutions formally transferred to KCTCS on July 1, 1998.

Public Protection and Regulation

	Revised FY 2000	Requested FY 2001	Requested FY 2002	Recommended FY 2001	Recommended FY 2002
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	44,302,900	60,980,700	65,173,300	49,525,400	52,448,700
Tobacco Settlement - I				17,692,500	21,280,000
Current Year Appropriation	745,500				
Continuing Appropriation	2,042,300				
Mandated Allotments	21,600				
Total General Fund	47,112,300	60,980,700	65,173,300	67,217,900	73,728,700
Restricted Funds					
Balance Forward	163,959,100	152,187,500	154,361,500	153,803,500	153,023,000
Current Receipts	77,046,000	92,067,600	94,095,000	90,407,300	92,617,500
Non-Revenue Receipts	36,368,500	41,125,700	42,080,400	40,171,100	38,324,000
Total Restricted Funds	277,373,600	285,380,800	290,536,900	284,381,900	283,964,500
Federal Funds					
Balance Forward	206,000	164,800	339,000	206,000	389,200
Current Receipts	2,454,800	2,829,500	2,581,200	2,829,500	2,581,200
Total Federal Funds	2,660,800	2,994,300	2,920,200	3,035,500	2,970,400
TOTAL SOURCE OF FUNDS	327,146,700	349,355,800	358,630,400	354,635,300	360,663,600
EXPENDITURES BY CLASS					
Personnel Cost	76,908,400	88,847,800	96,105,000	81,544,700	87,263,500
Operating Expenses	63,556,600	65,244,000	65,847,200	63,436,100	65,646,700
Grants, Loans or Benefits	31,378,100	37,296,800	36,907,700	53,325,700	56,455,100
Debt Service	109,000	589,000	589,000	589,000	589,000
Capital Outlay	685,100	2,177,700	1,178,500	1,827,600	616,500
Construction	500,000	500,000	500,000	500,000	500,000
TOTAL EXPENDITURES	173,137,200	194,655,300	201,127,400	201,223,100	211,070,800
EXPENDITURES BY FUND SOURCE					
General Fund	47,112,300	60,980,700	65,173,300	67,217,900	73,728,700
Restricted Funds	123,570,100	131,019,300	133,192,000	131,358,900	134,589,300
Federal Funds	2,454,800	2,655,300	2,762,100	2,646,300	2,752,800
TOTAL EXPENDITURES	173,137,200	194,655,300	201,127,400	201,223,100	211,070,800
EXPENDITURES BY UNIT					
Alcoholic Beverage Control	7,584,200	6,756,500	6,848,100	6,556,200	6,626,900
Claims/Crime Victims' Compensation	2,208,400	3,220,700	3,163,000	3,204,300	3,145,700
Charitable Gaming	3,195,100	3,187,600	3,228,600	3,229,700	3,307,900
Financial Institutions	9,807,500	8,262,100	8,538,600	8,841,600	9,075,400
Housing, Buildings and Construction	32,054,100	37,736,400	38,127,000	35,350,600	35,814,100
Racing Commission	14,178,600	14,900,300	14,571,700	14,893,600	14,570,000
Insurance	15,629,100	16,568,700	17,366,200	34,613,200	39,417,700
Mines and Minerals	11,475,400	13,676,200	13,685,000	12,178,400	12,429,600
Public Advocacy	22,973,100	34,725,900	38,490,500	26,272,500	28,747,500
Public Service Commission	10,950,200	10,287,200	10,694,600	10,876,200	11,259,200
Secretary	42,659,500	44,865,000	45,935,600	44,739,000	46,202,500
Tax Appeals	422,000	468,700	478,500	467,800	474,300
TOTAL EXPENDITURES	173,137,200	194,655,300	201,127,400	201,223,100	211,070,800

The agencies comprising the Public Protection and Regulation Cabinet have principal responsibility for the supervision and regulation of various aspects of industries providing services to the citizens of the Commonwealth. This includes the enforcement of statutes and/or regulations ensuring the integrity of supervised industries and the safety of both the employees and the persons they serve.

**Public Protection and Regulation
Claims/Crime Victims' Compensation**

	Revised FY 2000	Requested FY 2001	Requested FY 2002	Recommended FY 2001	Recommended FY 2002
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	411,900	695,000	625,300	692,500	622,700
Total General Fund	411,900	695,000	625,300	692,500	622,700
Restricted Funds					
Balance Forward	1,092,500	1,925,500	2,389,400	1,925,500	2,403,300
Current Receipts	1,727,500	1,769,000	1,811,500	1,769,000	1,811,500
Non-Revenue Receipts	551,000	820,600	775,300	820,600	-1,924,700
Total Restricted Funds	3,371,000	4,515,100	4,976,200	4,515,100	2,290,100
Federal Funds					
Balance Forward	6,700	6,700	180,900	6,700	180,900
Current Receipts	351,000	574,200	245,000	574,200	245,000
Total Federal Funds	357,700	580,900	425,900	580,900	425,900
TOTAL SOURCE OF FUNDS	4,140,600	5,791,000	6,027,400	5,788,500	3,338,700
EXPENDITURES BY CLASS					
Personnel Cost	820,100	1,067,200	1,111,200	1,050,800	1,093,900
Operating Expenses	1,388,300	2,153,500	2,051,800	2,153,500	2,051,800
TOTAL EXPENDITURES	2,208,400	3,220,700	3,163,000	3,204,300	3,145,700
EXPENDITURES BY FUND SOURCE					
General Fund	411,900	695,000	625,300	692,500	622,700
Restricted Funds	1,445,500	2,125,700	2,111,800	2,111,800	2,097,100
Federal Funds	351,000	400,000	425,900	400,000	425,900
TOTAL EXPENDITURES	2,208,400	3,220,700	3,163,000	3,204,300	3,145,700
EXPENDITURES BY UNIT					
Crime Victims' Compensation	890,900	1,471,600	1,355,600	1,455,200	1,338,300
Crime Victims' Board Reparations	966,500	1,349,100	1,381,500	1,349,100	1,381,500
Crime Victims' Compensation Board Grants	351,000	400,000	425,900	400,000	425,900
TOTAL EXPENDITURES	2,208,400	3,220,700	3,163,000	3,204,300	3,145,700

The Board of Claims established under KRS Chapter 44 and is the only forum through which a citizen can sue the state for alleged negligence. Awards under \$1,000 are paid from funds of the agency at fault; awards over \$1,000 are paid from appropriations out of the General Fund and awards against the Transportation Cabinet are paid from the Road Fund. The maximum award on a single claim is \$100,000 and there is a cap of \$250,000 on multiple claims arising from the same incident.

The Crime Victims' Compensation Board, established under KRS Chapter 346, is empowered to reimburse innocent crime victims up to \$25,000 for their medical expenses, and lost wages that are not paid by any other source. House Bill 455, enacted during the 1998 General Assembly, increased awards for funeral expenses up to \$5,000. In addition, the amount of time that a claimant has to submit a claim with the Board increased from one to a maximum of five years.

The two Boards are composed of the same five members, and the same offices and staff serve them both.

Policy

The Governor's recommendation provides additional General Fund to underwrite increased rental costs in the amount of \$10,300 in each year of the biennium.

Included in the recommendation is General Fund in the amount of \$135,000 in each year of the biennium to address increased hearing officer rates.

The Governor's recommendation provides \$31,000 in fiscal year 2001 and \$32,500 in fiscal year 2002 and agency dollars in the amount of \$31,000 in fiscal year 2001 and \$32,7000 in the year 2002 and to hire an attorney and assistan

General Fund support in the amount of \$107,200 in fiscal year and \$25,000 in fiscal year 2002, and agency funds of \$107,300 in fiscal year 2001 and \$26,000 in fiscal year 2002 are provided to purchase a new computer system

It is recommended that the Board transfer \$2.7 million to the General Fund in fiscal year 2002

**Public Protection and Regulation
Alcoholic Beverage Control**

	Revised FY 2000	Requested FY 2001	Requested FY 2002	Recommended FY 2001	Recommended FY 2002
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	2,622,400	1,660,600	1,700,400	1,480,400	1,459,100
Total General Fund	2,622,400	1,660,600	1,700,400	1,480,400	1,459,100
Restricted Funds					
Balance Forward	4,399,200	4,284,300	4,366,000	4,284,300	4,386,100
Current Receipts	4,199,100	4,393,700	4,535,100	4,393,700	4,535,100
Non-Revenue Receipts	261,000	251,000	251,000	251,000	251,000
Total Restricted Funds	8,859,300	8,929,000	9,152,100	8,929,000	9,172,200
Federal Funds					
Current Receipts	386,800	532,900	558,400	532,900	558,400
Total Federal Funds	386,800	532,900	558,400	532,900	558,400
TOTAL SOURCE OF FUNDS	11,868,500	11,122,500	11,410,900	10,942,300	11,189,700
EXPENDITURES BY CLASS					
Personnel Cost	5,918,700	5,513,200	5,679,300	5,312,900	5,458,100
Operating Expenses	1,436,900	1,243,300	1,168,800	1,243,300	1,168,800
Capital Outlay	228,600				
TOTAL EXPENDITURES	7,584,200	6,756,500	6,848,100	6,556,200	6,626,900
EXPENDITURES BY FUND SOURCE					
General Fund	2,622,400	1,660,600	1,700,400	1,480,400	1,459,100
Restricted Funds	4,575,000	4,563,000	4,589,300	4,542,900	4,609,400
Federal Funds	386,800	532,900	558,400	532,900	558,400
TOTAL EXPENDITURES	7,584,200	6,756,500	6,848,100	6,556,200	6,626,900
EXPENDITURES BY UNIT					
Administration, Enforcement, and License	6,936,400	5,785,200	5,948,700	5,533,100	5,682,400
Tobacco Enforcement	647,800	971,300	899,400	971,300	899,400
Wage Equity				51,800	45,100
TOTAL EXPENDITURES	7,584,200	6,756,500	6,848,100	6,556,200	6,626,900

The Department of Alcoholic Beverage Control (ABC) administers and enforces the laws and regulations relating to the manufacture, sale, transportation, storage, advertising and trafficking of alcoholic beverages as set out in Chapters 241-244 of the Kentucky Revised Statutes and Title 804 of the Kentucky Administrative Regulations. The Department does not collect taxes.

The Commissioner of the Department is its executive officer and serves as Chairman of the Alcoholic Beverage Control Board, which also includes the Administrators of the Malt Beverage and Distilled Spirits divisions. The Governor appoints all three.

In exercising its quasi-judicial authority, the ABC Board may suspend, revoke, or cancel for cause, after hearing, any license issued relating to violation of alcoholic beverage laws. They may subpoena witnesses, administer and examine any person under oath, and require the production of documents; conduct hearings for and appeals from an applicant whose license is refused by city or county administrators; and revoke licenses and render decisions.

The Department has a complement of enforcement officers assigned throughout the state who conduct investigations, make regular inspections and otherwise monitor compliance with ABC laws.

House Bill 550, enacted by the General Assembly in 1998, increased the fees charged for alcoholic beverage licenses. The additional revenue raised enabled the Department to expand its enforcement activities, provided hazardous duty retirement for enforcement officers and established an educational component to its operation. Technology for the automation of the alcoholic beverage process is currently being completed. This increase is reflected in the budget documents.

The Department receives restricted funds from the Kentucky Department of Agriculture as a result of a Memorandum of Understanding Agreement to implement laws relating to the sale and use of tobacco products. The Department also conducts the annual Synar Survey for the Cabinet for Health Services through an inter-agency agreement. This mandatory survey determines the non-compliance rate of the sale and distribution of tobacco products to underage youth. If the survey is not completed, the Commonwealth could lose approximately \$7.5 million dollars in federal funds for substance abuse program.

In July 1998, the Department signed a contract with the U.S. Food and Drug Administration to determine compliance with 21 CFR Part 897.14 (a) and (b) which prohibits the sale of tobacco products to anyone under the age of 18. This is a cost reimbursement agreement.

Policy

The Governor's budget recommendation provides \$55,000 in fiscal year 2000, \$62,000 in fiscal year 2001 and \$69,300 in fiscal year 2002 in agency fund dollars to underwrite part of the cost of the Synar Survey.

Included in the Governor's budget recommendation is \$85,200 in fiscal year 2001 in agency fund dollars for the Teen Tobacco Program.

Included in the Governor's recommendation is an allocation from the General Fund of \$51,800 in fiscal year 2001 and \$45,100 in fiscal year 2002 for the Wage Equity Plan.

The Governor's recommendation provides agency fund expenditure authority in the amount of \$57,200 in fiscal year 2000 to provide support to the Secretary's Office.

Note: Since ABC does not collect their receipts until the last two months of the fiscal year, the preponderance of their agency funds are not available until May or June. If their carryforward were to be taken, ABC could not operate for most of the fiscal year.

**Public Protection and Regulation
Financial Institutions**

	Revised FY 2000	Requested FY 2001	Requested FY 2002	Recommended FY 2001	Recommended FY 2002
SOURCE OF FUNDS					
Restricted Funds					
Balance Forward	1,886,100	385,100	429,800	385,100	350,300
Current Receipts	8,306,500	8,306,800	8,355,800	8,806,800	8,855,800
Total Restricted Funds	10,192,600	8,691,900	8,785,600	9,191,900	9,206,100
TOTAL SOURCE OF FUNDS	10,192,600	8,691,900	8,785,600	9,191,900	9,206,100
EXPENDITURES BY CLASS					
Personnel Cost	5,290,600	5,952,300	6,209,000	5,878,700	6,092,700
Operating Expenses	4,516,900	2,309,800	2,329,600	2,962,900	2,982,700
TOTAL EXPENDITURES	9,807,500	8,262,100	8,538,600	8,841,600	9,075,400
EXPENDITURES BY FUND SOURCE					
Restricted Funds	9,807,500	8,262,100	8,538,600	8,841,600	9,075,400
TOTAL EXPENDITURES	9,807,500	8,262,100	8,538,600	8,841,600	9,075,400
EXPENDITURES BY UNIT					
Administrative Services	660,300	1,061,300	1,034,800	1,061,300	1,034,800
Financial Institutions	3,921,300	4,242,800	4,421,400	4,242,800	4,421,400
Commissioner	1,162,900	1,201,800	1,253,200	1,201,800	1,253,200
Securities	4,063,000	1,756,200	1,829,200	2,335,700	2,366,000
TOTAL EXPENDITURES	9,807,500	8,262,100	8,538,600	8,841,600	9,075,400

The Department of Financial Institutions, established under KRS 287 licenses and administers the state supervisory and regulatory functions pertaining to: banks, bank-holding companies, trust companies, credit unions, savings and loan associations, consumer loan companies, industrial loan companies, mortgage loan companies, mortgage loan brokers, check cashing licensees, sale of check licensees, securities issuers, broker-dealers, agents and investment advisors. A Commissioner appointed by the Governor heads the Department.

The Department is composed of the following units:

The Commissioner's Office is responsible for the overall management of the agency. The ombudsman is located in the Commissioner's Office. The Ombudsman fields and resolves complaints pertaining to departmental programs. The General Counsel's Office, which provides legal support to the agency, is an arm of the Commissioner's Office.

The Division of Administrative Services is made-up of three branches. The Technology branch is shared with other Cabinet agencies and maintains the computer network, the web sites and system upgrade planning. The Administrative Services Branch is charged with the administration of the fiscal functions including budgeting, purchasing, inventory control, training coordination, and facilities management. The Public Affairs branch coordinates all communications with the media, and handles the Department's public relations efforts through coordination of educational seminars, designing and printing brochures and newsletters.

The Division of Securities carries out the registration or exemption from registration of securities issuances in the state. It registers broker-dealers, their agents, investment advisers, and investment adviser representatives, and conducts on-site examinations of these regulated entities. In addition, the Division investigates potential securities fraud or other illegal conduct of all securities entities.

The Division of Financial Institutions licenses/charters, examines and regulates: commercial banks, bank holding companies, loan production offices, bank trust departments, independent trust companies, credit unions, savings and loan associations, consumer loan companies, industrial loan companies, mortgage loan companies and mortgage loan brokers, check cashing licensees and sale of check licensees

Policy

The Governor's recommendation provides additional agency funds in the amount of \$ 276,800 in fiscal year 2001 and \$ 216,300 in fiscal year 2002 to purchase a document management system.

Included in the recommendation are agency funds in the amount of \$28,500 in fiscal year 2001 and \$ 30,100 in fiscal year 2002 to hire an additional financial examiner within the Division of Financial Services.

Included in the recommendation are agency funds in the amount of \$57,100 in fiscal year 2001 and \$ 60,300 in fiscal year 2002 to hire two additional financial examiners within the Division of Securities.

Included in the recommendation are agency funds in the amount of \$76,300 in fiscal year 2001 and \$ 80,400 in fiscal year 2002 to hire an attorney and an assistant

Notwithstanding KRS 287.485, included in the recommendation is a transfer of \$900,000 to the General Fund in each year of the biennium.

The agency's required support to the Public Protection and Regulation Secretary's Office has been reduced by \$246,900 in fiscal year 2001 and \$249,200 in fiscal year 2002

**Public Protection and Regulation
Insurance**

	Revised FY 2000	Requested FY 2001	Requested FY 2002	Recommended FY 2001	Recommended FY 2002
SOURCE OF FUNDS					
General Fund					
Tobacco Settlement - I				17,692,500	21,280,000
Total General Fund				17,692,500	21,280,000
Restricted Funds					
Balance Forward	5,886,700	4,463,200	2,857,500	4,463,200	2,505,500
Current Receipts	15,084,000	16,029,800	16,831,200	16,029,800	16,831,200
Non-Revenue Receipts	-878,400	-1,066,800	-1,077,500	-1,066,800	-1,077,500
Total Restricted Funds	20,092,300	19,426,200	18,611,200	19,426,200	18,259,200
TOTAL SOURCE OF FUNDS	20,092,300	19,426,200	18,611,200	37,118,700	39,539,200
EXPENDITURES BY CLASS					
Personnel Cost	11,942,800	12,720,100	13,370,300	12,610,700	13,243,200
Operating Expenses	3,686,300	3,848,600	3,995,900	4,310,000	4,894,500
Grants, Loans or Benefits				17,692,500	21,280,000
TOTAL EXPENDITURES	15,629,100	16,568,700	17,366,200	34,613,200	39,417,700
EXPENDITURES BY FUND SOURCE					
General Fund				17,692,500	21,280,000
Restricted Funds	15,629,100	16,568,700	17,366,200	16,920,700	18,137,700
TOTAL EXPENDITURES	15,629,100	16,568,700	17,366,200	34,613,200	39,417,700
EXPENDITURES BY UNIT					
General Operations	15,248,600	16,191,200	16,988,800	34,235,700	39,040,300
Health Purchasing Alliance	380,500	377,500	377,400	377,500	377,400
TOTAL EXPENDITURES	15,629,100	16,568,700	17,366,200	34,613,200	39,417,700

The Department of Insurance has authority under KRS 304 to license, supervise, and regulate insurance companies doing business in Kentucky. The Department is composed of two appropriation units: General Operations and the Health Purchasing Alliance.

The Commissioner's Office is responsible for the overall policy, planning, direction and management of all divisions within the department. It is the responsibility of the commissioner to oversee the manner in which the business of insurance is conducted in Kentucky. Observing the fundamental insurance regulatory goals, the commissioner is charged with protecting the public interest, promoting viable markets, and assuring fair treatment of insurance consumers. The Communications unit is part of the Commissioner's Office.

The Property and Casualty Division regulates coverage and marketing practices of property and casualty insurers. Through its annual review of property and casualty insurance rate and form filings, the division ensures that companies comply with the standards set forth in the Kentucky Insurance Code. The division is also responsible for reporting of medical malpractice claims, recording of no-fault rejections (tort liability) and the verification of such rejection. It is responsible for the regulation of surplus lines insurance.

Health Insurance Policy and Managed Care Division regulates admitted insurance companies and HMOs. Through application of statutory requirements, the Division approves or disallows policies, certificates, provider networks, quality improvement programs, and rate filings. It reviews other relevant forms and promotional literature and activities for the protection of the public. The division works directly with the Legal Division and the Consumer Protection and Education Division on matters such as consumer complaints and managed care policy. In addition, it handles inquiries regarding Medicare and long-term care insurance. The Consumer Guide to Long-Term Care Insurance in Kentucky and the Guide to Health Insurance for People with Medicare are available upon request, free of charge, to the Health Insurance Policy and Managed Care Division.

The Life Insurance Division regulates insurance companies selling life and disability income products. It is responsible for conducting research relative to and pursuing the implementation of strategies related to financial services modernization. Through application of statutory requirements, the Division reviews policies, certificates, and rate filings:

The primary concern of the Financial Standards and Examination Division is to protect consumers by ensuring the financial solvency of insurers authorized to do business in Kentucky. This is accomplished through enforcement of Kentucky's insurance laws and regulations. The Division is responsible for conducting financial examinations, financial analyses and providing administrative oversight of the insurance industry

The Insurance Fraud Investigation Division is the Department's law enforcement agency empowered to conduct criminal investigations of suspected fraudulent insurance acts. Insurance related fraud may be committed by anyone attempting to steal money including applicants for insurance, policyholders, third party claimants, agents and professionals who provide services to be paid by insurance.

The Agent Licensing Division makes certain that only knowledgeable and qualified insurance representatives sell insurance products to Kentucky consumers. To accomplish this, the Division administers examinations, monitors continuing education courses, and licenses. This division maintains records of agents, solicitors, adjusters, consultants, corporations, risk retention agents, managing general agents, surplus lines brokers, reinsurance intermediaries, and third party administrator:

Created in 1997, the Consumer Protection and Education Division is the main link between the Department and the citizens of the Commonwealth. Consumer education and the department's speakers' bureau are included within this division. This division also administers the emergency response program, which provides on-site assistance to citizens or communities affected by insured disasters within the Commonwealth. An ombudsman is on staff to provide additional assistance to the consumer. The Market Conduct unit of Consumer Protection observes and analyzes the business practices of insurers. Market conduct is a consumer-oriented activity that makes certain that knowledgeable and compliant insurance companies serve Kentucky. The Consumer Information program has been responsible for publishing consumer information reports as required by KRS 304. The Consumer Protection and Education Division now perform these duties

The State Risk & Insurance Services Division administers the State Fire and Tornado Insurance Fund per KRS 56.070 through 56.180. It provides self-insured for the Commonwealth's state and university owned real and personal property. The Division resembles an insurance company and has its own brokers and agents. It develops and maintains coverage forms, makes decisions where a particular submission should be insured, determines rates, issues certificates (policies) and/or endorsements and electronically charges premium through a MARS interface system. The Division establishes the replacement value of all insured real property and adjusts, negotiates, and settles claims. Because risks cannot be properly covered under the State Fire & Tornado Insurance Fund, the Division assists in the placement of various types of property & liability exposures through the commercial market. The Mine Subsidence Fund provides assistance to property owners who have experienced property damage resulting from collapsed underground coalmines falls under its purview.

The Division of the General Counsel provides legal services to all divisions of the department, and assists insurers, agents, and consumers to address questions regarding Kentucky's Insurance Code. The Division also conducts administrative hearings on matters ranging from rate filings to the illegal activities of agents and companies with respect to civil violations. It also assists with criminal prosecution of insurance fraud. The Local Government Premium Tax unit is a part of this division

The Division of Administrative Services provides a wide-range of administrative and technical support to programmatic divisions of the Department. In addition to human resources management, benefits, purchasing and property management, the fiscal branch is responsible for accounting, budgeting, mail center operations and telecommunications. The information systems branch is responsible for ordering, installing, and maintaining the Department's computer network

The Health Purchasing Alliance was created in July 1995 under KRS 304.17A. The Alliance was attached to the Kentucky Department of Insurance for administrative purposes; while being governed by an independent board. House Bill 315 revised health insurance reforms enacted in 1994 and 1996. One of those revisions required that the Alliance desist in issuing and renewing any policies. It also mandated that as of close of business on June 30, 1999, the Health Purchasing Alliance Program cease its operations. Due to ongoing litigation and audits, the Department expects that expenditures will continue to be discharged over the next to years.

House Bill 315 also created the Guaranteed Acceptance Program (GAP) and provided a special appropriation of \$10 million in fiscal year 1998. The appropriation provided seed money to be used to reimburse insurance companies that issue coverage to high-risk applicants in the individual health insurance market. The reimbursement assists insurance companies if claims paid on behalf of these individuals exceed the premiums collected

Policy

The Governor's recommended budget provides \$17.7 million in fiscal year 2001 and \$21.3 million in fiscal year 2002 of Phase

Tobacco Settlement funding for the Kentucky Access Program. Kentucky Access will offer continued protection to Kentuckians

with high-cost medical conditions. Kentucky Access will provide three choices of health benefit plans, including standard benefits, managed care and a traditional benefit plan common to the market. The 2,200 people already covered by GAP will continue to have the patient protections of guaranteed renewal. They may continue to secure coverage through Anthem or Humana; or they may consider choosing Kentucky Access. Any individuals with high-cost medical conditions will always have access to the health benefit plans of Kentucky access

The Department of Insurance will transfer \$461,400 in fiscal year 2001 and \$898,600 in fiscal year 2002 to the General Fund.

**Public Protection and Regulation
Kentucky Racing Commission**

	Revised FY 2000	Requested FY 2001	Requested FY 2002	Recommended FY 2001	Recommended FY 2002
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	1,356,900	1,389,500	1,422,800	389,500	422,800
Total General Fund	1,356,900	1,389,500	1,422,800	389,500	422,800
Restricted Funds					
Balance Forward	3,887,200	3,390,900	2,795,900	3,390,900	1,802,600
Current Receipts	1,884,500	2,156,500	2,096,500	2,106,500	1,996,500
Non-Revenue Receipts	10,440,900	10,759,300	10,769,600	10,809,300	10,869,600
Total Restricted Funds	16,212,600	16,306,700	15,662,000	16,306,700	14,668,700
TOTAL SOURCE OF FUNDS	17,569,500	17,696,200	17,084,800	16,696,200	15,091,500
EXPENDITURES BY CLASS					
Personnel Cost	1,786,700	1,887,500	1,979,100	1,880,800	1,977,400
Operating Expenses	1,187,600	872,800	894,500	872,800	894,500
Grants, Loans or Benefits	11,204,300	12,122,000	11,698,100	12,122,000	11,698,100
Capital Outlay		18,000		18,000	
TOTAL EXPENDITURES	14,178,600	14,900,300	14,571,700	14,893,600	14,570,000
EXPENDITURES BY FUND SOURCE					
General Fund	1,356,900	1,389,500	1,422,800	389,500	422,800
Restricted Funds	12,821,700	13,510,800	13,148,900	14,504,100	14,147,200
TOTAL EXPENDITURES	14,178,600	14,900,300	14,571,700	14,893,600	14,570,000
EXPENDITURES BY UNIT					
Administration and Regulation of Racing	2,351,800	2,534,400	2,616,600	2,533,800	2,621,300
Equine Drug Research Fund	412,000	850,000	450,000	850,000	450,000
Thoroughbred Development Fund	9,000,000	9,500,000	9,500,000	9,500,000	9,500,000
Standardbred Development Fund	603,500	550,000	550,000	550,000	550,000
Standardbred Horsemen Fees	230,000	500,000	525,000	500,000	525,000
County Fair Purse Fund	65,000	113,500	65,000	113,500	65,000
Breeders Award Fund	413,900				
Thoroughbred Breeders	793,800	400,000	400,000	400,000	400,000
Backside Improvement Commission	308,600	452,400	465,100	446,300	458,700
TOTAL EXPENDITURES	14,178,600	14,900,300	14,571,700	14,893,600	14,570,000

Under KRS 230, the Kentucky Racing Commission is responsible for the regulation of thoroughbred and harness horse racing and the fostering of thoroughbred and harness horse breeding within the Commonwealth.

The Commission has the authority to prescribe rules, regulations, and conditions under which all legitimate thoroughbred, harness horse, Quarter Horse, Appaloosa, and Arabian racing and wagering may be conducted in the Commonwealth.

The Administration and Regulation of Racing is the administrative and oversight body of the Commission. Executive Order 98-1566 reorganized the Racing Commission by streamlining its operations. The new structure includes the administrative staff who reports directly to the Executive Director. The Division of Racing and Security oversees the state veterinarians and support staff. The security function supervises drug testing and interdiction on the track's backside. The Division of Licensing is responsible for licensing all individuals who participate in thoroughbred and harness racing.

The 1982 General Assembly, under KRS 230.265, created the Equine Drug Council to advise the Commission on research programs. Funding is provided under KRS 138.510, where one-tenth of one percent of the thoroughbred pari-mutuel handle is to be disbursed under the direction of the Racing Commission.

The Thoroughbred Development Fund was created by the 1978 General Assembly and operates under the provisions of KRS 230.400. The fund was created to promote interest in raising and racing thoroughbred horses in the Commonwealth; to attract breeders from other states to send their breeding stock to Kentucky; and to improve the caliber of breeding and racing stock in the Commonwealth. The program is funded by three-fourths of one percent of the total pari-mutuel handle

The Standardbred Development Fund was created to promote the raising and racing of harness horses sired by stallions standing in Kentucky; to attract breeders from other states to send their breeding stock to Kentucky; to increase the number of owners in Kentucky; and to increase the number of horses bred in Kentucky. One percent of the pari-mutuel handle from the harness horse racing tracks is deposited in a revolving fund account for the Standardbred Development Fund

Under the authority of KRS 230.398, the County Fair Purse Fund receives funding from uncashed pari-mutuel tickets and redistributes the funds in the form of purse supplements to county fairs.

The Backside Improvement Commission was created by the 1980 General Assembly and operates under provisions of KRS 230.218. KRS 138.510 stipulates that, racing associations with an average handle of \$1,200,000 or less per racing day are required to pay one-half of one percent to the Fund. Racing Associations with an average handle of \$1,200,000 or more per racing day are required to pay three and one-half percent to the Fund. The Backside Improvement Commission is charged with promoting, enhancing and improving the conditions of the backsides of Turfway and Ellis Park

The Breeders Award Fund was created by the 1992 General Assembly as an incentive for the Kentucky breeding industry. The program makes awards to the owners of dams and stallions of eligible Kentucky horses that race in the state. House Bill 566, enacted during the 1998 General Assembly, abolished this program and replaced it with the Thoroughbred Owners and Breeders Fund. It is used to fund capital improvements and promotion of off-track betting. It also funds the marketing and promotion of the Kentucky thoroughbred industry

**Public Protection and Regulation
Housing, Buildings and Construction**

	Revised FY 2000	Requested FY 2001	Requested FY 2002	Recommended FY 2001	Recommended FY 2002
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	3,576,800	3,662,600	3,750,500	3,631,100	3,717,600
Total General Fund	3,576,800	3,662,600	3,750,500	3,631,100	3,717,600
Restricted Funds					
Balance Forward	9,526,600	5,948,200	4,431,500	7,564,200	5,240,200
Current Receipts	8,349,900	12,678,100	12,927,500	9,774,200	10,195,100
Non-Revenue Receipts	18,165,000	19,879,000	20,475,400	19,621,300	20,108,200
Total Restricted Funds	36,041,500	38,505,300	37,834,400	36,959,700	35,543,500
TOTAL SOURCE OF FUNDS	39,618,300	42,167,900	41,584,900	40,590,800	39,261,100
EXPENDITURES BY CLASS					
Personnel Cost	11,461,600	13,169,600	13,753,400	12,742,700	13,305,400
Operating Expenses	6,086,500	5,231,000	5,282,800	5,133,100	5,247,900
Grants, Loans or Benefits	14,380,900	18,435,800	18,410,800	17,254,800	17,260,800
Capital Outlay	125,100	900,000	680,000	220,000	
TOTAL EXPENDITURES	32,054,100	37,736,400	38,127,000	35,350,600	35,814,100
EXPENDITURES BY FUND SOURCE					
General Fund	3,576,800	3,662,600	3,750,500	3,631,100	3,717,600
Restricted Funds	28,477,300	34,073,800	34,376,500	31,719,500	32,096,500
TOTAL EXPENDITURES	32,054,100	37,736,400	38,127,000	35,350,600	35,814,100
EXPENDITURES BY UNIT					
General Administration and Management	1,058,800	1,084,200	1,110,200	1,057,700	1,082,600
Regulation of Minimum Safety Standards/Fire Prev	4,847,500	5,830,700	6,024,200	5,677,300	5,862,200
Plumbing	4,145,400	4,736,700	4,953,100	4,652,400	4,864,600
HVAC	852,900	1,076,600	1,057,600	1,065,900	1,046,300
Building Codes Enforcement	1,965,500	2,453,500	2,503,100	2,078,300	2,184,700
Fire Fighters' Foundation Fund	19,184,000	22,554,700	22,478,800	20,819,000	20,773,700
TOTAL EXPENDITURES	32,054,100	37,736,400	38,127,000	35,350,600	35,814,100

The Department of Housing, Buildings, and Construction was created by Executive Order 77-1156 and derives its authority from KRS 198B. Its primary purpose is to devise and enforce an effective building inspection program as well as to prevent fire and life-safety hazards. In this regard, the Board of Housing, Buildings, and Construction was established to adopt a uniform building code for Kentucky.

The General Administration and Support program provides overall planning, management, policy, direction, legal counsel, and support services for the Department.

The Regulation of Minimum Safety Standards program enforces life safety codes and state and federal laws and regulations including performing property inspections, reviewing plans for remodeled or improved property, regulating the use and storage of hazardous materials and responding to related emergencies. The program also includes the inspection and plan review of boilers and pressure piping as well as elevators, monitoring the construction and sales of mobile homes and recreational vehicles, testing and licensing of electrical inspectors, boiler contractors, underground petroleum storage tank contractors, and sprinkler system contractors.

The Building Codes Enforcement program was created by Executive Order 79-1146 to provide overall coordination and enforcement of the Kentucky Uniform Building Code and provides inspection, plans review and technical services to the building community. The program is funded primarily from plans review fees.

The Plumbing Division, a fee-supported program, has the responsibility to fulfill the mandate of the State Plumbing Law; i.e., the inspection of plumbing systems in all buildings throughout the state, the approval of plans in all types of public buildings, the renewal of master and journeyman plumber's licenses, assisting the State Plumbing Code Committee in its review of the plumbing code regulations and in the review and approval of new materials and techniques.

This Division of Heating, Ventilation, and Air Conditioning (HVAC) is responsible for the annual licensing and oversight of the activities of heating, ventilation, and air conditioning contractors, mechanics and apprentices. In addition, the HVAC Board reviews HVAC codes and regulations governing the testing of candidates for licensure. The division oversees the continuing education for HVAC Master and Journeyman.

The Firefighters' Foundation Fund program was created by the 1992 General Assembly by combining the Professional Firefighters Foundation Program Fund and the State Aid Program for qualified volunteer fire departments. The program strives to reduce and prevent the loss of life or property by fire and other hazards through a better trained and equipped professional and volunteer firefighting force for the Commonwealth. The program provides educational incentive pay for firefighters, grants to volunteer fire departments, workers compensation for volunteer firefighters, regional training facility grants, a revolving low interest loan program for volunteer fire departments, survivor's benefits to families of deceased firefighters, and Hepatitis B inoculations for all firefighters.

Policy

The Governor's recommendation provides additional agency funds in the amount of \$ 115,300 in fiscal year 2001 and \$ 117,700 in fiscal year 2002 to underwrite three additional manufactured housing safety standards inspectors.

Included in the recommendation are agency funds in the amount of \$100,00 in fiscal year 2001 to purchase vehicles for safety standards inspectors.

The Governor's recommendation provides additional agency funds in the amount of \$ 130,400 in fiscal year 2001 and \$126,100 in fiscal year 2002 to underwrite three additional plumbing inspectors.

Included in the recommendation are agency funds in the amount of \$17,000 in both years of the biennium for building code education initiative.

Included in the recommendation are agency funds in the amount of \$300,000 in both years of the biennium to underwrite increased building lease costs.

The Governor's recommendation provides additional agency funds in the amount of \$ 133,400 in fiscal year 2001 and \$129,300 in fiscal year 2002 to underwrite three additional HVAC inspectors.

Included in the recommendation are agency funds in the amount of \$60,000 in fiscal year 2001 to purchase vehicles for HVAC inspectors.

Included in the recommendation are agency funds in the amount of \$100,00 in fiscal year 2001 to purchase vehicles for safety standards inspectors.

Included in the recommendation are agency funds in the amount of \$43,800 in fiscal year 2001 and \$42,500 in fiscal year 2002 to underwrite an additional elevator inspector.

Firefighters

Included in the recommendation are agency funds in the amount of \$40,000 in both years of the biennium to underwrite increased costs associated with National Fire Academy Weekend Training.

Included in the recommendation are agency funds in the amount of \$60,000 for vehicles to be used by fire commission staff.

Included in the recommendation are agency funds in the amount of \$300,000 in both years of the biennium to increase fire fighter training facility grants. These grants have not changed since 1983, and are currently \$200,000 for each of the 14 regional centers.

The Governor's recommendation provides additional agency funds in the amount of \$30,000 in fiscal year 2001 to update Firefighter I and II Tests to meet national standards. This will enable Kentucky to continue its national certification

Included in the recommendation are agency funds in the amount of \$369,000 in fiscal year 2001 and \$375,000 in fiscal year 2002 to increase fire fighter incentive payments by \$100 in the first year of the biennium. These payments are currently \$3,000 a year.

Note: The agency's budget request included several expansion items that had been included within the current services budget request. This items are: Hepatitis B inoculations which will cost \$50,000 in fiscal year 2001 and \$25,000 in fiscal year 2002; the state fire school increased cost of \$15,000 in each year of the biennium; Level I and II Methodology Classes in the amount of \$18,000 in each year of the biennium and Firefighter Tests I and II in the amount of \$8,000 in each year of the biennium.

The Department of Housing, Buildings and Construction will transfer agency funds to the General Fund in the amount of \$300,000 in fiscal year 2002.

**Public Protection and Regulation
Mines and Minerals**

	Revised FY 2000	Requested FY 2001	Requested FY 2002	Recommended FY 2001	Recommended FY 2002
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	10,074,400	12,239,100	12,214,000	9,847,400	9,921,400
Total General Fund	10,074,400	12,239,100	12,214,000	9,847,400	9,921,400
Restricted Funds					
Balance Forward	1,009,500	1,018,300	929,100	1,018,300	819,800
Current Receipts	810,000	749,400	749,400	1,543,000	1,604,300
Non-Revenue Receipts	8,800				
Total Restricted Funds	1,828,300	1,767,700	1,678,500	2,561,300	2,424,100
Federal Funds					
Balance Forward	800	800	800	800	9,800
Current Receipts	591,000	598,500	598,500	598,500	598,500
Total Federal Funds	591,800	599,300	599,300	599,300	608,300
TOTAL SOURCE OF FUNDS	12,494,500	14,606,100	14,491,800	13,008,000	12,953,800
EXPENDITURES BY CLASS					
Personnel Cost	9,785,200	11,285,000	11,634,500	9,894,200	10,179,100
Operating Expenses	1,690,200	2,123,200	1,900,500	2,016,200	2,100,500
Grants, Loans or Benefits		150,000	150,000	150,000	150,000
Capital Outlay		118,000		118,000	
TOTAL EXPENDITURES	11,475,400	13,676,200	13,685,000	12,178,400	12,429,600
EXPENDITURES BY FUND SOURCE					
General Fund	10,074,400	12,239,100	12,214,000	9,847,400	9,921,400
Restricted Funds	810,000	838,600	872,500	1,741,500	1,919,000
Federal Funds	591,000	598,500	598,500	589,500	589,200
TOTAL EXPENDITURES	11,475,400	13,676,200	13,685,000	12,178,400	12,429,600
EXPENDITURES BY UNIT					
General Administration	324,300	337,100	345,800	332,700	341,300
Mine Safety Inspection	4,702,800	5,281,300	5,298,900	4,912,100	4,928,100
Explosives and Blasting	667,800	699,900	716,400	656,500	672,800
Oil and Gas Conservation	1,326,000	1,344,900	1,371,700	1,326,800	1,354,700
Mine Safety Analysis	2,000,900	2,910,100	2,934,500	1,984,300	2,011,100
Miner Education Certification	1,210,500	1,692,400	1,475,300	1,494,700	1,384,000
Mine Licensing	257,200	277,800	385,400	275,800	383,400
Commissioner	985,900	1,132,700	1,157,000	1,091,000	1,314,900
Wage Equity				104,500	39,300
TOTAL EXPENDITURES	11,475,400	13,676,200	13,685,000	12,178,400	12,429,600

The Department of Mines and Mineral, established in 1880 by KRS 351, is responsible for the regulation of mining practices for the prevention of injuries and fatalities in underground, strip and auger mines. It is comprised of the following units:

The Office of the Commissioner provides the executive policy and management guidance for the Department, produces an annual report, and conducts surveys for the Department's research and statistical needs. The Office has under its purview the Chief Mine Inspectors, Chief Accident Investigator and Chief Electrical Inspector functions. Chief Mine Examiner candidates

for mine foreman, mine instructor, and mine inspector certification tested by this office. If found to be qualified the candidates are certified. The Chief Accident Investigator and the Chief Electrical Inspector provide a "proactive" approach to accident investigation and prevention and ensure that accident investigation techniques and electrical training and inspection techniques are standardized throughout the districts. Accident data is collected and analyzed, to track type and cause, to prevent future re-occurrences. The Legal Counsel is also part of the Commissioner's office.

The Mine Safety Inspection Program is required by law to conduct a minimum of two inspections per mine per year. More inspections may be made on an as needed basis to correct deficiencies discovered in initial inspections, to investigate all serious and fatal accidents, to investigate all reported fires, ignitions and explosions, and to investigate all complaints. This program also regulates solid shooting (blasting) in the coal mines, and investigates illegal mining.

The Division of Explosives and Blasting Program is charged with the enforcement of KRS 351 regarding the regulation of explosives. The Division regulates the manufacture, sale, possession, transportation, storage, and use of explosives within the Commonwealth. This is primarily accomplished through routine inspection of all facilities governing explosives and blasting. The division also trains, tests, and licenses those applicants qualified to be blasters.

The Oil and Gas Conservation Program is responsible for the conservation of oil and gas resources of the Commonwealth and for the protection of correlative rights of mineral owners (KRS 353). Requirements are to prevent waste and unnecessary loss, to encourage the maximum recovery of oil and gas, to promote safety, and to prevent contamination of underground water resources. The program is also charged with the collection of geological data, obtained from the drilling of oil and gas wells, for deposit in the Kentucky Geological Survey. These records are for public use. A growing emphasis for this program is plugging of abandoned wells.

The Mine Safety Analysis Program is responsible for the enforcement of KRS 351 regarding the regulations of mining operations by analyzing the work habits of coal miners. This program was created in response to the 1976 Scotia mine disaster and was developed to enhance the safety of the underground coalminer. House Bill 605, passed by the Regular Session of the 1996 General Assembly, provided statutory authority for the appointment of surface mine safety analysts to provide quality on-the-job, one-on-one safety training for surface miners.

The Miner Training, Education, and Certification Program is charged with the enforcement of KRS 351 concerning the training, education and certification by the Mining Board of all underground and surface coal miners. The mine safety instructors provide general and technical safety training and education courses to mine personnel to support the industry so that miners meet the safety training and educational requirements for their certification. Continued training ensures that the prescribed number of certified and qualified personnel for the mining industry is maintained. Program staff monitors mining classes, as well as mining instructors for subcontractors and the industry.

The Mine Licensing Program is responsible for the licensing (805 KAR 5:010) of all underground and surface coal mines in the Commonwealth and the issuance of special permits for specific mining methods. It maintains records for all coal mines across the Commonwealth, and the issuance of special permits for specific mining methods to include the use of diesel equipment, roof control, extended cuts, and mining near oil and gas wells, and permitting additional mine opening:

In addition, the Mine Licensing Division develops and maintains databases to track information about each mining operation. The data base includes: the number of miners employed by the mine, type of operations, type of worker's compensation insurance, and the number and type of mining law violations, closures, and abatements for each mine and/or mine operator. A second database provides information on all individuals certified as surface mine foremen, surface mine safety analysts, underground mine foremen, underground mine instructors, underground mine inspectors, and electrical inspectors:

The General Administration and Support Program is responsible for providing personnel administration, accounting, purchasing, inventory control, budgeting, and payroll for the entire Department.

Policy

The Governor's budget recommendation provides General Fund support in the amount of \$22,900 in both years of the biennium to underwrite increased rental cost.

Included in the recommendation is funding to establish a computer linked network. A General Fund allocation in the amount of \$6,900 in fiscal year 2001 and \$3,500 in fiscal year 2002 and agency funds in the amount of \$77,400 in fiscal year 2002 will support the mine safety inspection component of the system. A General Fund allocation in the amount of \$16,300 in fiscal year 2001 and \$1,700 in fiscal year 2002 will support the mine safety analysis component of the system. A General Fund allocation in the amount of \$27,700 in fiscal year 2001 and \$1,000 in fiscal year 2002 will support the training and education component of the system.

The Governor's recommended budget also includes General Fund support in the amount of \$56,500 in both fiscal years of the biennium for an information technology technician

Included in the Governor's recommended budget is \$150,000 in both years of the biennium to match federal grant:

The Governor's recommended budget also includes General Fund support in the amount of \$84,600 in both fiscal years of the biennium for a deputy commissioner

Included in the Governor's recommended budget is \$118,00 in fiscal year 2001 to match federal grant:

The Governor's budget recommendation provides that agency funds in the amount of \$200,000 be transferred to the General Fund in fiscal year 2002.

The Governor's budget recommendation assumes that Mines and Minerals will be supported with funds equaling a 15 percent share of the Labor Cabinet's Office of Safety and Health Education and Training. Based on recommended funding this will equal \$793,600 in fiscal year 2001 and \$854,900 in fiscal year 2002.

Included in the Governor's recommendation is an allocation from the General Fund in the amount of \$104,500 in fiscal year 2001 and \$39,300 in fiscal year 2002 for the Wage Equity Plan

**Public Protection and Regulation
Public Advocacy**

	Revised FY 2000	Requested FY 2001	Requested FY 2002	Recommended FY 2001	Recommended FY 2002
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	17,182,100	30,817,500	34,536,700	22,380,000	24,821,100
Current Year Appropriation	745,500				
Mandated Allotments	21,600				
Total General Fund	17,949,200	30,817,500	34,536,700	22,380,000	24,821,100
Restricted Funds					
Balance Forward	782,100				15,900
Current Receipts	3,344,800	3,000,000	3,000,000	3,000,000	3,000,000
Total Restricted Funds	4,126,900	3,000,000	3,000,000	3,000,000	3,015,900
Federal Funds					
Balance Forward	4,700	4,700	4,700	4,700	4,700
Current Receipts	897,000	908,400	953,800	908,400	953,800
Total Federal Funds	901,700	913,100	958,500	913,100	958,500
TOTAL SOURCE OF FUNDS	22,977,800	34,730,600	38,495,200	26,293,100	28,795,500
EXPENDITURES BY CLASS					
Personnel Cost	14,153,600	20,776,900	25,034,600	15,958,800	18,843,500
Operating Expenses	2,998,600	6,634,300	6,405,600	3,151,700	3,318,300
Grants, Loans or Benefits	5,792,900	6,589,000	6,648,800	6,106,400	6,066,200
Capital Outlay	28,000	725,700	401,500	1,055,600	519,500
TOTAL EXPENDITURES	22,973,100	34,725,900	38,490,500	26,272,500	28,747,500
EXPENDITURES BY FUND SOURCE					
General Fund	17,949,200	30,817,500	34,536,700	22,380,000	24,821,100
Restricted Funds	4,126,900	3,000,000	3,000,000	2,984,100	2,972,600
Federal Funds	897,000	908,400	953,800	908,400	953,800
TOTAL EXPENDITURES	22,973,100	34,725,900	38,490,500	26,272,500	28,747,500
EXPENDITURES BY UNIT					
Office of the Public Advocate	352,900	497,900	508,400	497,900	508,400
Law Operations	1,309,200	1,921,200	1,716,000	2,007,700	1,798,100
Trial Services	19,999,000	30,820,900	34,722,000	22,231,000	24,946,900
Protection and Advocacy	1,312,000	1,485,900	1,544,100	1,535,900	1,494,100
TOTAL EXPENDITURES	22,973,100	34,725,900	38,490,500	26,272,500	28,747,500

The U.S. and Kentucky Constitutions mandate that "in all criminal prosecutions, the accused shall have the assistance of counsel." The Kentucky Department of Public Advocacy (DPA) was established by the 1972 General Assembly when it enacted KRS Chapter 31 to provide for the representation of indigent persons accused of crimes or mental states which may result in their incarceration or confinement. Kentucky's mandated public defender services are delivered by a "mixed" system consisting of full-time employed public defenders, full-time non-state public defenders, and part-time private attorneys contracting with the Department to provide services.

The Operations Division provides budget, strategic planning, personnel, administrative, training, library services, research, and management support for the efficient and effective delivery of defender and protection and advocacy services pursuant to KRS 31.030(7)(8)(10).

The Trial Division provides legal representation to; all needy persons accused of crimes; crimes punishable by loss of liberty or a fine of \$500 or more; or juvenile delinquency and status offenses; and all needy persons faced with involuntary commitments due to mental state or condition in all of Kentucky's 120 counties.

The Post-Trial Division provides mandated defender services at the post-trial level. This division includes five divisions providing access to the courts at the appellate level pursuant to KRS 31.030 (3), for incarcerated individuals, both capital and non-capital, pursuant to Bounds v. Smith, 97 S.Ct. 149 (1977), Kendrick v. Bland, 541 F. Supp. 21 (W.D. Ky. 1981), and KRS 31.110 (2)©, as well as for juveniles whose cases are on appeal or who are contesting the fact, duration, or conditions of their confinement in residential facilities as a result of a consent decree in 1995 from a lawsuit, (M.K. v. Peggy Wallace, Case No. 93-213) involving the Cabinet Human Resources.

The Department's Protection and Advocacy Division was established pursuant to Public Law 99-319, Public Law 101-496, and KRS 31.030 and provides for the legal, administrative, and other appropriate remedies to insure protection of Kentuckians with developmental disabilities and mental illness. Most of the funds in this division's budget are federal funds that have strict non-supplanting requirements.

Policy:

Blue Ribbon Commission

In the spring of 1999, the Public Advocate and the Public Advocacy Commission formed a Blue Ribbon Commission to assess the status of Kentucky's public defender system and to compare it to national counterparts. These are some of the problems with Kentucky's public defender system identified by the Blue Ribbon Commission:

1. **Structurally Imbalanced Budget:** The Public Advocate's budget has a significant structural imbalance that must be addressed in order for the present level of service delivery to be continued.
2. **Low Funding:** Kentucky ranks among the bottom five public defender systems in terms of funding
3. **Low Salaries:** Kentucky public defender salaries start at approximately \$23,000 Kentucky falls well below average salaries paid in contiguous states—even when excluding the two highest salaries to derive the average
4. **Inadequate Juvenile Representation:** Up to 50 percent of juveniles residing outside Lexington and Louisville go without representation. Kentucky's urban caseload for juveniles is high: Lexington-843; Louisville 1,198. The national average is 200.
5. **High caseloads:** Kentucky public defender caseloads averaged 480 cases per lawyer in 1997-98. After deducting misdemeanors, the average falls to 408 felonies or juvenile cases per attorney. National standards for public defender caseloads are 150 for felonies and 200 for juvenile. Although the Kentucky public defender records do not distinguish felonies from juvenile cases, their current caseloads are more than double the national standard
6. **Private lawyers inadequately compensated for public defender work** The DPA compensation schedule is significantly lower than the compensation limits for private attorneys contracted by state agencies for specific services. The Commonwealth allows private attorneys to charge a fee up to \$125 per hour, not to exceed \$20,000, to handle an appellate case. In cases where the death penalty may be imposed, DPA pays private attorneys \$50 per hour, with a maximum of \$12,500. For a direct appeal non-capital case, DPA pays a maximum of \$850 per case. For an appeal of a post-conviction issue, DPA pays a maximum of \$350

In response to the Blue Ribbon report and to ensure that Kentucky meets its constitutional obligation to provide legal representation for indigent citizens accused of serious crimes as mandated by both the Sixth and Fourteenth Amendment of the Constitution and by Section 11 of the Kentucky Constitution, the Governor's budget recommendation includes total of \$4,022,500 and \$6,022,900 in additional dollars to provide

Adequate funding to correct the DPA budget into structural balance The Governor's budget recommendation includes a current year appropriation of \$745,000 and \$1,187,000 in fiscal year 2001 and \$998,300 in fiscal year 2002 to address the structural imbalances. (In fiscal year 2001 and fiscal year 2002 the agency's filled and vacant positions and associated operating costs are fully funded). Additionally, non-recurring dollars that were spent over the past biennium for essential services are replaced with \$600,400 in fiscal year 2001 and \$533,300 in fiscal year 2002 in new General Fund support

Wage equity for public defenders: The Governor's budget recommendation includes \$1,255,500 in fiscal year 2001 and \$2,622,300 in fiscal year 2002 to bring public defender salaries even with pay for comparable positions in the southeast region. These funds will address the salary needs of attorneys employed by the state as well as those public defenders in Louisville and Lexington who provide indigent defense services under a contract with the Public Advocate's office

Funding to expand the full-time public defender system. General fund dollars in the amount of \$445,000 are provided in fiscal year 2001 allowing for an additional 16 counties to be covered by a full time office. In fiscal year 2002, \$1,239,400 is provided provided to continue coverage in the 16 counties and to open full time offices in Bullitt and Graves counties thereby adding five additional counties to the full time system. This will enhance the professionalism, quality, and efficiency of the services provided to indigents accused of crimes as well as continuing to raise the quality of representation specifically provided to juveniles.

Funding to lower caseloads: General fund dollars in the amount of \$235,000 are provided in fiscal year 2002 to reduce public defender caseloads across the Commonwealth. This will add ten additional public defenders to the system in the spring of fiscal year 2002.

Funding to expand appellate capacity. General fund dollars in the amount of \$43,200 in fiscal year 2001 and \$54,200 in fiscal year 2002 are to enable the public defender system to expand its appellate capacity by one attorney. This will help to reduce delays that frequently occur due to the high appellate caseload burden of the public defender.

Funding to increase infrastructure. General fund dollars in the amount of \$184,100 in fiscal year 2001 and \$163,600 in fiscal year 2002 to provide adequate support services to the public defender system. This will provide the dollars needed to hire a librarian, an accountant, a network technician, a clerk and an administrative specialist.

Funding to increase the conflict counsel rate. Additional general fund dollars in the amount of \$200,000 in fiscal year 2001 and \$100,000 in fiscal year 2002 will enhance the level of compensation for private lawyers at the trial level and at the appellate level. These private lawyers represent individuals in the full-time offices where a conflict-of-interest occurs, as well as on Court of Appeals cases which the Appellate Branch is not staffed to handle.

Funding for capital defense. Additional general fund dollars in the amount of \$57,300 in fiscal year 2001 and \$76,800 in fiscal year 2002 will enable the public defender to expand the capital defense unit by one attorney. This will help reduce delays that frequently occur in capital defense cases

Funding for additional law clerks. Additional general fund dollars in the amount of \$50,000 in fiscal year 2001 will be used to augment the public defender's research capacity and to support future attorney recruitment effort:

Funding to begin an equipment replacement cycle Additional general fund dollars in the amount of \$297,100 in 2001 will initiate an equipment replacement cycle for office equipment such items as computer hardware, software, phones, and copiers.

**Public Protection and Regulation
Public Service Commission**

	Revised FY 2000	Requested FY 2001	Requested FY 2002	Recommended FY 2001	Recommended FY 2002
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	8,656,400	10,047,700	10,445,100	10,636,700	11,009,700
Continuing Appropriation	2,042,300				
Total General Fund	10,698,700	10,047,700	10,445,100	10,636,700	11,009,700
Restricted Funds					
Balance Forward	21,700	21,700	21,700	21,700	21,700
Current Receipts	22,500	24,000	24,000	24,000	24,000
Total Restricted Funds	44,200	45,700	45,700	45,700	45,700
Federal Funds					
Balance Forward	193,800	152,600	152,600	193,800	193,800
Current Receipts	229,000	215,500	225,500	215,500	225,500
Total Federal Funds	422,800	368,100	378,100	409,300	419,300
TOTAL SOURCE OF FUNDS	11,165,700	10,461,500	10,868,900	11,091,700	11,474,700
EXPENDITURES BY CLASS					
Personnel Cost	7,719,500	7,846,600	8,234,700	7,735,600	8,099,300
Operating Expenses	2,931,200	1,836,600	1,829,900	2,536,600	2,529,900
Debt Service	109,000	589,000	589,000	589,000	589,000
Capital Outlay	190,500	15,000	41,000	15,000	41,000
TOTAL EXPENDITURES	10,950,200	10,287,200	10,694,600	10,876,200	11,259,200
EXPENDITURES BY FUND SOURCE					
General Fund	10,698,700	10,047,700	10,445,100	10,636,700	11,009,700
Restricted Funds	22,500	24,000	24,000	24,000	24,000
Federal Funds	229,000	215,500	225,500	215,500	225,500
TOTAL EXPENDITURES	10,950,200	10,287,200	10,694,600	10,876,200	11,259,200
EXPENDITURES BY UNIT					
Commissioner	719,600	712,200	736,200	1,301,200	1,300,800
Executive Director	2,251,900	1,122,900	1,163,400	1,122,900	1,163,400
Financial Analysis	1,677,300	1,620,600	1,702,200	1,620,600	1,702,200
Engineering	1,600,600	1,510,200	1,585,200	1,510,200	1,585,200
Secretary	1,299,200	1,671,100	1,729,400	1,671,100	1,729,400
Consumer Services	646,100	600,600	616,900	600,600	616,900
Legal Counsel	720,000	768,300	804,900	768,300	804,900
Administrative Services	922,200	1,443,800	1,477,900	1,443,800	1,477,900
Research	573,000	406,500	427,500	406,500	427,500
Gas Pipeline Safety	540,300	431,000	451,000	431,000	451,000
TOTAL EXPENDITURES	10,950,200	10,287,200	10,694,600	10,876,200	11,259,200

The Public Service Commission is a three-member administrative body with quasi-legislative and quasi-judicial duties.

Created by the 1934 General Assembly, the Commission regulates the intrastate rates and services of over 500 investor-owned electric, natural gas, telephone, water and sewage utilities, rural electric and telephone cooperatives, and water districts. The Commission performs its regulatory functions through written orders following adjudicative and rulemaking procedures outlined in Chapter 278 of the Kentucky Revised Statutes and administrative regulations promulgated by the Commission in Chapter 807 of the Kentucky Administrative Regulations.

The Commission's goal is to ensure that every utility charges fair, just and reasonable rates for the services rendered and that those services are adequate, efficient and reasonable

The agency is funded by an assessment of all utilities under the Commission's jurisdiction based on the annual gross intrastate revenues.

House Bill 363 ratified Executive Order 97-1114 reorganizing the Public Service Commission. This reorganization created the Division of Research, Division of Consumer Services, and the Division of Filings. In addition, the reorganization renamed the Division of Engineering and Services to the Division of Engineering.

Policy

The Governor's budget recommendation provides funding in the amount of \$50,000 in fiscal year 2001 and \$53,500 in fiscal year 2002 for staff continuing education.

The recommendation also includes funding in the amount of \$12,500 in each year of the biennium to purchase subscriptions to legal publications.

Funding in the amount of \$308,100 in fiscal year 2001 and \$299,500 in fiscal year 2002 is provided to purchase computer hardware and software.

Included in the Governor's recommendation is \$31,000 in fiscal year 2001 and \$32,800 in fiscal year 2002 for a new geoprocessing specialist; and \$45,700 in fiscal year 2001 and \$48,500 in fiscal year 2002 for a systems consultant

Funding is also provided in the amount of \$84,000 in fiscal year 2001 and \$77,000 in fiscal year 2002 to develop advertising for paid and public service announcements and related consumer programs and materials. These educational materials will be used to inform citizens as to the utility choices available to them and their relative cost and quality

Included in the recommendation is funding in the amount of \$500,000 each year for a joint effort to develop Geographic Information System maps with other state government agencies

**Public Protection and Regulation
Secretary**

	Revised FY 2000	Requested FY 2001	Requested FY 2002	Recommended FY 2001	Recommended FY 2002
SOURCE OF FUNDS					
Restricted Funds					
Balance Forward	130,324,300	128,052,200	133,931,600	128,052,200	134,010,700
Current Receipts	30,567,200	40,261,800	41,063,000	40,261,800	41,063,000
Non-Revenue Receipts	9,820,200	10,482,600	10,886,600	10,435,700	10,837,400
Total Restricted Funds	170,711,700	178,796,600	185,881,200	178,749,700	185,911,100
TOTAL SOURCE OF FUNDS	170,711,700	178,796,600	185,881,200	178,749,700	185,911,100
EXPENDITURES BY CLASS					
Personnel Cost	5,215,400	5,689,700	6,037,800	5,563,700	5,904,700
Operating Expenses	36,944,100	38,399,300	39,376,800	38,399,300	39,776,800
Capital Outlay		276,000	21,000	276,000	21,000
Construction	500,000	500,000	500,000	500,000	500,000
TOTAL EXPENDITURES	42,659,500	44,865,000	45,935,600	44,739,000	46,202,500
EXPENDITURES BY FUND SOURCE					
Restricted Funds	42,659,500	44,865,000	45,935,600	44,739,000	46,202,500
TOTAL EXPENDITURES	42,659,500	44,865,000	45,935,600	44,739,000	46,202,500
EXPENDITURES BY UNIT					
General Operations	1,829,000	2,066,900	2,136,900	2,020,000	2,087,700
Petroleum Storage Tank Environmental Assur. Fund	40,830,500	42,798,100	43,798,700	42,719,000	44,114,800
TOTAL EXPENDITURES	42,659,500	44,865,000	45,935,600	44,739,000	46,202,500

The Office of the Secretary serves the Governor as advisor and liaison for the overall direction and coordination of the ten departments, boards, commissions, and the Petroleum Storage Tank Environmental Assurance Fund under this Cabinet as outlined in KRS 12.265. The Secretary guides Cabinet agencies in policy and program implementation and is responsible for operating each agency in the most efficient and cost effective manner possible while maintaining a high quality of service to the public. The Secretary is also responsible for providing Cabinet agencies with legislative leadership and for establishing good working relationships with members of the Kentucky General Assembly and other state and federal agencies.

The Office of the Secretary is comprised of two appropriations: General Operations and the Petroleum Storage Tank Environmental Assurance Fund. General Operations incorporates all functions in the Office which include the Secretary's Office, the Office of General Counsel, and the Division of Administrative Services.

The Secretary's Office is responsible for policy development and implementation, oversight and implementation of the budget, and strategic planning functions for the Cabinet.

The Office of General Counsel provides legal counsel to the Cabinet Secretary, reviews regulations and statutes, and represents the Cabinet in legal hearings.

The Division of Administrative Services is responsible for budget preparation and the processing of all fiscal and personnel transactions.

KRS 224.60-100 through 224.60-160 created and specified the duties and authority of the Petroleum Storage Tank Environmental Assurance Fund (OPSTEAF). The Fund serves as a mechanism for petroleum storage tank owners or operators to demonstrate compliance with federal financial assistance responsibility requirements of 40CFR, subpart H. In addition, the Fund provides financial assistance to owners and operators in performing remedial cleanups at contaminated facilities.

Senate Bill 164 codified Executive Order 96-485 which transferred the Petroleum Storage Tank Environmental Assurance Fund and its duties from the Natural Resources and Environmental Protection Cabinet to the Office of the Secretary, Public Protection and Regulation Cabinet.

House Bill 282, enacted by the 1998 General Assembly, directed the Petroleum Storage Tank Environmental Assurance Fund to develop and implement a number of measures to curb abuses and protect the financial solvency of the Fund. House Bill 282 specifically mandates the establishment of new programs to audit contractors, to certify contracting companies and analytical laboratories, and to have field auditors present each time a UST system is removed.

To provide for the management and implementation of House Bill 282 provisions, the Governor issued, on September 15, 1998, an Executive Order which reorganized and established the following divisions: the Division of Legal Services, the Division of Administrative Operations, and the Division of Technical Operations.

The Secretary's Office funds its operations with 100 percent restricted funds by assessing the agencies in the Cabinet an administrative fee.

Policy

The Petroleum Storage Tank Assurance Fund will transfer \$400,000 to the General Fund in fiscal year 200:

**Public Protection and Regulation
Tax Appeals**

	Revised FY 2000	Requested FY 2001	Requested FY 2002	Recommended FY 2001	Recommended FY 2002
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	422,000	468,700	478,500	467,800	474,300
Total General Fund	422,000	468,700	478,500	467,800	474,300
TOTAL SOURCE OF FUNDS	422,000	468,700	478,500	467,800	474,300
EXPENDITURES BY CLASS					
Personnel Cost	365,300	399,700	408,900	398,800	404,700
Operating Expenses	56,700	69,000	69,600	69,000	69,600
TOTAL EXPENDITURES	422,000	468,700	478,500	467,800	474,300
EXPENDITURES BY FUND SOURCE					
General Fund	422,000	468,700	478,500	467,800	474,300
TOTAL EXPENDITURES	422,000	468,700	478,500	467,800	474,300
EXPENDITURES BY UNIT					
Tax Appeals	422,000	468,700	478,500	459,000	468,300
Wage Equity				8,800	6,000
TOTAL EXPENDITURES	422,000	468,700	478,500	467,800	474,300

The Board of Tax Appeals was created by the 1964 General Assembly as an independent administrative review agency with exclusive jurisdiction to hear and resolve appeals arising from final rulings, orders, and determinations of any agency of state or county government relating to revenue and taxation as detailed in KRS 131.

The Board consists of three members appointed by the Governor for staggered four-year terms. One member is designated by the Governor as chairman.

With the exception of those appeals from a county board of assessment, any party aggrieved by a final order, decision, or determination of the Board of Tax Appeals may file an appeal with the Franklin Circuit Court or the Circuit Court serving the county in which the aggrieved party resides or operates a place of business. Persons aggrieved by final rulings of cases appealed to the Board from county boards of assessment appeals, may appeal to the Circuit Court in the county where the appeals originated.

Policy

The Governor's budget recommendation provides \$32,600 in fiscal year 2001 and \$30,000 in fiscal year 2002 for maintenance. Funding in the amount of \$4,000 in fiscal year 2001 and \$6,000 in fiscal year 2002 is provided for the information systems requirements of the agency.

Included in the Governor's recommendation is an allocation from the General Fund in the amount of \$8,800 in fiscal year 2001 and \$6,000 in fiscal year 2002 for the Wage Equity Plan.

**Public Protection and Regulation
Charitable Gaming**

	Revised FY 2000	Requested FY 2001	Requested FY 2002	Recommended FY 2001	Recommended FY 2002
SOURCE OF FUNDS					
Restricted Funds					
Balance Forward	5,143,200	2,698,100	2,209,000	2,698,100	1,466,900
Current Receipts	2,750,000	2,698,500	2,701,000	2,698,500	2,701,000
Non-Revenue Receipts	-2,000,000			-700,000	-740,000
Total Restricted Funds	5,893,200	5,396,600	4,910,000	4,696,600	3,427,900
TOTAL SOURCE OF FUNDS	5,893,200	5,396,600	4,910,000	4,696,600	3,427,900
EXPENDITURES BY CLASS					
Personnel Cost	2,448,900	2,540,000	2,652,200	2,517,000	2,661,500
Operating Expenses	633,300	522,600	541,400	587,700	611,400
Capital Outlay	112,900	125,000	35,000	125,000	35,000
TOTAL EXPENDITURES	3,195,100	3,187,600	3,228,600	3,229,700	3,307,900
EXPENDITURES BY FUND SOURCE					
Restricted Funds	3,195,100	3,187,600	3,228,600	3,229,700	3,307,900
TOTAL EXPENDITURES	3,195,100	3,187,600	3,228,600	3,229,700	3,307,900

KRS Chapter 238 established the Division of Charitable Gaming within the Justice Cabinet during the 1994 legislative session. Executive Order 98-905, dated July 15, 1998, reorganized this agency. Charitable Gaming was transferred to the Public Protection and Regulation Cabinet and was elevated to department level. The Department is charged with the licensure and regulation of charitable organizations conducting charitable gaming in the Commonwealth of Kentucky.

Charitable Gaming has been reorganized to provide better training to organizations conducting charitable gaming and to enforce charitable gaming statutes and administrative regulations:

The Office of the Commissioner tracks and mediates complaints.

The Office of the General Council manages all the litigation and other legal activity associated with agency operations.

The Division of Licensing and Compliance conducts inspections and issues licenses. During calendar year 1998, the Compliance branch conducted more than 1800 inspections.

The Licensing branch issued 910 licenses and 401 special licenses during that same period. The Division collected over \$2.7 million, and processed over 3,000 quarterly reports during fiscal year 1999.

The Division of Enforcement audits charitable gaming establishments. Last fiscal year, the Division performed 57 audits.

The Investigations branch has recently been staffed; no quantitative data is available.

Reported charitable gaming gross receipts surpassed \$540,000,000 for both fiscal year 1998 and 1999.

Policy

Charitable Gaming will transfer \$700,000 to the General Fund in fiscal year 2001 and \$740,000 in fiscal year 2002.

Revenue

	Revised FY 2000	Requested FY 2001	Requested FY 2002	Recommended FY 2001	Recommended FY 2002
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	83,209,400	91,150,700	95,798,900	89,289,900	93,996,800
Total General Fund	83,209,400	91,150,700	95,798,900	89,289,900	93,996,800
Restricted Funds					
Balance Forward	3,884,600	3,266,100	2,000,600	3,266,100	1,757,600
Current Receipts	4,653,000	5,132,000	5,195,800	5,132,000	5,195,800
Non-Revenue Receipts		400,000	400,000	400,000	400,000
Total Restricted Funds	8,537,600	8,798,100	7,596,400	8,798,100	7,353,400
Federal Funds					
Balance Forward	10,000				
Current Receipts	30,000				
Total Federal Funds	40,000				
Road Fund					
Regular Appropriation	1,352,000	1,352,000	1,352,000	1,385,000	1,418,000
Total Road Fund	1,352,000	1,352,000	1,352,000	1,385,000	1,418,000
TOTAL SOURCE OF FUNDS	93,139,000	101,300,800	104,747,300	99,473,000	102,768,200
EXPENDITURES BY CLASS					
Personnel Cost	68,777,800	75,594,500	79,050,900	74,018,200	77,428,200
Operating Expenses	21,095,100	23,705,700	24,878,900	23,697,200	24,840,000
TOTAL EXPENDITURES	89,872,900	99,300,200	103,929,800	97,715,400	102,268,200
EXPENDITURES BY FUND SOURCE					
General Fund	83,209,400	91,150,700	95,798,900	89,289,900	93,996,800
Restricted Funds	5,271,500	6,797,500	6,778,900	7,040,500	6,853,400
Federal Funds	40,000				
Road Fund	1,352,000	1,352,000	1,352,000	1,385,000	1,418,000
TOTAL EXPENDITURES	89,872,900	99,300,200	103,929,800	97,715,400	102,268,200
EXPENDITURES BY UNIT					
Revenue	64,350,900	70,144,900	73,433,600	69,328,700	72,741,900
Property Valuation Administrators	25,522,000	29,155,300	30,496,200	28,386,700	29,526,300
TOTAL EXPENDITURES	89,872,900	99,300,200	103,929,800	97,715,400	102,268,200

The Revenue Cabinet is the statutory agency of state government responsible for the thorough and equitable administration of all state revenue laws, and for the assessment and collection of 47 separate state taxes. In fulfilling this responsibility, the Cabinet seeks to ensure the taxpayer's voluntary compliance with the revenue laws, to enforce such laws in those instances where necessary, and to supervise and assist county property valuation administrators in their implementation of the property tax laws. The principal beneficiaries of the programs managed by the Cabinet are all Kentucky taxpayers.

There are two separate appropriations included in the Revenue Cabinet: Revenue Cabinet and Property Valuation Administrators.

**Revenue
Revenue**

	Revised FY 2000	Requested FY 2001	Requested FY 2002	Recommended FY 2001	Recommended FY 2002
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	60,236,900	65,235,900	68,574,600	64,143,700	67,742,400
Total General Fund	60,236,900	65,235,900	68,574,600	64,143,700	67,742,400
Restricted Funds					
Balance Forward	2,497,500	2,367,500	1,612,500	2,367,500	1,369,500
Current Receipts	2,592,000	2,402,000	2,312,000	2,402,000	2,312,000
Non-Revenue Receipts		400,000	400,000	400,000	400,000
Total Restricted Funds	5,089,500	5,169,500	4,324,500	5,169,500	4,081,500
Federal Funds					
Balance Forward	10,000				
Current Receipts	30,000				
Total Federal Funds	40,000				
Road Fund					
Regular Appropriation	1,352,000	1,352,000	1,352,000	1,385,000	1,418,000
Total Road Fund	1,352,000	1,352,000	1,352,000	1,385,000	1,418,000
TOTAL SOURCE OF FUNDS	66,718,400	71,757,400	74,251,100	70,698,200	73,241,900
EXPENDITURES BY CLASS					
Personnel Cost	43,717,800	46,901,200	49,016,700	46,093,500	48,363,900
Operating Expenses	20,633,100	23,243,700	24,416,900	23,235,200	24,378,000
TOTAL EXPENDITURES	64,350,900	70,144,900	73,433,600	69,328,700	72,741,900
EXPENDITURES BY FUND SOURCE					
General Fund	60,236,900	65,235,900	68,574,600	64,143,700	67,742,400
Restricted Funds	2,722,000	3,557,000	3,507,000	3,800,000	3,581,500
Federal Funds	40,000				
Road Fund	1,352,000	1,352,000	1,352,000	1,385,000	1,418,000
TOTAL EXPENDITURES	64,350,900	70,144,900	73,433,600	69,328,700	72,741,900
EXPENDITURES BY UNIT					
Office of the Secretary	20,949,700	23,280,200	24,595,500	23,192,700	24,474,600
Property Valuation	6,119,500	6,596,200	6,827,600	6,471,100	6,695,900
Tax Administration	24,307,600	26,146,700	27,177,200	25,542,700	26,545,300
Information Technology	3,408,200	3,900,400	4,104,300	3,799,600	3,997,400
Law	9,565,900	10,221,400	10,729,000	9,968,600	10,463,500
Wage Equity				354,000	565,200
TOTAL EXPENDITURES	64,350,900	70,144,900	73,433,600	69,328,700	72,741,900

The Revenue Cabinet is the statutory agency of state government responsible for the thorough and equitable administration of all state revenue laws, and for the assessment and collection of 47 separate state taxes. In fulfilling this responsibility, the Cabinet seeks to ensure the taxpayer's voluntary compliance with the revenue laws, to enforce such laws in those instances where necessary, and to supervise and assist county property valuation administrators in their implementation of the property tax laws.

The Revenue Cabinet was reorganized in fiscal year 1997 under Executive Order 97-715 and codified by KRS 131.020. The new structure consists of: Office of the Secretary, Department of Law, Department of Tax Administration, Department of Information Technology, Department of Property Valuation, and the Property Valuation Administrators.

The Office of the Secretary is comprised of the Secretary's Office staff, the Office of Taxpayer Ombudsman, the Office of General Counsel, the Internal Auditor, the Office of Financial and Administrative Services, and the project manager of the Empower Kentucky initiative, the Kentucky Integrated Tax Entity System. These units provide leadership, management, and staff support to the Revenue Cabinet.

The Department of Tax Administration consists of three divisions: Field Operations, Compliance and Taxpayer Assistance, and Revenue Operations. The Division of Field Operations has 11 offices located throughout the state and is responsible for field audits and providing taxpayer assistance. The Division of Compliance and Taxpayer Assistance is responsible for conducting office audits of tax returns, administering compliance, providing liaison with federal and state agencies, and rendering taxpayer assistance. The Division of Revenue Operations duties include: the processing of all tax receipts, documents and correspondence; registration of businesses; individual income tax returns and refund processing; and maintaining appropriate storage, retrieval and management of all related tax records for the Commonwealth.

The Department of Information Technology provides the Cabinet with leadership and direction in the information technology arena. The Department of Information Technology consists of two divisions: Systems Planning and Development and Technology Infrastructure Support.

The Department of Property Valuation administers and supervises the programs involved in state and local property tax assessment and state property tax collection, including mapping property throughout the state. Numerous provisions in KRS 131, 132, 133, 134, and 136 define and describe the Department's responsibilities. These include providing administrative support, technical assistance, and supervision to 120 Property Valuation Administrator (PVA) offices, and coordinating the property tax activities of sheriffs, county clerks, and other local officials. The Department directly assesses public service companies and several other classes of property. The Department also administers the centralized Motor Vehicle Tax System (MOTAX), the Personal Property Tax Assessment System, and a program to audit taxpayer compliance in listing tangible and intangible personal property.

The Department of Law is responsible for establishing tax policy, providing information to the public, conducting conferences, administering the legislative program, conducting tax research, and administering taxpayer protests. In addition, this department is responsible for collecting delinquent taxes through both legal and administrative methods. The Department of Law consists of five divisions: Legal Services, Tax Policy, Research, Protest Resolution, and Collections.

Policy

Included in the Governor's recommendation is an allocation from the General Fund in the amount of \$354,000 in fiscal year 2001 and \$565,200 in fiscal year 2002 for the Wage Equity Plan.

Additional General Fund support is provided in the 2000-2002 biennium for the continuation of the Empower Kentucky initiative, Simplified Revenue Systems, with \$2,600,000 in fiscal year 2001 and \$3,700,000 in fiscal year 2002.

The provisions of KRS 134.400, Delinquent Tax Fund, are suspended and allow the Cabinet to expend restricted funds of \$90,000 in fiscal year 2001 and \$290,000 in fiscal year 2002 for administrative functions of the Cabinet. The suspension of KRS 134.400 will only be for a one-time basis, for purposes beyond those provided in the statutes.

Revenue
Property Valuation Administrators

	Revised FY 2000	Requested FY 2001	Requested FY 2002	Recommended FY 2001	Recommended FY 2002
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	22,972,500	25,914,800	27,224,300	25,146,200	26,254,400
Total General Fund	22,972,500	25,914,800	27,224,300	25,146,200	26,254,400
Restricted Funds					
Balance Forward	1,387,100	898,600	388,100	898,600	388,100
Current Receipts	2,061,000	2,730,000	2,883,800	2,730,000	2,883,800
Total Restricted Funds	3,448,100	3,628,600	3,271,900	3,628,600	3,271,900
TOTAL SOURCE OF FUNDS	26,420,600	29,543,400	30,496,200	28,774,800	29,526,300
EXPENDITURES BY CLASS					
Personnel Cost	25,060,000	28,693,300	30,034,200	27,924,700	29,064,300
Operating Expenses	462,000	462,000	462,000	462,000	462,000
TOTAL EXPENDITURES	25,522,000	29,155,300	30,496,200	28,386,700	29,526,300
EXPENDITURES BY FUND SOURCE					
General Fund	22,972,500	25,914,800	27,224,300	25,146,200	26,254,400
Restricted Funds	2,549,500	3,240,500	3,271,900	3,240,500	3,271,900
TOTAL EXPENDITURES	25,522,000	29,155,300	30,496,200	28,386,700	29,526,300
EXPENDITURES BY UNIT					
Property Valuation Administrators	25,522,000	29,155,300	30,496,200	28,216,200	29,526,300
Wage Equity				170,500	
TOTAL EXPENDITURES	25,522,000	29,155,300	30,496,200	28,386,700	29,526,300

Each of the state's 120 counties has a locally elected Property Valuation Administrator (PVA). The PVA and an appointed staff are responsible for locating, identifying and assessing at fair market value all taxable real (land and improvements), tangible personal, and intangible personal property in the county. The Revenue Cabinet is responsible for the supervision and coordination of this program. Substantial portions of KRS 132 and 133 cover the duties of the PVAs and their offices.

Policy

The Governor's recommended budget provides \$1,543,400 in 2001 and \$1,470,300 in 2002 for the enhancement of the Property Valuation Administrators salaries consistent with other county public officials, as provided for in House Bill 810 of the 1998 General Assembly and codified by KRS 64.5275.

Included in the Governor's recommendation is an allocation from the General Fund in the amount of \$170,500 in fiscal year 2001 for the Wage Equity Plan.