

# TEAM KENTUCKY



## 2020-2021 Budget of the Commonwealth

**Andy Beshear**  
GOVERNOR

**John Hicks**  
STATE BUDGET DIRECTOR



## Appropriations and Revenue Bills

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# Executive Branch

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House Bill 352

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1 AN ACT relating to appropriations measures providing funding and establishing  
 2 conditions for the operations, maintenance, support, and functioning of the government  
 3 of the Commonwealth of Kentucky and its various officers, cabinets, departments,  
 4 boards, commissions, institutions, subdivisions, agencies, and other state-supported  
 5 activities.

6 *Be it enacted by the General Assembly of the Commonwealth of Kentucky:*

7 ➔Section 1. The State/Executive Branch Budget is as follows:

8 **PART I**

9 **OPERATING BUDGET**

10 **(1) Funds Appropriations:** Notwithstanding KRS 48.110, 48.120(4), 48.300,  
 11 and any other statute to the contrary, there is appropriated out of the General Fund, Road  
 12 Fund, Restricted Funds accounts, Federal Funds accounts, or Bond Funds accounts for  
 13 the fiscal year beginning July 1, 2019, and ending June 30, 2020, and for the fiscal year  
 14 beginning July 1, 2020, and ending June 30, 2021, the following discrete sums, or so  
 15 much thereof as may be necessary. Appropriated funds are included pursuant to KRS  
 16 48.700 and 48.710. Each appropriation is made by source of respective fund or funds  
 17 accounts. Appropriations for the following officers, cabinets, departments, boards,  
 18 commissions, institutions, subdivisions, agencies, and budget units of the state  
 19 government, and any and all other activities of the government of the Commonwealth,  
 20 are subject to the provisions of Chapters 12, 42, 45, and 48 of the Kentucky Revised  
 21 Statutes and compliance with the conditions and procedures set forth in this Act.

22 **(2) Tobacco Settlement Funds:** Appropriations identified as General Fund  
 23 (Tobacco) in Part I, Operating Budget, of this Act are representative of the amounts  
 24 provided in Part X, Phase I Tobacco Settlement, of this Act and are not to be  
 25 appropriated in duplication.

26 **A. GENERAL GOVERNMENT**

27 **Budget Units**

1 **1. OFFICE OF THE GOVERNOR**

	<b>2020-21</b>	<b>2021-22</b>
3 General Fund	6,099,000	-0-
4 Restricted Funds	294,700	-0-
5 Federal Funds	900,000	-0-
6 TOTAL	7,293,700	-0-

7 **(1) Salary Increment:** Notwithstanding KRS 64.480(2), no increment is  
 8 provided on the base salary or wages of the Lieutenant Governor of the Commonwealth.

9 Notwithstanding KRS 64.480(4), no increment is provided on the base salary or  
 10 wages of the Governor of the Commonwealth.

11 **2. OFFICE OF STATE BUDGET DIRECTOR**

	<b>2020-21</b>	<b>2021-22</b>
13 General Fund	3,604,100	-0-
14 Restricted Funds	164,500	-0-
15 TOTAL	3,768,600	-0-

16 **(1) Participation in Transparent Governing - Full Disclosure of Inmate**  
 17 **Population Forecasts and Related Materials:** The Office of State Budget Director shall  
 18 provide the methodology, assumptions, data, and all other related materials used to  
 19 project biennial offender population forecasts conducted by the Office of State Budget  
 20 Director, the Kentucky Department of Corrections, and any consulting firms, to the  
 21 Interim Joint Committee on Appropriations and Revenue by November 1, 2021. This  
 22 submission shall include but not be limited to the projected state, county, and community  
 23 offender populations for the 2022-2024 fiscal biennium and must coincide with the  
 24 budgeted amount for these populations. This submission shall clearly divulge the  
 25 methodology and reasoning behind the budgeted and projected offender population in a  
 26 commitment to participate in transparent governing.

27 **(2) Participation in Transparent Governing - Calculating Avoided Costs**

1 **Relating to Legislative Action:** The Office of State Budget Director shall provide the  
 2 methodology, assumptions, data, and all other related materials used to calculate any  
 3 avoided costs pursuant to the implementation of 2011 Ky. Acts ch. 2 by November 1,  
 4 2021. This submission shall clearly divulge the methodology and reasoning behind the  
 5 projected costs avoided in a commitment to participate in transparent governing.

6 **(3) Facilities Security Reimbursement Report:** It is the intent of the General  
 7 Assembly to increase the existing reimbursement rate for Facilities Security services for  
 8 state-operated buildings. The Office of State Budget Director shall provide a report to the  
 9 Interim Joint Committee on Appropriations and Revenue detailing the anticipated costs  
 10 of increasing the existing Facilities Security rate to \$36 per hour for every participating  
 11 state-operated building by September 1, 2020.

12 **3. HOMELAND SECURITY**

	<b>2020-21</b>	<b>2021-22</b>
13		
14	General Fund	257,000
15	Restricted Funds	1,360,800
16	Federal Funds	4,093,400
17	Road Fund	321,000
18	TOTAL	6,032,200

19 **4. DEPARTMENT OF VETERANS' AFFAIRS**

	<b>2020-21</b>	<b>2021-22</b>
20		
21	General Fund	26,060,400
22	Restricted Funds	71,578,000
23	TOTAL	97,638,400

24 **(1) Weekend and Holiday Premium Pay Incentive:** The Kentucky Veterans  
 25 Centers are authorized to continue the weekend and holiday premium pay incentive for  
 26 the 2020-2022 fiscal biennium.

27 **(2) Congressional Medal of Honor Recipients - Travel and Per Diem:** The

1 Commissioner of the Department of Veterans' Affairs may approve travel and per diem  
2 expenses incurred when Kentucky residents who have been awarded the Congressional  
3 Medal of Honor attend veterans, military, or memorial events in the Commonwealth of  
4 Kentucky.

5 **(3) Debt Service - Bowling Green Veterans' Center:** If any debt service is  
6 required for the issuance of bonds for the Construct Bowling Green Veterans' Center  
7 capital project authorized in Part II, Capital Projects Budget, of this Act, it shall be  
8 deemed a necessary government expense and shall be paid from the General Fund  
9 Surplus Account (KRS 48.700) or the Budget Reserve Trust Fund Account (KRS  
10 48.705). No bonds shall be sold for this project until it has been approved by the United  
11 States Department of Veterans Affairs and the Commonwealth has been notified by the  
12 United States Department of Veterans Affairs that Federal Funds are available to support  
13 this construction.

14 **(4) State Veterans Nursing Home:** With the exception of the Bowling Green  
15 Veterans Center construction project, all state veterans' nursing homes must meet a  
16 combined 80 percent bed occupancy rate before any future projects will be considered.  
17 Once the 80 percent threshold has been met, it is the intent of the General Assembly that  
18 any future beds allocated from the United States Department of Veterans Affairs or  
19 reallocated from the Kentucky Department of Veterans' Affairs be dedicated to a state  
20 veterans nursing home in Magoffin County to serve that area.

21 **(5) Brain Injury Alliance of Kentucky and the Epilepsy Foundation of**  
22 **Kentuckiana Funding:** Included in the above General Fund appropriation is \$93,700 in  
23 fiscal year 2020-2021 for grants to the Brain Injury Alliance of Kentucky and \$93,700 in  
24 fiscal year 2020-2021 for grants to the Epilepsy Foundation of Kentuckiana to be used  
25 solely for the purpose of working with veterans who have experienced brain trauma and  
26 their families.

27 **(6) Veterans' Service Organization Funding:** Included in the above General

1 Fund appropriation is \$187,500 in fiscal year 2020-2021 for grants to Veterans' Service  
 2 Organization programs.

3 **5. GOVERNOR'S OFFICE OF AGRICULTURAL POLICY**

	<b>2020-21</b>	<b>2021-22</b>
4 General Fund (Tobacco)	34,594,800	-0-
5 Restricted Funds	100,000	-0-
6 TOTAL	34,694,800	-0-

7  
 8 **(1) Tobacco Settlement Funds - Allocations:** Notwithstanding KRS 248.711(2),  
 9 and from the allocation provided therein, counties that are allocated in excess of \$20,000  
 10 in fiscal year 2020-2021 may provide up to four percent of the individual county  
 11 allocation, not to exceed \$15,000 in fiscal year 2020-2021, to the county council in that  
 12 county for administrative costs.

13 **(2) Counties Account:** Notwithstanding KRS 248.703(1), included in the above  
 14 General Fund (Tobacco) appropriation is \$14,279,200 in fiscal year 2020-2021 for the  
 15 counties account as specified in KRS 248.703(1)(a).

16 **(3) Directive for Fiscal Year 2018-2019 and Fiscal Year 2019-2020 General**  
 17 **Fund (Tobacco) Appropriations:** Any remaining uncommitted or unobligated funds  
 18 from the \$13,000,000 General Fund (Tobacco) appropriated in the 2018-2020 fiscal  
 19 biennium to the Governor's Office of Agricultural Policy for use by the State Fair Board  
 20 shall not be approved by the Agricultural Development Board for any other project until  
 21 appropriated by the General Assembly.

22 **6. KENTUCKY INFRASTRUCTURE AUTHORITY**

	<b>2020-21</b>	<b>2021-22</b>
23 General Fund	1,117,200	-0-
24 Restricted Funds	33,095,700	-0-
25 Federal Funds	29,380,100	-0-
26 TOTAL	63,593,000	-0-



1           **(1) Debt Service:** Included in the above General Fund appropriation is \$344,500  
 2 in fiscal year 2020-2021 for new debt service to support new bonds as set forth in Part II,  
 3 Capital Projects Budget, of this Act.

4       **7. MILITARY AFFAIRS**

	<b>2020-21</b>	<b>2021-22</b>
6       General Fund	14,991,400	-0-
7       Restricted Funds	48,590,600	-0-
8       Federal Funds	86,249,300	-0-
9       TOTAL	149,831,300	-0-

10           **(1) Kentucky National Guard:** Included in the above General Fund  
 11 appropriation is \$4,500,000 in fiscal year 2020-2021 to be expended, subject to the  
 12 conditions and procedures provided in this Act, which are required as a result of the  
 13 Governor's declaration of emergency pursuant to KRS Chapter 39A, and the Governor's  
 14 call of the Kentucky National Guard to active duty when an emergency or exigent  
 15 situation has been declared to exist by the Governor. Any portion of the \$4,500,000 not  
 16 expended shall lapse to the General Fund at the end of the fiscal year. In the event that  
 17 costs for Governor-declared emergencies or the Governor's call of the Kentucky National  
 18 Guard for emergencies or exigent situations exceed \$4,500,000 annually, the costs shall  
 19 be deemed necessary government expenses and shall be paid from the General Fund  
 20 Surplus Account (KRS 48.700) or the Budget Reserve Trust Fund Account (KRS  
 21 48.705).

22           **(2) Disaster or Emergency Aid Funds:** There is appropriated from the General  
 23 Fund the necessary funds, subject to the conditions and procedures in this Act, which are  
 24 required to match federal aid for which the state would be eligible in the event of a  
 25 presidentially declared disaster or emergency. These necessary funds shall be made  
 26 available from the General Fund Surplus Account (KRS 48.700) or the Budget Reserve  
 27 Trust Fund Account (KRS 48.705).

1           **(3) Residential Youth-at-Risk Program:** Included in the above General Fund  
 2 appropriation is \$335,000 in fiscal year 2020-2021 to support the Bluegrass Challenge  
 3 Academy and \$335,000 in fiscal year 2020-2021 to support the Appalachian Youth  
 4 Challenge Academy.

5   **8. COMMISSION ON HUMAN RIGHTS**

	<b>2020-21</b>	<b>2021-22</b>
6           General Fund	1,926,600	-0-
7           Restricted Funds	10,000	-0-
8           Federal Funds	245,000	-0-
9           TOTAL	2,181,600	-0-

10   **9. COMMISSION ON WOMEN**

11           **(1) Redistribution of Resources:** Notwithstanding KRS 12.020, 12.023, 14.260,  
 12 15A.190, 214.554, and 344.510 to 344.530, no General Fund appropriation is provided  
 13 for the Commission on Women in order to provide additional funding for Domestic  
 14 Violence Shelters, Rape Crisis Centers, and Children's Advocacy Centers.  
 15

16   **10. DEPARTMENT FOR LOCAL GOVERNMENT**

	<b>2020-21</b>	<b>2021-22</b>
17           General Fund	9,415,300	-0-
18           Restricted Funds	888,700	-0-
19           Federal Funds	46,227,500	-0-
20           TOTAL	56,531,500	-0-

21           **(1) Area Development District Funding:** Included in the above General Fund  
 22 appropriation is \$1,984,000 in fiscal year 2020-2021 for the Joint Funding  
 23 Administration Program in support of the area development districts.  
 24

25           **(2) Mary Kendall Homes and Gateway Juvenile Diversion:** Included in the  
 26 above General Fund appropriation is \$257,800 in fiscal year 2020-2021 for the support of  
 27 the Mary Kendall Homes and \$257,800 in fiscal year 2020-2021 for the support of

1 Gateway Juvenile Diversion.

2 **(3) Allocation of Area Development District Funding:** The Department for  
 3 Local Government shall allocate area development district funding appropriated to the  
 4 Joint Funding Administration Program to the area development districts in accordance  
 5 with the following formula:

6 (a) Seventy percent of the total appropriation shall be allocated equally among all  
 7 area development districts;

8 (b) Twenty percent of the total appropriation shall be allocated based upon each  
 9 area development district's proportionate share of total state population, as identified by  
 10 the 2010 United States Census; and

11 (c) Ten percent of the total appropriation shall be allocated based upon each area  
 12 development district's proportionate share of total incorporated cities and counties, as  
 13 identified by the records of the Kentucky Secretary of State's Land Office at the time of  
 14 the allocation.

15 The Department for Local Government shall, upon the unanimous written direction  
 16 of all area development districts, reduce the allocation based upon proportionate share of  
 17 total incorporated cities and counties and instead allocate those funds to provide  
 18 additional nonfederal dollars to area development districts for the purpose of maximizing  
 19 federal awards.

20 **11. LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND**

	<b>2020-21</b>	<b>2021-22</b>
21		
22	General Fund	21,830,900                      -0-

23 **(1) Allocation of the Local Government Economic Assistance Fund:**  
 24 Notwithstanding KRS 42.470(1)(a), 70 percent of moneys in the Local Government  
 25 Economic Assistance Fund shall be distributed to each coal producing county on the  
 26 basis of the ratio of coal severed in each respective county to the coal severed statewide.  
 27 Notwithstanding KRS 42.470(1)(c), no allocation shall be distributed to non-coal

1 producing counties.

2 **(2) Coal Haul Road System:** Notwithstanding KRS 42.455(2), no funds  
 3 appropriated to the Local Government Economic Assistance Fund are required to be  
 4 spent on the coal haul road system.

5 **12. LOCAL GOVERNMENT ECONOMIC DEVELOPMENT FUND**

6	<b>2020-21</b>	<b>2021-22</b>
7	General Fund	12,814,300
8	<b>(1) Coal Severance Tax Transfers:</b> Notwithstanding KRS 42.450 to 42.495, 70	-0-

9 percent of the severance and processing taxes on coal collected annually, except items  
 10 described in subsection (2) below, shall be transferred to the Local Government  
 11 Economic Development Fund. Notwithstanding KRS 42.450 to 42.495, 30 percent of the  
 12 severance and processing taxes on coal collected annually, except items described in  
 13 subsection (2) below, shall be transferred to the Local Government Economic Assistance  
 14 Fund. Transfers to the Local Government Economic Development Fund and the Local  
 15 Government Economic Assistance Fund shall be made quarterly, based upon the revenue  
 16 estimates prevailing at the time each quarterly transfer is due, except the last quarterly  
 17 transfer shall be made after the close of the fiscal year accounting records, and shall be  
 18 adjusted to provide the balance of the annual transfer required by this subsection.

19 **(2) Coal Severance Tax Collections Calculations and Transfers:** The above  
 20 appropriations from the General Fund are based on the official estimate presented by the  
 21 Office of State Budget Director of \$46,186,400 in fiscal year 2020-2021.  
 22 Notwithstanding KRS 42.450 to 42.495, coal severance tax collections during fiscal year  
 23 2020-2021 shall first be allocated to the following programs or purposes on a quarterly  
 24 basis:

25 (a) Department for Local Government: An annual appropriation of \$669,700 in  
 26 fiscal year 2020-2021 is appropriated as General Fund moneys to the Department for  
 27 Local Government budget unit for Local Government Economic Development Fund and

1 Local Government Economic Assistance Fund project administration costs;

2 (b) Debt Service: An annual appropriation of 100 percent of the debt service  
3 necessary to support bonds authorized in 2003 Ky. Acts ch. 156, 2005 Ky. Acts ch. 173,  
4 2006 Ky. Acts ch. 252, 2008 Ky. Acts ch. 127, and 2010 (1st Extra. Sess.) Ky. Acts ch. 1,  
5 in the amount of \$26,210,600 in fiscal year 2020-2021 is appropriated for that purpose;

6 (c) Osteopathic Medicine Scholarship Program: Notwithstanding KRS  
7 164.7891(11)(b), no transfers shall be made to the Osteopathic Medicine Scholarship  
8 Program within the Kentucky Higher Education Assistance Authority;

9 (d) Pharmacy Scholarships: Notwithstanding KRS 164.7890(11)(c), no transfers  
10 shall be made to the Coal County Pharmacy Scholarship Program within the Kentucky  
11 Higher Education Assistance Authority;

12 (e) Kentucky Coal Fields Endowment Authority: Notwithstanding KRS  
13 42.453(3), no transfers shall be made to the Kentucky Coal Field Endowment Authority;  
14 and

15 (f) General Fund: A transfer of \$1,000,000 to the General Fund in fiscal year  
16 2020-2021.

17 **(3) Allocation of the Local Government Economic Development Fund:**  
18 Notwithstanding KRS 42.4592(1), 50 percent of Local Government Economic  
19 Development Fund moneys shall be allocated in accordance with KRS 42.4592(1)(a), and  
20 50 percent shall be allocated in accordance with KRS 42.4592(1)(b).

21 **(4) Use of the Local Government Economic Development Fund:**  
22 Notwithstanding KRS 42.450 to 42.495, all funds appropriated to Local Government  
23 Economic Development Fund Single-County Accounts shall be allocated to projects with  
24 the concurrence of the respective county judge/executive, state senator(s), and state  
25 representative(s) of each county. If concurrence is not achieved, the fiscal court of each  
26 county may apply for grants through the Department for Local Government pursuant to  
27 KRS 42.4588.

1 **13. AREA DEVELOPMENT FUND**

2 **(1) Area Development Fund:** Notwithstanding KRS 42.345 to 42.370 and  
 3 48.185, or any statute to the contrary, no funding is provided for the Area Development  
 4 Fund.

5 **(2) Area Development District Flexibility:** Notwithstanding KRS 42.350(2) and  
 6 provided that sufficient funds are maintained in the Joint Funding Agreement program to  
 7 meet the match requirements for the Economic Development Administration grants,  
 8 Community Development Block Grants, Appalachian Regional Commission grants, or  
 9 any federal program where the Joint Funding Agreement funds are utilized to meet  
 10 nonfederal match requirements, an area development district with authorization from its  
 11 Board of Directors may request approval to transfer funding between the Area  
 12 Development Fund and the Joint Funding Agreement Program from the Commissioner of  
 13 the Department for Local Government.

14 **14. REGIONAL DEVELOPMENT AGENCY ASSISTANCE FUND**

	<b>2020-21</b>	<b>2021-22</b>
16 Restricted Funds	6,000,000	-0-

17 **15. EXECUTIVE BRANCH ETHICS COMMISSION**

	<b>2020-21</b>	<b>2021-22</b>
19 General Fund	561,600	-0-
20 Restricted Funds	420,000	-0-
21 TOTAL	981,600	-0-

22 **(1) Use of Restricted Funds:** All penalties collected or received by the  
 23 Executive Branch Ethics Commission shall be deposited in the State Treasury and  
 24 credited to a trust and agency fund account to the credit of the Commission to be used by  
 25 the Commission for the cost of conducting administrative hearings pursuant to KRS  
 26 Chapter 13B. Notwithstanding KRS 45.229, these funds shall not lapse and shall carry  
 27 forward.

1 **16. SECRETARY OF STATE**

	<b>2020-21</b>	<b>2021-22</b>
2		
3 Restricted Funds	5,177,600	-0-
4 Federal Funds	221,400	-0-
5 TOTAL	5,399,000	-0-

6 **(1) Use of Restricted Funds:** Notwithstanding KRS 14.140(1) and (3), the above  
 7 Restricted Funds may be used for the continuation of current activities within the Office  
 8 of the Secretary of State.

9 **(2) Salary Increment:** Notwithstanding KRS 64.480(2), no increment is  
 10 provided on the base salary or wages of the Secretary of State.

11 **17. BOARD OF ELECTIONS**

	<b>2020-21</b>	<b>2021-22</b>
12		
13 General Fund	6,206,500	-0-
14 Restricted Funds	246,000	-0-
15 Federal Funds	2,494,300	-0-
16 TOTAL	8,946,800	-0-

17 **(1) Cost of Elections:** Costs associated with special elections, KRS 117.345(2)  
 18 costs associated with additional precincts with a voting machine, KRS 117.343 costs for  
 19 additional registered voters, and KRS 116.145 costs for additional new registered voters  
 20 shall be deemed a necessary government expense and shall be paid from the General  
 21 Fund Surplus Account (KRS 48.700) or the Budget Reserve Trust Fund Account (KRS  
 22 48.705). Any reimbursements authorized as a necessary government expense according  
 23 to the above provisions shall be at the same rates as those established by the State Board  
 24 of Elections.

25 **18. REGISTRY OF ELECTION FINANCE**

	<b>2020-21</b>	<b>2021-22</b>
26		
27 General Fund	1,541,300	-0-

1 **19. ATTORNEY GENERAL**

2		<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>
3	General Fund (Tobacco)	-0-	150,000	-0-
4	General Fund	135,000	12,473,700	-0-
5	Restricted Funds	-0-	18,051,600	-0-
6	Federal Funds	-0-	4,989,000	-0-
7	<b>TOTAL</b>	<b>135,000</b>	<b>35,664,300</b>	<b>-0-</b>

8 **(1) State Enforcement:** Notwithstanding KRS 248.654 and 248.703(4), a total of  
 9 \$150,000 of the Tobacco Settlement payments received in fiscal year 2020-2021 is  
 10 appropriated to the Attorney General for the state’s diligent enforcement of noncompliant  
 11 nonparticipating manufacturers.

12 **(2) Expert Witnesses:** In addition to such funds as may be appropriated, the  
 13 Office of the Attorney General may request from the Finance and Administration  
 14 Cabinet, as a necessary government expense, such funds as may be necessary for expert  
 15 witnesses. Upon justification of the request, the Finance and Administration Cabinet shall  
 16 provide up to \$137,500 in fiscal year 2020-2021 for this purpose to the Office of the  
 17 Attorney General from the General Fund Surplus Account (KRS 48.700) or the Budget  
 18 Reserve Trust Fund Account (KRS 48.705). Without charge, the Department of  
 19 Insurance shall provide the Office of the Attorney General any available information to  
 20 assist in the preparation of a rate hearing pursuant to KRS 304.17A-095. Expenditures  
 21 under this subsection shall be reported to the Interim Joint Committee on Appropriations  
 22 and Revenue by August 1 of each year.

23 **(3) Annual and Sick Leave Service Credit:** Notwithstanding any statutory or  
 24 regulatory restrictions to the contrary, any former employee of the Unified Prosecutorial  
 25 System who has been appointed to a permanent full-time position under KRS Chapter  
 26 18A shall be credited annual and sick leave based on service credited under the Kentucky  
 27 Retirement Systems solely for the purpose of computation of sick and annual leave. This



1 provision shall only apply to any new appointment or current employee as of July 1,  
2 1998.

3 **(4) Compensatory Leave Conversion to Sick Leave:** If the Office of the  
4 Attorney General determines that internal budgetary pressures warrant further austerity  
5 measures, the Attorney General may institute a policy to suspend payment of 50-hour  
6 blocks of compensatory time for those attorneys who have accumulated 240 hours of  
7 compensatory time and instead convert those hours to sick leave.

8 **(5) Operations of the Office of the Attorney General:** Notwithstanding KRS  
9 367.478(2), 367.805(3), and 367.905(5), funds may be expended in support of the  
10 operations of the Office of the Attorney General.

11 **(6) Purdue Pharma Settlement Funds:** In fiscal year 2020-2021, the Attorney  
12 General shall transfer \$1,500,000 of any lawfully received settlement funds resulting  
13 from Commonwealth of Kentucky, ex rel. v. Purdue Pharma, et al., Civil Action No: 07-  
14 CI-01303 to the Justice Administration budget unit for Operation UNITE.

15 **(7) Salary Increment:** Notwithstanding KRS 64.480(2), no increment is  
16 provided on the base salary or wages of the Attorney General.

17 **(8) Legal Services Contracts:** The Office of the Attorney General may present  
18 proposals to state agencies specifying legal work that is presently accomplished through  
19 personal service contracts that indicate the Office of the Attorney General's capacity to  
20 perform the work at a lesser cost. State agencies may agree to make arrangements with  
21 the Office of the Attorney General to perform the legal work and compensate the Office  
22 of the Attorney General for the legal services.

23 **(9) Debt Service:** Included in the above General Fund appropriation is \$127,000  
24 in fiscal year 2020-2021 for new debt service to support new bonds as set forth in Part II,  
25 Capital Projects Budget, of this Act.

26 **(10) Electronic Crimes Laboratories:** The Attorney General and the  
27 Commissioner of the Kentucky State Police shall work collaboratively to identify a

1 pathway for consolidation of the Commonwealth’s electronic crimes laboratories.

2 **20. UNIFIED PROSECUTORIAL SYSTEM**

3 **(1) Prosecutors Advisory Council Administrative Functions:** The Prosecutors  
 4 Advisory Council shall approve compensation for employees of the Unified Prosecutorial  
 5 System subject to the appropriations in this Act.

6 **(2) Employment Salary Scale:** The Prosecutors Advisory Council shall develop  
 7 a proposed salary scale for the employees of the Unified Prosecutorial System. Among  
 8 the criteria that the proposal may include are pay differential and locality pay. The  
 9 proposal shall also establish part-time positions as hourly or by one-quarter or one-half of  
 10 a full-time equivalent. The Council shall finalize and submit the proposed salary scale to  
 11 the Interim Joint Committee on Appropriations and Revenue by August 1, 2020. The  
 12 salary scale shall not be implemented until approved by the General Assembly.

13 **a. Commonwealth's Attorneys**

	<b>2020-21</b>	<b>2021-22</b>
14 General Fund	60,413,100	-0-
15 Restricted Funds	6,118,200	-0-
16 Federal Funds	756,800	-0-
17 TOTAL	67,288,100	-0-

18  
 19 **(1) Rocket Docket Program:** Included in the above General Fund appropriation  
 20 is \$387,700 in fiscal year 2020-2021 to support the Rocket Docket Program.

21 **(2) Salary Increment:** Notwithstanding KRS 15.755(7), no increment is  
 22 provided in fiscal year 2020-2021 on the base salary or wages of each eligible  
 23 Commonwealth's Attorney.

24 **b. County Attorneys**

	<b>2020-21</b>	<b>2021-22</b>
25 General Fund	53,518,500	-0-
26 Restricted Funds	958,400	-0-

1	Federal Funds	1,025,200	-0-
2	TOTAL	55,502,100	-0-

3       **(1) Salary Increment:** Notwithstanding KRS 15.765(3), no increment is  
 4 provided in fiscal year 2020-2021 on the base salary or wages of each eligible County  
 5 Attorney.

6       **(2) Rocket Docket Program:** Included in the above General Fund appropriation  
 7 is \$549,800 in fiscal year 2020-2021 to support the Rocket Docket Program.

8       **(3) County Attorneys Expense Allowance:** Notwithstanding KRS 15.765(2),  
 9 each County Attorney shall receive a monthly expense allowance of \$400, payable out of  
 10 the State Treasury for the 2020-2022 fiscal biennium.

11       **TOTAL - UNIFIED PROSECUTORIAL SYSTEM**

		<b>2020-21</b>	<b>2021-22</b>
12			
13	General Fund	113,931,600	-0-
14	Restricted Funds	7,076,600	-0-
15	Federal Funds	1,782,000	-0-
16	TOTAL	122,790,200	-0-

17       **21. TREASURY**

		<b>2020-21</b>	<b>2021-22</b>
18			
19	General Fund	2,411,800	-0-
20	Restricted Funds	1,848,400	-0-
21	Federal Funds	1,254,800	-0-
22	Road Fund	250,600	-0-
23	TOTAL	5,765,600	-0-

24       **(1) Unclaimed Property Fund:** Included in the above Restricted Funds  
 25 appropriation is \$1,851,200 in fiscal year 2020-2021 from the Unclaimed Property Fund  
 26 to provide funding for services performed by the Unclaimed Property Division of the  
 27 Department of the Treasury.

1           **(2) Salary Increment:** Notwithstanding KRS 64.480(2), no increment is  
 2 provided on the base salary or wages of the State Treasurer.

3 **22. AGRICULTURE**

	<b>2020-21</b>	<b>2021-22</b>
4           General Fund (Tobacco)	500,000	-0-
5           General Fund	16,822,000	-0-
6           Restricted Funds	14,362,700	-0-
7           Federal Funds	8,681,400	-0-
8           TOTAL	40,366,100	-0-

9  
 10           **(1) Use of Restricted Funds:** Notwithstanding KRS 217.570 and 217B.580,  
 11 funds may be expended in support of the operations of the Department of Agriculture.

12           **(2) Farms to Food Banks:** Included in the above General Fund (Tobacco)  
 13 appropriation is \$500,000 in fiscal year 2020-2021 to support the Farms to Food Banks  
 14 Program. The use of the moneys provided by this appropriation shall be restricted to  
 15 purchases of Kentucky-grown produce from Kentucky farmers who participate in the  
 16 Farms to Food Banks Program.

17           **(3) Salary Increment:** Notwithstanding KRS 64.480(2), no increment is  
 18 provided on the base salary or wages of the Commissioner of Agriculture.

19           **(4) County Fair Grants:** Included in the above General Fund appropriation is  
 20 \$300,000 in fiscal year 2020-2021 to support capital improvement grants to the Local  
 21 Agricultural Fair Aid Program.

22           **(5) Kentucky Grape and Wine Council:** Notwithstanding KRS 260.175(2), no  
 23 General Fund is provided for the Kentucky Small Farm Wineries Support Fund for use  
 24 by the Kentucky Grape and Wine Council.

25 **23. AUDITOR OF PUBLIC ACCOUNTS**

	<b>2020-21</b>	<b>2021-22</b>
26           General Fund	7,787,000	-0-

1	Restricted Funds	11,926,600	-0-
2	TOTAL	19,713,600	-0-

3       **(1) Auditor's Scholarships:** Notwithstanding KRS 43.200, no funding is  
 4 provided for Auditor's scholarships.

5       **(2) Audit Services Contracts:** No state agency shall enter into any contract with  
 6 a nongovernmental entity for audit services unless the Auditor of Public Accounts has  
 7 declined in writing to perform the audit or has failed to respond within 30 days of receipt  
 8 of a written request for such services. The agency's request for audit services shall  
 9 include a comprehensive statement of the scope and nature of the proposed audit.

10       **(3) Compensatory Leave Conversion to Sick Leave:** If the Auditor of Public  
 11 Accounts determines that internal budgetary pressures warrant further austerity measures,  
 12 the State Auditor may institute a policy to suspend payment of 50-hour blocks of  
 13 compensatory time for those employees who have accumulated 240 hours of  
 14 compensatory time and instead convert those hours to sick leave.

15       **(4) Salary Increment:** Notwithstanding KRS 64.480(2), no increment is  
 16 provided on the base salary or wages of the Auditor of Public Accounts.

17 **24. PERSONNEL BOARD**

18		<b>2020-21</b>	<b>2021-22</b>
19	Restricted Funds	875,000	-0-

20 **25. KENTUCKY RETIREMENT SYSTEMS**

21		<b>2020-21</b>	<b>2021-22</b>
22	General Fund	384,000	-0-
23	Restricted Funds	48,888,200	-0-
24	TOTAL	49,272,200	-0-

25       **(1) State Police Retirement System Pension Fund:** Included in the above  
 26 General Fund appropriation is \$384,000 in fiscal year 2020-2021 to be applied to the  
 27 unfunded pension liability of the State Police Retirement System pension fund.

1	<b>26. OCCUPATIONAL AND PROFESSIONAL BOARDS AND COMMISSIONS</b>		
2	<b>a. Accountancy</b>		
3		<b>2020-21</b>	<b>2021-22</b>
4	Restricted Funds	673,300	-0-
5	<b>b. Certification of Alcohol and Drug Counselors</b>		
6		<b>2020-21</b>	<b>2021-22</b>
7	Restricted Funds	180,200	-0-
8	<b>c. Applied Behavior Analysis Licensing</b>		
9		<b>2020-21</b>	<b>2021-22</b>
10	Restricted Funds	39,600	-0-
11	<b>d. Architects</b>		
12		<b>2020-21</b>	<b>2021-22</b>
13	Restricted Funds	474,500	-0-
14	<b>e. Certification for Professional Art Therapists</b>		
15		<b>2020-21</b>	<b>2021-22</b>
16	Restricted Funds	11,200	-0-
17	<b>f. Barbering</b>		
18		<b>2020-21</b>	<b>2021-22</b>
19	Restricted Funds	465,400	-0-
20	<b>g. Chiropractic Examiners</b>		
21		<b>2020-21</b>	<b>2021-22</b>
22	Restricted Funds	377,900	-0-
23	<b>h. Dentistry</b>		
24		<b>2020-21</b>	<b>2021-22</b>
25	Restricted Funds	939,600	-0-
26	<b>i. Licensed Diabetes Educators</b>		
27		<b>2020-21</b>	<b>2021-22</b>

1	Restricted Funds	29,300	-0-
2	<b>j. Licensure and Certification for Dietitians and Nutritionists</b>		
3		<b>2020-21</b>	<b>2021-22</b>
4	Restricted Funds	93,900	-0-
5	<b>k. Embalmers and Funeral Directors</b>		
6		<b>2020-21</b>	<b>2021-22</b>
7	Restricted Funds	498,300	-0-
8	<b>l. Licensure for Professional Engineers and Land Surveyors</b>		
9		<b>2020-21</b>	<b>2021-22</b>
10	Restricted Funds	1,772,200	-0-
11	<b>m. Certification of Fee-Based Pastoral Counselors</b>		
12		<b>2020-21</b>	<b>2021-22</b>
13	Restricted Funds	3,600	-0-
14	<b>n. Registration for Professional Geologists</b>		
15		<b>2020-21</b>	<b>2021-22</b>
16	Restricted Funds	109,000	-0-
17	<b>o. Hairdressers and Cosmetologists</b>		
18		<b>2020-21</b>	<b>2021-22</b>
19	Restricted Funds	1,936,900	-0-
20	<b>p. Specialists in Hearing Instruments</b>		
21		<b>2020-21</b>	<b>2021-22</b>
22	Restricted Funds	78,000	-0-
23	<b>q. Interpreters for the Deaf and Hard of Hearing</b>		
24		<b>2020-21</b>	<b>2021-22</b>
25	Restricted Funds	38,200	-0-
26	<b>r. Examiners and Registration of Landscape Architects</b>		
27		<b>2020-21</b>	<b>2021-22</b>

1	Restricted Funds	80,700	-0-
2	<b>s. Licensure of Marriage and Family Therapists</b>		
3		<b>2020-21</b>	<b>2021-22</b>
4	Restricted Funds	133,600	-0-
5	<b>t. Licensure for Massage Therapy</b>		
6		<b>2020-21</b>	<b>2021-22</b>
7	Restricted Funds	154,300	-0-
8	<b>u. Medical Imaging and Radiation Therapy</b>		
9		<b>2020-21</b>	<b>2021-22</b>
10	Restricted Funds	443,800	-0-
11	<b>v. Medical Licensure</b>		
12		<b>2020-21</b>	<b>2021-22</b>
13	Restricted Funds	3,550,900	-0-
14	<b>w. Nursing</b>		
15		<b>2020-21</b>	<b>2021-22</b>
16	Restricted Funds	8,924,800	-0-
17	<b>x. Licensure for Nursing Home Administrators</b>		
18		<b>2020-21</b>	<b>2021-22</b>
19	Restricted Funds	101,100	-0-
20	<b>y. Licensure for Occupational Therapy</b>		
21		<b>2020-21</b>	<b>2021-22</b>
22	Restricted Funds	211,600	-0-
23	<b>z. Ophthalmic Dispensers</b>		
24		<b>2020-21</b>	<b>2021-22</b>
25	Restricted Funds	71,400	-0-
26	<b>aa. Optometric Examiners</b>		
27		<b>2020-21</b>	<b>2021-22</b>



1	Restricted Funds	221,800	-0-
2	<b>ab. Pharmacy</b>		
3		<b>2020-21</b>	<b>2021-22</b>
4	Restricted Funds	2,568,200	-0-
5	<b>ac. Physical Therapy</b>		
6		<b>2020-21</b>	<b>2021-22</b>
7	Restricted Funds	673,500	-0-
8	<b>ad. Podiatry</b>		
9		<b>2020-21</b>	<b>2021-22</b>
10	Restricted Funds	46,500	-0-
11	<b>ae. Private Investigators</b>		
12		<b>2020-21</b>	<b>2021-22</b>
13	Restricted Funds	113,700	-0-
14	<b>af. Licensed Professional Counselors</b>		
15		<b>2020-21</b>	<b>2021-22</b>
16	Restricted Funds	310,800	-0-
17	<b>ag. Prosthetics, Orthotics, and Pedorthics</b>		
18		<b>2020-21</b>	<b>2021-22</b>
19	Restricted Funds	46,200	-0-
20	<b>ah. Examiners of Psychology</b>		
21		<b>2020-21</b>	<b>2021-22</b>
22	Restricted Funds	256,400	-0-
23	<b>ai. Respiratory Care</b>		
24		<b>2020-21</b>	<b>2021-22</b>
25	Restricted Funds	251,900	-0-
26	<b>aj. Social Work</b>		
27		<b>2020-21</b>	<b>2021-22</b>

1	Restricted Funds	370,600	-0-
2	<b>ak. Speech-Language Pathology and Audiology</b>		
3		<b>2020-21</b>	<b>2021-22</b>
4	Restricted Funds	222,900	-0-
5	<b>al. Veterinary Examiners</b>		
6		<b>2020-21</b>	<b>2021-22</b>
7	Restricted Funds	275,000	-0-
8	<b>TOTAL - OCCUPATIONAL AND PROFESSIONAL BOARDS AND</b>		
9	<b>COMMISSIONS</b>		
10		<b>2020-21</b>	<b>2021-22</b>
11	Restricted Funds	26,750,800	-0-
12	<b>27. KENTUCKY RIVER AUTHORITY</b>		
13		<b>2020-21</b>	<b>2021-22</b>
14	General Fund	288,500	-0-
15	Restricted Funds	7,686,600	-0-
16	TOTAL	7,975,100	-0-
17	<b>28. SCHOOL FACILITIES CONSTRUCTION COMMISSION</b>		
18		<b>2020-21</b>	<b>2021-22</b>
19	General Fund	125,243,600	-0-
20	<b>(1) Debt Service:</b> Included in the above General Fund appropriation is		
21	\$2,946,900 in fiscal year 2020-2021 for new debt service to support new bonds as set		
22	forth in Part II, Capital Projects Budget, of this Act.		
23	<b>(2) Additional Offers of Assistance:</b> Notwithstanding KRS 157.611 to 157.665,		
24	the School Facilities Construction Commission is authorized to make an additional		
25	\$58,000,000 in offers of assistance during the 2020-2022 biennium in anticipation of debt		
26	service availability during the 2022-2024 biennium. No bonded indebtedness based on		
27	the above amount is to be incurred during the 2020-2022 biennium.		

1           **(3) Urgent Needs School Assistance - 2020-2022:** Notwithstanding KRS  
 2 157.611 to 157.665, the School Facilities Construction Commission is authorized to  
 3 make additional offers of assistance in the specified amounts in fiscal year 2020-2021 to  
 4 the following local school districts:

5           (a) Not more than \$19,784,500 to Mason County Schools for Mason County  
 6 Middle School;

7           (b) Not more than \$12,931,700 to Lewis County Schools for Garrison Elementary  
 8 School;

9           (c) Not more than \$7,527,100 to Rowan County Schools for Clearfield  
 10 Elementary School; and

11           (d) Not more than \$7,283,700 to Green County Schools for Green County High  
 12 School.

13           These schools are designated as the four schools ranked highest on the Kentucky  
 14 Facilities Inventory and Classification System report as of February 27, 2020, that are A1  
 15 schools, are ranked as a Priority 1 or 2 on the local school district's facility plan, and have  
 16 levied a ten-cent equivalent tax dedicated to capital improvements but remain unable to  
 17 cash fund or to sufficiently support the required annual debt service for replacement or  
 18 renovation of the school. The amounts stated represent the difference between the cost to  
 19 replace or renovate the designated facility and the amount of available local resources.

20           The School Facilities Construction Commission shall make offers of assistance to  
 21 each local school district up to the amount authorized for that local school district only  
 22 upon the written authorization of the Commissioner of Education or his or her designee  
 23 and documentation of the project cost, but in no case shall any district receive an  
 24 additional offer of assistance greater than that authorized in this subsection.

25 **29. TEACHERS' RETIREMENT SYSTEM**

26	<b>2020-21</b>	<b>2021-22</b>
27	General Fund	781,620,000
		-0-

1	Restricted Funds	16,100,300	-0-
2	TOTAL	797,720,300	-0-

3       **(1) Debt Service:** Included in the above General Fund appropriation is  
4 \$51,660,000 in fiscal year 2020-2021 for debt service on previously issued bonds.

5       **(2) Dependent Subsidy for All Retirees under age 65:** Pursuant to KRS  
6 161.675(4), health insurance supplement payments made by the retirement system shall  
7 not exceed the amount of the single coverage insurance premium. Notwithstanding KRS  
8 161.675(4), for all retirees under the age of 65 who participate in the Kentucky Group  
9 Health Insurance Program through the Kentucky Teachers' Retirement System and for  
10 Plan Year 2020 only, the Kentucky Teachers' Retirement System Board of Trustees may  
11 continue to pay from the Medical Insurance Fund one-third of the costs of the dependent  
12 subsidy. No General Fund appropriation shall be expended to pay one-third of the costs  
13 of the dependent subsidy. The dependent subsidy is not subject to KRS 161.714.

14       **(3) Retiree Health Insurance:** Pursuant to KRS 161.550(2)(b) and  
15 notwithstanding any statute to the contrary, included in the above General Fund  
16 appropriation is \$61,700,000 in fiscal year 2020-2021 to support the state's contribution  
17 for the cost of retiree health insurance for members not eligible for Medicare who have  
18 retired on or after July 1, 2010. Notwithstanding KRS 161.675, the Teachers' Retirement  
19 System Board of Trustees shall provide health insurance supplement payments towards  
20 the cost of the single coverage insurance premium based on age and years of service  
21 credit of eligible recipients of a retirement allowance, the cost of which shall be paid  
22 from the Medical Insurance Fund. Notwithstanding KRS 161.675, the Teachers'  
23 Retirement System Board of Trustees shall authorize eligible recipients of a retirement  
24 allowance from the Teachers' Retirement System who are less than age 65 to be included  
25 in the state-sponsored health insurance plan that is provided to active teachers and state  
26 employees under KRS 18A.225. Notwithstanding KRS 161.675(4)(a), the contribution  
27 paid by retirees who are less than age 65 who qualify for the maximum health insurance

1 supplement payment for single coverage shall be no more than the sum of (a) the  
 2 employee contribution paid by active teachers and state employees for a similar plan, and  
 3 (b) the standard Medicare Part B premium as determined by the Centers for Medicare and  
 4 Medicaid Services. Notwithstanding KRS 161.675(4)(a), the contribution paid by retirees  
 5 who are less than age 65 who do not qualify for the maximum health insurance  
 6 supplement payment for single coverage shall be determined by the same graduated  
 7 formula used by the Teachers' Retirement System for Plan Year 2020.

8 Notwithstanding KRS 161.420 and 161.550, any General Fund contribution to the  
 9 Teachers' Retirement System medical insurance fund in fiscal year 2020-2021 in excess  
 10 of the actuarially determined contribution shall carry forward and be considered the  
 11 General Fund contribution for fiscal year 2021-2022. The Teachers' Retirement System  
 12 Board of Trustees shall report the amount carried forward to the Interim Joint Committee  
 13 on Appropriations and Revenue by August 1, 2021.

14 **(4) Medical Insurance Fund Employee Contributions:** Notwithstanding KRS  
 15 161.540(1), the employee contribution to the Medical Insurance Fund shall not be  
 16 changed in fiscal year 2020-2021.

17 **30. APPROPRIATIONS NOT OTHERWISE CLASSIFIED**

	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>
18 General Fund	4,500,000	14,526,400	-0-

20 **(1) Funding Sources for Appropriations Not Otherwise Classified:** Funds  
 21 required to pay the costs of items included within Appropriations Not Otherwise  
 22 Classified are appropriated. Any required expenditure over the above amounts is to be  
 23 paid first from the General Fund Surplus Account (KRS 48.700), if available, or from any  
 24 available balance in either the Judgments budget unit appropriation or the Budget  
 25 Reserve Trust Fund Account (KRS 48.705), subject to the conditions and procedures  
 26 provided in this Act.

27 The above appropriation is for the payment of Attorney General Expense, Kentucky

1 Claims Commission Award, Guardian Ad Litem, Prior Year Claims, Unredeemed  
 2 Checks Refunded, Involuntary Commitments - ICF/MR, Frankfort in Lieu of Taxes,  
 3 Frankfort Cemetery, Police Officer, Firefighter, and National Guard and Reserve  
 4 Survivor Benefits, Medical Malpractice Liability Insurance Reimbursement, and Blanket  
 5 Employee Bonds.

6 **(2) Repayment of Awards or Judgments:** Funds are appropriated from the  
 7 General Fund for the repayment of awards or judgments made by the Kentucky Claims  
 8 Commission against departments, boards, commissions, and other agencies funded with  
 9 appropriations out of the General Fund. However, awards under \$5,000 shall be paid  
 10 from funds available for the operations of the agency.

11 **(3) Guardian Ad Litem Fees:** Included in the above appropriation is funding for  
 12 fees to be paid to each guardian ad litem appointed by the court pursuant to KRS  
 13 311.732. The fee shall be fixed by the court and shall not exceed \$500.

14 **(4) Reissuance of Uncashed Checks:** Checks written by the State Treasurer and  
 15 not cashed within the statutory period may be presented to the State Treasurer for  
 16 reissuance in accordance with KRS 41.370.

17 **(5) Police Officer, Firefighter, and Active Duty National Guard and Reserve**  
 18 **Survivor Benefits:** Funds are appropriated for payment of benefits for survivors of state  
 19 and local police officers, firefighters, and active duty National Guard and Reserve  
 20 members in accordance with KRS 61.315 and for the cost of insurance premiums for  
 21 firefighters as provided in KRS 95A.070.

22 **31. JUDGMENTS**

	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>
24 General Fund	16,900,000	22,500,000	-0-

25 **(1) Known Liabilities Against the Commonwealth:** The above appropriation is  
 26 for the payment of judgments for known liabilities against the Commonwealth.

27 **(2) Payment of Judgments and Carry Forward of General Fund**

1 **Appropriation Balance:** Notwithstanding KRS 45A.275, the payment of judgments, that  
 2 exceed the above appropriation, as may be rendered against the Commonwealth by courts  
 3 and orders of the State Personnel Board and, where applicable, shall be subject to KRS  
 4 Chapter 45 and shall not be deemed a necessary governmental expense. Notwithstanding  
 5 KRS 45A.270(1), funds required to pay the costs of items included within the Judgments  
 6 budget are included in the above appropriation, and amounts required for any award or  
 7 judgment in excess of the above appropriation shall be paid from appropriations for that  
 8 department or agency and otherwise paid pursuant to KRS 45A.270(2).

9 **32. KENTUCKY COMMUNICATIONS NETWORK AUTHORITY**

	<b>2020-21</b>	<b>2021-22</b>
11 General Fund	34,220,000	-0-
12 Restricted Funds	12,033,100	-0-
13 TOTAL	46,253,100	-0-

14 **(1) Rate Assessments:** Notwithstanding KRS 154.15-020, rate assessments  
 15 charged to state agencies for access to the KentuckyWired broadband network shall not  
 16 exceed rates currently charged for broadband services to those state agencies in fiscal  
 17 year 2019-2020.

18 **(2) Availability Payments:** Included in the above General Fund appropriation is  
 19 \$22,535,600 in fiscal year 2020-2021 for the network availability payments.

20 **(3) Authority to Sell:** Notwithstanding KRS 154.15-020, the Kentucky  
 21 Communications Network Authority shall have the authority to enter into contracts with  
 22 public and private entities to carry out its duties and responsibilities, which may include  
 23 the sale of all or portions of the Commonwealth’s open-access broadband network known  
 24 as KentuckyWired. A contract or other agreement involving the acquisition or disposition  
 25 of a property interest by the Commonwealth shall be signed by the Secretary of the  
 26 Finance and Administration Cabinet. KRS Chapters 45A and 56 may require the  
 27 Secretary’s signature on other contracts or agreements.

1           **(4) Contractual Costs:** Included in the above General Fund appropriation is  
 2 \$8,025,800 in fiscal year 2020-2021 for contractual costs.

3 **TOTAL - GENERAL GOVERNMENT**

4		<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>
5	General Fund (Tobacco)	-0-	35,244,800	-0-
6	General Fund	21,535,000	1,238,634,200	-0-
7	Restricted Funds	-0-	333,526,500	-0-
8	Federal Funds	-0-	186,518,200	-0-
9	Road Fund	-0-	571,600	-0-
10	TOTAL	21,535,000	1,794,495,300	-0-

11 **B. ECONOMIC DEVELOPMENT CABINET**

12 **Budget Unit**

13 **1. ECONOMIC DEVELOPMENT**

14		<b>2020-21</b>	<b>2021-22</b>
15	General Fund	26,054,000	-0-
16	Restricted Funds	3,634,200	-0-
17	Federal Funds	306,400	-0-
18	TOTAL	29,994,600	-0-

19           **(1) Funding for Commercialization and Innovation:** Notwithstanding KRS  
 20 154.12-278, interest income earned on the balances in the High-Tech  
 21 Construction/Investment Pool and loan repayments received by the High-Tech  
 22 Construction/Investment Pool shall be used to support the Office of Entrepreneurship and  
 23 are appropriated in addition to amounts appropriated above.

24           **(2) Lapse and Carry Forward of General Fund Appropriation Balance for**  
 25 **Bluegrass State Skills Corporation:** Notwithstanding KRS 45.229, the General Fund  
 26 appropriation balance for Bluegrass State Skills Corporation training grants for fiscal  
 27 year 2019-2020 and fiscal year 2020-2021 shall not lapse and shall carry forward. The



1 amount available to the Corporation for disbursement in each fiscal year shall be limited  
 2 to the unexpended training grant allotment balance at the end of each fiscal year  
 3 combined with the additional training grant allotment amounts in each fiscal year of the  
 4 2020-2022 biennium, less any disbursements. If the required disbursements exceed the  
 5 Bluegrass State Skills Corporation training grants allotment balance, notwithstanding  
 6 KRS 154.12-278, Restricted Funds may be expended for training grants.

7 **(3) Science and Technology Program:** Notwithstanding KRS 164.6011 to  
 8 164.6041 and any other statute to the contrary, the Cabinet for Economic Development  
 9 shall have the authority to carry out the provisions of KRS 164.6013 to 164.6041.

10 **(4) Carry Forward of General Fund Appropriation Balance:** Notwithstanding  
 11 KRS 45.229, the General Fund appropriation in fiscal year 2019-2020 and fiscal year  
 12 2020-2021 to the Cabinet for Economic Development, Science and Technology Program,  
 13 shall not lapse and shall carry forward in the Cabinet for Economic Development.

14 **(5) Executive Officers' Compensation:** Notwithstanding KRS 154.10-050(2),  
 15 any additional executive officers as described in KRS 154.10-050(2) shall not be paid a  
 16 salary greater than the salary of the Governor of the Commonwealth.

17 **(6) Training Grants:** Included in the above General Fund appropriation is  
 18 \$1,000,000 in fiscal year 2020-2021 for the Bluegrass State Skills Corporation to make  
 19 training grants to support manufacturing-related investments. The Corporation shall  
 20 utilize these funds for a manufacturer designated by the United States Department of  
 21 Commerce, United States Census Bureau North American Industry Classification System  
 22 code of 336111, 336112, 336120, or 336211 that employs at least 10,000 full-time  
 23 persons at the same facility or at multiple facilities located within the same county to help  
 24 offset associated costs of retraining its workforce.

## 25 C. DEPARTMENT OF EDUCATION

### 26 Budget Units

#### 27 1. SUPPORT EDUCATION EXCELLENCE IN KENTUCKY (SEEK)

1           **PROGRAM**

2		<b>2020-21</b>	<b>2021-22</b>
3	General Fund	2,973,696,700	-0-

4           **(1) Common School Fund Earnings:** Accumulated earnings for the Common  
 5 School Fund shall be transferred in fiscal year 2020-2021 to the SEEK Program.

6           **(2) Allocation of SEEK Funds:** Notwithstanding KRS 157.360(2)(c), the above  
 7 General Fund appropriation to the base SEEK Program is intended to provide a base  
 8 guarantee of \$4,000 per student in average daily attendance in fiscal year 2020-2021, as  
 9 well as to meet the other requirements of KRS 157.360. Notwithstanding KRS  
 10 157.360(2), each district’s base funding level shall be adjusted for the number of students  
 11 demonstrating limited proficiency in English language skills, multiplied by 0.096.

12           Funds appropriated to the SEEK Program shall be allotted to school districts in  
 13 accordance with KRS 157.310 to 157.440, except that the total of the funds allotted shall  
 14 not exceed the appropriation for this purpose, except as provided in this Act. The total  
 15 appropriation for the SEEK Program shall be measured by, or construed as, estimates of  
 16 the state expenditures required by KRS 157.310 to 157.440. If the required expenditures  
 17 exceed these estimates, the Secretary of the Finance and Administration Cabinet, upon  
 18 the written request of the Commissioner of Education and with the approval of the  
 19 Governor, may increase the appropriation by such amount as may be available and  
 20 necessary to meet, to the extent possible, the required expenditures under the cited  
 21 sections of the Kentucky Revised Statutes, but any increase of the total appropriation to  
 22 the SEEK Program is subject to Part III, General Provisions, of this Act and KRS Chapter  
 23 48. If funds appropriated to the SEEK Program are insufficient to provide the amount of  
 24 money required under KRS 157.310 to 157.440, allotments to local school districts may  
 25 be reduced in accordance with KRS 157.430.

26           **(3) SEEK Lapse:** Notwithstanding 2018 Ky. Acts ch. 169, Part I, C., 1., (3), any  
 27 unexpended SEEK funds in fiscal year 2019-2020 shall lapse to the General Fund.

1           **(4) Base SEEK Allotments:** Notwithstanding KRS 157.420(2), included in the  
2 above General Fund appropriation is \$1,978,539,700 in fiscal year 2020-2021 for the  
3 base SEEK Program as defined by KRS 157.360. Funds appropriated to the SEEK  
4 Program shall be allotted to school districts in accordance with KRS 157.310 to 157.440,  
5 except that the total of the funds allotted shall not exceed the appropriation for this  
6 purpose, except as provided in this Act. Notwithstanding KRS 157.360(2)(c), included in  
7 the appropriation for the base SEEK Program is \$214,752,800 in fiscal year 2020-2021  
8 for pupil transportation.

9           **(5) Tier I Component:** Included in the above General Fund appropriation is  
10 \$179,738,200 in fiscal year 2020-2021 for the Tier I component as established by KRS  
11 157.440.

12           **(6) Vocational Transportation:** Included in the above General Fund  
13 appropriation is \$2,416,900 in fiscal year 2020-2021 for vocational transportation.

14           **(7) Teachers' Retirement System Employer Match:** Included in the above  
15 General Fund appropriation is \$425,565,500 in fiscal year 2020-2021 to enable local  
16 school districts to provide the employer match for qualified employees.

17           **(8) Salary Supplements for Nationally Certified Teachers:** Notwithstanding  
18 KRS 157.395, included in the above General Fund appropriation is \$2,750,000 in fiscal  
19 year 2020-2021 for the purpose of providing salary supplements for public school  
20 teachers attaining certification by the National Board for Professional Teaching  
21 Standards. Notwithstanding KRS 157.395, if the appropriation is insufficient to provide  
22 the mandated salary supplement for teachers who have obtained this certification, the  
23 Department of Education is authorized to pro rata reduce the supplement.

24           **(9) SEEK Adjustment Factors:** Funds allocated for the SEEK base and its  
25 adjustment factors that are not needed for the base or a particular adjustment factor may  
26 be allocated to other adjustment factors, if funds for that adjustment factor are not  
27 sufficient.

1           **(10) Facilities Support Program of Kentucky/Equalized Nickel Levies:**  
2 Included in the above General Fund appropriation is \$93,014,600 in fiscal year 2020-  
3 2021 to provide facilities equalization funding pursuant to KRS 157.440 and 157.620.

4           **(11) Growth Levy Equalization Funding:** Included in the above General Fund  
5 appropriation is \$24,430,700 in fiscal year 2020-2021 to provide facilities equalization  
6 funding pursuant to KRS 157.440 and 157.620 for districts meeting the eligibility  
7 requirements of KRS 157.621(1) and (4). Notwithstanding KRS 157.621(1)(b)2., a  
8 school district that imposes the levy authorized by KRS 157.621(1)(b)1. shall be  
9 equalized for that levy at 25 percent of the calculated equalization funding in fiscal year  
10 2020-2021, in addition to the equalization funding appropriated in accordance with KRS  
11 157.621(1)(b)2., and all funds for this purpose shall be committed to debt service, new  
12 facilities, or major renovations in accordance with KRS 157.440(1)(b). It is the intent of  
13 the 2020 General Assembly that any local school district receiving partial equalization  
14 under this subsection in fiscal year 2020-2021 shall also be equalized for that levy at 25  
15 percent of the calculated equalization funding in fiscal year 2021-2022, and shall receive  
16 full calculated equalization in the 2022-2024 fiscal biennium and thereafter until the  
17 earlier of June 30, 2038, or the date the bonds for the local school district supported by  
18 this equalization funding are retired.

19           **(12) Retroactive Equalized Facility Funding:** Included in the above General  
20 Fund appropriation is \$34,181,600 in fiscal year 2020-2021 to provide equalized facility  
21 funding pursuant to KRS 157.440 and 157.620 to districts meeting the eligibility  
22 requirements of KRS 157.621(2) and (4). In addition, a local board of education that  
23 levied a tax rate subject to recall by January 1, 2014, in addition to the five cents levied  
24 pursuant to KRS 157.440(1)(b) and that committed the receipts to debt service, new  
25 facilities, or major renovations of existing facilities shall be eligible for equalization  
26 funds from the state at 150 percent of the statewide average per pupil assessment.  
27 Revenue to generate the five cent equivalent levy may be obtained from levies on

1 property, motor vehicles, or the taxes authorized by KRS 160.593 to 160.597, 160.601 to  
 2 160.633, and 160.635 to 160.648 if the levy was dedicated to facilities funding at the time  
 3 of the levy. The equalization funds shall be used as provided in KRS 157.440(1)(b).  
 4 Notwithstanding KRS 157.621(2)(a) and (4), for fiscal year 2020-2021, school districts  
 5 that levied the tax rate subject to recall prior to January 1, 2018, shall be equalized at 100  
 6 percent of the calculated equalization funding, school districts that levied the tax rate  
 7 subject to recall after January 1, 2018, and before January 1, 2020, shall be equalized at  
 8 25 percent of the calculated equalization funding, and all funds for this purpose shall be  
 9 committed to debt service, new facilities, or major renovations in accordance with KRS  
 10 157.440(1)(b). It is the intent of the 2020 General Assembly that any local school district  
 11 receiving partial equalization under this subsection in fiscal year 2020-2021 shall also be  
 12 equalized for that levy at 25 percent of the calculated equalization funding in fiscal year  
 13 2021-2022, and shall receive full calculated equalization in the 2022-2024 fiscal  
 14 biennium and thereafter until the earlier of June 30, 2038, or the date the bonds for the  
 15 local school district supported by this equalization funding are retired, in accordance with  
 16 KRS 157.621(2). Notwithstanding KRS 157.440, 157.621, or any other provision of this  
 17 Act, no school district shall be equalized for an equivalent tax rate of more than 15 cents.

18 **(13) Equalized Facility Funding:** Included in the above General Fund  
 19 appropriation is \$9,055,300 in fiscal year 2020-2021 to provide equalized facility funding  
 20 pursuant to KRS 157.440 and 157.620 to districts meeting the eligibility requirements of  
 21 KRS 157.621(3) and (4). Notwithstanding KRS 157.621(3)(c), a school district meeting  
 22 the criteria of KRS 157.621(3)(a) and (b) that did not receive equalization funding in  
 23 fiscal year 2019-2020 shall be equalized at 25 percent of the calculated equalization  
 24 funding in fiscal year 2020-2021, and all funds for this purpose shall be committed to  
 25 debt service, new facilities, or major renovations in accordance with KRS 157.440(1)(b).  
 26 In addition, notwithstanding KRS 157.621(1) and (3), a school district that has levied a  
 27 five-cent equivalent rate authorized by KRS 157.621(1)(a) and is not receiving state

1 equalization funding for that levy under KRS 157.621(1)(b), 157.621(3), or any other  
 2 provision of this Act, shall be equalized at 25 percent of the calculated equalization  
 3 funding in fiscal year 2020-2021, and all funds for this purpose shall be committed to  
 4 debt service, new facilities, or major renovations in accordance with KRS 157.440(1)(b).  
 5 It is the intent of the 2020 General Assembly that any local school district receiving  
 6 partial equalization under this subsection in fiscal year 2020-2021 shall also be equalized  
 7 for that levy at 25 percent of the calculated equalization funding in fiscal year 2021-2022,  
 8 and shall receive full calculated equalization in the 2022-2024 fiscal biennium and  
 9 thereafter until the earlier of June 30, 2038, or the date the bonds for the local school  
 10 district supported by this equalization funding are retired in accordance with KRS  
 11 157.621(3).

12 **(14) BRAC Equalized Facility Funding:** Notwithstanding KRS 157.621(1)(c)2.,  
 13 included in the above General Fund appropriation is \$2,318,800 in fiscal year 2020-2021  
 14 to provide equalized facility funding to school districts meeting the eligibility  
 15 requirements of KRS 157.621(1)(c)1. pursuant to KRS 157.440 and 157.620.

16 **(15) Equalization Funding for Critical Construction Needs Schools:** Included  
 17 in the above General Fund appropriation is \$6,932,600 in fiscal year 2020-2021 to school  
 18 districts in accordance with KRS 157.621(5).

19 **(16) Hold-Harmless Guarantee:** A modified hold-harmless guarantee is  
 20 established in fiscal year 2020-2021 which provides that every local school district shall  
 21 receive at least the same amount of SEEK state funding per pupil as was received in  
 22 fiscal year 1991-1992. If funds appropriated to the SEEK Program are insufficient to  
 23 provide the amount of money required under KRS 157.310 to 157.440, and allotments to  
 24 local school districts are reduced in accordance with KRS 157.430, allocations to school  
 25 districts subject to this provision shall not be reduced.

26 **(17) Residential Youth-at-Risk Programs:** In accordance with KRS 157.360, no  
 27 funds from the SEEK Program shall be distributed to the programs operated by the

1 Kentucky Guard Youth Challenge Division of the Department of Military Affairs.  
 2 Notwithstanding KRS 157.350, 157.360, 157.410, and any other statute to the contrary,  
 3 any school district providing educational services to students enrolled in programs  
 4 operated by the Kentucky Guard Youth Challenge Division of the Department of Military  
 5 Affairs shall be paid for those services solely from the General Fund appropriation in Part  
 6 I, A., 7. of this Act, and students enrolled in such programs shall not be included in the  
 7 average daily attendance for purposes of SEEK Program funding.

8 **2. OPERATIONS AND SUPPORT SERVICES**

	<b>2020-21</b>	<b>2021-22</b>
9		
10 General Fund	55,615,100	-0-
11 Restricted Funds	7,913,400	-0-
12 Federal Funds	410,152,800	-0-
13 TOTAL	473,681,300	-0-

14 **(1) Employment of Leadership Personnel:** Notwithstanding KRS 18A.005 to  
 15 18A.200, the Kentucky Board of Education shall continue to have sole authority to  
 16 determine the employees of the Department of Education who are exempt from the  
 17 classified service and to set those employees' compensation comparable to the  
 18 competitive market.

19 **(2) Debt Service:** Included in the above General Fund appropriation is \$959,500  
 20 in fiscal year 2020-2021 for new debt service to support new bonds as set forth in Part II,  
 21 Capital Projects Budget, of this Act.

22 **(3) Blind/Deaf Residential Travel Program:** Included in the above General  
 23 Fund appropriation is \$492,300 in fiscal year 2020-2021 for the Blind/Deaf Residential  
 24 Travel Program.

25 **(4) School Food Services:** Included in the above General Fund appropriation is  
 26 \$3,555,900 in fiscal year 2020-2021 for the School Food Services Program.

27 **(5) Advanced Placement and International Baccalaureate Exams:**

1 Notwithstanding KRS 160.348(3), included in the above General Fund appropriation is  
 2 \$1,000,000 in fiscal year 2020-2021 to pay the cost of Advanced Placement and  
 3 International Baccalaureate examinations for those students who meet the eligibility  
 4 requirements for free or reduced-price meals.

5 **(6) Review of the Classification of Primary and Secondary School Buildings:**

6 Included in the above General Fund appropriation is \$600,000 in fiscal year 2020-2021 to  
 7 implement KRS 157.420(9) and (10). Notwithstanding KRS 45.229, any portion of the  
 8 \$600,000 that has not been expended by the end of fiscal year 2020-2021 shall not lapse  
 9 and shall carry forward. Notwithstanding KRS 157.420(9) and (10), only schools  
 10 classified as A1, A2, A3, A4, A5, A6, C2, and D1 shall be included in the evaluation  
 11 process. Notwithstanding KRS 157.420(9) and (10), the Department of Education may  
 12 limit the school buildings included in the evaluation process based on the time elapsed  
 13 since the building's construction or last major renovation as defined in 702 KAR 4:160.  
 14 The Department of Education shall provide an updated list of school buildings evaluated  
 15 by the process pursuant to KRS 157.420(9) and (10) to the Legislative Research  
 16 Commission by October 1, 2021.

17 **(7) District Facility Plan Modifications:** Notwithstanding any statute to the

18 contrary, a district may modify its district facility plan without convening the local  
 19 planning committee for the sole purpose of complying with KRS 158.162(3)(d). Any  
 20 modification shall identify an unmet requirement of KRS 158.162(3)(d) as the highest  
 21 priority on the modified district facility plan, subject to approval by the local board of  
 22 education and the Commissioner of Education.

23 **3. LEARNING AND RESULTS SERVICES**

	<b>2020-21</b>	<b>2021-22</b>
24		
25 General Fund	1,076,768,700	-0-
26 Restricted Funds	38,248,400	-0-
27 Federal Funds	561,547,100	-0-



1 TOTAL 1,676,564,200 -0-

2 **(1) Kentucky Education Technology System:** Notwithstanding KRS 157.650 to  
 3 157.665, the School for the Deaf and the School for the Blind shall be fully eligible,  
 4 along with local school districts, to participate in the Kentucky Education Technology  
 5 System in a manner that takes into account the special needs of the students of these two  
 6 schools.

7 **(2) Family Resource and Youth Services Centers:** Funds appropriated to  
 8 establish and support Family Resource and Youth Services Centers shall be transferred in  
 9 fiscal year 2020-2021 to the Cabinet for Health and Family Services consistent with KRS  
 10 156.496. The Cabinet for Health and Family Services is authorized to use, for  
 11 administrative purposes, no more than three percent of the total funds transferred from  
 12 the Department of Education for the Family Resource and Youth Services Centers. If a  
 13 certified person is employed as a director or coordinator of a Family Resource and Youth  
 14 Services Center, that person shall retain his or her status as a certified employee of the  
 15 school district.

16 If 70 percent or more of the funding level provided by the state is utilized to support  
 17 the salary of the director of a center, that center shall provide a report to the Cabinet for  
 18 Health and Family Services and the State Budget Director identifying the salary of the  
 19 director. The Cabinet for Health and Family Services shall transmit any reports received  
 20 from Family Resource and Youth Services Centers pursuant to this paragraph to the  
 21 Legislative Research Commission.

22 **(3) Health Insurance:** Included in the above General Fund appropriation is  
 23 \$749,844,400 in fiscal year 2020-2021 for employer contributions for health insurance  
 24 and the contribution to the health reimbursement account for employees waiving  
 25 coverage.

26 **(4) Program Flexibility:** Notwithstanding KRS 158.070(8) and 158.446, local  
 27 school districts shall be provided additional flexibility in the utilization of funds for

1 Extended School Services and Safe Schools. Local school districts shall continue to  
 2 address the governing statutes and serve the intended student population but may utilize  
 3 funds from these programs for general operating expenses in fiscal year 2020-2021.  
 4 Local school districts that utilize these funds for general operating expenses shall report  
 5 to the Kentucky Department of Education and the Interim Joint Committee on Education  
 6 the amount of funding from each program utilized for general operating expenses.

7 **(5) Center for School Safety:** Included in the above General Fund appropriation  
 8 is \$13,000,000 in fiscal year 2020-2021 for the Center for School Safety.  
 9 Notwithstanding KRS 158.446, the Center for School Safety shall develop and  
 10 implement allotment policies for all moneys received for the purposes of KRS 158.440,  
 11 158.441, 158.4415, 158.4416, 158.442, 158.445, and 158.446, except that no more than  
 12 \$1,300,000 in fiscal year 2020-2021 may be retained for administrative purposes.

13 **(6) Allocations to School-Based Decision Making Councils:** Notwithstanding  
 14 KRS 160.345(8), for fiscal year 2020-2021, a local board of education may reduce the  
 15 allocations to individual schools within the district as outlined in 702 KAR 3:246, secs. 6,  
 16 7, and 8. The allocation under 702 KAR 3:246, sec. 6, shall not be less than \$100 per  
 17 pupil in average daily attendance.

18 **(7) Kentucky School for the Blind and Kentucky School for the Deaf:**  
 19 Included in the above General Fund appropriation is \$6,853,100 in fiscal year 2020-2021  
 20 for the Kentucky School for the Blind and \$10,080,600 in fiscal year 2020-2021 for the  
 21 Kentucky School for the Deaf.

22 **(8) Career and Technical Education:** Included in the above General Fund  
 23 appropriation is \$64,149,700 in fiscal year 2020-2021 for career and technical education.  
 24 Of this amount, \$12,043,500 in fiscal year 2020-2021 shall be distributed as  
 25 supplemental funding to local area vocational education centers. Notwithstanding KRS  
 26 157.069, Category II and III programs in districts that also enroll students at a state-  
 27 operated vocational education and technology center physically located in a different

1 time zone shall be included in the distribution. Notwithstanding KRS 157.069, Category  
 2 II and III programs in districts established after June 21, 2001, shall be included in the  
 3 distribution if approved by the Commissioner of Education.

4 **(9) Advisory Council for Gifted and Talented Education:** Notwithstanding  
 5 KRS 158.648(1), a member of the State Advisory Council for Gifted and Talented  
 6 Education may be reappointed but shall not serve more than five consecutive terms.  
 7 Notwithstanding KRS 158.648(1), a member of the Kentucky Association for Gifted  
 8 Education shall be a voting member of the State Advisory Council for Gifted and  
 9 Talented Education.

10 **(10) School-Based Mental Health Services Providers:** Included in the above  
 11 General Fund appropriation is \$7,412,500 in fiscal year 2020-2021 to fund additional  
 12 school-based mental health services provider full-time equivalent positions on a  
 13 reimbursement basis. The Kentucky Center for School Safety, in consultation with the  
 14 Office of the State School Security Marshal, shall develop criteria to determine which  
 15 districts shall receive funding to meet the requirements of KRS 158.4416(3)(a). The  
 16 criteria shall include:

- 17 (a) A local district's use of Medicaid funding to supplement General Fund;
- 18 (b) An equitable and balanced statewide distribution; and
- 19 (c) Any other criteria to support a trauma-informed approach in schools.

20 **(11) Redistribution of Resources:** Notwithstanding KRS 156.095, 156.553,  
 21 156.555, 157.390, 158.070, 158.770, 158.775, 158.805, 161.027 to 161.030, 161.165, and  
 22 161.167, no General Fund is provided for the Professional Development Program, the  
 23 Commonwealth School Improvement Fund, the Leadership and Mentor Fund, the Middle  
 24 School Academic Center, the Teacher's Professional Growth Fund, the Teacher  
 25 Academies Program, the Writing Program, the Kentucky Principal Internship Program,  
 26 the Kentucky Teacher Internship Program, and the Kentucky Academy for Equity in  
 27 Teaching in order to increase funding for school-based mental health services providers.

1           **(12) Learning and Results Services Programs:** Included in the above General  
 2 Fund appropriation are the following allocations for fiscal year 2020-2021, but no portion  
 3 of these funds shall be utilized for state-level administrative purposes:

- 4           (a) \$1,700,000 for AdvanceKentucky;
- 5           (b) \$1,200,000 for the Collaborative Center for Literacy Development;
- 6           (c) \$1,850,000 for the Community Education Program;
- 7           (d) \$23,916,300 for the Extended School Services Program;
- 8           (e) \$48,889,000 for the Family Resource and Youth Services Centers Program;
- 9           (f) \$6,208,400 for the Gifted and Talented Program;
- 10          (g) \$100,000 for the Hearing and Speech Center;
- 11          (h) \$100,000 for the Heuser Hearing and Language Academy;
- 12          (i) Notwithstanding KRS 154A.130(4), \$250,000 for the Jobs for America's  
 13 Graduates Program;
- 14          (j) \$250,000 for the Kentucky Alliance of Boys & Girls Clubs;
- 15          (k) \$9,465,500 for the Kentucky Educational Collaborative for State Agency  
 16 Children;
- 17          (l) \$1,391,000 for Local School District Life Insurance;
- 18          (m) \$5,019,000 for the Mathematics Achievement Fund;
- 19          (n) \$84,481,100 for the Preschool Program;
- 20          (o) \$15,936,600 for the Read to Achieve Program;
- 21          (p) \$1,300,000 for Save the Children;
- 22          (q) \$500,000 for Teach for America; and
- 23          (r) \$250,000 for the Visually Impaired Preschool Services Program.

24           **(13) Area Technology Center Authority:** Notwithstanding KRS 157.069, for the  
 25 first year a local board of education assumes authority for the management and control of  
 26 a state-operated secondary vocational education and technology center on or after the  
 27 effective date of this Act, the locally operated center shall receive funding in an amount

1 not less than 100 percent of the annual state General Fund appropriation allocated to the  
 2 center for on-site direct costs for the budget year immediately preceding the transfer,  
 3 including any amount allocated directly to the local district for use of district-owned  
 4 facilities. In the second year, after the local board of education assumes authority of a  
 5 state-operated center and annually thereafter, the center shall annually receive an amount  
 6 not less than 75 percent of the amount allocated to it the previous year. The remaining 25  
 7 percent of funds previously allocated to the center shall annually be allocated to locally  
 8 operated secondary area centers and vocational departments that do not receive state  
 9 supplemental funds under Part I, C., 3., (8) of this Act.

10 Notwithstanding KRS 156.844(1), if a state-operated secondary vocational  
 11 education and technology center serves more than one school district, any agreement  
 12 shall require the local board to continue to serve the additional school district or districts  
 13 through an interlocal agreement.

14 Notwithstanding KRS 156.844(2) and (5), a certified employee who has earned  
 15 continuing status in the state certified personnel system under KRS 156.800 to 156.860  
 16 may be granted a continuing service contract as defined in KRS 161.720 upon transfer to  
 17 a local board of education; a principal who has earned continuing status prior to transfer  
 18 may be granted a continuing service contract, but the provisions relating to demotion of  
 19 the principal under KRS 161.765 shall apply; and a classified employee who has four  
 20 years of continuous active service in the state certified personnel system under KRS  
 21 156.800 to 156.860 at the time of transfer may be offered an employment contract at the  
 22 time of transfer that shall be considered a continuing service contract as defined in KRS  
 23 161.720 for a minimum of five complete school terms.

24 **TOTAL - DEPARTMENT OF EDUCATION**

	<b>2020-21</b>	<b>2021-22</b>
25		
26 General Fund	4,106,080,500	-0-
27 Restricted Funds	46,161,800	-0-

1	Federal Funds	971,699,900	-0-
2	TOTAL	5,123,942,200	-0-

**D. EDUCATION AND WORKFORCE DEVELOPMENT CABINET**

**Budget Units**

**1. GENERAL ADMINISTRATION AND PROGRAM SUPPORT**

		2020-21	2021-22
6			
7	General Fund (Tobacco)	1,400,000	-0-
8	General Fund	6,705,400	-0-
9	Restricted Funds	7,968,800	-0-
10	Federal Funds	11,146,500	-0-
11	TOTAL	27,220,700	-0-

12       **(1) Early Childhood Development:** Included in the above General Fund  
 13 (Tobacco) appropriation is \$1,400,000 in fiscal year 2020-2021 for the Early Childhood  
 14 Advisory Council.

15       **(2) Governor's Scholars Program:** Included in the above General Fund  
 16 appropriation is \$1,758,700 in fiscal year 2020-2021 for the Governor's Scholars  
 17 Program.

18       **(3) Governor's School for Entrepreneurs:** Included in the above General Fund  
 19 appropriation is \$362,700 in fiscal year 2020-2021 for the Governor's School for  
 20 Entrepreneurs.

21       **(4) Kentucky Center for Statistics:** Included in the above General Fund  
 22 appropriation is \$1,200,000 in fiscal year 2020-2021 to sustain the State Longitudinal  
 23 Data System.

24       **(5) The Hope Center:** Included in the above General Fund appropriation is  
 25 \$100,000 in fiscal year 2020-2021 for the Hope Center.

**2. PROPRIETARY EDUCATION**

		<b>2020-21</b>	<b>2021-22</b>
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1	Restricted Funds	331,900	-0-
2	<b>3. DEAF AND HARD OF HEARING</b>		
3		<b>2020-21</b>	<b>2021-22</b>
4	General Fund	970,200	-0-
5	Restricted Funds	1,178,200	-0-
6	TOTAL	2,148,400	-0-
7	<b>4. KENTUCKY EDUCATIONAL TELEVISION</b>		
8		<b>2020-21</b>	<b>2021-22</b>
9	General Fund	15,054,000	-0-
10	Restricted Funds	1,524,800	-0-
11	TOTAL	16,578,800	-0-
12	<b>5. ENVIRONMENTAL EDUCATION COUNCIL</b>		
13		<b>2020-21</b>	<b>2021-22</b>
14	Restricted Funds	506,900	-0-
15	Federal Funds	316,000	-0-
16	TOTAL	822,900	-0-
17	<b>(1) Environmental Education Council:</b>	Notwithstanding	KRS 224.43-
18	505(2)(b),	the Council may use interest received to support the operations of the Council.	
19	<b>6. LIBRARIES AND ARCHIVES</b>		
20	<b>a. General Operations</b>		
21		<b>2020-21</b>	<b>2021-22</b>
22	General Fund	4,747,100	-0-
23	Restricted Funds	3,161,400	-0-
24	Federal Funds	2,586,400	-0-
25	TOTAL	10,494,900	-0-
26	<b>b. Direct Local Aid</b>		
27		<b>2020-21</b>	<b>2021-22</b>

1	General Fund	4,329,600	-0-
2	Restricted Funds	1,046,900	-0-
3	TOTAL	5,376,500	-0-

4       **(1) Per Capita Grants:** Notwithstanding KRS 171.201, no General Fund is  
 5 provided for non-construction state aid.

6       **(2) Public Libraries Facilities Construction:** Included in the above General  
 7 Fund appropriation is \$4,329,600 in fiscal year 2020-2021 for the Public Libraries  
 8 Facilities Construction Fund.

9       **TOTAL - LIBRARIES AND ARCHIVES**

10		<b>2020-21</b>	<b>2021-22</b>
11	General Fund	9,076,700	-0-
12	Restricted Funds	4,208,300	-0-
13	Federal Funds	2,586,400	-0-
14	TOTAL	15,871,400	-0-

15       **7. WORKFORCE INVESTMENT**

16		<b>2020-21</b>	<b>2021-22</b>
17	General Fund	34,867,900	-0-
18	Restricted Funds	14,227,100	-0-
19	Federal Funds	502,294,700	-0-
20	TOTAL	551,389,700	-0-

21       **(1) Unemployment Compensation Administration Fund:** Notwithstanding  
 22 KRS 341.240 and 341.295, funds from the Unemployment Compensation Administration  
 23 Fund may be used in fiscal year 2020-2021 to support the Wagner-Peyser Program.

24       **(2) Lapse and Carry Forward of General Fund Appropriation:** Not less than  
 25 \$2,000,000 of unexpended Office of Adult Education funds in fiscal year 2019-2020  
 26 shall lapse to the General Fund. Notwithstanding KRS 45.229, the General Fund balance  
 27 for the Office of Adult Education for fiscal year 2019-2020 and fiscal year 2020-2021



1 shall not lapse and shall carry forward.

2 **(3) Cafeteria Service Contracts:** No state agency shall enter into any contract  
 3 with a nongovernmental entity for the operation of food services provided in the  
 4 cafeterias located in the Kentucky Transportation Cabinet office building and/or the  
 5 Cabinet for Human Resources office building in Frankfort unless the Office of  
 6 Vocational Rehabilitation has declined in writing to provide such services.

7 **(4) Adult Education:** Included in the above General Fund appropriation is  
 8 \$18,407,600 in fiscal year 2020-2021 for the Office of Adult Education.

9 **(5) Employer and Apprenticeship Services:** Included in the above General  
 10 Fund appropriation is \$581,100 in fiscal year 2020-2021 for the Office of Employer and  
 11 Apprenticeship Services. The Education and Workforce Development Cabinet shall  
 12 provide a report by December 1, 2020, to the Interim Joint Committee on Education  
 13 detailing the use of these funds.

14 **TOTAL - EDUCATION AND WORKFORCE DEVELOPMENT CABINET**

	<b>2020-21</b>	<b>2021-22</b>
15		
16	General Fund (Tobacco) 1,400,000	-0-
17	General Fund 66,674,200	-0-
18	Restricted Funds 29,946,000	-0-
19	Federal Funds 516,343,600	-0-
20	TOTAL 614,363,800	-0-

21 **E. ENERGY AND ENVIRONMENT CABINET**

22 **Budget Units**

23 **1. SECRETARY**

	<b>2020-21</b>	<b>2021-22</b>
24		
25	General Fund 3,769,800	-0-
26	Restricted Funds 22,296,800	-0-
27	Federal Funds 1,337,000	-0-

1 TOTAL 27,403,600 -0-

2 **(1) Volkswagen Settlement:** Included in the above Restricted Funds  
 3 appropriation is \$20,378,600 in fiscal year 2020-2021 to administer the Consent Decrees  
 4 in Volkswagen "Clean Diesel" Marketing, Sales 14 Practices, and Products Liability  
 5 litigation. Of this amount:

6 (a) \$8,521,700 shall be used to reimburse local school districts for 50 percent of  
 7 the purchase cost to replace up to five school buses per district currently in daily use  
 8 meeting the necessary criteria with a chassis year of 2001 or earlier. If these funds are  
 9 insufficient to cover 50 percent of the purchase costs of districts that have requested  
 10 reimbursement by June 1, 2021, the reimbursement shall be pro rata reduced;

11 (b) \$8,521,700 shall be transferred to the Office of Transportation Delivery to  
 12 replace public transit buses meeting the necessary criteria. Priority shall be given to  
 13 maximizing Federal Transit Grants;

14 (c) \$3,056,700 shall be used for the purchase of light-duty, zero-emission vehicle  
 15 supply equipment meeting the necessary criteria. Recipients shall provide at least 50  
 16 percent of matching funds per project; and

17 (d) \$278,500 may be used for administrative costs.

18 Notwithstanding Part III, 2. of this Act, unexpended Restricted Funds appropriated  
 19 in this subsection shall become available for expenditure in the 2020-2022 biennium.

20 **2. ADMINISTRATIVE SERVICES**

	<b>2020-21</b>	<b>2021-22</b>
21 General Fund	5,175,900	-0-
22 Restricted Funds	4,350,300	-0-
23 Federal Funds	1,278,000	-0-
24 TOTAL	10,804,200	-0-

26 **3. ENVIRONMENTAL PROTECTION**

	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>
27			

1	General Fund	700,000	23,067,100	-0-
2	Restricted Funds	-0-	77,058,700	-0-
3	Federal Funds	-0-	24,427,800	-0-
4	Road Fund	-0-	320,900	-0-
5	TOTAL	700,000	124,874,500	-0-

6       **(1) Debt Service:** Included in the above General Fund appropriation is \$140,000  
7 in fiscal year 2020-2021 for new debt service to support new bonds as set forth in Part II,  
8 Capital Projects Budget, of this Act.

9       **4. NATURAL RESOURCES**

10		<b>2020-21</b>	<b>2021-22</b>
11	General Fund (Tobacco)	3,386,800	-0-
12	General Fund	36,068,600	-0-
13	Restricted Funds	13,722,600	-0-
14	Federal Funds	59,074,400	-0-
15	TOTAL	112,252,400	-0-

16       **(1) Emergency Forest Fire Suppression:** Not less than \$2,500,000 of the above  
17 General Fund appropriation in fiscal year 2020-2021 shall be set aside for emergency  
18 forest fire suppression. Any portion of the \$2,500,000 not expended for emergency forest  
19 fire suppression shall lapse to the General Fund at the end of the fiscal year. There is  
20 appropriated from the General Fund the necessary funds, subject to the conditions and  
21 procedures provided in this Act, which are required as a result of emergency fire  
22 suppression activities in excess of \$2,500,000 in fiscal year 2020-2021. Fire suppression  
23 costs in excess of \$2,500,000 annually shall be deemed necessary government expenses  
24 and shall be paid from the General Fund Surplus Account (KRS 48.700) or the Budget  
25 Reserve Trust Fund Account (KRS 48.705).

26       **(2) Environmental Stewardship Program:** Included in the above General Fund  
27 (Tobacco) appropriation is \$2,479,500 in fiscal year 2020-2021 for the Environmental

1 Stewardship Program.

2 **(3) Conservation District Local Aid:** Included in the above General Fund  
 3 (Tobacco) appropriation is \$907,300 in fiscal year 2020-2021 for the Division of  
 4 Conservation to provide direct aid to local conservation districts.

5 **(4) Mine Safety Specialists:** It is the intent of the 2020 General Assembly to  
 6 fund Mine Safety Specialists with coal severance tax collections in the 2022-2024 fiscal  
 7 biennium.

8 **(5) Mine Safety Specialist Vacancies:** No Mine Safety Specialist vacancies shall  
 9 be filled in the 2020-2022 fiscal biennium.

10 **5. ENERGY POLICY**

	<b>2020-21</b>	<b>2021-22</b>
11		
12 General Fund	361,300	-0-
13 Restricted Funds	1,031,900	-0-
14 Federal Funds	546,200	-0-
15 TOTAL	1,939,400	-0-

16 **6. KENTUCKY NATURE PRESERVES**

	<b>2020-21</b>	<b>2021-22</b>
17		
18 General Fund	1,253,600	-0-
19 Restricted Funds	2,065,800	-0-
20 Federal Funds	113,900	-0-
21 TOTAL	3,433,300	-0-

22 **7. PUBLIC SERVICE COMMISSION**

	<b>2020-21</b>	<b>2021-22</b>
23		
24 General Fund	16,656,600	-0-
25 Restricted Funds	721,600	-0-
26 Federal Funds	710,600	-0-
27 TOTAL	18,088,800	-0-

1           **(1) Lapse of General Fund Appropriation Balance:** Notwithstanding KRS  
 2 278.150(3), \$7,185,200 in fiscal year 2020-2021 shall lapse to the General Fund.

3           **(2) Kentucky State Board on Electric Generation and Transmission Siting:**  
 4 Notwithstanding Part III, 2. of this Act, unexpended Restricted Funds appropriated for  
 5 the purposes of administering KRS 278.700 to 278.716 shall become available for  
 6 expenditure in the 2020-2022 biennium.

7 **TOTAL - ENERGY AND ENVIRONMENT CABINET**

	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>
8           General Fund (Tobacco)	-0-	3,386,800	-0-
9           General Fund	700,000	86,352,900	-0-
10          Restricted Funds	-0-	121,247,700	-0-
11          Federal Funds	-0-	87,487,900	-0-
12          Road Fund	-0-	320,900	-0-
13          TOTAL	700,000	298,796,200	-0-

14                           **F. FINANCE AND ADMINISTRATION CABINET**

15 **Budget Units**

16 **1. GENERAL ADMINISTRATION**

	<b>2020-21</b>	<b>2021-22</b>
17          General Fund	7,129,200	-0-
18          Restricted Funds	29,016,000	-0-
19          Road Fund	273,600	-0-
20          TOTAL	36,418,800	-0-

21           **(1) State Motor Vehicle Fleet:** The Secretary of the Finance and Administration  
 22 Cabinet shall restrict permanently assigned vehicles to only Constitutional Officers, the  
 23 Court of Justice, Executive Cabinet Secretaries, law enforcement, and those who are  
 24 assigned vehicles for other public safety purposes. A report listing the recipients of  
 25 permanently assigned vehicles from the State Motor Vehicle Fleet shall be submitted to  
 26  
 27

1 the Interim Joint Committee on Appropriations and Revenue by August 1 of each fiscal  
 2 year. The above General Fund appropriation shall be used to assist with development of  
 3 this report. Should the report not be submitted timely, the entire above General Fund  
 4 appropriation shall be forfeited and all remaining funds shall lapse to the General Fund.

5 **2. CONTROLLER**

	<b>2020-21</b>	<b>2021-22</b>
6		
7 General Fund	5,576,700	-0-
8 Restricted Funds	14,352,700	-0-
9 TOTAL	19,929,400	-0-

10 **(1) Social Security Contingent Liability Fund:** Any expenditures that may be  
 11 required by KRS 61.470 are hereby deemed necessary government expenses and shall be  
 12 paid first from the General Fund Surplus Account (KRS 48.700), if available, or from any  
 13 available balance in the Budget Reserve Trust Fund Account (KRS 48.705), subject to  
 14 the conditions and procedures provided in this Act.

15 **3. INSPECTOR GENERAL**

	<b>2020-21</b>	<b>2021-22</b>
16		
17 General Fund	596,000	-0-
18 Restricted Funds	673,700	-0-
19 TOTAL	1,269,700	-0-

20 **4. DEBT SERVICE**

	<b>2020-21</b>	<b>2021-22</b>
21		
22 General Fund (Tobacco)	30,863,200	-0-
23 General Fund	491,964,100	-0-
24 TOTAL	522,827,300	-0-

25 **(1) General Fund (Tobacco) Debt Service Lapse:** Notwithstanding Part X, (4)  
 26 of this Act, \$1,926,600 in fiscal year 2020-2021 shall lapse to the General Fund.

27 **5. FACILITIES AND SUPPORT SERVICES**

	<b>2020-21</b>	<b>2021-22</b>
1		
2     General Fund	4,002,000	-0-
3     Restricted Funds	54,782,600	-0-
4     TOTAL	58,784,600	-0-

5       **(1) Debt Service:** Included in the above General Fund appropriation is \$533,000  
6 in fiscal year 2020-2021 for new debt service to support new bonds as set forth in Part II,  
7 Capital Projects Budget, of this Act.

8   **6. COUNTY COSTS**

	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>
9			
10    General Fund	2,800,000	19,743,500	-0-
11    Restricted Funds	-0-	1,702,500	-0-
12    TOTAL	2,800,000	21,446,000	-0-

13       **(1) County Costs:** Funds required to pay county costs are appropriated and  
14 additional funds may be allotted from the General Fund Surplus Account (KRS 48.700)  
15 or the Budget Reserve Trust Fund Account (KRS 48.705) by the Secretary of the Finance  
16 and Administration Cabinet, subject to the conditions and procedures provided in this  
17 Act.

18       **(2) Reimbursement to Sheriffs’ Offices for Court Security Services:**  
19 Notwithstanding KRS 64.092(6), the sheriff or other law enforcement officer serving a  
20 Circuit or District Court shall be compensated at the rate of \$9 per hour of service.

21       **(3) Sheriffs’ Expense Allowance:** Notwithstanding KRS 70.170, each sheriff  
22 performing the duties required under the provisions of KRS 70.150 shall be allowed the  
23 amount of \$2,400 annually, payable out of the State Treasury at the rate of \$200 per  
24 month for such services in the 2020-2022 fiscal biennium.

25   **7. COMMONWEALTH OFFICE OF TECHNOLOGY**

	<b>2020-21</b>	<b>2021-22</b>
26		
27    Restricted Funds	134,891,600	-0-

1	Federal Funds	150,400	-0-
2	TOTAL	135,042,000	-0-

3       **(1) Computer Services Fund Receipts:** The Secretary of the Finance and  
 4 Administration Cabinet shall provide a listing of fee receipts from the Executive,  
 5 Judicial, and Legislative Branches of government itemized by appropriation units, cost  
 6 allocation methodology, and a report detailing the rebate of excess fee receipts to the  
 7 agencies to the Interim Joint Committee on Appropriations and Revenue by August 1 of  
 8 each fiscal year.

9       **(2) Service Rates:** Notwithstanding KRS 45.253(6), the Commonwealth Office  
 10 of Technology shall maintain the rate schedule in effect in fiscal year 2019-2020 for  
 11 services rendered or materials furnished during the 2020-2022 fiscal biennium, unless the  
 12 services or materials are required by law to be furnished gratuitously. Enterprise  
 13 assessments and security assessments not directly related to specific rated services shall  
 14 not exceed fiscal year 2019-2020 levels.

15       **8. REVENUE**

		<b>2020-21</b>	<b>2021-22</b>
16			
17	General Fund (Tobacco)	250,000	-0-
18	General Fund	99,714,100	-0-
19	Restricted Funds	13,091,800	-0-
20	Road Fund	3,773,800	-0-
21	TOTAL	116,829,700	-0-

22       **(1) Operations of Revenue:** Notwithstanding KRS 132.672, 134.552(2),  
 23 136.652, and 365.390(2), funds may be expended in support of the operations of the  
 24 Department of Revenue.

25       **(2) State Enforcement:** Notwithstanding KRS 248.654 and 248.703(4), a total of  
 26 \$250,000 of the Tobacco Settlement payments received in fiscal year 2020-2021 is  
 27 appropriated to the Finance and Administration Cabinet, Department of Revenue for the



1 state's diligent enforcement of noncompliant nonparticipating manufacturers.

2 **9. PROPERTY VALUATION ADMINISTRATORS**

	<b>2020-21</b>	<b>2021-22</b>
4 General Fund	56,446,700	-0-
5 Restricted Funds	3,500,000	-0-
6 TOTAL	59,946,700	-0-

7 **(1) Management of Expenditures:** Notwithstanding KRS 132.590 and 132.597,  
 8 the property valuation administrators are authorized to take necessary actions to manage  
 9 expenditures within the appropriated amounts contained in this Act.

10 **(2) Property Valuation Administrators' Expense Allowance:** Notwithstanding  
 11 KRS 132.597, each property valuation administrator shall receive an expense allowance  
 12 of \$2,400 annually, payable out of the State Treasury at the rate of \$200 per month in the  
 13 2020-2022 fiscal biennium.

14 **(3) Salary Increment:** Notwithstanding KRS 132.590, no increment is provided  
 15 on the base salary or wages of each eligible property valuation administrator.

16 **TOTAL - FINANCE AND ADMINISTRATION CABINET**

	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>
18 General Fund (Tobacco)	-0-	31,113,200	-0-
19 General Fund	2,800,000	685,172,300	-0-
20 Restricted Funds	-0-	252,010,900	-0-
21 Federal Funds	-0-	150,400	-0-
22 Road Fund	-0-	4,047,400	-0-
23 TOTAL	2,800,000	972,494,200	-0-

24 **G. HEALTH AND FAMILY SERVICES CABINET**

25 **Budget Units**

26 **1. GENERAL ADMINISTRATION AND PROGRAM SUPPORT**

	<b>2020-21</b>	<b>2021-22</b>
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1	General Fund	10,323,200	-0-
2	Restricted Funds	49,866,200	-0-
3	Federal Funds	48,932,500	-0-
4	TOTAL	109,121,900	-0-

5       **(1) Debt Service:** Included in the above General Fund appropriation is \$199,000  
6 in fiscal year 2020-2021 for new debt service to support new bonds as set forth in Part II,  
7 Capital Projects Budget, of this Act.

8       **(2) Human Services Transportation Delivery:** Notwithstanding KRS 281.010,  
9 the Kentucky Works Program shall not participate in the Human Services Transportation  
10 Delivery Program or the Coordinated Transportation Advisory Committee.

11       **(3) Federally Funded Positions:** Notwithstanding KRS 18A.010(2) and any  
12 provisions of this Act to the contrary, direct service units of the Office of Inspector  
13 General, Department for Income Support, Office for Children with Special Health Care  
14 Needs, Department for Community Based Services, Department for Behavioral Health,  
15 Developmental and Intellectual Disabilities, Family Resource Centers and Volunteer  
16 Services, Department for Aging and Independent Living, and the Department for Public  
17 Health shall be authorized to establish and fill such positions that are 100 percent  
18 federally funded for salary and fringe benefits.

19       **(4) Kentucky All Schedule Prescription Electronic Reporting (KASPER)**  
20 **System:** In accordance with the appropriation as set forth in Part II, G., 1., 002. of this  
21 Act, the Cabinet for Health and Family Services shall issue a Request for Proposals to  
22 determine if a vendor can provide a system that is a scalable, cloud-based solution and is  
23 capable of best practices, including analytics and administrative dashboards, that also  
24 enables critical communications between practitioners, administrators, and doctors, and  
25 readily bridges patient transition directly to treatment. The Cabinet may include  
26 additional requirements for system functionalities that may improve the implementation  
27 of a new KASPER program.

1           **(5) Special Olympics:** Included in the above General Fund appropriation is  
 2 \$50,000 in fiscal year 2020-2021 to support the operations of Special Olympics  
 3 Kentucky.

4           **2. OFFICE FOR CHILDREN WITH SPECIAL HEALTH CARE NEEDS**

	<b>2020-21</b>	<b>2021-22</b>
6           General Fund	3,863,100	-0-
7           Restricted Funds	11,439,500	-0-
8           Federal Funds	4,551,800	-0-
9           TOTAL	19,854,400	-0-

10          **3. MEDICAID SERVICES**

11          **a. Medicaid Administration**

	<b>2020-21</b>	<b>2021-22</b>
13          General Fund	59,304,800	-0-
14          Restricted Funds	10,547,500	-0-
15          Federal Funds	165,853,300	-0-
16          TOTAL	235,705,600	-0-

17          **(1) Transfer of Excess Administrative Funds for Medicaid Benefits:** If any  
 18 portion of the above General Fund appropriation in either fiscal year is deemed to be in  
 19 excess of the necessary expenses for administration of the Department, the amount may  
 20 be used for Medicaid Benefits in accordance with statutes governing the functions and  
 21 activities of the Department for Medicaid Services. In no instance shall these excess  
 22 funds be used without prior written approval of the State Budget Director to:

- 23           (a) Establish a new program;
- 24           (b) Expand the services of an existing program; or
- 25           (c) Increase rates or payment levels in an existing program.

26          Any transfer authorized under this subsection shall be approved by the Secretary of  
 27 the Finance and Administration Cabinet upon recommendation of the State Budget

1 Director.

2 **(2) Medicaid Service Category Expenditure Information:** No Medicaid  
 3 managed care contract shall be valid and no payment to a Medicaid managed care vendor  
 4 by the Finance and Administration Cabinet or the Cabinet for Health and Family Services  
 5 shall be made, unless the Medicaid managed care contract contains a provision that the  
 6 contractor shall collect Medicaid expenditure data by the categories of services paid for  
 7 by the Medicaid Program. Actual statewide Medicaid expenditure data by all categories  
 8 of Medicaid services, including mandated and optional Medicaid services, special  
 9 expenditures/offsets, and Disproportionate Share Hospital payments by type of hospital,  
 10 shall be compiled by the Department for Medicaid Services for all Medicaid providers  
 11 and forwarded to the Interim Joint Committee on Appropriations and Revenue on a  
 12 quarterly basis. Projections of Medicaid expenditures by categories of Medicaid services  
 13 shall be provided to the Interim Joint Committee on Appropriations and Revenue upon  
 14 request.

15 **b. Medicaid Benefits**

	<b>2020-21</b>	<b>2021-22</b>
17 General Fund	2,002,581,200	-0-
18 Restricted Funds	820,676,300	-0-
19 Federal Funds	9,368,265,900	-0-
20 TOTAL	12,191,523,400	-0-

21 **(1) Transfer of Medicaid Benefits Funds:** Any portion of the General Fund  
 22 appropriation in either fiscal year that is deemed to be necessary for the administration of  
 23 the Medicaid Program may be transferred from the Medicaid Benefits budget unit to the  
 24 Medicaid Administration budget unit in accordance with statutes governing the functions  
 25 and activities of the Department for Medicaid Services. The Secretary shall recommend  
 26 any proposed transfer to the State Budget Director for approval prior to transfer. Such  
 27 action shall be reported by the Cabinet for Health and Family Services to the Interim

1 Joint Committee on Appropriations and Revenue.

2       **(2) Intergovernmental Transfers (IGTs):** Any funds received through an  
3 Intergovernmental Transfer (IGT) agreement between the Department for Medicaid  
4 Services and other governmental entities, in accordance with a federally approved State  
5 Plan amendment, shall be used to provide for the health and welfare of the citizens of the  
6 Commonwealth through the provision of Medicaid Benefits. Revenues from IGTs are  
7 contingent upon agreement by the parties, including but not limited to the Cabinet for  
8 Health and Family Services, Department for Medicaid Services, and the appropriate  
9 providers. The Secretary of the Cabinet for Health and Family Services shall make the  
10 appropriate interim appropriations increase requests pursuant to KRS 48.630.

11       **(3) Medicaid Benefits Budget Deficit:** If Medicaid Benefits expenditures are  
12 projected to exceed available funds, the Secretary of the Cabinet for Health and Family  
13 Services may recommend and implement that reimbursement rates, optional services,  
14 eligibles, or programs be reduced or maintained at levels existing at the time of the  
15 projected deficit in order to avoid a budget deficit. The projected deficit shall be  
16 confirmed and approved by the Office of State Budget Director. No rate, service, eligible,  
17 or program reductions shall be implemented by the Cabinet for Health and Family  
18 Services without written notice of such action to the Interim Joint Committee on  
19 Appropriations and Revenue and the State Budget Director. Such actions taken by the  
20 Cabinet for Health and Family Services shall be reported, upon request, at the next  
21 meeting of the Interim Joint Committee on Appropriations and Revenue.

22       **(4) Kentucky Access Fund:** Notwithstanding KRS 304.17B-021, funds are  
23 transferred from this source to Medicaid Benefits in each fiscal year.

24       **(5) Disproportionate Share Hospital (DSH) Program:** Hospitals shall report  
25 the uncompensated care for which, under federal law, the hospital is eligible to receive  
26 disproportionate share payments. Disproportionate share payments shall equal the  
27 maximum amounts established under federal law.

1           **(6) Medicaid Pharmacy:** Notwithstanding KRS 205.6312(4), a pharmacy  
2 provider participating in the Medical Assistance Program or a pharmacy provider serving  
3 Kentucky Medicaid recipients through a Medicaid Managed Care Organization shall not  
4 be required to serve an eligible recipient if the recipient does not make the required  
5 copayment at the time of service. An exception to this provision shall be an encounter  
6 when a recipient presents a condition which could result in harm to the recipient if left  
7 untreated, in which case the pharmacist shall dispense a 72-hour emergency supply of the  
8 required medicine. The recipient may then return to the pharmacy with the necessary  
9 copayment to obtain the remainder of the prescription. Only one dispensing fee shall be  
10 paid by the Cabinet for the provision of both the emergency supply and the remainder of  
11 the prescription. The Medicaid Managed Care Organization shall determine its policies  
12 with respect to dispensing fees.

13           **(7) Hospital Indigent Patient Billing:** Hospitals shall not bill patients for  
14 services if the services have been reported to the Cabinet and the hospital has received  
15 disproportionate share payments for the specific services.

16           **(8) Provider Tax Information:** Any provider who posts a sign or includes  
17 information on customer receipts or any material distributed for public consumption  
18 indicating that it has paid provider tax shall also post, in the same size typeset as the  
19 provider tax information, the amount of payment received from the Department for  
20 Medicaid Services during the same period the provider tax was paid. Providers who fail  
21 to meet this requirement shall be excluded from the Disproportionate Share Hospital and  
22 Medicaid Programs. The Cabinet for Health and Family Services shall include this  
23 provision in facilities' annual licensure inspections.

24           **(9) Medicaid Budget Analysis Reports:** The Department for Medicaid Services  
25 shall submit a quarterly budget analysis report to the Interim Joint Committee on  
26 Appropriations and Revenue no later than 75 days after the quarter's end. The report shall  
27 provide monthly detail of actual expenditures, eligibles, and average monthly cost per

1 eligible by eligibility category along with current trailing 12-month averages for each of  
2 these figures. The report shall also provide actual figures for all categories of noneligible-  
3 specific expenditures such as Supplemental Medical Insurance premiums, Kentucky  
4 Patient Access to Care, nonemergency transportation, drug rebates, cost settlements, and  
5 Disproportionate Share Hospital payments by type of hospital. The report shall compare  
6 the actual expenditure experience with those underlying the enacted or revised enacted  
7 budget and explain any significant variances which may occur.

8 **(10) Medicaid Managed Care Organization Reporting:** Except as provided by  
9 KRS 61.878, all records and correspondence relating to Kentucky Medicaid, revenues  
10 derived from Kentucky Medicaid funds, and expenditures utilizing Kentucky Medicaid  
11 funds of a Medicaid managed care company operating within the Commonwealth shall be  
12 subject to the Kentucky Open Records Act, KRS 61.870 to 61.884. All records and  
13 correspondence relating to Medicaid specifically prohibited from disclosure by the  
14 federal Health Insurance Portability and Accountability Act privacy rules shall not be  
15 provided under this Act.

16 No later than 60 days after the end of a quarter, each Medicaid managed care  
17 company operating within the Commonwealth shall prepare and submit to the  
18 Department for Medicaid Services sufficient information to allow the department to meet  
19 the following requirements 90 days after the end of the quarter. The Department shall  
20 forward to the Legislative Research Commission Budget Review Office a quarterly  
21 report detailing monthly actual expenditures by service category, monthly eligibles, and  
22 average monthly cost per eligible for Medicaid and the Kentucky Children's Health  
23 Insurance Program (KCHIP) along with current trailing 12-month averages for each of  
24 these figures. The report shall also provide actual figures for other categories such as  
25 pharmacy rebates and reinsurance. Finally, the Department shall include in this report the  
26 most recent information or report available regarding the amount withheld to meet  
27 Department of Insurance reserve requirements, and any distribution of moneys received

1 or retained in excess of these reserve requirements.

2 **(11) Critical Access Hospitals:** Beginning with the effective date of this Act  
3 through June 30, 2022, no acute care hospital shall convert to a critical access hospital  
4 unless the hospital has either received funding for a feasibility study from the Kentucky  
5 State Office of Rural Health or filed a written request by January 1, 2020, with the  
6 Kentucky State Office of Rural Health requesting funding for conducting a feasibility  
7 study.

8 **(12) Appeals:** An appeal from denial of a service or services provided by a  
9 Medicaid managed care organization for medical necessity, or denial, limitation, or  
10 termination of a health care service in a case involving a medical or surgical specialty or  
11 subspecialty, shall, upon request of the recipient, authorized person, or provider, include  
12 a review by a board-eligible or board-certified physician in the appropriate specialty or  
13 subspecialty area; except in the case of a health care service rendered by a chiropractor or  
14 optometrist, for which the denial shall be made respectively by a chiropractor or  
15 optometrist duly licensed in Kentucky as specified in KRS 304.17A-607(1)(b). The  
16 physician reviewer shall not have participated in the initial review and denial of service  
17 and shall not be the provider of the service or services under consideration in the appeal.

18 **(13) Medicaid Prescription Benefits Reporting:** Notwithstanding KRS 205.647,  
19 the Department for Medicaid Services shall submit a report to the Interim Joint  
20 Committee on Appropriations and Revenue and the Medicaid Oversight and Advisory  
21 Committee by December 1 of each fiscal year on the dispensing of prescription  
22 medications to persons eligible under KRS 205.560. The report shall include:

23 (a) The total Medicaid dollars paid to the state pharmacy benefit manager by a  
24 managed care organization;

25 (b) The total amount of Medicaid dollars paid to the state pharmacy benefit  
26 manager by a managed care organization which were not subsequently paid to a  
27 pharmacy licensed in Kentucky;



1 (c) The average reimbursement by drug ingredient cost, dispensing fee, and any  
 2 other fee paid by the state pharmacy benefit manager to licensed pharmacies with which  
 3 the state pharmacy benefit manager shares common ownership, management, or control;  
 4 or which are owned, managed, or controlled by any of the state pharmacy benefit  
 5 manager's management companies, parent companies, subsidiary companies, jointly held  
 6 companies, or companies otherwise affiliated by a common owner, manager, or holding  
 7 company; or which share any common members on the board of directors; or which share  
 8 managers in common;

9 (d) The average reimbursement by drug ingredient cost, dispensing fee, or any  
 10 other fee paid by the state pharmacy benefit manager to pharmacies licensed in Kentucky  
 11 which operate ten locations, ten or fewer locations, or ten or more locations; and

12 (e) All common ownership, management, common members of a board of  
 13 directors, shared managers, or control of the state pharmacy benefit manager, or any of  
 14 the state pharmacy benefit manager's management companies, parent companies,  
 15 subsidiary companies, jointly held companies, or companies otherwise affiliated by a  
 16 common owner, manager, or holding company with any managed care organization  
 17 contracted to administer Kentucky Medicaid benefits, any entity which contracts on  
 18 behalf of a pharmacy, or any pharmacy services administration organization, or any  
 19 common ownership management, common members of a board of directors, shared  
 20 managers, or control of a pharmacy services administration organization that is  
 21 contracted with the state pharmacy benefit manager, with any drug wholesaler or  
 22 distributor or any of the pharmacy services administration organizations, management  
 23 companies, parent companies, subsidiary companies, jointly held companies, or  
 24 companies otherwise affiliated by a common owner, common members of a board of  
 25 directors, manager, or holding company.

26 **(14) Kentucky Children's Health Insurance Program (KCHIP):** Included in  
 27 the above appropriation is \$46,453,100 in General Fund, \$500,000 in Restricted Funds,

1 and \$234,638,800 in Federal Funds in fiscal year 2020-2021 to support the continuation  
 2 of KCHIP services.

3 **(15) Supports for Community Living Waiver Program Rates:** If the Supports  
 4 for Community Living Waiver Program experiences a material change in funding based  
 5 upon a new or amended waiver that is approved by the Centers for Medicare and  
 6 Medicaid Services, the Department for Medicaid Services may adjust the upper payment  
 7 limit amount for a Supports for Community Living Waiver Program service as long as  
 8 the upper payment limit for each service is not less than the upper payment limit in effect  
 9 on January 1, 2020.

10 **(16) Substance Abuse Treatment for Incarcerated Individuals - Medicaid**  
 11 **Demonstration Waiver:** Within ninety days after the effective date of this Act, the  
 12 Department for Medicaid Services shall develop and submit an application for a Section  
 13 1115 demonstration waiver under 42 U.S.C. sec. 1315 to provide Medicaid coverage for  
 14 substance use disorder treatment, including peer support services, to individuals  
 15 incarcerated for a conviction under KRS Chapter 218A. Upon approval of the waiver, the  
 16 cost of treatment for a substance use disorder or patient navigation provided by a licensed  
 17 clinical social worker shall be a covered Medicaid benefit for an incarcerated individual.

18 **TOTAL - MEDICAID SERVICES**

	<b>2020-21</b>	<b>2021-22</b>
19		
20	General Fund	2,061,886,000
21	Restricted Funds	831,223,800
22	Federal Funds	9,534,119,200
23	TOTAL	12,427,229,000

24 **4. BEHAVIORAL HEALTH, DEVELOPMENTAL AND INTELLECTUAL**  
 25 **DISABILITIES**

	<b>2020-21</b>	<b>2021-22</b>
26		
27	General Fund (Tobacco)	1,916,000

1	General Fund	171,573,900	-0-
2	Restricted Funds	187,519,500	-0-
3	Federal Funds	70,602,900	-0-
4	TOTAL	431,612,300	-0-

5       **(1) Disproportionate Share Hospital Funds:** Pursuant to KRS 205.640(3)(a)2.,  
6 mental health disproportionate share funds are budgeted at the maximum amounts  
7 permitted by Section 1923(h) of the Social Security Act. Upon publication in the Federal  
8 Register of the Annual Institutions for Mental Disease (IMD) Disproportionate Share  
9 Hospital (DSH) limit, 92.3 percent of the federal IMD DSH limit goes to the state-  
10 operated mental hospitals. If there are remaining funds within the psychiatric pool after  
11 all private psychiatric hospitals reach their hospital-specific DSH limit, state mental  
12 hospitals may exceed the 92.3 percent limit but may not exceed their hospital-specific  
13 DSH limit.

14       **(2) Lease Payments for Eastern State Hospital:** Included in the above General  
15 Fund appropriation is \$11,256,700 in fiscal year 2020-2021 to make lease payments to  
16 the Lexington-Fayette Urban County Government to retire its debt for the construction of  
17 the new facility.

18       **(3) Tobacco Settlement Funds:** Included in the above General Fund (Tobacco)  
19 appropriation is \$1,416,000 in fiscal year 2020-2021 for substance abuse prevention and  
20 treatment for pregnant women with a history of substance abuse problems.

21       **(4) Debt Service:** Included in the above General Fund appropriation is \$275,000  
22 in fiscal year 2020-2021 for new debt service to support new bonds as set forth in Part II,  
23 Capital Projects Budget, of this Act.

24       **(5) Kentucky Rural Mental Health and Suicide Prevention Pilot Program:**  
25 Included in the above General Fund (Tobacco) appropriation is \$500,000 in fiscal year  
26 2020-2021 to support the Kentucky Rural Mental Health and Suicide Prevention pilot  
27 program. The Department for Behavioral Health, Developmental and Intellectual

1 Disabilities shall coordinate with the Kentucky Department of Agriculture, the University  
2 of Kentucky Southeast Center for Agricultural Health and Injury Prevention, and other  
3 entities to enhance awareness of the National Suicide Prevention Lifeline (988) in rural  
4 communities in Kentucky and to improve access to information on mental health issues  
5 and available treatment services. The Department for Behavioral Health, Developmental  
6 and Intellectual Disabilities shall provide cultural competency training to staff to address  
7 the unique mental health challenges affecting the state's rural communities. The  
8 Department for Behavioral Health, Developmental and Intellectual Disabilities shall also  
9 provide outreach, treatment, and other necessary services to improve the mental health  
10 outcomes of rural communities in Kentucky. The Department for Behavioral Health,  
11 Developmental and Intellectual Disabilities, in conjunction with the Kentucky  
12 Department of Agriculture and the University of Kentucky Southeast Center for  
13 Agricultural Health and Injury Prevention, shall apply for federal funds as provided by  
14 the Agriculture Improvement Act of 2018, 7 U.S.C. sec. 5936, to supplement the General  
15 Fund (Tobacco) appropriation provided above. The Cabinet for Health and Family  
16 Services shall submit a report on the results of the pilot program, including but not  
17 limited to the number of participants, the mental health issues addressed, and the funding  
18 used to the Interim Joint Committee on Appropriations and Revenue and the Interim Joint  
19 Committee on Agriculture by June 30, 2021.

20 **(6) The Healing Place:** Included in the above General Fund appropriation is  
21 \$900,000 in fiscal year 2020-2021 to support direct services to clients provided by The  
22 Healing Place.

23 **(7) Regional Mental Health/Mental Retardation Boards Retirement Cost:**  
24 Included in the above General Fund appropriation is \$23,274,100 in fiscal year 2020-  
25 2021 for Regional Mental Health/Mental Retardation Boards to assist them with  
26 employer contributions for the Kentucky Employees Retirement System. In July and  
27 January of each year, the Department for Behavioral Health, Developmental and

1 Intellectual Disabilities shall obtain the total creditable compensation reported by each  
 2 Regional Mental Health/Mental Retardation Board to the Kentucky Retirement System  
 3 and utilize that number to determine how much of this total appropriation shall be  
 4 distributed to each Regional Mental Health/Mental Retardation Board. Payments to the  
 5 Mental Health/Mental Retardation Boards shall be made on September 1 and April 1 of  
 6 each fiscal year.

7 **5. PUBLIC HEALTH**

	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>
8			
9	General Fund (Tobacco)	-0-	11,873,100
10	General Fund	300,000	78,915,500
11	Restricted Funds	-0-	87,388,300
12	Federal Funds	-0-	191,400,300
13	TOTAL	300,000	369,577,200

14 **(1) Tobacco Settlement Funds:** Included in the above General Fund (Tobacco)  
 15 appropriation is \$7,000,000 in fiscal year 2020-2021 for the Health Access Nurturing  
 16 Development Services (HANDS) Program, \$942,000 in fiscal year 2020-2021 for  
 17 Healthy Start initiatives, \$942,000 in fiscal year 2020-2021 for Early Childhood Mental  
 18 Health, \$989,100 in fiscal year 2020-2021 for Early Childhood Oral Health, and  
 19 \$2,000,000 in fiscal year 2020-2021 for Smoking Cessation.

20 **(2) Local and District Health Department Retirement Cost:** Included in the  
 21 above General Fund appropriation is \$25,394,600 in fiscal year 2020-2021 for Local and  
 22 District Health Departments to assist them with employer contributions for the Kentucky  
 23 Employees Retirement System. In July and January of each year, the Department for  
 24 Public Health shall obtain the total creditable compensation reported by each Local and  
 25 District Health Department Board to the Kentucky Retirement System and utilize that  
 26 number to determine how much of this total appropriation shall be distributed to each  
 27 department. Payments to the Local and District Health Departments shall be made on

1 September 1 and April 1 of each fiscal year.

2 **(3) Local and District Health Department Fees:** Notwithstanding KRS 211.170  
 3 and 211.180, local and district health departments shall retain 90 percent of the fees  
 4 collected for delivering foundational public health program services to fund the costs of  
 5 operations, services, and the employer contributions for the Kentucky Employees  
 6 Retirement System.

7 **(4) Kentucky Poison Control Center and COVID-19 Hotline:** Included in the  
 8 above General Fund appropriation is \$300,000 in fiscal year 2019-2020, and \$1,850,000  
 9 in fiscal year 2020-2021 for the Kentucky Poison Control Center and COVID-19 Hotline.  
 10 If federal emergency relief funds become available for COVID-19-related poison control  
 11 expenditures, those Federal Funds shall be used first to support the Kentucky Poison  
 12 Control Center and COVID-19 Hotline, and any unexpended General Fund balance from  
 13 the appropriations set forth in this subsection shall lapse to the General Fund.

14 **(5) Kentucky Colon Cancer Screening Program:** Included in the above  
 15 General Fund appropriation is \$500,000 in fiscal year 2020-2021 to support the Kentucky  
 16 Colon Cancer Screening Program.

17 **(6) Kentucky Pediatric Cancer Research Trust Fund:** Included in the above  
 18 General Fund appropriation is \$2,500,000 in fiscal year 2020-2021 to the Kentucky  
 19 Pediatric Cancer Research Trust Fund for general pediatric cancer research and support  
 20 of expansion of clinical trials at the University of Kentucky and the University of  
 21 Louisville.

22 **(7) Folic Acid Program:** General Fund (Tobacco) continuing appropriation  
 23 reserves allotted to the Folic Acid Program shall be utilized by the Department for Public  
 24 Health during the 2020-2022 fiscal biennium to continue the Folic Acid Program.

25 **6. FAMILY RESOURCE CENTERS AND VOLUNTEER SERVICES**

26	<b>2020-21</b>	<b>2021-22</b>
27	General Fund	11,348,900 -0-

1	Federal Funds	7,053,300	-0-
2	TOTAL	18,402,200	-0-

3       **(1) Family Resource and Youth Services Centers Funds:** No more than three  
 4 percent of the total funds transferred from the Department of Education to the Family  
 5 Resource and Youth Services Centers, as consistent with KRS 156.496, shall be used for  
 6 administrative purposes in each fiscal year.

7       If 70 percent or more of the funding level provided by the state is utilized to support  
 8 the salary of the director of a Family Resource and Youth Services Center, that center  
 9 shall provide a report to the Cabinet for Health and Family Services and the State Budget  
 10 Director identifying the salary of the director. The Cabinet for Health and Family  
 11 Services shall transmit any reports received from Family Resource and Youth Services  
 12 Centers pursuant to this paragraph to the Legislative Research Commission.

13       **7. INCOME SUPPORT**

		<b>2020-21</b>	<b>2021-22</b>
14			
15	General Fund	13,616,600	-0-
16	Restricted Funds	11,053,500	-0-
17	Federal Funds	90,521,000	-0-
18	TOTAL	115,191,100	-0-

19       **8. COMMUNITY BASED SERVICES**

		<b>2020-21</b>	<b>2021-22</b>
20			
21	General Fund (Tobacco)	12,250,000	-0-
22	General Fund	505,418,400	-0-
23	Restricted Funds	202,178,300	-0-
24	Federal Funds	650,431,100	-0-
25	TOTAL	1,370,277,800	-0-

26       **(1) Tobacco Settlement Funds:** Included in the above General Fund (Tobacco)  
 27 appropriation is \$9,750,000 in fiscal year 2020-2021 for the Early Childhood

1 Development Program. Included in the above General Fund (Tobacco) appropriation is  
2 \$2,500,000 in fiscal year 2020-2021 for the Early Childhood Adoption and Foster Care  
3 Supports Program.

4 **(2) Contracted Entities Retirement Cost:** Included in the above General Fund  
5 appropriation is \$1,498,900 in fiscal year 2020-2021 for domestic violence shelters, rape  
6 crisis centers, and child advocacy centers to assist them with employer contribution rates  
7 for the Kentucky Employees Retirement System. In the interim, the contracted entities  
8 shall evaluate the feasibility of continued participation in the Kentucky Employees  
9 Retirement System as provided in KRS 61.522.

10 **(3) Fostering Success:** Included in the above General Fund appropriation is  
11 \$500,000 in fiscal year 2020-2021 for the Fostering Success Program. The Cabinet for  
12 Health and Family Services shall submit a report containing the results of the program,  
13 including but not limited to the number of participants, number and type of job  
14 placements, job training provided, and any available information pertaining to individual  
15 outcomes to the Interim Joint Committee on Appropriations and Revenue by July 1 of  
16 each fiscal year.

17 **(4) Relative Placement Support Benefit:** Included in the above General Fund  
18 appropriation is \$1,000,000 in fiscal year 2020-2021 for start-up costs associated with  
19 placing children with non-parental relatives.

20 **(5) Domestic Violence Shelters:** Included in the above General Fund  
21 appropriation is \$500,000 in fiscal year 2020-2021 for operational costs.

22 **(6) Rape Crisis Centers:** Included in the above General Fund appropriation is  
23 \$500,000 in fiscal year 2020-2021 for operational costs.

24 **(7) Dually Licensed Pediatric Facilities:** Included in the above General Fund  
25 appropriation is \$550,000 in fiscal year 2020-2021 to provide supplemental payments to  
26 dually licensed pediatric facilities for emergency shelter services for children.

27 **(8) Child Care Assistance Program:** Included in the above General Fund



1 appropriation is \$10,600,000 in fiscal year 2020-2021 to provide services to families at or  
 2 below 160 percent of the federal poverty level as determined annually by the U.S.  
 3 Department of Health and Human Services.

4 **(9) Family Counseling and Trauma Remediation:** Included in the above  
 5 General Fund appropriation is \$50,000 in fiscal year 2020-2021 to provide forensic  
 6 interviews, family counseling, and trauma remediation services primarily in Jefferson  
 7 County and surrounding Kentucky counties.

8 **(10) Child Advocacy Centers:** Included in the above General Fund appropriation  
 9 is \$500,000 in fiscal year 2020-2021 to support the operations of the child advocacy  
 10 centers.

11 **(11) Family Scholar House:** Included in the above General Fund appropriation is  
 12 \$1,000,000 in fiscal year 2020-2021 to support the operations of the Family Scholar  
 13 House.

14 **(12) Mental Illness or Intellectual Disability Supplemental Payments:** Included  
 15 in the above General Fund appropriation is \$2,200,000 in fiscal year 2020-2021 to  
 16 support an increase in the reimbursements provided to personal care homes which  
 17 provide services to individuals diagnosed with a mental illness or intellectual disability.

18 **9. AGING AND INDEPENDENT LIVING**

	<b>2020-21</b>	<b>2021-22</b>
19 General Fund	45,269,700	-0-
20 Restricted Funds	2,816,700	-0-
21 Federal Funds	24,826,500	-0-
22 TOTAL	72,912,900	-0-

24 **(1) Local Match Requirements:** Notwithstanding KRS 205.460, entities  
 25 contracting with the Cabinet for Health and Family Services to provide essential services  
 26 under KRS 205.455 and 205.460 shall provide local match equal to or greater than the  
 27 amount in effect during fiscal year 2019-2020. Local match may include any combination

1 of materials, commodities, transportation, office space, personal services, or other types  
 2 of facility services or funds. The Secretary of the Cabinet for Health and Family Services  
 3 shall prescribe the procedures to certify the local match compliance.

4 **10. HEALTH DATA AND ANALYTICS**

	<b>2020-21</b>	<b>2021-22</b>
5		
6 General Fund	481,400	-0-
7 Restricted Funds	7,078,900	-0-
8 Federal Funds	3,635,200	-0-
9 TOTAL	11,195,500	-0-

10 **(1) Kentucky Access Fund:** Notwithstanding KRS 304.17B-021, funds from this  
 11 source are transferred to the Health Benefit Exchange in each fiscal year.

12 **TOTAL - HEALTH AND FAMILY SERVICES CABINET**

	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>
13			
14 General Fund (Tobacco)	-0-	26,039,100	-0-
15 General Fund	300,000	2,902,696,700	-0-
16 Restricted Funds	-0-	1,390,564,700	-0-
17 Federal Funds	-0-	10,626,073,800	-0-
18 TOTAL	300,000	14,945,374,300	-0-

19 **H. JUSTICE AND PUBLIC SAFETY CABINET**

20 **Budget Units**

21 **1. JUSTICE ADMINISTRATION**

	<b>2020-21</b>	<b>2021-22</b>
22		
23 General Fund (Tobacco)	3,516,600	-0-
24 General Fund	31,925,600	-0-
25 Restricted Funds	6,828,600	-0-
26 Federal Funds	45,119,800	-0-
27 TOTAL	87,390,600	-0-

1           **(1) Operation UNITE:** (a) Notwithstanding KRS 48.005(4), included in the  
 2 above Restricted Funds appropriation is \$1,500,000 in fiscal year 2020-2021 for the  
 3 Operation UNITE Program from settlement funds resulting from the suit against Purdue  
 4 Pharma, et al.. Included in the above General Fund appropriation is \$500,000 in fiscal  
 5 year 2020-2021 for the Operation UNITE Program.

6           (b) For the period ending June 30, 2020, the Secretary of the Justice and Public  
 7 Safety Cabinet, in coordination with the Chief Executive Officer of Operation UNITE,  
 8 shall prepare a report detailing for what purpose and function the funds were utilized.  
 9 This report shall be submitted to the Interim Joint Committee on Appropriations and  
 10 Revenue by September 1 of fiscal year 2020-2021.

11           **(2) Office of Drug Control Policy:** Included in the above General Fund  
 12 (Tobacco) appropriation is \$3,166,600 in fiscal year 2020-2021 for the Office of Drug  
 13 Control Policy.

14           **(3) Access to Justice:** Included in the above General Fund appropriation is  
 15 \$500,000 in fiscal year 2020-2021 to support the Access to Justice Program.

16           **(4) Court Appointed Special Advocate Funding:** (a) Included in the above  
 17 General Fund appropriation is \$1,500,000 in fiscal year 2020-2021 for grants to support  
 18 Court Appointed Special Advocate (CASA) funding programs.

19           (b) No administrative costs shall be paid from the appropriation provided in  
 20 paragraph (a) of this subsection.

21           **(5) Restorative Justice:** Included in the above General Fund (Tobacco)  
 22 appropriation is \$350,000 in fiscal year 2020-2021 to support the Restorative Justice  
 23 Program administered by the Volunteers of America.

24 **2. CRIMINAL JUSTICE TRAINING**

	<b>2020-21</b>	<b>2021-22</b>
26       Restricted Funds	81,686,200	-0-
27       Federal Funds	120,000	-0-

1 TOTAL 81,806,200 -0-

2 **(1) Kentucky Law Enforcement Foundation Program Fund:** Included in the  
 3 above Restricted Funds appropriation is \$76,878,700 in fiscal year 2020-2021 for the  
 4 Kentucky Law Enforcement Foundation Program Fund.

5 **(2) Training Incentive Payments:** Notwithstanding Part III, 2. of this Act,  
 6 Restricted Funds appropriations may be increased to ensure sufficient funding to support  
 7 the provision of training incentive payments.

8 **(3) Administrative Reimbursement:** Notwithstanding KRS 15.450(3), the  
 9 Department of Criminal Justice Training shall not receive reimbursement for the salaries  
 10 and other costs of administering the fund, to include the Kentucky Law Enforcement  
 11 Council operations and expenses, Peace Officers Professional Standards Office, attorney  
 12 positions in the Department of Justice Administration, the Professional Development and  
 13 Wellness Branch, Office of the State School Security Marshal, debt service, capital  
 14 outlay, and Department personnel costs and expenses in excess of \$30,096,600 in fiscal  
 15 year 2020-2021. The Department shall submit a report detailing reimbursed expenditures  
 16 for the prior fiscal year to the Interim Joint Committee on Appropriations and Revenue  
 17 by August 1 of each fiscal year.

18 **(4) Criminal Justice Council:** Pursuant to KRS 15.410 to 15.518, the  
 19 Department of Criminal Justice Training shall not transfer funds from the Kentucky Law  
 20 Enforcement Foundation Program Fund to support the Criminal Justice Council.

21 **3. JUVENILE JUSTICE**

	<b>2020-21</b>	<b>2021-22</b>
23 General Fund	97,775,800	-0-
24 Restricted Funds	15,480,000	-0-
25 Federal Funds	9,272,500	-0-
26 TOTAL	122,528,300	-0-

27 **4. STATE POLICE**

	<b>2020-21</b>	<b>2021-22</b>
1		
2     General Fund	123,521,700	-0-
3     Restricted Funds	34,402,100	-0-
4     Federal Funds	13,764,700	-0-
5     Road Fund	108,100,200	-0-
6     TOTAL	279,788,700	-0-

7       **(1) Call to Extraordinary Duty:** There is appropriated from the General Fund to  
8 the Department of Kentucky State Police, subject to the conditions and procedures  
9 provided in this Act, funds which are required as a result of the Governor's call of the  
10 Kentucky State Police to extraordinary duty when an emergency situation has been  
11 declared to exist by the Governor. Funding is authorized to be provided from the General  
12 Fund Surplus Account (KRS 48.700) or the Budget Reserve Trust Fund Account (KRS  
13 48.705).

14       **(2) Restricted Funds Uses:** Notwithstanding KRS 24A.179, 42.320(2)(h),  
15 65.7631, 189A.050(3)(a), 237.110(18), and 281A.160(2)(b), funds are included in the  
16 above Restricted Funds appropriation to maintain the operations and administration of  
17 the Kentucky State Police.

18       **(3) Telecommunicator Training Incentive:** Included in the above General Fund  
19 appropriation is sufficient funding for a \$3,100 annual training incentive stipend for  
20 telecommunicators.

21       **(4) Debt Service:** Included in the above General Fund appropriation is \$295,000  
22 in fiscal year 2020-2021 to support debt service for the Emergency Radio System  
23 Replacement, Phase II capital project set forth in Part II, H., 4., 001. of this Act.

24       **(5) Statewide Law Enforcement Initiatives:** (a) Included in the above  
25 General Fund appropriation is \$3,000,000 in fiscal year 2020-2021 to support rapid DNA  
26 laboratory analysis.

27       (b) Included in the above General Fund appropriation is \$180,000 in fiscal year

1 2020-2021 to support service contracts for mass spectrometry instruments.

2 **(6) Police Officer Salary Schedule:** Notwithstanding KRS 16.052(5), no salary  
 3 of any officer shall be adjusted annually to incorporate any increase in the nonseasonally  
 4 adjusted Consumer Price Index for all urban consumers, U.S. city average, all items,  
 5 published by the United States Department of Labor, Bureau of Labor Statistics.

6 **5. CORRECTIONS**

7 **a. Corrections Management**

	<b>2020-21</b>	<b>2021-22</b>
9 General Fund	14,595,600	-0-
10 Restricted Funds	150,000	-0-
11 Federal Funds	75,000	-0-
12 TOTAL	14,820,600	-0-

13 **(1) Local Correctional Facilities:** Notwithstanding KRS 441.420, no funds are  
 14 provided for reimbursement to counties for design fees for architectural and engineering  
 15 services associated with any new local correctional facility approved by the Local  
 16 Correctional Facilities Construction Authority.

17 **(2) Facility Reporting:** (a) The Department of Corrections shall  
 18 continuously monitor its bed utilization of county jails, halfway houses, Recovery  
 19 Kentucky Drug treatment centers, and all other community correctional residential  
 20 facilities that are under contract with the Department. This monitoring shall include  
 21 periodic review of its classification system to ensure that all offenders are placed in the  
 22 least restrictive housing that provides appropriate security to protect public safety and  
 23 provide ample opportunity for treatment and successful re-entry.

24 (b) On a quarterly basis, the Department shall submit a report detailing the  
 25 average occupancy rate for each of these facility types outlined in paragraph (a) of this  
 26 subsection to the Legislative Research Commission.

27 **b. Adult Correctional Institutions**

	2019-20	2020-21	2021-22	
1				
2	General Fund	13,415,600	357,631,000	-0-
3	Restricted Funds	-0-	17,976,100	-0-
4	Federal Funds	-0-	193,000	-0-
5	TOTAL	13,415,600	375,800,100	-0-

6       **(1) Debt Service:** Included in the above General Fund appropriation is \$460,000  
7 in fiscal year 2020-2021 for new debt service to support new bonds as set forth in Part II,  
8 Capital Projects Budget, of this Act.

9       **(2) Transfer to State Institutions:** Notwithstanding KRS 532.100(7), state  
10 prisoners, excluding the Class C and Class D felons qualifying to serve time in county  
11 jails, may be transferred to a state institution within 90 days of final sentencing, if the  
12 county jail does not object to the additional 45 days.

13       **(3) Operational Costs for Inmate Population:** In the event that actual  
14 operational costs exceed the amounts appropriated to support the budgeted average daily  
15 population of state felons in fiscal year 2020-2021, the additional payments shall be  
16 deemed necessary government expenses and shall be paid from the General Fund Surplus  
17 Account (KRS 48.700) or the Budget Reserve Trust Fund Account (KRS 48.705), subject  
18 to notification as to necessity and amount by the State Budget Director who shall report  
19 any certified expenditure to the Interim Joint Committee on Appropriations and Revenue.

20       **(4) Substance Abuse Treatment and Job Training Pilot Project:** (a) It is the  
21 intent of the General Assembly to reduce recidivism, enhance public safety, reduce  
22 overcrowding across the Commonwealth’s correctional institutions and jails, promote  
23 workforce preparedness within the justice-involved population, and encourage successful  
24 re-entry of offenders.

25       (b) No later than September 1, 2020, the Department shall, in conformance with  
26 the provisions of KRS Chapter 45A, issue a solicitation for a Substance Abuse Treatment  
27 and Job Training pilot project that will include inpatient/residential treatment services for

1 offenders with substance use disorders to receive evidence-based treatment, provide job  
 2 training services, and coordinate work assignments for offenders within a centrally  
 3 located facility.

4 (c) Any cost avoidance pursuant to the provisions of this subsection shall be  
 5 reported on a quarterly basis to the Legislative Research Commission in each fiscal year.  
 6 This report shall include but not be limited to the costs associated with the pilot project,  
 7 the number of offenders participating in the pilot project, and the total number of days of  
 8 sentence credit awarded by program type for offenders participating in the pilot project.

9 (d) Within ninety days after the effective date of this Act, the Department for  
 10 Medicaid Services shall develop and submit an application for a Section 1115  
 11 demonstration waiver under 42 U.S.C. sec. 1315 to provide Medicaid coverage for  
 12 substance use disorder treatment, including peer support services, to individuals  
 13 incarcerated for a conviction under KRS Chapter 218A. Upon approval of the waiver, the  
 14 cost of treatment for a substance use disorder or patient navigation provided by a licensed  
 15 clinical social worker shall be a covered Medicaid benefit for an incarcerated individual.

16 **c. Community Services and Local Facilities**

	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>
17 General Fund	3,801,300	244,925,600	-0-
18 Restricted Funds	-0-	10,228,900	-0-
19 Federal Funds	-0-	694,900	-0-
20 TOTAL	3,801,300	255,849,400	-0-

21  
 22 **(1) Excess Local Jail Per Diem Costs:** In the event that actual local jail per diem  
 23 payments exceed the amounts appropriated to support the budgeted average daily  
 24 population of state felons in county jails for fiscal year 2020-2021, the payments shall be  
 25 deemed necessary government expenses and may be paid from the General Fund Surplus  
 26 Account (KRS 48.700) or the Budget Reserve Trust Fund Account (KRS 48.705), subject  
 27 to notification as to necessity and amount by the State Budget Director who shall report



1 any certified expenditure to the Interim Joint Committee on Appropriations and Revenue.

2 **(2) Local Jails Funding:** Notwithstanding KRS 441.605 to 441.695, funds in the  
3 amount of \$3,000,000 in fiscal year 2020-2021 shall be expended from the Kentucky  
4 Local Correctional Facilities Construction Authority for local correctional facility and  
5 operational support.

6 **(3) Parole for Infirm Inmates:** (a) The Commissioner of the Department of  
7 Corrections shall certify and notify the Parole Board when a prisoner meets the  
8 requirements of paragraph (c) of this subsection for parole.

9 (b) Notwithstanding any statute to the contrary, within 30 days of receiving  
10 notification as prescribed by paragraph (a) of this subsection, the Parole Board shall grant  
11 parole.

12 (c) A prisoner who has been determined by the Department of Corrections to be  
13 physically or mentally debilitated, incapacitated, or infirm as a result of advanced age,  
14 chronic illness, disease, or any other qualifying criteria that constitutes an infirm prisoner  
15 shall be eligible for parole if:

16 1. The prisoner was not convicted of a capital offense and sentenced to death or  
17 was not convicted of a sex crime as defined in KRS 17.500;

18 2. The prisoner has reached his or her parole eligibility date or has served one-  
19 half of his or her sentence, whichever occurs first;

20 3. The prisoner is substantially dependent on others for the activities of daily  
21 living; and

22 4. There is a low risk of the prisoner presenting a threat to society if paroled.

23 (d) Unless a new offense is committed that results in a new conviction subsequent  
24 to a prisoner being paroled, paroled prisoners shall not be considered to be under the  
25 custody of the state in any way.

26 (e) Prisoners paroled under this subsection shall be paroled to a licensed long-  
27 term-care facility, nursing home, or family placement in the Commonwealth.

1           (f) The Cabinet for Health and Family Services and the Justice and Public Safety  
2 Cabinet shall provide all needed assistance and support in seeking and securing approval  
3 from the United States Department of Health and Human Services for federal assistance,  
4 including Medicaid funds, for the provision of long-term-care services to those eligible  
5 for parole under paragraph (c) of this subsection.

6           (g) The Cabinet for Health and Family Services and the Justice and Public Safety  
7 Cabinet shall have the authority to contract with community providers that meet the  
8 requirements of paragraph (e) of this subsection and that are willing to house any inmates  
9 deemed to meet the requirements of this subsection so long as contracted rates do not  
10 exceed current expenditures related to the provisions of this subsection.

11           (h) The Cabinet for Health and Family Services and the Justice and Public Safety  
12 Cabinet are encouraged to collaborate with other states that are engaged in similar efforts  
13 so as to achieve the mandates of this subsection.

14           (i) The Cabinet for Health and Family Services and the Justice and Public Safety  
15 Cabinet shall provide a report to the Interim Joint Committee on Appropriations and  
16 Revenue by December 15 of each fiscal year concerning these provisions. The report  
17 shall include the number of persons paroled, the identification of the residential facilities  
18 utilized, an estimate of cost savings as a result of the project, and any other relevant  
19 material to assist the General Assembly in assessing the value of continuing and  
20 expanding the project.

21           **(4) Participation in Transparent Governing - Full Disclosure of Inmate**  
22 **Population Forecasts and Related Materials:** The Office of State Budget Director shall  
23 provide the methodology, assumptions, data, and all other related materials used to  
24 project biennial offender population forecasts conducted by the Office of State Budget  
25 Director, the Kentucky Department of Corrections, and any consulting firms, to the  
26 Interim Joint Committee on Appropriations and Revenue by November 1, 2021. This  
27 submission shall include but not be limited to the projected state, county, and community

1 offender populations for the 2022-2024 fiscal biennium and must coincide with the  
 2 budgeted amount for these populations. This submission shall clearly divulge the  
 3 methodology and reasoning behind the budgeted and projected offender population in a  
 4 commitment to participate in transparent governing.

5 **(5) Participation in Transparent Governing - Calculating Avoided Costs**  
 6 **Relating to Legislative Action:** The Office of State Budget Director shall provide the  
 7 methodology, assumptions, data, and all other related materials used to calculate any  
 8 avoided costs pursuant to the implementation of 2011 Ky. Acts ch. 2 by November 1,  
 9 2021. This submission shall clearly divulge the methodology and reasoning behind the  
 10 projected costs avoided in a commitment to participate in transparent governing.

11 **d. Local Jail Support**

	<b>2020-21</b>	<b>2021-22</b>
12		
13	16,633,600	-0-

14 **(1) Local Corrections Assistance Fund Allocation:** Notwithstanding KRS  
 15 196.288(5)(a), included in the above General Fund appropriation is \$4,630,200 in fiscal  
 16 year 2020-2021 for the Local Corrections Assistance Fund. Moneys in the fund shall be  
 17 distributed to the counties in fiscal year 2020-2021. Amounts distributed from the fund  
 18 shall be used to support local correctional facilities and programs, including the  
 19 transportation of prisoners, as follows:

20 (a) In fiscal year 2020-2021, the first \$3,000,000 received by the fund, or, if the  
 21 fund receives less than \$3,000,000, the entire balance of the fund, shall be divided  
 22 equally among all counties; and

23 (b) Any moneys remaining after making the distributions required by paragraph  
 24 (a) of this subsection shall be distributed to each county based on a ratio, the numerator  
 25 of which shall be the county's county inmate population on the second Thursday in  
 26 January during the prior fiscal year, and the denominator of which shall be the total  
 27 counties' county inmate population for the entire state on the second Thursday in January

1 during the prior fiscal year.

2       **(2) Jailers' Allowance:** Notwithstanding KRS 441.115(2), each jailer shall  
3 receive an expense allowance of \$2,400 annually, at the rate of \$200 per month in fiscal  
4 year 2020-2021, for participation in the Jail Staff Training Program.

5       **(3) Life Safety or Closed Jails:** Included in the above General Fund  
6 appropriation is \$860,000 in fiscal year 2020-2021 to provide a monthly payment of an  
7 annual amount of \$20,000 to each county with a life safety jail or closed jail. The  
8 payment shall be in addition to the payment required by KRS 441.206(2).

9       **(4) Inmate Medical Care Expenses:** Included in the above General Fund  
10 appropriation is \$792,800 in fiscal year 2020-2021 for medical care contracts to be  
11 distributed, upon approval of the Department of Corrections, to counties by the formula  
12 codified in KRS 441.206, and \$851,800 in fiscal year 2020-2021, on a partial  
13 reimbursement basis, for medical claims in excess of the statutory threshold pursuant to  
14 KRS 441.045. The funding support for medical contracts and catastrophic medical  
15 expenses for indigents shall be maintained in discrete accounts. Any medical claim that  
16 exceeds the statutory threshold may be reimbursed for that amount in excess of the  
17 statutory threshold.

18       **(5) County Jail Incentive Program:** (a) It is the intent of the General  
19 Assembly to incentivize county jails to offer evidence-based programs to state inmates  
20 housed in county jails. Program completions shall result in sentence credit awards to state  
21 inmates.

22       (b) No later than July 1, 2020, the Department shall issue guidance to counties,  
23 and submit a copy to the Legislative Research Commission, detailing the dollar amount  
24 of each incentive, the number of days of sentence credit awarded to eligible state inmates  
25 for each eligible program, standards that eligible county jails must achieve to be eligible  
26 for participation, and for which inmates county jails are incentivized to offer evidence-  
27 based programs.

1 (c) Any cost avoidance pursuant to the provisions of this subsection shall be  
 2 reported on a quarterly basis to the Legislative Research Commission in each fiscal year.  
 3 This report shall include but is not limited to the number of program completions by  
 4 program type, the number of county jails participating in the incentive program, the total  
 5 number of days of sentence credit awarded by program type, and the total amount of  
 6 incentive payments awarded to each county by program type.

7 **TOTAL - CORRECTIONS**

8		<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>
9	General Fund	17,216,900	633,785,800	-0-
10	Restricted Funds	-0-	28,355,000	-0-
11	Federal Funds	-0-	962,900	-0-
12	TOTAL	17,216,900	663,103,700	-0-

13 **6. PUBLIC ADVOCACY**

14			<b>2020-21</b>	<b>2021-22</b>
15	General Fund		66,576,800	-0-
16	Restricted Funds		5,792,000	-0-
17	Federal Funds		1,672,100	-0-
18	TOTAL		74,040,900	-0-

19 **(1) Compensatory Leave Conversion to Sick Leave:** If the Department of  
 20 Public Advocacy determines that internal budgetary pressures warrant further austerity  
 21 measures, the Public Advocate may institute a policy to suspend payment of 50-hour  
 22 blocks of compensatory time for those attorneys who have accumulated 240 hours of  
 23 compensatory time and instead convert those hours to sick leave.

24 **TOTAL - JUSTICE AND PUBLIC SAFETY CABINET**

25		<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>
26	General Fund (Tobacco)	-0-	3,516,600	-0-
27	General Fund	17,216,900	953,585,700	-0-

1	Restricted Funds	-0-	172,543,900	-0-
2	Federal Funds	-0-	70,912,000	-0-
3	Road Fund	-0-	108,100,200	-0-
4	TOTAL	17,216,900	1,308,658,400	-0-

## I. LABOR CABINET

### 6 Budget Units

#### 7 1. SECRETARY

8		2020-21	2021-22
9	Restricted Funds	9,598,100	-0-
10	Federal Funds	139,100	-0-
11	TOTAL	9,737,200	-0-

#### 12 2. WORKPLACE STANDARDS

13		2020-21	2021-22
14	General Fund	1,774,000	-0-
15	Restricted Funds	6,524,100	-0-
16	Federal Funds	3,517,200	-0-
17	TOTAL	11,815,300	-0-

#### 18 3. WORKERS' CLAIMS

19		2020-21	2021-22
20	Restricted Funds	71,231,900	-0-

#### 21 4. OCCUPATIONAL SAFETY AND HEALTH REVIEW COMMISSION

22		2020-21	2021-22
23	Restricted Funds	715,700	-0-

#### 24 5. WORKERS' COMPENSATION FUNDING COMMISSION

25		2020-21	2021-22
26	Restricted Funds	99,978,600	-0-

#### 27 6. WORKERS' COMPENSATION NOMINATING COMMITTEE

1		<b>2020-21</b>	<b>2021-22</b>
2	Restricted Funds	1,100	-0-

3 **TOTAL - LABOR CABINET**

4		<b>2020-21</b>	<b>2021-22</b>
5	General Fund	1,774,000	-0-
6	Restricted Funds	188,049,500	-0-
7	Federal Funds	3,656,300	-0-
8	TOTAL	193,479,800	-0-

9 **J. PERSONNEL CABINET**

10 **Budget Units**

11 **1. GENERAL OPERATIONS**

12		<b>2020-21</b>	<b>2021-22</b>
13	Restricted Funds	30,121,500	-0-

14 **(1) Pro Rata Assessment:** Included in the above Restricted Funds appropriation  
 15 is \$2,690,700 in fiscal year 2020-2021 to be transferred to the General Fund to support  
 16 debt service on bonds previously issued for the Kentucky Human Resources Information  
 17 System.

18 **2. PUBLIC EMPLOYEES DEFERRED COMPENSATION AUTHORITY**

19		<b>2020-21</b>	<b>2021-22</b>
20	Restricted Funds	8,284,500	-0-

21 **3. WORKERS' COMPENSATION BENEFITS AND RESERVE**

22		<b>2020-21</b>	<b>2021-22</b>
23	Restricted Funds	24,094,200	-0-

24 **TOTAL - PERSONNEL CABINET**

25		<b>2020-21</b>	<b>2021-22</b>
26	Restricted Funds	62,500,200	-0-

27 **K. POSTSECONDARY EDUCATION**

1 **Budget Units**

2 **1. COUNCIL ON POSTSECONDARY EDUCATION**

	<b>2020-21</b>	<b>2021-22</b>
4 General Fund (Tobacco)	7,526,100	-0-
5 General Fund	8,086,400	-0-
6 Restricted Funds	6,435,200	-0-
7 Federal Funds	3,997,000	-0-
8 TOTAL	26,044,700	-0-

9 **(1) Interest Earnings Transfer from the Strategic Investment and Incentive**  
 10 **Trust Fund Accounts:** Notwithstanding KRS 164.7911 to 164.7927, any expenditures  
 11 from the Strategic Investment and Incentive Trust Fund accounts in excess of  
 12 appropriated amounts by the Council on Postsecondary Education shall be subject to  
 13 KRS 48.630.

14 **(2) Cancer Research and Screening:** Included in the above General Fund  
 15 (Tobacco) appropriation is \$6,876,100 in fiscal year 2020-2021 for cancer research and  
 16 screening. The appropriation in fiscal year 2020-2021 shall be equally shared between  
 17 the University of Kentucky and the University of Louisville.

18 **(3) Southern Regional Education Board Dues:** Included in the above General  
 19 Fund appropriation is \$211,600 in fiscal year 2020-2021 for Southern Regional  
 20 Education Board dues.

21 **(4) Doctoral Scholars:** Included in the above General Fund appropriation is  
 22 \$50,000 in fiscal year 2020-2021 for the Southern Regional Education Board Doctoral  
 23 Scholars Program.

24 **(5) Ovarian Cancer Screening:** Included in the above General Fund  
 25 appropriation is \$500,000 in fiscal year 2020-2021 for the Ovarian Cancer Screening  
 26 Outreach Program at the University of Kentucky.

27 **(6) Redistribution of Resources:** Notwithstanding KRS 164.028 to 164.0282, no



1 General Fund is provided for Professional Education Preparation in order to increase  
 2 funding for Veterinary Medicine and Optometry contract spaces.

3 **(7) Postsecondary Education Debt:** Notwithstanding KRS 45.750 to 45.810, in  
 4 order to lower the cost of borrowing, any university that has issued or caused to be issued  
 5 debt obligations through a not-for-profit corporation or a municipality or county  
 6 government for which the rental or use payments of the university substantially meet the  
 7 debt service requirements of those debt obligations is authorized to refinance those debt  
 8 obligations if the principal amount of the debt obligations is not increased and the rental  
 9 payments of the university are not increased. Any funds used by a university to meet debt  
 10 obligations issued by a university pursuant to this subsection shall be subject to  
 11 interception of state-appropriated funds pursuant to KRS 164A.608.

12 **(8) Disposition of Postsecondary Institution Property:** Notwithstanding KRS  
 13 45.777, a postsecondary institution’s governing board may elect to sell or dispose of real  
 14 property or major items of equipment and proceeds from the sale shall be designated to  
 15 the funding sources, on a proportionate basis, used for acquisition of the equipment or  
 16 property to be sold.

17 **(9) Spinal Cord and Head Injury Research:** Included in the above General  
 18 Fund (Tobacco) appropriation is \$650,000 in fiscal year 2020-2021 for spinal cord and  
 19 head injury research. In accordance with KRS 211.500 to 211.504, the appropriation in  
 20 fiscal year 2020-2021 shall be shared between the University of Kentucky and the  
 21 University of Louisville.

22 **2. KENTUCKY HIGHER EDUCATION ASSISTANCE AUTHORITY**

	<b>2020-21</b>	<b>2021-22</b>
24 General Fund	279,293,600	-0-
25 Restricted Funds	32,703,300	-0-
26 Federal Funds	33,800	-0-
27 TOTAL	312,030,700	-0-

1           **(1) College Access Program:** Notwithstanding KRS 154A.130(4), included in  
2 the above General Fund appropriation is \$87,555,200 in fiscal year 2020-2021 for the  
3 College Access Program.

4           **(2) Kentucky Tuition Grant Program:** Notwithstanding KRS 154A.130(4),  
5 included in the above General Fund appropriation is \$44,078,100 in fiscal year 2020-  
6 2021 for the Kentucky Tuition Grant Program.

7           **(3) Kentucky National Guard Tuition Award Program:** Notwithstanding KRS  
8 154A.130(4), included in the above General Fund appropriation is \$7,398,100 in fiscal  
9 year 2020-2021 for the National Guard Tuition Award Program.

10           **(4) Kentucky Educational Excellence Scholarships (KEES):** Notwithstanding  
11 KRS 154A.130(4), included in the above General Fund appropriation is \$113,768,600 in  
12 fiscal year 2020-2021 for the Kentucky Educational Excellence Scholarships (KEES).  
13 Included in the above Restricted Funds appropriation is \$10,000,000 in fiscal year 2020-  
14 2021 for KEES.

15           **(5) Work Ready Scholarship Program:** Notwithstanding KRS 154A.130(4),  
16 included in the above General Fund appropriation is \$7,300,000 in fiscal year 2020-2021  
17 for the Work Ready Scholarship Program. Notwithstanding KRS 164.787, the dual credit  
18 component of the Work Ready Scholarship Program for high school students shall be  
19 funded and administered through the Dual Credit Scholarship Program.

20           **(6) Dual Credit Scholarship Program:** Notwithstanding KRS 154A.130(4),  
21 included in the above General Fund appropriation is \$13,150,000 in fiscal year 2020-  
22 2021 for the Dual Credit Scholarship Program. Notwithstanding KRS 164.786(1)(f) and  
23 164.787(2)(d), the dual credit tuition rate ceiling shall be two-fifths of the per credit hour  
24 tuition amount charged by the Kentucky Community and Technical College System for  
25 in-state students. Notwithstanding KRS 164.786(1)(g)2. and (4)(b), priority for awarding  
26 scholarships shall be given in order to high school seniors, juniors, sophomores, and  
27 freshmen. Notwithstanding KRS 164.786(4)(c), eligible high school students may receive

1 a dual credit scholarship for two career and technical education dual credit courses per  
2 academic year and two general education dual credit courses over the junior and senior  
3 years, up to a maximum of ten approved dual credit courses. Notwithstanding KRS  
4 164.786(4)(d), dual credit scholarships awarded for the Spring 2020 semester shall not be  
5 reduced if the dual credit course is not successfully completed by the student as a result  
6 of the student's inability to properly access the new course delivery method due to the  
7 novel coronavirus (COVID-19).

8 **(7) Veterinary Medicine Contract Spaces:** Included in the above General Fund  
9 appropriation is \$5,248,000 in fiscal year 2020-2021 to fund 164 veterinary slots.

10 **(8) Optometry Contract Spaces:** Included in the above General Fund  
11 appropriation is \$795,600 in fiscal year 2020-2021 to fund 44 optometry slots.

12 **(9) Use of Lottery Revenues:** Notwithstanding KRS 154A.130(3) and (4),  
13 lottery revenues in the amount of \$273,250,000 in fiscal year 2020-2021 are appropriated  
14 to the Kentucky Higher Education Assistance Authority. Notwithstanding KRS  
15 154A.130(4) and any provisions of this Act to the contrary, if lottery receipts received by  
16 the Commonwealth, excluding any unclaimed prize money received under Part III, 20. of  
17 this Act, exceed \$277,000,000 in fiscal year 2020-2021, the first \$3,000,000 of excess  
18 funds in fiscal year 2020-2021 shall be transferred to the Kentucky Higher Education  
19 Assistance Authority and appropriated in accordance with KRS 154A.130(4)(b), and any  
20 additional excess shall be held in a trust and agency account and shall not be expended or  
21 appropriated without the express authority of the General Assembly.

22 **(10) Redistribution of Resources:** Notwithstanding KRS 164.518, 164.740 to  
23 164.764, 164.769, 164.7890(11)(c), 164.7891(11)(b), and 164.7894, no General Fund is  
24 provided for Early Childhood Development Scholarships, Work Study, the Teacher  
25 Scholarship Program, Coal County Pharmacy Scholarships, Osteopathic Medicine  
26 Scholarships, and Coal County College Completion Scholarships in order to provide  
27 additional funding to the College Access Program and Kentucky Tuition Grant Program.

1 **3. EASTERN KENTUCKY UNIVERSITY**

	<b>2020-21</b>	<b>2021-22</b>
3 General Fund	65,337,000	-0-
4 Restricted Funds	210,611,400	-0-
5 Federal Funds	135,500,000	-0-
6 TOTAL	411,448,400	-0-

7 **(1) Mandated Programs:** Included in the above General Fund appropriation is  
 8 \$4,571,900 in fiscal year 2020-2021 for the Model Laboratory School.

9 **(2) Debt Service:** Included in the above General Fund appropriation is \$317,000  
 10 in fiscal year 2020-2021 for new debt service to support new bonds as set forth in Part II,  
 11 Capital Projects Budget, of this Act.

12 **4. KENTUCKY STATE UNIVERSITY**

	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>
14 General Fund	497,400	25,384,300	-0-
15 Restricted Funds	-0-	23,000,000	-0-
16 Federal Funds	-0-	20,497,400	-0-
17 TOTAL	497,400	68,881,700	-0-

18 **(1) Mandated Programs:** Included in the above General Fund appropriation is  
 19 \$7,148,800 in fiscal year 2020-2021 to fund the state match payments required of land-  
 20 grant universities under federal law.

21 **5. MOREHEAD STATE UNIVERSITY**

	<b>2020-21</b>	<b>2021-22</b>
23 General Fund	38,332,900	-0-
24 Restricted Funds	117,811,000	-0-
25 Federal Funds	29,983,300	-0-
26 TOTAL	186,127,200	-0-

27 **(1) Mandated Programs:** Included in the above General Fund appropriation are

1 the following:

2 (a) \$3,151,400 in fiscal year 2020-2021 for the Craft Academy for Excellence in  
 3 Science and Mathematics; and

4 (b) \$250,000 in fiscal year 2020-2021 for installation of the Jet Propulsion  
 5 Laboratory antenna.

6 **6. MURRAY STATE UNIVERSITY**

	<b>2020-21</b>	<b>2021-22</b>
7 General Fund	43,753,800	-0-
8 Restricted Funds	120,152,400	-0-
9 Federal Funds	22,709,000	-0-
10 TOTAL	186,615,200	-0-

11  
 12 **(1) Mandated Programs:** Included in the above General Fund appropriation is  
 13 \$3,200,000 in fiscal year 2020-2021 for the Breathitt Veterinary Center.

14 **7. NORTHERN KENTUCKY UNIVERSITY**

	<b>2020-21</b>	<b>2021-22</b>
15 General Fund	51,280,500	-0-
16 Restricted Funds	199,178,300	-0-
17 Federal Funds	13,075,600	-0-
18 TOTAL	263,534,400	-0-

19  
 20 **(1) Mandated Programs:** Included in the above General Fund appropriation is  
 21 \$1,323,900 in fiscal year 2020-2021 for the Kentucky Center for Mathematics.

22 **8. UNIVERSITY OF KENTUCKY**

	<b>2020-21</b>	<b>2021-22</b>
23 General Fund	258,609,200	-0-
24 Restricted Funds	3,972,440,600	-0-
25 Federal Funds	280,222,000	-0-
26 TOTAL	4,511,271,800	-0-

1           **(1) Mandated Programs:** Included in the above General Fund appropriation are  
2 the following:

3           (a) \$31,275,300 in fiscal year 2020-2021 for the College of Agriculture, Food,  
4 and Environment's Cooperative Extension Service;

5           (b) \$29,479,600 in fiscal year 2020-2021 for the Kentucky Agricultural  
6 Experiment Station;

7           (c) \$5,176,200 in fiscal year 2020-2021 for the Center for Applied Energy  
8 Research;

9           (d) \$4,076,300 in fiscal year 2020-2021 for the Kentucky Geological Survey;

10          (e) \$4,034,200 in fiscal year 2020-2021 for the Veterinary Diagnostic  
11 Laboratory;

12          (f) \$2,040,500 in fiscal year 2020-2021 for the Sanders-Brown Center on Aging;

13          (g) \$1,800,000 in fiscal year 2020-2021 for the College of Agriculture, Food, and  
14 Environment's Division of Regulatory Services;

15          (h) \$ 600,000 in fiscal year 2020-2021 for the College of Agriculture, Food, and  
16 Environment's Kentucky Small Business Development Center;

17          (i) \$586,300 in fiscal year 2020-2021 for the University Press of Kentucky;

18          (j) Notwithstanding KRS 154A.130(4), \$500,000 in fiscal year 2020-2021 for the  
19 Human Development Institute for the Supported Higher Education Project;

20          (k) \$450,200 in fiscal year 2020-2021 for the Center of Excellence in Rural  
21 Health;

22          (l) \$450,200 in fiscal year 2020-2021 for the Kentucky Cancer Registry; and

23          (m) \$100,000 in fiscal year 2020-2021 for the Sports Medicine Research Institute.

24           **(2) Debt Service:** It is the intent of the 2020 General Assembly to provide  
25 sufficient debt service in fiscal year 2021-2022 to support new bonds as set forth in Part  
26 II, Capital Projects Budget, of this Act.

27           **(3) Restricted Funds Transfer:** Notwithstanding KRS 138.510 and 230.265,

1 \$1,500,000 in Restricted Funds shall be transferred in fiscal year 2020-2021 from the  
 2 Equine Drug Research Council under the Horse Racing Commission budget unit to the  
 3 Equine Analytical Chemistry Lab.

4 **9. UNIVERSITY OF LOUISVILLE**

	<b>2020-21</b>	<b>2021-22</b>
6 General Fund	124,117,900	-0-
7 Restricted Funds	1,052,772,700	-0-
8 Federal Funds	120,084,400	-0-
9 TOTAL	1,296,975,000	-0-

10 **(1) Mandated Programs:** Included in the above General Fund appropriation are  
 11 the following:

- 12 (a) \$695,200 in fiscal year 2020-2021 for the Rural Health Education Program;
- 13 and
- 14 (b) \$150,000 in fiscal year 2020-2021 for the Kentucky Autism Training Center.

15 **10. WESTERN KENTUCKY UNIVERSITY**

	<b>2020-21</b>	<b>2021-22</b>
17 General Fund	72,596,200	-0-
18 Restricted Funds	280,768,200	-0-
19 Federal Funds	32,340,000	-0-
20 TOTAL	385,704,400	-0-

21 **(1) Mandated Programs:** Included in the above General Fund appropriation are  
 22 the following:

- 23 (a) \$4,985,100 in fiscal year 2020-2021 for the Gatton Academy of Mathematics
- 24 and Science; and
- 25 (b) \$750,000 in fiscal year 2020-2021 for the Kentucky Mesonet.

26 **11. KENTUCKY COMMUNITY AND TECHNICAL COLLEGE SYSTEM**

	<b>2020-21</b>	<b>2021-22</b>
--	----------------	----------------

1	General Fund	171,265,800	-0-
2	Restricted Funds	453,871,900	-0-
3	Federal Funds	220,482,800	-0-
4	TOTAL	845,620,500	-0-

5       **(1) Mandated Programs:** Included in the above General Fund appropriation are  
 6 the following:

- 7       (a) \$4,149,800 in fiscal year 2020-2021 for KCTCS-TRAINS;
- 8       (b) \$1,869,900 in fiscal year 2020-2021 for the Kentucky Fire Commission;
- 9       (c) \$1,799,700 in fiscal year 2020-2021 for the Kentucky Board of Emergency  
 10 Medical Services; and
- 11       (d) \$1,000,000 in fiscal year 2020-2021 for Adult Agriculture Education.

12       **(2) Firefighters Foundation Program Fund:** (a) Included in the above  
 13 Restricted Funds appropriation is \$50,560,000 in fiscal year 2020-2021 for the  
 14 Firefighters Foundation Program Fund.

15       (b) Notwithstanding Part III, 2. of this Act, Restricted Funds appropriations may  
 16 be increased to ensure sufficient funding to support the provision of training incentive  
 17 payments.

18       (c) Notwithstanding KRS 95A.200 to 95A.300, \$6,400,000 in fiscal year 2020-  
 19 2021 shall be transferred to support projects as set forth in Part II, Capital Projects  
 20 Budget, of this Act.

21       (d) Notwithstanding KRS 95A.200 to 95A.300, \$1,250,000 in fiscal year 2020-  
 22 2021 shall be made available from the fund for a program to care for and treat firefighters  
 23 affected by Post-Traumatic Stress Injury and Post-Traumatic Stress Disorder.

24       **(3) Firefighters Training Center Fund:** Notwithstanding KRS 95A.262(3),  
 25 \$500,000 in Restricted Funds is provided in fiscal year 2020-2021 for the Firefighters  
 26 Training Center Fund.

27       **(4) Guaranteed Energy Savings Performance Contracts:** Notwithstanding



1 KRS 56.770 and 56.774, guaranteed energy savings performance contracts may be  
 2 executed for buildings operated by the Kentucky Community and Technical College  
 3 System under agreements governed by KRS 164.593.

4 **12. POSTSECONDARY EDUCATION PERFORMANCE FUND**

	<b>2020-21</b>	<b>2021-22</b>
6 General Fund	14,994,800	-0-

7 **(1) Postsecondary Education Performance Fund:** Notwithstanding KRS  
 8 164.092(1)(e), "formula base amount" means an institution's General Fund appropriation  
 9 from fiscal year 2019-2020, including adjustments reflecting the performance distribution  
 10 from fiscal year 2019-2020 plus any additional appropriations in fiscal year 2020-2021,  
 11 less debt service on bonds, and less appropriations for mandated programs.

12 **TOTAL - POSTSECONDARY EDUCATION**

	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>
14 General Fund (Tobacco)	-0-	7,526,100	-0-
15 General Fund	497,400	1,153,052,400	-0-
16 Restricted Funds	-0-	6,469,745,000	-0-
17 Federal Funds	-0-	878,925,300	-0-
18 TOTAL	497,400	8,509,248,800	-0-

19 **L. PUBLIC PROTECTION CABINET**

20 **Budget Units**

21 **1. SECRETARY**

	<b>2020-21</b>	<b>2021-22</b>
23 Restricted Funds	6,956,100	-0-

24 **2. KENTUCKY CLAIMS COMMISSION**

	<b>2020-21</b>	<b>2021-22</b>
26 General Fund	1,005,400	-0-
27 Restricted Funds	911,200	-0-

1	Federal Funds	157,200	-0-
2	TOTAL	2,073,800	-0-
3	<b>3. PROFESSIONAL LICENSING</b>		
4		<b>2020-21</b>	<b>2021-22</b>
5	Restricted Funds	5,123,100	-0-
6	<b>4. BOXING AND WRESTLING AUTHORITY</b>		
7		<b>2020-21</b>	<b>2021-22</b>
8	Restricted Funds	183,000	-0-
9	<b>5. ALCOHOLIC BEVERAGE CONTROL</b>		
10		<b>2020-21</b>	<b>2021-22</b>
11	Restricted Funds	7,236,200	-0-
12	Federal Funds	439,000	-0-
13	TOTAL	7,675,200	-0-
14	<b>6. CHARITABLE GAMING</b>		
15		<b>2020-21</b>	<b>2021-22</b>
16	Restricted Funds	3,795,200	-0-
17	<b>7. FINANCIAL INSTITUTIONS</b>		
18		<b>2020-21</b>	<b>2021-22</b>
19	Restricted Funds	13,114,000	-0-
20	<b>8. HORSE RACING COMMISSION</b>		
21		<b>2020-21</b>	<b>2021-22</b>
22	General Fund	1,677,700	-0-
23	Restricted Funds	42,569,200	-0-
24	TOTAL	44,246,900	-0-

25       **(1) Administration and Regulation of Racing:** Included in the above General  
26 Fund appropriation is \$500,000 in fiscal year 2020-2021 to support one full-time Safety  
27 Steward and additional Investigator positions.

1           **(2) Restricted Funds Transfer:** Notwithstanding KRS 138.510 and 230.265,  
 2 \$1,500,000 in Restricted Funds shall be transferred in fiscal year 2020-2021 from the  
 3 Equine Drug Research Council to the Equine Analytical Chemistry Lab at the University  
 4 of Kentucky.

5           **9. HOUSING, BUILDINGS AND CONSTRUCTION**

	<b>2020-21</b>	<b>2021-22</b>
6           General Fund	2,629,800	-0-
7           Restricted Funds	22,355,700	-0-
8           TOTAL	24,985,500	-0-

9           **(1) Building Code Enforcement Positions:** Included in the above Restricted  
 10 Funds appropriation is \$150,700 in fiscal year 2020-2021 to support Building Codes  
 11 Field Inspector positions.  
 12

13           **(2) School Building Plan Reviews and Inspections:** Notwithstanding KRS  
 14 198B.060, local governments may have jurisdiction for plan review, inspection, and  
 15 enforcement responsibilities over buildings intended for educational purposes, other than  
 16 licensed day-care centers, at the discretion of the local school districts.

17           **10. INSURANCE**

	<b>2020-21</b>	<b>2021-22</b>
18           Restricted Funds	17,837,000	-0-
19           Federal Funds	600,000	-0-
20           TOTAL	18,437,000	-0-

21           **TOTAL - PUBLIC PROTECTION CABINET**

	<b>2020-21</b>	<b>2021-22</b>
22           General Fund	5,312,900	-0-
23           Restricted Funds	120,080,700	-0-
24           Federal Funds	1,196,200	-0-
25           TOTAL	126,589,800	-0-

1 **M. TOURISM, ARTS AND HERITAGE CABINET**

2 **Budget Units**

3 **1. SECRETARY**

	<b>2020-21</b>	<b>2021-22</b>
4		
5 General Fund	3,276,300	-0-
6 Restricted Funds	15,263,200	-0-
7 TOTAL	18,539,500	-0-

8 **(1) Tourism Grants:** Included in the above Restricted Funds appropriation are  
 9 the following allocations for the 2020-2022 fiscal biennium:

10 (a) \$500,000 in fiscal year 2020-2021 for the Kentucky Mountain Regional  
 11 Recreation Authority;

12 (b) \$150,000 in fiscal year 2020-2021 to the Kenton County Fiscal Court to  
 13 execute the planning, marketing, and implementation of the regional Jacob Spears  
 14 Licking River Water Trail from Paris, Kentucky, to the Ohio River;

15 (c) \$190,000 in fiscal year 2020-2021 for the Judge Joseph Holt House;

16 (d) \$100,000 in fiscal year 2020-2021 for EP Tom Sawyer Park Tennis/Pickleball  
 17 Courts; and

18 (e) \$60,000 in fiscal year 2020-2021 for the Trail of Tears Pow Wow.

19 **(2) Kentucky Center for African American Heritage:** Included in the above  
 20 General Fund appropriation is \$100,000 in fiscal year 2020-2021 for the Kentucky  
 21 Center for African American Heritage.

22 **2. ARTISANS CENTER**

	<b>2020-21</b>	<b>2021-22</b>
23		
24 General Fund	290,300	-0-
25 Restricted Funds	1,801,300	-0-
26 Road Fund	573,800	-0-
27 TOTAL	2,665,400	-0-

1 **3. TOURISM**

	<b>2020-21</b>	<b>2021-22</b>
3 General Fund	3,145,000	-0-
4 Restricted Funds	60,000	-0-
5 TOTAL	3,205,000	-0-

6 **(1) Whitehaven Welcome Center:** Included in the above General Fund  
 7 appropriation is \$130,000 in fiscal year 2020-2021 to support the Whitehaven Welcome  
 8 Center.

9 **4. PARKS**

	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>
11 General Fund	2,700,000	47,547,900	-0-
12 Restricted Funds	-0-	52,285,900	-0-
13 TOTAL	2,700,000	99,833,800	-0-

14 **(1) Park Capital Maintenance and Renovation Fund:** Notwithstanding KRS  
 15 148.810, no transfer to the Park Capital Maintenance and Renovation Fund shall be  
 16 made.

17 **(2) Debt Service:** Included in the above General Fund appropriation is \$398,000  
 18 in fiscal year 2020-2021 for new debt service to support new bonds as set forth in Part II,  
 19 Capital Projects Budget, of this Act.

20 **(3) Capitol Annex Cafeteria:** Included in the above General Fund appropriation  
 21 is \$234,400 in fiscal year 2020-2021 to support the Capitol Annex cafeteria operated by  
 22 the Department of Parks.

23 **5. HORSE PARK COMMISSION**

	<b>2020-21</b>	<b>2021-22</b>
25 General Fund	1,729,000	-0-
26 Restricted Funds	11,290,000	-0-
27 TOTAL	13,019,000	-0-

1 **6. STATE FAIR BOARD**

	<b>2020-21</b>	<b>2021-22</b>
3 General Fund	4,416,400	-0-
4 Restricted Funds	49,643,800	-0-
5 TOTAL	54,060,200	-0-

6 **(1) Debt Service:** Included in the above General Fund appropriation is \$302,500  
 7 in fiscal year 2020-2021 for new debt service to support new bonds as set forth in Part II,  
 8 Capital Projects Budget, of this Act.

9 **7. FISH AND WILDLIFE RESOURCES**

	<b>2020-21</b>	<b>2021-22</b>
11 Restricted Funds	49,139,400	-0-
12 Federal Funds	19,381,900	-0-
13 TOTAL	68,521,300	-0-

14 **(1) Fish and Wildlife Resources Peace Officers' Stipend:** Notwithstanding Part  
 15 III, 2. of this Act, Restricted Funds appropriations may be increased to ensure sufficient  
 16 funding to support the provisions of KRS 15.460(1)(a).

17 **(2) Fees-in-Lieu-of Stream Mitigation Reporting:** The Department of Fish and  
 18 Wildlife Resources shall develop a report of all projects managed by the Fees-in-Lieu-of  
 19 Stream Mitigation Program. The Department shall present this report to the Interim Joint  
 20 Committee on Tourism, Small Business, and Information Technology by August 1, 2021.

21 **8. HISTORICAL SOCIETY**

	<b>2020-21</b>	<b>2021-22</b>
23 General Fund	6,456,700	-0-
24 Restricted Funds	894,300	-0-
25 Federal Funds	170,000	-0-
26 TOTAL	7,521,000	-0-

27 **9. ARTS COUNCIL**

1		<b>2020-21</b>	<b>2021-22</b>
2	General Fund	1,537,900	-0-
3	Restricted Funds	352,600	-0-
4	Federal Funds	708,500	-0-
5	TOTAL	2,599,000	-0-

6 **10. HERITAGE COUNCIL**

7		<b>2020-21</b>	<b>2021-22</b>
8	General Fund	738,400	-0-
9	Restricted Funds	779,900	-0-
10	Federal Funds	869,200	-0-
11	TOTAL	2,387,500	-0-

12 **11. KENTUCKY CENTER FOR THE ARTS**

13		<b>2020-21</b>	<b>2021-22</b>
14	General Fund	558,300	-0-

15 **TOTAL - TOURISM, ARTS AND HERITAGE CABINET**

16		<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>
17	General Fund	2,700,000	69,696,200	-0-
18	Restricted Funds	-0-	181,510,400	-0-
19	Federal Funds	-0-	21,129,600	-0-
20	Road Fund	-0-	573,800	-0-
21	TOTAL	2,700,000	272,910,000	-0-

22 **PART II**

23 **CAPITAL PROJECTS BUDGET**

24 **(1) Capital Construction Fund Appropriations and Reauthorizations:**

25 Moneys in the Capital Construction Fund are appropriated for the following capital  
 26 projects subject to the conditions and procedures in this Act. Items listed without  
 27 appropriated amounts are previously authorized for which no additional amount is

1 required. These items are listed in order to continue their current authorization into the  
 2 2020-2022 fiscal biennium. Unless otherwise specified, reauthorized projects shall  
 3 conform to the original authorization enacted by the General Assembly.

4 **(2) Expiration of Existing Line-Item Capital Construction Projects:** All  
 5 appropriations to existing line-item capital construction projects expire on June 30, 2020,  
 6 unless reauthorized in this Act with the following exceptions: (a) A construction or  
 7 purchase contract for the project shall have been awarded by June 30, 2020; (b)  
 8 Permanent financing or a short-term line of credit sufficient to cover the total authorized  
 9 project scope shall have been obtained in the case of projects authorized for bonds, if the  
 10 authorized project completes an initial draw on the line of credit within the fiscal  
 11 biennium immediately subsequent to the original authorization; and (c) Grant or loan  
 12 agreements, if applicable, shall have been finalized and properly signed by all necessary  
 13 parties by June 30, 2020. Notwithstanding the criteria set forth in this subsection, the  
 14 disposition of 2020-2022 fiscal biennium nonstatutory appropriated maintenance pools  
 15 funded from Capital Construction Investment Income shall remain subject to KRS  
 16 45.770(5)(c).

17 **(3) Bond Proceeds Investment Income:** Investment income earned from bond  
 18 proceeds beyond that which is required to satisfy Internal Revenue Service arbitrage  
 19 rebates and penalties and excess bond proceeds upon the completion of a bond-financed  
 20 capital project shall be used to pay debt service according to the Internal Revenue  
 21 Service Code and accompanying regulations.

22 **(4) Appropriations for Projects Not Line-Itemized:** Inasmuch as the  
 23 identification of specific projects in a variety of areas of the state government cannot be  
 24 ascertained with absolute certainty at this time, amounts are appropriated for specific  
 25 purposes to projects which are not individually identified in this Act in the following  
 26 areas: Kentucky Infrastructure Authority Water and Sewer projects; Repair of State-  
 27 Owned Dams; Guaranteed Energy Savings Performance Contract projects; Wetland and



1 Stream Mitigation projects; Bond-funded, Restricted Fund, and Aircraft maintenance  
 2 pools; Postsecondary Education pools; Commonwealth Office of Technology  
 3 Infrastructure Upgrades; and the Wastewater Treatment Upgrades pool. Notwithstanding  
 4 any statute to the contrary, projects estimated to cost \$1,000,000 and over and equipment  
 5 estimated to cost \$200,000 and over shall be reported to the Capital Projects and Bond  
 6 Oversight Committee.

7 **(5) Capital Construction and Equipment Purchase Contingency Account:** If  
 8 funds in the Capital Construction and Equipment Purchase Contingency Account are not  
 9 sufficient, then expenditures of the fund are to be paid first from the General Fund  
 10 Surplus Account (KRS 48.700), if available, or from the Budget Reserve Trust Fund  
 11 Account (KRS 48.705), subject to the conditions and procedures provided in this Act.

12 **(6) Emergency Repair, Maintenance, and Replacement Account:** If funds in  
 13 the Emergency Repair, Maintenance, and Replacement Account are not sufficient, then  
 14 expenditures of the fund are to be paid first from the General Fund Surplus Account  
 15 (KRS 48.700), if available, or from the Budget Reserve Trust Fund Account (KRS  
 16 48.705), subject to the conditions and procedures provided in this Act.

17 **(7) Appropriation-Supported Debt:** To lower the cost of borrowing, the  
 18 agencies identified in KRS 45A.850(1)(a) and (2)(a) are authorized to refinance  
 19 appropriation supported debt obligations that have previously been issued and for which  
 20 the Commonwealth is currently making lease-rental payments to meet the current debt  
 21 service requirements. Such action is authorized provided that the principal amount of any  
 22 such debt obligation is not increased and the term of the debt obligation is not extended.  
 23 Any such refinancing shall still be subject to the requirements of KRS 45.750 to 45.810  
 24 for reporting to the Capital Projects and Bond Oversight Committee.

25 **(8) Cash Defeasance:** State agencies identified in KRS 45A.850(1)(a) and (2)(a)  
 26 are authorized to economically or legally defease debt obligations that have previously  
 27 been issued by the agency, or through a third-party but for which the Commonwealth or

1 the agency is currently making lease-rental payments to meet the current debt service  
 2 requirements. If Restricted Funds are used for the defeasance of bonds, the agency may  
 3 use a prior Agency Bond authorization for a new debt obligation so long as the debt  
 4 service for the new debt obligation is not greater than the debt service of the defeased  
 5 bonds and the term of the new debt obligation is not greater than the term of the defeased  
 6 bonds. Any such refinancing shall still be subject to the requirements of KRS 45.750 to  
 7 45.810 for reporting to the Capital Projects and Bond Oversight Committee.

8 **A. GENERAL GOVERNMENT**

9 <b>Budget Units</b>	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>
10 <b>1. DEPARTMENT OF VETERANS' AFFAIRS</b>			
11 <b>001. Nurse Call System – Additional Reauthorization (\$1,550,000 Investment</b>			
12 <b>Income)</b>			
13       Restricted Funds	4,500,000	-0-	-0-
14 <b>002. Improve/Expand Pavement and Parking Areas</b>			
15       Restricted Funds	-0-	1,600,000	-0-
16 <b>003. Construct Bowling Green Veterans Center</b>			
17       Federal Funds	-0-	19,500,000	-0-
18       Bond Funds	-0-	10,500,000	-0-
19       TOTAL	-0-	30,000,000	-0-
20 <b>004. Maintenance Pool – 2020-2022</b>			
21       Investment Income	-0-	600,000	-0-
22 <b>005. Replace Cooling Tower – Eastern Kentucky Veterans Center</b>			
23       Restricted Funds	-0-	400,000	-0-
24 <b>006. Replace Steam Boiler – Thomson-Hood Veterans Center</b>			
25       Restricted Funds	-0-	300,000	-0-
26 <b>2. KENTUCKY INFRASTRUCTURE AUTHORITY</b>			
27 <b>001. KIA Fund A – Federally Assisted Wastewater Program – 2020-2022</b>			

1	Federal Funds	-0-	20,428,000	-0-
2	Bond Funds	-0-	4,086,000	-0-
3	TOTAL	-0-	24,514,000	-0-

4       **(1) Permitted Use of Funds:** The Bond Funds shall be used to meet the state  
5 match requirement for federal funds for the Wastewater State Revolving Loan Fund  
6 Program.

7       **002.** KIA Fund F – Drinking Water Revolving Loan Program – 2020-2022

8	Federal Funds	-0-	18,303,000	-0-
9	Bond Funds	-0-	4,561,000	-0-
10	TOTAL	-0-	22,864,000	-0-

11       **(1) Permitted Use of Funds:** The Bond Funds shall be used to meet the state  
12 match requirement for federal funds for the Safe Drinking Water State Revolving Loan  
13 Fund Program.

14       **003.** KIA Fund A – Federally Assisted Wastewater Program – 2018-2020  
15 Reauthorization (\$30,000,000 Agency Bonds)

16       **004.** KIA Fund F – Drinking Water Revolving Loan Program – 2018-2020  
17 Reauthorization (\$30,000,000 Agency Bonds)

18       **3. MILITARY AFFAIRS**

19       **001.** Maintenance Pool – 2020-2022

20	Investment Income	-0-	1,500,000	-0-
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21       **002.** Bluegrass Station Facility Maintenance Pool – 2020-2022

22	Restricted Funds	-0-	1,000,000	-0-
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23       **003.** Install Solar Panels at Armories Statewide Reauthorization (\$413,000  
24 Restricted Funds, \$1,238,000 Federal Funds)

25       **004.** Construct Industrial Building at Bluegrass Station Reauthorization  
26 (\$15,000,000 Other Funds)

27       **(1) Authorization:** The above authorization is approved pursuant to KRS 45.763.

1	<b>005.</b> Construct Multi-purpose Building at Bluegrass Station Reauthorization			
2	(\$15,000,000 Other Funds)			
3	<b>(1) Authorization:</b> The above authorization is approved pursuant to KRS 45.763.			
4	<b>006.</b> Construct WHFRTC Qualification Training Range Reauthorization			
5	(\$6,515,000 Federal Funds)			
6	<b>4. ATTORNEY GENERAL</b>			
7	<b>001.</b> Franklin County – Lease			
8	<b>002.</b> Upgrade Technology			
9	Bond Funds	-0-	2,000,000	-0-
10	<b>5. UNIFIED PROSECUTORIAL SYSTEM</b>			
11	<b>a. Commonwealth's Attorneys</b>			
12	<b>001.</b> Jefferson County – Lease			
13	<b>6. AGRICULTURE</b>			
14	<b>001.</b> Inspection and Licensing Project			
15	Restricted Funds	-0-	1,052,400	-0-
16	<b>002.</b> Franklin County – Lease			
17	<b>7. OCCUPATIONAL AND PROFESSIONAL BOARDS AND COMMISSIONS</b>			
18	<b>a. Nursing</b>			
19	<b>001.</b> Jefferson County – Lease			
20	<b>8. KENTUCKY RIVER AUTHORITY</b>			
21	<b>001.</b> Locks 2 and 3 Upper Guide Wall Repair			
22	Restricted Funds	-0-	4,131,000	-0-
23	<b>002.</b> Design and Repair Dam 7 Reauthorization (\$3,081,000 Agency Bonds)			
24	<b>003.</b> Design and Repair Dam 6 Reauthorization (\$2,299,000 Agency Bonds)			
25	<b>9. SCHOOL FACILITIES CONSTRUCTION COMMISSION</b>			
26	<b>001.</b> Offers of Assistance – 2018-2020			
27	Bond Funds	-0-	58,000,000	-0-



1	Bond Funds	3,272,000	-0-
2	<b>004. Maintenance Pool – 2020-2022</b>		
3	Investment Income	1,000,000	-0-
4	<b>D. EDUCATION AND WORKFORCE DEVELOPMENT CABINET</b>		
5	<b>Budget Units</b>	<b>2020-21</b>	<b>2021-22</b>
6	<b>1. GENERAL ADMINISTRATION AND PROGRAM SUPPORT</b>		
7	<b>001. Maintenance Pool – 2020-2022</b>		
8	Investment Income	600,000	-0-
9	<b>2. KENTUCKY EDUCATIONAL TELEVISION</b>		
10	<b>001. Maintenance Pool – 2020-2022</b>		
11	Investment Income	450,000	-0-
12	<b>3. LIBRARIES AND ARCHIVES</b>		
13	<b>a. General Operations</b>		
14	<b>001. Franklin County – Lease</b>		
15	<b>4. WORKFORCE INVESTMENT</b>		
16	<b>001. Replace Unemployment Insurance System – Additional Reauthorization</b>		
17	(\$10,440,000 Restricted Funds)		
18	Restricted Funds	37,560,000	-0-
19	<b>002. Hardin County - Lease</b>		
20	<b>003. Kenton County - Lease</b>		
21	<b>E. ENERGY AND ENVIRONMENT CABINET</b>		
22	<b>Budget Units</b>	<b>2020-21</b>	<b>2021-22</b>
23	<b>1. SECRETARY</b>		
24	<b>001. Maintenance Pool – 2020-2022</b>		
25	Investment Income	300,000	-0-
26	<b>2. ENVIRONMENTAL PROTECTION</b>		
27	<b>001. State-Owned Dam Repair – 2020-2022</b>		

1	Bond Funds	7,000,000	-0-
2	<b>F. FINANCE AND ADMINISTRATION CABINET</b>		
3	<b>Budget Units</b>	<b>2020-21</b>	<b>2021-22</b>
4	<b>1. FACILITIES AND SUPPORT SERVICES</b>		
5	<b>001. Capitol Campus Upgrade</b>		
6	Bond Funds	22,000,000	-0-
7	<b>002. Maintenance Pool – 2020-2022</b>		
8	Bond Funds	5,000,000	-0-
9	<b>003. Air Handler Replacement and Repair – Central Lab Reauthorization and</b>		
10	Reallocation (\$189,700 Bond Funds)		
11	Bond Funds	2,011,300	-0-
12	<b>(1) Reauthorization and Reallocation:</b> The above project is authorized from a		
13	reallocation of the projects set forth in 2014 Ky. Acts ch. 117, Part II, F., 2., 002. and		
14	2012 Ky. Acts ch. 144, Part II, F., 2., 002..		
15	<b>004. Elevator Upgrades Phase 1</b>		
16	Bond Funds	2,000,000	-0-
17	<b>005. HVAC Replacement and Repair COT Building</b>		
18	Investment Income	1,200,000	-0-
19	<b>006. Guaranteed Energy Savings Performance Contracts</b>		
20	<b>2. COMMONWEALTH OFFICE OF TECHNOLOGY</b>		
21	<b>(1) Transfer of Restricted Funds from Operating Budget:</b> For the major		
22	equipment purchases displayed in this section funded from Restricted Funds, it is		
23	anticipated that these funds shall be transferred from the Operating Budget as funds are		
24	available and needed.		
25	<b>001. Enterprise Infrastructure 2020-2022</b>		
26	Restricted Funds	4,000,000	-0-
27	<b>002. Boone County – Lease</b>		

1	<b>3. KENTUCKY LOTTERY CORPORATION</b>		
2	<b>001. Data Processing, Telecommunications, and Related Equipment</b>		
3	Other Funds	500,000	-0-
4			
	<b>G. HEALTH AND FAMILY SERVICES CABINET</b>		
5	<b>Budget Units</b>	<b>2020-21</b>	<b>2021-22</b>
6	<b>1. GENERAL ADMINISTRATION AND PROGRAM SUPPORT</b>		
7	<b>001. Maintenance Pool – 2020-2022</b>		
8	Bond Funds	5,000,000	-0-
9	<b>002. KASPER</b>		
10	Federal Funds	1,820,000	-0-
11	Investment Income	180,000	-0-
12	TOTAL	2,000,000	-0-
13	<b>2. OFFICE FOR CHILDREN WITH SPECIAL HEALTH CARE NEEDS</b>		
14	<b>001. Jefferson County – Lease</b>		
15	<b>3. BEHAVIORAL HEALTH, DEVELOPMENTAL AND INTELLECTUAL</b>		
16	<b>DISABILITIES</b>		
17	<b>001. Oakwood Renovate/Replace Cottages – Phase II</b>		
18	Bond Funds	8,000,000	-0-
19	<b>002. Western State Hospital – Electrical Upgrade – Phase III</b>		
20	Bond Funds	3,493,000	-0-
21	<b>003. Oakwood Replace, Upgrade, and Enhance Generators</b>		
22	Bond Funds	1,825,000	-0-
23	<b>4. PUBLIC HEALTH</b>		
24	<b>001. WIC Modernization</b>		
25	Federal Funds	10,756,000	-0-
26	<b>5. INCOME SUPPORT</b>		
27	<b>001. Franklin County – Lease</b>		



- 1 **6. COMMUNITY BASED SERVICES**
- 2 **001.** Boone County – Lease
- 3 **002.** Boyd County – Lease
- 4 **003.** Campbell County – Lease
- 5 **004.** Daviess County – Lease
- 6 **005.** Greenup County – Lease
- 7 **006.** Fayette County – Lease
- 8 **007.** Franklin County – Lease
- 9 **008.** Hardin County – Lease
- 10 **009.** Johnson County – Lease
- 11 **010.** Kenton County – Lease
- 12 **011.** Madison County – Lease
- 13 **012.** Shelby County – Lease
- 14 **013.** Warren County – Lease
- 15 **014.** Perry County – Lease
- 16 **015.** Muhlenberg County – Lease

**H. JUSTICE AND PUBLIC SAFETY CABINET**

18 <b>Budget Units</b>	<b>2020-21</b>	<b>2021-22</b>
19 <b>1. JUSTICE ADMINISTRATION</b>		
20 <b>001.</b> Franklin County – Lease		
21 <b>2. CRIMINAL JUSTICE TRAINING</b>		
22 <b>001.</b> Maintenance Pool – 2020-2022		
23       Restricted Funds	1,500,000	-0-
24 <b>3. JUVENILE JUSTICE</b>		
25 <b>001.</b> Maintenance Pool – 2020-2022		
26       Investment Income	1,500,000	-0-
27 <b>002.</b> Franklin County – Lease		

1	<b>4. STATE POLICE</b>			
2	<b>001. Emergency Radio System Replacement, Phase II</b>			
3	Bond Funds	52,450,000		-0-
4	<b>002. Maintenance Pool – 2020-2022</b>			
5	Investment Income	1,000,000		-0-
6	<b>003. Two Mass Spectrometry Instruments</b>			
7	General Fund	700,000		-0-
8	<b>5. CORRECTIONS</b>			
9	<b>a. Adult Correctional Institutions</b>			
10	<b>001. Maintenance Pool – 2020-2022</b>			
11	Bond Funds	5,000,000		-0-
12	<b>002. Repair/Replace Roofs – Eastern Kentucky Correctional Complex</b>			
13	Bond Funds	6,531,000		-0-
14	<b>003. Install Emergency Generators – Luther Luckett and Green River</b>			
15	Bond Funds	5,700,000		-0-
16	<b>004. Floyd County – Lease</b>			
17	<b>b. Community Services and Local Facilities</b>			
18	<b>001. Fayette County – Lease</b>			
19	<b>002. Campbell County – Lease</b>			
20	<b>003. Jefferson County – Lease</b>			
21	<b>6. PUBLIC ADVOCACY</b>			
22	<b>001. Franklin County – Lease</b>			
23	<b>002. Fayette County – Lease</b>			
24	<b>I. POSTSECONDARY EDUCATION</b>			
25	<b>Budget Units</b>	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>
26	<b>1. COUNCIL ON POSTSECONDARY EDUCATION</b>			
27	<b>001. Franklin County – Lease</b>			

1 **2. KENTUCKY HIGHER EDUCATION STUDENT LOAN CORPORATION**

2 **001.** Jefferson County – Lease

3 **3. EASTERN KENTUCKY UNIVERSITY**

4 **001.** Replace and Renovate Student Housing

5 Other Funds -0- 50,000,000 -0-

6 **(1) Authorization:** The above authorization is approved pursuant to KRS 45.763.

7 **002.** Demolish Building Pool

8 Restricted Funds -0- 20,000,000 -0-

9 Other Funds -0- 20,000,000 -0-

10 TOTAL -0- 40,000,000 -0-

11 **003.** Upgrade/Approve Athletics Facilities/Fields Pool

12 Agency Bonds -0- 25,000,000 -0-

13 Other Funds -0- 12,000,000 -0-

14 TOTAL -0- 37,000,000 -0-

15 **(1) Authorization:** The above authorization is approved pursuant to KRS 45.763.

16 **004.** Campus Infrastructure Upgrade

17 Other Funds -0- 35,000,000 -0-

18 **(1) Authorization:** The above authorization is approved pursuant to KRS 45.763.

19 **005.** Miscellaneous Maintenance Pool – 2020-2022

20 Restricted Funds -0- 20,000,000 -0-

21 **006.** Repair/Replace Infrastructure/Building System Pool

22 Restricted Funds -0- 20,000,000 -0-

23 **007.** Construct Regional Health Facility

24 Federal Funds -0- 15,000,000 -0-

25 **008.** Campus Data Network Pool

26 Restricted Funds -0- 13,000,000 -0-

27 **009.** Construct Alumni and Welcome Center

1	Other Funds	-0-	13,000,000	-0-
2	<b>010. Innovation and Commercialization Pool</b>			
3	Other Funds	-0-	10,000,000	-0-
4	<b>011. Renovate Mechanical Systems Pool</b>			
5	Restricted Funds	-0-	10,000,000	-0-
6	<b>012. Steam Line Upgrades</b>			
7	Other Funds	-0-	10,000,000	-0-
8	<b>(1) Authorization:</b> The above authorization is approved pursuant to KRS 45.763.			
9	<b>013. Upgrade and Improve Residence Halls</b>			
10	Restricted Funds	-0-	10,000,000	-0-
11	<b>014. Academic Computing Pool</b>			
12	Restricted Funds	-0-	8,000,000	-0-
13	<b>015. Scientific and Research Equipment Pool</b>			
14	Restricted Funds	-0-	3,000,000	-0-
15	Federal Funds	-0-	2,200,000	-0-
16	Other Funds	-0-	2,200,000	-0-
17	TOTAL	-0-	7,400,000	-0-
18	<b>016. Administrative Computing Pool</b>			
19	Restricted Funds	-0-	6,500,000	-0-
20	<b>017. Commonwealth Hall Partial Repurposing and Renovation</b>			
21	Restricted Funds	-0-	6,000,000	-0-
22	<b>018. Property Acquisitions Pools</b>			
23	Restricted Funds	-0-	3,000,000	-0-
24	Other Funds	-0-	3,000,000	-0-
25	TOTAL	-0-	6,000,000	-0-
26	<b>(1) Authorization:</b> The above authorization is approved pursuant to KRS 45.763.			
27	<b>019. Aviation Acquisition Pool</b>			

1	Restricted Funds	-0-	5,000,000	-0-
2	<b>020. Construct Student Health Center</b>			
3	Other Funds	-0-	2,705,000	-0-
4	<b>021. University Services Space</b>			
5	Restricted Funds	-0-	2,000,000	-0-
6	Other Funds	-0-	500,000	-0-
7	TOTAL	-0-	2,500,000	-0-
8	<b>022. Chemistry and Translational Research Pool</b>			
9	Restricted Funds	-0-	675,000	-0-
10	Other Funds	-0-	350,000	-0-
11	TOTAL	-0-	1,025,000	-0-
12	<b>023. Natural Areas Improvement Pool</b>			
13	Restricted Funds	-0-	825,000	-0-
14	<b>024. Improve Campus Pedestrian, Parking, and Transport Reauthorization</b>			
15	(\$15,000,000 Agency Bonds, \$12,000,000 Restricted Funds, \$3,000,000 Other Funds)			
16	<b>025. Guaranteed Energy Savings Performance Contracts</b>			
17	<b>026. Aviation – Lease</b>			
18	<b>027. New Housing Space – Lease</b>			
19	<b>028. Madison County – Student Housing – Lease</b>			
20	<b>029. Madison County – Land – Lease</b>			
21	<b>030. Multi-Property – Multi-Use – Lease 1</b>			
22	<b>031. Multi-Property – Multi-Use – Lease 2</b>			
23	<b>032. Construct Aviation/Aerospace Instructional Facility</b>			
24	Bond Funds	-0-	3,016,000	-0-
25	<b>033. Purchase Aviation Maintenance Technician/Pilot Training Equipment</b>			
26	Bond Funds	-0-	5,000,000	-0-
27	<b>4. KENTUCKY STATE UNIVERSITY</b>			

1	<b>001.</b> Construct New Residence Hall			
2	Other Funds	-0-	55,562,000	-0-
3	<b>(1) Authorization:</b> The above authorization is approved pursuant to KRS 45.763.			
4	<b>002.</b> Acquire Land/Master Plan – 2020-2022			
5	Restricted Funds	-0-	1,044,000	-0-
6	Federal Funds	-0-	1,044,000	-0-
7	TOTAL	-0-	2,088,000	-0-
8	<b>003.</b> Guaranteed Energy Savings Performance Contracts			

9 **5. MOREHEAD STATE UNIVERSITY**

10	<b>001.</b> Construct New Residence Hall			
11	Agency Bonds	-0-	37,956,000	-0-
12	<b>002.</b> Capital Renewal and Maintenance Pool – Auxiliary			
13	Agency Bonds	-0-	4,539,000	-0-
14	<b>003.</b> Renovate Alumni Tower Ground Floor			
15	Agency Bonds	-0-	3,812,000	-0-
16	<b>004.</b> Replace Exterior Precast Panels – Nunn Hall			
17	Agency Bonds	-0-	3,148,000	-0-
18	<b>005.</b> Construct New Volleyball Facility – Phase 2			
19	Agency Bonds	-0-	2,380,000	-0-
20	<b>006.</b> Comply with ADA – Auxiliary			
21	Agency Bonds	-0-	2,034,000	-0-
22	<b>007.</b> Replace Turf on Jacobs Field			
23	Agency Bonds	-0-	1,102,000	-0-
24	<b>008.</b> Guaranteed Energy Savings Performance Contracts			
25	<b>009.</b> Renovate Cartmell Residence Hall – Reauthorization (\$15,200,000 Agency			
26	Bonds)			

27 **6. MURRAY STATE UNIVERSITY**

1	<b>001. Construct Residential Housing</b>			
2	Other Funds	-0-	66,000,000	-0-
3	<b>(1) Authorization:</b>	The above authorization is approved pursuant to KRS 45.763.		
4	<b>002. Renovate/Replace Residence Hall</b>			
5	Agency Bonds	-0-	16,740,000	-0-
6	<b>003. Construct/Renovate Alternate Dining Facility</b>			
7	Other Funds	-0-	12,000,000	-0-
8	<b>(1) Authorization:</b>	The above authorization is approved pursuant to KRS 45.763.		
9	<b>004. Renovate Winslow Cafeteria</b>			
10	Restricted Funds	-0-	4,673,000	-0-
11	<b>005. Renovate Residence Hall Electrical System</b>			
12	Agency Bonds	-0-	4,180,000	-0-
13	<b>006. Acquire Property</b>			
14	Restricted Funds	-0-	4,000,000	-0-
15	<b>007. Repairs of Biology Building</b>			
16	Restricted Funds	4,000,000	-0-	-0-
17	<b>008. Renovate Residence Hall HVAC System</b>			
18	Agency Bonds	-0-	3,503,000	-0-
19	<b>009. Replace CFSB Center Seating</b>			
20	Restricted Funds	-0-	3,500,000	-0-
21	<b>010. Renovate Residence Hall Interior</b>			
22	Agency Bonds	-0-	1,601,000	-0-
23	<b>011. Install CFSB Center Generator</b>			
24	Restricted Funds	-0-	1,541,000	-0-
25	<b>012. Acquire Agriculture Research Farm Land</b>			
26	Restricted Funds	-0-	1,200,000	-0-
27	<b>013. Replace Residence Hall Domestic Water Piping</b>			

1	Agency Bonds	-0-	1,143,000	-0-
2	<b>014.</b> Agriculture Instructional Laboratory and Technology Equipment			
3	Other Funds	-0-	800,000	-0-
4	<b>015.</b> Broadcasting Education Laboratory Equipment			
5	Other Funds	-0-	225,000	-0-
6	<b>016.</b> Guaranteed Energy Savings Performance Contracts			
7	<b>017.</b> Renovate Residence Hall or Replace - LTF			
8	Other Funds	-0-	16,740,000	-0-
9	<b>018.</b> Renovate Residence Hall Electrical System - LTF			
10	Other Funds	-0-	4,180,000	-0-
11	<b>019.</b> Renovate Residence Hall HVAC System - LTF			
12	Other Funds	-0-	3,503,000	-0-
13	<b>020.</b> Renovate Residence Hall Interior - LTF			
14	Other Funds	-0-	1,601,000	-0-
15	<b>021.</b> Replace Campus Communications Infrastructure (Fiber Ring)			
16	Restricted Funds	-0-	4,640,000	-0-
17	<b>7. NORTHERN KENTUCKY UNIVERSITY</b>			
18	<b>001.</b> Renew/Renovate Fine Arts Center Phase II			
19	Restricted Funds	-0-	45,000,000	-0-
20	Other Funds	-0-	5,000,000	-0-
21	TOTAL	-0-	50,000,000	-0-
22	<b>002.</b> Renovate/Expand Civic Center Building			
23	Other Funds	-0-	8,000,000	-0-
24	<b>003.</b> Renovate/Expand Business Academic Building			
25	Restricted Funds	-0-	33,000,000	-0-
26	Other Funds	-0-	8,000,000	-0-
27	TOTAL	-0-	41,000,000	-0-



1	<b>004.</b> Replace Event Center Technology			
2	Other Funds	-0-	4,000,000	-0-
3	<b>(1) Authorization:</b> The above authorization is approved pursuant to KRS 45.763.			
4	<b>005.</b> Renew/Renovate Nunn Hall			
5	Restricted Funds	-0-	25,000,000	-0-
6	Other Funds	-0-	5,000,000	-0-
7	TOTAL	-0-	30,000,000	-0-
8	<b>006.</b> Expand/Renovate Soccer Stadium			
9	Other Funds	-0-	3,500,000	-0-
10	<b>007.</b> Acquire Land/Master Plan 2010-2012 Reauthorization (\$17,500,000 Agency			
11	Bonds, \$4,000,000 Restricted Funds, \$4,000,000 Other Funds)			
12	<b>(1) Authorization:</b> The above authorization is approved pursuant to KRS 45.763.			
13	<b>008.</b> Replace Underground Utility Infrastructure			
14	Restricted Funds	-0-	6,700,000	-0-
15	<b>009.</b> Renew/Renovate Steely Library			
16	Restricted Funds	-0-	41,000,000	-0-
17	<b>010.</b> Renovate Brown Building Reauthorization (\$3,000,000 Restricted Funds,			
18	\$1,500,000 Other Funds)			
19	<b>011.</b> Renew E&G Building Systems Projects Pool			
20	Restricted Funds	-0-	20,000,000	-0-
21	<b>012.</b> Construct Research/Innovation Building Reauthorization (\$30,000,000 Other			
22	Funds)			
23	<b>(1) Authorization:</b> The above authorization is approved pursuant to KRS 45.763.			
24	<b>013.</b> Construct /Acquire New Residence Hall Reauthorization (\$4,571,000 Agency			
25	Bonds)			
26	<b>014.</b> Reconstruct West Side Parking Reauthorization (\$6,529,000 Agency Bonds)			
27	<b>015.</b> Renovate/Construct Campbell Hall			

1	Restricted Funds	-0-	9,000,000	-0-
2	Other Funds	-0-	9,000,000	-0-
3	TOTAL	-0-	18,000,000	-0-

4 **(1) Authorization:** The above authorization is approved pursuant to KRS 45.763.

5 **016.** Academic Space – Lease

6 **017.** Office Space – Lease

7 **018.** Guaranteed Energy Savings Performance Contracts

8 **019.** Renovate Residence Halls

9	Agency Bonds	-0-	10,000,000	-0-
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10 **020.** Renovate/Expand Baseball Field Additional Reauthorization

11	Other Funds	-0-	6,700,000	-0-
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12 **021.** Upgrade Admin/IT Infrastructure Pool

13	Restricted Funds	-0-	15,500,000	-0-
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14	Other Funds	-0-	6,000,000	-0-
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15	TOTAL	-0-	21,500,000	-0-
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16 **(1) Authorization:** The above authorization is approved pursuant to KRS 45.763.

17 **022.** Enhance Student Union

18	Restricted Funds	1,500,000	-0-	-0-
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19	Other Funds	3,000,000	-0-	-0-
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20	TOTAL	4,500,000	-0-	-0-
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21 **8. UNIVERSITY OF KENTUCKY**

22 **001.** Replace UK HealthCare IT Systems 1

23	Restricted Funds	-0-	320,000,000	-0-
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24 **002.** Improve UK HealthCare Facilities – UK Chandler Hospital

25	Restricted Funds	-0-	310,000,000	-0-
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26 **003.** Construct Library/Knowledge Center

27	Restricted Funds	-0-	237,000,000	-0-
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1	<b>004. Improve Funkhouser Building</b>			
2	Restricted Funds	-0-	92,000,000	-0-
3	<b>005. Construct College of Medicine Building</b>			
4	Restricted Funds	-0-	200,000,000	-0-
5	<b>006. Construct Student Housing</b>			
6	Restricted Funds	-0-	50,000,000	-0-
7	Other Funds	-0-	100,000,000	-0-
8	TOTAL	-0-	150,000,000	-0-
9	<b>(1) Authorization:</b>	The above authorization is approved pursuant to KRS 45.763.		
10	<b>007. Improve Campus Parking and Transportation System</b>			
11	Restricted Funds	-0-	150,000,000	-0-
12	<b>(1) Authorization:</b>	The above authorization is approved pursuant to KRS 45.763.		
13	<b>008. Improve Parking/Transportation Systems UK HealthCare</b>			
14	Restricted Funds	-0-	75,000,000	-0-
15	Other Funds	-0-	75,000,000	-0-
16	TOTAL	-0-	150,000,000	-0-
17	<b>(1) Authorization:</b>	The above authorization is approved pursuant to KRS 45.763.		
18	<b>009. Construct Digital Village Building 3</b>			
19	Restricted Funds	-0-	70,000,000	-0-
20	Other Funds	-0-	70,000,000	-0-
21	TOTAL	-0-	140,000,000	-0-
22	<b>(1) Authorization:</b>	The above authorization is approved pursuant to KRS 45.763.		
23	<b>010. Facilities Renewal and Modernization</b>			
24	Agency Bonds	-0-	125,000,000	-0-
25	<b>011. Acquire/Renovate Housing</b>			
26	Agency Bonds	-0-	40,000,000	-0-
27	Other Funds	-0-	35,000,000	-0-

1	TOTAL	-0-	75,000,000	-0-
2	<b>(1) Authorization:</b> The above authorization is approved pursuant to KRS 45.763.			
3	<b>012.</b> Construct Retail/Parking Facility 1			
4	Other Funds	-0-	75,000,000	-0-
5	<b>(1) Authorization:</b> The above authorization is approved pursuant to KRS 45.763.			
6	<b>013.</b> Construct Retail/Parking Facility 2			
7	Other Funds	-0-	75,000,000	-0-
8	<b>(1) Authorization:</b> The above authorization is approved pursuant to KRS 45.763.			
9	<b>014.</b> Improve Center for Applied Energy Research Facilities			
10	Restricted Funds	-0-	75,000,000	-0-
11	<b>015.</b> Improve Multi-Disciplinary Science Building			
12	Restricted Funds	-0-	10,000,000	-0-
13	<b>016.</b> Construct/Improve Greek Housing			
14	Restricted Funds	-0-	36,000,000	-0-
15	Other Funds	-0-	36,000,000	-0-
16	TOTAL	-0-	72,000,000	-0-
17	<b>017.</b> Renovate/Improve King Library			
18	Restricted Funds	-0-	5,000,000	-0-
19	<b>018.</b> Construct Office Park at Coldstream			
20	Other Funds	-0-	65,000,000	-0-
21	<b>(1) Authorization:</b> The above authorization is approved pursuant to KRS 45.763.			
22	<b>019.</b> Improve Memorial Coliseum			
23	Other Funds	-0-	65,000,000	-0-
24	<b>020.</b> Implement Land Use Plan – UK HealthCare			
25	Restricted Funds	-0-	60,000,000	-0-
26	<b>021.</b> Acquire Land			
27	Restricted Funds	-0-	50,000,000	-0-

1	<b>022.</b> Repair/Upgrade/Expand Central Plants			
2	Restricted Funds	-0-	112,000,000	-0-
3	<b>023.</b> Acquire Medical Facility 1			
4	Restricted Funds	-0-	50,000,000	-0-
5	<b>024.</b> Improve Whalen Building & Bay Facility			
6	Restricted Funds	-0-	5,000,000	-0-
7	<b>025.</b> Acquire Medical Facility 2			
8	Restricted Funds	-0-	50,000,000	-0-
9	<b>026.</b> Acquire/Renovate Clinical Research Facility			
10	Restricted Funds	-0-	8,000,000	-0-
11	<b>027.</b> Acquire/Improve Clinical Administrative Facility 1			
12	Restricted Funds	-0-	50,000,000	-0-
13	<b>028.</b> Construct Ambulatory Facility – UK HealthCare			
14	Restricted Funds	-0-	50,000,000	-0-
15	<b>029.</b> Improve McVey Hall			
16	Restricted Funds	-0-	35,000,000	-0-
17	<b>030.</b> Construct Clinical/Administrative Facility 1			
18	Restricted Funds	-0-	50,000,000	-0-
19	<b>031.</b> Improve Building Systems – UK HealthCare			
20	Restricted Funds	-0-	50,000,000	-0-
21	<b>032.</b> Improve Campus Core Quadrangle Facilities			
22	Restricted Funds	-0-	65,000,000	-0-
23	<b>033.</b> Improve Clinical/Ambulatory Services Facilities UK HealthCare			
24	Restricted Funds	-0-	50,000,000	-0-
25	<b>034.</b> Improve Reynolds Building 1			
26	Restricted Funds	-0-	35,000,000	-0-
27	<b>035.</b> Improve Coldstream Research Campus			

1	Restricted Funds	-0-	50,000,000	-0-
2	<b>036. Improve Scovell Hall</b>			
3	Restricted Funds	-0-	45,000,000	-0-
4	<b>037. Improve Pence Hall</b>			
5	Restricted Funds	-0-	20,000,000	-0-
6	<b>038. Upgrade/Renovate/Expand Research Labs</b>			
7	Restricted Funds	-0-	50,000,000	-0-
8	<b>039. Expand/Improve Kastle Hall</b>			
9	Restricted Funds	-0-	43,000,000	-0-
10	<b>040. Expand/Improve Barnhart Building</b>			
11	Other Funds	-0-	40,000,000	-0-
12	<b>(1) Authorization:</b> The above authorization is approved pursuant to KRS 45.763.			
13	<b>041. Improve Memorial Hall</b>			
14	Restricted Funds	-0-	13,000,000	-0-
15	<b>042. Purchase/Construct CO2 Capture Process Plant</b>			
16	Federal Funds	-0-	40,000,000	-0-
17	<b>043. Construct New Alumni Center</b>			
18	Other Funds	-0-	38,000,000	-0-
19	<b>(1) Authorization:</b> The above authorization is approved pursuant to KRS 45.763.			
20	<b>044. Improve Chemistry/Physics Building Phase 3</b>			
21	Restricted Funds	-0-	65,000,000	-0-
22	<b>045. Construct Tennis Facility</b>			
23	Restricted Funds	-0-	17,500,000	-0-
24	Other Funds	-0-	17,500,000	-0-
25	TOTAL	-0-	35,000,000	-0-
26	<b>(1) Authorization:</b> The above authorization is approved pursuant to KRS 45.763.			
27	<b>046. Improve Jacobs Science Building</b>			

1	Restricted Funds	-0-	32,000,000	-0-
2	<b>047.</b> Construct Clinical/Administrative Facility 2			
3	Restricted Funds	-0-	30,000,000	-0-
4	<b>048.</b> Construct/Improve Parking I			
5	Restricted Funds	-0-	30,000,000	-0-
6	<b>049.</b> Improve Barnhart Building			
7	Restricted Funds	-0-	40,000,000	-0-
8	<b>050.</b> Construct/Improve Parking II			
9	Restricted Funds	-0-	30,000,000	-0-
10	<b>051.</b> Decommission Facilities			
11	Restricted Funds	-0-	30,000,000	-0-
12	<b>052.</b> Improve Parking Garage 1			
13	Restricted Funds	-0-	30,000,000	-0-
14	<b>053.</b> Improve Parking Garage 2			
15	Restricted Funds	-0-	30,000,000	-0-
16	<b>054.</b> Improve Sanders-Brown Building			
17	Restricted Funds	-0-	35,000,000	-0-
18	<b>055.</b> Research Equipment Replacement			
19	Restricted Funds	-0-	30,000,000	-0-
20	<b>056.</b> Construct Teaching Pavilion			
21	Restricted Funds	-0-	28,000,000	-0-
22	<b>057.</b> Acquire/Improve Clinical/Administrative Facility 2			
23	Restricted Funds	-0-	25,000,000	-0-
24	<b>058.</b> Improve Dentistry Facility			
25	Restricted Funds	-0-	25,000,000	-0-
26	<b>059.</b> Improve Good Samaritan Hospital Facilities UK HealthCare			
27	Restricted Funds	-0-	25,000,000	-0-

1	<b>060. Improve Taylor Education Building</b>			
2	Restricted Funds	-0-	40,000,000	-0-
3	<b>061. Improve Medical Facility 1</b>			
4	Restricted Funds	-0-	25,000,000	-0-
5	<b>062. Improve Dickey Hall</b>			
6	Restricted Funds	-0-	20,000,000	-0-
7	<b>063. Improve Medical Facility 2</b>			
8	Restricted Funds	-0-	25,000,000	-0-
9	<b>064. Improve Anderson Tower</b>			
10	Restricted Funds	-0-	6,000,000	-0-
11	<b>065. Renovate/Upgrade UK HealthCare Facilities – Additional Reauthorization</b>			
12	(\$75,000,000 Agency Bonds)			
13	Agency Bonds	-0-	25,000,000	-0-
14	<b>066. Repair Emergency Infrastructure/Building Systems</b>			
15	Restricted Funds	-0-	25,000,000	-0-
16	<b>067. Construct Agriculture Research Facility 1</b>			
17	Restricted Funds	-0-	20,000,000	-0-
18	<b>068. Construct Library Depository Facility</b>			
19	Restricted Funds	-0-	20,000,000	-0-
20	<b>069. Construct Indoor Track</b>			
21	Other Funds	-0-	20,000,000	-0-
22	<b>(1) Authorization:</b> The above authorization is approved pursuant to KRS 45.763.			
23	<b>070. Improve W.T. Young Facility</b>			
24	Restricted Funds	-0-	5,000,000	-0-
25	<b>071. Construct Research/Incubator Facility</b>			
26	Other Funds	-0-	20,000,000	-0-
27	<b>(1) Authorization:</b> The above authorization is approved pursuant to KRS 45.763.			



1	<b>072. Renovate/Improve Nursing Building</b>			
2	Restricted Funds	-0-	2,000,000	-0-
3	<b>073. Construct/Expand/Renovate Ambulatory Care – UK HealthCare</b>			
4	Restricted Funds	-0-	20,000,000	-0-
5	<b>074. Renovate/Improve Frazee Hall</b>			
6	Restricted Funds	-0-	11,000,000	-0-
7	<b>075. Expand/Improve Johnson Center</b>			
8	Restricted Funds	-0-	30,000,000	-0-
9	<b>076. Improve Markey Cancer Center – UK HealthCare</b>			
10	Restricted Funds	-0-	20,000,000	-0-
11	<b>077. Improve Library Facility</b>			
12	Restricted Funds	-0-	20,000,000	-0-
13	<b>078. Improve Student Center Space 2</b>			
14	Restricted Funds	-0-	20,000,000	-0-
15	<b>079. Upgrade Dining Facilities</b>			
16	Restricted Funds	-0-	10,000,000	-0-
17	Other Funds	-0-	10,000,000	-0-
18	TOTAL	-0-	20,000,000	-0-
19	<b>(1) Authorization:</b>	The above authorization is approved pursuant to KRS 45.763.		
20	<b>080. Acquire Data Center Hardware – UK HealthCare</b>			
21	Restricted Funds	-0-	15,000,000	-0-
22	<b>081. Expand/Improve Willard Medical Education Building</b>			
23	Restricted Funds	-0-	20,000,000	-0-
24	<b>082. Acquire/Improve Elevator System – UK HealthCare</b>			
25	Restricted Funds	-0-	15,000,000	-0-
26	<b>083. Construct Engineering Center Building</b>			
27	Restricted Funds	-0-	110,000,000	-0-

1	<b>084. Construct/Improve Clinical/Administrative Facilities – UK HealthCare</b>			
2	Restricted Funds	-0-	15,000,000	-0-
3	<b>085. Construct/Improve Recreation Quad 1</b>			
4	Restricted Funds	-0-	15,000,000	-0-
5	<b>086. Improve Life Safety</b>			
6	Restricted Funds	-0-	15,000,000	-0-
7	<b>087. Construct/Fit-Up Retail Space</b>			
8	Restricted Funds	-0-	10,000,000	-0-
9	Other Funds	-0-	5,000,000	-0-
10	TOTAL	-0-	15,000,000	-0-
11	<b>088. Renovate/Improve Mineral Industries Building</b>			
12	Restricted Funds	-0-	6,000,000	-0-
13	<b>089. Improve Lancaster Aquatic Center 1</b>			
14	Other Funds	-0-	12,000,000	-0-
15	<b>090. Improve Medical Center Library</b>			
16	Restricted Funds	-0-	12,000,000	-0-
17	<b>091. Improve University Storage Facility</b>			
18	Restricted Funds	-0-	12,000,000	-0-
19	<b>092. Construct Equine Campus, Phase 2</b>			
20	Restricted Funds	-0-	11,000,000	-0-
21	<b>093. Improve Peterson Service Building</b>			
22	Restricted Funds	-0-	14,000,000	-0-
23	<b>094. Acquire Telemedicine/Virtual ICU – UK HealthCare</b>			
24	Restricted Funds	-0-	10,000,000	-0-
25	<b>095. Acquire/Renovate Administrative Facility</b>			
26	Restricted Funds	-0-	10,000,000	-0-
27	<b>096. Acquire/Upgrade IT System – UK HealthCare</b>			

1	Restricted Funds	-0-	10,000,000	-0-
2	<b>097. Construct Agriculture Research Facility 2</b>			
3	Restricted Funds	-0-	10,000,000	-0-
4	<b>098. Construct Metal Arts/Digital Media Building</b>			
5	Restricted Funds	-0-	10,000,000	-0-
6	<b>099. Construct/Renovate Gymnastic Practice Facility</b>			
7	Other Funds	-0-	10,000,000	-0-
8	<b>100. Implement Patient Communication System – UK HealthCare</b>			
9	Restricted Funds	-0-	10,000,000	-0-
10	<b>101. Improve Moloney Building</b>			
11	Restricted Funds	-0-	17,000,000	-0-
12	<b>102. Improve Athletics Facility 1</b>			
13	Other Funds	-0-	10,000,000	-0-
14	<b>103. Improve Athletics Facility 2</b>			
15	Other Funds	-0-	10,000,000	-0-
16	<b>104. Improve Spindletop Hall Facilities</b>			
17	Restricted Funds	-0-	15,000,000	-0-
18	<b>105. Expand/Renovate/Improve Sturgill Development Building</b>			
19	Restricted Funds	-0-	4,000,000	-0-
20	<b>106. Improve DLAR Facilities</b>			
21	Restricted Funds	-0-	10,000,000	-0-
22	<b>107. Construct/Improve Office Building</b>			
23	Restricted Funds	-0-	55,000,000	-0-
24	<b>108. Improve Wildcat Coal Lodge</b>			
25	Other Funds	-0-	10,000,000	-0-
26	<b>109. Construct Facilities Shops &amp; Storage Facility</b>			
27	Restricted Funds	-0-	27,000,000	-0-

1	<b>110. Lease – Purchase Campus Infrastructure</b>			
2	Restricted Funds	-0-	10,000,000	-0-
3	<b>111. Improve Academic Facility 1</b>			
4	Restricted Funds	-0-	16,000,000	-0-
5	<b>112. Lease – Purchase Campus IT Systems</b>			
6	Restricted Funds	-0-	10,000,000	-0-
7	<b>113. Expand/Renovate/Improve LTS Facility</b>			
8	Restricted Funds	-0-	20,000,000	-0-
9	<b>114. Improve Lancaster Aquatic Center 2</b>			
10	Other Funds	-0-	8,000,000	-0-
11	<b>115. Construct Childcare Center Facility</b>			
12	Restricted Funds	-0-	10,000,000	-0-
13	<b>116. Improve Kroger Field Stadium</b>			
14	Other Funds	-0-	7,000,000	-0-
15	<b>117. Improve Carnahan House</b>			
16	Restricted Funds	-0-	8,000,000	-0-
17	<b>118. Lease – Purchase High Performance Computer</b>			
18	Restricted Funds	-0-	7,000,000	-0-
19	<b>119. Renovate/Improve Nursing Units – UK HealthCare</b>			
20	Restricted Funds	-0-	7,000,000	-0-
21	<b>120. Acquire/Improve Golf Facility</b>			
22	Other Funds	-0-	6,000,000	-0-
23	<b>121. Expand Kentucky Geological Survey Well Sample and Core Repository</b>			
24	Restricted Funds	-0-	6,000,000	-0-
25	<b>122. Improve Academic/Administrative Space 1</b>			
26	Restricted Funds	-0-	10,000,000	-0-
27	<b>123. Improve Athletics Facility 3</b>			

1	Other Funds	-0-	6,000,000	-0-
2	<b>124.</b> Improve Academic/Administrative Space 2			
3	Restricted Funds	-0-	10,000,000	-0-
4	<b>125.</b> Improve Seaton Center			
5	Restricted Funds	-0-	6,000,000	-0-
6	<b>126.</b> Acquire Equipment/Furnishings Pool			
7	Other Funds	-0-	5,000,000	-0-
8	<b>127.</b> Improve Academic/Administrative Space 3			
9	Restricted Funds	-0-	10,000,000	-0-
10	<b>128.</b> ADA Compliance Pool			
11	Restricted Funds	-0-	5,000,000	-0-
12	<b>129.</b> Improve Academic/Administrative Space 4			
13	Restricted Funds	-0-	10,000,000	-0-
14	<b>130.</b> Construct Hospice Facility – UK HealthCare			
15	Restricted Funds	-0-	5,000,000	-0-
16	<b>131.</b> Construct/Improve Athletics Facility			
17	Other Funds	-0-	5,000,000	-0-
18	<b>132.</b> Construct/Improve Campus Recreation Field 1			
19	Restricted Funds	-0-	5,000,000	-0-
20	<b>133.</b> Improve Student Center Space 3			
21	Restricted Funds	-0-	25,000,000	-0-
22	<b>134.</b> Construct/Improve Campus Recreation Field 2			
23	Restricted Funds	-0-	5,000,000	-0-
24	<b>135.</b> Construct/Improve Campus Recreation Field 3			
25	Restricted Funds	-0-	5,000,000	-0-
26	<b>136.</b> Improve Patterson Hall			
27	Restricted Funds	-0-	12,000,000	-0-

1	<b>137. Improve Athletics Facility 4</b>			
2	Other Funds	-0-	5,000,000	-0-
3	<b>138. Improve Athletics Facility 5</b>			
4	Other Funds	-0-	5,000,000	-0-
5	<b>139. Improve Baseball Facility Phase II</b>			
6	Other Funds	-0-	5,000,000	-0-
7	<b>140. Improve Campus Infrastructure</b>			
8	Restricted Funds	-0-	5,000,000	-0-
9	<b>141. Improve Enterprise Networking 1</b>			
10	Restricted Funds	-0-	5,000,000	-0-
11	<b>142. Improve Civil/Site Infrastructure</b>			
12	Restricted Funds	-0-	50,000,000	-0-
13	<b>143. Improve Enterprise Networking 2</b>			
14	Restricted Funds	-0-	5,000,000	-0-
15	<b>144. Improve Electrical Infrastructure</b>			
16	Restricted Funds	-0-	28,000,000	-0-
17	<b>145. Improve Joe Craft Center</b>			
18	Other Funds	-0-	5,000,000	-0-
19	<b>146. Improve Mechanical Infrastructure</b>			
20	Restricted Funds	-0-	26,000,000	-0-
21	<b>147. Improve Medical Plaza</b>			
22	Restricted Funds	-0-	5,000,000	-0-
23	<b>148. Improve Building Mechanical Systems</b>			
24	Restricted Funds	-0-	35,000,000	-0-
25	<b>149. Improve Nutter Training Facility</b>			
26	Other Funds	-0-	5,000,000	-0-
27	<b>150. Improve Soccer/Softball Facility</b>			

1	Other Funds	-0-	5,000,000	-0-
2	<b>151. Improve Building Electrical Systems</b>			
3	Restricted Funds	-0-	10,000,000	-0-
4	<b>152. Lease – Purchase Campus Call Center System</b>			
5	Restricted Funds	-0-	5,000,000	-0-
6	<b>153. Acquire/Improve Elevator Systems</b>			
7	Restricted Funds	-0-	10,000,000	-0-
8	<b>154. Lease – Purchase Network Security</b>			
9	Restricted Funds	-0-	5,000,000	-0-
10	<b>155. Improve Building Shell Systems</b>			
11	Restricted Funds	-0-	40,000,000	-0-
12	<b>156. Renovate Space for a Testing Center</b>			
13	Restricted Funds	-0-	5,000,000	-0-
14	<b>157. Expand/Improve Cooper House</b>			
15	Restricted Funds	-0-	4,000,000	-0-
16	<b>158. Improve Fume Hood Systems</b>			
17	Restricted Funds	-0-	10,000,000	-0-
18	<b>159. Repair/Replace Campus Cable Infrastructure</b>			
19	Restricted Funds	-0-	4,000,000	-0-
20	<b>160. Acquire Transportation Buses Pool</b>			
21	Restricted Funds	-0-	3,000,000	-0-
22	<b>161. Construct Cross Country Trail</b>			
23	Other Funds	-0-	3,000,000	-0-
24	<b>162. Construct/Improve Athletics Playing Fields 1</b>			
25	Other Funds	-0-	3,000,000	-0-
26	<b>163. Construct/Improve Athletics Playing Fields 2</b>			
27	Other Funds	-0-	3,000,000	-0-

1	<b>164. Construct/Relocate Data Center</b>			
2	Restricted Funds	-0-	50,000,000	-0-
3	<b>165. Lease – Purchase Voice Infrastructure</b>			
4	Restricted Funds	-0-	3,000,000	-0-
5	<b>166. Relocate/Replace Greenhouses</b>			
6	Restricted Funds	-0-	3,000,000	-0-
7	<b>167. Acquire Information Technology Systems</b>			
8	Other Funds	-0-	2,000,000	-0-
9	<b>168. Construct North Farm Agriculture Research Facility</b>			
10	Restricted Funds	-0-	2,000,000	-0-
11	<b>169. Improve Joe Craft Football Practice Facility</b>			
12	Other Funds	-0-	2,000,000	-0-
13	<b>170. Improve Nutter Field House</b>			
14	Other Funds	-0-	2,000,000	-0-
15	<b>171. Improve Senior Center</b>			
16	Restricted Funds	-0-	2,000,000	-0-
17	<b>172. Construct Data Center - UKHC</b>			
18	Restricted Funds	-0-	45,000,000	-0-
19	<b>173. Improve Sanders-Brown Center on Aging/Neuroscience Facilities</b>			
20	Completion			
21	Bond Funds	-0-	14,000,000	-0-
22	Other Funds	-0-	14,000,000	-0-
23	TOTAL	-0-	28,000,000	-0-
24	<b>(1) Authorization:</b> The above authorization is approved pursuant to KRS 45.763.			
25	<b>174. Construct Police Headquarters</b>			
26	Restricted Funds	-0-	27,000,000	-0-
27	<b>175. Construct Indoor Track</b>			



1	Restricted Funds	-0-	20,000,000	-0-
2	<b>176.</b> Upgrade/Expand Campus Security Platform			
3	Restricted Funds	-0-	10,000,000	-0-
4	<b>177.</b> Construct Beam Institute 1			
5	Restricted Funds	-0-	10,000,000	-0-
6	<b>178.</b> Construct Beam Institute 2			
7	Restricted Funds	-0-	10,000,000	-0-
8	<b>179.</b> Construct/Fit-Up Retail Space			
9	Other Funds	-0-	5,000,000	-0-
10	<b>180.</b> Construct Housing Reauthorization (\$50,000,000 Agency Bonds)			
11	<b>181.</b> Renovate/Modernize Facilities Reauthorization (\$63,000,000 Agency Bonds)			
12	<b>182.</b> Renovate/Improve Housing Reauthorization (\$50,000,000 Agency Bonds)			
13	<b>183.</b> Lease – College of Medicine 1			
14	<b>184.</b> Lease – College of Medicine 2			
15	<b>185.</b> Lease – College of Medicine 3			
16	<b>186.</b> Lease – College of Medicine 4			
17	<b>187.</b> Lease – College of Medicine 5			
18	<b>188.</b> Lease – Administrative Space			
19	<b>189.</b> Lease – Good Samaritan – UK HealthCare			
20	<b>190.</b> Lease – Off Campus Athletics 1			
21	<b>191.</b> Lease – Off Campus Athletics 2			
22	<b>192.</b> Lease – Off Campus Housing 1			
23	<b>193.</b> Lease – Off Campus Housing 2			
24	<b>194.</b> Lease – Off Campus 2			
25	<b>195.</b> Lease – Grant Projects 1			
26	<b>196.</b> Lease – Grant Projects 2			
27	<b>197.</b> Lease – Grant Projects 3			

- 1       **198.** Lease – Health Affairs Office 1
- 2       **199.** Lease – Health Affairs Office 2
- 3       **200.** Lease – Health Affairs Office 3
- 4       **201.** Lease – Health Affairs Office 4
- 5       **202.** Lease – Health Affairs Office 5
- 6       **203.** Lease – Health Affairs Office 6
- 7       **204.** Lease – Health Affairs Office 7
- 8       **205.** Lease – Health Affairs Office 8
- 9       **206.** Lease – Health Affairs Office 9
- 10      **207.** Lease – Health Affairs Office 10
- 11      **208.** Lease – Health Affairs Office 11
- 12      **209.** Lease – Health Affairs Office 12
- 13      **210.** Lease – Health Affairs Office 13
- 14      **211.** Lease – Health Affairs Office 14
- 15      **212.** Lease – Health Affairs Office 15
- 16      **213.** Lease – Off Campus 1
- 17      **214.** Lease – Off Campus 2
- 18      **215.** Lease – Off Campus 3
- 19      **216.** Lease – Off Campus 4
- 20      **217.** Lease – Off Campus 5
- 21      **218.** Lease – Off Campus 6
- 22      **219.** Lease – Off Campus 7
- 23      **220.** Lease – Off Campus 8
- 24      **221.** Lease – Off Campus 9
- 25      **222.** Lease – Off Campus 10
- 26      **223.** Lease – Off Campus 11
- 27      **224.** Lease – Off Campus 12

- 1       **225.** Lease – Off Campus 13
- 2       **226.** Lease – UK HealthCare Grant Project 1
- 3       **227.** Lease – UK HealthCare Grant Project 2
- 4       **228.** Lease – UK HealthCare Off Campus Facility 1
- 5       **229.** Lease – UK HealthCare Off Campus Facility 2
- 6       **230.** Lease – UK HealthCare Off Campus Facility 3
- 7       **231.** Lease – UK HealthCare Off Campus Facility 4
- 8       **232.** Lease – UK HealthCare Off Campus Facility 5
- 9       **233.** Lease – UK HealthCare Off Campus Facility 6
- 10      **234.** Lease – UK HealthCare Off Campus Facility 7
- 11      **235.** Lease – UK HealthCare Off Campus Facility 8
- 12      **236.** Lease – UK HealthCare Off Campus Facility 9
- 13      **237.** Lease – UK HealthCare Off Campus Facility 10
- 14      **238.** Lease – UK HealthCare Off Campus Facility 11
- 15      **239.** Lease – UK HealthCare Off Campus Facility 12
- 16      **240.** Guaranteed Energy Savings Performance Contracts – UK HealthCare
- 17      **241.** Guaranteed Energy Savings Performance Contracts

18   **9. UNIVERSITY OF LOUISVILLE**

19      **001.** Construct College of Business

20	Agency Bonds	-0-	40,000,000	-0-
21	Other Funds	-0-	80,000,000	-0-
22	TOTAL	-0-	120,000,000	-0-

23      **002.** Construct Athletics Village

24	Other Funds	-0-	90,000,000	-0-
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25      **003.** Purchase Housing Facilities

26	Restricted Funds	-0-	75,000,000	-0-
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27      **004.** Renovate Vivarium Facilities

1	Restricted Funds	-0-	75,000,000	-0-
2	<b>005. Renovate Ekstrom Library</b>			
3	Restricted Funds	-0-	57,200,000	-0-
4	<b>006. Public/Private Partnership Residence Hall</b>			
5	Other Funds	-0-	51,000,000	-0-
6	<b>(1) Authorization:</b> The above authorization is approved pursuant to KRS 45.763.			
7	<b>007. Renovation and Adaptation Projects for Various Buildings</b>			
8	Restricted Funds	-0-	50,000,000	-0-
9	<b>008. Renovate School of Medicine Building 55A</b>			
10	Restricted Funds	-0-	42,000,000	-0-
11	<b>009. Acquisition of Dormitories</b>			
12	Restricted Funds	-0-	41,150,000	-0-
13	<b>010. Construct New Natatorium</b>			
14	Other Funds	-0-	25,000,000	-0-
15	<b>011. Replace HVAC Various Buildings</b>			
16	Restricted Funds	-0-	25,000,000	-0-
17	<b>012. Construct/Upgrade Utility Infrastructure</b>			
18	Restricted Funds	-0-	21,975,000	-0-
19	<b>013. Purchase Next Generation/ERP Support System</b>			
20	Restricted Funds	-0-	20,000,000	-0-
21	<b>014. Renovate Health Sciences Center Instructional and Student Services Space</b>			
22	Restricted Funds	-0-	20,000,000	-0-
23	<b>015. Vivarium Equipment Pool – 2020-2022</b>			
24	Restricted Funds	-0-	20,000,000	-0-
25	<b>016. Public/Private Partnership Dormitory Students and Athletes</b>			
26	Other Funds	-0-	17,202,000	-0-
27	<b>(1) Authorization:</b> The above authorization is approved pursuant to KRS 45.763.			

1	<b>017. Construct Indoor Facility</b>			
2	Other Funds	-0-	15,000,000	-0-
3	<b>018. Purchase Land</b>			
4	Restricted Funds	-0-	15,000,000	-0-
5	<b>019. Exterior Envelope Replacement School of Medicine Building 55A</b>			
6	Restricted Funds	-0-	15,000,000	-0-
7	<b>020. Renovate School of Nursing Building</b>			
8	Restricted Funds	-0-	11,380,000	-0-
9	<b>021. Regional Biocontainment Laboratory Pressurization Upgrade</b>			
10	Restricted Funds	-0-	10,868,800	-0-
11	<b>022. Basketball/Lacrosse Practice Facility Expansion</b>			
12	Other Funds	-0-	19,000,000	-0-
13	<b>023. Improve Housing Facilities Pool – 2020-2022</b>			
14	Restricted Funds	-0-	10,000,000	-0-
15	<b>024. Renovate Cardinal Football Stadium</b>			
16	Other Funds	-0-	10,000,000	-0-
17	<b>025. Expand Jim Patterson Stadium and Construct Indoor Facility</b>			
18	Other Funds	-0-	16,000,000	-0-
19	<b>026. Expand Ulmer Softball Stadium</b>			
20	Other Funds	-0-	8,000,000	-0-
21	<b>027. Purchase Networking System</b>			
22	Restricted Funds	-0-	8,000,000	-0-
23	<b>028. Capital Renewal for Athletic Venues – 2020-2022</b>			
24	Other Funds	-0-	7,500,000	-0-
25	<b>029. Construct Athletics Office Building</b>			
26	Other Funds	-0-	7,500,000	-0-
27	<b>030. Purchase Research Computing Infrastructure</b>			

1	Restricted Funds	-0-	7,000,000	-0-
2	<b>031. Replace Seats in Athletic Venues</b>			
3	Other Funds	-0-	7,000,000	-0-
4	<b>032. Law School HVAC</b>			
5	Restricted Funds	-0-	6,715,000	-0-
6	<b>033. Cardinal Stadium WiFi</b>			
7	Other Funds	-0-	6,000,000	-0-
8	<b>034. College of Education HVAC Upgrade</b>			
9	Restricted Funds	-0-	5,456,000	-0-
10	<b>035. Expand Marshall Center Complex</b>			
11	Other Funds	-0-	5,000,000	-0-
12	<b>036. Renovate Office Building</b>			
13	Restricted Funds	-0-	4,350,000	-0-
14	<b>037. Construct Practice Bubble</b>			
15	Other Funds	-0-	4,000,000	-0-
16	<b>038. Purchase Content Management System</b>			
17	Restricted Funds	-0-	4,000,000	-0-
18	<b>039. Renovate Parking Structures</b>			
19	Restricted Funds	-0-	3,600,000	-0-
20	<b>040. Purchase Fiber Instructure</b>			
21	Restricted Funds	-0-	3,500,000	-0-
22	<b>041. Belknap Brandeis Corridor Improvements</b>			
23	Restricted Funds	-0-	3,100,000	-0-
24	<b>042. Renovate Bass Rudd Tennis Center</b>			
25	Other Funds	-0-	3,000,000	-0-
26	<b>043. Renovate Cardinal Park</b>			
27	Other Funds	-0-	8,000,000	-0-

1	<b>044.</b> Resurface and Repair Parking Lot			
2	Restricted Funds	-0-	2,500,000	-0-
3	<b>045.</b> Belknap 3rd Street Improvements			
4	Restricted Funds	-0-	2,180,000	-0-
5	<b>046.</b> Athletics Enhancements in New Dormitory			
6	Other Funds	-0-	2,000,000	-0-
7	<b>047.</b> Demolish and Construct Golf Maintenance/Chemical Building			
8	Other Funds	-0-	2,000,000	-0-
9	<b>048.</b> Football Practice Field Lighting			
10	Other Funds	-0-	2,000,000	-0-
11	<b>049.</b> Purchase Identity Management			
12	Restricted Funds	-0-	2,000,000	-0-
13	<b>050.</b> Renovate Garvin Brown Boathouse			
14	Other Funds	-0-	2,000,000	-0-
15	<b>051.</b> Cardinal Stadium Club Upgrades			
16	Other Funds	-0-	2,000,000	-0-
17	<b>052.</b> Replace Electronic Video Boards			
18	Other Funds	-0-	2,000,000	-0-
19	<b>053.</b> Construct Athletic Grounds Building			
20	Other Funds	-0-	1,550,000	-0-
21	<b>054.</b> Renovate Ville Grill			
22	Restricted Funds	-0-	2,100,000	-0-
23	<b>055.</b> Replace Artificial Turf Field III			
24	Other Funds	-0-	1,250,000	-0-
25	<b>056.</b> Replace Artificial Turf Field IV			
26	Other Funds	-0-	1,250,000	-0-
27	<b>057.</b> Renovate Dental School Administrative Space			

1	Restricted Funds	-0-	1,000,000	-0-
2	<b>058.</b> Renovate Marshall Center			
3	Other Funds	-0-	1,000,000	-0-
4	<b>059.</b> Renovate Golf Club Shelby County			
5	Other Funds	-0-	1,000,000	-0-
6	<b>060.</b> Renovate Lynn Soccer Stadium			
7	Other Funds	-0-	1,000,000	-0-
8	<b>061.</b> Renovate Thornton's Academic Center			
9	Other Funds	-0-	1,000,000	-0-
10	<b>062.</b> Renovate Trager Football Practice Facility			
11	Other Funds	-0-	1,000,000	-0-
12	<b>063.</b> Renovate Patterson Baseball Stadium			
13	Other Funds	-0-	1,000,000	-0-
14	<b>064.</b> Demolish and Construct Residence Halls Reauthorization and Reallocation			
15	(\$90,000,000 Agency Bonds)			
16	<b>(1) Reauthorization and Reallocation:</b> The above project is authorized from a			
17	reallocation of the projects set forth in 2018 Ky. Acts ch. 169, Part II, J., 075. and 077..			
18	<b>065.</b> Academic Space 1 – Lease			
19	<b>066.</b> Academic Space 2 – Lease			
20	<b>067.</b> Housing 1 – Lease			
21	<b>068.</b> Housing 2 – Lease			
22	<b>069.</b> Housing 3 – Lease			
23	<b>070.</b> Housing 4 – Lease			
24	<b>071.</b> Jefferson County – Clinic Space 1 – Lease			
25	<b>072.</b> Jefferson County – Clinic Space 2 – Lease			
26	<b>073.</b> Jefferson County – Clinic Space 3 – Lease			
27	<b>074.</b> Jefferson County – Clinic Space – State of Kentucky – Lease			



- 1       **075.** Jefferson County – Office Space 1 – Lease
- 2       **076.** Jefferson County – Office Space 2 – Lease
- 3       **077.** Jefferson County – Office Space 3 – Lease
- 4       **078.** Jefferson County – Office Space 4 – Lease
- 5       **079.** Nucleus 1 Building – Lease
- 6       **080.** Nucleus 1 Building 2 – Lease
- 7       **081.** Medical Center One – Lease
- 8       **082.** Medical Center One 2 – Lease
- 9       **083.** University Pointe and Cardinal Towne – Lease
- 10       **084.** Trager Institute – Lease
- 11       **085.** Arthur Street – Lease
- 12       **086.** Housing Facilities – Lease
- 13       **087.** Support Space 1 – Lease
- 14       **088.** Athletic/Student Dormitory – Lease
- 15       **089.** Guaranteed Energy Savings Performance Contracts

16   **10. WESTERN KENTUCKY UNIVERSITY**

- 17       **001.** Renovate and Expand Innovation Campus
- 18           Other Funds                                               -0-       80,000,000       -0-
- 19       **002.** Construct Parking Structure IV
- 20           Agency Bonds                                               -0-       25,000,000       -0-
- 21       **003.** Renovate Grise Hall
- 22           Restricted Funds                                               -0-       32,200,000       -0-
- 23       **004.** Renovate and Expand Clinical Education Complex
- 24           Other Funds                                               -0-       8,000,000       -0-
- 25       **005.** Demolish Tate Page Hall/Improve Site
- 26           Restricted Funds                                               -0-       6,000,000       -0-
- 27       **006.** Renovate Center for Research and Development Phase 1

1	Restricted Funds	-0-	6,000,000	-0-
2	<b>007. Replace Underground Infrastructure</b>			
3	Restricted Funds	-0-	25,000,000	-0-
4	<b>008. Renovate South Campus</b>			
5	Restricted Funds	-0-	5,000,000	-0-
6	<b>009. Demolish Garrett Conference Center/Improve Site</b>			
7	Restricted Funds	-0-	7,000,000	-0-
8	<b>010. Construct South Plaza</b>			
9	Other Funds	-0-	3,600,000	-0-
10	<b>011. Renovate Raymond Cravens Library</b>			
11	Restricted Funds	-0-	40,300,000	-0-
12	<b>012. Acquire Fixtures, Furnishings, and Equipment Pool – 2020-2022</b>			
13	Restricted Funds	-0-	3,000,000	-0-
14	<b>013. Renovate Ogden College of Science &amp; Engineering Facility</b>			
15	Restricted Funds	-0-	75,800,000	-0-
16	<b>014. Renovate Potter College Arts &amp; Letters Facilities</b>			
17	Restricted Funds	-0-	96,400,000	-0-
18	<b>015. Renovate Academic Complex</b>			
19	Restricted Funds	-0-	27,500,000	-0-
20	<b>016. Demolish Foundation Building/Improve Site</b>			
21	Other Funds	-0-	3,000,000	-0-
22	<b>017. Purchase Property for Campus Expansion 2020-2022</b>			
23	Restricted Funds	-0-	3,000,000	-0-
24	<b>018. Improve Life Safety Pool/Academic Buildings</b>			
25	Restricted Funds	-0-	27,500,000	-0-
26	<b>019. Purchase Property/Parking and Street Improvements 2020-2022</b>			
27	Restricted Funds	-0-	3,000,000	-0-

1	<b>020.</b> Repair/Replace Roof at Center for Research and Development			
2	Restricted Funds	-0-	5,100,000	-0-
3	<b>021.</b> Renovate Police Department			
4	Restricted Funds	-0-	2,000,000	-0-
5	<b>022.</b> Remove and Replace Student Housing at Farm			
6	Other Funds	-0-	1,500,000	-0-
7	<b>023.</b> Renovate Kentucky Building			
8	Restricted Funds	-0-	17,500,000	-0-
9	<b>024.</b> Renovate State and Normal Street Properties			
10	Restricted Funds	-0-	1,500,000	-0-
11	<b>025.</b> Renovate Tate Page Hall			
12	Restricted Funds	-0-	1,200,000	-0-
13	<b>026.</b> Alumni Center – Lease			
14	<b>027.</b> Renovate Central Heat Plant			
15	Restricted Funds	-0-	5,100,000	-0-
16	<b>028.</b> Nursing and Physical Therapy – Lease			
17	<b>029.</b> Renovate Jones Jagers Interior			
18	Restricted Funds	-0-	1,000,000	-0-
19	<b>030.</b> Parking Garage – Lease			
20	<b>031.</b> Guaranteed Energy Savings Performance Contracts			
21	<b>032.</b> Construct, Renovate and Improve Athletic Facilities			
22	Agency Bonds	-0-	50,000,000	-0-
23	<b>033.</b> Capital Renewal Pool – 2020-2022			
24	Restricted Funds	-0-	10,000,000	-0-
25	<b>034.</b> Renovate Health Sciences Complex Classroom			
26	Restricted Funds	-0-	1,500,000	-0-
27	<b>11. KENTUCKY COMMUNITY AND TECHNICAL COLLEGE SYSTEM</b>			

1	<b>001. Renovate Instructional Space – Gateway CTC</b>			
2	Restricted Funds	-0-	7,000,000	-0-
3	<b>002. Construct Fire Commission NRPC Classroom Building</b>			
4	Restricted Funds	-0-	5,200,000	-0-
5	<b>003. Acquire and Improve Parking Lots – Jefferson CTC</b>			
6	Restricted Funds	-0-	5,000,000	-0-
7	<b>004. Construct/Procure Transportation Center – Elizabethtown CTC</b>			
8	Restricted Funds	-0-	5,000,000	-0-
9	<b>005. KCTCS Equipment Pool – 2020-2022</b>			
10	Restricted Funds	-0-	5,000,000	-0-
11	<b>006. KCTCS Property Acquisition Pool – 2020-2022</b>			
12	Restricted Funds	-0-	5,000,000	-0-
13	<b>007. Renovate Newtown Campus North Buildings – Bluegrass CTC</b>			
14	Restricted Funds	-0-	4,900,000	-0-
15	<b>008. Renovate Advanced Manufacturing and Construction Center – Hazard CTC</b>			
16	Restricted Funds	-0-	1,000,000	-0-
17	Federal Funds	-0-	3,900,000	-0-
18	TOTAL	-0-	4,900,000	-0-
19	<b>009. Renovate Industrial Education Building – Hazard CTC</b>			
20	Federal Funds	-0-	2,500,000	-0-
21	<b>010. Renovate Parking Lot and Sidewalks – West Ky CTC</b>			
22	Restricted Funds	-0-	2,100,000	-0-
23	<b>011. Upgrade IT Infrastructure – Gateway CTC</b>			
24	Restricted Funds	-0-	1,500,000	-0-
25	<b>012. Construct Fire Commission Five Story Training Drill Tower</b>			
26	Restricted Funds	-0-	1,200,000	-0-
27	<b>013. Renovate Dental Hygiene Clinic – Big Sandy CTC – Mayo Campus</b>			

- 1 Reauthorization (\$3,000,000 Restricted Funds)
- 2     **014.** Upgrade Welding Shop – Big Sandy CTC – Mayo Campus Reauthorization
- 3 (\$1,500,000 Restricted Funds)
- 4     **015.** Jefferson CTC – Bullitt County Campus – Lease
- 5     **016.** Jefferson CTC – Jefferson Education Center – Lease
- 6     **017.** KCTCS System Office – Lease
- 7     **018.** Maysville CTC – Rowan Campus – Lease
- 8     **019.** Elizabethtown CTC – Hardin County – Lease
- 9     **020.** Guaranteed Energy Savings Performance Contracts

**J. TOURISM, ARTS AND HERITAGE CABINET**

11 <b>Budget Units</b>	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>
12 <b>1. PARKS</b>			
13 <b>001.</b> Maintenance Pool – 2020-2022			
14         Bond Funds	-0-	5,000,000	-0-
15 <b>002.</b> Wastewater Treatment Upgrades Pool – 2020-2022			
16         Bond Funds	-0-	5,000,000	-0-
17 <b>2. HORSE PARK COMMISSION</b>			
18 <b>001.</b> Maintenance Pool – 2020-2022			
19         Investment Income	-0-	900,000	-0-
20 <b>3. STATE FAIR BOARD</b>			
21 <b>001.</b> Prestonia Grounds and Infrastructure Improvements			
22         Bond Funds	3,000,000	1,000,000	-0-
23 <b>002.</b> Maintenance Pool – 2020-2022			
24         Bond Funds	-0-	1,500,000	-0-
25 <b>4. FISH AND WILDLIFE RESOURCES</b>			
26 <b>001.</b> Fees-in-Lieu-of Stream Mitigation Projects Pool Reauthorization			
27 (\$40,000,000 Restricted Funds)			

1 **5. HERITAGE COUNCIL**

2 **001.** Records Digitization Reauthorization and Reallocation (\$1,000,000 Bond  
3 Funds)

4 **(1) Reauthorization and Reallocation:** The above project is authorized from a  
5 reallocation of the project set forth in 2014 Ky. Acts ch. 117 Part II, L., 5, 001..

6 **6. KENTUCKY CENTER FOR THE ARTS**

7 **001.** Maintenance Pool – 2020-2022

8 Investment Income -0- 240,000 -0-

9 **PART III**

10 **GENERAL PROVISIONS**

11 **1. Funds Designations:** Restricted Funds designated in the biennial budget bills  
12 are classified in the state financial records and reports as the Agency Revenue Fund,  
13 State Enterprise Funds (State Parks, State Fair Board, Insurance Administration, and  
14 Kentucky Horse Park), Internal Services Funds (Fleet Management, Computer Services,  
15 Correctional Industries, Central Printing, Risk Management, and Property Management),  
16 and selected Fiduciary Funds (Other Expendable Trust Funds). Separate fund records and  
17 reports shall be maintained in a manner consistent with the branch budget bills.

18 The sources of Restricted Funds appropriations in this Act shall include all fees  
19 (which includes fees for room and board, athletics, and student activities) and rentals,  
20 admittances, sales, bond proceeds, licenses collected by law, gifts, subventions,  
21 contributions, income from investments, and other miscellaneous receipts produced or  
22 received by a budget unit, except as otherwise specifically provided, for the purposes,  
23 use, and benefit of the budget unit as authorized by law. Restricted Funds receipts shall  
24 be credited and allotted to the respective fund or account out of which a specified  
25 appropriation is made in this Act. All receipts of Restricted Funds shall be deposited in  
26 the State Treasury and credited to the proper account as provided in KRS Chapters 12,  
27 42, 45, and 48.

1           The sources of Federal Funds appropriations in this Act shall include federal  
2 subventions, grants, contracts, or other Federal Funds received, income from investments,  
3 other miscellaneous federal receipts received by a budget unit, and the Unemployment  
4 Compensation Fund, except as otherwise provided, for the purposes, use, and benefit of  
5 the budget unit as authorized by law. Federal Funds receipts shall be credited and allotted  
6 to the respective fund account out of which a specified appropriation is made in this Act.  
7 All Federal Funds receipts shall be deposited in the State Treasury and credited to the  
8 proper account as provided in KRS Chapters 12, 42, 45, and 48.

9           **2. Expenditure of Excess Federal Funds Receipts:** If receipts received or  
10 credited to the Federal Funds accounts of a budget unit during fiscal year 2020-2021, and  
11 any balance forwarded to the credit of these same accounts from the previous fiscal year,  
12 exceed the appropriation made by a specific sum for these accounts of the budget unit as  
13 provided in Part I, Operating Budget, of this Act, for the fiscal year in which the excess  
14 occurs, the excess funds in the accounts of the budget unit shall become available for  
15 expenditure for the purpose of the account during the fiscal year only upon compliance  
16 with the conditions and procedures specified in KRS 48.400, 48.500, 48.600, 48.605,  
17 48.610, 48.620, 48.630, 48.730, and 48.800, and with the authorization of the State  
18 Budget Director and approval of the Secretary of the Finance and Administration  
19 Cabinet.

20           Any request made by a budget unit pursuant to KRS 48.630 that relates to Federal  
21 Funds shall include documentation showing a comparative statement of revised estimated  
22 receipts by fund source and the proposed expenditures by proposed use, with the  
23 appropriated sums specified in the Budget of the Commonwealth, and statements which  
24 explain the cause, source, and use for any variances which may exist.

25           Each budget unit shall submit its reports in print and electronic format consistent  
26 with the Federal Funds records contained in the fiscal biennium 2020-2022 Branch  
27 Budget Request Manual and according to the following schedule in each fiscal year: (a)

1 on or before the beginning of each fiscal year; (b) on or before October 1; (c) on or  
2 before January 1; and (d) on or before April 1.

3 Notwithstanding KRS 48.630, no unbudgeted Restricted Funds shall be allotted or  
4 expended without the express authority of the General Assembly, with the exceptions of  
5 the Public Service Commission and institutions of higher education.

6 **3. Interim Appropriation Increases:** No appropriation from any fund source  
7 shall exceed the sum specified in this Act until the agency has documented the necessity,  
8 purpose, use, and source, and the documentation has been submitted to the Interim Joint  
9 Committee on Appropriations and Revenue for its review and action in accordance with  
10 KRS 48.630 and Part III, 2. of this Act. Proposed revisions to an appropriation contained  
11 in the enacted Executive Budget or allotment of an unbudgeted appropriation shall  
12 conform to the conditions and procedures of KRS 48.630 and this Act.

13 Notwithstanding KRS 48.630(3), (4), and (5), any proposed and recommended  
14 actions to increase appropriations for funds specified in Section 2. of this Part shall be  
15 scheduled consistent with the timetable contained in that section in order to provide  
16 continuous and timely budget information.

17 **4. Revision of Appropriation Allotments:** Allotments within appropriated  
18 sums for the activities and purposes contained in the enacted Executive Budget shall  
19 conform to KRS 48.610 and may be revised pursuant to KRS 48.605 and this Act.

20 **5. Permitted Appropriation Obligations:** No state agency, cabinet,  
21 department, office, or program shall incur any obligation against the General Fund or  
22 Road Fund appropriations contained in this Act unless the obligation may be reasonably  
23 determined to have been contemplated in the enacted budget and is based upon  
24 supporting documentation considered by the General Assembly and legislative and  
25 executive records.

26 **6. Lapse of General Fund or Road Fund Appropriations Supplanted by**  
27 **Federal Funds:** Any General Fund or Road Fund appropriation made in anticipation of a



1 lack, loss, or reduction of Federal Funds shall lapse to the General Fund or Road Fund  
2 Surplus Account, respectively, to the extent the Federal Funds otherwise become  
3 available.

4 **7. Federally Funded Agencies:** A state agency entitled to Federal Funds, which  
5 would represent 100 percent of the cost of a program, shall conform to KRS 48.730.

6 **8. Lapse of General Fund or Road Fund Excess Debt Service**  
7 **Appropriations:** Pursuant to KRS 48.720, any excess General Fund or Road Fund debt  
8 service shall lapse to the respective surplus account unless otherwise directed in this Act.

9 **9. Statutes in Conflict:** All statutes and portions of statutes in conflict with any  
10 of the provisions of this Act, to the extent of the conflict, are suspended unless otherwise  
11 provided by this Act.

12 **10. Interpretation of Appropriations:** Notwithstanding KRS 48.500, all  
13 questions that arise in interpreting this Act and the Transportation Cabinet budget shall  
14 be decided by the Attorney General, and the decision of the Attorney General shall be  
15 final and conclusive.

16 **11. Publication of the Budget of the Commonwealth:** The State Budget  
17 Director shall cause the Governor's Office for Policy and Management, within 60 days of  
18 adjournment of the 2020 Regular Session of the General Assembly, to publish a final  
19 enacted budget document, styled the Budget of the Commonwealth, based upon the  
20 Legislative Budget, Executive Budget, Transportation Cabinet Budget, and Judicial  
21 Budget as enacted by the 2020 Regular Session, as well as other Acts which contain  
22 appropriation provisions for the 2020-2022 fiscal biennium, and based upon supporting  
23 documentation and legislative records as considered by the 2020 Regular Session. This  
24 document shall include, for each agency and budget unit, a consolidated budget summary  
25 statement of available regular and continuing appropriated revenue by fund source,  
26 corresponding appropriation allocations by program or subprogram as appropriate,  
27 budget expenditures by principal budget class, and any other fiscal data and commentary

1 considered necessary for budget execution by the Governor's Office for Policy and  
 2 Management and oversight by the Interim Joint Committee on Appropriations and  
 3 Revenue. The enacted Executive Budget and Transportation Cabinet Budget shall be  
 4 revised or adjusted only upon approval by the Governor's Office for Policy and  
 5 Management as provided in each Part of this Act and by KRS 48.400 to 48.810, and upon  
 6 review and approval by the Interim Joint Committee on Appropriations and Revenue.

7 **12. State Financial Condition:** Pursuant to KRS 48.400, the State Budget  
 8 Director shall monitor and report on the financial condition of the Commonwealth.

9 **13. Prorating Administrative Costs:** The Secretary of the Finance and  
 10 Administration Cabinet is authorized to establish a system or formula or a combination of  
 11 both for prorating the administrative costs of the Finance and Administration Cabinet, the  
 12 Department of the Treasury, and the Office of the Attorney General relative to the  
 13 administration of programs in which there is joint participation by the state and federal  
 14 governments for the purpose of receiving the maximum amount of participation  
 15 permitted under the appropriate federal laws and regulations governing the programs.  
 16 The receipts and allotments under this section shall be reported to the Interim Joint  
 17 Committee on Appropriations and Revenue prior to any transfer of funds.

18 **14. Construction of Budget Provisions Regarding Executive Reorganization**  
 19 **Orders:** Nothing in this Act shall be construed to confirm or ratify, under KRS 12.027 or  
 20 12.028, any executive reorganization order unless the executive order was confirmed or  
 21 ratified by appropriate amendment to the Kentucky Revised Statutes in another Act of the  
 22 2020 Regular Session of the General Assembly.

23 **15. Budget Planning Report:** By August 15, 2021, the State Budget Director, in  
 24 conjunction with the Consensus Forecasting Group, shall provide to each branch of  
 25 government, pursuant to KRS 48.120, a budget planning report.

26 **16. Tax Expenditure Revenue Loss Estimates:** By October 15, 2021, the Office  
 27 of State Budget Director shall provide to each branch of government detailed estimates

1 for the General Fund and Road Fund for the current and next two fiscal years of the  
 2 revenue loss resulting from tax expenditures. The Department of Revenue shall provide  
 3 assistance and furnish data, which is not restricted by KRS 131.190. "Tax expenditure" as  
 4 used in this section means an exemption, exclusion, or deduction from the base of a tax, a  
 5 credit against the tax, a deferral of a tax, or a preferential tax rate. The estimates shall  
 6 include for each tax expenditure the amount of revenue loss, a citation of the legal  
 7 authority for the tax expenditure, the year in which it was enacted, and the tax year in  
 8 which it became effective.

9 **17. Duplicate Appropriations:** Any appropriation item and sum in Parts I to X  
 10 of this Act and in an appropriation provision in any Act of the 2020 Regular Session  
 11 which constitutes a duplicate appropriation shall be governed by KRS 48.312.

12 **18. Priority of Individual Appropriations:** KRS 48.313 shall control when a  
 13 total or subtotal figure in this Act conflicts with the sum of the appropriations of which it  
 14 consists.

15 **19. Severability of Budget Provisions:** Appropriation items and sums in Parts I  
 16 to X of this Act shall conform to KRS 48.311. If any section, any subsection, or any  
 17 provision is found by a court of competent jurisdiction in a final, unappealable order to  
 18 be invalid or unconstitutional, the decision of the courts shall not affect or impair any of  
 19 the remaining sections, subsections, or provisions.

20 **20. Unclaimed Lottery Prize Money:** For fiscal year 2020-2021, all unclaimed  
 21 lottery prize money under KRS 154A.110(3) shall be credited to the Kentucky  
 22 Educational Excellence Scholarship Reserve Account to be held as a subsidiary account  
 23 within the Finance and Administration Cabinet for the purpose of funding the KEES  
 24 Program as appropriated in this Act. If the Kentucky Higher Education Assistance  
 25 Authority certifies to the State Budget Director that the appropriations in this Act for the  
 26 KEES Program under the existing award schedule are insufficient to meet funds required  
 27 for eligible applicants, then the State Budget Director shall provide the necessary

1 allotment of funds in the balance of the KEES Reserve Account to fund the KEES  
2 Program. Actions taken under this section shall be reported to the Interim Joint  
3 Committee on Appropriations and Revenue on a timely basis.

4 **21. Workers' Compensation:** Notwithstanding KRS 342.340(1) and 803 KAR  
5 25:021, Section 5, the Personnel Cabinet shall be exempt from procuring excess risk  
6 insurance in fiscal year 2020-2021 for the Workers' Compensation Benefits and Reserve  
7 Program administered by the Cabinet.

8 **22. Carry Forward and Undesignated General Fund and Road Fund Carry**  
9 **Forward:** Notwithstanding KRS 48.700 and 48.705, and other Parts of this Act, the  
10 Secretary of the Finance and Administration Cabinet shall determine and certify, within  
11 30 days of the close of fiscal year 2019-2020 and fiscal year 2020-2021, the actual  
12 amount of undesignated balance of the General Fund and the Road Fund for the year just  
13 ended. The amounts from the undesignated fiscal year 2019-2020 and fiscal year 2020-  
14 2021 General Fund and Road Fund balances that are designated and carried forward for  
15 budgeted purposes in the 2020-2022 fiscal biennium shall be determined by the State  
16 Budget Director during the close of the respective fiscal year and shall be reported to the  
17 Interim Joint Committee on Appropriations and Revenue within 30 days of the close of  
18 the fiscal year. Any General Fund undesignated balance in excess of the amount  
19 designated for budgeted purposes under this section shall be made available for the  
20 General Fund Surplus Expenditure Plan contained in Part VII of this Act unless  
21 otherwise provided in this Act. The Road Fund undesignated balance in excess of the  
22 amount designated for budgeted purposes under this section shall be made available for  
23 the Road Fund Surplus Expenditure Plan contained in Part IX of this Act unless  
24 otherwise provided in this Act.

25 **23. Reallocation of Appropriations Among Budget Units:** Notwithstanding any  
26 statute to the contrary, or provisions of this Act, the Secretary of a Cabinet, the  
27 Commissioner of the Department of Education, and other agency heads may request a

1 reallocation among budget units under his or her administrative authority up to ten  
2 percent of General Fund appropriations contained in Part I, Operating Budget, of this Act  
3 for fiscal years 2019-2020 and 2020-2021 for approval by the State Budget Director. A  
4 request shall explain the need and use for the transfer authority under this section. The  
5 amount of transfer of General Fund appropriations shall be separately recorded and  
6 reported in the system of financial accounts and reports provided in KRS Chapter 45. The  
7 State Budget Director shall report a transfer made under this section, in writing, to the  
8 Interim Joint Committee on Appropriations and Revenue.

9       **24. Local School District Expenditure Flexibility:** Notwithstanding KRS  
10 160.470(6) or any statute to the contrary, during fiscal year 2020-2021, local school  
11 districts may adopt and the Kentucky Board of Education may approve a working budget  
12 that includes a minimum reserve of less than two percent of the total budget. The  
13 Kentucky Department of Education shall monitor the financial position of any district  
14 that receives approval for a working budget with a reserve of less than two percent and  
15 shall provide a financial report for those districts at each meeting of the Kentucky Board  
16 of Education.

17       **25. Appropriations Expenditure Purpose and Transfer Restrictions:** Funds  
18 appropriated in this Act shall not be expended for any purpose not specifically authorized  
19 by the General Assembly in this Act nor shall funds appropriated in this Act be  
20 transferred to or between any cabinet, department, board, commission, institution,  
21 agency, or budget unit of state government unless specifically authorized by the General  
22 Assembly in this Act and KRS 48.400 to 48.810. Compliance with the provisions of this  
23 section shall be reviewed and determined by the Interim Joint Committee on  
24 Appropriations and Revenue.

25       **26. Budget Implementation:** The General Assembly directs that the Executive  
26 Branch shall carry out all appropriations and budgetary language provisions as contained  
27 in the State/Executive Budget. The Legislative Research Commission shall review

1 quarterly expenditure data to determine if an agency is out of compliance with this  
2 directive. If the Legislative Research Commission suspects that any entity has acted in  
3 non-conformity with this section, the Legislative Research Commission may order an  
4 audit or review at the agency's expense. Such audit findings, reviews, and reports shall be  
5 subject to the Kentucky Open Records Law.

6 **27. Information Technology:** All authorized computer information technology  
7 projects shall submit a semiannual progress report to the Capital Projects and Bond  
8 Oversight Committee. The reporting process shall begin six months after the project is  
9 authorized and shall continue through completion of the project. The initial report shall  
10 establish a timeline for completion and cash disbursement schedule. Each subsequent  
11 report shall update the timeline and budgetary status of the project and explain in detail  
12 any issues with completion date and funding.

13 **28. Equipment Service Contracts and Energy Efficiency Measures:** The  
14 General Assembly mandates that the Finance and Administration Cabinet review all  
15 equipment service contracts to maximize savings to the Commonwealth to strictly adhere  
16 to the provisions of KRS 56.772, 56.782, and 56.784 in maximizing the use of energy  
17 efficiency measures.

18 **29. Debt Restructuring:** Notwithstanding any other provision of the Kentucky  
19 Revised Statutes, no General Fund or Road Fund debt restructuring transactions shall be  
20 undertaken during the 2020-2022 fiscal biennium.

21 **30. Effects of Subsequent Legislation:** If any measure enacted during the 2020  
22 Regular Session of the General Assembly subsequent to this Act contains an  
23 appropriation or is projected to increase or decrease General Fund revenues, the amount  
24 in the Budget Reserve Trust Fund shall be revised to accommodate the appropriation or  
25 the reduction or increase in projected revenues. Notwithstanding any provision of KRS  
26 48.120(4) and (5) to the contrary, the official enacted revenue estimates of the  
27 Commonwealth described in KRS 48.120(5) shall be adjusted at the conclusion of the

1 2020 Regular Session of the General Assembly to incorporate any projected revenue  
 2 increases or decreases that will occur as a result of actions taken by the General  
 3 Assembly subsequent to the passage of this Act by both chambers.

4 **31. Permitted Use of Water and Sewer Bond Funds:** Notwithstanding Part II,  
 5 (3) of this Act and any statute to the contrary, any balances remaining for either closed or  
 6 open project grant agreements authorized pursuant to bond pools set forth in 2003 Ky.  
 7 Acts ch. 156, Part II, A., 3., d. Water and Sewer Resources Development Fund for  
 8 Tobacco Counties and e. Water and Sewer Resources Development Fund For Coal  
 9 Producing Counties; 2005 Ky. Acts ch. 173, Part II, A., 3., 003. Infrastructure for  
 10 Economic Development Fund for Coal-Producing Counties and 004. Infrastructure for  
 11 Economic Development Fund for Tobacco Counties; 2006 Ky. Acts ch. 252, Part II, A.,  
 12 2., 003. Infrastructure for Economic Development Fund for Non-Coal Producing  
 13 Counties and 004. Infrastructure for Economic Development Fund for Coal-Producing  
 14 Counties; 2008 Ky. Acts ch. 123, Section 3., 004. Infrastructure for Economic  
 15 Development Fund for Coal-Producing Counties and 005. Infrastructure for Economic  
 16 Development Fund for Non-Coal Producing Counties; and 2008 Ky. Acts ch. 174,  
 17 Section 2.; and 2009 Ky. Acts ch. 87, Section 2. shall not lapse and shall remain to the  
 18 credit of projects previously authorized by the General Assembly unless expressly  
 19 reauthorized and reallocated by action of the General Assembly.

20 **32. Approval of State Aircraft Travel:** Notwithstanding KRS 44.060, 45.101,  
 21 174.508, and any other statute or administrative regulation to the contrary, the use of  
 22 state aircraft by any secretary of any Executive Branch cabinet for out-of-state travel  
 23 shall be approved by the State Treasurer. The State Treasurer shall only approve requests  
 24 which document that the use of state aircraft is the lowest cost option as measured by  
 25 both travel costs and travel time. The State Treasurer shall not designate approval  
 26 authority for out-of-state travel on state aircraft by Executive Branch cabinet secretaries  
 27 to any other person. Any requests and documentation regarding the use of state aircraft

1 collected by the State Treasurer shall be subject to the Kentucky Open Records Act, KRS  
2 61.872 to 61.884.

3 **33. Jailer Canteen Accounts:** Notwithstanding KRS 67.0802(6)(a), any  
4 compensation resulting from the disposal of real or personal property that was purchased  
5 from a canteen account under KRS 441.135 shall be returned to the canteen account from  
6 which the real or personal property was originally purchased. All proceeds resulting from  
7 the disposal of real or personal property purchased from a canteen account shall be  
8 reported to the Interim Joint Committee on Appropriations and Revenue by December 1  
9 of each fiscal year.

10 **34. Employee Layoffs, Furloughs, and Reduced Hours:** Notwithstanding any  
11 statute to the contrary, the following process and procedure is established for July 1,  
12 2020, through June 30, 2021, in the event that the Commonwealth or any agency  
13 determines that it is desirable for the Executive Branch to layoff, furlough, or reduce  
14 hours of employees:

15 (1) For the purposes of this section:

16 (a) "Appointing authority" means the agency head or any person whom he or she  
17 has authorized by law to designate to act on behalf of the agency with respect to  
18 employee appointments, position establishments, payroll documents, register requests,  
19 waiver requests, requests for certification, or other position actions;

20 (b) "Secretary" means the Secretary of the Personnel Cabinet as provided for in  
21 KRS 18A.015;

22 (c) "Furlough" or "reduction in hours" means the temporary reduction of hours an  
23 employee is scheduled to work by the appointing authority within a pay period;

24 (d) "Layoff" means discharge of employment subject to the rights contained in  
25 this section; and

26 (e) "Employees" includes all persons employed by the Executive Branch,  
27 including but not limited to employees of KRS Chapter 18A, KRS Chapter 16, KRS



1 Chapter 156, the Kentucky Teachers' Retirement System, the Kentucky Higher  
 2 Education Student Loan Corporation, the Kentucky Housing Corporation, and the  
 3 Kentucky Lottery Corporation;

4 (2) An appointing authority has the authority to layoff or furlough employees or  
 5 reduce hours of employment for any of the following reasons:

- 6 (a) Lack of funds or budgetary constraints;
- 7 (b) A reduction in the agency's spending authorization;
- 8 (c) Lack of work;
- 9 (d) Abolishment of a position; or
- 10 (e) Other material change in duties or organization;

11 (3) The appointing authority shall determine the job classifications affected and  
 12 the number of employees laid-off in each classification and each county to which a layoff  
 13 applies. In the same department or office, county, and job classification, interim and  
 14 probationary employees shall be laid-off before any full-time or part-time employees  
 15 with status are laid-off. For purposes of layoff, "probationary employee" does not include  
 16 an employee with status serving a promotional probation;

17 (4) The Secretary shall approve all actions taken under subsection (2) of this  
 18 section and no such layoff, furlough, or reduction of hours may begin until such approval  
 19 has been granted. The appointing authority with the approval of the Secretary has the  
 20 authority to determine the extent, effective dates, and length of any action taken under  
 21 subsection (2) of this section;

22 (5) In determining the employees to be laid-off, the appointing authority shall  
 23 consider all employees under the same appointing authority, within the job classification  
 24 affected, and within the county affected. Consideration shall be given to the following  
 25 relevant factors:

- 26 (a) Job performance evaluations;
- 27 (b) Seniority;

1 (c) Education, training, and experience; and

2 (d) Disciplinary record;

3 (6) Any employee whose position is subject to layoff, furlough, or reduction of  
4 hours shall be provided written notice containing the reason for the action as set forth in  
5 subsection (2) of this section at least 15 days in advance of the effective date of the  
6 action;

7 (7) Any employee with status who is laid-off shall be eligible to apply as a  
8 reemployment applicant for positions with the same job classification from which he or  
9 she was laid-off, in the cabinet from which he or she was laid-off. For a period of two  
10 years, a reemployment applicant shall be hired before any applicant except another  
11 reemployment applicant with greater seniority who is on the same register. A  
12 reemployment applicant shall not be removed from any register except as provided by  
13 KRS 18A.032. When a reemployment applicant is removed from a register, he or she  
14 shall be notified in writing. A reemployment applicant who accepts any classified  
15 position, or who retires through the Kentucky Retirement Systems or Kentucky Teachers'  
16 Retirement System, shall cease to have eligibility rights as a reemployment applicant;

17 (8) With the approval of the Secretary, the Personnel Cabinet may place  
18 employees subject to a reduction in force;

19 (9) Furloughs or reduction of hours during a pay period shall not result in the loss  
20 of eligibility for any benefit otherwise due the employee;

21 (10) The Secretary shall have the authority to promulgate comprehensive  
22 administrative regulations governing this section; and

23 (11) A layoff, furlough, or reduction of hours implemented in accordance with this  
24 section shall not be considered a penalization of the employee for the purposes of KRS  
25 Chapters 16, 18A, and 156, and shall be appealable to the State Personnel Board, the  
26 Kentucky Technical Education Personnel Board, the Department of Kentucky State  
27 Police Personnel Board, or other applicable administrative body.



1 couples who are both eligible to participate in the state health insurance plan to be  
2 covered under one family health benefit plan.

3 **4. Full-Time Positions:** Notwithstanding KRS 18A.005(18)(a), full-time  
4 positions in the state parks, where the work assigned is dependent upon fluctuation in  
5 tourism, may be assigned work hours from 25 hours per week and remain in full-time  
6 positions.

7 **5. Employer Retirement Contribution Rates:** Notwithstanding KRS 61.565  
8 and 61.702, the employer contribution rates for Kentucky Employees Retirement System  
9 from July 1, 2020, through June 30, 2021, and except as otherwise provided in this Act,  
10 shall be 84.43 percent, consisting of 73.28 percent for pension and 11.15 percent for  
11 health insurance for nonhazardous duty employees and 36.00 percent, consisting of 36.00  
12 percent for pension for hazardous duty employees; for the same period the employer  
13 contribution for employees of the State Police Retirement System shall be 143.48  
14 percent, consisting of 123.79 percent for pension and 19.69 percent for health insurance.  
15 Notwithstanding any other provision of this Act or KRS 61.565 or 61.702 to the contrary,  
16 the employer contribution rate from July 1, 2020, through June 30, 2021, shall be 49.47  
17 percent, consisting of 41.06 percent for pension and 8.41 percent for health insurance for  
18 nonhazardous duty employees participating in the Kentucky Employees Retirement  
19 System who are employed by Mental Health/Mental Retardation Boards, Local and  
20 District Health Departments, domestic violence shelters, rape crisis centers, child  
21 advocacy centers, state-supported universities and community colleges, and any other  
22 agency eligible to voluntarily cease participating in the Kentucky Employees Retirement  
23 System pursuant to KRS 61.522. The rates above apply to wages and salaries earned for  
24 work performed during the described period regardless of when the employee is paid for  
25 the time worked.

26 **6. Issuance of Paychecks to State Employees:** Notwithstanding 101 KAR  
27 2:095, Section 10, the state payroll that would normally be scheduled to be paid on June

1 30, 2020, June 30, 2021, and June 30, 2022, shall not be issued prior to July 1, 2020, July  
2 1, 2021, and July 1, 2022, respectively.

3 **7. Health Care Spending Account:** Notwithstanding KRS 18A.2254(2)(a) and  
4 (b), if a public employee waives coverage provided by his or her employer under the  
5 Public Employee Health Insurance Program, the employer shall forward a monthly  
6 amount to be determined by the Secretary of the Personnel Cabinet for that employee as  
7 an employer contribution to a health reimbursement account or a health flexible spending  
8 account, but not less than \$175 per month, subject to any conditions or limitations  
9 imposed by the Secretary of the Personnel Cabinet to comply with applicable federal law.  
10 The administrative fees associated with a health reimbursement account or health flexible  
11 spending account shall be an authorized expense to be charged to the Public Employee  
12 Health Insurance Trust Fund.

13 **8. State Group Health Insurance Plan - Transfer Between Plan Years:**  
14 Notwithstanding KRS 18A.2254, the Secretary of the Finance and Administration  
15 Cabinet and the Secretary of the Personnel Cabinet are authorized to use the excess funds  
16 from Plan Year 2016, Plan Year 2017, Plan Year 2018, Plan Year 2019, and Plan Year  
17 2020 or any combination thereof to satisfy claims or expenses in Plan Year 2021 and  
18 Plan Year 2022.

19 **9. Full-Time Work Schedules:** It is the intent of the 2020 General Assembly  
20 that, in effort to attract, develop, motivate, and retain a talented, diverse workforce, while  
21 achieving government efficiency and quality services to the public, any full-time  
22 Executive Branch employees who currently work 37.5 hour work weeks shall be required  
23 to work 40 hours per week in the 2022-2024 fiscal biennium.

## 24 **PART V**

### 25 **FUNDS TRANSFER**

26 The General Assembly finds that the financial condition of state government  
27 requires the following action.

1 Notwithstanding the statutes or requirements of the Restricted Funds enumerated  
 2 below, there is transferred to the General Fund the following amounts in fiscal year 2020-  
 3 2021:

4 2020-21 2021-22

5 **A. GENERAL GOVERNMENT**

6 **1. Department for Local Government**

7 Local Government Economic

8 Development Fund Investment Pool 1,500,000 -0-  
 9 (KRS 42.4582 and 42.4592)

10 **2. Department for Local Government**

11 Agency Revenue Fund 1,000,000 -0-  
 12 (KRS 65A.020(5))

13 **3. Secretary of State**

14 Agency Revenue Fund 2,000,000 -0-

15 **4. Attorney General**

16 Agency Revenue Fund 500,000 -0-  
 17 (KRS 48.005(4))

18 **5. School Facilities Construction Commission**

19 Agency Revenue Fund 2,900,000 -0-  
 20 (KRS 157.618)

21 **B. DEPARTMENT OF EDUCATION**

22 **1. Operations and Support Services**

23 Agency Revenue Fund 200,000 -0-

24 **C. ENERGY AND ENVIRONMENT CABINET**

25 **1. Secretary**

26 Kentucky Pride Trust Fund 2,006,300 -0-  
 27 (KRS 224.43-505(2)(a)3.)

1 Notwithstanding KRS 224.43-505(2)(a)3., these funds transfers to the General Fund  
 2 support the General Fund debt service on the bonds sold as appropriated by 2003 Ky.  
 3 Acts ch. 156, Part II, A., 3., c..

4 **2. Environmental Protection**

5 Waste Tire Trust Fund 1,500,000 -0-  
 6 (KRS 224.50-880)

7 **3. Environmental Protection**

8 Insurance Administration Fund 30,000,000 -0-  
 9 (KRS 224.60-130, 224.60-140, 224.60-145, and 224.60-150)

10 **4. Public Service Commission**

11 Agency Revenue Fund 200,000 -0-  
 12 (KRS 278.5499)

13 **D. FINANCE AND ADMINISTRATION CABINET**

14 **1. General Administration**

15 Agency Revenue Fund 250,000 -0-

16 **2. General Administration**

17 Other Expendable Trust Fund 4,900,000 -0-  
 18 (KRS 42.205)

19 **3. Controller**

20 Agency Revenue Fund 2,000,000 -0-

21 **4. Controller**

22 Tobacco Fund Interest 1,663,700 -0-  
 23 (KRS 194A.055, 200.151, 248.654, and 248.655)

24 **5. Facilities and Support Services**

25 Agency Revenue Fund 700,000 -0-

26 **6. Facilities and Support Services**

27 Capital Construction Investment

1	Income Account	15,000,000	-0-
2	<b>7. Commonwealth Office of Technology</b>		
3	Computer Services Fund	14,044,400	-0-
4	(KRS 45.253)		
5	<b>E. HEALTH AND FAMILY SERVICES CABINET</b>		
6	<b>1. General Administration and Program Support</b>		
7	Malt Beverage Education Fund	500,000	-0-
8	<b>2. Public Health</b>		
9	Agency Revenue Fund	4,000,000	-0-
10	<b>F. PERSONNEL CABINET</b>		
11	<b>1. General Operations</b>		
12	Agency Revenue Fund	2,690,700	-0-
13	These funds transfers to the General Fund support General Fund debt service on		
14	bonds for the new Personnel/Payroll system.		
15	<b>2. Workers' Compensation Benefits and Reserve</b>		
16	State Employees Workers'		
17	Compensation Reserve	2,500,000	-0-
18	(KRS 18A.375(3))		
19	<b>G. POSTSECONDARY EDUCATION</b>		
20	<b>1. Kentucky Higher Education Assistance Authority</b>		
21	Other Special Revenue	1,000,000	-0-
22	(KRS 164.7891(11))		
23	<b>H. PUBLIC PROTECTION CABINET</b>		
24	<b>1. Alcoholic Beverage Control</b>		
25	Agency Revenue Fund	2,400,000	-0-
26	(KRS 243.025(3))		
27	<b>2. Financial Institutions</b>		



1	Agency Revenue Fund	4,000,000	-0-
2	(KRS 286.1-485)		
3	<b>3. Housing, Buildings and Construction</b>		
4	Agency Revenue Fund	600,000	-0-
5	(KRS 198B.090(10), 198B.095(4), and 198B.4037)		
6	<b>4. Insurance</b>		
7	Agency Revenue Fund	31,000,000	-0-
8	(KRS 304.2-300 and 304.2-400)		
9	<b>I. TOURISM, ARTS AND HERITAGE CABINET</b>		
10	<b>1. Secretary</b>		
11	Agency Revenue Fund	1,000,000	-0-
12	(KRS 142.406(2) and (3))		
13	TOTAL - FUNDS TRANSFER	130,055,100	-0-

**PART VI**

**GENERAL FUND BUDGET REDUCTION PLAN**

Pursuant to KRS 48.130 and 48.600, a General Fund Budget Reduction Plan is enacted for state government in the event of an actual or projected revenue shortfall in General Fund revenue receipts, excluding Tobacco Settlement – Phase I receipts, of \$11,448,237,100 in fiscal year 2019-2020 and \$11,592,051,800 in fiscal year 2020-2021, as modified by related Acts and actions of the General Assembly in an extraordinary or regular session. Notwithstanding KRS 48.130, direct services, obligations essential to the minimum level of constitutional functions, and other items that may be specified in this Act, are exempt from the requirements of this Plan. Each branch head shall prepare a specific plan to address the proportionate share of the General Fund revenue shortfall applicable to the respective branch. No budget revision action shall be taken by a branch head in excess of the actual or projected revenue shortfall.

The Governor, the Secretary of State, the Attorney General, the Treasurer, the

1 Commissioner of Agriculture, the Auditor of Public Accounts, the Chief Justice, and the  
 2 Legislative Research Commission shall direct and implement reductions in allotments  
 3 and appropriations only for their respective branch budget units as may be necessary, as  
 4 well as take other measures which shall be consistent with the provisions of this Part and  
 5 biennial branch budget bills.

6 Pursuant to KRS 48.130(4), in the event of a revenue shortfall of five percent or  
 7 less, the following General Fund budget reduction actions shall be implemented:

8 (1) The Local Government Economic Assistance and the Local Government  
 9 Economic Development Funds shall be adjusted by the Secretary of the Finance and  
 10 Administration Cabinet to equal revised estimates of receipts pursuant to KRS 42.4582 as  
 11 modified by the provisions of this Act;

12 (2) Transfers of excess unappropriated Restricted Funds, notwithstanding any  
 13 statutes to the contrary, other than fiduciary funds, to the General Fund shall be applied  
 14 as determined by the head of each branch for its respective budget units. No transfers to  
 15 the General Fund shall be made from the following:

16 (a) Local Government Economic Assistance and Local Government Economic  
 17 Development Funds;

18 (b) Unexpended debt service from the Tobacco-Settlement Phase I Funds,  
 19 including but not limited to unexpended debt service and the Tobacco Unbudgeted  
 20 Interest Income-Rural Development Trust Fund, in either fiscal year; and

21 (c) The Kentucky Permanent Pension Fund;

22 (3) Unexpended debt service;

23 (4) Any unanticipated Phase I Master Settlement Agreement revenues in both  
 24 fiscal years shall be appropriated according to Part X of this Act and shall not be  
 25 transferred to the General Fund;

26 (5) Use of the unappropriated balance of the General Fund surplus shall be  
 27 applied;

1           (6) Any language provision that expresses legislative intent regarding a specific  
2 appropriation shall not be reduced by a greater percentage than the reduction to the  
3 General Fund appropriation for that budget unit;

4           (7) Contributions appropriated to pensions in excess of statutory requirements;

5           (8) Contributions appropriated to pension insurance in excess of actuarially  
6 required contributions;

7           (9) Reduce General Fund appropriations in Executive Branch agencies' operating  
8 budget units by a sufficient amount to balance either fiscal year. No reductions of  
9 General Fund appropriations shall be made from the Local Government Economic  
10 Assistance Fund or the Local Government Economic Development Fund;

11           (10) Notwithstanding subsection (9) of this Part, no reductions shall be made to the  
12 Secretary of State, the Attorney General, the Treasurer, the Commissioner of Agriculture,  
13 or the Auditor of Public Accounts, or their offices, Commonwealth's Attorneys or their  
14 offices, or County Attorneys or their offices. The Governor may request their  
15 participation in a budget reduction; however, the level of participation shall be at the  
16 discretion of the Constitutional Officer or the Prosecutors Advisory Council, and shall  
17 not exceed the actual percentage of revenue shortfall;

18           (11) Excess General Fund appropriations which accrue as a result of personnel  
19 vacancies and turnover, and reduced requirements for operating expenses, grants, and  
20 capital outlay shall be determined and applied by the heads of the executive, judicial, and  
21 legislative departments of state government for their respective branches. The branch  
22 heads shall certify the available amounts which shall be applied to budget units within the  
23 respective branches and shall promptly transmit the certification to the Secretary of the  
24 Finance and Administration Cabinet and the Legislative Research Commission. The  
25 Secretary of the Finance and Administration Cabinet shall execute the certified actions as  
26 transmitted by the branch heads.

27           Branch heads shall take care, by their respective actions, to protect, preserve, and

1 advance the fundamental health, safety, legal and social welfare, and educational well-  
2 being of the citizens of the Commonwealth;

3 (12) Funds available in the Budget Reserve Trust Fund shall be applied in an  
4 amount not to exceed 50 percent of the Trust Fund balance in fiscal year 2019-2020 and  
5 25 percent in fiscal year 2020-2021; and

6 (13) Pursuant to KRS 48.130 and 48.600, if the actions contained in subsections  
7 (1) to (12) of this Part are insufficient to eliminate an actual or projected General Fund  
8 revenue shortfall, then the Governor is empowered and directed to take necessary actions  
9 with respect to the Executive Branch budget units to balance the budget by such actions  
10 conforming with the criteria expressed in this Part.

## 11 **PART VII**

### 12 **GENERAL FUND SURPLUS EXPENDITURE PLAN**

13 (1) Notwithstanding KRS 48.130(7), 48.140(3), 48.700, and 48.705, there is  
14 established a plan for the expenditure of General Fund surplus moneys pursuant to a  
15 General Fund Surplus Expenditure Plan contained in this Part for fiscal year 2020-2021.  
16 Pursuant to the enactment of the Surplus Expenditure Plan, General Fund moneys made  
17 available for the General Fund Surplus Expenditure Plan pursuant to Part III, General  
18 Provisions, Section 22. of this Act are appropriated to the following:

19 For the surplus moneys from fiscal year 2019-2020:

20 (a) Authorized expenditures without a sum-specific appropriation amount, known  
21 as Necessary Government Expenses, including but not limited to Emergency Orders  
22 formally declared by the Governor in an Executive Order; and

23 (b) The remaining amount to the Budget Reserve Trust Fund; and

24 (2) The Secretary of the Finance and Administration Cabinet shall determine,  
25 within 30 days after the close of fiscal year 2019-2020, based on the official financial  
26 records of the Commonwealth, the amount of actual General Fund undesignated fund  
27 balance for the General Fund Surplus Account that may be available for expenditure

1 pursuant to the Plan in fiscal year 2020-2021. The Secretary of the Finance and  
 2 Administration Cabinet shall certify the amount of actual General Fund undesignated  
 3 fund balance available for expenditure to the Legislative Research Commission.

#### 4 **PART VIII**

##### 5 **ROAD FUND BUDGET REDUCTION PLAN**

6 There is established a Road Fund Budget Reduction Plan for fiscal year 2019-2020  
 7 and fiscal year 2020-2021. Notwithstanding KRS 48.130(1) and (3) relating to statutory  
 8 appropriation adjustments related to the revenue sharing of motor fuels taxes, in the event  
 9 of an actual or projected revenue shortfall in Road Fund revenue receipts of  
 10 \$1,551,800,000 in fiscal year 2019-2020 and \$1,543,400,000 in fiscal year 2020-2021, as  
 11 modified by related Acts and actions of the General Assembly in an extraordinary or  
 12 regular session, the Governor shall implement sufficient reductions as may be required to  
 13 protect the highest possible level of service.

#### 14 **PART IX**

##### 15 **ROAD FUND SURPLUS EXPENDITURE PLAN**

16 Notwithstanding KRS 48.110, 48.140, and 48.710, there is established a plan for  
 17 the expenditure of the Road Fund Surplus Account. All moneys in the Road Fund Surplus  
 18 Account shall be appropriated to the State Construction Account within the Highways  
 19 budget unit and utilized to support projects in the 2020-2022 Biennial Highway  
 20 Construction Program.

#### 21 **PART X**

##### 22 **PHASE I TOBACCO SETTLEMENT**

23 **(1) General Purpose:** This Part prescribes the policy implementing aspects of  
 24 the national settlement agreement between the tobacco industry and the collective states  
 25 as described in KRS 248.701 to 248.727. In furtherance of that agreement, the General  
 26 Assembly recognizes that the Commonwealth of Kentucky is a party to the Phase I  
 27 Master Settlement Agreement (MSA) between the Participating Tobacco Manufacturers

1 and 46 Settling States which provides reimbursement to states for smoking-related  
2 expenditures made over time.

3       **(2) State's MSA Share:** The Commonwealth's share of the MSA is equal to  
4 1.7611586 percent of the total settlement amount. Payments under the MSA are made to  
5 the states annually in April of each year.

6       **(3) MSA Payment Amount Variables:** The total settlement amount to be  
7 distributed on each payment date is subject to change pursuant to several variables  
8 provided in the MSA, including inflation adjustments, volume adjustments, previously  
9 settled states adjustments, and the nonparticipating manufacturers adjustment.

10       **(4) Distinct Identity of MSA Payment Deposits:** The General Assembly has  
11 determined that it shall be the policy of the Commonwealth that all Phase I Tobacco  
12 Settlement payments shall be deposited to the credit of the General Fund and shall  
13 maintain a distinct identity as Phase I Tobacco Settlement payments that shall not lapse  
14 to the credit of the General Fund surplus but shall continue forward from each fiscal year  
15 to the next fiscal year to the extent that any balance is unexpended.

16       **(5) MSA Payment Estimates and Adjustments:** Based on the official estimates  
17 of the Consensus Forecasting Group, the amount of MSA payments expected to be  
18 received in fiscal year 2019-2020 is \$110,900,000 and in fiscal year 2020-2021 is  
19 \$106,300,000. It is recognized that payments to be received by the Commonwealth are  
20 estimated and are subject to change. If MSA payments received are less than the official  
21 estimates, appropriation reductions shall be applied as follows: after exempting  
22 appropriations for debt service, the Attorney General, and the Department of Revenue, 50  
23 percent to the Agricultural Development Fund, 30 percent to the Early Childhood  
24 Development Fund, and 20 percent to the Health Care Improvement Fund. If MSA  
25 payments received exceed the official estimates, appropriation increases shall be applied  
26 as follows: after exempting appropriations for debt service, the Attorney General, and the  
27 Department of Revenue, 50 percent to the Agricultural Development Fund, 30 percent to

1 the Early Childhood Development Fund, and 20 percent to the Health Care Improvement  
2 Fund.

3 **a. State Enforcement:** Notwithstanding KRS 248.654 and 248.703(4), a total of  
4 \$150,000 of the MSA payments received in fiscal year 2020-2021 is appropriated to the  
5 Attorney General for the state's diligent enforcement of noncompliant nonparticipating  
6 manufacturers.

7 **b. State Enforcement:** Notwithstanding KRS 248.654 and 248.703(4), a total of  
8 \$250,000 of the MSA payments received in fiscal year 2020-2021 is appropriated to the  
9 Finance and Administration Cabinet, Department of Revenue for the state's diligent  
10 enforcement of noncompliant nonparticipating manufacturers.

11 **c. Debt Service:** Notwithstanding KRS 248.654 and 248.703(4), a total of  
12 \$30,863,200 in MSA payments in fiscal year 2020-2021 is appropriated to the Finance  
13 and Administration Cabinet, Debt Service budget unit.

14 **d. Agricultural Development Initiatives:** Notwithstanding KRS 248.654 and  
15 248.703(4), a total of \$38,481,600 in MSA payments in fiscal year 2020-2021 is  
16 appropriated to the Kentucky Agricultural Development Fund to be used for agricultural  
17 development initiatives as specified in this Part.

18 **e. Early Childhood Development Initiatives:** Notwithstanding KRS 248.654, a  
19 total of \$25,439,100 in MSA payments in fiscal year 2020-2021 is appropriated to the  
20 Early Childhood Development Initiatives as specified in this Part.

21 **f. Health Care Initiatives:** Notwithstanding KRS 164.476, 248.654, and  
22 304.17B-003(5), a total of \$13,042,700 in MSA payments in fiscal year 2020-2021 is  
23 appropriated to the Health Care Improvement Fund for health care initiatives as specified  
24 in this Part.

## 25 A. STATE ENFORCEMENT

### 26 GENERAL FUND - PHASE I TOBACCO SETTLEMENT FUNDS

27 Notwithstanding KRS 248.654 and 248.703(4), appropriations for state

1 enforcement shall be as follows:

2 **1. GENERAL GOVERNMENT**

3 <b>Budget Unit</b>	<b>2020-21</b>	<b>2021-22</b>
4 a. Attorney General	150,000	-0-

5 **2. FINANCE AND ADMINISTRATION CABINET**

6 <b>Budget Unit</b>	<b>2020-21</b>	<b>2021-22</b>
7 a. Revenue	250,000	-0-

8 **B. DEBT SERVICE**

9 **GENERAL FUND - PHASE I TOBACCO SETTLEMENT FUNDS**

10 Notwithstanding KRS 248.654 and 248.703(4), appropriations for debt service shall  
 11 be as follows:

12 **1. FINANCE AND ADMINISTRATION CABINET**

13 <b>Budget Unit</b>	<b>2020-21</b>	<b>2021-22</b>
14 a. Debt Service	30,863,200	-0-

15 **(1) Debt Service:** To the extent that revenues sufficient to support the required  
 16 debt service appropriations are received from the Tobacco Settlement Program, those  
 17 revenues shall be made available from those accounts to the appropriate account of the  
 18 General Fund. All necessary debt service amounts shall be appropriated from the General  
 19 Fund and shall be fully paid regardless of whether there is a sufficient amount available  
 20 to be transferred from tobacco-supported funding program accounts to other accounts of  
 21 the General Fund.

22 **(2) General Fund (Tobacco) Debt Service Lapse:** Notwithstanding Part X, (4)  
 23 of this Act, \$1,926,600 in fiscal year 2020-2021 shall lapse.

24 **(3) Appropriation of Unexpended Tobacco Debt Service:** Any unexpended  
 25 balance from the fiscal year 2019-2020 or fiscal year 2020-2021 General Fund (Tobacco)  
 26 debt service appropriation in the Finance and Administration Cabinet, Debt Service  
 27 budget unit, shall continue and be appropriated to the Governor’s Office of Agricultural



1 Policy.

2 **C. AGRICULTURAL DEVELOPMENT APPROPRIATIONS**

3 **GENERAL FUND - PHASE I TOBACCO SETTLEMENT FUNDS**

4 Notwithstanding KRS 248.654 and 248.703(4), appropriations for Agricultural  
 5 Development shall be as follows:

6 **1. GENERAL GOVERNMENT**

7 <b>Budget Unit</b>	<b>2020-21</b>	<b>2021-22</b>
8 a. Governor's Office of	34,594,800	-0-
9 Agricultural Policy		

10 **(1) Tobacco Settlement Funds - Allocations:** Notwithstanding KRS 248.711(2),  
 11 and from the allocation provided therein, counties that are allocated in excess of \$20,000  
 12 annually may provide up to four percent of the individual county allocation, not to  
 13 exceed \$15,000 annually, to the county council in that county for administrative costs.

14 **(2) Counties Account:** Notwithstanding KRS 248.703(1), included in the above  
 15 General Fund (Tobacco) appropriation is \$14,279,200 in fiscal year 2020-2021 for the  
 16 counties account as specified in KRS 248.703(1)(a).

17 **(3) Directive for Fiscal Year 2018-2019 and Fiscal Year 2019-2020 General**  
 18 **Fund (Tobacco) Appropriations:** Any remaining uncommitted or unobligated funds  
 19 from the \$13,000,000 General Fund (Tobacco) appropriated in the 2018-2020 fiscal  
 20 biennium to the Governor's Office of Agricultural Policy for use by the State Fair Board  
 21 shall not be approved by the Agricultural Development Board for any other project until  
 22 appropriated by the General Assembly.

23 **2. DEPARTMENT OF AGRICULTURE**

24 <b>Budget Unit</b>	<b>2020-21</b>	<b>2021-22</b>
25 a. Agriculture	500,000	-0-

26 **(1) Farms to Food Banks:** Included in the above General Fund (Tobacco)  
 27 appropriation is \$500,000 in fiscal year 2020-2021 to support the Farms to Food Banks

1 Program. The use of the moneys provided by this appropriation shall be restricted to  
 2 purchases of Kentucky-grown produce from Kentucky farmers who participate in the  
 3 Farms to Food Banks Program.

4 **3. ENERGY AND ENVIRONMENT CABINET**

5 <b>Budget Unit</b>	6 <b>2020-21</b>	7 <b>2021-22</b>
8 a. Natural Resources	3,386,800	-0-
9 <b>(1) Environmental Stewardship Program:</b> Included in the above General Fund 10 (Tobacco) appropriation is \$2,479,500 in fiscal year 2020-2021 for the Environmental 11 Stewardship Program.		
12 <b>(2) Conservation District Local Aid:</b> Included in the above General Fund 13 (Tobacco) appropriation is \$907,300 in fiscal year 2020-2021 for the Division of 14 Conservation to provide direct aid to local conservation districts.		
15 TOTAL - AGRICULTURAL	38,481,600	-0-

14 APPROPRIATIONS

15 **D. EARLY CHILDHOOD DEVELOPMENT**

16 **GENERAL FUND - PHASE I TOBACCO SETTLEMENT FUNDS**

17 Notwithstanding KRS 248.654, appropriations for Early Childhood Development  
 18 shall be as follows:

19 **1. EDUCATION AND WORKFORCE DEVELOPMENT CABINET**

20 <b>Budget Unit</b>	21 <b>2020-21</b>	22 <b>2021-22</b>
23 a. General Administration and Program Support	1,400,000	-0-

24 **(1) Early Childhood Development:** Included in the above General Fund  
 25 (Tobacco) appropriation is \$1,400,000 in fiscal year 2020-2021 for the Early Childhood  
 26 Advisory Council.

27 **2. CABINET FOR HEALTH AND FAMILY SERVICES**

26 <b>Budget Units</b>	27 <b>2020-21</b>	28 <b>2021-22</b>
a. Community Based Services	12,250,000	-0-

1           **(1) Early Childhood Development Program:** Included in the above General  
 2 Fund (Tobacco) appropriation is \$9,750,000 in fiscal year 2020-2021 for the Early  
 3 Childhood Development Program.

4           **(2) Early Childhood Adoption and Foster Care Supports:** Included in the  
 5 above General Fund (Tobacco) appropriation is \$2,500,000 in fiscal year 2020-2021 for  
 6 the Early Childhood Adoption and Foster Care Supports Program.

	<b>2020-21</b>	<b>2021-22</b>
7           b. Public Health	9,873,100	-0-

9           **(1) HANDS Program, Healthy Start, Early Childhood Mental Health, and**  
 10 **Early Childhood Oral Health:** Included in the above General Fund (Tobacco)  
 11 appropriation is \$7,000,000 in fiscal year 2020-2021 for the Health Access Nurturing  
 12 Development Services (HANDS) Program, \$942,000 in fiscal year 2020-2021 for  
 13 Healthy Start initiatives, \$942,000 in fiscal year 2020-2021 for Early Childhood Mental  
 14 Health, and \$989,100 in fiscal year 2020-2021 for Early Childhood Oral Health.

15           **(2) Folic Acid Program:** General Fund (Tobacco) continuing appropriation  
 16 reserves allotted to the Folic Acid Program shall be utilized by the Department for Public  
 17 Health during fiscal year 2020-2021 to continue the Folic Acid Program.

18           c. Behavioral Health, Developmental and	<b>2020-21</b>	<b>2021-22</b>
19           Intellectual Disabilities Services	1,916,000	-0-

20           **(1) Substance Abuse Prevention and Treatment:** Included in the above  
 21 General Fund (Tobacco) appropriation is \$1,416,000 in fiscal year 2020-2021 for  
 22 substance abuse prevention and treatment for pregnant women with a history of  
 23 substance abuse problems.

24           **(2) Kentucky Rural Mental Health and Suicide Prevention Pilot Program:**  
 25 Included in the above General Fund (Tobacco) appropriation is \$500,000 in fiscal year  
 26 2020-2021 to support the Kentucky Rural Mental Health and Suicide Prevention pilot  
 27 program. The Department for Behavioral Health, Developmental and Intellectual

1 Disabilities shall coordinate with the Kentucky Department of Agriculture, the University  
 2 of Kentucky Southeast Center for Agricultural Health and Injury Prevention, and other  
 3 entities to enhance awareness of the National Suicide Prevention Lifeline (988) in rural  
 4 communities in Kentucky and to improve access to information on mental health issues  
 5 and available treatment services. The Department for Behavioral Health, Developmental  
 6 and Intellectual Disabilities shall provide cultural competency training to staff to address  
 7 the unique mental health challenges affecting the state’s rural communities. The  
 8 Department for Behavioral Health, Developmental and Intellectual Disabilities shall also  
 9 provide outreach, treatment, and other necessary services to improve the mental health  
 10 outcomes for rural communities in Kentucky. The Department for Behavioral Health,  
 11 Developmental and Intellectual Disabilities, in conjunction with the Kentucky  
 12 Department of Agriculture and the University of Kentucky Southeast Center for  
 13 Agricultural Health and Injury Prevention, shall apply for federal funds as provided by  
 14 the Agriculture Improvement Act of 2018, 7 U.S.C. sec. 5936, to supplement the General  
 15 Fund (Tobacco) appropriation provided above. The Cabinet for Health and Family  
 16 Services shall submit a report on the results of the pilot program, including but not  
 17 limited to the number of participants, the mental health issues addressed, and the funding  
 18 used to the Interim Joint Committee on Appropriations and Revenue and the Interim Joint  
 19 Committee on Agriculture by June 30, 2022.

20 TOTAL - EARLY CHILDHOOD 25,439,100 -0-  
 21 APPROPRIATIONS

22 **E. HEALTH CARE IMPROVEMENT APPROPRIATIONS**

23 **GENERAL FUND - PHASE I TOBACCO SETTLEMENT FUNDS**

24 Notwithstanding KRS 164.476, 248.654 and 304.17B-003(5), appropriations for  
 25 health care improvement shall be as follows:

26 **1. CABINET FOR HEALTH AND FAMILY SERVICES**

27 <b>Budget Unit</b>	<b>2020-21</b>	<b>2021-22</b>
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1 a. Public Health 2,000,000 -0-

2 **(1) Smoking Cessation Program:** Included in the above General Fund  
3 (Tobacco) appropriation is \$2,000,000 in fiscal year 2020-2021 for Smoking Cessation.

4 **2. JUSTICE AND PUBLIC SAFETY CABINET**

5 **Budget Unit** **2020-21** **2021-22**

6 a. Justice Administration 3,516,600 -0-

7 **(1) Office of Drug Control Policy:** Included in the above General Fund  
8 (Tobacco) appropriation is \$3,166,600 in fiscal year 2020-2021 for the Office of Drug  
9 Control Policy.

10 **(2) Restorative Justice:** Included in the above General Fund (Tobacco)  
11 appropriation is \$350,000 in fiscal year 2020-2021 to support the Restorative Justice  
12 Program administered by the Volunteers of America.

13 **3. POSTSECONDARY EDUCATION**

14 **Budget Unit** **2020-21** **2021-22**

15 a. Council on Postsecondary Education 7,526,100 -0-

16 **(1) Cancer Research and Screening:** Included in the above General Fund  
17 (Tobacco) appropriation is \$6,876,100 in fiscal year 2020-2021 for cancer research and  
18 screening. The appropriation in fiscal year 2020-2021 shall be equally shared between  
19 the University of Kentucky and the University of Louisville.

20 **(2) Spinal Cord and Head Injury Research:** Included in the above General  
21 Fund (Tobacco) appropriation is \$650,000 in fiscal year 2020-2021 for spinal cord and  
22 head injury research. In accordance with KRS 211.500 to 211.504, the appropriation in  
23 fiscal year 2020-2021 shall be shared between the University of Kentucky and the  
24 University of Louisville.

25 TOTAL - HEALTH CARE 13,042,700 -0-

26 TOTAL - PHASE I TOBACCO SETTLEMENT

27 FUNDING PROGRAM 108,226,600 -0-

<b>PART XI</b>			
<b>STATE/EXECUTIVE BRANCH BUDGET SUMMARY</b>			
<b>OPERATING BUDGET</b>			
	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>
General Fund (Tobacco)	-0-	108,226,600	-0-
General Fund	45,749,300	11,295,086,000	-0-
Restricted Funds	-0-	9,371,521,500	-0-
Federal Funds	-0-	13,364,399,600	-0-
Road Fund	-0-	113,613,900	-0-
<b>SUBTOTAL</b>	<b>45,749,300</b>	<b>34,252,847,600</b>	<b>-0-</b>
<b>CAPITAL PROJECTS BUDGET</b>			
	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>
General Fund	-0-	700,000	-0-
Restricted Funds	10,000,000	5,895,416,200	-0-
Federal Funds	-0-	135,451,000	-0-
Bond Funds	3,000,000	313,672,300	-0-
Agency Bonds	-0-	422,138,000	-0-
Investment Income	-0-	9,470,000	-0-
Other Funds	3,000,000	1,771,918,000	-0-
<b>SUBTOTAL</b>	<b>16,000,000</b>	<b>8,548,765,500</b>	<b>-0-</b>
<b>TOTAL - STATE/EXECUTIVE BUDGET</b>			
	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>
General Fund (Tobacco)	-0-	108,226,600	-0-
General Fund	45,749,300	11,295,786,000	-0-
Restricted Funds	10,000,000	15,266,937,700	-0-
Federal Funds	-0-	13,499,850,600	-0-
Road Fund	-0-	113,613,900	-0-

1	Bond Funds	3,000,000	313,672,300	-0-
2	Agency Bonds	-0-	422,138,000	-0-
3	Investment Income	-0-	9,470,000	-0-
4	Other Funds	3,000,000	1,771,918,000	-0-
5	TOTAL FUNDS	61,749,300	42,801,613,100	-0-

1 AN ACT relating to appropriations providing financing and conditions for the  
 2 operations, maintenance, support, and functioning of the Transportation Cabinet of the  
 3 Commonwealth of Kentucky.

4 ***Be it enacted by the General Assembly of the Commonwealth of Kentucky:***

5 ➔Section 1. The Transportation Cabinet Budget is as follows:

6 **PART I**

7 **OPERATING BUDGET**

8 **(1) Funds Appropriations:** Notwithstanding KRS 48.110, 48.120(4), 48.300,  
 9 and any statute to the contrary, there is appropriated out of the General Fund, Road Fund,  
 10 Restricted Funds accounts, Federal Funds accounts, or Bond Funds accounts for the fiscal  
 11 year beginning July 1, 2019, and ending June 30, 2020, for the fiscal year beginning July  
 12 1, 2020, and ending June 30, 2021, the following discrete sums, or so much thereof as  
 13 may be necessary. Appropriated funds are included pursuant to KRS 48.700 and 48.710.  
 14 Each appropriation is made by source of respective fund or funds accounts.  
 15 Appropriations for the budget units of the Transportation Cabinet are subject to the  
 16 provisions of Chapters 12, 42, 45, and 48 of the Kentucky Revised Statutes and  
 17 compliance with the conditions and procedures set forth in this Act.

18 **A. TRANSPORTATION CABINET**

19 **Budget Units**

20 **1. GENERAL ADMINISTRATION AND SUPPORT**

	<b>2020-21</b>	<b>2021-22</b>
22 General Fund	500,000	-0-
23 Restricted Funds	2,672,100	-0-
24 Road Fund	85,112,100	-0-
25 TOTAL	88,284,200	-0-

26 **(1) Biennial Highway Construction Plan:** The Secretary of the Transportation  
 27 Cabinet shall produce a single document that contains two separately identified sections,



1 as follows:

2 Section 1 shall detail the enacted fiscal biennium 2020-2022 Biennial Highway  
 3 Construction Program and Section 2 shall detail the 2020-2022 Highway Preconstruction  
 4 Program Plan for fiscal year 2020-2021 through fiscal year 2025-2026 as identified by  
 5 the 2020 General Assembly. This document shall mirror in data type and format the fiscal  
 6 year 2020-2026 Recommended Six-Year Road Plan as submitted to the 2020 General  
 7 Assembly. The document shall be published and distributed to members of the General  
 8 Assembly and the public within 60 days of adjournment of the 2020 Regular Session of  
 9 the General Assembly.

10 **(2) Debt Service:** Included in the above Road Fund appropriation is \$7,110,100  
 11 in fiscal year 2020-2021 for debt service on previously authorized bonds.

12 **(3) Adopt-A-Highway Litter Program:** The Transportation Cabinet and the  
 13 Energy and Environment Cabinet may receive, accept, and solicit grants, contributions of  
 14 money, property, labor, or other things of value from any governmental agency,  
 15 individual, nonprofit organization, or private business to be used for the Adopt-a-  
 16 Highway Litter Program or other statewide litter programs. Any contribution of this  
 17 nature shall be deemed to be a contribution to a state agency for a public purpose and  
 18 shall be treated as Restricted Funds under KRS Chapter 45 and reported according to  
 19 KRS Chapter 48, and shall not be subject to restrictions set forth under KRS Chapter  
 20 11A.

21 **(4) Riverport Improvements:** Included in the above General Fund appropriation  
 22 is \$500,000 in fiscal year 2020-2021 to improve public riverports within Kentucky. The  
 23 Secretary of the Transportation Cabinet, in conjunction with the Kentucky Water  
 24 Transportation Advisory Board, shall determine how the funds are distributed.

25 **2. AVIATION**

26	<b>2020-21</b>	<b>2021-22</b>
27	Restricted Funds	21,221,400
		-0-

1	Federal Funds	500,000	-0-
2	Road Fund	2,797,700	-0-
3	TOTAL	24,519,100	-0-

4       **(1) Operational Costs:** Notwithstanding KRS 183.525(5), the above Restricted  
 5 Funds appropriation includes operational costs of the program in fiscal year 2020-2021.

6       **(2) Debt Service:** Included in the above Road Fund appropriation is \$1,831,100  
 7 in fiscal year 2020-2021 for debt service on previously authorized bonds.  
 8 Notwithstanding KRS 183.525, \$1,831,100 in fiscal year 2020-2021 is transferred to the  
 9 Road Fund from the Kentucky Aviation Economic Development Fund to support debt  
 10 service on those bonds.

11       **3. DEBT SERVICE**

	<b>2020-21</b>	<b>2021-22</b>
13       Road Fund	147,991,400	-0-

14       **(1) Economic Development Road Lease-Rental Payments:** Included in the  
 15 above Road Fund appropriation is \$147,991,400 in fiscal year 2020-2021 for Economic  
 16 Development Road lease-rental payments relating to projects financed by Economic  
 17 Development Road Revenue Bonds previously authorized by the General Assembly and  
 18 issued by the Kentucky Turnpike Authority.

19       **(2) Debt Payment Acceleration Fund Account:** Notwithstanding KRS 175.505,  
 20 no portion of the revenues to the state Road Fund provided by the adjustments in KRS  
 21 138.220(2), excluding KRS 177.320 and 177.365, shall accrue to the Debt Payment  
 22 Acceleration Fund account during the 2020-2022 fiscal biennium.

23       **4. HIGHWAYS**

	<b>2020-21</b>	<b>2021-22</b>
25       Restricted Funds	113,846,700	-0-
26       Federal Funds	725,999,900	-0-
27       Road Fund	826,464,900	-0-



1 authorization into the 2020-2022 fiscal biennium. If projects in previously enacted  
2 highway construction plans conflict with the 2020-2022 Biennial Highway Construction  
3 Plan, the projects in the 2020-2022 Biennial Highway Construction Plan shall control.  
4 The Secretary shall make every effort to maintain highway program delivery by adhering  
5 to the timeframes included in the 2020-2022 Biennial Highway Construction Plan for  
6 those projects.

7       **(6) State Match Provisions:** The Transportation Cabinet is authorized to utilize  
8 state construction moneys or Toll Credits to match federal highway moneys.

9       **(7) Federal Aid Highway Funds:** If additional federal highway moneys are  
10 made available to Kentucky by the United States Congress, the funds shall be used  
11 according to the following priority: (a) Any demonstration-specific or project-specific  
12 moneys shall be used on the project identified; and (b) All other funds shall be used to  
13 ensure that projects in the fiscal biennium 2020-2022 Biennial Highway Construction  
14 Plan are funded. If additional federal moneys remain after these priorities are met, the  
15 Transportation Cabinet may select projects from the Highway Preconstruction Program.

16       **(8) Road Fund Cash Management:** The Secretary of the Transportation Cabinet  
17 may continue the Cash Management Plan to address the policy of the General Assembly  
18 to expeditiously initiate and complete projects in the fiscal biennium 2020-2022 Biennial  
19 Highway Construction Plan. Notwithstanding KRS Chapter 45, specifically including  
20 KRS 45.242 and 45.244, the Secretary may concurrently advance projects in the Biennial  
21 Highway Construction Plan by employing management techniques that maximize the  
22 Cabinet's ability to contract for and effectively administer the project work. Under the  
23 approved Cash Management Plan, the Secretary shall continuously ensure that the  
24 unspent project and Road Fund balances available to the Transportation Cabinet are  
25 sufficient to meet expenditures consistent with appropriations provided. The  
26 Transportation Cabinet shall provide quarterly reports to the Interim Joint Committee on  
27 Appropriations and Revenue when the General Assembly is not in session and the

1 Standing Committees on Appropriations and Revenue when the General Assembly is in  
2 session beginning July 1, 2020.

3 **(9) Carry Forward of Appropriation Balances:** Notwithstanding KRS 45.229,  
4 unexpended Road Fund appropriations in the Highways budget unit for the Construction  
5 program, the Maintenance program, and the Research program in fiscal year 2019-2020  
6 and in fiscal year 2020-2021 shall not lapse but shall carry forward. Unexpended Federal  
7 Funds and Restricted Funds appropriations in the Highways budget unit for the  
8 Construction program, the Maintenance program, the Equipment Services program, and  
9 the Research program in fiscal year 2019-2020 and in fiscal year 2020-2021, up to the  
10 amount of ending cash balances and unissued Highway and GARVEE Bond Funds, to  
11 include any interest income earned on those bond funds, and grant balances shall not  
12 lapse but shall carry forward.

13 **(10) Federally Supported Construction Program:** Included in the above Federal  
14 Funds appropriation is \$624,506,400 in fiscal year 2020-2021 for federal construction  
15 projects.

16 **(11) Highways Maintenance:** Included in the above Highways Road Fund  
17 appropriation is \$399,379,300 in fiscal year 2020-2021 for Highways Maintenance.  
18 Highways Maintenance positions may be filled to the extent the above funding level and  
19 the Highways Maintenance continuing appropriation are sufficient to support those  
20 positions.

21 **(12) Delayed Projects Status Report:** The Secretary of the Transportation  
22 Cabinet shall report by September 30 of fiscal year 2020-2021 to the Interim Joint  
23 Committee on Transportation any project included in the enacted Biennial Highway  
24 Construction Plan which has been delayed beyond the fiscal year for which the project  
25 was authorized. The report shall include:

- 26 (a) The county name;
- 27 (b) The Transportation Cabinet project identification number;

- 1 (c) The route where the project is located;
- 2 (d) The length of the project;
- 3 (e) A description of the project and the scope of improvement;
- 4 (f) The type of local, state, or federal funds to be used on the project;
- 5 (g) The stage of development for the design, right-of-way, utility, and
- 6 construction phases;
- 7 (h) The fiscal year in which each phase of the project was scheduled to
- 8 commence;
- 9 (i) The estimated cost for each phase of the project;
- 10 (j) A detailed description of the circumstances leading to the delay; and
- 11 (k) The same information required in paragraphs (a) to (i) of this subsection for
- 12 the project or projects advanced with funds initially scheduled for the delayed project.

13 **(13) Maintenance Reentry Employment Program:** Included in the above Road  
 14 Fund appropriation is \$250,000 in fiscal year 2020-2021 to support contracting with a  
 15 501(c)(3) nonprofit organization that employs individuals on probation or parole  
 16 supervision to perform crew-based maintenance services. These individuals will be  
 17 selected with input from the Department of Corrections and shall provide assistance with  
 18 litter abatement, graffiti removal, and vegetation control.

19 **5. JUDGMENTS**

20 **(1) Payment of Judgments:** Road Fund resources required to pay judgments  
 21 shall be transferred from the State Construction Account at the time when actual  
 22 payments must be disbursed from the State Treasury.

23 **6. PUBLIC TRANSPORTATION**

	<b>2020-21</b>	<b>2021-22</b>
24 General Fund	5,589,000	-0-
25 Restricted Funds	9,083,600	-0-
26 Federal Funds	25,757,400	-0-

1 TOTAL 40,430,000 -0-

2 (1) **Toll Credits:** The Transportation Cabinet is authorized to maximize, to the  
 3 extent necessary, the use of Toll Credits to match Federal Funds for transit systems  
 4 capital grants.

5 (2) **Nonpublic School Transportation:** Included in the above General Fund  
 6 appropriation is \$3,500,000 in fiscal year 2020-2021 for nonpublic school transportation.

7 **7. REVENUE SHARING**

8		<b>2020-21</b>	<b>2021-22</b>
9	Road Fund	350,007,300	-0-

10 (1) **County Road Aid Program:** Included in the above Road Fund appropriation  
 11 is \$132,307,900 in fiscal year 2020-2021 for the County Road Aid Program in  
 12 accordance with KRS 177.320, 179.410, 179.415, and 179.440. Notwithstanding KRS  
 13 177.320(2) and (4), the above amount has been reduced by \$38,000, which has been  
 14 appropriated to the Highways budget unit for the support of the Kentucky Transportation  
 15 Center.

16 (2) **Rural Secondary Program:** Included in the above Road Fund appropriation  
 17 is \$160,383,400 in fiscal year 2020-2021 for the Rural Secondary Program in accordance  
 18 with KRS 177.320, 177.330, 177.340, 177.350, and 177.360. Notwithstanding KRS  
 19 177.320(1) and (4), the above amount has been reduced by \$46,000, which has been  
 20 appropriated to the Highways budget unit for the support of the Kentucky Transportation  
 21 Center.

22 (3) **Municipal Road Aid Program:** Included in the above Road Fund  
 23 appropriation is \$55,628,400 in fiscal year 2020-2021 for the Municipal Road Aid  
 24 Program in accordance with KRS 177.365, 177.366, and 177.369. Notwithstanding KRS  
 25 177.320(4) and 177.365(1), the above amount has been reduced by \$16,000, which has  
 26 been appropriated to the Highways budget unit for the support of the Kentucky  
 27 Transportation Center.

1       **(4) Energy Recovery Road Fund:** Included in the above Road Fund  
 2 appropriation is \$334,000 in fiscal year 2020-2021 for the Energy Recovery Road Fund  
 3 in accordance with KRS 177.977, 177.9771, 177.978, 177.979, and 177.981.

4       **(5) County Judge/Executive Expense Allowance:** Notwithstanding KRS  
 5 67.722, each County Judge/Executive not serving in a consolidated local government  
 6 shall receive an annual expense allowance of \$2,400 during the 2020-2022 fiscal  
 7 biennium. Payment shall be made quarterly from the Rural Secondary Program.

8       **(6) Continuation of the Flex Funds and the 80/20 Bridge Replacement**  
 9 **Programs:** The Transportation Cabinet shall continue the Flex Funds and the 80/20  
 10 Bridge Replacement Programs within the Rural Secondary Program.

11 **8. VEHICLE REGULATION**

	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>
13    Restricted Funds	-0-	14,640,500	-0-
14    Federal Funds	-0-	2,640,100	-0-
15    Road Fund	4,265,500	46,232,900	-0-
16    TOTAL	4,265,500	63,513,500	-0-

17       **(1) Debt Service:** Included in the above Road Fund appropriation is \$800,000 in  
 18 fiscal year 2020-2021 for debt service on previously authorized bonds.

19 **TOTAL - TRANSPORTATION CABINET**

	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>
21    General Fund	-0-	6,089,000	-0-
22    Restricted Funds	-0-	161,464,300	-0-
23    Federal Funds	-0-	754,897,400	-0-
24    Road Fund	4,265,500	1,458,606,300	-0-
25    TOTAL	4,265,500	2,381,057,000	-0-

26 **PART II**

27 **CAPITAL PROJECTS BUDGET**



1           **(1) Capital Construction Fund Appropriations and Reauthorizations:**

2 Moneys in the Capital Construction Fund are appropriated for the following capital  
3 projects subject to the conditions and procedures in this Act. Items listed without  
4 appropriated amounts are previously authorized for which no additional amount is  
5 required. These items are listed in order to continue their current authorization into the  
6 2020-2022 fiscal biennium. Unless otherwise specified, reauthorized projects shall  
7 conform to the original authorization enacted by the General Assembly.

8           **(2) Expiration of Existing Line-Item Capital Construction Projects:** All

9 appropriations to existing line-item capital construction projects expire on June 30, 2020,  
10 unless reauthorized in this Act with the following exceptions: (a) A construction contract  
11 for the project shall have been awarded by June 30, 2020; (b) Permanent financing or a  
12 short-term line of credit sufficient to cover the total authorized project scope shall have  
13 been obtained in the case of projects authorized for bonds, if the authorized project  
14 completes an initial draw on the line of credit within the biennium immediately  
15 subsequent to the original authorization; and (c) Grant or loan agreements, if applicable,  
16 shall have been finalized and properly signed by all necessary parties. Notwithstanding  
17 the criteria set forth in this subsection, the disposition of 2018-2020 fiscal biennium  
18 nonstatutory appropriated maintenance pools funded from Capital Construction  
19 Investment Income shall remain subject to the provisions of KRS 45.770(5)(c).

20           **(3) Bond Proceeds Investment Income:** Investment income earned from bond

21 proceeds beyond that which is required to satisfy Internal Revenue Service arbitrage  
22 rebates and penalties and excess bond proceeds upon the completion of a bond-financed  
23 capital project shall be used to pay debt service according to the Internal Revenue  
24 Service Code and accompanying regulations.

25           **(4) Appropriations for Projects Not Line-Itemized:** Inasmuch as the

26 identification of specific projects cannot be ascertained with absolute certainty at this  
27 time, amounts are appropriated for specific purposes to projects which are not

1 individually identified in this Act in the following area: Aircraft Maintenance Pool.  
 2 Notwithstanding any statute to the contrary, projects estimated to cost \$1,000,000 and  
 3 over and equipment estimated to cost \$200,000 and over shall be reported to the Capital  
 4 Projects and Bond Oversight Committee.

5 **A. TRANSPORTATION CABINET**

6 <b>Budget Units</b>	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>
7 <b>1. GENERAL ADMINISTRATION AND SUPPORT</b>			
8 <b>001. Maintenance Pool - 2020-2022</b>			
9 Road Fund	-0-	2,950,000	-0-
10 <b>002. Construct Whitley County Maintenance Facility and Salt Structure</b>			
11 Road Fund	-0-	2,550,000	-0-
12 <b>003. Construct Nicholas County Maintenance Facility and Salt Storage</b>			
13 Road Fund	-0-	2,000,000	-0-
14 <b>004. Construct Ballard County Maintenance Facility and Salt Storage – Additional</b>			
15 <b>Reauthorization (\$1,584,000 Road Fund)</b>			
16 Road Fund	-0-	700,000	-0-
17 <b>005. Construct Hopkins County Maintenance Facility and Salt Storage –</b>			
18 <b>Reauthorization (\$1,800,000 Road Fund)</b>			
19 <b>006. Construct Clay County District Office – Reauthorization (\$7,445,000 Road</b>			
20 <b>Fund)</b>			
21 <b>007. AASHTOWare</b>			
22 Road Fund	-0-	1,000,000	-0-
23 <b>008. Construct Casey County Maintenance Facility</b>			
24 Restricted Funds	660,000	-0-	-0-
25 Road Fund	800,000	-0-	-0-
26 <b>TOTAL</b>	<b>1,460,000</b>	<b>-0-</b>	<b>-0-</b>
27 <b>2. AVIATION</b>			

1	<b>001. Aircraft Maintenance Pool – 2020-2022</b>			
2	Investment Income	-0-	700,000	-0-
3	<b>3. HIGHWAYS</b>			
4	<b>001. Repair Loadometer and Rest Areas – 2020-2022</b>			
5	Road Fund	-0-	1,500,000	-0-
6	<b>002. Road Maintenance Parks – 2020-2022</b>			
7	Road Fund	-0-	1,250,000	-0-
8	<b>003. Various Environmental Compliance – 2020-2022</b>			
9	Road Fund	-0-	490,000	-0-
10	<b>004. Transportation Warehouse Facility Renovation or Replacement</b>			
11	Road Fund	-0-	1,500,000	-0-
12	<b>005. Jefferson County – Lease</b>			

**PART III**

**FUNDS TRANSFER**

15 The General Assembly finds that the financial condition of state government  
 16 requires the following action.

17 Notwithstanding the statutes or requirements of the Restricted Funds enumerated  
 18 below, there is transferred to the General Fund the following amounts in fiscal year 2020-  
 19 2021:

		<b>2020-21</b>	<b>2021-22</b>
20			
21	<b>A. TRANSPORTATION CABINET</b>		
22	<b>1. Aviation</b>		
23	Agency Revenue Fund	438,400	-0-
24	(KRS 183.525(4) and (5))		
25	<b>2. Vehicle Regulation</b>		
26	Agency Revenue Fund	4,400,000	-0-
27	(KRS 186.040(6)(a))		

1	TOTAL - FUNDS TRANSFER		4,838,400	-0-
2		<b>PART IV</b>		
3		<b>TRANSPORTATION CABINET BUDGET SUMMARY</b>		
4		<b>OPERATING BUDGET</b>		
5		<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>
6	General Fund	-0-	6,089,000	-0-
7	Restricted Funds	-0-	161,464,300	-0-
8	Federal Funds	-0-	754,897,400	-0-
9	Road Fund	4,265,500	1,458,606,300	-0-
10	SUBTOTAL	4,265,500	2,381,057,000	-0-
11		<b>CAPITAL PROJECTS BUDGET</b>		
12		<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>
13	Restricted Funds	660,000	-0-	-0-
14	Road Fund	800,000	13,940,000	-0-
15	Investment Income	-0-	700,000	-0-
16	SUBTOTAL	1,460,000	14,640,000	-0-
17		<b>TOTAL - TRANSPORTATION CABINET BUDGET</b>		
18		<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>
19	General Fund	-0-	6,089,000	-0-
20	Restricted Funds	660,000	161,464,300	-0-
21	Federal Funds	-0-	754,897,400	-0-
22	Road Fund	5,065,500	1,472,546,300	-0-
23	Investment Income	-0-	700,000	-0-
24	TOTAL FUNDS	5,725,500	2,395,697,000	-0-

1 AN ACT relating to the Bowling Green Veterans Center, making an appropriation  
2 therefor, and declaring an emergency.

3 ***Be it enacted by the General Assembly of the Commonwealth of Kentucky:***

4 ➔Section 1. There is hereby appropriated to the Department of Veterans' Affairs  
5 from the General Fund \$2,500,000 in fiscal year 2019-2020 for design and  
6 preconstruction costs for the Bowling Green Veterans Center.

7 ➔Section 2. Appropriations authorized in this Act shall be paid from the General  
8 Fund Surplus Account (KRS 48.700) or the Budget Reserve Trust Fund Account (KRS  
9 48.705).

10 ➔Section 3. Whereas the veterans of this Commonwealth deserve the best  
11 possible care, and whereas this Act will advance that highly important public purpose in  
12 this time of urgent need, an emergency is declared to exist, and this Act takes effect upon  
13 its passage and approval by the Governor or upon its otherwise becoming a law.

1 AN ACT creating and funding a Kentucky Economic Development Finance  
2 Authority loan for a qualifying public medical center located in a city of the first class,  
3 making an appropriation therefor, and declaring an emergency.

4 ***Be it enacted by the General Assembly of the Commonwealth of Kentucky:***

5 ➔Section 1. There is hereby appropriated to the Cabinet for Economic Development  
6 General Fund moneys in the amount of \$3,069,000 in fiscal year 2020-2021 and \$3,069,000  
7 in fiscal year 2021-2022 for new debt service to support \$35,000,000 in new bonds in fiscal  
8 year 2019-2020 for the creation and funding of a Kentucky Economic Development Finance  
9 Authority loan ("KEDFA loan") for a qualifying public medical center located in a city of the  
10 first class.

11 ➔Section 2. The KEDFA loan shall not exceed a twenty-year term and shall be  
12 utilized by the Cabinet for Economic Development to assist the qualifying public medical  
13 center in providing needed direct health care services and research operations facilities for  
14 the citizens of the Commonwealth.

15 ➔Section 3. The KEDFA loan shall be finalized with funds distributed by April 1,  
16 2020. The Cabinet for Economic Development shall determine the terms and conditions of  
17 the KEDFA loan and monitor the performance of the qualifying public medical center to  
18 achieve partial loan forgiveness not to exceed 50 percent of the KEDFA loan amount.

19 ➔Section 4. The public medical center that receives the KEDFA loan shall provide  
20 an annual report to the Interim Joint Committee on Appropriations and Revenue on October 1  
21 of each year detailing the status of the KEDFA loan for as long as the loan is in effect.

22 ➔Section 5. Whereas healthcare services are vital to the health and well-being of the  
23 citizens of the Commonwealth, an emergency is declared to exist, and this Act takes effect  
24 upon its passage and approval by the Governor or upon its otherwise becoming law.

# Legislative Branch

---

House Bill 355

1 AN ACT making appropriations for the operations, maintenance, and support of the  
 2 Legislative Branch of the Commonwealth of Kentucky.

3 *Be it enacted by the General Assembly of the Commonwealth of Kentucky:*

4 ➔Section 1. The Legislative Branch Budget is as follows:

5 **PART I**  
 6 **OPERATING BUDGET**

7 **Funds Appropriations:** Notwithstanding KRS 48.110, 48.300, and any other  
 8 statute to the contrary, funds are appropriated to the Legislative Research Commission  
 9 for the Legislative Branch of government out of the General Fund and Restricted Funds  
 10 accounts for the fiscal year beginning July 1, 2020, and ending June 30, 2021, in the  
 11 following discrete sums, or so much thereof as may be necessary. Each appropriation is  
 12 made by the source of respective fund or funds accounts to be used for the purposes of  
 13 the Legislative Branch of government of the Commonwealth of Kentucky.

	<b>2020-21</b>	<b>2021-22</b>
14		
15 <b>1. General Assembly</b>		
16 General Fund	19,020,700	-0-
17 Restricted Funds	75,000	-0-
18 TOTAL	19,095,700	-0-

19 **(1) Legislators Compensation:** Notwithstanding KRS 6.190 and 6.213, the daily  
 20 compensation provided by KRS 6.190 and the interim expense allowance provided by  
 21 KRS 6.213 for members of the General Assembly shall remain at the January 1, 2020,  
 22 level.

23 **(2) Kentucky Legislative Ethics Commission:** Included in the above General  
 24 Fund appropriation is \$567,700 in fiscal year 2020-2021 for the Kentucky Legislative  
 25 Ethics Commission. Included in the above Restricted Funds appropriation is \$75,000 in  
 26 fiscal year 2020-2021 for the Kentucky Legislative Ethics Commission.

27 **(3) Kentucky Long-Term Policy Research Center:** Notwithstanding KRS



1 7B.010 to 7B.090, operation of the Kentucky Long-Term Policy Research Center and its  
 2 governing board shall continue to be suspended effective July 1, 2020, and shall remain  
 3 suspended for the 2020-2022 fiscal biennium or until funding is restored. No funds are  
 4 appropriated for the Kentucky Long-Term Policy Research Center for fiscal year 2020-  
 5 2021 and fiscal year 2021-2022.

6 **(4) Pension Benefit Increase:** Notwithstanding KRS 6.521(3), no pension  
 7 benefit increase shall be granted to recipients of a retirement allowance under KRS 6.500  
 8 to 6.577 on July 1, 2020.

	<b>2020-21</b>	<b>2021-</b>
9		
10	<b>22</b>	
11	<b>2. Legislative Research Commission</b>	
12	General Fund	52,965,700 -0-

13 **(1) Permanent Full-time Employees:** The total number of permanent full-time  
 14 employees hired by the Legislative Research Commission with the above appropriation,  
 15 and not assigned specifically to the House and Senate members of the Legislative  
 16 Research Commission, shall not exceed 232 in fiscal year 2020-2021. In addition to this  
 17 number, the total number of permanent full-time employees assigned specifically to the  
 18 House members of the Legislative Research Commission shall not exceed 19 and the  
 19 permanent full-time employees assigned specifically to the Senate members of the  
 20 Legislative Research Commission shall not exceed 10.

21 **(2) Legislative Record:** Notwithstanding KRS 7.105, distribution of the final  
 22 issue of the Legislative Record and the interim Legislative Record shall be suspended  
 23 effective July 1, 2020.

**TOTAL - OPERATING BUDGET**

	<b>2020-21</b>	<b>2021-22</b>
25		
26	General Fund	71,986,400 -0-
27	Restricted Funds	75,000 -0-



1           **3. Severability of Budget Provisions:** Appropriation items and sums in this Act  
2 conform to KRS 48.311. If any section, any subsection, or any provision thereof shall be  
3 invalid or unconstitutional, the decision of the courts shall not affect or impair any of the  
4 remaining sections, subsections, or provisions.

5           **4. Duplicate Appropriation:** Any appropriation item and sum in this Act and in  
6 an appropriation provision in another Act of the 2020 Regular Session of the General  
7 Assembly which constitutes a duplicate appropriation shall be governed by KRS 48.312.

8           **5. Priority of Individual Appropriations:** KRS 48.313 shall control when a  
9 total or subtotal figure in this Act conflicts with the sum of the appropriations of which it  
10 consists.

11           **6. Appropriations Revisions:** Notwithstanding KRS 48.630(10), no revisions  
12 for unbudgeted Restricted Funds appropriations for expenditure shall be allotted or  
13 expended that have not been appropriated in any enacted branch budget bill or without  
14 the express authority of the General Assembly.

15           **7. Allowance in Lieu of Stationery:** Notwithstanding KRS 6.220, in lieu of  
16 stationery, there shall be allowed to each member of the House of Representatives the  
17 sum of \$250 and to each member of the Senate the sum of \$500. This allowance shall be  
18 paid out of the State Treasury at the beginning of each legislative session.

19           **8. Issuance of Employee Paychecks:** Notwithstanding 101 KAR 2:095, Section  
20 10, the state payroll that would normally be scheduled to be paid on June 30, 2020, June  
21 30, 2021, and June 30, 2022, shall not be issued prior to July 1, 2020, July 1, 2021, and  
22 July 1, 2022, respectively.

23           **9. Salary Adjustments:** In each fiscal year, employees of the Legislative  
24 Research Commission shall receive a salary adjustment in accordance with the salary  
25 adjustment provided to state employees in the state/executive branch budget.

26           **10. Administrative Expenses:** Pursuant to KRS 21.540, administrative expenses  
27 shall be paid out of an administrative account which shall be funded by transfers of the

1 necessary moneys, in appropriate ratio, from the funds provided for in KRS 21.550 and  
2 21.560.

3 **11. Employee Layoffs, Furloughs, and Reduced Hours:** Notwithstanding any  
4 statute to the contrary, the following process and procedure is established for July 1,  
5 2020, through June 30, 2021, in the event that the Legislative Research Commission  
6 (LRC) determines that it is desirable for the Director of the LRC to layoff, furlough, or  
7 reduce hours of employees:

8 (1) For the purposes of this section:

9 (a) "Appointing authority" means the Director of the LRC, in his or her capacity  
10 as provided in KRS 27A.010, or any agent whom he or she has delegated to act on his or  
11 her behalf with respect to employee appointments, position establishments, payroll  
12 documents, reemployment requests, waiver requests, requests for certification, or other  
13 position actions for the LRC;

14 (b) "Furlough" or "reduction in hours" means the temporary reduction of hours an  
15 employee is scheduled to work by the appointing authority within a pay period;

16 (c) "Layoff" means discharge of employment subject to the rights contained in  
17 this section; and

18 (d) "Employees" includes all persons employed by the LRC;

19 (2) Upon an order by the LRC, the appointing authority has the authority to layoff  
20 or furlough employees or reduce hours of employment for any of the following reasons:

21 (a) Lack of funds or budgetary constraints;

22 (b) A reduction in the agency's spending authorization;

23 (c) Lack of work;

24 (d) Abolishment of a position; or

25 (e) Other material change in duties or organization;

26 (3) The appointing authority shall determine the job classifications affected and  
27 the number of employees laid-off in each classification to which a layoff applies. In the

1 same department or office and job classification, interim and probationary employees  
2 shall be laid-off before any full-time or part-time employees are laid-off. For purposes of  
3 layoff, "probationary employee" does not include an employee serving a promotional  
4 probation;

5 (4) The Director of the LRC shall approve and implement all actions taken under  
6 subsection (2) of this section and no such layoff, furlough, or reduction of hours may  
7 begin until such approval has been granted. The Director of the LRC has the authority to  
8 determine the extent, effective dates, and length of any action taken under subsection (2)  
9 of this section;

10 (5) In determining the employees to be laid-off, the appointing authority shall  
11 consider all employees under the same appointing authority and within the job  
12 classification affected. Consideration shall be given to the following relevant factors:

- 13 (a) Job performance evaluations;
- 14 (b) Seniority;
- 15 (c) Education, training, and experience; and
- 16 (d) Disciplinary record;

17 (6) Any employee whose position is subject to layoff, furlough, or reduction of  
18 hours shall be provided written notice containing the reason for the action as set forth in  
19 subsection (2) of this section at least 15 days in advance of the effective date of the  
20 action;

21 (7) Any employee who is laid-off shall be eligible to apply as a reemployment  
22 applicant for positions with the same job classification in the LRC. For a period of two  
23 years, a reemployment applicant shall be hired before any applicant except another  
24 reemployment applicant with greater seniority who is on the same reemployment list.  
25 When a reemployment applicant is removed from a reemployment list, he or she shall be  
26 notified in writing. A reemployment applicant who accepts another LRC position, or who  
27 retires, shall cease to have eligibility rights as a reemployment applicant;

1 (8) The appointing authority may place employees subject to a reduction in force;

2 (9) Furloughs or reduction of hours during a pay period shall not result in the loss  
3 of eligibility for any benefit otherwise due the employee;

4 (10) The appointing authority shall have the authority to promulgate  
5 comprehensive administrative regulations governing this section; and

6 (11) A layoff, furlough, or reduction of hours implemented in accordance with this  
7 section shall not be considered a penalization of the employee.

8 **PART III**

9 **BUDGET REDUCTION OR SURPLUS EXPENDITURE PLAN**

10 The Legislative Branch shall participate in any Budget Reduction Plan or Surplus  
11 Expenditure Plan in accordance with KRS Chapter 48, except that obligations essential to  
12 the constitutional duties of the Legislative Branch shall be exempt from any Budget  
13 Reduction Plan. The level of participation in a Budget Reduction Plan shall be at the  
14 discretion of the Director and shall not exceed the actual percentage of revenue shortfall.

# Judicial Branch

---

House Bill 356

1 AN ACT making appropriations for the operations, maintenance, support, and  
2 functioning of the Judicial Branch of the government of the Commonwealth of Kentucky  
3 and its various officers, boards, commissions, subdivisions, and other state-supported  
4 activities.

5 *Be it enacted by the General Assembly of the Commonwealth of Kentucky:*

6 ➔Section 1. The Judicial Branch Budget is as follows:

7 **PART I**

8 **OPERATING BUDGET**

9 **(1) Funds Appropriations:** Notwithstanding KRS 48.110, 48.120(4), 48.300,  
10 and any statute to the contrary, there is appropriated out of the General Fund, Restricted  
11 Funds accounts, or Federal Funds accounts for the fiscal year beginning July 1, 2020, and  
12 ending June 30, 2021, the following sums to be used for the purposes of the Judicial  
13 Branch of the government of the Commonwealth of Kentucky, including the Supreme  
14 Court, Court of Appeals, Circuit Court, Family Court, District Court, the Administrative  
15 Office of the Courts, Judicial Retirement, Local Facilities Fund, Local Facilities Use  
16 Allowance Contingency Fund, and for services performed by the Circuit Court Clerks'  
17 offices, including both Circuit and District Court support.

18 **A. JUDICIAL BRANCH**

19 **Budget Units**

20 **1. Court of Justice**

21 **a. Court Operations and Administration**

	<b>2020-21</b>	<b>2021-22</b>
23 General Fund	270,755,000	-0-
24 Restricted Funds	52,343,600	-0-
25 Federal Funds	3,190,000	-0-
26 TOTAL	326,288,600	-0-

27 **(1) Defined Calculations:** Included in the above General Fund appropriation is



1 \$1,045,800 in fiscal year 2020-2021 to provide funds for the increase in the employer  
 2 cost of health and life insurance and the employer cost of retirement.

3 **(2) Civil Filing Fees:** Pursuant to its authority, if the Supreme Court retains the  
 4 increases in civil filing fees that were effective in 2008 and 2018, the additional income  
 5 resulting from the fee increases, not to exceed \$15,468,100 in fiscal year 2020-2021,  
 6 shall be deposited into a trust and agency account for court operations and salaries for  
 7 non-elected personnel. Any revenue generated by these increases in excess of the  
 8 \$15,468,100 in fiscal year 2020-2021 shall be deposited into the General Fund.

9 **(3) Night Court in Jefferson County:** The Administrative Office of the Courts  
 10 shall continue the operations and current schedule of night court in Okolona and  
 11 Middletown in Jefferson County in fiscal year 2020-2021 if the Court of Justice does not  
 12 incur any costs.

13 ~~[(4) Circuit Clerk Expense Allowance: Notwithstanding KRS 64.058, each Circuit~~  
 14 ~~Clerk shall receive an expense allowance of \$2,400 annually, at the rate of \$200 per~~  
 15 ~~month, in fiscal year 2020-2021.]~~

16 **(5) Salary Increment:** Notwithstanding KRS 64.480(2), no salary adjustments  
 17 are provided on the base salary or wages of the Clerk of the Supreme Court.

18 **b. Local Facilities Fund**

	<b>2020-21</b>	<b>2021-22</b>
19 General Fund	114,514,200	-0-

21 **(1) Local Facility Projects:** Included in the above General Fund appropriation is  
 22 \$2,345,700 in fiscal year 2020-2021 to support the use allowance, operating, and non-  
 23 recurring furniture and equipment costs for two judicial center projects authorized by the  
 24 2018 General Assembly.

25 **(2) Maintenance Pool:** Included in the above General Fund appropriation is  
 26 \$3,000,000 in fiscal year 2020-2021 to create a maintenance pool for planned and  
 27 unanticipated non-capital projects for local courthouses and judicial centers.

1           **(3) Local Court Facility Compensation:** Included in the above General Fund  
2 appropriation are moneys to compensate local units of government for providing court  
3 space and for costs incurred in the development of local court facilities as defined in KRS  
4 Chapter 26A and provided in Part II of this Act, and to perform all other acts required or  
5 authorized by KRS Chapter 26A.

6           **(4) Use Allowance Payments to Counties:** Pursuant to KRS 26A.090(2),  
7 beginning with court facility construction or renovation projects authorized by the 2000  
8 Regular Session of the General Assembly and all subsequent court facility projects, use  
9 allowance payments are restricted to the court's proportional share of the annual principal  
10 and interest costs in connection with the construction or renovation of the facility, not to  
11 exceed the authorized annual use allowance.

12           **(5) Court Facility Maintenance Fund:** (a) Notwithstanding KRS  
13 26A.090(2), when there is no debt on court facility construction or renovation projects  
14 authorized prior to the 2000 Regular Session of the General Assembly, use allowance is  
15 restricted to compensation equal to two percent annually of capital costs to be paid to the  
16 county unit of government and two percent annually to be retained by the Administrative  
17 Office of the Courts and directed to a separate fund specifically for maintenance of court  
18 facilities.

19           (b) The fund created pursuant to paragraph (a) of this subsection shall be used for  
20 routine, ongoing, planned, and unanticipated maintenance for court facilities.

21           **c. Local Facilities Use Allowance Contingency Fund**

	<b>2020-21</b>	<b>2021-22</b>
22           General Fund	-0-	-0-

24           **(1) Funds Carry Forward:** Notwithstanding KRS 45.229, any unexpended  
25 balance remaining at the close of fiscal year 2019-2020 shall not lapse and shall continue  
26 into fiscal year 2020-2021 to provide for cost overruns in authorized court facilities  
27 projects not to exceed 15 percent of the use allowance in accordance with KRS Chapter

1 26A.

2 **TOTAL - COURT OF JUSTICE**

	<b>2020-21</b>	<b>2021-22</b>
4 General Fund	385,269,200	-0-
5 Restricted Funds	52,343,600	-0-
6 Federal Funds	3,190,000	-0-
7 <b>TOTAL</b>	<b>440,802,800</b>	<b>-0-</b>

8 **2. Judicial Retirement System**

	<b>2020-21</b>	<b>2021-22</b>
10 General Fund	7,147,500	-0-

11 **(1) Judicial Retirement Benefits:** General Fund amounts are included to provide  
 12 actuarial-assessed judicial retirement benefits pursuant to KRS 21.345 to 21.580.

13 **(2) Administrative Expenses:** Pursuant to KRS 21.540, administrative expenses  
 14 shall be paid out of an administrative account which shall be funded by transfers of the  
 15 necessary moneys, in appropriate ratio, from the funds provided for in KRS 21.550 and  
 16 21.560.

17 **(3) Pension Benefit Increase:** Notwithstanding KRS 21.405(5), no pension  
 18 benefit increase shall be granted to recipients of a retirement allowance under KRS  
 19 21.345 to 21.580 on July 1, 2020, or July 1, 2021.

20 **TOTAL - JUDICIAL BRANCH**

	<b>2020-21</b>	<b>2021-22</b>
22 General Fund	392,416,700	-0-
23 Restricted Funds	52,343,600	-0-
24 Federal Funds	3,190,000	-0-
25 <b>TOTAL</b>	<b>447,950,300</b>	<b>-0-</b>

26 **PART II**

27 **CAPITAL PROJECTS BUDGET**

1           **(1) Authorization of Capital Projects:** It is the intent of the General Assembly  
 2 that any capital project proposed by any state government entity, including the agencies  
 3 and subdivisions of the Court of Justice, shall be authorized by the General Assembly  
 4 prior to the project’s financing and construction, in accordance with KRS 7A.010,  
 5 7A.120, 45.750, 45.760, 45.763, 45.765, and 48.110. Pursuant to KRS 45.760(1), the  
 6 amount allotted, from all sources, for expenditure on any capital project, including leases  
 7 as defined by KRS 45.750, shall not exceed the estimated cost as shown in this Act.

8           **(2) Capital Projects and Bond Oversight Committee:** Capital construction  
 9 projects and major items of equipment that are not specifically listed in this Act may be  
 10 authorized only after submission of the project to the Capital Projects and Bond  
 11 Oversight Committee and in accordance with the other requirements of KRS 45.760(7).  
 12 Moneys may be transferred to the allotment account of any capital project only after  
 13 submission of the project to the Capital Projects and Bond Oversight Committee and in  
 14 accordance with the other requirements of KRS 45.760(6). As required by KRS 45.760,  
 15 all capital construction items authorized in this Act shall be constructed in accordance  
 16 with this Act, supporting documentation considered by the General Assembly, and  
 17 Judicial Branch budget records. Any modifications to the scope of a capital construction  
 18 project or to a lease shall be reported to the Capital Projects and Bond Oversight  
 19 Committee before execution.

20           **(3) Court Facility Planning Process:** The county shall require the Project  
 21 Development Board to hire a certified architect not otherwise involved with the project to  
 22 conduct an independent feasibility study to determine whether the needs of the  
 23 community and the Court of Justice can best be met through the construction of a  
 24 freestanding building, or through an addition and/or renovation of the existing court  
 25 facility. The cost for this study shall be an accepted and approved portion of the planning  
 26 process, and shall be eligible for reimbursement from the bond proceeds.

27           **(4) Deferred Funding:** (a)       General Fund support to provide operating costs

1 totaling \$2,053,500, annualized use allowance payments totaling \$13,313,300, and  
2 nonrecurring furniture and equipment costs of \$3,575,000 for Barren, Butler, Clinton,  
3 Crittenden, Jessamine, and Scott Counties is deferred to the 2022-2024 fiscal biennium.

4 (b) It is the intent of the General Assembly that all projects in paragraph (a) of  
5 this subsection shall be funded using resources previously appropriated for projects that  
6 no longer require use allowance debt payments in the 2022-2024 fiscal biennium.

7 (5) **Local Facilities Use Allowance Contingency Fund:** For any court facility  
8 project which is occupied and use allowance funding is insufficient, the use allowance  
9 payments shall be approved from the Local Facilities Use Allowance Contingency Fund.  
10 If funds are not available in the Local Facilities Use Allowance Contingency Fund, the  
11 Chief Justice may transfer funds from other Judicial Branch accounts in accordance with  
12 Part III, General Provisions, Section 7. of this Act to make the necessary payments.

13 (6) **Edmonson County Courthouse Additional Parking Lot:** (a) General  
14 Fund support of \$70,800 in fiscal year 2020-2021 is contained in the Local Facilities  
15 Fund for an additional parking lot in Brownsville. This funding shall be contingent upon  
16 the local unit of government contributing \$20,000 towards the completion of the  
17 additional parking lot.

18 (b) Notwithstanding any statute to the contrary, any unexpended balance from the  
19 appropriation set forth in paragraph (a) of this subsection shall be transferred to the  
20 Budget Reserve Trust Fund Account (KRS 48.705).

21 **A. JUDICIAL BRANCH**

22 **Budget Units**

23 **1. Local Facilities Fund**

<b>Project</b>	<b>Project Scope</b>
<b>001.</b> Barren	31,615,000
<b>002.</b> Butler	11,860,000
<b>003.</b> Clinton	17,435,000

1	<b>004.</b> Crittenden	11,965,000
2	<b>005.</b> Jessamine	28,440,000
3	<b>006.</b> Scott	37,330,000

4 **2. Lease Authorizations**

5 **001.** Franklin County - Lease - Court of Appeals

6 **002.** Jefferson County - Lease - Parking

7 **PART III**

8 **GENERAL PROVISIONS**

9 **1. Expenditure Authority:** The Director of the Administrative Office of the  
10 Courts, with the approval of the Chief Justice, may expend any of the funds appropriated  
11 for court operations and administration in any lawful manner and for any legal purpose  
12 that the Chief Justice shall authorize or direct. No executive agency of state government  
13 shall have the power to restrict or limit the expenditure of funds appropriated to the  
14 Judicial Branch of government.

15 **2. Severability of Budget Provisions:** Appropriation items and sums in this Act  
16 conform to KRS 48.311. If any section, any subsection, or any provision thereof shall be  
17 invalid or unconstitutional, the decision of the courts shall not affect or impair any of the  
18 remaining sections, subsections, or provisions.

19 **3. Duplicate Appropriations:** Any appropriation item and sum in this Act and  
20 in an appropriation provision in another Act of the 2020 Regular Session of the General  
21 Assembly which constitutes a duplicate appropriation shall be governed by KRS 48.312.

22 **4. Priority of Individual Appropriations:** KRS 48.313 shall control when a  
23 total or subtotal figure in this Act conflicts with the sum of the appropriations of which it  
24 consists.

25 **5. Carry Forward of Funds:** Notwithstanding KRS 45.229, any unexpended  
26 balance remaining at the close of the fiscal years ending June 30, 2020, and June 30,  
27 2021, shall not lapse and shall continue into the next fiscal year.

1           **6. Final Budget Document:** The Director of the Administrative Office of the  
2 Courts shall prepare a final budget document reflecting the 2020-2022 biennial budget of  
3 the Court of Justice. A copy shall be provided to the Legislative Research Commission,  
4 and an informational copy shall be furnished to the Finance and Administration Cabinet,  
5 within 60 days of the adjournment of the 2020 Regular Session of the General Assembly.

6           **7. Transferability of Funds:** The Chief Justice of the Commonwealth of  
7 Kentucky shall have the ability to transfer funds to other programs and budget units  
8 within the Judicial Branch. Any funds transferred to other budget units within the Judicial  
9 Branch may be used to support any activity, program, or operation of the budget unit or  
10 program receiving the respective funds.

11           **8. Appropriations Revisions:** Notwithstanding KRS 48.630(10), no revisions  
12 for unbudgeted Restricted Funds appropriations for expenditure shall be allotted or  
13 expended that have not been appropriated in any enacted branch budget bill or without  
14 the express authority of the General Assembly. Proposed revisions to unbudgeted Federal  
15 Funds appropriations for expenditure in this Act shall be made and reported to the  
16 Interim Joint Committee on Appropriations and Revenue. The Director of the  
17 Administrative Office of the Courts shall notify, on a timely basis, the Legislative  
18 Research Commission of the most current estimates of anticipated receipts for the  
19 affected fiscal year and an accompanying statement which explains variations from the  
20 anticipated amount.

21           **9. Issuance of Paychecks to Employees:** Notwithstanding 101 KAR 2:095,  
22 Section 10, the state payroll that would normally be scheduled to be paid on June 30,  
23 2020, June 30, 2021, and June 30, 2022, shall not be issued prior to July 1, 2020, July 1,  
24 2021, and July 1, 2022, respectively.

25           **10. Maximum Salary of Trial Commissioners:** Pursuant to KRS 24A.100(3),  
26 no trial commissioner shall be compensated at a rate greater than \$7,200. No funding is  
27 provided for trial commissioners commissioned in counties with a residing District

1 Judge.

2 **11. Authorized Personnel Complement:** On July 1, 2020, the Administrative  
3 Office of the Courts shall establish a record for each budget unit of authorized permanent  
4 full-time and other positions based upon the enacted Judicial Budget of the  
5 Commonwealth and any adjustments authorized by provisions in this Act. The total  
6 number of filled permanent full-time and all other positions shall not exceed the  
7 authorized complements pursuant to this section. The Director of the Administrative  
8 Office of the Courts may request an increase in the number of authorized positions to the  
9 Chief Justice. Upon approval, the Administrative Office of the Courts may authorize the  
10 employment of individuals in addition to the authorized complement. A report of the  
11 actions authorized in this section shall be provided to the Interim Joint Committee on  
12 Appropriations and Revenue on a monthly basis.

13 **12. Debt Restructuring:** Notwithstanding any other provision of the Kentucky  
14 Revised Statutes, use allowance payments shall not be amended to reflect debt  
15 restructuring transactions undertaken by a county during the 2020-2022 fiscal biennium.

16 **13. Court Facility Maintenance Fund Report:** For each of the periods ending  
17 June 30, 2020, and June 30, 2021, the Director of the Administrative Office of the Courts  
18 shall prepare a court facility maintenance report. This report shall detail all court facility  
19 maintenance undertaken by the Court of Justice, to include any cost-sharing with  
20 counties, as well as detail regarding future maintenance needs. This report shall include a  
21 statewide expenditure summary followed by individual county expenditures detailing the  
22 state's and county's respective share of expenditures. The Administrative Office of the  
23 Courts shall provide this report to the Interim Joint Committee on Appropriations and  
24 Revenue by September 15 of each fiscal year.

25 **14. Biennial Audits:** ~~[(1) The Court of Justice shall obtain a biennial, external~~  
26 ~~financial audit of all funds and accounts under its administration. Each audit shall be~~  
27 ~~conducted in accordance with Generally Accepted Government Auditing Standards.~~



1       ~~(2) The selected accountant shall forward a copy of the audit report and~~  
2 ~~management letters to the Auditor of Public Accounts and the Interim Joint Committee~~  
3 ~~on Appropriations and Revenue within 60 days of the completion of each audit.]~~

4       (3) The Auditor of Public Accounts shall have the right to review, upon request,  
5 the accountant's work papers~~[for the report required in subsection (2) of this section].~~

6       **15. Budgetary Restructuring:** The Court of Justice is hereby notified that it is  
7 the intent of the General Assembly that, beginning with the 2022-2024 biennium, the  
8 Court of Justice shall establish new appropriation units specific to the Supreme Court,  
9 Court of Appeals, Circuit Court, Family Court, District Court, Administrative Office of  
10 the Courts, Judicial Retirement, Local Facilities Fund, Local Facilities Use Allowance  
11 Contingency Fund, and for services performed by the Circuit Court Clerks' offices. The  
12 Court of Justice shall also begin tracking expenditures by location for each of the new  
13 appropriation units identified herein.

14       ~~[16. Employee Layoffs, Furloughs, and Reduced Hours: Notwithstanding any~~  
15 ~~statute to the contrary, the following process and procedure is established for July 1,~~  
16 ~~2020, through June 30, 2021, in the event that the Chief Justice determines that it is~~  
17 ~~desirable for the Court of Justice to layoff, furlough, or reduce hours of employees:~~

18       ~~(1) For the purposes of this section:~~

19       ~~(a) "Appointing authority" means the Chief Justice, in his or her capacity as~~  
20 ~~provided in KRS 27A.010, or any agent whom he or she has delegated to act on his or her~~  
21 ~~behalf with respect to employee appointments, position establishments, payroll~~  
22 ~~documents, reemployment requests, waiver requests, requests for certification, or other~~  
23 ~~position actions for the Court of Justice;~~

24       ~~(b) "Furlough" or "reduction in hours" means the temporary reduction of hours an~~  
25 ~~employee is scheduled to work by the appointing authority within a pay period;~~

26       ~~(c) "Layoff" means discharge of employment subject to the rights contained in~~  
27 ~~this section; and~~

1       ~~(d) "Employees" includes all persons employed by the Court of Justice;~~

2       ~~(2) Upon an order by the Chief Justice, an appointing authority has the authority~~  
 3 ~~to layoff or furlough employees or reduce hours of employment for any of the following~~  
 4 ~~reasons:~~

5       ~~(a) Lack of funds or budgetary constraints;~~

6       ~~(b) A reduction in the agency's spending authorization;~~

7       ~~(c) Lack of work;~~

8       ~~(d) Abolishment of a position; or~~

9       ~~(e) Other material change in duties or organization;~~

10       ~~(3) The appointing authority shall determine the job classifications affected and~~  
 11 ~~the number of employees laid off in each classification and each county to which a layoff~~  
 12 ~~applies. In the same department or office, county, and job classification, interim and~~  
 13 ~~probationary employees shall be laid off before any full-time or part-time employees~~  
 14 ~~with status are laid off. For purposes of layoff, "probationary employee" does not include~~  
 15 ~~an employee with status serving a promotional probation;~~

16       ~~(4) The Chief Justice shall approve and implement all actions taken under~~  
 17 ~~subsection (2) of this section and no such layoff, furlough, or reduction of hours may~~  
 18 ~~begin until such approval has been granted. The Chief Justice has the authority to~~  
 19 ~~determine the extent, effective dates, and length of any action taken under subsection (2)~~  
 20 ~~of this section;~~

21       ~~(5) In determining the employees to be laid off, the appointing authority shall~~  
 22 ~~consider all employees under the same appointing authority, within the job classification~~  
 23 ~~affected, and within the county affected. Consideration shall be given to the following~~  
 24 ~~relevant factors:~~

25       ~~(a) Job performance evaluations;~~

26       ~~(b) Seniority;~~

27       ~~(c) Education, training, and experience; and~~

1       ~~(d) Disciplinary record;~~

2       ~~(6) Any employee whose position is subject to layoff, furlough, or reduction of~~  
 3 ~~hours shall be provided written notice containing the reason for the action as set forth in~~  
 4 ~~subsection (2) of this section at least 15 days in advance of the effective date of the~~  
 5 ~~action;~~

6       ~~(7) Any tenured employee who is laid off shall be eligible to apply as a~~  
 7 ~~reemployment applicant for positions with the same job classification in the Court of~~  
 8 ~~Justice. For a period of two years, a reemployment applicant shall be hired before any~~  
 9 ~~applicant except another reemployment applicant with greater seniority who is on the~~  
 10 ~~same reemployment list. When a reemployment applicant is removed from a~~  
 11 ~~reemployment list, he or she shall be notified in writing. A reemployment applicant who~~  
 12 ~~accepts another Court of Justice position, tenured or non-tenured, or who retires, shall~~  
 13 ~~cease to have eligibility rights as a reemployment applicant;~~

14       ~~(8) The appointing authority may place employees subject to a reduction in force;~~

15       ~~(9) Furloughs or reduction of hours during a pay period shall not result in the loss~~  
 16 ~~of eligibility for any benefit otherwise due the employee;~~

17       ~~(10) The appointing authority shall have the authority to promulgate~~  
 18 ~~comprehensive administrative regulations governing this section; and~~

19       ~~(11) A layoff, furlough, or reduction of hours implemented in accordance with this~~  
 20 ~~section shall not be considered a penalization of the employee.]~~

21       **17. Unexpended Use Allowance:** Notwithstanding any provision of the  
 22 Kentucky Revised Statutes, any General Fund moneys appropriated for project-related  
 23 expenses or use allowance payments in fiscal year 2020-2021 that are not expended  
 24 specifically for project-related expenses or use allowance payments in fiscal year 2020-  
 25 2021 shall be transferred to the Budget Reserve Trust Fund Account (KRS 48.705).

26       **18. Public Health Emergency:** For the duration of the Governor's declaration of  
 27 a State of Emergency in response to the novel coronavirus (COVID-19), the Chief Justice

1 of the Commonwealth is authorized to declare a Judicial Emergency to protect the health  
2 and safety of court employees, elected officials, and the general public. A Judicial  
3 Emergency shall extend any administrative actions deadlines, and statutory timelines and  
4 statutes of limitations for court filings and proceedings, including but not limited to KRS  
5 446.030, 500.050, and Chapters 342, 376, 403, 413, 456, and 620. The extensions  
6 provided herein shall be effective until 30 days after the emergency order of the Chief  
7 Justice or the Governor ends, whichever is later. This provision shall apply both  
8 prospectively and retroactively.

#### 9 **PART IV**

#### 10 **BUDGET REDUCTION OR SURPLUS EXPENDITURE PLAN**

11 The Judicial Branch shall participate in any Budget Reduction Plan or Surplus  
12 Expenditure Plan in accordance with KRS Chapter 48, except that obligations essential to  
13 the constitutional duties and use allowance of the Judicial Branch shall be exempt from  
14 any Budget Reduction Plan. The level of participation in a Budget Reduction Plan shall  
15 be at the discretion of the Chief Justice and shall not exceed the actual percentage of  
16 revenue shortfall.

# Revenue

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House Bill 351

1 AN ACT relating to governmental operations and declaring an emergency.

2 ***Be it enacted by the General Assembly of the Commonwealth of Kentucky:***

3 ➔Section 1. KRS 131.183 is amended to read as follows:

- 4 (1) (a) **Except for the addition to tax required when an underpayment of estimated**  
 5 **tax occurs under Section 9 of this Act and KRS 141.305,** all taxes payable to  
 6 the Commonwealth not paid at the time prescribed by statute shall accrue  
 7 interest at the tax interest rate.
- 8 (b) The tax interest rate shall be equal to the adjusted prime rate charged by banks  
 9 rounded to the nearest full percent as adjusted by subsection (2) of this  
 10 section.
- 11 (c) The commissioner of revenue shall adjust the tax interest rate not later than  
 12 November 15 of each year if the adjusted prime rate charged by banks during  
 13 September of that year, rounded to the nearest full percent, is at least one (1)  
 14 percentage point more or less than the tax interest rate which is then in effect.  
 15 The adjusted tax interest rate shall become effective on January 1 of the  
 16 immediately succeeding year.
- 17 (2) (a) 1. All taxes payable to the Commonwealth that have not been paid at the  
 18 time prescribed by statute shall accrue interest at the tax interest rate as  
 19 determined in accordance with subsection (1) of this section until May  
 20 1, 2008.
- 21 2. Beginning on May 1, 2008, all taxes payable to the Commonwealth that  
 22 have not been paid at the time prescribed by statute shall accrue interest  
 23 at the tax interest rate as determined in accordance with subsection (1)  
 24 of this section plus two percent (2%).
- 25 (b) 1. Interest shall be allowed and paid upon any overpayment as defined in  
 26 KRS 134.580 in respect of any of the taxes provided for in Chapters  
 27 131, 132, 134, 136, 137, 138, 139, 140, 141, 142, 143, 143A, and 243 of

1 the Kentucky Revised Statutes and KRS 160.613 and 160.614 at the rate  
2 provided in subsection (1) of this section until May 1, 2008.

3 2. Beginning on May 1, 2008, interest shall be allowed and paid upon any  
4 overpayment as defined in KRS 134.580 at the rate provided in  
5 subsection (1) of this section minus two percent (2%).

6 3. Effective for refunds issued after April 24, 2008, except for the  
7 provisions of KRS 138.351, 141.044(2), 141.235(3), and subsection (3)  
8 of this section, interest authorized under this subsection shall begin to  
9 accrue sixty (60) days after the latest of:

10 a. The due date of the return;

11 b. The date the return was filed;

12 c. The date the tax was paid;

13 d. The last day prescribed by law for filing the return; or

14 e. The date an amended return claiming a refund is filed.

15 (c) In no case shall interest be paid in an amount less than five dollars (\$5).

16 **(d) No refund shall be made of any estimated tax paid unless a return is filed as**  
17 **required by KRS Chapter 141.**

18 (3) Effective for refund claims filed on or after July 15, 1992, if any overpayment of  
19 the tax imposed under KRS Chapter 141 results from a carryback of a net operating  
20 loss or a net capital loss, the overpayment shall be deemed to have been made on  
21 the date the claim for refund was filed. Interest authorized under subsection (2) of  
22 this section shall begin to accrue ninety (90) days from the date the claim for refund  
23 was filed.

24 (4) No interest shall be allowed or paid on any sales tax refund as provided by KRS  
25 139.536.

26 **(5) For purposes of this section, any addition to tax provided in Section 9 of this Act**  
27 **and KRS 141.305 shall be considered a penalty.**

1       ➔Section 2. KRS 131.250 is amended to read as follows:

- 2       (1) For the purpose of facilitating the administration of the taxes it administers, the  
3       department may require any tax return, report, or statement to be electronically  
4       filed.
- 5       ~~(2) The following reports, returns, or statements shall be electronically filed:~~
- 6       ~~(a) The return required by KRS 136.620;~~
- 7       ~~(b) For tax periods beginning on or after January 1, 2007, the report required by~~  
8       ~~KRS 138.240;~~
- 9       ~~(c) For tax periods beginning on or after August 1, 2010, the report required by~~  
10       ~~KRS 138.260;~~
- 11       ~~(d) For taxable years beginning on or after January 1, 2010, the return filed by a~~  
12       ~~specified tax return preparer reporting the annual tax imposed by KRS~~  
13       ~~141.020, if the specified tax return preparer is required to electronically file~~  
14       ~~the return for federal income tax purposes;~~
- 15       ~~(e) The annual withholding statement required by KRS 141.335, if the employer~~  
16       ~~issues more than twenty five (25) statements annually;~~
- 17       ~~(f) For tax periods beginning on or after July 1, 2005, the return required by KRS~~  
18       ~~160.615; and~~
- 19       ~~(g) 1. For taxable years beginning on or after January 1, 2019, the returns~~  
20       ~~required by KRS 141.201(3) or 141.206(1), provided that the~~  
21       ~~corporation or pass-through entity has gross receipts of one million~~  
22       ~~dollars (\$1,000,000) or more.~~
- 23       ~~2. "Gross receipts" as used in this paragraph means gross receipts reported~~  
24       ~~by the corporation or pass-through entity on their federal income tax~~  
25       ~~return filed for the same taxable year as the return due under KRS~~  
26       ~~Chapter 141.~~
- 27       ~~(3)~~ (a) A person required to electronically file a return, report, or statement may



1 apply for a waiver from the requirement by submitting the request on a form  
2 prescribed by the department.

3 (b) The request shall indicate the lack of one (1) or more of the following:

- 4 1. Compatible computer hardware;
- 5 2. Internet access; or
- 6 3. Other technological capabilities determined relevant by the department.

7 ➔Section 3. KRS 133.225 is amended to read as follows:

8 **(1) The department[~~of Revenue~~] shall *provide the following information pertaining to***  
9 ***property taxes on a Web site that is accessible to the public:***

10 **(a) *An explanation of the process for assessing property values, which shall***  
11 ***include but not be limited to:***

12 **1. *The duties and function of each state and local official involved in the***  
13 ***property assessment process;***

14 **2. *The methods most commonly used to compute fair cash value;***

15 **3. *The types of property exempt from taxation;***

16 **4. *The types of property assessed at a lower value as required by Sections***  
17 ***170 and 172A of the Kentucky Constitution, including property with a***  
18 ***homestead exemption, agricultural property, and horticultural***  
19 ***property;***

20 **5. *The property tax calendar;***

21 **6. *How and when to report property to the Property Valuation***  
22 ***Administrator;***

23 **7. *The process for examining real property for valuation purposes;***

24 **8. *How and when a taxpayer is notified of the assessed value of property;***

25 **9. *When and where the public can inspect the tax roll; and***

26 **10. *The process for appealing the assessed values of real and personal***  
27 ***property, including motor vehicles;***

1 (b) An explanation of the process for setting the state tax rate and the county,  
 2 city, school, and special taxing district tax rates, including but not limited  
 3 to:

4 1. The duties and function of each state and local official involved in the  
 5 process for setting tax rates;

6 2. The definitions of compensating tax rate and net assessment growth;

7 3. The requirements set forth in KRS 68.245, 132.023, 132.027, and  
 8 160.470; and

9 4. The recall provisions set forth in KRS 132.017;

10 (c) An explanation of the process for property tax collection, including but not  
 11 limited to:

12 1. The duties and function of each state and local official involved in the  
 13 tax collection process;

14 2. How and when to remit payment of the tax;

15 3. The due date for the tax;

16 4. The early payment discount;

17 5. The penalties assessed on delinquent taxes; and

18 6. The delinquent tax collection process; and

19 (d) Direct links to the Web sites or guidance on how to access the Web sites of  
 20 the local offices, such as the property valuation administrator's office, the  
 21 county clerk's office, and the sheriff's office, that provide taxpayers  
 22 additional information on the property taxes within its jurisdiction.

23 (2) The Web site address that provides the information required by subsection (1) of  
 24 this section shall be included on every notice of assessment and property tax bill  
 25 sent to the taxpayer~~[draft, and the sheriff shall mail with the property tax bills~~  
 26 ~~annually, an explanation of the provisions of Acts 1979 (Ex. Sess.) ch. 25].~~

27 ➔ Section 4. KRS 138.220 is amended to read as follows:

- 1 (1) (a) An excise tax at the rate of nine percent (9%) of the average wholesale price  
2 rounded to the nearest one-tenth of one cent (\$0.001) shall be paid on all  
3 gasoline and special fuel received in this state. The tax shall be paid on a per  
4 gallon basis.
- 5 (b) The average wholesale price shall be determined and adjusted as provided in  
6 KRS 138.228.
- 7 (c) For the purposes of the allocations in KRS 177.320(1) and (2) and 177.365,  
8 the amount calculated under this subsection shall be reduced by the amount  
9 calculated in subsection (3) of this section.
- 10 (d) Except as provided by KRS Chapter 138, no other excise or license tax shall  
11 be levied or assessed on gasoline or special fuel by the state or any political  
12 subdivision of the state.
- 13 (e) The tax herein imposed shall be paid by the dealer receiving the gasoline or  
14 special fuel to the State Treasurer in the manner and within the time specified  
15 in KRS 138.230 to 138.340 and all such tax may be added to the selling price  
16 charged by the dealer or other person paying the tax on gasoline or special  
17 fuel sold in this state.
- 18 (f) Nothing herein contained shall authorize or require the collection of the tax  
19 upon any gasoline or special fuel after it has been once taxed under the  
20 provisions of this section, unless such tax was refunded or credited.
- 21 (2) (a) In addition to the excise tax provided in subsection (1) of this section, there is  
22 hereby levied a supplemental highway user motor fuel tax to be paid in the  
23 same manner and at the same time as the tax provided in subsection (1) of this  
24 section.
- 25 (b) The tax shall be:
- 26 1. Five cents (\$0.05) per gallon on gasoline; and  
27 2. Two cents (\$0.02) per gallon on special fuel.

1 (c) The supplemental highway user motor fuel tax provided by this subsection  
 2 and the provisions of subsections (1) and (3) of this section shall constitute  
 3 the tax on motor fuels imposed by KRS 138.220.

4 (3) Two and one-tenth cents (\$0.021), of the tax collected under subsection (1) of this  
 5 section shall be excluded from the calculations in KRS 177.320(1) and (2) and  
 6 177.365. The funds identified in this subsection shall be deposited into the state  
 7 road fund.

8 (4) Notification of the average wholesale price shall be given to all licensed dealers at  
 9 least twenty (20) days in advance of July 1~~[the first day]~~ of each calendar  
 10 year~~[quarter]~~.

11 (5) Dealers with a tax-paid gasoline or special fuel inventory at the time an average  
 12 wholesale price becomes effective, shall be subject to additional tax or appropriate  
 13 tax credit to reflect the increase or decrease in the average wholesale price for the  
 14 new quarter. The department shall promulgate administrative regulations to  
 15 properly administer this provision.

16 ➔Section 5. KRS 138.450 is amended to read as follows:

17 As used in KRS 138.455 to 138.470, unless the context requires otherwise:

18 (1) "Current model year" means a motor vehicle of either the model year corresponding  
 19 to the current calendar year or of the succeeding calendar year, if the same model  
 20 and make is being offered for sale by local dealers;

21 (2) "Dealer" means "motor vehicle dealer" as defined in KRS 190.010;

22 (3) "Dealer demonstrator" means a new motor vehicle or a previous model year motor  
 23 vehicle with an odometer reading of least one thousand (1,000) miles that has been  
 24 used either by representatives of the manufacturer or by a licensed Kentucky dealer,  
 25 franchised to sell the particular model and make, for demonstration;

26 (4) "Historic motor vehicle" means a motor vehicle registered and licensed pursuant to  
 27 KRS 186.043;

- 1 (5) "Motor vehicle" means any vehicle that is propelled by other than muscular power  
2 and that is used for transportation of persons or property over the public highways  
3 of the state, except road rollers, mopeds, vehicles that travel exclusively on rails,  
4 and vehicles propelled by electric power obtained from overhead wires;
- 5 (6) "Moped" means either a motorized bicycle whose frame design may include one (1)  
6 or more horizontal crossbars supporting a fuel tank so long as it also has pedals, or  
7 a motorized bicycle with a step through type frame which may or may not have  
8 pedals rated no more than two (2) brake horsepower, a cylinder capacity not  
9 exceeding fifty (50) cubic centimeters, an automatic transmission not requiring  
10 clutching or shifting by the operator after the drive system is engaged, and capable  
11 of a maximum speed of not more than thirty (30) miles per hour;
- 12 (7) "New motor vehicle" means a motor vehicle of the current model year which has  
13 not previously been registered in any state or country;
- 14 (8) "Previous model year motor vehicle" means a motor vehicle not previously  
15 registered in any state or country which is neither of the current model year nor a  
16 dealer demonstrator;
- 17 (9) "Total consideration given" means the amount given, valued in money, whether  
18 received in money or otherwise, at the time of purchase or at a later date, including  
19 consideration given for all equipment and accessories, standard and optional. "Total  
20 consideration given" shall not include:
- 21 (a) Any amount allowed as a manufacturer or dealer rebate if the rebate is  
22 provided at the time of purchase and is applied to the purchase of the motor  
23 vehicle;
- 24 (b) Any interest payments to be made over the life of a loan for the purchase of a  
25 motor vehicle; and
- 26 (c) The value of any items that are not equipment or accessories including but not  
27 limited to extended warranties, service contracts, and items that are given

- 1 away as part of a promotional sales campaign;
- 2 (10) "Trade-in allowance" means:
- 3 (a) The value assigned by the seller of a motor vehicle to a motor vehicle
- 4 registered to the purchaser and offered in trade by the purchaser as part of the
- 5 total consideration given by the purchaser and included in the notarized
- 6 affidavit attesting to total consideration given; or
- 7 (b) In the absence of a notarized affidavit, the value of the vehicle being offered
- 8 in trade as established by the department through the use of the reference
- 9 manual;
- 10 (11) "Used motor vehicle" means a motor vehicle which has been previously registered
- 11 in any state or country;
- 12 (12) "Retail price" for:
- 13 (a) New motor vehicles;
- 14 (b) Dealer demonstrator vehicles;
- 15 (c) Previous model year motor vehicles; and
- 16 (d) U-Drive-It motor vehicles that have been transferred within one hundred
- 17 eighty (180) days of being registered as a U-Drive-It and that have less than
- 18 five thousand (5,000) miles;
- 19 means the total consideration given, as determined in KRS ~~138.4602~~138.4603;
- 20 (13) "Retail price" for historic motor vehicles shall be one hundred dollars (\$100);
- 21 (14) "Retail price" for used motor vehicles being titled or registered by a new resident
- 22 for the first time in Kentucky whose values appear in the reference manual means
- 23 the trade-in value given in the reference manual;
- 24 (15) "Retail price" for older used motor vehicles being titled or registered by a new
- 25 resident for the first time in Kentucky whose values no longer appear in the
- 26 reference manual shall be one hundred dollars (\$100);
- 27 (16) (a) "Retail price" for:

- 1           1. Used motor vehicles, except those vehicles for which the retail price is  
2           established in subsection (13), (14), (15), (17), or (19) of this section;  
3           and  
4           2. U-Drive-It motor vehicles that are not transferred within one hundred  
5           eighty (180) days of being registered as a U-Drive-It or that have more  
6           than five thousand (5,000) miles;  
7           means the total consideration given, excluding any amount allowed as a trade-  
8           in allowance by the seller, as attested to in a notarized affidavit, provided that  
9           the retail price established by the notarized affidavit shall not be less than fifty  
10          percent (50%) of the difference between the trade-in value, as established by  
11          the reference manual, of the motor vehicle offered for registration and the  
12          trade-in value, as established by the reference manual, of any motor vehicle  
13          offered in trade as part of the total consideration given.
- 14          (b) The trade-in allowance shall also be disclosed in the notarized affidavit.
- 15          (c) If a notarized affidavit is not available, "retail price" shall be established by  
16          the department through the use of the reference manual;
- 17   (17) Except as provided in KRS 138.470(6), if a motor vehicle is received by an  
18          individual as a gift and not purchased or leased by the individual, "retail price" shall  
19          be the trade-in value given in the reference manual;
- 20   (18) If a dealer transfers a motor vehicle which he has registered as a loaner or rental  
21          motor vehicle within one hundred eighty (180) days of the registration, and if less  
22          than five thousand (5,000) miles have been placed on the vehicle during the period  
23          of its registration as a loaner or rental motor vehicle, then the "retail price" of the  
24          vehicle shall be the same as the retail price determined by paragraph (a) of  
25          subsection (12) of this section computed as of the date on which the vehicle is  
26          transferred;
- 27   (19) "Retail price" for motor vehicles titled pursuant to KRS 186A.520, 186A.525,

1 186A.530, or 186A.555 means the total consideration given as attested to in a  
2 notarized affidavit;

3 (20) "Loaner or rental motor vehicle" means a motor vehicle owned or registered by a  
4 dealer and which is regularly loaned or rented to customers of the service or repair  
5 component of the dealership;

6 (21) "Department" means the Department of Revenue;

7 (22) "Notarized affidavit" means a dated affidavit signed by the buyer and the seller on  
8 which the signature of the buyer and the signature of the seller are individually  
9 notarized; and

10 (23) "Reference manual" means the automotive reference manual prescribed by the  
11 department.

12 ➔Section 6. KRS 139.260 is amended to read as follows:

13 For the purpose of the proper administration of this chapter and to prevent evasion of the  
14 duty to collect the taxes imposed by KRS 139.200 and 139.310, it shall be presumed that  
15 all gross receipts and all tangible personal property, digital property, and services sold by  
16 any person for delivery or access in this state are subject to the tax until the contrary is  
17 established. The burden of proving the contrary is upon the person who makes the sale  
18 of:

19 (1) Tangible personal property or digital property unless the person takes from the  
20 purchaser a certificate to the effect that the property is either:

21 (a) Purchased for resale according to the provisions of KRS 139.270;

22 (b) Purchased through a fully completed certificate of exemption or fully  
23 completed Streamlined Sales and Use Tax Agreement Certificate of  
24 Exemption in accordance with KRS 139.270; or

25 (c) Purchased according to administrative regulations promulgated by the  
26 department governing a direct pay authorization;

27 (2) A service included in KRS 139.200(2)(a) to (f) unless the person takes from the



1 purchaser a certificate to the effect that the service is purchased through a fully  
 2 completed certificate of exemption or fully completed Streamlined Sales and Use  
 3 Tax Agreement Certificate of Exemption in accordance with KRS 139.270; and

4 (3) A service included in KRS 139.200(2)(g) to (q) unless the person takes from the  
 5 purchaser a certificate to the effect that the service~~property~~ is:

- 6 (a) Purchased for resale according to KRS 139.270;
- 7 (b) Purchased through a fully completed certificate of exemption or fully  
 8 completed Streamlined Sales and Use Tax Agreement Certificate of  
 9 Exemption in accordance with KRS 139.270; or
- 10 (c) Purchased according to administrative regulations promulgated by the  
 11 department governing a direct pay authorization.

12 ➔Section 7. KRS 141.039 is amended to read as follows:

13 For taxable years beginning on or after January 1, 2018, in the case of corporations:

14 (1) Gross income shall be calculated by adjusting federal gross income as defined in  
 15 Section 61 of the Internal Revenue Code as follows:

- 16 (a) Exclude income that is exempt from state taxation by the Kentucky  
 17 Constitution and the Constitution and statutory laws of the United States;
- 18 (b) Exclude all dividend income;
- 19 (c) Include interest income derived from obligations of sister states and political  
 20 subdivisions thereof;
- 21 (d) Exclude fifty percent (50%) of gross income derived from any disposal of  
 22 coal covered by Section 631(c) of the Internal Revenue Code if the  
 23 corporation does not claim any deduction for percentage depletion, or for  
 24 expenditures attributable to the making and administering of the contract  
 25 under which such disposition occurs or to the preservation of the economic  
 26 interests retained under such contract;
- 27 (e)~~Include in the gross income of lessors income tax payments made by lessees~~

1           to lessors, under the provisions of Section 110 of the Internal Revenue Code,  
2           and exclude such payments from the gross income of lessees;

3           ~~(f)~~ Include the amount calculated under KRS 141.205;

4           ~~(f)~~~~(g)~~ Ignore the provisions of Section 281 of the Internal Revenue Code in  
5           computing gross income;

6           ~~(g)~~~~(h)~~ Include the amount of depreciation deduction calculated under 26 U.S.C.  
7           sec. 167 or 168; and

8           (2) Net income shall be calculated by subtracting from gross income:

9           (a) The deduction for depreciation allowed by KRS 141.0101;

10          (b) Any amount paid for vouchers or similar instruments that provide health  
11          insurance coverage to employees or their families;

12          (c) All the deductions from gross income allowed corporations by Chapter 1 of  
13          the Internal Revenue Code, as modified by KRS 141.0101, except:

14           1. Any deduction for a state tax which is computed, in whole or in part, by  
15           reference to gross or net income and which is paid or accrued to any  
16           state of the United States, the District of Columbia, the Commonwealth  
17           of Puerto Rico, any territory or possession of the United States, or to  
18           any foreign country or political subdivision thereof;

19           2. The deductions contained in Sections 243,~~244,~~ 245, and 247 of the  
20           Internal Revenue Code;

21           3. The provisions of Section 281 of the Internal Revenue Code shall be  
22           ignored in computing net income;

23           4. Any deduction directly or indirectly allocable to income which is either  
24           exempt from taxation or otherwise not taxed under the provisions of this  
25           chapter, and nothing in this chapter shall be construed to permit the  
26           same item to be deducted more than once;

27           5. Any deduction for amounts paid to any club, organization, or

1 establishment which has been determined by the courts or an agency  
 2 established by the General Assembly and charged with enforcing the  
 3 civil rights laws of the Commonwealth, not to afford full and equal  
 4 membership and full and equal enjoyment of its goods, services,  
 5 facilities, privileges, advantages, or accommodations to any person  
 6 because of race, color, religion, national origin, or sex, except nothing  
 7 shall be construed to deny a deduction for amounts paid to any religious  
 8 or denominational club, group, or establishment or any organization  
 9 operated solely for charitable or educational purposes which restricts  
 10 membership to persons of the same religion or denomination in order to  
 11 promote the religious principles for which it is established and  
 12 maintained;

- 13 6. Any deduction prohibited by KRS 141.205; and  
 14 7. Any dividends-paid deduction of any captive real estate investment  
 15 trust; and  
 16 (d) 1. A deferred tax deduction in an amount computed in accordance with this  
 17 paragraph.  
 18 2. For purposes of this paragraph:  
 19 a. "Net deferred tax asset" means that deferred tax assets exceed the  
 20 deferred tax liabilities of the combined group, as computed in  
 21 accordance with accounting principles generally accepted in the  
 22 United States of America; and  
 23 b. "Net deferred tax liability" means deferred tax liabilities that  
 24 exceed the deferred tax assets of a combined group as defined in  
 25 KRS 141.202, as computed in accordance with accounting  
 26 principles generally accepted in the United States of America.  
 27 3. Only publicly traded companies, including affiliated corporations

1 participating in the filing of a publicly traded company's financial  
2 statements prepared in accordance with accounting principles generally  
3 accepted in the United States of America, as of January 1, 2019, shall be  
4 eligible for this deduction.

5 4. If the provisions of KRS 141.202 result in an aggregate increase to the  
6 member's net deferred tax liability, an aggregate decrease to the  
7 member's net deferred tax asset, or an aggregate change from a net  
8 deferred tax asset to a net deferred tax liability, the combined group  
9 shall be entitled to a deduction, as determined in this paragraph.

10 5. For ten (10) years beginning with the combined group's first taxable  
11 year beginning on or after January 1, 2024, a combined group shall be  
12 entitled to a deduction from the combined group's entire net income  
13 equal to one-tenth (1/10) of the amount necessary to offset the increase  
14 in the net deferred tax liability, decrease in the net deferred tax asset, or  
15 aggregate change from a net deferred tax asset to a net deferred tax  
16 liability. The increase in the net deferred tax liability, decrease in the net  
17 deferred tax asset, or the aggregate change from a net deferred tax asset  
18 to a net deferred tax liability shall be computed based on the change that  
19 would result from the imposition of the combined reporting requirement  
20 under KRS 141.202, but for the deduction provided under this paragraph  
21 as of June 27, 2019.

22 6. The deferred tax impact determined in subparagraph 5. of this paragraph  
23 shall be converted to the annual deferred tax deduction amount, as  
24 follows:

25 a. The deferred tax impact determined in subparagraph 5. of this  
26 paragraph shall be divided by the tax rate determined under KRS  
27 141.040;

- 1           b. The resulting amount shall be further divided by the  
2           apportionment factor determined by KRS 141.120 or 141.121 that  
3           was used by the combined group in the calculation of the deferred  
4           tax assets and deferred tax liabilities as described in subparagraph  
5           5. of this paragraph; and
- 6           c. The resulting amount represents the total net deferred tax  
7           deduction available over the ten (10) year period as described in  
8           subparagraph 5. of this paragraph.
- 9           7. The deduction calculated under this paragraph shall not be adjusted as a  
10          result of any events happening subsequent to the calculation, including  
11          but not limited to any disposition or abandonment of assets. The  
12          deduction shall be calculated without regard to the federal tax effect and  
13          shall not alter the tax basis of any asset. If the deduction under this  
14          section is greater than the combined group's entire Kentucky net  
15          income, any excess deduction shall be carried forward and applied as a  
16          deduction to the combined group's entire net income in future taxable  
17          years until fully utilized.
- 18          8. Any combined group intending to claim a deduction under this  
19          paragraph shall file a statement with the department on or before July 1,  
20          2019. The statement shall specify the total amount of the deduction  
21          which the combined group claims on the form, including calculations  
22          and other information supporting the total amounts of the deduction as  
23          required by the department. No deduction shall be allowed under this  
24          paragraph for any taxable year, except to the extent claimed on the  
25          timely filed statement in accordance with this paragraph.

26          ➔Section 8. KRS 141.0401 is amended to read as follows:

- 27          (1) As used in this section:

- 1 (a) "Kentucky gross receipts" means an amount equal to the computation of the  
 2 numerator of the apportionment fraction under KRS 141.120, any  
 3 administrative regulations related to the computation of the sales factor, and  
 4 KRS 141.121 and includes the proportionate share of Kentucky gross receipts  
 5 of all wholly or partially owned limited liability pass-through entities,  
 6 including all layers of a multi-layered pass-through structure;
- 7 (b) "Gross receipts from all sources" means an amount equal to the computation  
 8 of the denominator of the apportionment fraction under KRS 141.120, any  
 9 administrative regulations related to the computation of the sales factor, and  
 10 KRS 141.121 and includes the proportionate share of gross receipts from all  
 11 sources of all wholly or partially owned limited liability pass-through entities,  
 12 including all layers of a multi-layered pass-through structure;
- 13 (c) "Affiliated~~[Combined]~~ group" has the same meaning as~~[means all members~~  
 14 ~~of an affiliated group as defined]~~ in Section 11 of this Act~~[KRS 141.200(9)(b)~~  
 15 ~~and all limited liability pass-through entities that would be included in an~~  
 16 ~~affiliated group if organized as a corporation];~~
- 17 (d) "Cost of goods sold" means:
- 18 1. Amounts that are:
- 19 a. Allowable as cost of goods sold pursuant to the Internal Revenue  
 20 Code and any guidelines issued by the Internal Revenue Service  
 21 relating to cost of goods sold, unless modified by this paragraph;  
 22 and
- 23 b. Incurred in acquiring or producing the tangible product generating  
 24 the Kentucky gross receipts.
- 25 2. For manufacturing, producing, reselling, retailing, or wholesaling  
 26 activities, cost of goods sold shall only include costs directly incurred in  
 27 acquiring or producing the tangible product. In determining cost of

1 goods sold:

2 a. Labor costs shall be limited to direct labor costs as defined in  
3 paragraph (f) of this subsection;

4 b. Bulk delivery costs as defined in paragraph (g) of this subsection  
5 may be included; and

6 c. Costs allowable under Section 263A of the Internal Revenue Code  
7 may be included only to the extent the costs are incurred in  
8 acquiring or producing the tangible product generating the  
9 Kentucky gross receipts. Notwithstanding the foregoing, indirect  
10 labor costs allowable under Section 263A shall not be included;

11 3. For any activity other than manufacturing, producing, reselling,  
12 retailing, or wholesaling, no costs shall be included in cost of goods  
13 sold.

14 As used in this paragraph, "guidelines issued by the Internal Revenue  
15 Service" includes regulations, private letter rulings, or any other guidance  
16 issued by the Internal Revenue Service that may be relied upon by taxpayers  
17 under reliance standards established by the Internal Revenue Service;

18 (e) 1. "Kentucky gross profits" means Kentucky gross receipts reduced by  
19 returns and allowances attributable to Kentucky gross receipts, less the  
20 cost of goods sold attributable to Kentucky gross receipts. If the amount  
21 of returns and allowances attributable to Kentucky gross receipts and the  
22 cost of goods sold attributable to Kentucky gross receipts is zero, then  
23 "Kentucky gross profits" means Kentucky gross receipts; and

24 2. "Gross profits from all sources" means gross receipts from all sources  
25 reduced by returns and allowances attributable to gross receipts from all  
26 sources, less the cost of goods sold attributable to gross receipts from all  
27 sources. If the amount of returns and allowances attributable to gross

- 1 receipts from all sources and the cost of goods sold attributable to gross  
 2 receipts from all sources is zero, then gross profits from all sources  
 3 means gross receipts from all sources;
- 4 (f) "Direct labor" means labor that is incorporated into the tangible product sold  
 5 or is an integral part of the manufacturing process;
- 6 (g) "Bulk delivery costs" means the cost of delivering the product to the  
 7 consumer if:
- 8 1. The tangible product is delivered in bulk and requires specialized  
 9 equipment that generally precludes commercial shipping; and
  - 10 2. The tangible product is taxable under KRS 138.220;
- 11 (h) "Manufacturing" and "producing" means:
- 12 1. Manufacturing, producing, constructing, or assembling components to  
 13 produce a significantly different or enhanced end tangible product;
  - 14 2. Mining or severing natural resources from the earth; or
  - 15 3. Growing or raising agricultural or horticultural products or animals;
- 16 (i) "Real property" means land and anything growing on, attached to, or erected  
 17 on it, excluding anything that may be severed without injury to the land;
- 18 (j) "Reselling," "retailing," and "wholesaling" mean the sale of a tangible  
 19 product;
- 20 (k) "Tangible personal property" means property, other than real property, that  
 21 has physical form and characteristics; and
- 22 (l) "Tangible product" means real property and tangible personal property;
- 23 (2) (a) For taxable years beginning on or after January 1, 2007, an annual limited  
 24 liability entity tax shall be paid by every corporation and every limited  
 25 liability pass-through entity doing business in Kentucky on all Kentucky gross  
 26 receipts or Kentucky gross profits except as provided in this subsection. A  
 27 small business exclusion from this tax shall be provided based on the



1 reduction contained in this subsection. The tax shall be the greater of the  
2 amount computed under paragraph (b) of this subsection or one hundred  
3 seventy-five dollars (\$175), regardless of the application of any tax credits  
4 provided under this chapter or any other provisions of the Kentucky Revised  
5 Statutes for which the business entity may qualify.

6 (b) The limited liability entity tax shall be the lesser of subparagraph 1. or 2. of  
7 this paragraph:

8 1. a. If the corporation's or limited liability pass-through entity's gross  
9 receipts from all sources are three million dollars (\$3,000,000) or  
10 less, the limited liability entity tax shall be one hundred seventy-  
11 five dollars (\$175);

12 b. If the corporation's or limited liability pass-through entity's gross  
13 receipts from all sources are greater than three million dollars  
14 (\$3,000,000) but less than six million dollars (\$6,000,000), the  
15 limited liability entity tax shall be nine and one-half cents (\$0.095)  
16 per one hundred dollars (\$100) of the corporation's or limited  
17 liability pass-through entity's Kentucky gross receipts reduced by  
18 an amount equal to two thousand eight hundred fifty dollars  
19 (\$2,850) multiplied by a fraction, the numerator of which is six  
20 million dollars (\$6,000,000) less the amount of the corporation's or  
21 limited liability pass-through entity's Kentucky gross receipts for  
22 the taxable year, and the denominator of which is three million  
23 dollars (\$3,000,000), but in no case shall the result be less than  
24 one hundred seventy-five dollars (\$175);

25 c. If the corporation's or limited liability pass-through entity's gross  
26 receipts from all sources are equal to or greater than six million  
27 dollars (\$6,000,000), the limited liability entity tax shall be nine

1 and one-half cents (\$0.095) per one hundred dollars (\$100) of the  
2 corporation's or limited liability pass-through entity's Kentucky  
3 gross receipts.

4 2. a. If the corporation's or limited liability pass-through entity's gross  
5 profits from all sources are three million dollars (\$3,000,000) or  
6 less, the limited liability entity tax shall be one hundred seventy-  
7 five dollars (\$175);

8 b. If the corporation's or limited liability pass-through entity's gross  
9 profits from all sources are at least three million dollars  
10 (\$3,000,000) but less than six million dollars (\$6,000,000), the  
11 limited liability entity tax shall be seventy-five cents (\$0.75) per  
12 one hundred dollars (\$100) of the corporation's or limited liability  
13 pass-through entity's Kentucky gross profits, reduced by an  
14 amount equal to twenty-two thousand five hundred dollars  
15 (\$22,500) multiplied by a fraction, the numerator of which is six  
16 million dollars (\$6,000,000) less the amount of the corporation's or  
17 limited liability pass-through entity's Kentucky gross profits, and  
18 the denominator of which is three million dollars (\$3,000,000), but  
19 in no case shall the result be less than one hundred seventy-five  
20 dollars (\$175);

21 c. If the corporation's or limited liability pass-through entity's gross  
22 profits from all sources are equal to or greater than six million  
23 dollars (\$6,000,000), the limited liability entity tax shall be  
24 seventy-five cents (\$0.75) per one hundred dollars (\$100) of all of  
25 the corporation's or limited liability pass-through entity's Kentucky  
26 gross profits.

27 In determining eligibility for the reductions contained in this paragraph, a

1 member of an affiliated~~[a combined]~~ group shall consider the  
 2 total~~[combined]~~ gross receipts and the total~~[combined]~~ gross profits from all  
 3 sources of the entire affiliated~~[combined]~~ group, including eliminating entries  
 4 for transactions among the group.

5 (c) A credit shall be allowed against the tax imposed under paragraph (a) of this  
 6 subsection for the current year to a corporation or limited liability pass-  
 7 through entity that owns an interest in a limited liability pass-through entity.  
 8 The credit shall be the proportionate share of tax calculated under this  
 9 subsection by the lower-level pass-through entity, as determined after the  
 10 amount of tax calculated by the pass-through entity has been reduced by the  
 11 minimum tax of one hundred seventy-five dollars (\$175). The credit shall  
 12 apply across multiple layers of a multi-layered pass-through entity structure.  
 13 The credit at each layer shall include the credit from each lower layer, after  
 14 reduction for the minimum tax of one hundred seventy-five dollars (\$175) at  
 15 each layer.

16 (d) The department may promulgate administrative regulations to establish a  
 17 method for calculating the cost of goods sold attributable to Kentucky.

18 (3) A nonrefundable credit based on the tax calculated under subsection (2) of this  
 19 section shall be allowed against the tax imposed by KRS 141.020 or 141.040. The  
 20 credit amount shall be determined as follows:

21 (a) The credit allowed a corporation subject to the tax imposed by KRS 141.040  
 22 shall be equal to the amount of tax calculated under subsection (2) of this  
 23 section for the current year after subtraction of any credits identified in KRS  
 24 141.0205, reduced by the minimum tax of one hundred seventy-five dollars  
 25 (\$175), plus any credit determined in paragraph (b) of this subsection for tax  
 26 paid by wholly or partially owned limited liability pass-through entities. The  
 27 amount of credit allowed to a corporation based on the amount of tax paid

1 under subsection (2) of this section for the current year shall be applied to the  
2 income tax due from the corporation's activities in this state. Any remaining  
3 credit from the corporation shall be disallowed.

4 (b) The credit allowed members, shareholders, or partners of a limited liability  
5 pass-through entity shall be the members', shareholders', or partners'  
6 proportionate share of the tax calculated under subsection (2) of this section  
7 for the current year after subtraction of any credits identified in KRS  
8 141.0205, as determined after the amount of tax paid has been reduced by the  
9 minimum tax of one hundred seventy-five dollars (\$175). The credit allowed  
10 to members, shareholders, or partners of a limited liability pass-through entity  
11 shall be applied to income tax assessed on income from the limited liability  
12 pass-through entity. Any remaining credit from the limited liability pass-  
13 through entity shall be disallowed.

14 (4) Each taxpayer subject to the tax imposed in this section shall file a return, on forms  
15 prepared by the department, on or before the fifteenth day of the fourth month  
16 following the close of the taxpayer's taxable year. Any tax remaining due after  
17 making the payments required in KRS 141.044 shall be paid by the original due  
18 date of the return.

19 (5) The department shall prescribe forms and promulgate administrative regulations as  
20 needed to administer the provisions of this section.

21 (6) The tax imposed by subsection (2) of this section shall not apply to:

22 (a) For taxable years beginning prior to January 1, 2021:

- 23 1. Financial institutions, as defined in KRS 136.500, except banker's banks  
24 organized under KRS 287.135 or 286.3-135;
- 25 2. Savings and loan associations organized under the laws of this state and  
26 under the laws of the United States and making loans to members only;
- 27 3. Banks for cooperatives;

- 1           4.   Production credit associations;
- 2           5.   Insurance companies, including farmers' or other mutual hail, cyclone,
- 3                 windstorm, or fire insurance companies, insurers, and reciprocal
- 4                 underwriters;
- 5           6.   Corporations or other entities exempt under Section 501 of the Internal
- 6                 Revenue Code;
- 7           7.   Religious, educational, charitable, or like corporations not organized or
- 8                 conducted for pecuniary profit;
- 9           8.   Corporations whose only owned or leased property located in this state
- 10                is located at the premises of a printer with which it has contracted for
- 11                printing, provided that:
  - 12                   a.   The property consists of the final printed product, or copy from
  - 13                         which the printed product is produced; and
  - 14                   b.   The corporation has no individuals receiving compensation in this
  - 15                         state as provided in KRS 141.901;
- 16           9.   Public service corporations subject to tax under KRS 136.120;
- 17           10.  Open-end registered investment companies organized under the laws of
- 18                 this state and registered under the Investment Company Act of 1940;
- 19           11.  Any property or facility which has been certified as a fluidized bed
- 20                 energy production facility as defined in KRS 211.390;
- 21           12.  An alcohol production facility as defined in KRS 247.910;
- 22           13.  Real estate investment trusts as defined in Section 856 of the Internal
- 23                 Revenue Code;
- 24           14.  Regulated investment companies as defined in Section 851 of the
- 25                 Internal Revenue Code;
- 26           15.  Real estate mortgage investment conduits as defined in Section 860D of
- 27                 the Internal Revenue Code;

- 1           16. Personal service corporations as defined in Section 269A(b)(1) of the  
2           Internal Revenue Code;
- 3           17. Cooperatives described in Sections 521 and 1381 of the Internal  
4           Revenue Code, including farmers' agricultural and other cooperatives  
5           organized or recognized under KRS Chapter 272, advertising  
6           cooperatives, purchasing cooperatives, homeowners associations  
7           including those described in Section 528 of the Internal Revenue Code,  
8           political organizations as defined in Section 527 of the Internal Revenue  
9           Code, and rural electric and rural telephone cooperatives; or
- 10          18. Publicly traded partnerships as defined by Section 7704(b) of the  
11          Internal Revenue Code that are treated as partnerships for federal tax  
12          purposes under Section 7704(c) of the Internal Revenue Code, or their  
13          publicly traded partnership affiliates. "Publicly traded partnership  
14          affiliates" shall include any limited liability company or limited  
15          partnership for which at least eighty percent (80%) of the limited  
16          liability company member interests or limited partner interests are  
17          owned directly or indirectly by the publicly traded partnership; and
- 18          (b) For taxable years beginning on or after January 1, 2021:
- 19               1. Insurance companies, including farmers' or other mutual hail, cyclone,  
20               windstorm, or fire insurance companies, insurers, and reciprocal  
21               underwriters;
- 22               2. Corporations or other entities exempt under Section 501 of the Internal  
23               Revenue Code;
- 24               3. Religious, educational, charitable, or like corporations not organized or  
25               conducted for pecuniary profit;
- 26               4. Corporations whose only owned or leased property located in this state  
27               is located at the premises of a printer with which it has contracted for

- 1 printing, provided that:
- 2 a. The property consists of the final printed product, or copy from
- 3 which the printed product is produced; and
- 4 b. The corporation has no individuals receiving compensation in this
- 5 state as provided in KRS 141.901;
- 6 5. Public service corporations subject to tax under KRS 136.120;
- 7 6. Open-end registered investment companies organized under the laws of
- 8 this state and registered under the Investment Company Act of 1940;
- 9 7. Any property or facility which has been certified as a fluidized bed
- 10 energy production facility as defined in KRS 211.390;
- 11 8. An alcohol production facility as defined in KRS 247.910;
- 12 9. Real estate investment trusts as defined in Section 856 of the Internal
- 13 Revenue Code;
- 14 10. Regulated investment companies as defined in Section 851 of the
- 15 Internal Revenue Code;
- 16 11. Real estate mortgage investment conduits as defined in Section 860D of
- 17 the Internal Revenue Code;
- 18 12. Personal service corporations as defined in Section 269A(b)(1) of the
- 19 Internal Revenue Code;
- 20 13. Cooperatives described in Sections 521 and 1381 of the Internal
- 21 Revenue Code, including farmers' agricultural and other cooperatives
- 22 organized or recognized under KRS Chapter 272, advertising
- 23 cooperatives, purchasing cooperatives, homeowners associations
- 24 including those described in Section 528 of the Internal Revenue Code,
- 25 political organizations as defined in Section 527 of the Internal Revenue
- 26 Code, and rural electric and rural telephone cooperatives; or
- 27 14. Publicly traded partnerships as defined by Section 7704(b) of the

1 Internal Revenue Code that are treated as partnerships for federal tax  
2 purposes under Section 7704(c) of the Internal Revenue Code, or their  
3 publicly traded partnership affiliates. "Publicly traded partnership  
4 affiliates" shall include any limited liability company or limited  
5 partnership for which at least eighty percent (80%) of the limited  
6 liability company member interests or limited partner interests are  
7 owned directly or indirectly by the publicly traded partnership.

8 (7) (a) As used in this subsection, "qualified exempt organization" means an entity  
9 listed in subsection (6)(a) and (b) of this section and shall not include any  
10 entity whose exempt status has been disallowed by the Internal Revenue  
11 Service.

12 (b) Notwithstanding any other provisions of this section, any limited liability  
13 pass-through entity that is owned in whole or in part by a qualified exempt  
14 organization shall, in calculating its Kentucky gross receipts or Kentucky  
15 gross profits, exclude the proportionate share of its Kentucky gross receipts or  
16 Kentucky gross profits attributable to the ownership interest of the qualified  
17 exempt organization.

18 (c) Any limited liability pass-through entity that reduces Kentucky gross receipts  
19 or Kentucky gross profits in accordance with paragraph (b) of this subsection  
20 shall disregard the ownership interest of the qualified exempt organization in  
21 determining the amount of credit available under subsection (3) of this  
22 section.

23 (d) The Department of Revenue may promulgate an administrative regulation to  
24 further define "qualified exempt organization" to include an entity for which  
25 exemption is constitutionally or legally required, or to exclude any entity  
26 created primarily for tax avoidance purposes with no legitimate business  
27 purpose.



1 (8) The credit permitted by subsection (3) of this section shall flow through multiple  
 2 layers of limited liability pass-through entities and shall be claimed by the taxpayer  
 3 who ultimately pays the tax on the income of the limited liability pass-through  
 4 entity.

5 ➔Section 9. KRS 141.044 is amended to read as follows:

6 (1) For taxable years beginning on or after January 1, 2019, every corporation and  
 7 limited liability pass-through entity subject to taxation under KRS 141.040 and  
 8 141.0401 shall make estimated tax payments if the taxes imposed by KRS 141.040  
 9 and 141.0401 for the taxable year can reasonably be expected to exceed five  
 10 thousand dollars (\$5,000).

11 (2) Estimated tax payments for the taxes imposed under KRS 141.040 and 141.0401  
 12 shall be made at the same time and calculated in the same manner as estimated tax  
 13 payments for federal income tax purposes under 26 U.S.C. sec. 6655, except:

14 (a) The estimated liabilities for the taxes imposed under KRS 141.040 and  
 15 141.0401 shall be used to make the estimated payments;

16 (b) Any provisions in 26 U.S.C. sec. 6655 that apply for federal tax purposes but  
 17 do not apply to the taxes imposed under KRS 141.040 and 141.0401;

18 (c) The addition to tax identified by 26 U.S.C. sec. 6655(a) shall instead be  
 19 considered a penalty under KRS 131.180;

20 (d) The tax interest rate identified under KRS 131.183 shall be used to determine  
 21 the underpayment rate instead of the rate under 26 U.S.C. sec. 6621;~~and~~

22 (e) Any waiver of penalties shall be performed as provided in KRS 131.175; and

23 (f) 1. A refund of taxes collected under this section shall include interest at  
 24 the tax interest rate as defined in KRS 131.010(6).

25 2. Interest shall not begin to accrue until ninety (90) days after the latest  
 26 of:

27 a. The due date of the return;

- 1                   **b. The date the return was filed;**  
 2                   **c. The date the tax was paid;**  
 3                   **d. The last day prescribed by law for filing the return; or**  
 4                   **e. The date an amended return claiming a refund is filed.**  
 5                   **3. No refund shall be made of any estimated tax paid unless a return is**  
 6                   **filed as required by this chapter.**

7 (3) The department may promulgate administrative regulations to implement this  
 8 section.

9 ➔Section 10. KRS 141.121 is amended to read as follows:

10 (1) As used in this section:

11 (a) "Affiliated airline" means an airline:

- 12                   1. For which a qualified air freight forwarder facilitates air transportation;  
 13                   and  
 14                   2. That is in the same affiliated group as a qualified air freight forwarder;

15 (b) "Affiliated group" has the same meaning as in **Section 11 of this Act**~~KRS~~  
 16 ~~141.200~~];

17 (c) "Kentucky revenue passenger miles" means the total revenue passenger miles  
 18 within the borders of Kentucky for all flight stages that either originate or  
 19 terminate in this state;

20 (d) "Passenger airline" means a person or corporation engaged primarily in the  
 21 carriage by aircraft of passengers in interstate commerce;

22 (e) "Provider" means any corporation engaged in the business of providing:

- 23                   1. Communications service as defined in KRS 136.602;  
 24                   2. Cable service as defined in KRS 136.602; or  
 25                   3. Internet access as defined in 47 U.S.C. sec. 151;

26 (f) "Qualified air freight forwarder" means a person that:

- 27                   1. Is engaged primarily in the facilitation of the transportation of property

1 by air;

2 2. Does not itself operate aircraft; and

3 3. Is in the same affiliated group as an affiliated airline; and

4 (g) "Revenue passenger miles" means miles calculated in accordance with 14  
5 C.F.R. Part 241.

6 (2) (a) For purposes of apportioning business income to this state for taxable years  
7 beginning prior to January 1, 2018:

8 1. Passenger airlines shall determine the property, payroll, and sales  
9 factors as follows:

10 a. Except as modified by this subdivision, the property factor shall be  
11 determined as provided in KRS 141.901. Aircraft operated by a  
12 passenger airline shall be included in both the numerator and  
13 denominator of the property factor. Aircraft shall be included in  
14 the numerator of the property factor by determining the product of:

15 i. The total average value of the aircraft operated by the  
16 passenger airline; and

17 ii. A fraction, the numerator of which is the Kentucky revenue  
18 passenger miles of the passenger airline for the taxable year  
19 and the denominator of which is the total revenue passenger  
20 miles of the passenger airline for the taxable year;

21 b. Except as modified by this subdivision, the payroll factor shall be  
22 determined as provided in KRS 141.901. Compensation paid  
23 during the tax period by a passenger airline to flight personnel  
24 shall be included in the numerator of the payroll factor by  
25 determining the product of:

26 i. The total amount paid during the taxable year to flight  
27 personnel; and

- 1                   ii. A fraction, the numerator of which is the Kentucky revenue  
2                   passenger miles of the passenger airline for the taxable year  
3                   and the denominator of which is the total revenue passenger  
4                   miles of the passenger airline for the taxable year; and
- 5                   c. Except as modified by this subdivision, the sales factor shall be  
6                   determined as provided in KRS 141.901. Transportation  
7                   revenues shall be included in the numerator of the sales  
8                   factor by determining the product of:
- 9                   i. The total transportation revenues of the passenger airline for  
10                  the taxable year; and
- 11                  ii. A fraction, the numerator of which is the Kentucky revenue  
12                  passenger miles for the taxable year and the denominator of  
13                  which is the total revenue passenger miles for the taxable  
14                  year; and
- 15                  2. Qualified air freight forwarders shall determine the property, payroll,  
16                  and sales factors as follows:
- 17                  a. The property factor shall be determined as provided in KRS  
18                  141.901;
- 19                  b. The payroll factor shall be determined as provided in KRS  
20                  141.901; and
- 21                  c. Except as modified by this subparagraph, the sales factor shall be  
22                  determined as provided in KRS 141.901. Freight forwarding  
23                  revenues shall be included in the numerator of the sales factor by  
24                  determining the product of:
- 25                  i. The total freight forwarding revenues of the qualified air  
26                  freight forwarder for the taxable year; and
- 27                  ii. A fraction, the numerator of which is miles operated in

1 Kentucky by the affiliated airline and the denominator of  
 2 which is the total miles operated by the affiliated airline.

3 (b) For purposes of apportioning income to this state for taxable years beginning  
 4 on or after January 1, 2018, except as modified by this paragraph, the  
 5 apportionment fraction shall be determined as provided in KRS 141.120,  
 6 except that:

7 1. Transportation revenues shall be determined to be in this state by  
 8 multiplying the total transportation revenues by a fraction, the  
 9 numerator of which is the Kentucky revenue passenger miles for the  
 10 taxable year and the denominator of which is the total revenue  
 11 passenger miles for the taxable year; and

12 2. Freight forwarding revenues shall be determined to be in this state by  
 13 multiplying the total freight forwarding revenues by a fraction, the  
 14 numerator of which is miles operated in Kentucky by the affiliated  
 15 airline and the denominator of which is the total miles operated by the  
 16 affiliated airline.

17 (3) For purposes of apportioning income to this state for taxable years beginning on or  
 18 after January 1, 2018, the apportionment fraction for a provider shall continue to be  
 19 calculated using a three (3) factor formula as provided in KRS 141.901.

20 (4) (a) A corporation may elect the allocation and apportionment methods for the  
 21 corporation's apportionable income provided for in paragraphs (b) and (c) of  
 22 this subsection. The election, if made, shall be irrevocable for a period of five  
 23 (5) years.

24 (b) All business income derived directly or indirectly from the sale of  
 25 management, distribution, or administration services to or on behalf of  
 26 regulated investment companies, as defined under the Internal Revenue Code  
 27 of 1986, as amended, including trustees, and sponsors or participants of

1 employee benefit plans which have accounts in a regulated investment  
2 company, shall be apportioned to this state only to the extent that shareholders  
3 of the investment company are domiciled in this state as follows:

- 4 1. Total apportionable income shall be multiplied by a fraction, the  
5 numerator of which shall be Kentucky receipts from the services for the  
6 tax period and the denominator of which shall be the total receipts  
7 everywhere from the services for the tax period;
- 8 2. For purposes of subparagraph 1. of this paragraph, Kentucky receipts  
9 shall be determined by multiplying total receipts for the taxable year  
10 from each separate investment company for which the services are  
11 performed by a fraction. The numerator of the fraction shall be the  
12 average of the number of shares owned by the investment company's  
13 shareholders domiciled in this state at the beginning of and at the end of  
14 the investment company's taxable year, and the denominator of the  
15 fraction shall be the average of the number of the shares owned by the  
16 investment company shareholders everywhere at the beginning of and at  
17 the end of the investment company's taxable year; and
- 18 3. Nonapportionable income shall be allocated to this state as provided in  
19 KRS 141.120.

20 (c) All apportionable income derived directly or indirectly from the sale of  
21 securities brokerage services by a business which operates within the  
22 boundaries of any area of the Commonwealth, which on June 30, 1992, was  
23 designated as a Kentucky Enterprise Zone, as described in KRS 154.655(2)  
24 before that statute was renumbered in 1992, shall be apportioned to this state  
25 only to the extent that customers of the securities brokerage firm are  
26 domiciled in this state. The portion of business income apportioned to  
27 Kentucky shall be determined by multiplying the total business income from

1 the sale of these services by a fraction determined in the following manner:

- 2 1. The numerator of the fraction shall be the brokerage commissions and  
3 total margin interest paid in respect of brokerage accounts owned by  
4 customers domiciled in Kentucky for the brokerage firm's taxable year;
- 5 2. The denominator of the fraction shall be the brokerage commissions and  
6 total margin interest paid in respect of brokerage accounts owned by all  
7 of the brokerage firm's customers for that year; and
- 8 3. Nonapportionable income shall be allocated to this state as provided in  
9 KRS 141.120.

10 (5) Public service companies and financial organizations required by KRS 141.010 to  
11 allocate and apportion net income shall allocate and apportion that income as  
12 follows:

- 13 (a) Nonapportionable income shall be allocated to this state as provided in KRS  
14 141.120;
- 15 (b) Apportionable income shall be apportioned to this state as provided by KRS  
16 141.120. Receipts shall be determined as provided by administrative  
17 regulations promulgated by the department; and
- 18 (c) An affiliated group required to file a consolidated return under Section 11 of  
19 this Act ~~[KRS 141.200]~~ that includes a public service company, a provider of  
20 communications services or multichannel video programming services as  
21 defined in KRS 136.602, or a financial organization shall determine the  
22 amount of receipts as provided by administrative regulations promulgated by  
23 the department.

24 (6) A corporation:

- 25 (a) That owns an interest in a limited liability pass-through entity; or
  - 26 (b) That owns an interest in a general partnership;
- 27 shall include the proportionate share of receipts of the limited liability pass-through

1           entity or general partnership when apportioning income. The phrases "an interest in  
2           a limited liability pass-through entity" and "an interest in a general partnership"  
3           shall extend to each level of multiple-tiered pass-through entities.

4       (7) The department shall promulgate administrative regulations to detail the sourcing of  
5           the following receipts related to financial institutions:

- 6           (a) Receipts from the lease of real property;
- 7           (b) Receipts from the lease of tangible personal property;
- 8           (c) Interest, fees, and penalties imposed in connection with loans secured by real  
9           property;
- 10          (d) Interest, fees, and penalties imposed in connection with loans not secured by  
11          real property;
- 12          (e) Net gains from the sale of loans;
- 13          (f) Receipts from fees, interest, and penalties charged to card holders;
- 14          (g) Net gains from the sale of credit card receivables;
- 15          (h) Card issuer's reimbursement fees;
- 16          (i) Receipts from merchant discount;
- 17          (j) Receipts from ATM fees;
- 18          (k) Receipts from loan servicing fees;
- 19          (l) Receipts from other services;
- 20          (m) Receipts from the financial institution's investment assets and activity and  
21          trading assets and activity; and
- 22          (n) All other receipts.

23       ➔Section 11. KRS 141.201 is amended to read as follows:

24       (1) This section shall apply to taxable years beginning on or after January 1, 2019.

25       (2) As used in this section:

- 26          (a) "Affiliated group" means affiliated group as defined in Section 1504(a) of the  
27          Internal Revenue Code and related regulations;



- 1 (b) "Consolidated return" means a Kentucky corporation income tax return filed  
 2 by members of an affiliated group in accordance with this section~~[-The~~  
 3 ~~determinations and computations required by this chapter shall be made in~~  
 4 ~~accordance with Section 1502 of the Internal Revenue Code and related~~  
 5 ~~regulations, except as required by differences between this chapter and the~~  
 6 ~~Internal Revenue Code. Corporations exempt from taxation under KRS~~  
 7 ~~141.040 shall not be included in the return];~~
- 8 (c) "Separate return" means a Kentucky corporation income tax return in which  
 9 only the transactions and activities of a single corporation are considered in  
 10 making all determinations and computations necessary to calculate taxable net  
 11 income, tax due, and credits allowed in accordance with this chapter;
- 12 (d) "Corporation" means "corporation" as defined in Section 7701(a)(3) of the  
 13 Internal Revenue Code; and
- 14 (e) "Election period" means the forty-eight (48) month period provided for in  
 15 subsection (4)(d) of this section.
- 16 (3) Every corporation doing business in this state, except those ***corporations listed as***  
 17 ***exempt from taxation under KRS 141.040(1)(a) and (b)***, shall, for each taxable  
 18 year:
- 19 (a) 1. File a combined report, if the corporation is a member of unitary  
 20 business group as provided in KRS 141.202; or  
 21 2. Make an election to file a consolidated return with all members of the  
 22 affiliated group as provided in this section; or
- 23 (b) File a separate return, if paragraph (a) of this subsection does not apply.
- 24 (4) (a) An affiliated group, whether or not filing a federal consolidated return, may  
 25 elect to file a consolidated return which includes all members of the affiliated  
 26 group.
- 27 (b) 1. An affiliated group electing to file a consolidated return under paragraph

1 (a) of this subsection shall be treated for all purposes as a single  
2 corporation under this chapter.

3 **2. The determinations and computations required by this chapter shall**  
4 **be made in accordance with Section 1502 of the Internal Revenue**  
5 **Code and related regulations, except as required by differences**  
6 **between this chapter and the Internal Revenue Code.**

7 **3. Corporations listed as exempt from taxation under KRS 141.040(1)(a)**  
8 **and (b) shall not be included in the return.**

9 **4.** All transactions between corporations included in the consolidated  
10 return shall be eliminated in computing net income as provided in KRS  
11 141.039(2), and determining the apportionment fraction in accordance  
12 with KRS 141.120.

13 (c) Any election made in accordance with paragraph (a) of this subsection shall  
14 be made on a form prescribed by the department and shall be submitted to the  
15 department on or before the due date of the return, including extensions, for  
16 the first taxable year for which the election is made.

17 (d) Any election to file a consolidated return pursuant to paragraph (a) of this  
18 subsection shall be binding on both the department and the affiliated group for  
19 a period beginning with the first month of the first taxable year for which the  
20 election is made and ending with the conclusion of the taxable year in which  
21 the forty-eighth consecutive calendar month expires.

22 (e) For each taxable year for which an affiliated group has made an election  
23 provided in paragraph (a) of this subsection, the consolidated return shall  
24 include all corporations which are members of the affiliated group.

25 (5) Each corporation included as part of an affiliated group filing a consolidated return  
26 shall be jointly and severally liable for the income tax liability computed on the  
27 consolidated return, except that any corporation which was not a member of the

1 affiliated group for the entire taxable year shall be jointly and severally liable only  
 2 for that portion of the Kentucky consolidated income tax liability attributable to that  
 3 portion of the year that the corporation was a member of the affiliated group.

4 (6) Every corporation return or report required by this chapter shall be executed by one  
 5 (1) of the following officers of the corporation: the president, vice president,  
 6 secretary, treasurer, assistant secretary, assistant treasurer, or chief accounting  
 7 officer. The department may require a further or supplemental report of further  
 8 information and data necessary for computation of the tax.

9 (7) In the case of a corporation doing business in this state that carries on transactions  
 10 with stockholders or with other corporations related by stock ownership, by  
 11 interlocking directorates, or by some other method, the department shall require  
 12 information necessary to make possible accurate assessment of the income derived  
 13 by the corporation from sources within this state. To make possible this assessment,  
 14 the department may require the corporation to file supplementary returns showing  
 15 information respecting the business of any or all individuals and corporations  
 16 related by one (1) or more of these methods to the corporation. The department may  
 17 require the return to show in detail the record of transactions between the  
 18 corporation and any or all other related corporations or individuals.

19 ➔Section 12. KRS 141.202 is amended to read as follows:

20 (1) This section shall apply to taxable years beginning on or after January 1, 2019.

21 (2) As used in this section:

22 (a) "Combined group" means the group of all corporations whose income and  
 23 apportionment factors are required to be taken into account as provided in  
 24 subsection (3) of this section in determining the taxpayer's share of the net  
 25 income or loss apportionable to this state. A combined group shall include  
 26 only corporations, the voting stock of which is more than fifty percent (50%)  
 27 owned, directly or indirectly, by a common owner or owners;

- 1 (b) "Corporation" has the same meaning as in KRS 141.010, including an  
2 organization of any kind treated as a corporation for tax purposes under KRS  
3 141.040, wherever located, which if it were doing business in this state would  
4 be a taxpayer, and the business conducted by a pass-through entity which is  
5 directly or indirectly held by a corporation shall be considered the business of  
6 the corporation to the extent of the corporation's distributive share of the pass-  
7 through entity income, inclusive of guaranteed payments;
- 8 (c) "Doing business in a tax haven" means being engaged in activity sufficient for  
9 that tax haven jurisdiction to impose a tax under United States constitutional  
10 standards;
- 11 (d) 1. "Tax haven" means a jurisdiction that, during the taxable year has no or  
12 nominal effective tax on the relevant income and:
- 13 a. Has laws or practices that prevent effective exchange of  
14 information for tax purposes with other governments on taxpayers  
15 benefitting from the tax regime;
- 16 b. Has a tax regime which lacks transparency. A tax regime lacks  
17 transparency if the details of legislative, legal, or administrative  
18 provisions are not open and apparent or are not consistently  
19 applied among similarly situated taxpayers, or if the information  
20 needed by tax authorities to determine a taxpayer's correct tax  
21 liability, such as accounting records and underlying  
22 documentation, is not adequately available;
- 23 c. Facilitates the establishment of foreign-owned entities without the  
24 need for a local substantive presence or prohibits these entities  
25 from having any commercial impact on the local economy;
- 26 d. Explicitly or implicitly excludes the jurisdiction's resident  
27 taxpayers from taking advantage of the tax regime's benefits or

- 1 prohibits enterprises that benefit from the regime from operating in  
 2 the jurisdiction's domestic market; or
- 3 e. Has created a tax regime which is favorable for tax avoidance,  
 4 based upon an overall assessment of relevant factors, including  
 5 whether the jurisdiction has a significant untaxed offshore  
 6 financial or other services sector relative to its overall economy.
- 7 2. "Tax haven" does not include a jurisdiction that has entered into a  
 8 comprehensive income tax treaty with the United States, which the  
 9 Secretary of the Treasury has determined is satisfactory for purposes of  
 10 Section 1(h)(11)(C)(i)(II) of the Internal Revenue Code;
- 11 (e) "Taxpayer" means any corporation subject to the tax imposed under this  
 12 chapter;
- 13 (f) "Unitary business" means a single economic enterprise that is made up either  
 14 of separate parts of a single corporation or of a commonly controlled group of  
 15 corporations that are sufficiently interdependent, integrated, and interrelated  
 16 through their activities so as to provide a synergy and mutual benefit that  
 17 produces a sharing or exchange of value among them and a significant flow of  
 18 value to the separate parts. For purposes of this section, the term "unitary  
 19 business" shall be broadly construed, to the extent permitted by the United  
 20 States Constitution; and
- 21 (g) "United States" means the fifty (50) states of the United States, the District of  
 22 Columbia, and United States' territories and possessions.
- 23 (3) (a) Except as provided in KRS 141.201, a taxpayer engaged in a unitary business  
 24 with one (1) or more other corporations shall file a combined report which  
 25 includes the income, determined under subsection (5) of this section, and the  
 26 apportionment fraction, determined under KRS 141.120 and paragraph (d) of  
 27 this subsection, of all corporations that are members of the unitary business,

1 and any other information as required by the department. The combined  
2 report shall be filed on a waters-edge basis under subsection (8) of this  
3 section.

4 (b) The department may, by administrative regulation, require that the combined  
5 report include the income and associated apportionment factors of any  
6 corporations that are not included as provided by paragraph (a) of this  
7 subsection, but that are members of a unitary business, in order to reflect  
8 proper apportionment of income of the entire unitary businesses. Authority to  
9 require combination by administrative regulation under this paragraph  
10 includes authority to require combination of corporations that are not, or  
11 would not be combined, if the corporation were doing business in this state.

12 (c) In addition, if the department determines that the reported income or loss of a  
13 taxpayer engaged in a unitary business with any corporation not included as  
14 provided by paragraph (a) of this subsection represents an avoidance or  
15 evasion of tax by the taxpayer, the department may, on a case-by-case basis,  
16 require all or any part of the income and associated apportionment factors of  
17 the corporation be included in the taxpayer's combined report.

18 (d) With respect to the inclusion of associated apportionment factors as provided  
19 in paragraph (a) of this subsection, the department may require the inclusion  
20 of any one (1) or more additional factors which will fairly represent the  
21 taxpayer's business activity in this state, or the employment of any other  
22 method to effectuate a proper reflection of the total amount of income subject  
23 to apportionment and an equitable allocation and apportionment of the  
24 taxpayer's income.

25 (e) A unitary business shall consider the combined gross receipts and combined  
26 income from all sources of all members under subsection (8) of this section,  
27 including eliminating entries for transactions among the members under

1 subsection (8)(e) of this section.

2 (f) Notwithstanding paragraphs (a) to (e) of this subsection, a consolidated return  
3 may be filed as provided in KRS 141.201 if the taxpayer makes an election  
4 according to KRS 141.201.

5 (4) The use of a combined report does not disregard the separate identities of the  
6 taxpayer members of the combined group. Each taxpayer member is responsible for  
7 tax based on its taxable income or loss apportioned or allocated to this state, which  
8 shall include, in addition to the other types of income, the taxpayer member's share  
9 of apportionable income of the combined group, where apportionable income of the  
10 combined group is calculated as a summation of the individual net incomes of all  
11 members of the combined group. A member's net income is determined by  
12 removing all but apportionable income, expense, and loss from that member's total  
13 income as provided in subsection (5) of this section.

14 (5) (a) Each taxpayer member is responsible for tax based on its taxable income or  
15 loss apportioned or allocated to this state, which shall include:

- 16 1. Its share of any income apportionable to this state of each of the  
17 combined groups of which it is a member, determined under subsection  
18 (6) of this section;
- 19 2. Its share of any income apportionable to this state of a distinct business  
20 activity conducted within and without the state wholly by the taxpayer  
21 member, determined under KRS 141.120;
- 22 3. Its income from a business conducted wholly by the taxpayer member  
23 entirely within the state;
- 24 4. Its income sourced to this state from the sale or exchange of capital or  
25 assets, and from involuntary conversions, as determined under  
26 subsection (8)(~~g~~)(~~k~~) of this section;
- 27 5. Its nonapportionable income or loss allocable to this state, determined

- 1                   under KRS 141.120;
- 2           6.   Its income or loss allocated or apportioned in an earlier year, required to
- 3                   be taken into account as state source income during the income year,
- 4                   other than a net operating loss; and
- 5           7.   Its net operating loss carryover.
- 6           (b) No tax credit or post-apportionment deduction earned by one (1) member of
- 7                   the group, but not fully used by or allowed to that member, may be used in
- 8                   whole or in part by another member of the group or applied in whole or in
- 9                   part against the total income of the combined group, except as provided in
- 10                   paragraph (c) of this subsection.
- 11           (c) If the taxable income computed pursuant to KRS 141.039 results in a net loss
- 12                   for a taxpayer member of the combined group, that taxpayer member has a
- 13                   Kentucky net operating loss, subject to the net operating loss limitations and
- 14                   carry forward provisions of KRS 141.011. No prior year net operating loss
- 15                   carryforward shall be available to entities that were not doing business in this
- 16                   state in the year in which the loss was incurred. A Kentucky net operating loss
- 17                   carryover incurred by a taxpayer member of a combined group shall be
- 18                   deducted from income or loss apportioned to this state pursuant to this section
- 19                   as follows:
- 20                   1.   For taxable years beginning on or after the first day of the initial taxable
- 21                   year for which a combined unitary tax return is required under this
- 22                   section, if the computation of a combined group's Kentucky net income
- 23                   before apportionment to this state results in a net operating loss, a
- 24                   taxpayer member of the group may carry over its share of the net
- 25                   operating loss as apportioned to this state, as calculated under this
- 26                   section and in accordance with KRS 141.120 or 141.121, and it shall be
- 27                   deductible from a taxpayer member's apportioned net income derived



- 1 from the unitary business in a future tax year to the extent that the  
2 carryover and deduction is otherwise consistent with KRS 141.011;
- 3 2. Where a taxpayer member of a combined group has a Kentucky net  
4 operating loss carryover derived from a loss incurred by a combined  
5 group in a tax year beginning on or after the first day of the initial tax  
6 year for which a combined unitary tax return is required under this  
7 section, then the taxpayer member may share the net operating loss  
8 carryover with other taxpayer members of the combined group if the  
9 other taxpayer members were members of the combined group in the tax  
10 year that the loss was incurred. Any amount of net operating loss  
11 carryover that is deducted by another taxpayer member of the combined  
12 group shall reduce the amount of net operating loss carryover that may  
13 be carried over by the taxpayer member that originally incurred the loss;
- 14 3. Where a taxpayer member of a combined group has a net operating loss  
15 carryover derived from a loss incurred in a tax year prior to the initial  
16 tax year for which a combined unitary tax return is required under this  
17 section, the carryover shall remain available to be deducted by that  
18 taxpayer member and any other taxpayer members of the combined  
19 group, but in no case shall the deduction reduce any taxpayer member's  
20 Kentucky apportioned taxable income by more than fifty percent (50%)  
21 in any taxable year, other than the taxpayer member that originally  
22 incurred the net operating loss, in which case no limitation is provided  
23 except as provided by Section 172 of the Internal Revenue Code. Any  
24 net operating loss carryover that is not utilized in a particular taxable  
25 year shall be carried over by the taxpayer member that generated the  
26 loss and utilized in the future consistent with the limitations of this  
27 subparagraph; or

- 1           4.   Where a taxpayer member of a combined group has a net operating loss  
2           carryover derived from a loss incurred in a tax year during which the  
3           taxpayer member was not a taxpayer member of the combined group,  
4           the carryover shall remain available to be deducted by that taxpayer  
5           member or other taxpayer members, but in no case shall the deduction  
6           reduce any taxpayer member's Kentucky apportioned taxable income by  
7           more than fifty percent (50%) in any taxable year, other than the  
8           taxpayer member that originally incurred the net operating loss, in  
9           which case no limitation is provided except as provided by Section 172  
10          of the Internal Revenue Code. Any net operating loss carryover that is  
11          not utilized in a particular taxable year, shall be carried over by the  
12          taxpayer member that generated the loss and utilized in the future  
13          consistent with the limitations of this subparagraph.
- 14   (6)   The taxpayer's share of the business income apportionable to this state of each  
15          combined group of which it is a member shall be the product of:
- 16          (a)   The apportionable income of the combined group, determined under  
17                subsection (7) of this section; and
- 18          (b)   The taxpayer member's apportionment fraction, determined under KRS  
19                141.120, including in the sales factor numerator the taxpayer's sales  
20                associated with the combined group's unitary business in this state, and  
21                including in the denominator the sales of all members of the combined group,  
22                including the taxpayer, which sales are associated with the combined group's  
23                unitary business wherever located. The sales of a pass-through entity shall be  
24                included in the determination of the partner's apportionment percentage in  
25                proportion to a ratio, the numerator of which is the amount of the partner's  
26                distributive share of the pass-through entity's unitary income included in the  
27                income of the combined group as provided in subsection (8) of this section

1           and the denominator of which is the amount of pass-through entity's total  
2           unitary income.

3       (7) The apportionable income of a combined group is determined as follows:

4           (a) The total income of the combined group is the sum of the income of each  
5           member of the combined group determined under federal income tax laws, as  
6           adjusted for state purposes, as if the member were not consolidated for federal  
7           purposes; and

8           (b) From the total income of the combined group determined under subsection (8)  
9           of this section, subtract any income and add any expense or loss, other than  
10          the apportionable income, expense, or loss of the combined group.

11       (8) To determine the total income of the combined group, taxpayer members shall take  
12       into account all or a portion of the income and apportionment factor of only the  
13       following members otherwise included in the combined group as provided in  
14       subsection (3) of this section:

15           (a) The entire income and apportionment percentage of any member,  
16           incorporated in the United States or formed under the laws of any state, the  
17           District of Columbia, or any territory or possession of the United States, that  
18           earns less than eighty percent (80%) of its income from sources outside of the  
19           United States, the District of Columbia, or any territory or possession of the  
20           United States;

21           (b) Any member that earns more than twenty percent (20%) of its income,  
22           directly or indirectly, from intangible property or service related activities that  
23           are deductible against the apportionable income of other members of the  
24           combined group, to the extent of that income and the apportionment factor  
25           related to that income. If a non-United States corporation is includible as a  
26           member in the combined group, to the extent that the non-United States  
27           corporation's income is excluded from United States taxation pursuant to the

1 provisions of a comprehensive income tax treaty, the income or loss is not  
 2 includible in the combined group's net income or loss. The member's expenses  
 3 or apportionment factors attributable to income that is excluded from United  
 4 States taxation pursuant to the provisions of a comprehensive income tax  
 5 treaty are not to be included in the combined report;

6 (c) The entire income and apportionment factor of any member that is doing  
 7 business in a tax haven. If the member's business activity within a tax haven is  
 8 entirely outside the scope of the laws, provisions, and practices that cause the  
 9 jurisdiction to meet the definition established in subsection (2)(d) of this  
 10 section, the activity of the member shall be treated as not having been  
 11 conducted in a tax haven;

12 (d) If a unitary business includes income from a pass-through entity, the income  
 13 to be included in the total income of the combined group shall be the member  
 14 of the combined group's direct and indirect distributive share of the pass-  
 15 through entity's unitary income;

16 (e) Income from an intercompany transaction between members of the same  
 17 combined group shall be deferred in a manner similar to 26 C.F.R. 1.1502-13.  
 18 Upon the occurrence of any of the following events, deferred income resulting  
 19 from an intercompany transaction between members of a combined group  
 20 shall be restored to the income of the seller, and shall be apportionable  
 21 income earned immediately before the event:

22 1. The object of a deferred intercompany transaction is:

23 a. Resold by the buyer to an entity that is not a member of the  
 24 combined group;

25 b. Resold by the buyer to an entity that is a member of the combined  
 26 group for use outside the unitary business in which the buyer and  
 27 seller are engaged; or

- 1           c.    Converted by the buyer to a use outside the unitary business in  
2                        which the buyer and seller are engaged; or
- 3           2.    The buyer and seller are no longer members of the same combined  
4                        group, regardless of whether the members remain unitary;
- 5       (f)   A charitable expense incurred by a member of a combined group shall, to the  
6                        extent allowable as a deduction provided by Section 170 of the Internal  
7                        Revenue Code, be subtracted first from the apportionable income of the  
8                        combined group, subject to the income limitations of that section applied to  
9                        the entire apportionable income of the group, and any remaining amount shall  
10                      then be treated as a nonapportionable expense allocable to the member that  
11                      incurred the expense, subject to the income limitations of that section applied  
12                      to the nonapportionable income of that specific member. Any charitable  
13                      deduction disallowed under this paragraph, but allowed as a carryover  
14                      deduction in a subsequent year, shall be treated as originally incurred in the  
15                      subsequent year by the same member, and this paragraph shall apply in the  
16                      subsequent year in determining the allowable deduction in that year;
- 17       (g)   Gain or loss from the sale or exchange of capital assets, property described by  
18                        Section 1231(a)(3) of the Internal Revenue Code, and property subject to an  
19                        involuntary conversion shall be removed from the total separate net income of  
20                        each member of a combined group and shall be apportioned and allocated as  
21                        follows:
- 22           1.    For each class of gain or loss, including short-term capital, long-term  
23                        capital, Internal Revenue Code Section 1231, and involuntary  
24                        conversions, all members' gain and loss for the class shall be combined,  
25                        without netting between the classes, and each class of net gain or loss  
26                        separately apportioned to each member using the member's  
27                        apportionment percentage determined under subsection (6) of this

- 1 section;
- 2 2. Each taxpayer member shall then net its apportioned business gain or  
3 loss for all classes, including any apportioned gain and loss from other  
4 combined groups, against the taxpayer member's nonapportionable gain  
5 and loss for all classes allocated to this state, using the rules of Sections  
6 1231 and 1222 of the Internal Revenue Code, without regard to any of  
7 the taxpayer member's gains or losses from the sale or exchange of  
8 capital assets, Internal Revenue Code Section 1231 property, and  
9 involuntary conversions which are nonapportionable items allocated to  
10 another state;
- 11 3. Any resulting state source income or loss, if the loss is not subject to the  
12 limitations of Section 1211 of the Internal Revenue Code, of a taxpayer  
13 member produced by the application of subparagraphs 1. and 2. of this  
14 paragraph shall then be applied to all other state source income or loss  
15 of that member; and
- 16 4. Any resulting state source loss of a member that is subject to the  
17 limitations of Section 1211 of the Internal Revenue Code shall be  
18 carried forward by that member, and shall be treated as state source  
19 short-term capital loss incurred by that member for the year for which  
20 the carryover applies; and
- 21 (h) Any expense of one (1) member of the unitary group which is directly or  
22 indirectly attributable to the nonapportionable or exempt income of another  
23 member of the unitary group shall be allocated to that other member as  
24 corresponding nonapportionable or exempt expense, as appropriate.
- 25 (9) (a) As a filing convenience, and without changing the respective liability of the  
26 group members, members of a combined reporting group shall annually  
27 designate one (1) taxpayer member of the combined group to file a single

1 return in the form and manner prescribed by the department, in lieu of filing  
2 their own respective returns.

3 (b) The taxpayer member designated to file the single return shall consent to act  
4 as surety with respect to the tax liability of all other taxpayers properly  
5 included in the combined report, and shall agree to act as agent on behalf of  
6 those taxpayers for the taxable year for matters relating to the combined  
7 report. If for any reason the surety is unwilling or unable to perform its  
8 responsibilities, tax liability may be assessed against the taxpayer members.

9 ➔Section 13. KRS 141.205 is amended to read as follows:

10 (1) As used in this section:

11 (a) "Intangible property" means franchises, patents, patent applications, trade  
12 names, trademarks, service marks, copyrights, trade secrets, and similar types  
13 of intangible assets;

14 (b) "Intangible expenses" includes the following only to the extent that the  
15 amounts are allowed as deductions or costs in determining taxable net income  
16 before the application of any net operating loss deduction provided under  
17 Chapter 1 of the Internal Revenue Code:

18 1. Expenses, losses, and costs for, related to, or in connection directly or  
19 indirectly with the direct or indirect acquisition, use, maintenance,  
20 management, ownership, sale, exchange, or any other disposition of  
21 intangible property;

22 2. Losses related to, or incurred in connection directly or indirectly with,  
23 factoring transactions or discounting transactions;

24 3. Royalty, patent, technical, and copyright fees;

25 4. Licensing fees; and

26 5. Other similar expenses and costs;

27 (c) "Intangible interest expense" means only those amounts which are directly or

1 indirectly allowed as deductions under Section 163 of the Internal Revenue  
 2 Code for purposes of determining taxable income under that code, to the  
 3 extent that the amounts are directly or indirectly for, related to, or connected  
 4 to the direct or indirect acquisition, use, maintenance, management,  
 5 ownership, sale, exchange, or any other disposition of intangible property;

6 (d) "Management fees" includes but is not limited to expenses and costs paid for  
 7 services pertaining to accounts receivable and payable, employee benefit  
 8 plans, insurance, legal, payroll, data processing, purchasing, tax, financial and  
 9 securities, accounting, reporting and compliance services or similar services,  
 10 only to the extent that the amounts are allowed as a deduction or cost in  
 11 determining taxable net income before application of the net operating loss  
 12 deduction for the taxable year provided under Chapter 1 of the Internal  
 13 Revenue Code;

14 (e) "Affiliated group" has the same meaning as ~~provided~~ in Section 11 of this  
 15 Act ~~[KRS 141.200]~~;

16 (f) "Foreign corporation" means a corporation that is organized under the laws of  
 17 a country other than the United States and that would be a related member if it  
 18 were a domestic corporation;

19 (g) "Related member" means a person that, with respect to the entity during all or  
 20 any portion of the taxable year, is:

- 21 1. A person or entity that has, directly or indirectly, at least fifty percent  
 22 (50%) of the equity ownership interest in the taxpayer, as determined  
 23 under Section 318 of the Internal Revenue Code;
- 24 2. A component member as defined in Section 1563(b) of the Internal  
 25 Revenue Code;
- 26 3. A person to or from whom there is attribution of stock ownership in  
 27 accordance with Section 1563(e) of the Internal Revenue Code; or



- 1           4. A person that, notwithstanding its form of organization, bears the same  
2           relationship to the taxpayer as a person described in subparagraphs 1. to  
3           3. of this paragraph;
- 4           (h) "Recipient" means a related member or foreign corporation to whom the item  
5           of income that corresponds to the intangible interest expense, the intangible  
6           expense, or the management fees, is paid;
- 7           (i) "Unrelated party" means a person that has no direct, indirect, beneficial or  
8           constructive ownership interest in the recipient; and in which the recipient has  
9           no direct, indirect, beneficial or constructive ownership interest;
- 10          (j) "Disclosure" means that the entity shall provide the following information to  
11          the Department of Revenue with its tax return regarding a related party  
12          transaction:
- 13               1. The name of the recipient;
- 14               2. The state or country of domicile of the recipient;
- 15               3. The amount paid to the recipient; and
- 16               4. A description of the nature of the payment made to the recipient;
- 17          (k) "Other related party transaction" means a transaction which:
- 18               1. Is undertaken by an entity which was not required to file a consolidated  
19               return under Section 11 of this Act~~[KRS 141.200]~~;
- 20               2. Is undertaken by an entity, directly or indirectly, with one (1) or more of  
21               its stockholders, members, partners, or affiliated entities; and
- 22               3. Is not within the scope of subsections (2) and (3) of this section;
- 23          (l) "Related party costs" means intangible expense, intangible interest expense,  
24          management fees and any costs or expenses associated with other related  
25          party transactions; and
- 26          (m) "Entity" means any taxpayer other than a natural person.
- 27          (2) An entity subject to the tax imposed by this chapter shall not be allowed to deduct

1 an intangible expense, an intangible interest expense, or a management fee directly  
2 or indirectly paid, accrued or incurred to, or in connection directly or indirectly  
3 with one (1) or more direct or indirect transactions with one (1) or more related  
4 members or with a foreign corporation as defined in subsection (1) of this section,  
5 or with an entity that would be included in the affiliated group based upon  
6 ownership interest if it were organized as a corporation.

7 (3) The disallowance of deductions provided by subsection (2) of this section shall not  
8 apply if:

9 (a) The entity and the recipient are both included in the same consolidated  
10 Kentucky corporation income tax return for the relevant taxable year; or

11 (b) The entity makes a disclosure, and establishes by a preponderance of the  
12 evidence that:

13 1. The payment made to the recipient was subject to, in its state or country  
14 of commercial domicile, a net income tax, or a franchise tax measured  
15 by, in whole or in part, net income. If the recipient is a foreign  
16 corporation, the foreign nation shall have in force a comprehensive  
17 income tax treaty with the United States; and

18 2. The recipient is engaged in substantial business activities separate and  
19 apart from the acquisition, use, licensing, management, ownership, sale,  
20 exchange, or any other disposition of intangible property, or in the  
21 financing of related members, as evidenced by the maintenance of  
22 permanent office space and full-time employees dedicated to the  
23 maintenance and protection of intangible property; and

24 3. The transaction giving rise to the intangible interest expense, intangible  
25 expense, or management fees between the entity and the recipient was  
26 made at a commercially reasonable rate and at terms comparable to an  
27 arm's-length transaction; or

- 1 (c) The entity makes a disclosure, and establishes by preponderance of the  
 2 evidence that the recipient regularly engages in transactions with one (1) or  
 3 more unrelated parties on terms identical to that of the subject transaction; or
- 4 (d) The entity and the Department of Revenue agree in writing to the application  
 5 or use of an alternative method of apportionment under KRS 141.120.
- 6 (4) An entity subject to the tax imposed by this chapter may deduct expenses or costs  
 7 associated with an other related party transaction only in an amount equal to the  
 8 amount which would have resulted if the other related party transaction had been  
 9 carried out at arm's length. In any dispute between the department and the entity  
 10 with respect to the amount which would have resulted if the transaction had been  
 11 carried out at arm's length, the entity shall bear the burden of establishing the  
 12 amount by a preponderance of the evidence.
- 13 (5) Nothing in this section shall be deemed to prohibit an entity from deducting a  
 14 related party cost in an amount permitted by this section, provided that the entity  
 15 has incurred related party costs equal to or greater than the amounts permitted by  
 16 this section.
- 17 (6) If it is determined by the department that the amount of a deduction claimed by an  
 18 entity with respect to a related party cost is greater than the amount permitted by  
 19 this section, the net income of the entity shall be adjusted to reflect the amount of  
 20 the related party cost permitted by this section.
- 21 (7) For tax periods ending before January 1, 2005, in the case of entities not required to  
 22 file a consolidated or combined return under subsection (1) of this section that  
 23 carried on transactions with stockholders or affiliated entities directly or indirectly,  
 24 the department shall adjust the net income of such entities to an amount that would  
 25 result if such transactions were carried on at arm's length.
- 26 ➔Section 14. KRS 141.206 is amended to read as follows:
- 27 (1) Every pass-through entity doing business in this state shall, on or before the

1 fifteenth day of the fourth month following the close of its annual accounting  
 2 period, file a copy of its federal tax return with the form prescribed and furnished  
 3 by the department.

4 (2) **(a)** Pass-through entities shall calculate~~[determine]~~ net income in the same  
 5 manner as in the case of an individual under KRS 141.019~~[141.010]~~ and the  
 6 adjustment required under Sections 703(a) and 1363(b) of the Internal  
 7 Revenue Code.

8 **(b)** Computation of net income under this section and the computation of the  
 9 partner's, member's, or shareholder's distributive share shall be computed as  
 10 nearly as practicable identical with those required for federal income tax  
 11 purposes except to the extent required by differences between this chapter and  
 12 the federal income tax law and regulations.

13 (3) Individuals, estates, trusts, or corporations doing business in this state as a partner,  
 14 member, or shareholder in a pass-through entity shall be liable for income tax only  
 15 in their individual, fiduciary, or corporate capacities, and no income tax shall be  
 16 assessed against the net income of any pass-through entity, except as required:

17 **(a)** For S corporations under~~[by]~~ KRS 141.040; and

18 **(b)** *For a partnership level audit under Section 57 of this Act.*

19 (4) (a) Every pass-through entity required to file a return under subsection (1) of this  
 20 section, except publicly traded partnerships as described in KRS  
 21 141.0401(6)(a)18. and (b)14., shall withhold Kentucky income tax on the  
 22 distributive share, whether distributed or undistributed, of each:

- 23 1. Nonresident individual partner, member, or shareholder; and
- 24 2. Corporate partner or member that is doing business in Kentucky only  
 25 through its ownership interest in a pass-through entity.

26 (b) Withholding shall be at the maximum rate provided in KRS 141.020 or  
 27 141.040.

- 1 (5) (a) Effective for taxable years beginning after December 31, 2018, every pass-  
2 through entity required to withhold Kentucky income tax as provided by  
3 subsection (4) of this section shall pay estimated tax for the taxable year if:
- 4 1. For a nonresident individual partner, member, or shareholder, the  
5 estimated tax liability can reasonably be expected to exceed five  
6 hundred dollars (\$500); or
  - 7 2. For a corporate partner or member that is doing business in Kentucky  
8 only through its ownership interest in a pass-through entity, the  
9 estimated tax liability can reasonably be expected to exceed five  
10 thousand dollars (\$5,000).
- 11 (b) The payment of estimated tax shall contain the information and shall be filed  
12 as provided in KRS 141.207.
- 13 (6) (a) If a pass-through entity demonstrates to the department that a partner,  
14 member, or shareholder has filed an appropriate tax return for the prior year  
15 with the department, then the pass-through entity shall not be required to  
16 withhold on that partner, member, or shareholder for the current year unless  
17 the exemption from withholding has been revoked pursuant to paragraph (b)  
18 of this subsection.
- 19 (b) 1. An exemption from withholding shall be considered revoked if the  
20 partner, member, or shareholder does not file and pay all taxes due in a  
21 timely manner.
- 22 2. An exemption so revoked shall be reinstated only with permission of the  
23 department.
- 24 3. If a partner, member, or shareholder who has been exempted from  
25 withholding does not file a return or pay the tax due, the department  
26 may require the pass-through entity to pay to the department the amount  
27 that should have been withheld, up to the amount of the partner's,

1 member's, or shareholder's ownership interest in the entity.

2 4. The pass-through entity shall be entitled to recover a payment made  
3 pursuant to this paragraph from the partner, member, or shareholder on  
4 whose behalf the payment was made.

5 (7) In determining the tax under this chapter, a resident individual, estate, or trust that  
6 is a partner, member, or shareholder in a pass-through entity shall take into account  
7 the partner's, member's, or shareholder's total distributive share of the pass-through  
8 entity's items of income, loss, deduction, and credit.

9 (8) In determining the tax under this chapter, a nonresident individual, estate, or trust  
10 that is a partner, member, or shareholder in a pass-through entity required to file a  
11 return under subsection (1) of this section shall take into account:

12 (a) 1. If the pass-through entity is doing business only in this state, the  
13 partner's, member's, or shareholder's total distributive share of the pass-  
14 through entity's items of income, loss, and deduction; or

15 2. If the pass-through entity is doing business both within and without this  
16 state, the partner's, member's, or shareholder's distributive share of the  
17 pass-through entity's items of income, loss, and deduction multiplied by  
18 the apportionment fraction of the pass-through entity as prescribed in  
19 subsection (11) of this section; and

20 (b) The partner's, member's, or shareholder's total distributive share of credits of  
21 the pass-through entity.

22 (9) A corporation that is subject to tax under KRS 141.040 and is a partner or member  
23 in a pass-through entity shall take into account the corporation's distributive share  
24 of the pass-through entity's items of income, loss, and deduction and:

25 (a) 1. For taxable years beginning on or after January 1, 2007, but prior to  
26 January 1, 2018, shall include the proportionate share of the sales,  
27 property, and payroll of the limited liability pass-through entity or

- 1                   general partnership in computing its own apportionment factor; and
- 2           2. For taxable years beginning on or after January 1, 2018, shall include
- 3                   the proportionate share of the sales of the limited liability pass-through
- 4                   entity or general partnership in computing its own apportionment factor;
- 5                   and
- 6           (b) Credits from the partnership.
- 7   (10) (a) If a pass-through entity is doing business both within and without this state,
- 8                   the pass-through entity shall compute and furnish to each partner, member, or
- 9                   shareholder the numerator and denominator of each factor of the
- 10                  apportionment fraction determined in accordance with subsection (11) of this
- 11                  section.
- 12           (b) For purposes of determining an apportionment fraction under paragraph (a) of
- 13                  this subsection, if the pass-through entity is:
- 14                  1. Doing business both within and without this state; and
- 15                  2. A partner or member in another pass-through entity;
- 16                  then the pass-through entity shall be deemed to own the pro rata share of the
- 17                  property owned or leased by the other pass-through entity, and shall also
- 18                  include its pro rata share of the other pass-through entity's payroll and sales.
- 19           (c) The phrases "a partner or member in another pass-through entity" and "doing
- 20                  business both within and without this state" shall extend to each level of
- 21                  multiple-tiered pass-through entities.
- 22           (d) The attribution to the pass-through entity of the pro rata share of property,
- 23                  payroll and sales from its role as a partner or member in another pass-through
- 24                  entity will also apply when determining the pass-through entity's ultimate
- 25                  apportionment factor for property, payroll and sales as required under
- 26                  subsection (11) of this section.
- 27   (11) (a) For taxable years beginning prior to January 1, 2018, a pass-through entity

1           doing business within and without the state shall compute an apportionment  
 2           fraction, the numerator of which is the property factor, representing twenty-  
 3           five percent (25%) of the fraction, plus the payroll factor, representing  
 4           twenty-five percent (25%) of the fraction, plus the sales factor, representing  
 5           fifty percent (50%) of the fraction, with each factor determined in the same  
 6           manner as provided in KRS 141.901, and the denominator of which is four  
 7           (4), reduced by the number of factors, if any, having no denominator,  
 8           provided that if the sales factor has no denominator, then the denominator  
 9           shall be reduced by two (2).

10           (b) For taxable years beginning on or after January 1, 2018, a pass-through entity  
 11           doing business within and without the state shall compute an apportionment  
 12           fraction as provided in KRS 141.120.

13           (12) Resident individuals, estates, or trusts that are partners in a partnership, members of  
 14           a limited liability company electing partnership tax treatment for federal income tax  
 15           purposes, owners of single member limited liability companies, or shareholders in  
 16           an S corporation which does not do business in this state are subject to tax under  
 17           KRS 141.020 on federal net income, gain, deduction, or loss passed through the  
 18           partnership, limited liability company, or S corporation.

19           (13) An S corporation election made in accordance with Section 1362 of the Internal  
 20           Revenue Code for federal tax purposes is a binding election for Kentucky tax  
 21           purposes.

22           (14) (a) Nonresident individuals shall not be taxable on investment income distributed  
 23           by a qualified investment partnership. For purposes of this subsection, a  
 24           "qualified investment partnership" means a pass-through entity that, during  
 25           the taxable year, holds only investments that produce income that would not  
 26           be taxable to a nonresident individual if held or owned individually.

27           (b) A qualified investment partnership shall be subject to all other provisions



1 relating to a pass-through entity under this section and shall not be subject to  
2 the tax imposed under KRS 141.040 or 141.0401.

- 3 (15) (a) 1. A pass-through entity may file a composite income tax return on behalf  
4 of electing nonresident individual partners, members, or shareholders.
- 5 2. The pass-through entity shall report and pay on the composite income  
6 tax return income tax at the highest marginal rate provided in this  
7 chapter on any portion of the partners', members', or shareholders' pro  
8 rata or distributive shares of income of the pass-through entity from  
9 doing business in this state or deriving income from sources within this  
10 state. Payments made pursuant to subsection (5) of this section shall be  
11 credited against any tax due.
- 12 3. The pass-through entity filing a composite return shall still make  
13 estimated tax payments if required to do so by subsection (5) of this  
14 section, and shall remain subject to any penalty under KRS 141.044 and  
15 141.305 for any underpayment of estimated tax determined under KRS  
16 141.044 or 141.305.
- 17 4. The partners', members', or shareholders' pro rata or distributive share of  
18 income shall include all items of income or deduction used to compute  
19 adjusted gross income on the Kentucky return that is passed through to  
20 the partner, member, or shareholder by the pass-through entity,  
21 including but not limited to interest, dividend, capital gains and losses,  
22 guaranteed payments, and rents.
- 23 (b) A nonresident individual partner, member, or shareholder whose only source  
24 of income within this state is distributive share income from one (1) or more  
25 pass-through entities may elect to be included in a composite return filed  
26 pursuant to this section.
- 27 (c) A nonresident individual partner, member, or shareholder that has been

1 included in a composite return may file an individual income tax return and  
 2 shall receive credit for tax paid on the partner's behalf by the pass-through  
 3 entity.

4 (d) A pass-through entity shall deliver to the department a return upon a form  
 5 prescribed by the department showing the total amounts paid or credited to its  
 6 electing nonresident individual partners, members, or shareholders, the  
 7 amount paid in accordance with this subsection, and any other information the  
 8 department may require. A pass-through entity shall furnish to its nonresident  
 9 partner, member, or shareholder annually, but not later than the fifteenth day  
 10 of the fourth month after the end of its taxable year, a record of the amount of  
 11 tax paid on behalf of the partner, member, or shareholder on a form prescribed  
 12 by the department.

13 ➔Section 15. KRS 141.383 is amended to read as follows:

14 (1) As used in this section:

- 15 (a) "Above-the-line production crew" means the same as defined in KRS  
 16 148.542;
- 17 (b) "Approved company" means the same as defined in KRS 148.542;
- 18 (c) "Below-the-line production crew" means the same as defined in KRS  
 19 148.542;
- 20 (d) "Cabinet" means the same as defined in KRS 148.542;
- 21 (e) "Office" means the same as defined in KRS 148.542;
- 22 (f) "Qualifying expenditure" means the same as defined in KRS 148.542;
- 23 (g) "Qualifying payroll expenditure" means the same as defined in KRS 148.542;
- 24 (h) "Secretary" means the same as defined in KRS 148.542; and
- 25 (i) "Tax incentive agreement" means the same as defined in KRS 148.542.

26 (2) (a) There is hereby created a tax credit against the tax imposed under KRS  
 27 141.020 or 141.040 and 141.0401, with the ordering of credits as provided in

1 KRS 141.0205.

2 (b) The incentive available under paragraph (a) of this section is:

- 3 1. A refundable credit for applications approved prior to April 27, 2018;  
 4 and  
 5 2. A nonrefundable and nontransferable credit for applications approved  
 6 on or after April 27, 2018.

7 (c) 1. Beginning on April 27, 2018, the total tax incentive approved under  
 8 KRS 148.544 shall be limited to one hundred million dollars  
 9 (\$100,000,000) for calendar year 2018 and each calendar year  
 10 thereafter.

- 11 2. On April 27, 2018, if applications have been approved during the 2018  
 12 calendar year which exceed the amount in subparagraph 1. of this  
 13 paragraph~~[(a) of this subsection]~~, the Kentucky Film Office shall  
 14 immediately cease in approving any further applications for tax  
 15 incentives.

16 (3) An approved company may receive a refundable tax credit on and after July 1,  
 17 2010, but only for applications approved prior to April 27, 2018, if:

18 (a) The cabinet has received notification from the office that the approved  
 19 company has satisfied all requirements of KRS 148.542 to 148.546; and

20 (b) The approved company has provided a detailed cost report and sufficient  
 21 documentation to the office, which has been forwarded by the office to the  
 22 cabinet, that:

- 23 1. The purchases of qualifying expenditures were made after the execution  
 24 of the tax incentive agreement; and  
 25 2. The approved company has withheld income tax as required by KRS  
 26 141.310 on all qualified payroll expenditures.

27 (4) Interest shall not be allowed or paid on any refundable credits provided under this

1 section.

2 (5) The cabinet shall promulgate administrative regulations in accordance with KRS  
3 Chapter 13A to administer this section.

4 (6) On or before September 1, 2010, and on or before each September 1 thereafter, for  
5 the immediately preceding fiscal year, the cabinet shall report to the office the  
6 names of the approved companies and the amounts of refundable income tax credit  
7 claimed.

8 ➔Section 16. KRS 141.900 is amended to read as follows:

9 The definitions in this section are the same as the definitions appearing in KRS 141.010  
10 prior to its repeal and reenactment in Section 53 of 2018 Ky. Acts chs. 171 and 207. For  
11 taxable years beginning prior to January 1, 2018, as used in this chapter, unless the  
12 context requires otherwise:

13 (1) "Commissioner" means the commissioner of the department;

14 (2) "Department" means the Department of Revenue;

15 (3) "Internal Revenue Code" means the Internal Revenue Code in effect on December  
16 31, 2015, exclusive of any amendments made subsequent to that date, other than  
17 amendments that extend provisions in effect on December 31, 2015, that would  
18 otherwise terminate, and as modified by KRS 141.0101;

19 (4) "Dependent" means those persons defined as dependents in the Internal Revenue  
20 Code;

21 (5) "Fiduciary" means "fiduciary" as defined in Section 7701(a)(6) of the Internal  
22 Revenue Code;

23 (6) "Fiscal year" means "fiscal year" as defined in Section 7701(a)(24) of the Internal  
24 Revenue Code;

25 (7) "Individual" means a natural person;

26 (8) "Modified gross income" means the greater of:

27 (a) Adjusted gross income as defined in Section 62 of the Internal Revenue Code

- 1 of 1986, including any subsequent amendments in effect on December 31 of  
 2 the taxable year, and adjusted as follows:
- 3 1. Include interest income derived from obligations of sister states and  
 4 political subdivisions thereof; and
  - 5 2. Include lump-sum pension distributions taxed under the special  
 6 transition rules of Pub. L. No. 104-188, sec. 1401(c)(2); or
- 7 (b) Adjusted gross income as defined in subsection (10) of this section and  
 8 adjusted to include lump-sum pension distributions taxed under the special  
 9 transition rules of Pub. L. No. 104-188, sec. 1401(c)(2);
- 10 (9) "Gross income," in the case of taxpayers other than corporations, means "gross  
 11 income" as defined in Section 61 of the Internal Revenue Code;
- 12 (10) "Adjusted gross income," in the case of taxpayers other than corporations, means  
 13 gross income as defined in subsection (9) of this section minus the deductions  
 14 allowed individuals by Section 62 of the Internal Revenue Code and as modified by  
 15 KRS 141.0101 and adjusted as follows, except that deductions shall be limited to  
 16 amounts allocable to income subject to taxation under the provisions of this  
 17 chapter, and except that nothing in this chapter shall be construed to permit the  
 18 same item to be deducted more than once:
- 19 (a) Exclude income that is exempt from state taxation by the Kentucky  
 20 Constitution and the Constitution and statutory laws of the United States and  
 21 Kentucky;
  - 22 (b) Exclude income from supplemental annuities provided by the Railroad  
 23 Retirement Act of 1937 as amended and which are subject to federal income  
 24 tax by Public Law 89-699;
  - 25 (c) Include interest income derived from obligations of sister states and political  
 26 subdivisions thereof;
  - 27 (d) Exclude employee pension contributions picked up as provided for in KRS

- 1           6.505, 16.545, 21.360, 61.523, 61.560, 65.155, 67A.320, 67A.510, 78.610,  
2           and 161.540 upon a ruling by the Internal Revenue Service or the federal  
3           courts that these contributions shall not be included as gross income until such  
4           time as the contributions are distributed or made available to the employee;
- 5           (e) Exclude Social Security and railroad retirement benefits subject to federal  
6           income tax;
- 7           (f) Include, for taxable years ending before January 1, 1991, all overpayments of  
8           federal income tax refunded or credited for taxable years;
- 9           (g) Deduct, for taxable years ending before January 1, 1991, federal income tax  
10          paid for taxable years ending before January 1, 1990;
- 11          (h) Exclude any money received because of a settlement or judgment in a lawsuit  
12          brought against a manufacturer or distributor of "Agent Orange" for damages  
13          resulting from exposure to Agent Orange by a member or veteran of the  
14          Armed Forces of the United States or any dependent of such person who  
15          served in Vietnam;
- 16          (i) 1. For taxable years ending prior to December 31, 2005, exclude the  
17          applicable amount of total distributions from pension plans, annuity  
18          contracts, profit-sharing plans, retirement plans, or employee savings  
19          plans. The "applicable amount" shall be:
- 20                a. Twenty-five percent (25%), but not more than six thousand two  
21                hundred fifty dollars (\$6,250), for taxable years beginning after  
22                December 31, 1994, and before January 1, 1996;
- 23                b. Fifty percent (50%), but not more than twelve thousand five  
24                hundred dollars (\$12,500), for taxable years beginning after  
25                December 31, 1995, and before January 1, 1997;
- 26                c. Seventy-five percent (75%), but not more than eighteen thousand  
27                seven hundred fifty dollars (\$18,750), for taxable years beginning

- 1 after December 31, 1996, and before January 1, 1998; and
- 2 d. One hundred percent (100%), but not more than thirty-five
- 3 thousand dollars (\$35,000), for taxable years beginning after
- 4 December 31, 1997.
- 5 2. For taxable years beginning after December 31, 2005, exclude up to
- 6 forty-one thousand one hundred ten dollars (\$41,110) of total
- 7 distributions from pension plans, annuity contracts, profit-sharing plans,
- 8 retirement plans, or employee savings plans.
- 9 3. As used in this paragraph:
- 10 a. "Distributions" includes but is not limited to any lump-sum
- 11 distribution from pension or profit-sharing plans qualifying for the
- 12 income tax averaging provisions of Section 402 of the Internal
- 13 Revenue Code; any distribution from an individual retirement
- 14 account as defined in Section 408 of the Internal Revenue Code;
- 15 and any disability pension distribution;
- 16 b. "Annuity contract" has the same meaning as set forth in Section
- 17 1035 of the Internal Revenue Code; and
- 18 c. "Pension plans, profit-sharing plans, retirement plans, or employee
- 19 savings plans" means any trust or other entity created or organized
- 20 under a written retirement plan and forming part of a stock bonus,
- 21 pension, or profit-sharing plan of a public or private employer for
- 22 the exclusive benefit of employees or their beneficiaries and
- 23 includes plans qualified or unqualified under Section 401 of the
- 24 Internal Revenue Code and individual retirement accounts as
- 25 defined in Section 408 of the Internal Revenue Code;
- 26 (j) 1. a. Exclude the portion of the distributive share of a shareholder's net
- 27 income from an S corporation subject to the franchise tax imposed

- 1                   under KRS 136.505 or the capital stock tax imposed under KRS  
2                   136.300; and
- 3                   b.   Exclude the portion of the distributive share of a shareholder's net  
4                   income from an S corporation related to a qualified subchapter S  
5                   subsidiary subject to the franchise tax imposed under KRS  
6                   136.505 or the capital stock tax imposed under KRS 136.300.
- 7                   2.   The shareholder's basis of stock held in a S corporation where the S  
8                   corporation or its qualified subchapter S subsidiary is subject to the  
9                   franchise tax imposed under KRS 136.505 or the capital stock tax  
10                  imposed under KRS 136.300 shall be the same as the basis for federal  
11                  income tax purposes;
- 12                  (k) Exclude, to the extent not already excluded from gross income, any amounts  
13                  paid for health insurance, or the value of any voucher or similar instrument  
14                  used to provide health insurance, which constitutes medical care coverage for  
15                  the taxpayer, the taxpayer's spouse, and dependents, or for any person  
16                  authorized to be provided excludable coverage by the taxpayer pursuant to the  
17                  federal Patient Protection and Affordable Care Act of 2010, Pub. L. No. 111-  
18                  148, or the Health Care and Education Reconciliation Act of 2010, Pub. L.  
19                  No. 111-152, during the taxable year. Any amounts paid by the taxpayer for  
20                  health insurance that are excluded pursuant to this paragraph shall not be  
21                  allowed as a deduction in computing the taxpayer's net income under  
22                  subsection (11) of this section;
- 23                  (l) Exclude income received for services performed as a precinct worker for  
24                  election training or for working at election booths in state, county, and local  
25                  primary, regular, or special elections;
- 26                  (m) Exclude any amount paid during the taxable year for insurance for long-term  
27                  care as defined in KRS 304.14-600;



- 1 (n) Exclude any capital gains income attributable to property taken by eminent  
2 domain;
- 3 (o) Exclude any amount received by a producer of tobacco or a tobacco quota  
4 owner from the multistate settlement with the tobacco industry, known as the  
5 Master Settlement Agreement, signed on November 22, 1998;
- 6 (p) Exclude any amount received from the secondary settlement fund, referred to  
7 as "Phase II," established by tobacco companies to compensate tobacco  
8 farmers and quota owners for anticipated financial losses caused by the  
9 national tobacco settlement;
- 10 (q) Exclude any amount received from funds of the Commodity Credit  
11 Corporation for the Tobacco Loss Assistance Program as a result of a  
12 reduction in the quantity of tobacco quota allotted;
- 13 (r) Exclude any amount received as a result of a tobacco quota buydown program  
14 that all quota owners and growers are eligible to participate in;
- 15 (s) Exclude state Phase II payments received by a producer of tobacco or a  
16 tobacco quota owner;
- 17 (t) Exclude all income from all sources for active duty and reserve members and  
18 officers of the Armed Forces of the United States or National Guard who are  
19 killed in the line of duty, for the year during which the death occurred and the  
20 year prior to the year during which the death occurred. For the purposes of  
21 this paragraph, "all income from all sources" shall include all federal and state  
22 death benefits payable to the estate or any beneficiaries; and
- 23 (u) For taxable years beginning on or after January 1, 2010, exclude all military  
24 pay received by active duty members of the Armed Forces of the United  
25 States, members of reserve components of the Armed Forces of the United  
26 States, and members of the National Guard, including compensation for state  
27 active duty as described in KRS 38.205;

- 1 (11) "Net income," in the case of taxpayers other than corporations, means adjusted  
 2 gross income as defined in subsection (10) of this section, minus:
- 3 (a) The deduction allowed by KRS 141.0202 as it existed prior to January 1,  
 4 2018;
- 5 (b) Any amount paid for vouchers or similar instruments that provide health  
 6 insurance coverage to employees or their families;
- 7 (c) For taxable years beginning on or after January 1, 2010, the amount of  
 8 domestic production activities deduction calculated at six percent (6%) as  
 9 allowed in Section 199(a)(2) of the Internal Revenue Code for taxable years  
 10 beginning before 2010; and
- 11 (d) 1. All the deductions allowed individuals by Chapter 1 of the Internal  
 12 Revenue Code as modified by KRS 141.0101 except:
- 13 a. Any deduction allowed by the Internal Revenue Code for state or  
 14 foreign taxes measured by gross or net income, including state and  
 15 local general sales taxes allowed in lieu of state and local income  
 16 taxes under the provisions of Section 164(b)(5) of the Internal  
 17 Revenue Code;
- 18 b. Any deduction allowed by the Internal Revenue Code for amounts  
 19 allowable under KRS 140.090(1)(h) in calculating the value of the  
 20 distributive shares of the estate of a decedent, unless there is filed  
 21 with the income return a statement that such deduction has not  
 22 been claimed under KRS 140.090(1)(h);
- 23 c. The deduction for personal exemptions allowed under Section 151  
 24 of the Internal Revenue Code and any other deductions in lieu  
 25 thereof;
- 26 d. For taxable years beginning on or after January 1, 2010, the  
 27 domestic production activities deduction allowed under Section

- 1                   199 of the Internal Revenue Code;
- 2                   e. Any deduction for amounts paid to any club, organization, or
- 3                   establishment which has been determined by the courts or an
- 4                   agency established by the General Assembly and charged with
- 5                   enforcing the civil rights laws of the Commonwealth, not to afford
- 6                   full and equal membership and full and equal enjoyment of its
- 7                   goods, services, facilities, privileges, advantages, or
- 8                   accommodations to any person because of race, color, religion,
- 9                   national origin, or sex, except nothing shall be construed to deny a
- 10                  deduction for amounts paid to any religious or denominational
- 11                  club, group, or establishment or any organization operated solely
- 12                  for charitable or educational purposes which restricts membership
- 13                  to persons of the same religion or denomination in order to
- 14                  promote the religious principles for which it is established and
- 15                  maintained;
- 16                  f. Any deduction directly or indirectly allocable to income which is
- 17                  either exempt from taxation or otherwise not taxed under this
- 18                  chapter;
- 19                  g. The itemized deduction limitation established in 26 U.S.C. sec. 68
- 20                  shall be determined using the applicable amount from 26 U.S.C.
- 21                  sec. 68 as it existed on December 31, 2006; and
- 22                  h. A taxpayer may elect to claim the standard deduction allowed by
- 23                  KRS 141.081 instead of itemized deductions allowed pursuant to
- 24                  26 U.S.C. sec. 63 and as modified by this section; and
- 25                  2. Nothing in this chapter shall be construed to permit the same item to be
- 26                  deducted more than once;
- 27                  (12) "Gross income," in the case of corporations, means "gross income" as defined in

1 Section 61 of the Internal Revenue Code and as modified by KRS 141.0101 and  
2 adjusted as follows:

3 (a) Exclude income that is exempt from state taxation by the Kentucky  
4 Constitution and the Constitution and statutory laws of the United States;

5 (b) Exclude all dividend income received after December 31, 1969;

6 (c) Include interest income derived from obligations of sister states and political  
7 subdivisions thereof;

8 (d) Exclude fifty percent (50%) of gross income derived from any disposal of  
9 coal covered by Section 631(c) of the Internal Revenue Code if the  
10 corporation does not claim any deduction for percentage depletion, or for  
11 expenditures attributable to the making and administering of the contract  
12 under which such disposition occurs or to the preservation of the economic  
13 interests retained under such contract;

14 (e) ~~Include in the gross income of lessors income tax payments made by lessees~~  
15 ~~to lessors, under the provisions of Section 110 of the Internal Revenue Code,~~  
16 ~~and exclude such payments from the gross income of lessees;~~

17 (f) Include the amount calculated under KRS 141.205;

18 (g) Ignore the provisions of Section 281 of the Internal Revenue Code in  
19 computing gross income;

20 (h) Exclude income from "safe harbor leases" (Section 168(f)(8) of the  
21 Internal Revenue Code);

22 (i) Exclude any amount received by a producer of tobacco or a tobacco  
23 quota owner from the multistate settlement with the tobacco industry, known  
24 as the Master Settlement Agreement, signed on November 22, 1998;

25 (j) Exclude any amount received from the secondary settlement fund,  
26 referred to as "Phase II," established by tobacco companies to compensate  
27 tobacco farmers and quota owners for anticipated financial losses caused by

1 the national tobacco settlement;

2 ~~(j)~~~~(k)~~ Exclude any amount received from funds of the Commodity Credit  
3 Corporation for the Tobacco Loss Assistance Program as a result of a  
4 reduction in the quantity of tobacco quota allotted;

5 ~~(k)~~~~(l)~~ Exclude any amount received as a result of a tobacco quota buydown  
6 program that all quota owners and growers are eligible to participate in;

7 ~~(l)~~~~(m)~~ For taxable years beginning after December 31, 2004, and before  
8 January 1, 2007, exclude the distributive share income or loss received from a  
9 corporation defined in subsection (24)(b) of this section whose income has  
10 been subject to the tax imposed by KRS 141.040. The exclusion provided in  
11 this paragraph shall also apply to a taxable year that begins prior to January 1,  
12 2005, if the tax imposed by KRS 141.040 is paid on the distributive share  
13 income by a corporation defined in subparagraphs 2. to 8. of subsection  
14 (24)(b) of this section with a return filed for a period of less than twelve (12)  
15 months that begins on or after January 1, 2005, and ends on or before  
16 December 31, 2005. This paragraph shall not be used to delay payment of the  
17 tax imposed by KRS 141.040; and

18 ~~(m)~~~~(n)~~ Exclude state Phase II payments received by a producer of tobacco or a  
19 tobacco quota owner;

20 (13) "Net income," in the case of corporations, means "gross income" as defined in  
21 subsection (12) of this section minus:

22 (a) The deduction allowed by KRS 141.0202 as it existed prior to January 1,  
23 2018;

24 (b) Any amount paid for vouchers or similar instruments that provide health  
25 insurance coverage to employees or their families;

26 (c) For taxable years beginning on or after January 1, 2010, the amount of  
27 domestic production activities deduction calculated at six percent (6%) as

1           allowed in Section 199(a)(2) of the Internal Revenue Code for taxable years  
2           beginning before 2010; and

3           (d) All the deductions from gross income allowed corporations by Chapter 1 of  
4           the Internal Revenue Code and as modified by KRS 141.0101, except:

- 5           1. Any deduction for a state tax which is computed, in whole or in part, by  
6           reference to gross or net income and which is paid or accrued to any  
7           state of the United States, the District of Columbia, the Commonwealth  
8           of Puerto Rico, any territory or possession of the United States, or to  
9           any foreign country or political subdivision thereof;
- 10          2. The deductions contained in Sections 243,~~244,~~ 245, and 247 of the  
11          Internal Revenue Code;
- 12          3. The provisions of Section 281 of the Internal Revenue Code shall be  
13          ignored in computing net income;
- 14          4. Any deduction directly or indirectly allocable to income which is either  
15          exempt from taxation or otherwise not taxed under the provisions of this  
16          chapter, and nothing in this chapter shall be construed to permit the  
17          same item to be deducted more than once;
- 18          5. Exclude expenses related to "safe harbor leases" (Section 168(f)(8) of  
19          the Internal Revenue Code);
- 20          6. Any deduction for amounts paid to any club, organization, or  
21          establishment which has been determined by the courts or an agency  
22          established by the General Assembly and charged with enforcing the  
23          civil rights laws of the Commonwealth, not to afford full and equal  
24          membership and full and equal enjoyment of its goods, services,  
25          facilities, privileges, advantages, or accommodations to any person  
26          because of race, color, religion, national origin, or sex, except nothing  
27          shall be construed to deny a deduction for amounts paid to any religious

- 1 or denominational club, group, or establishment or any organization  
 2 operated solely for charitable or educational purposes which restricts  
 3 membership to persons of the same religion or denomination in order to  
 4 promote the religious principles for which it is established and  
 5 maintained;
- 6 7. Any deduction prohibited by KRS 141.205;
- 7 8. Any dividends-paid deduction of any captive real estate investment  
 8 trust; and
- 9 9. For taxable years beginning on or after January 1, 2010, the domestic  
 10 production activities deduction allowed under Section 199 of the  
 11 Internal Revenue Code;
- 12 (14) (a) "Taxable net income," in the case of corporations that are taxable in this state,  
 13 means "net income" as defined in subsection (13) of this section;
- 14 (b) "Taxable net income," in the case of corporations that are taxable in this state  
 15 and taxable in another state, means "net income" as defined in subsection (13)  
 16 of this section and as allocated and apportioned under KRS 141.901. A  
 17 corporation is taxable in another state if, in any state other than Kentucky, the  
 18 corporation is required to file a return for or pay a net income tax, franchise  
 19 tax measured by net income, franchise tax for the privilege of doing business,  
 20 or corporate stock tax;
- 21 (c) "Taxable net income," in the case of homeowners' associations as defined in  
 22 Section 528(c) of the Internal Revenue Code, means "taxable income" as  
 23 defined in Section 528(d) of the Internal Revenue Code. Notwithstanding the  
 24 provisions of subsection (3) of this section, the Internal Revenue Code  
 25 sections referred to in this paragraph shall be those code sections in effect for  
 26 the applicable tax year; and
- 27 (d) "Taxable net income," in the case of a corporation that meets the requirements

- 1 established under Section 856 of the Internal Revenue Code to be a real estate  
 2 investment trust, means "real estate investment trust taxable income" as  
 3 defined in Section 857(b)(2) of the Internal Revenue Code, except that a  
 4 captive real estate investment trust shall not be allowed any deduction for  
 5 dividends paid;
- 6 (15) "Person" means "person" as defined in Section 7701(a)(1) of the Internal Revenue  
 7 Code;
- 8 (16) "Taxable year" means the calendar year or fiscal year ending during such calendar  
 9 year, upon the basis of which net income is computed, and in the case of a return  
 10 made for a fractional part of a year under the provisions of this chapter or under  
 11 regulations prescribed by the commissioner, "taxable year" means the period for  
 12 which the return is made;
- 13 (17) "Resident" means an individual domiciled within this state or an individual who is  
 14 not domiciled in this state, but maintains a place of abode in this state and spends in  
 15 the aggregate more than one hundred eighty-three (183) days of the taxable year in  
 16 this state;
- 17 (18) "Nonresident" means any individual not a resident of this state;
- 18 (19) "Employer" means "employer" as defined in Section 3401(d) of the Internal  
 19 Revenue Code;
- 20 (20) "Employee" means "employee" as defined in Section 3401(c) of the Internal  
 21 Revenue Code;
- 22 (21) "Number of withholding exemptions claimed" means the number of withholding  
 23 exemptions claimed in a withholding exemption certificate in effect under KRS  
 24 141.325, except that if no such certificate is in effect, the number of withholding  
 25 exemptions claimed shall be considered to be zero (0);
- 26 (22) "Wages" means "wages" as defined in Section 3401(a) of the Internal Revenue  
 27 Code and includes other income subject to withholding as provided in Section



- 1           3401(f) and Section 3402(k), (o), (p), (q), and (s) of the Internal Revenue Code;
- 2   (23) "Payroll period" means "payroll period" as defined in Section 3401(b) of the
- 3           Internal Revenue Code;
- 4   (24) (a) For taxable years beginning before January 1, 2005, and after December 31,
- 5           2006, "corporation" means "corporation" as defined in Section 7701(a)(3) of
- 6           the Internal Revenue Code; and
- 7           (b) For taxable years beginning after December 31, 2004, and before January 1,
- 8           2007, "corporations" means:
- 9           1. "Corporations" as defined in Section 7701(a)(3) of the Internal Revenue
- 10           Code;
- 11           2. S corporations as defined in Section 1361(a) of the Internal Revenue
- 12           Code;
- 13           3. A foreign limited liability company as defined in KRS 275.015;
- 14           4. A limited liability company as defined in KRS 275.015;
- 15           5. A professional limited liability company as defined in KRS 275.015;
- 16           6. A foreign limited partnership as defined in KRS 362.2-102(9);
- 17           7. A limited partnership as defined in KRS 362.2-102(14);
- 18           8. A limited liability partnership as defined in KRS 362.155(7) or in 362.1-
- 19           101(7) or (8);
- 20           9. A real estate investment trust as defined in Section 856 of the Internal
- 21           Revenue Code;
- 22           10. A regulated investment company as defined in Section 851 of the
- 23           Internal Revenue Code;
- 24           11. A real estate mortgage investment conduit as defined in Section 860D of
- 25           the Internal Revenue Code;
- 26           12. A financial asset securitization investment trust as defined in Section
- 27           860L of the Internal Revenue Code; and

1           13. Other similar entities created with limited liability for their partners,  
2           members, or shareholders.

3           For purposes of this paragraph, "corporation" shall not include any publicly  
4           traded partnership as defined by Section 7704(b) of the Internal Revenue  
5           Code that is treated as a partnership for federal tax purposes under Section  
6           7704(c) of the Internal Revenue Code or its publicly traded partnership  
7           affiliates. As used in this paragraph, "publicly traded partnership affiliates"  
8           shall include any limited liability company or limited partnership for which at  
9           least eighty percent (80%) of the limited liability company member interests  
10          or limited partner interests are owned directly or indirectly by the publicly  
11          traded partnership;

12       (25) "Doing business in this state" includes but is not limited to:

- 13           (a) Being organized under the laws of this state;
- 14           (b) Having a commercial domicile in this state;
- 15           (c) Owning or leasing property in this state;
- 16           (d) Having one (1) or more individuals performing services in this state;
- 17           (e) Maintaining an interest in a pass-through entity doing business in this state;
- 18           (f) Deriving income from or attributable to sources within this state, including  
19           deriving income directly or indirectly from a trust doing business in this state,  
20           or deriving income directly or indirectly from a single-member limited  
21           liability company that is doing business in this state and is disregarded as an  
22           entity separate from its single member for federal income tax purposes; or
- 23           (g) Directing activities at Kentucky customers for the purpose of selling them  
24           goods or services.

25          Nothing in this subsection shall be interpreted in a manner that goes beyond the  
26          limitations imposed and protections provided by the United States Constitution or  
27          Pub. L. No. 86-272;

- 1 (26) "Pass-through entity" means any partnership, S corporation, limited liability  
 2 company, limited liability partnership, limited partnership, or similar entity  
 3 recognized by the laws of this state that is not taxed for federal purposes at the  
 4 entity level, but instead passes to each partner, member, shareholder, or owner their  
 5 proportionate share of income, deductions, gains, losses, credits, and any other  
 6 similar attributes;
- 7 (27) "S corporation" means "S corporation" as defined in Section 1361(a) of the Internal  
 8 Revenue Code;
- 9 (28) "Limited liability pass-through entity" means any pass-through entity that affords  
 10 any of its partners, members, shareholders, or owners, through function of the laws  
 11 of this state or laws recognized by this state, protection from general liability for  
 12 actions of the entity; and
- 13 (29) "Captive real estate investment trust" means a real estate investment trust as defined  
 14 in Section 856 of the Internal Revenue Code that meets the following requirements:
- 15 (a) 1. The shares or other ownership interests of the real estate investment  
 16 trust are not regularly traded on an established securities market; or  
 17 2. The real estate investment trust does not have enough shareholders or  
 18 owners to be required to register with the Securities and Exchange  
 19 Commission; and
- 20 (b) 1. The maximum amount of stock or other ownership interest that is owned  
 21 or constructively owned by a corporation equals or exceeds:
- 22 a. Twenty-five percent (25%), if the corporation does not occupy  
 23 property owned, constructively owned, or controlled by the real  
 24 estate investment trust; or
- 25 b. Ten percent (10%), if the corporation occupies property owned,  
 26 constructively owned, or controlled by the real estate investment  
 27 trust.

1           The total ownership interest of a corporation shall be determined by  
 2           aggregating all interests owned or constructively owned by a  
 3           corporation;

4           2. For the purposes of this paragraph:

5           a. "Corporation" means a corporation taxable under KRS 141.040,  
 6           and includes an affiliated group as defined in KRS 141.200, that is  
 7           required to file a consolidated return pursuant to the provisions of  
 8           KRS 141.200; and

9           b. "Owned or constructively owned" means owning shares or having  
 10          an ownership interest in the real estate investment trust, or owning  
 11          an interest in an entity that owns shares or has an ownership  
 12          interest in the real estate investment trust. Constructive ownership  
 13          shall be determined by looking across multiple layers of a  
 14          multilayer pass-through structure; and

15          (c) The real estate investment trust is not owned by another real estate investment  
 16          trust.

17          ➔Section 17. KRS 141.985 is amended to read as follows:

18          (1) Except for the addition to tax required when an underpayment of estimated tax  
 19          occurs under KRS 141.044 and 141.305, any tax imposed by this chapter, whether  
 20          assessed by the department, or the taxpayer, or any installment or portion of the tax  
 21          is not paid on or before the date prescribed for its payment, there shall be collected,  
 22          as a part of the tax, interest upon the unpaid amount at the tax interest rate as  
 23          defined in KRS 131.010(6) from the date prescribed for its payment until payment  
 24          is actually made to the department.

25          (2) Interest shall be assessed, collected, and paid in the same manner as if it were a  
 26          deficiency.

27          **(3) For purposes of this section, any addition to tax provided in Section 9 of this Act**

1 and KRS 141.305 shall be considered a penalty.

2 → Section 18. KRS 154.60-040 is amended to read as follows:

3 (1) As used in this section:

4 (a) 1. "Agricultural assets" means:

5 a. Agricultural land which has been appraised by an individual  
6 certified by the Real Estate Appraisers Board created under KRS  
7 324A.015; and

8 b. Buildings, facilities, machinery, equipment, agricultural  
9 products, or horticultural products, if:

10 i. Owned by the same selling farmer owning the agricultural  
11 land sold to a beginning farmer;

12 ii. Purchased at the same time and in the same transaction  
13 with the agricultural land; and

14 iii. Purchased with the intent to be used on the purchased  
15 agricultural land.

16 2. "Agricultural assets" does not mean:

17 a. A personal residence or any other residential structures; and

18 b. Any agricultural assets that have been previously included in an  
19 approved application for the Kentucky selling farmer tax credit;

20 (b) "Agricultural land" means:

21 1. Any land located entirely in Kentucky that is zoned or permitted for  
22 farming, if the jurisdiction where the land is located has enacted an  
23 ordinance for zoning or permitting; and

24 2. a. Is a tract of land of at least ten (10) contiguous acres in area for  
25 a farming operation for agricultural products; or

26 b. Is a tract of land of at least five (5) contiguous acres in area for  
27 a farming operation for aquaculture or horticultural products;

1 owned by the selling farmer prior to the sale;

2 (c) "Agricultural products" means:

3 1. Livestock or livestock products;

4 2. Poultry or poultry products;

5 3. Milk or milk products; or

6 4. Field crops and other crops, including timber if approved by the  
7 authority;

8 (d) "Aquaculture" means the farming of fish, crustaceans, mollusks, aquatic  
9 plants, algae, or other similar organisms;

10 (e) "Farm product" means aquaculture, agricultural products, or horticultural  
11 products;

12 (f) 1. "Farming operation" means the management and operation of  
13 agricultural assets for the purpose of pursuing a profitable  
14 commercial business venture to produce agricultural products,  
15 horticultural products, or both for sale.

16 2. "Farming operation" does not mean any:

17 a. Hobby farm, as determined by the Internal Revenue Service;

18 b. Nonprofit venture;

19 c. Farm used primarily for storing agricultural products or  
20 horticultural products; or

21 d. Farm used to grow or raise agricultural products or  
22 horticultural products primarily for use by the immediate family  
23 members or owners of the agricultural assets;

24 (g) "Horticultural products" means orchards, fruits, vegetables, nuts, flowers,  
25 or ornamental plants; and

26 (h) "Immediate family member" means any of the following in relation to any  
27 owner or spouse of the owner of the agricultural assets:

- 1           1. Parent or grandparent;
- 2           2. Children or their spouses; or
- 3           3. Siblings or their spouses.

4 (2) Any incentive offered to an eligible company under the selling farmer tax credit  
 5 program shall be negotiated by Cabinet for Economic Development officials and  
 6 shall be subject to approval by the authority.

7 (3) The purpose of the selling farmer tax credit program is to promote the continued  
 8 use of agricultural land in Kentucky for farming purposes by granting a tax  
 9 credit to a selling farmer who agrees to sell agricultural assets to a beginning  
 10 farmer.

11 (4) Selling farmers wanting to sell agricultural assets may be eligible for a tax credit  
 12 up to five percent (5%) of the selling price of qualifying agricultural assets,  
 13 subject to:

14 (a) A twenty-five thousand dollar (\$25,000) cap for each taxable year of the  
 15 selling farmer;

16 (b) A one hundred thousand dollar (\$100,000) lifetime cap for each selling  
 17 farmer; and

18 (c) A proration by the authority based on the overall cap shared between the  
 19 small business tax credit program and the selling farmer tax credit program  
 20 cap of three million dollars (\$3,000,000) under KRS 154.60-020.

21 (5) The tax credit allowed in subsection (4) of this section may be claimed under  
 22 Section 19 of this Act.

23 (6) In order to be eligible to receive approval for a tax credit, a selling farmer shall  
 24 have], at a minimum:

- 25           (a) 1. a. Be registered with the Kentucky Secretary of State; and
- 26                       b. Be in good standing with the Kentucky Secretary of State; or
- 27           2. If not required to be registered with the Kentucky Secretary of State,

1 be a resident of Kentucky;

2 (b) Prior to a sale of agricultural assets, be a small business with fifty (50) or  
3 fewer full-time employees and be the sole legal owner of agricultural assets  
4 sold to a beginning farmer;

5 (c) Not be a farm equipment dealer, livestock dealer, or similar entity primarily  
6 engaged in the business of selling agricultural assets for profit and not  
7 engaged in farming as a primary business activity;

8 (d) Not be a bank or any other similar lending or financial institution;

9 (e) Not be:

10 1. An owner, partner, member, shareholder, or trustee;

11 2. A spouse of an owner, partner, member, shareholder, or trustee;

12 3. An immediate family member of any of the owners, partners,  
13 members, shareholders, or trustees;

14 of the beginning farmer to whom the selling farmer is seeking to sell  
15 agricultural assets;

16 (f) 1. Demonstrate~~[Demonstrated the active use,]~~ management~~[,]~~ and  
17 operation of real and personal property for the production of a farm  
18 product;

19 2. Execute~~[Executed]~~ and effectuate~~[effectuated]~~ a purchase contract to  
20 sell agricultural land with a beginning farmer for an amount evidenced  
21 by an appraisal; and

22 (g)~~[(b)]~~ Sell, convey, and transfer~~[Sold, conveyed, and transferred]~~ ownership  
23 of related agricultural~~[land and]~~ assets to a beginning farmer.

24 (7) In order for the selling farmer to qualify for the tax credit, a beginning farmer  
25 shall, at a minimum:

26 (a) 1. a. Be registered with the Kentucky Secretary of State; and

27 b. Be in good standing with the Kentucky Secretary of State; or



- 1                    2. If not required to be registered with the Kentucky Secretary of State,  
 2                    be a resident of Kentucky;
- 3                    (b) Possess all licenses, registrations, and experience needed to legally operate  
 4                    a farming operation within the jurisdiction for the agricultural land  
 5                    purchased from a selling farmer;
- 6                    (c) Not previously have held an ownership interest in agricultural land used for  
 7                    a farming operation for a period exceeding ten (10) years prior to entering  
 8                    into an agreement to purchase agricultural assets from a selling farmer;
- 9                    (d) Not have an ownership interest in any of the agricultural assets included in  
 10                    the transaction with the selling farmer; and
- 11                    (e) Provide a majority of the management, and materially participate in the  
 12                    operation of a for-profit farming operation located in Kentucky and  
 13                    purchased from a selling farmer, with the intent to continue a for-profit  
 14                    farming operation on the purchased agricultural land for a minimum of  
 15                    five (5) years after the sale date.

16 ~~(8)~~~~(2)~~ The selling farmer shall submit an application after consummation of the sale,  
 17 transfer of title, and conveyance of agricultural~~[a farm and farming]~~ assets together  
 18 with all information necessary for the authority to determine eligibility for the tax  
 19 credit.

20 ~~(9)~~~~(3)~~ An application for the selling farmer ~~[farmer small business]~~ tax credit shall  
 21 contain, at a minimum, information about the:

- 22                    (a) Selling farmer and purchasing beginning farmer eligibility;  
 23                    (b) Purchase contract and closing statement;  
 24                    (c) Documentation, such as a deed, title conveyance for the transfer of assets,  
 25                    including verification of Kentucky residency; and  
 26                    (d) Any other information the authority may require to determine eligibility for  
 27                    the credit.

1 **(10) For each approved application, the authority shall transmit to the Department of**  
 2 **Revenue sufficient information about the selling farmer to ensure compliance**  
 3 **with this section and Section 19 of this Act, including the amount of approved tax**  
 4 **credit allowed to the selling farmer.**

5 ~~(11)[(4) (a) The maximum amount of the farmer small business tax credit for an~~  
 6 ~~approved selling farmer in each calendar year shall not exceed twenty-five~~  
 7 ~~thousand dollars (\$25,000) and shall be prorated based on factors determined~~  
 8 ~~by the authority.~~

9 ~~(b) The maximum amount of credit an individual may claim over a lifetime shall~~  
 10 ~~not exceed one hundred thousand dollars (\$100,000).~~

11 ~~(c) The credit shall be claimed on the tax return for the year during which the~~  
 12 ~~credit was approved. Unused credits may be carried forward for up to five (5)~~  
 13 ~~years.~~

14 ~~(5) Beginning January 1, 2020, the authority may approve selling farmer [farmer small~~  
 15 ~~business] tax credits[ for selling farmers].~~

16 ➔SECTION 19. A NEW SECTION OF KRS CHAPTER 141 IS CREATED TO  
 17 READ AS FOLLOWS:

18 **(1) The selling farmers tax credit permitted by Section 18 of this Act:**

19 **(a) Shall be nonrefundable and nontransferable; and**

20 **(b) May be claimed against the taxes imposed in KRS 141.020 or 141.040 and**  
 21 **141.0401, with the ordering of the credit as provided in Section 20 of this**  
 22 **Act.**

23 **(2) (a) The maximum amount of credit that may be claimed by a selling farmer in**  
 24 **each taxable year is limited to:**

25 **1. No more than the total amount of credit approved by the Kentucky**  
 26 **Economic Development Finance Authority;**

27 **2. Twenty-five thousand dollars (\$25,000) in any taxable year; and**

1           3. No more than one hundred thousand dollars (\$100,000) total tax  
 2           credit over the lifetime of the selling farmer.

3           (b) The credit shall be first claimed on the tax return for the taxable year  
 4           during which the credit was approved.

5           (c) Any unused credit in a taxable year may be carried forward for up to five  
 6           (5) taxable years and, if not utilized within the five (5) year period, shall be  
 7           lost.

8           (3) In order for the General Assembly to evaluate the fulfillment of the purpose  
 9           stated in Section 18 of this Act, the department shall provide the following  
 10           information, on a cumulative basis, for each selling farmer, for each taxable  
 11           year:

12           (a) The location, by county, of the agricultural assets sold to a beginning  
 13           farmer and approved for a tax credit under Section 18 of this Act;

14           (b) The total amount of tax credit approved by the Kentucky Economic  
 15           Development Finance Authority for each selling farmer;

16           (c) The amount of tax credit claimed for each selling farmer in each taxable  
 17           year; and

18           (d) 1. In the case of all taxpayers other than corporations, based on ranges  
 19           of adjusted gross income of no larger than five thousand dollars  
 20           (\$5,000) for the taxable year, the total amount of tax credits claimed  
 21           and the number of returns claiming a tax credit for each adjusted  
 22           gross income range; and

23           2. In the case of all corporations, based on ranges of net income no  
 24           larger than fifty thousand dollars (\$50,000) for the taxable year, the  
 25           total amount of tax credit claimed and the number of returns claiming  
 26           a tax credit for each net income range.

27           (4) The report required by subsection (3) of this section shall be submitted to the

1 **Interim Joint Committee on Appropriations and Revenue beginning no later than**  
 2 **November 1, 2021, and no later than each November 1 thereafter, as long as the**  
 3 **credit is claimed on any return processed by the department.**

4 ➔Section 20. KRS 141.0205 is amended to read as follows:

5 If a taxpayer is entitled to more than one (1) of the tax credits allowed against the tax  
 6 imposed by KRS 141.020, 141.040, and 141.0401, the priority of application and use of  
 7 the credits shall be determined as follows:

8 (1) The nonrefundable business incentive credits against the tax imposed by KRS  
 9 141.020 shall be taken in the following order:

- 10 (a) The limited liability entity tax credit permitted by KRS 141.0401;
- 11 (b) The economic development credits computed under KRS 141.347, 141.381,  
 12 141.384, **Section 19 of this Act**, 141.400, 141.401, 141.403, 141.407,  
 13 141.415, 154.12-207, and 154.12-2088;
- 14 (c) The qualified farming operation credit permitted by KRS 141.412;
- 15 (d) The certified rehabilitation credit permitted by KRS 171.397(1)(a);
- 16 (e) The health insurance credit permitted by KRS 141.062;
- 17 (f) The tax paid to other states credit permitted by KRS 141.070;
- 18 (g) The credit for hiring the unemployed permitted by KRS 141.065;
- 19 (h) The recycling or composting equipment credit permitted by KRS 141.390;
- 20 (i) The tax credit for cash contributions in investment funds permitted by KRS  
 21 154.20-263 in effect prior to July 15, 2002, and the credit permitted by KRS  
 22 154.20-258;
- 23 (j) The research facilities credit permitted by KRS 141.395;
- 24 (k) The employer High School Equivalency Diploma program incentive credit  
 25 permitted under KRS 151B.402;
- 26 (l) The voluntary environmental remediation credit permitted by KRS 141.418;
- 27 (m) The biodiesel and renewable diesel credit permitted by KRS 141.423;

- 1 (n) The clean coal incentive credit permitted by KRS 141.428;
- 2 (o) The ethanol credit permitted by KRS 141.4242;
- 3 (p) The cellulosic ethanol credit permitted by KRS 141.4244;
- 4 (q) The energy efficiency credits permitted by KRS 141.436;
- 5 (r) The railroad maintenance and improvement credit permitted by KRS 141.385;
- 6 (s) The Endow Kentucky credit permitted by KRS 141.438;
- 7 (t) The New Markets Development Program credit permitted by KRS 141.434;
- 8 (u) The distilled spirits credit permitted by KRS 141.389;
- 9 (v) The angel investor credit permitted by KRS 141.396;
- 10 (w) The film industry credit permitted by KRS 141.383 for applications approved
- 11 on or after April 27, 2018;~~and~~
- 12 (x) The inventory credit permitted by KRS 141.408; ***and***
- 13 ***(y) The renewable chemical production credit permitted by Section 25 of this***
- 14 ***Act.***
- 15 (2) After the application of the nonrefundable credits in subsection (1) of this section,
- 16 the nonrefundable personal tax credits against the tax imposed by KRS 141.020
- 17 shall be taken in the following order:
- 18 (a) The individual credits permitted by KRS 141.020(3);
- 19 (b) The credit permitted by KRS 141.066;
- 20 (c) The tuition credit permitted by KRS 141.069;
- 21 (d) The household and dependent care credit permitted by KRS 141.067; and
- 22 (e) The income gap credit permitted by KRS 141.066.
- 23 (3) After the application of the nonrefundable credits provided for in subsection (2) of
- 24 this section, the refundable credits against the tax imposed by KRS 141.020 shall be
- 25 taken in the following order:
- 26 (a) The individual withholding tax credit permitted by KRS 141.350;
- 27 (b) The individual estimated tax payment credit permitted by KRS 141.305;

- 1 (c) The certified rehabilitation credit permitted by KRS 171.3961 and  
2 171.397(1)(b); and
- 3 (d) The film industry tax credit permitted by KRS 141.383 for applications  
4 approved prior to April 27, 2018.
- 5 (4) The nonrefundable credit permitted by KRS 141.0401 shall be applied against the  
6 tax imposed by KRS 141.040.
- 7 (5) The following nonrefundable credits shall be applied against the sum of the tax  
8 imposed by KRS 141.040 after subtracting the credit provided for in subsection (4)  
9 of this section, and the tax imposed by KRS 141.0401 in the following order:
- 10 (a) The economic development credits computed under KRS 141.347, 141.381,  
11 141.384, Section 19 of this Act, 141.400, 141.401, 141.403, 141.407,  
12 141.415, 154.12-207, and 154.12-2088;
- 13 (b) The qualified farming operation credit permitted by KRS 141.412;
- 14 (c) The certified rehabilitation credit permitted by KRS 171.397(1)(a);
- 15 (d) The health insurance credit permitted by KRS 141.062;
- 16 (e) The unemployment credit permitted by KRS 141.065;
- 17 (f) The recycling or composting equipment credit permitted by KRS 141.390;
- 18 (g) The coal conversion credit permitted by KRS 141.041;
- 19 (h) The enterprise zone credit permitted by KRS 154.45-090, for taxable periods  
20 ending prior to January 1, 2008;
- 21 (i) The tax credit for cash contributions to investment funds permitted by KRS  
22 154.20-263 in effect prior to July 15, 2002, and the credit permitted by KRS  
23 154.20-258;
- 24 (j) The research facilities credit permitted by KRS 141.395;
- 25 (k) The employer High School Equivalency Diploma program incentive credit  
26 permitted by KRS 151B.402;
- 27 (l) The voluntary environmental remediation credit permitted by KRS 141.418;

- 1 (m) The biodiesel and renewable diesel credit permitted by KRS 141.423;
- 2 (n) The clean coal incentive credit permitted by KRS 141.428;
- 3 (o) The ethanol credit permitted by KRS 141.4242;
- 4 (p) The cellulosic ethanol credit permitted by KRS 141.4244;
- 5 (q) The energy efficiency credits permitted by KRS 141.436;
- 6 (r) The ENERGY STAR home or ENERGY STAR manufactured home credit
- 7 permitted by KRS 141.437;
- 8 (s) The railroad maintenance and improvement credit permitted by KRS 141.385;
- 9 (t) The railroad expansion credit permitted by KRS 141.386;
- 10 (u) The Endow Kentucky credit permitted by KRS 141.438;
- 11 (v) The New Markets Development Program credit permitted by KRS 141.434;
- 12 (w) The distilled spirits credit permitted by KRS 141.389;
- 13 (x) The film industry credit permitted by KRS 141.383 for applications approved
- 14 on or after April 27, 2018;~~and~~
- 15 (y) The inventory credit permitted by KRS 141.408; **and**
- 16 **(z) The renewable chemical production credit permitted by Section 25 of this**
- 17 **Act.**
- 18 (6) After the application of the nonrefundable credits in subsection (5) of this section,
- 19 the refundable credits shall be taken in the following order:
- 20 (a) The corporation estimated tax payment credit permitted by KRS 141.044;
- 21 (b) The certified rehabilitation credit permitted by KRS 171.3961 and
- 22 171.397(1)(b); and
- 23 (c) The film industry tax credit permitted by KRS 141.383 for applications
- 24 approved prior to April 27, 2018.
- 25 ➔Section 21. KRS 131.190 is amended to read as follows:
- 26 (1) No present or former commissioner or employee of the department, present or
- 27 former member of a county board of assessment appeals, present or former property

1 valuation administrator or employee, present or former secretary or employee of the  
2 Finance and Administration Cabinet, former secretary or employee of the Revenue  
3 Cabinet, or any other person, shall intentionally and without authorization inspect  
4 or divulge any information acquired by him of the affairs of any person, or  
5 information regarding the tax schedules, returns, or reports required to be filed with  
6 the department or other proper officer, or any information produced by a hearing or  
7 investigation, insofar as the information may have to do with the affairs of the  
8 person's business.

9 (2) The prohibition established by subsection (1) of this section shall not extend to:

- 10 (a) Information required in prosecutions for making false reports or returns of  
11 property for taxation, or any other infraction of the tax laws;
- 12 (b) Any matter properly entered upon any assessment record, or in any way made  
13 a matter of public record;
- 14 (c) Furnishing any taxpayer or his properly authorized agent with information  
15 respecting his own return;
- 16 (d) Testimony provided by the commissioner or any employee of the department  
17 in any court, or the introduction as evidence of returns or reports filed with  
18 the department, in an action for violation of state or federal tax laws or in any  
19 action challenging state or federal tax laws;
- 20 (e) Providing an owner of unmined coal, oil or gas reserves, and other mineral or  
21 energy resources assessed under KRS 132.820, or owners of surface land  
22 under which the unmined minerals lie, factual information about the owner's  
23 property derived from third-party returns filed for that owner's property, under  
24 the provisions of KRS 132.820, that is used to determine the owner's  
25 assessment. This information shall be provided to the owner on a confidential  
26 basis, and the owner shall be subject to the penalties provided in KRS  
27 131.990(2). The third-party filer shall be given prior notice of any disclosure



- 1 of information to the owner that was provided by the third-party filer;
- 2 (f) Providing to a third-party purchaser pursuant to an order entered in a  
 3 foreclosure action filed in a court of competent jurisdiction, factual  
 4 information related to the owner or lessee of coal, oil, gas reserves, or any  
 5 other mineral resources assessed under KRS 132.820. The department may  
 6 promulgate an administrative regulation establishing a fee schedule for the  
 7 provision of the information described in this paragraph. Any fee imposed  
 8 shall not exceed the greater of the actual cost of providing the information or  
 9 ten dollars (\$10);
- 10 (g) Providing information to a licensing agency, the Transportation Cabinet, or  
 11 the Kentucky Supreme Court under KRS 131.1817;
- 12 (h) Statistics of gasoline and special fuels gallonage reported to the department  
 13 under KRS 138.210 to 138.448;
- 14 (i) Providing any utility gross receipts license tax return information that is  
 15 necessary to administer the provisions of KRS 160.613 to 160.617 to  
 16 applicable school districts on a confidential basis;
- 17 (j) Providing documents, data, or other information to a third party pursuant to an  
 18 order issued by a court of competent jurisdiction; or
- 19 (k) Providing information to the Legislative Research Commission under:
- 20 1. KRS 139.519 for purposes of the sales and use tax refund on building  
 21 materials used for disaster recovery;
- 22 2. KRS 141.436 for purposes of the energy efficiency products credits;
- 23 3. KRS 141.437 for purposes of the ENERGY STAR home and the  
 24 ENERGY STAR manufactured home credits;
- 25 4. KRS 148.544 for purposes of the film industry incentives;
- 26 5. KRS 154.26-095 for purposes of the Kentucky industrial revitalization  
 27 tax credits and the job assessment fees;

- 1           6.    KRS 141.068 for purposes of the Kentucky investment fund;  
 2           7.    KRS 141.396 for purposes of the angel investor tax credit;  
 3           8.    KRS 141.389 for purposes of the distilled spirits credit;  
 4           9.    KRS 141.408 for purposes of the inventory credit;~~and~~  
 5           10.   KRS 141.390 for purposes of the recycling and composting credit;

6           **11. Section 19 of this Act for purposes of the selling farmer tax credit; and**

7           **12. Section 25 of this Act for purposes of the renewable chemical**  
 8           **production credit.**

9   (3)   The commissioner shall make available any information for official use only and on  
 10       a confidential basis to the proper officer, agency, board or commission of this state,  
 11       any Kentucky county, any Kentucky city, any other state, or the federal  
 12       government, under reciprocal agreements whereby the department shall receive  
 13       similar or useful information in return.

14   (4)   Access to and inspection of information received from the Internal Revenue Service  
 15       is for department use only, and is restricted to tax administration purposes.  
 16       Information received from the Internal Revenue Service shall not be made available  
 17       to any other agency of state government, or any county, city, or other state, and  
 18       shall not be inspected intentionally and without authorization by any present  
 19       secretary or employee of the Finance and Administration Cabinet, commissioner or  
 20       employee of the department, or any other person.

21   (5)   Statistics of crude oil as reported to the Department of Revenue under the crude oil  
 22       excise tax requirements of KRS Chapter 137 and statistics of natural gas production  
 23       as reported to the Department of Revenue under the natural resources severance tax  
 24       requirements of KRS Chapter 143A may be made public by the department by  
 25       release to the Energy and Environment Cabinet, Department for Natural Resources.

26   (6)   Notwithstanding any provision of law to the contrary, beginning with mine-map  
 27       submissions for the 1989 tax year, the department may make public or divulge only

1 those portions of mine maps submitted by taxpayers to the department pursuant to  
 2 KRS Chapter 132 for ad valorem tax purposes that depict the boundaries of mined-  
 3 out parcel areas. These electronic maps shall not be relied upon to determine actual  
 4 boundaries of mined-out parcel areas. Property boundaries contained in mine maps  
 5 required under KRS Chapters 350 and 352 shall not be construed to constitute land  
 6 surveying or boundary surveys as defined by KRS 322.010 and any administrative  
 7 regulations promulgated thereto.

8 ➔Section 22. KRS 154.60-005 is amended to read as follows:

9 This subchapter shall be known as the small business tax credit **and selling farmer tax**  
 10 **credit programs**~~[program]~~.

11 ➔Section 23. KRS 154.60-020 is amended to read as follows:

12 (1) The authority shall develop a Small Business Development Credit Program in  
 13 consultation with the Office of Entrepreneurship to assist new or existing small  
 14 businesses operating in the Commonwealth. The nonrefundable credit shall be  
 15 allowed against the taxes imposed by KRS 141.020 or 141.040, and 141.0401. The  
 16 ordering of credits shall be as provided in KRS 141.0205.

17 (2) The authority shall determine the terms, conditions, and requirements for  
 18 application for the credit, in consultation with the Office of Entrepreneurship,  
 19 subject to the provisions of subsection (3) of this section. The application shall  
 20 contain identification information about the number of eligible positions created  
 21 and filled, a calculation of the base employment of the small business, verification  
 22 of investment of five thousand dollars (\$5,000) or more in qualifying equipment or  
 23 technology, and other information the authority may specify to determine eligibility  
 24 for the credit.

25 (3) (a) The maximum amount of credits that may be committed in each fiscal year by  
 26 the authority and shared between the small business tax credit program and  
 27 the **selling farmer** ~~[farmer small business]~~ tax credit **program** shall be capped

1 at three million dollars (\$3,000,000).

2 (b) In order to be eligible to receive final approval for a credit, a small business  
3 shall, within the twenty-four (24) month period immediately preceding the  
4 application submission date:

5 1. Create and fill one (1) or more eligible positions over the base  
6 employment; and

7 2. Invest five thousand dollars (\$5,000) or more in qualifying equipment or  
8 technology.

9 (c) Each eligible position that is created and filled shall be maintained for twelve  
10 (12) months. If a full-time employee filling a newly created eligible position  
11 ceases to be employed by the small business for any reason, that employee  
12 shall be replaced within forty-five (45) days in order for the eligible position  
13 to maintain its eligible status, in addition to meeting all other applicable  
14 requirements.

15 (d) The small business shall submit all information necessary for the authority to  
16 determine credit eligibility for each year, and the amount of credit for which  
17 the small business is eligible.

18 (e) The maximum amount of credit for each small business for each year shall not  
19 exceed twenty-five thousand dollars (\$25,000).

20 (f) The credit shall be claimed on the tax return for the year during which the  
21 credit was approved. Unused credits may be carried forward for up to five (5)  
22 years.

23 ➔SECTION 24. A NEW SECTION OF KRS CHAPTER 246 IS CREATED TO  
24 READ AS FOLLOWS:

25 **(1) (a) The department shall create and administer the renewable chemical**  
26 **production program by promulgating administrative regulations under KRS**  
27 **Chapter 13A and authorizing tax credits for that production.**

- 1        (b) The department may consult with the chemical engineering departments of  
 2            any university to create and administer the renewable chemical production  
 3            program that may best serve this Commonwealth.
- 4        (c) The department shall coordinate with the Department of Revenue related to  
 5            awarding tax credits while remaining within the annual biodiesel,  
 6            renewable diesel, and renewable chemical tax credit cap provided in Section  
 7            26 of this Act.
- 8        (2) To be eligible for receiving the renewable chemical production tax credit under  
 9            Section 25 of this Act, a business shall:
- 10        (a) Be physically located in this state;
- 11        (b) Operate for profit;
- 12        (c) Organize, expand, or locate in this state on or after July 1, 2020;
- 13        (d) 1. Create new jobs and retain those jobs for at least four (4) years; or  
 14            2. Invest a substantial amount of new capital in the Commonwealth and  
 15            maintain that capital for at least four (4) years;
- 16        (e) Certify to the department:
- 17            1. That the business:
- 18                a. Has not applied for and will not receive economic development  
 19                incentives under KRS Chapter 154 for the jobs created or capital  
 20                investment made under the renewable chemical production  
 21                program; and
- 22                b. Is in compliance with all agreements entered into under the  
 23                renewable chemical production program or other programs  
 24                administered by the department; and
- 25            2. The date that the business first qualified as an eligible business;
- 26        (f) Not provide professional services, health care services, medical treatments,  
 27            or engage in retail operations; and

- 1        (g) Not relocate operations from another area of the state or reduce operations  
2        in another area of the state while seeking this incentive. To determine  
3        whether a project meets the requirement under this paragraph, the  
4        department shall:
- 5        1. Consider a project that does not create new jobs or invest a substantial  
6        amount of new capital a relocation or reduction in operations; and
- 7        2. Require sufficient data from the business related to jobs created and  
8        the amount of substantial capital investment before the business  
9        applies for this incentive and for four (4) years following the approval  
10       of this incentive to ensure that new jobs or substantial capital  
11       investment have occurred and remain productive in this state;
- 12       (3) (a) Before being approved for the tax credit permitted by Section 25 of this Act,  
13       an eligible business shall enter into an agreement with the department for  
14       the successful completion of all requirements of the program.
- 15       (b) As part of the agreement, the eligible business shall agree to:
- 16       1. Collect and provide all information required by the department,  
17       allowing the department and the Department of Revenue to maintain  
18       the annual tax credit cap and to fulfill each of the reporting and  
19       compliance obligations under this section and Section 25 of this Act;  
20       and
- 21       2. Agree to allow information about the production of renewable  
22       chemicals and the related tax credit to be shared with the Interim  
23       Joint Committee on Appropriations and Revenue.
- 24       (c) The business shall not receive a tax credit for renewable chemicals  
25       produced before the date the business first qualified as an eligible business.
- 26       (4) (a) The department may impose a nonrefundable compliance cost fee of five  
27       hundred dollars (\$500), collected by the department at the time a business

- 1           applies for participation in the program.
- 2           **(b) An eligible business shall fulfill all the requirements of the program and the**  
3           **agreement before receiving a tax credit or entering into a subsequent**  
4           **agreement under this section.**
- 5           **(c) The department may decline to enter into a subsequent agreement under**  
6           **this section or award a tax credit if an agreement is not successfully**  
7           **fulfilled.**
- 8           **(5) (a) After the production of renewable chemicals by an eligible business, the**  
9           **business shall apply, in the manner prescribed by the department, for the**  
10           **renewable chemicals tax credit. The application shall include the following**  
11           **information:**
- 12           **1. A description of the renewable chemicals produced in this state;**  
13           **2. The amount or volume of renewable chemicals produced;**  
14           **3. The costs associated with the production of the renewable chemicals;**  
15           **4. The amount of gross receipts generated by the sale of the renewable**  
16           **chemicals; and**
- 17           **5. Any other information required by the department in order to establish**  
18           **and verify eligibility under the program.**
- 19           **(b) The department may accept applications on a continuous basis or may**  
20           **establish, by administrative regulation, an annual application deadline.**
- 21           **(6) Upon establishing that all requirements of the program and the agreement have**  
22           **been fulfilled, the department shall certify the amount of preliminary tax credit**  
23           **for the applicant to the Department of Revenue.**
- 24           **(7) (a) The department shall work with the Department of Revenue to provide all**  
25           **information necessary to ensure compliance with KRS Chapter 141 by the**  
26           **successful tax credit applicant.**
- 27           **(b) On or before December 31, 2020, and on or before each December 31**

1 thereafter, the department shall submit to the Department of Revenue all  
2 information received from each eligible business related to the renewable  
3 chemical tax credit.

4 (c) When the Department of Revenue receives the information provided under  
5 paragraph (b) of this subsection, the Department of Revenue shall consider  
6 the renewable chemical tax credit applications together with the total  
7 amount of approved credit for all biodiesel producers, biodiesel blenders,  
8 and renewable diesel producers required in Section 27 of this Act.

9 (8) The renewable chemical production program shall sunset on December 31, 2024.

10 (9) (a) Failure to fulfill any requirement of the program or any of the terms and  
11 obligations of an agreement entered into under this section by an eligible  
12 business shall:

13 1. Result in the rescission of the tax credit permitted by Section 25 of this  
14 Act by the department; and

15 2. Subject the eligible business to the repayment of all tax credits  
16 claimed.

17 (b) Upon the rescission of any tax credit, the department shall report to the  
18 Department of Revenue, within thirty (30) days, all information necessary  
19 by the Department of Revenue to ensure compliance with KRS Chapter 141.

20 ➔SECTION 25. A NEW SECTION OF KRS CHAPTER 141 IS CREATED TO  
21 READ AS FOLLOWS:

22 (1) (a) An eligible business that:

23 1. Has entered into an agreement under subsection (3) of Section 24 of  
24 this Act;

25 2. Receives certification from the Department of Agriculture of the  
26 preliminary tax credit under subsection (6) of Section 24 of this Act;  
27 and



- 1           3. Receives authorization from the department regarding the amount of  
2           tax credit that is allowed;  
3           may claim the renewable chemical production tax credit in an amount  
4           equal to the amount authorized by the department as provided in Section 27  
5           of this Act.
- 6           **(b) For taxable years beginning on or after January 1, 2021, the renewable**  
7           **chemical production tax credit shall be nonrefundable, nontransferable,**  
8           **and allowed against taxes imposed by KRS 141.020 or 141.040 and**  
9           **141.0401, with the ordering of the credits as provided in Section 20 of this**  
10           **Act.**
- 11           **(c) 1. Any amount of credit that a taxpayer is unable to utilize during a**  
12           **taxable year may be carried forward for use in a succeeding taxable**  
13           **year for a period not to exceed three (3) taxable years.**
- 14           **2. Any amount of credit not used within the three (3) taxable years shall**  
15           **be lost.**
- 16           **3. No amount of credit may be carried back to a prior taxable year by**  
17           **any taxpayer.**
- 18           **(2) If the eligible business is a pass-through entity, the eligible business may apply**  
19           **the credit against the limited liability entity tax imposed by KRS 141.0401, and**  
20           **shall pass the credit through to its members, partners, or shareholders in the**  
21           **same proportion as the distributive share of income or loss is passed through.**
- 22           **(3) If the Department of Agriculture rescinds any tax credit under subsection (9) of**  
23           **Section 24 of this Act, the repayment of any tax credit by the taxpayer shall be:**
- 24           **(a) Considered a tax payment due and payable to the Kentucky State Treasurer;**  
25           **and**
- 26           **(b) Collected by the department in the same manner as failure to pay the tax**  
27           **shown due or required to be shown due with the filing of that return.**

1 (4) (a) In order for the General Assembly to evaluate the renewable chemical tax  
 2 credit program, the department, in cooperation with the Department of  
 3 Agriculture, shall submit to the Interim Joint Committee on Appropriations  
 4 and Revenue a cumulative report describing the activities of the program by  
 5 taxable year.

6 (b) The report shall include:

7 1. The aggregate number of pounds, by each type of renewable  
 8 chemicals produced in this state, for all successful tax credit  
 9 applicants under the program;

10 2. The aggregate gross receipts from sales, by each type of renewable  
 11 chemicals produced in this state, for all successful tax credit  
 12 applicants under the program;

13 3. The number of employees located in this state of all successful tax  
 14 credit applicants during the calendar year immediately preceding the  
 15 calendar year for which the successful applicants first applied for a  
 16 tax credit under the program;

17 4. The number of employees located in this state of all successful tax  
 18 credit applicants during each calendar year that the tax credit is  
 19 claimed;

20 5. The number of tax credit certificates and aggregate amount of tax  
 21 credits awarded under the program for each calendar year; and

22 6. For each eligible business issued a renewable chemical production tax  
 23 credit during each taxable year:

24 a. The county within which the eligible business is producing the  
 25 renewable chemical;

26 b. The amount of the tax credit claimed by the eligible business;

27 c. The manner in which the eligible business first qualified as an

1 eligible business, whether by organizing, expanding, or locating  
 2 in this state;

3 d. The amount of renewable chemical production tax credit  
 4 claimed during each taxable year; and

5 e. Any repayment of incentives by the business, if the business does  
 6 not meet the requirements of the agreement.

7 → Section 26. KRS 141.422 is amended to read as follows:

8 As used in KRS 141.422 to 141.425:

- 9 (1) "Annual biodiesel and renewable diesel tax credit cap" means:
- 10 (a) For calendar years beginning prior to January 1, 2008, one million five  
 11 hundred thousand dollars (\$1,500,000);
- 12 (b) For the calendar year beginning on January 1, 2008, five million dollars  
 13 (\$5,000,000);~~and~~
- 14 (c) For calendar years beginning on or after January 1, 2009, but before January  
 15 1, 2021, ten million dollars (\$10,000,000);
- 16 (2) "Annual biodiesel, renewable diesel, and renewable chemical tax credit cap"  
 17 means, for calendar years beginning on or after January 1, 2021, ten million  
 18 dollars (\$10,000,000);
- 19 (3) "Annual cellulosic ethanol tax credit cap" means five million dollars (\$5,000,000),  
 20 unless the annual cellulosic ethanol tax credit cap is modified pursuant to KRS  
 21 141.4248, in which case the cap established by KRS 141.4248 shall be the annual  
 22 cellulosic ethanol tax credit cap for that year. Any adjustments to the annual  
 23 cellulosic ethanol tax credit cap made pursuant to KRS 141.4248 shall be made on  
 24 an annual basis and shall not carry forward to subsequent years;
- 25 (4)~~(3)~~ "Annual ethanol tax credit cap" means five million dollars (\$5,000,000),  
 26 unless the annual credit cap is modified pursuant to KRS 141.4248, in which case  
 27 the cap established by KRS 141.4248 shall be the annual ethanol tax credit cap for

1 that year. Any adjustments to the annual ethanol tax credit cap made pursuant to  
 2 KRS 141.4248 shall be made on an annual basis and shall not carry forward to  
 3 subsequent years;

4 ~~(5)~~~~(4)~~ "Biodiesel" means a renewable, biodegradeable, mono alkyl ester combustible  
 5 liquid that is derived from agriculture crops, agriculture plant oils, agriculture  
 6 residues, animal fats, or waste products that meets current American Society for  
 7 Testing and Materials specification D6751 for biodiesel fuel (B100) blend stock  
 8 distillate fuels;

9 ~~(6)~~~~(5)~~ "Biodiesel producer" means an entity that manufactures biodiesel at a location  
 10 in this Commonwealth;

11 ~~(7)~~~~(6)~~ "Cellulosic ethanol" means ethyl alcohol for use as motor fuel that meets the  
 12 current American Society for Testing and Materials specification D4806 for ethanol  
 13 that is produced from cellulosic biomass materials of any lignocellulosic or  
 14 hemicellulosic matter that is available on a renewable or recurring basis, including:

- 15 (a) Plant wastes from industrial processes such as sawdust and paper pulp;
- 16 (b) Energy crops grown specifically for fuel production such as switchgrass; or
- 17 (c) Agricultural plant residues such as corn stover, rice hulls, sugarcane, and  
 18 cereal straws;

19 ~~(8)~~~~(7)~~ "Cellulosic ethanol producer" means an entity that uses cellulosic biomass  
 20 materials to manufacture cellulosic ethanol at a location in this Commonwealth;

21 ~~(9)~~~~(8)~~ "Blended biodiesel" means a blend of biodiesel with petroleum diesel so that  
 22 the percentage of biodiesel in the blend is at least two percent (2%) (B2 or greater);

23 ~~(10)~~~~(9)~~ "Ethanol" means ethyl alcohol produced from corn, soybeans, or wheat for  
 24 use as a motor fuel that meets the current American Society for Testing and  
 25 Materials specification D4806 for ethanol;

26 ~~(11)~~~~(10)~~ "Ethanol-based tax credits" means the cellulosic ethanol tax credit provided  
 27 for in KRS 141.4244 and the ethanol tax credit provided for in KRS 141.4242;

1 ~~(12)~~~~(11)~~ "Ethanol producer" means an entity that uses corn, soybeans, or wheat to  
 2 manufacture ethanol at a location in this Commonwealth;

3 ~~(13)~~~~(12)~~ "Renewable diesel" means a renewable, biodegradeable, non-ester  
 4 combustible liquid that:

- 5 (a) Is derived from biomass resources as defined in KRS 152.715; and
- 6 (b) Meets the current American Society for Testing and Materials Specification  
 7 D396 for fuel oils intended for use in various types of fuel-oil-burning  
 8 equipment; D975 for diesel fuel oils suitable for various types of diesel fuel  
 9 engines; or D1655 for aviation turbine fuels; and

10 ~~(14)~~~~(13)~~ "Renewable diesel producer" means an entity that manufactures renewable  
 11 diesel at a location in this Commonwealth.

12 ➔Section 27. KRS 141.423 is amended to read as follows:

13 (1) (a) A biodiesel producer, biodiesel blender, or renewable diesel producer shall be  
 14 entitled to a nonrefundable tax credit against the taxes imposed by KRS  
 15 141.020 or 141.040 and KRS 141.0401 in an amount certified by the  
 16 department under subsection (4) of this section.

17 (b) The credit rate shall be:

- 18 1. One dollar (\$1) per biodiesel gallon produced by a biodiesel  
 19 producer:~~;~~~~;~~
- 20 2. One dollar (\$1) per gallon of biodiesel used in the blending process by a  
 21 biodiesel blender:~~;~~~~;~~ and
- 22 3. One dollar (\$1) per gallon of renewable diesel produced by a renewable  
 23 diesel producer:~~;~~~~;~~

24 unless the total amount of approved credit for all biodiesel producers,  
 25 biodiesel blenders, and renewable diesel producers exceeds the annual  
 26 biodiesel and renewable diesel tax credit cap **for calendar years beginning**  
 27 **prior to January 1, 2021, or the annual biodiesel, renewable diesel, and**

1 renewable chemical tax credit cap for calendar years beginning on or after  
 2 January 1, 2021.

3 (c) For calendar years beginning prior to January 1, 2021, if the total amount  
 4 of approved credit for all biodiesel producers, biodiesel blenders, and  
 5 renewable diesel producers exceeds the annual biodiesel and renewable diesel  
 6 tax credit cap, the department shall determine the amount of credit each  
 7 biodiesel producer, biodiesel blender, and renewable diesel producer receives  
 8 by multiplying the annual biodiesel and renewable diesel tax credit cap by a  
 9 fraction, the numerator of which is the amount of approved credit for the  
 10 biodiesel producer, biodiesel blender, and renewable diesel producer and the  
 11 denominator of which is the total approved credit for all biodiesel producers,  
 12 biodiesel blenders, and renewable diesel producers.

13 (d) For calendar years beginning on or after January 1, 2021, if the total  
 14 amount of approved credit for all biodiesel producers, biodiesel blenders,  
 15 renewable diesel producers, and renewable chemical producers exceeds the  
 16 annual biodiesel, renewable diesel, and renewable chemical tax credit cap,  
 17 the department shall determine the amount of credit each biodiesel  
 18 producer, biodiesel blender, renewable diesel producer, and renewable  
 19 chemical producer receives by multiplying the annual biodiesel, renewable  
 20 diesel, and renewable chemical tax credit cap by a fraction, the numerator  
 21 of which is the amount of approved credit for the each producer and the  
 22 denominator of which is the total approved credit for all producers.

23 (e)~~(b)~~ The credit allowed under paragraph (a) of this subsection shall be  
 24 applied both to the income tax imposed under KRS 141.020 or 141.040 and to  
 25 the limited liability entity tax imposed under KRS 141.0401, with the  
 26 ordering of credits as provided in KRS 141.0205.

27 (2) Re-blending of blended biodiesel shall not qualify for the credit provided under this

1 section.

2 (3) The credit **allowed in subsection (1) of this section** shall not be carried forward to a  
3 return for any other period.

4 (4) **(a)** Each biodiesel producer, biodiesel blender, and renewable diesel producer  
5 eligible for the credit provided under subsection (1) of this section shall file a  
6 tax credit claim for biodiesel gallons produced or blended in this state or for  
7 renewable diesel produced in this state on forms prescribed by the department  
8 by the fifteenth day of the first month following the close of the preceding  
9 calendar year.

10 **(b)** The department shall determine the amount of the approved credit based on  
11 the amount of biodiesel produced, biodiesel blended,~~[or]~~ renewable diesel  
12 produced, **or renewable chemical produced** in this state during the preceding  
13 calendar year and issue a credit certificate to the biodiesel producer, biodiesel  
14 blender,~~[or]~~ renewable diesel producer, **or renewable chemical producer** by  
15 the fifteenth day of the fourth month following the close of the calendar year.

16 (5) In the case of a biodiesel producer, biodiesel blender,~~[or]~~ renewable diesel  
17 producer, **or renewable chemical producer** that has a fiscal year end for purposes  
18 of computing the tax imposed by KRS 141.020, 141.040, and 141.0401, the amount  
19 of approved credit shall be claimed on the return filed for the first fiscal year ending  
20 after the close of the preceding calendar year.

21 ➔Section 28. KRS 141.0101 is amended to read as follows:

22 (1) (a) The provisions of subsections (2) to (11) of this section shall apply to taxable  
23 years beginning before January 1, 1994.

24 (b) The provisions of subsections (12) to (15) of this section shall apply to  
25 taxable years beginning after December 31, 1993.

26 (c) The provisions of subsection (16) of this section apply to property placed in  
27 service after September 10, 2001.

- 1 (2) For property placed in service prior to January 1, 1990, in lieu of the depreciation  
2 and expense deductions allowed under Internal Revenue Code Sections 168 and  
3 179, a deduction for a reasonable allowance for depreciation, exhaustion, wear and  
4 tear, and obsolescence of property used in a trade or business shall be allowed and  
5 computed as set out in subsections (3) to (11) of this section. For property placed in  
6 service after December 31, 1989, the depreciation and expense deductions allowed  
7 under Sections 168 and 179 of the Internal Revenue Code shall be allowed.
- 8 (3) Effective August 1, 1985, "reasonable allowance" as used in subsection (2) of this  
9 section shall mean depreciation computed in accordance with Section 167 of the  
10 Internal Revenue Code and related regulations in effect on December 31, 1980, for  
11 all property placed in service on or after January 1, 1981, except as provided in  
12 subsections (6) to (8) of this section.
- 13 (4) Depreciation of property placed in service prior to January 1, 1981, shall be  
14 computed under Section 167 of the Internal Revenue Code, and the method elected  
15 thereunder at the time the property was first placed in service or as changed with  
16 the approval of the Commissioner of Internal Revenue Service or as required by  
17 changes in federal regulations.
- 18 (5) Taxpayers other than corporations shall be allowed to deduct as depreciation on  
19 recovery property placed in service before August 1, 1985, an amount calculated  
20 under Section 168 of the Internal Revenue Code subject to the provisions of  
21 subsections (6) and (8) of this section. Corporations with a taxable year beginning  
22 on or after July 1, 1984, and before August 1, 1985, shall calculate a deduction for  
23 depreciation on recovery property placed in service prior to August 1, 1985, using  
24 either of the following alternative methods:
- 25 (a) Dividing the total of the deductions allowed under Internal Revenue Code  
26 Section 168 by one and four tenths (1.4); and
- 27 (b) Calculating the deduction that would be allowed or allowable under the



- 1           provisions of Section 167 of the Internal Revenue Code.
- 2   (6) Recovery property placed in service on or after January 1, 1981, and before August  
3       1, 1985, and subject to transition under subsection (8) of this section, shall be  
4       subject to depreciation under Section 167 of the Internal Revenue Code, restricted  
5       to the straight line method therein provided over the remaining useful life of such  
6       assets.
- 7   (7) Depreciation of property placed in service on or after August 1, 1985, shall be  
8       computed under Section 167 of the Internal Revenue Code.
- 9   (8) Transition from Section 168 of the Internal Revenue Code, Accelerated Cost  
10       Recovery System (ACRS) depreciation, to the depreciation allowed or allowable  
11       under this section shall be reported in the first taxable year beginning on or after  
12       August 1, 1985. To implement the transition, the following adjustments shall be  
13       made:
- 14       (a) Taxpayers other than corporations shall use the adjusted Kentucky basis for  
15           property placed in service on or after January 1, 1981. "Adjusted Kentucky  
16           basis" means the basis used for determining depreciation under Section 168 of  
17           the Internal Revenue Code less the allowed or allowable depreciation and  
18           adjustment for election to expense an asset (Section 179 of the Internal  
19           Revenue Code);
- 20       (b) Corporations shall adjust the federal unadjusted basis by increasing such basis  
21           by the ACRS depreciation not allowed as a deduction in determining  
22           Kentucky net income for tax years beginning after June 30, 1984, less allowed  
23           or allowable ACRS depreciation for federal income tax purposes.  
24           Corporations will not be permitted to adjust the basis by the ACRS  
25           depreciation not allowed for Kentucky income tax purposes in tax years  
26           beginning on or before June 30, 1984.
- 27   (9) A taxpayer may elect to treat the cost of property placed in service on or before July

1 31, 1985, as an expense as provided in Section 179 of the Internal Revenue Code in  
2 effect on December 31, 1981, except that the aggregate cost which may be  
3 expensed for corporations shall not exceed five thousand dollars (\$5,000). A  
4 taxpayer may elect to treat the cost of property placed in service on or after August  
5 1, 1985, as an expense as provided in Section 179 of the Internal Revenue Code in  
6 effect on December 31, 1980. Computations, limitations, definitions, exceptions,  
7 and other provisions of Section 179 of the Internal Revenue Code and related  
8 regulations shall be construed to govern the computation of the allowable  
9 deduction.

10 (10) Upon the sale, exchange, or disposition of any depreciable property placed in  
11 service on or after January 1, 1981, capital gains or losses and the amount of  
12 ordinary income determined under the provisions of the Internal Revenue Code  
13 shall be computed for Kentucky income tax purposes as follows:

14 (a) Compute the Kentucky unadjusted basis which is the cost of the asset reduced  
15 by any basis adjustment made by the taxpayer under Section 48(q)(1) of the  
16 Internal Revenue Code and any expense allowed and utilized under Section  
17 179 of the Internal Revenue Code (First Year Expense) in determining  
18 Kentucky net income in prior years, and

19 (b) Compute the adjusted basis by subtracting the depreciation allowed or  
20 allowable for Kentucky income tax purposes from the unadjusted basis,  
21 except corporations will not be permitted to adjust the basis of assets by the  
22 ACRS depreciation not allowed for Kentucky income tax purposes in the tax  
23 years beginning on or before June 30, 1984, and

24 (c) Compute the gain or loss by subtracting the adjusted basis from the value  
25 received from the disposition of the depreciable property, and

26 (d) Compute the recapture of depreciation required under Sections 1245 through  
27 1256 of the Internal Revenue Code and related regulations, and

- 1 (e) Unless otherwise provided in this subsection the provisions of the Internal  
 2 Revenue Code and related regulations governing the determination of capital  
 3 gains or losses shall apply for Kentucky income tax purposes.
- 4 (11) Unless otherwise provided by this chapter, the basis of property placed in service  
 5 prior to January 1, 1990, for purposes of Kentucky income tax shall be the basis,  
 6 adjusted or unadjusted, required to be used under Section 167 of the Internal  
 7 Revenue Code in effect on December 31, 1980.
- 8 (12) As used in this subsection to subsection (14) of this section:
- 9 (a) "Transition property" means any property placed in service before the first  
 10 day of the first taxable year beginning after December 31, 1993, and owned  
 11 by the taxpayer on the first day of the first taxable year beginning after  
 12 December 31, 1993.
- 13 (b) "Adjusted Kentucky basis" means the amount computed in accordance with  
 14 the provisions of paragraph (b) of subsection (10) of this section for transition  
 15 property.
- 16 (c) "Adjusted federal basis" means the original cost, or, in the case of Section 338  
 17 property, the adjusted grossed-up basis of transition property less:
- 18 1. Any basis adjustments required by the Internal Revenue Code for  
 19 credits; and
- 20 2. The total accumulated depreciation and election to expense deductions  
 21 allowed or allowable for federal income tax purposes.
- 22 (d) "Section 338 property" means property to which an adjusted grossed-up basis  
 23 has been allocated pursuant to a valid election made by a purchasing  
 24 corporation under the provisions of Section 338 of the Internal Revenue Code.
- 25 (e) "Transition amount" means the net difference between the adjusted Kentucky  
 26 basis and the adjusted federal basis of all transition property determined as of  
 27 the first day of the first taxable year beginning after December 31, 1993.

- 1 (13) For taxable years beginning after December 31, 1993, the amounts of depreciation  
2 and election to expense deductions, allowed or allowable, the basis of assets,  
3 adjusted or unadjusted, and the gain or loss from the sale or other disposition of  
4 assets shall be the same for Kentucky income tax purposes as determined under  
5 Chapter 1 of the Internal Revenue Code.
- 6 (14) For taxable years beginning after December 31, 1993, the transition amount  
7 computed in accordance with the provisions of paragraph (e) of subsection (12) of  
8 this section shall be reported by the taxpayer as follows:
- 9 (a) In the first taxable year beginning after December 31, 1993, and the eleven  
10 (11) succeeding taxable years, the taxpayer shall include in gross income one-  
11 twelfth (1/12) of the transition amount if:
- 12 1. The adjusted federal basis of transition property exceeds the adjusted  
13 Kentucky basis of transition property;
  - 14 2. The transition amount exceeds five million dollars (\$5,000,000);
  - 15 3. The transition amount includes property for which an election was made  
16 under Section 338 of the Internal Revenue Code; and
  - 17 4. The taxpayer elects the provisions of this paragraph with the filing of an  
18 amended income tax return for the first taxable year beginning after  
19 December 31, 1993.
- 20 (b) In the first taxable year beginning after December 31, 1993 and the three (3)  
21 succeeding taxable years, if the transition amount exceeds one hundred  
22 thousand dollars (\$100,000), or if the transition amount does not exceed one  
23 hundred thousand dollars (\$100,000) and the taxpayer elects the provision of  
24 this paragraph with the filing of the income tax return for the first taxable year  
25 beginning after December 31, 1993, the taxpayer shall:
- 26 1. Deduct from gross income twenty-five percent (25%) of the transition  
27 amount if the adjusted Kentucky basis of transition property exceeds the

- 1                   adjusted federal basis of transition property; or
- 2                   2. Add to gross income twenty-five percent (25%) of the transition amount
- 3                   if the adjusted federal basis of transition property exceeds the adjusted
- 4                   Kentucky basis of transition property.
- 5                   (c) In the first taxable year beginning after December 31, 1993, if the transition
- 6                   amount does not exceed one hundred thousand dollars (\$100,000) and the
- 7                   taxpayer does not elect the provisions of paragraph (b) of this subsection, the
- 8                   taxpayer shall:
- 9                   1. Deduct from gross income the total transition amount if the adjusted
- 10                   Kentucky basis of transition property exceeds the adjusted federal basis
- 11                   of transition property; or
- 12                   2. Add to gross income the total transition amount if the adjusted federal
- 13                   basis of transition property exceeds the adjusted Kentucky basis of
- 14                   transition property.
- 15                   (15) Notwithstanding any other provision of this section to the contrary, any qualified
- 16                   farming operation, as defined in KRS 141.410, shall be allowed to compute the
- 17                   depreciation deduction for new buildings and equipment purchased to enable
- 18                   participation in a networking project, as defined in KRS 141.410, on an accelerated
- 19                   basis at two (2) times the rate that would otherwise be permitted under the
- 20                   provisions of this section. The accumulated depreciation allowed under this
- 21                   subsection shall not exceed the taxpayer's basis in such property.
- 22                   (16) (a) For property placed in service after September 10, 2001, only the depreciation
- 23                   deduction allowed under Section 168 of the Internal Revenue Code in effect
- 24                   on December 31, 2001, exclusive of any amendments made subsequent to that
- 25                   date, shall be allowed.
- 26                   (b) For property placed in service after September 10, 2001, but prior to January
- 27                   1, 2020, only the expense deduction allowed under Section 179 of the Internal

1 Revenue Code in effect on December 31, 2001, exclusive of any amendments  
 2 made subsequent to that date, shall be allowed.

3 (c) For property placed in service on or after January 1, 2020, only the expense  
 4 deduction allowed under Section 179 of the Internal Revenue Code in effect  
 5 on December 31, 2003, exclusive of any amendments made subsequent to that  
 6 date, shall be allowed, except that the phase-out provisions of Section 179 of  
 7 the Internal Revenue Code, limiting the qualifying investment in property,  
 8 shall not apply.

9 ➔Section 29. KRS 224.50-868 is amended to read as follows:

10 (1) As used in this section:

11 (a) "Motor vehicle" means every vehicle intended primarily for use and  
 12 operation on the public highways that is self-propelled, including a low-  
 13 speed motor vehicle as defined in KRS 186.010;

14 (b) "Semitrailer" means any vehicle:

15 1. Designed:

16 a. As temporary living quarters for recreation, camping, or travel;

17 or

18 b. For carrying persons or property;

19 2. Designed for being drawn by a motor vehicle; and

20 3. Constructed that:

21 a. Some part of its weight; or

22 b. Some part of its load;

23 rests upon or is carried by another vehicle; and

24 (c) "Trailer" means any vehicle:

25 1. Designed:

26 a. As temporary living quarters for recreation, camping, or travel;

27 or

- 1                   **b. For carrying persons or property;**
- 2                   **2. Designed for being drawn by a motor vehicle; and**
- 3                   **3. Constructed that:**
- 4                   **a. No part of its weight; and**
- 5                   **b. No part of its load;**
- 6                   **rests upon or is carried by another vehicle.**

7 **(2)** (a) 1. Prior to July 1, 2018, a person purchasing a new motor vehicle tire in  
 8 Kentucky shall pay to the retailer a one dollar (\$1) fee at the time of the  
 9 purchase of that tire. The fee shall not be subject to the Kentucky sales  
 10 tax.

11 2. Beginning July 1, 2018, but prior to July 1, 2020, a fee is hereby  
 12 imposed upon a retailer at the rate of two dollars (\$2) for each new  
 13 motor vehicle tire sold in Kentucky. The fee shall be subject to the  
 14 Kentucky sales tax.

15 3. **Beginning July 1, 2020, but prior to July 1, 2024, a fee is hereby**  
 16 **imposed upon a retailer at the rate of two dollars (\$2) for each new**  
 17 **motor vehicle, trailer, or semitrailer tire sold in Kentucky. The fee**  
 18 **shall be subject to the Kentucky sales tax.**

19 **4.** A retailer may pass the fee imposed by this paragraph on to the  
 20 purchaser of the new tire.

21 (b) **1.** A new tire is a tire that has never been placed on a motor vehicle,  
 22 **trailer, or semitrailer** wheel rim.

23 **2.** **A new tire**~~[, but it]~~ is not a tire placed on a motor vehicle, **trailer, or**  
 24 **semitrailer** prior to its original retail sale or a recapped tire.~~]~~

25 ~~(c) The term "motor vehicle" as used in this section shall mean "motor vehicle"~~  
 26 ~~as defined in KRS 138.450.]~~

27 **(3)**~~[(2)]~~ When a retailer sells a new motor vehicle tire in Kentucky to replace another

1 tire, the tire that is replaced becomes a waste tire subject to the waste tire program.  
 2 The retailer shall encourage the purchaser of the new tire to leave the waste tire  
 3 with the retailer or meet the following requirements:

- 4 (a) Dispose of the waste tire in accordance with KRS 224.50-856(1);
- 5 (b) Deliver the waste tire to a person registered in accordance with the waste tire  
 6 program; or
- 7 (c) Reuse the waste tire for its original intended purpose or an agricultural  
 8 purpose.

9 ~~(4)~~~~(3)~~ (a) A retailer shall report to the Department of Revenue on or before the  
 10 twentieth day of each month the number of new motor vehicle tires sold  
 11 during the preceding month and the number of waste tires received from  
 12 customers that month.

13 (b) The report shall be filed on forms and contain information as the Department  
 14 of Revenue may require.

15 (c) The retailer shall be allowed to retain an amount equal to five percent (5%) of  
 16 the fees due, provided the amount due is not delinquent at the time of  
 17 payment.

18 ~~(5)~~~~(4)~~ A retailer shall:

19 (a) Accept from the purchaser of a new tire, if offered, for each new motor  
 20 vehicle tire sold, a waste tire of similar size and type; and

21 (b) Post notice at the place where retail sales are made that state law requires:

22 1. The retailer to accept, if offered, a waste tire for each new motor vehicle  
 23 tire sold and that a person purchasing a new motor vehicle tire to replace  
 24 another tire shall comply with subsection (2) of this section; and

25 2. The two dollar (\$2) new tire fee is used by the state to oversee the  
 26 management of waste tires, including cleaning up abandoned waste tire  
 27 piles and preventing illegal dumping of waste tires.



1 ~~(6)~~~~(5)~~ A retailer shall comply with the requirements of the recordkeeping system for  
2 waste tires established by KRS 224.50-874.

3 ~~(7)~~~~(6)~~ A retailer shall transfer waste tires only to a person who presents a letter from  
4 the cabinet approving the registration issued under KRS 224.50-858 or a copy of a  
5 solid waste disposal facility permit issued by the cabinet, unless the retailer is  
6 delivering the waste tires to a destination outside Kentucky and the waste tires will  
7 remain in the retailer's possession until they reach that destination.

8 ~~(8)~~~~(7)~~ The cabinet shall, in conjunction with the Waste Tire Working Group,  
9 develop the informational fact sheet to be made publicly available on the cabinet's  
10 Web site and available in print upon request. The fact sheet shall identify ways to  
11 properly dispose of the waste tire and present information on the problems caused  
12 by improper waste tire disposal.

13 ➔Section 30. KRS 224.50-855 is amended to read as follows:

14 (1) The Waste Tire Working Group is hereby established and shall be attached to the  
15 cabinet for administrative purposes and staff support.

16 (2) The Waste Tire Working Group shall have the following eight (8) members:

17 (a) The director of the Division of Waste Management or his or her designee who  
18 shall be an ex officio member and also serve as chair;

19 (b) The manager of the Recycling and Local Assistance Branch within the  
20 Division of Waste Management or his or her designee who shall be an ex  
21 officio member;

22 (c) One (1) representative of the Kentucky Department of Agriculture, to be  
23 selected by the Commissioner of Agriculture and appointed by the Governor  
24 for an initial term of two (2) years and who may be reappointed;

25 (d) Two (2) representatives of the Solid Waste Coordinators of Kentucky selected  
26 by the Solid Waste Coordinators of Kentucky and appointed by the Governor  
27 for an initial term of three (3) years and who may be reappointed;

- 1 (e) One (1) county judge/executive appointed by the Governor from a list of three  
 2 (3) nominees submitted by the Kentucky County Judge/Executive Association  
 3 for an initial term of three (3) years and who may be reappointed;
- 4 (f) One (1) mayor of a Kentucky city appointed by the Governor from a list of  
 5 three (3) nominees submitted by the Kentucky League of Cities; and
- 6 (g) One (1) representative of private industry engaged in the business of retail tire  
 7 sales appointed by the Governor for an initial term of three (3) years and who  
 8 may be reappointed.
- 9 (3) The members of the Waste Tire Working Group identified in paragraphs (c), (d),  
 10 (e), (f), and (g) of subsection (2) of this section shall receive travel-related expenses  
 11 but no salary as compensation.
- 12 (4) The first meeting of the Waste Tire Working Group shall be no later than August  
 13 15, 2011. The working group shall meet at least twice a year or more frequently at  
 14 the call of the chair.
- 15 (5) The Waste Tire Working Group shall:
- 16 (a) Provide advice and input to the cabinet regarding:
- 17 1. The administration and implementation of alternative methods for  
 18 controlling the local accumulation of waste tires;
- 19 2. Developing the concept of a core fee for waste tires;
- 20 3. Improving the manifest system that tracks tires from point of sale to  
 21 point of disposal;
- 22 4. Developing ways to assist local governments with direct grants for  
 23 waste tire disposal; and
- 24 5. Developing an informational fact sheet on proper waste tire disposal  
 25 under~~[pursuant to]~~ KRS 224.50-868~~(3)~~~~[(2)]~~ and ~~(8)~~~~[(7)]~~ to be made  
 26 available on the cabinet's Web site and available in print upon request;
- 27 (b) Serve as an advisory body to the cabinet in the development of a formula that

1 the cabinet will use to apportion the money in the waste tire trust fund  
2 established by KRS 224.50-880 for crumb rubber grants, tire amnesties, and  
3 tire-derived fuel, and to return a portion of the waste tire funds to local  
4 governments during Commonwealth Cleanup Week for waste tire disposal;  
5 and

6 (c) Provide advice and input to the cabinet on the data development and  
7 preparation of the waste tire report mandated under KRS 224.50-872.

8 ➔Section 31. KRS 224.60-130 is amended to read as follows:

9 (1) The Energy and Environment Cabinet, Department for Environmental Protection,  
10 Division of Waste Management, shall:

11 (a) Establish by administrative regulation the policy, guidelines, and procedures  
12 to administer the financial responsibility and petroleum storage tank accounts  
13 of the petroleum storage tank environmental assurance fund. In adopting  
14 administrative regulations to carry out this section, the division may  
15 distinguish between types, classes, and ages of petroleum storage tanks. The  
16 division may establish a range of amounts to be paid from the fund, or may  
17 base payments on methods such as pay for performance, task order, or firm  
18 fixed pricing, which are designed to provide incentives for contractors to  
19 more tightly control corrective action costs, and shall establish criteria to be  
20 met by persons who contract to perform corrective action to be eligible for  
21 reimbursement from the fund. The criteria may include the certification of  
22 individuals, partnerships, and companies. Criteria shall be established to  
23 certify laboratories that contract to perform analytical testing related to the  
24 underground storage tank program. Owners and operators shall have all  
25 required analytical testing performed by a certified laboratory to be eligible  
26 for fund participation. Persons who contract with petroleum storage tank  
27 owners or operators shall not be paid more than the amount authorized by the

1 division for reimbursement from the fund for the performance of corrective  
 2 action. At a minimum, the division shall promulgate administrative  
 3 regulations that will insure an unobligated balance in the fund adequate to  
 4 meet financial assurance requirements and corrective action requirements of  
 5 KRS 224.60-135(2) and (4). If the unobligated balance in the fund is not  
 6 adequate to meet the requirements of this paragraph, the division shall  
 7 obligate funds necessary to meet these requirements;

8 (b) Establish by administrative regulation the criteria to be met to be eligible to  
 9 participate in the financial responsibility and petroleum storage tank accounts  
 10 and to receive reimbursement from these accounts. The division may establish  
 11 eligibility criteria for the petroleum storage tank account based upon the  
 12 financial ability of the petroleum storage tank owner or operator. Owners or  
 13 operators seeking coverage under the petroleum storage tank account shall file  
 14 for eligibility and for financial assistance with the division. To ensure cost  
 15 effectiveness, the division shall promulgate administrative regulations  
 16 specifying the circumstances under which prior approval of corrective action  
 17 costs shall be required for those costs to be eligible for reimbursement from  
 18 the fund. In promulgating administrative regulations to carry out this section,  
 19 the division may distinguish between types, classes, and ages of petroleum  
 20 storage tanks and the degree of compliance of the facility with any  
 21 administrative regulations of the cabinet promulgated pursuant to KRS  
 22 224.60-105 or applicable federal regulations;

23 (c) Establish a financial responsibility account within the fund which may be  
 24 used by petroleum storage tank owners and operators to demonstrate financial  
 25 responsibility as required by administrative regulations of the cabinet or the  
 26 federal regulations applicable to petroleum storage tanks, consistent with the  
 27 intent of the General Assembly as set forth in KRS 224.60-120(5). The

1 account shall receive four-tenths of one cent (\$0.004) from the one and four-  
 2 tenths cent (\$0.014) paid on each gallon of gasoline and special fuels received  
 3 in this state pursuant to KRS 224.60-145. To be eligible to use this account to  
 4 demonstrate compliance with financial responsibility requirements of the  
 5 cabinet or federal regulations, or to receive reimbursement from this account  
 6 for taking corrective action and for compensating third parties for bodily  
 7 injury and property damage, the petroleum storage tank owner or operator  
 8 shall meet the eligibility requirements established by administrative regulation  
 9 promulgated by the division;

10 (d) Establish a small operator assistance account within the fund which may be  
 11 used by the division to make or participate in the making of loans, to purchase  
 12 or participate in the purchase of the loans, which purchase may be from  
 13 eligible lenders, or to insure loans made by eligible lenders;

14 (e) Establish a petroleum storage tank account within the fund to be used to pay  
 15 the costs of corrective action due to a release from a petroleum storage tank  
 16 not eligible for reimbursement from the financial responsibility account.  
 17 Reimbursements of corrective action projects performed under the petroleum  
 18 storage tank account shall be carried out on or before July 15, 2028[2024].  
 19 Any corrective action costs incurred after this date shall not be eligible for  
 20 reimbursement under the petroleum storage tank account. The account shall  
 21 receive one cent (\$0.01) from the one and four-tenths cent (\$0.014) paid on  
 22 each gallon of gasoline and special fuels received in this state pursuant to  
 23 KRS 224.60-145. This account shall not be used to compensate third parties  
 24 for bodily injury and property damage. Within three (3) months after July 15,  
 25 2004, the division shall develop a plan to address the payment of claims and  
 26 completion of corrective action at facilities eligible for reimbursement from  
 27 this account. The division shall establish a ranking system to be used for the

- 1 distribution of amounts from this account for the purpose of corrective action.  
2 In promulgating administrative regulations to carry out this section, the  
3 division shall consider the financial ability of the petroleum storage tank  
4 owner or operator to perform corrective action and the extent of damage  
5 caused by a release into the environment from a petroleum storage tank;
- 6 (f) Hear complaints brought before the division regarding the payment of claims  
7 from the fund in accordance with KRS 224.10-410 to 224.10-470;
- 8 (g) Establish and maintain necessary offices within this state, appoint employees  
9 and agents as necessary, and prescribe their duties and compensation;
- 10 (h) Employ, in accordance with the procedures found in KRS 45A.690 to  
11 45A.725 for awarding personal service contracts, a qualified actuary to  
12 perform actuarial studies, as directed by the division, for determining an  
13 appropriate reserve in the financial responsibility account and the petroleum  
14 storage tank account sufficient to satisfy the obligations in each account for  
15 all eligible facilities and to satisfy future liabilities and expenses necessary to  
16 operate each account. The division shall, by administrative regulation, set the  
17 entry level for participation in the fund;
- 18 (i) Authorize expenditures from the fund to carry out the purpose of KRS  
19 224.60-105 to 224.60-160, including reasonable costs of administering the  
20 fund, the procurement of legal services, and the procurement of analytical  
21 testing services when necessary to confirm the accuracy of analytical testing  
22 results obtained by a petroleum storage tank owner or operator. The  
23 expenditures shall be paid from the appropriate account;
- 24 (j) Establish a small operators' tank removal account within the fund to  
25 reimburse the reasonable cost of tank system removal for small owners and  
26 operators. The account shall not be used when an owner or operator is  
27 removing the tank with the intention of replacing or upgrading the tank. In

1 promulgating administrative regulations to carry out this paragraph, the  
2 division may distinguish among owners and operators based on income and  
3 types and classes of tanks. The division shall not place a limit on the number  
4 of tanks that an owner or operator has in order to be eligible to participate in  
5 the program and receive reimbursement under this paragraph;

6 (k) Establish by administrative regulation the policy, guidelines, and procedures  
7 to perform financial audits of any petroleum storage tank owner or operator  
8 receiving reimbursement from the fund or any entity contracting or  
9 subcontracting to provide corrective action services for facilities eligible for  
10 fund reimbursement. Financial audits shall be limited to those files, records,  
11 computer records, receipts, and other documents related to corrective action  
12 performed at a facility where the costs of corrective action have been  
13 reimbursed by the fund. Files, records, computer records, receipts, and other  
14 documents related to corrective action reimbursed by the fund shall be subject  
15 to a financial audit for a period of three (3) years after the date of final  
16 reimbursement from the fund. Results of the audits shall be protected from  
17 disclosure as allowed by KRS 61.878(1)(c). Financial auditing services may  
18 be contracted for or personnel may be employed as needed to implement the  
19 requirements of this paragraph;

20 (l) Be authorized to enter and inspect any facility intending to seek  
21 reimbursement for the cost of corrective action to determine the  
22 reasonableness and necessity of the cost of corrective action. The division  
23 may collect soil or water samples or require storage tank owners or operators  
24 to split samples with the division for analytical testing. Refusal to allow entry  
25 and inspection of a facility or refusal to allow the division to collect or split  
26 samples shall make the facility ineligible for fund participation;

27 (m) Have inspectors on site at all tank system removals. Failure to comply with

1           this provision shall make the facility ineligible for fund participation. A  
 2           petroleum storage tank owner or operator may request through certified mail  
 3           that the division schedule an inspector to be present at an upcoming tank  
 4           removal. If the request is made at least two (2) weeks before the time for the  
 5           removal and an inspector fails to be present at the time scheduled, the tank  
 6           removal may proceed without making the facility ineligible for fund  
 7           participation unless the owner is notified by the division no later than ten (10)  
 8           days prior to the proposed date that an inspector is not available on the  
 9           proposed date, in which event a representative of the division shall contact the  
 10          operator and schedule a new date. If no inspector is present at the rescheduled  
 11          date, the removal may then proceed without penalty; and

12          (n) Establish that the deadline for submission of final reimbursement requests  
 13          under the petroleum storage tank account is two (2) years after receipt of a no  
 14          further action letter.

15          (2) The division may advise the cabinet on the promulgation of administrative  
 16          regulations concerning petroleum storage tanks.

17          (3) The division may sue and be sued in its own name.

18          (4) The division may transfer funds from the petroleum storage tank account to the  
 19          small operator tank removal account as needed to satisfy the obligations, future  
 20          liabilities, and expenses necessary to operate that account. The division may  
 21          transfer funds to the financial responsibility account as needed to maintain within  
 22          that account sufficient funds to demonstrate financial responsibility and to ensure  
 23          payment of claims as provided in subsection (1)(c) of this section.

24          ➔Section 32. KRS 224.60-142 is amended to read as follows:

25          (1) To be eligible to participate in the fund, the owner of any petroleum storage tank  
 26          containing motor fuels installed and placed in operation after July 15, 2004, shall  
 27          register the petroleum storage tank with the cabinet as required by KRS 224.60-105



1 prior to applying for participation in the financial responsibility account.

2 (2) The owner of any petroleum storage tank containing motor fuels currently existing,  
3 or removed from the ground after January 1, 1974, shall register the petroleum  
4 storage tank containing motor fuels with the cabinet prior to applying to the fund,  
5 and shall register the petroleum storage tank containing motor fuels by July 15,  
6 2021. Owners or operators may submit affidavits and applications relevant to  
7 current petroleum storage tank accounts through July 15, ~~2025~~[2021].

8 ➔Section 33. KRS 224.60-145 is amended to read as follows:

9 (1) Except as provided in subsection (2) of this section, there is established a petroleum  
10 environmental assurance fee to be paid by dealers on each gallon of gasoline and  
11 special fuels received in this state.

12 (2) All deductions detailed in KRS 138.240(2) and all credits detailed in KRS 138.358  
13 are exempt from the fee. If a dealer has on file, pursuant to KRS Chapter 138, a  
14 statement supporting a claimed exemption, an additional statement shall not be  
15 required for claiming exemption from the fee.

16 (3) The fee shall be reported and paid to the Department of Revenue at the same time  
17 and in the same manner as is required for the reporting and payment of the gasoline  
18 and special fuels taxes as provided by law.

19 (4) The petroleum environmental assurance fee shall be set at one and four-tenths cent  
20 (\$0.014) for each gallon. Four-tenths of a cent (\$0.004) per gallon shall be  
21 deposited in the financial responsibility account and one cent (\$0.01) shall be  
22 deposited in the petroleum storage tank account.

23 (5) Within thirty (30) days of the close of fiscal year 2001-2002 and each fiscal year  
24 thereafter, the state budget director shall review the balance of each account to  
25 determine if a surplus exists. "Surplus" means funds in excess of the amounts  
26 necessary to satisfy the obligations in each account for all eligible facilities, to  
27 satisfy future liabilities and expenses necessary to operate each account, and to

1 maintain an appropriate reserve in the financial responsibility account to  
 2 demonstrate financial responsibility and compensate for third-party claims. The  
 3 state budget director shall report the determination to the Interim Joint Committee  
 4 on Appropriations and Revenue. After a determination that a surplus exists, the  
 5 surplus shall be transferred to a restricted account and retained until appropriated  
 6 by the General Assembly.

7 (6) All provisions of law related to the Department of Revenue's administration and  
 8 enforcement of the gasoline and special fuels tax and all other powers generally  
 9 conveyed to the Department of Revenue by the Kentucky Revised Statutes for the  
 10 assessment and collection of taxes shall apply with regard to the fee levied by KRS  
 11 224.60-105 to 224.60-160.

12 (7) The Department of Revenue shall refund the fee imposed by KRS 224.60-145(1) to  
 13 any person who paid the fee provided they are entitled to a refund of motor fuel tax  
 14 under KRS 138.344 to KRS 138.355 and to any person who paid the fee on  
 15 transactions exempted under KRS 224.60-145(2).

16 (8) Notwithstanding any other provisions of KRS 65.180, 65.182, 68.600 to 68.606,  
 17 139.470, 183.165, 224.60-115, 224.60-130, 224.60-137, 224.60-140, 224.60-142,  
 18 and this section to the contrary, the small operator assistance account and small  
 19 operator tank removal account established under KRS 224.60-130 shall continue in  
 20 effect until July 15, 2025[2021], and thereafter until all eligible claims related to  
 21 tanks registered by that date are resolved, and sufficient money shall be allocated to  
 22 and maintained in that account to assure prompt payment of all eligible claims, and  
 23 to provide for removal of tanks for eligible owners and operators as directed by this  
 24 chapter.

25 ➔Section 34. KRS 139.010 is amended to read as follows:

26 As used in this chapter, unless the context otherwise provides:

27 (1) (a) "Admissions" means the fees paid for:

- 1           1. The right of entrance to a display, program, sporting event, music  
2           concert, performance, play, show, movie, exhibit, fair, or other  
3           entertainment or amusement event or venue; and
- 4           2. The privilege of using facilities or participating in an event or activity,  
5           including but not limited to:
- 6           a. Bowling centers;
- 7           b. Skating rinks;
- 8           c. Health spas;
- 9           d. Swimming pools;
- 10          e. Tennis courts;
- 11          f. Weight training facilities;
- 12          g. Fitness and recreational sports centers; and
- 13          h. Golf courses, both public and private;
- 14                regardless of whether the fee paid is per use or in any other form,  
15                including but not limited to an initiation fee, monthly fee, membership  
16                fee, or combination thereof.
- 17          (b) "Admissions" does not include:
- 18                1. Any fee paid to enter or participate in a fishing tournament; or
- 19                2. Any fee paid for the use of a boat ramp for the purpose of allowing  
20                boats to be launched into or hauled out from the water;
- 21          (2) "Advertising and promotional direct mail" means direct mail the primary purpose of  
22                which is to attract public attention to a product, person, business, or organization, or  
23                to attempt to sell, popularize, or secure financial support for a product, person,  
24                business, or organization. As used in this definition, "product" means tangible  
25                personal property, an item transferred electronically, or a service;
- 26          (3) "Business" includes any activity engaged in by any person or caused to be engaged  
27                in by that person with the object of gain, benefit, or advantage, either direct or

- 1 indirect;
- 2 (4) "Commonwealth" means the Commonwealth of Kentucky;
- 3 (5) "Department" means the Department of Revenue;
- 4 (6) (a) "Digital audio-visual works" means a series of related images which, when  
5 shown in succession, impart an impression of motion, with accompanying  
6 sounds, if any.
- 7 (b) "Digital audio-visual works" includes movies, motion pictures, musical  
8 videos, news and entertainment programs, and live events.
- 9 (c) "Digital audio-visual works" shall not include video greeting cards, video  
10 games, and electronic games;
- 11 (7) (a) "Digital audio works" means works that result from the fixation of a series of  
12 musical, spoken, or other sounds.
- 13 (b) "Digital audio works" includes ringtones, recorded or live songs, music,  
14 readings of books or other written materials, speeches, or other sound  
15 recordings.
- 16 (c) "Digital audio works" shall not include audio greeting cards sent by electronic  
17 mail;
- 18 (8) (a) "Digital books" means works that are generally recognized in the ordinary and  
19 usual sense as books, including any literary work expressed in words,  
20 numbers, or other verbal or numerical symbols or indicia if the literary work  
21 is generally recognized in the ordinary or usual sense as a book.
- 22 (b) "Digital books" shall not include digital audio-visual works, digital audio  
23 works, periodicals, magazines, newspapers, or other news or information  
24 products, chat rooms, or Web logs;
- 25 (9) (a) "Digital code" means a code which provides a purchaser with a right to obtain  
26 one (1) or more types of digital property. A "digital code" may be obtained by  
27 any means, including electronic mail messaging or by tangible means,

1           regardless of the code's designation as a song code, video code, or book code.

2           (b) "Digital code" shall not include a code that represents:

- 3           1. A stored monetary value that is deducted from a total as it is used by the
- 4           purchaser; or
- 5           2. A redeemable card, gift card, or gift certificate that entitles the holder to
- 6           select specific types of digital property;

7           (10) (a) "Digital property" means any of the following which is transferred

8           electronically:

- 9           1. Digital audio works;
- 10          2. Digital books;
- 11          3. Finished artwork;
- 12          4. Digital photographs;
- 13          5. Periodicals;
- 14          6. Newspapers;
- 15          7. Magazines;
- 16          8. Video greeting cards;
- 17          9. Audio greeting cards;
- 18          10. Video games;
- 19          11. Electronic games; or
- 20          12. Any digital code related to this property.

21          (b) "Digital property" shall not include digital audio-visual works or satellite

22          radio programming;

23          (11) (a) "Direct mail" means printed material delivered or distributed by United States

24          mail or other delivery service to a mass audience or to addressees on a

25          mailing list provided by the purchaser or at the direction of the purchaser

26          when the cost of the items are not billed directly to the recipient.

27          (b) "Direct mail" includes tangible personal property supplied directly or

1 indirectly by the purchaser to the direct mail retailer for inclusion in the  
2 package containing the printed material.

3 (c) "Direct mail" does not include multiple items of printed material delivered to  
4 a single address;

5 (12) "Directly used in the manufacturing or industrial processing process" means the  
6 process [~~within a plant facility~~] that commences with the movement of raw  
7 materials from storage into a continuous, unbroken, integrated process and ends  
8 when the finished product is packaged and ready for sale;

9 (13) (a) "Extended warranty services" means services provided through a service  
10 contract agreement between the contract provider and the purchaser where the  
11 purchaser agrees to pay compensation for the contract and the provider agrees  
12 to repair, replace, support, or maintain tangible personal property or digital  
13 property according to the terms of the contract if:

- 14 1. The service contract agreement is sold or purchased on or after July 1,  
15 2018; and
- 16 2. The tangible personal property or digital property for which the service  
17 contract agreement is provided is subject to tax under this chapter or  
18 under KRS 138.460.

19 (b) "Extended warranty services" does not include the sale of a service contract  
20 agreement for tangible personal property to be used by a small telephone  
21 utility as defined in KRS 278.516 or a Tier III CMRS provider as defined in  
22 KRS 65.7621 to deliver communications services as defined in KRS 136.602  
23 or broadband as defined in KRS 278.5461;

24 (14) (a) "Finished artwork" means final art that is used for actual reproduction by  
25 photomechanical or other processes or for display purposes.

26 (b) "Finished artwork" includes:

- 27 1. Assemblies;

- 1           2.   Charts;
- 2           3.   Designs;
- 3           4.   Drawings;
- 4           5.   Graphs;
- 5           6.   Illustrative materials;
- 6           7.   Lettering;
- 7           8.   Mechanicals;
- 8           9.   Paintings; and
- 9           10. Paste-ups;

10   (15) (a) "Gross receipts" and "sales price" mean the total amount or consideration,  
 11           including cash, credit, property, and services, for which tangible personal  
 12           property, digital property, or services are sold, leased, or rented, valued in  
 13           money, whether received in money or otherwise, without any deduction for  
 14           any of the following:

- 15           1.   The retailer's cost of the tangible personal property, digital property, or  
 16           services sold;
- 17           2.   The cost of the materials used, labor or service cost, interest, losses, all  
 18           costs of transportation to the retailer, all taxes imposed on the retailer, or  
 19           any other expense of the retailer;
- 20           3.   Charges by the retailer for any services necessary to complete the sale;
- 21           4.   Delivery charges, which are defined as charges by the retailer for the  
 22           preparation and delivery to a location designated by the purchaser  
 23           including transportation, shipping, postage, handling, crating, and  
 24           packing;
- 25           5.   Any amount for which credit is given to the purchaser by the retailer,  
 26           other than credit for tangible personal property or digital property traded  
 27           when the tangible personal property or digital property traded is of like

1 kind and character to the property purchased and the property traded is  
2 held by the retailer for resale; and

3 6. The amount charged for labor or services rendered in installing or  
4 applying the tangible personal property, digital property, or service sold.

5 (b) "Gross receipts" and "sales price" shall include consideration received by the  
6 retailer from a third party if:

7 1. The retailer actually receives consideration from a third party and the  
8 consideration is directly related to a price reduction or discount on the  
9 sale to the purchaser;

10 2. The retailer has an obligation to pass the price reduction or discount  
11 through to the purchaser;

12 3. The amount of consideration attributable to the sale is fixed and  
13 determinable by the retailer at the time of the sale of the item to the  
14 purchaser; and

15 4. One (1) of the following criteria is met:

16 a. The purchaser presents a coupon, certificate, or other  
17 documentation to the retailer to claim a price reduction or discount  
18 where the coupon, certificate, or documentation is authorized,  
19 distributed, or granted by a third party with the understanding that  
20 the third party will reimburse any seller to whom the coupon,  
21 certificate, or documentation is presented;

22 b. The price reduction or discount is identified as a third-party price  
23 reduction or discount on the invoice received by the purchaser or  
24 on a coupon, certificate, or other documentation presented by the  
25 purchaser; or

26 c. The purchaser identifies himself or herself to the retailer as a  
27 member of a group or organization entitled to a price reduction or



1 discount. A "preferred customer" card that is available to any  
2 patron does not constitute membership in such a group.

3 (c) "Gross receipts" and "sales price" shall not include:

- 4 1. Discounts, including cash, term, or coupons that are not reimbursed by a  
5 third party and that are allowed by a retailer and taken by a purchaser on  
6 a sale;
- 7 2. Interest, financing, and carrying charges from credit extended on the  
8 sale of tangible personal property, digital property, or services, if the  
9 amount is separately stated on the invoice, bill of sale, or similar  
10 document given to the purchaser; or
- 11 3. Any taxes legally imposed directly on the purchaser that are separately  
12 stated on the invoice, bill of sale, or similar document given to the  
13 purchaser.

14 (d) As used in this subsection, "third party" means a person other than the  
15 purchaser;

16 (16) "In this state" or "in the state" means within the exterior limits of the  
17 Commonwealth and includes all territory within these limits owned by or ceded to  
18 the United States of America;

19 (17) "Industrial processing" includes:

- 20 (a) Refining;
- 21 (b) Extraction of minerals, ores, coal, clay, stone, petroleum, or natural gas;
- 22 (c) Mining, quarrying, fabricating, and industrial assembling;
- 23 (d) The processing and packaging of raw materials, in-process materials, and  
24 finished products; and
- 25 (e) The processing and packaging of farm and dairy products for sale;

26 (18) (a) "Lease or rental" means any transfer of possession or control of tangible  
27 personal property for a fixed or indeterminate term for consideration. A lease

1 or rental shall include future options to:

- 2 1. Purchase the property; or
- 3 2. Extend the terms of the agreement and agreements covering trailers
- 4 where the amount of consideration may be increased or decreased by
- 5 reference to the amount realized upon sale or disposition of the property
- 6 as defined in 26 U.S.C. sec. 7701(h)(1).

7 (b) "Lease or rental" shall not include:

- 8 1. A transfer of possession or control of property under a security
- 9 agreement or deferred payment plan that requires the transfer of title
- 10 upon completion of the required payments;
- 11 2. A transfer of possession or control of property under an agreement that
- 12 requires the transfer of title upon completion of the required payments
- 13 and payment of an option price that does not exceed the greater of one
- 14 hundred dollars (\$100) or one percent (1%) of the total required
- 15 payments; or
- 16 3. Providing tangible personal property and an operator for the tangible
- 17 personal property for a fixed or indeterminate period of time. To qualify
- 18 for this exclusion, the operator must be necessary for the equipment to
- 19 perform as designed, and the operator must do more than maintain,
- 20 inspect, or setup the tangible personal property.

21 (c) This definition shall apply regardless of the classification of a transaction

22 under generally accepted accounting principles, the Internal Revenue Code, or

23 other provisions of federal, state, or local law;

24 (19) (a) "Machinery for new and expanded industry" means machinery:

- 25 1. Directly used in the manufacturing or industrial processing process of:
- 26 a. *Tangible personal property at a plant facility;*
- 27 b. *Distilled spirits or wine at a plant facility or on the premises of a*

- 1                                   distiller, rectifier, winery, or small farm winery licensed under  
 2                                   KRS 243.030 that includes a retail establishment on the  
 3                                   premises; or  
 4                                   c. Malt beverages at a plant facility or on the premises of a brewer  
 5                                   or microbrewery licensed under KRS 243.040 that includes a  
 6                                   retail establishment;
- 7                   2. Which is incorporated for the first time into:
- 8                                   a. A plant facility established in this state; or  
 9                                   b. Licensed premises located in this state; and
- 10                   3. Which does not replace machinery in the plant facility or licensed  
 11                                   premises unless that machinery purchased to replace existing  
 12                                   machinery:
- 13                                   a. Increases the consumption of recycled materials at the plant  
 14                                   facility by not less than ten percent (10%);
- 15                                   b. Performs different functions;
- 16                                   c. Is used to manufacture a different product; or
- 17                                   d. Has a greater productive capacity, as measured in units of  
 18                                   production, than the machinery being replaced.
- 19                   (b) "Machinery for new and expanded industry" does not include repair,  
 20                                   replacement, or spare parts of any kind, regardless of whether the purchase of  
 21                                   repair, replacement, or spare parts is required by the manufacturer or seller as  
 22                                   a condition of sale or as a condition of warranty;
- 23                   (20) "Manufacturing" means any process through which material having little or no  
 24                                   commercial value for its intended use before processing has appreciable  
 25                                   commercial value for its intended use after processing by the machinery;
- 26                   (21) "Marketplace" means any physical or electronic means through which one (1) or  
 27                                   more retailers may advertise and sell tangible personal property, digital property, or

1 services, or lease tangible personal property or digital property, such as a catalog,  
2 Internet Web site, or television or radio broadcast, regardless of whether the  
3 tangible personal property, digital property, or retailer is physically present in this  
4 state;

5 (22) (a) "Marketplace provider" means a person, including any affiliate of the person,  
6 that facilitates a retail sale by satisfying subparagraphs 1. and 2. of this  
7 paragraph as follows:

- 8 1. The person directly or indirectly:
  - 9 a. Lists, makes available, or advertises tangible personal property,  
10 digital property, or services for sale by a marketplace retailer in a  
11 marketplace owned, operated, or controlled by the person;
  - 12 b. Facilitates the sale of a marketplace retailer's product through a  
13 marketplace by transmitting or otherwise communicating an offer  
14 or acceptance of a retail sale of tangible personal property, digital  
15 property, or services between a marketplace retailer and a  
16 purchaser in a forum including a shop, store, booth, catalog,  
17 Internet site, or similar forum;
  - 18 c. Owns, rents, licenses, makes available, or operates any electronic  
19 or physical infrastructure or any property, process, method,  
20 copyright, trademark, or patent that connects marketplace retailers  
21 to purchasers for the purpose of making retail sales of tangible  
22 personal property, digital property, or services;
  - 23 d. Provides a marketplace for making retail sales of tangible personal  
24 property, digital property, or services, or otherwise facilitates retail  
25 sales of tangible personal property, digital property, or services,  
26 regardless of ownership or control of the tangible personal  
27 property, digital property, or services, that are the subject of the

- 1 retail sale;
- 2 e. Provides software development or research and development
- 3 activities related to any activity described in this subparagraph, if
- 4 the software development or research and development activities
- 5 are directly related to the physical or electronic marketplace
- 6 provided by a marketplace provider;
- 7 f. Provides or offers fulfillment or storage services for a marketplace
- 8 retailer;
- 9 g. Sets prices for a marketplace retailer's sale of tangible personal
- 10 property, digital property, or services;
- 11 h. Provides or offers customer service to a marketplace retailer or a
- 12 marketplace retailer's customers, or accepts or assists with taking
- 13 orders, returns, or exchanges of tangible personal property, digital
- 14 property, or services sold by a marketplace retailer; or
- 15 i. Brands or otherwise identifies sales as those of the marketplace
- 16 provider; and
- 17 2. The person directly or indirectly:
- 18 a. Collects the sales price or purchase price of a retail sale of tangible
- 19 personal property, digital property, or services;
- 20 b. Provides payment processing services for a retail sale of tangible
- 21 personal property, digital property, or services;
- 22 ~~c. Charges, collects, or otherwise receives selling fees, listing fees,~~
- 23 ~~referral fees, closing fees, fees for inserting or making available~~
- 24 ~~tangible personal property, digital property, or services on a~~
- 25 ~~marketplace, or receives other consideration from the facilitation~~
- 26 ~~of a retail sale of tangible personal property, digital property, or~~
- 27 ~~services, regardless of ownership or control of the tangible~~

1                   ~~personal property, digital property, or services that are the subject~~  
2                   ~~of the retail sale;~~

3                   ~~d.]~~ Through terms and conditions, agreements, or arrangements with a  
4                   third party, collects payment in connection with a retail sale of  
5                   tangible personal property, digital property, or services from a  
6                   purchaser and transmits that payment to the marketplace retailer,  
7                   regardless of whether the person collecting and transmitting the  
8                   payment receives compensation or other consideration in  
9                   exchange for the service; or

10                   ~~d.[e.]~~ Provides a virtual currency that purchasers are allowed or required  
11                   to use to purchase tangible personal property, digital property, or  
12                   services.

13                   (b) "Marketplace provider" includes but is not limited to a person that satisfies  
14                   the requirements of this subsection through the ownership, operation, or  
15                   control of a digital distribution service, digital distribution platform, online  
16                   portal, or application store;

17                   (23) "Marketplace retailer" means a seller that makes retail sales through any  
18                   marketplace owned, operated, or controlled by a marketplace provider;

19                   (24) (a) "Occasional sale" includes:

20                   1. A sale of tangible personal property or digital property not held or used  
21                   by a seller in the course of an activity for which he or she is required to  
22                   hold a seller's permit, provided such sale is not one (1) of a series of  
23                   sales sufficient in number, scope, and character to constitute an activity  
24                   requiring the holding of a seller's permit. In the case of the sale of the  
25                   entire, or a substantial portion of the nonretail assets of the seller, the  
26                   number of previous sales of similar assets shall be disregarded in  
27                   determining whether or not the current sale or sales shall qualify as an

1 occasional sale; or

2 2. Any transfer of all or substantially all the tangible personal property or  
3 digital property held or used by a person in the course of such an  
4 activity when after such transfer the real or ultimate ownership of such  
5 property is substantially similar to that which existed before such  
6 transfer.

7 (b) For the purposes of this subsection, stockholders, bondholders, partners, or  
8 other persons holding an interest in a corporation or other entity are regarded  
9 as having the "real or ultimate ownership" of the tangible personal property or  
10 digital property of such corporation or other entity;

11 (25) (a) "Other direct mail" means any direct mail that is not advertising and  
12 promotional direct mail, regardless of whether advertising and promotional  
13 direct mail is included in the same mailing.

14 (b) "Other direct mail" includes but is not limited to:

15 1. Transactional direct mail that contains personal information specific to  
16 the addressee, including but not limited to invoices, bills, statements of  
17 account, and payroll advices;

18 2. Any legally required mailings, including but not limited to privacy  
19 notices, tax reports, and stockholder reports; and

20 3. Other nonpromotional direct mail delivered to existing or former  
21 shareholders, customers, employees, or agents, including but not limited  
22 to newsletters and informational pieces.

23 (c) "Other direct mail" does not include the development of billing information or  
24 the provision of any data processing service that is more than incidental to the  
25 production of printed material;

26 (26) "Person" includes any individual, firm, copartnership, joint venture, association,  
27 social club, fraternal organization, corporation, estate, trust, business trust, receiver,

1 trustee, syndicate, cooperative, assignee, governmental unit or agency, or any other  
2 group or combination acting as a unit;

3 (27) "Permanent," as the term applies to digital property, means perpetual or for an  
4 indefinite or unspecified length of time;

5 (28) "Plant facility" means a single location that is exclusively dedicated to  
6 manufacturing or industrial processing activities. A location shall be deemed to be  
7 exclusively dedicated to manufacturing or industrial processing activities even if  
8 retail sales are made there, provided that the retail sales are incidental to the  
9 manufacturing or industrial processing activities occurring at the location. The term  
10 "plant facility" shall not include any restaurant, grocery store, shopping center, or  
11 other retail establishment;

12 (29) (a) "Prewritten computer software" means:

13 1. Computer software, including prewritten upgrades, that are not designed  
14 and developed by the author or other creator to the specifications of a  
15 specific purchaser;

16 2. Software designed and developed by the author or other creator to the  
17 specifications of a specific purchaser when it is sold to a person other  
18 than the original purchaser; or

19 3. Any portion of prewritten computer software that is modified or  
20 enhanced in any manner, where the modification or enhancement is  
21 designed and developed to the specifications of a specific purchaser,  
22 unless there is a reasonable, separately stated charge on an invoice or  
23 other statement of the price to the purchaser for the modification or  
24 enhancement.

25 (b) When a person modifies or enhances computer software of which the person  
26 is not the author or creator, the person shall be deemed to be the author or  
27 creator only of the modifications or enhancements the person actually made.



1 (c) The combining of two (2) or more prewritten computer software programs or  
2 portions thereof does not cause the combination to be other than prewritten  
3 computer software;

4 (30) (a) "Purchase" means any transfer of title or possession, exchange, barter, lease,  
5 or rental, conditional or otherwise, in any manner or by any means  
6 whatsoever, of:

- 7 1. Tangible personal property;
  - 8 2. An extended warranty service;
  - 9 3. Digital property transferred electronically; or
  - 10 4. Services included in KRS 139.200;
- 11 for a consideration.

12 (b) "Purchase" includes:

- 13 1. When performed outside this state or when the customer gives a resale  
14 certificate, the producing, fabricating, processing, printing, or imprinting  
15 of tangible personal property for a consideration for consumers who  
16 furnish either directly or indirectly the materials used in the producing,  
17 fabricating, processing, printing, or imprinting;
- 18 2. A transaction whereby the possession of tangible personal property or  
19 digital property is transferred but the seller retains the title as security  
20 for the payment of the price; and
- 21 3. A transfer for a consideration of the title or possession of tangible  
22 personal property or digital property which has been produced,  
23 fabricated, or printed to the special order of the customer, or of any  
24 publication;

25 (31) "Recycled materials" means materials which have been recovered or diverted from  
26 the solid waste stream and reused or returned to use in the form of raw materials or  
27 products;

- 1 (32) "Recycling purposes" means those activities undertaken in which materials that  
 2 would otherwise become solid waste are collected, separated, or processed in order  
 3 to be reused or returned to use in the form of raw materials or products;
- 4 (33) "Remote retailer" means a retailer with no physical presence in this state;
- 5 (34) (a) "Repair, replacement, or spare parts" means any tangible personal property  
 6 used to maintain, restore, mend, or repair machinery or equipment.
- 7 (b) "Repair, replacement, or spare parts" does not include machine oils, grease, or  
 8 industrial tools;
- 9 (35) (a) "Retailer" means:
- 10 1. Every person engaged in the business of making retail sales of tangible  
 11 personal property, digital property, or furnishing any services in a retail  
 12 sale included in KRS 139.200;
- 13 2. Every person engaged in the business of making sales at auction of  
 14 tangible personal property or digital property owned by the person or  
 15 others for storage, use or other consumption, except as provided in  
 16 paragraph (c) of this subsection;
- 17 3. Every person making more than two (2) retail sales of tangible personal  
 18 property, digital property, or services included in KRS 139.200 during  
 19 any twelve (12) month period, including sales made in the capacity of  
 20 assignee for the benefit of creditors, or receiver or trustee in bankruptcy;
- 21 4. Any person conducting a race meeting under the provision of KRS  
 22 Chapter 230, with respect to horses which are claimed during the  
 23 meeting.
- 24 (b) When the department determines that it is necessary for the efficient  
 25 administration of this chapter to regard any salesmen, representatives,  
 26 peddlers, or canvassers as the agents of the dealers, distributors, supervisors  
 27 or employers under whom they operate or from whom they obtain the tangible

1 personal property, digital property, or services sold by them, irrespective of  
 2 whether they are making sales on their own behalf or on behalf of the dealers,  
 3 distributors, supervisors or employers, the department may so regard them  
 4 and may regard the dealers, distributors, supervisors or employers as retailers  
 5 for purposes of this chapter.

6 (c) 1. Any person making sales at a charitable auction for a qualifying entity  
 7 shall not be a retailer for purposes of the sales made at the charitable  
 8 auction if:

9 a. The qualifying entity, not the person making sales at the auction,  
 10 is sponsoring the auction;

11 b. The purchaser of tangible personal property at the auction directly  
 12 pays the qualifying entity sponsoring the auction for the property  
 13 and not the person making the sales at the auction; and

14 c. The qualifying entity, not the person making sales at the auction,  
 15 is responsible for the collection, control, and disbursement of the  
 16 auction proceeds.

17 2. If the conditions set forth in subparagraph 1. of this paragraph are met,  
 18 the qualifying entity sponsoring the auction shall be the retailer for  
 19 purposes of the sales made at the charitable auction.

20 3. For purposes of this paragraph, "qualifying entity" means a resident:

21 a. Church;

22 b. School;

23 c. Civic club; or

24 d. Any other nonprofit charitable, religious, or educational  
 25 organization;

26 (36) "Retail sale" means any sale, lease, or rental for any purpose other than resale,  
 27 sublease, or subrent;

1 (37) (a) "Ringtones" means digitized sound files that are downloaded onto a device  
2 and that may be used to alert the customer with respect to a communication.

3 (b) "Ringtones" shall not include ringback tones or other digital files that are not  
4 stored on the purchaser's communications device;

5 (38) (a) "Sale" means:

- 6 1. The furnishing of any services included in KRS 139.200;
- 7 2. Any transfer of title or possession, exchange, barter, lease, or rental,  
8 conditional or otherwise, in any manner or by any means whatsoever,  
9 of:  
10 a. Tangible personal property; or  
11 b. Digital property transferred electronically;  
12 for a consideration.

13 (b) "Sale" includes but is not limited to:

- 14 1. The producing, fabricating, processing, printing, or imprinting of  
15 tangible personal property or digital property for a consideration for  
16 purchasers who furnish, either directly or indirectly, the materials used  
17 in the producing, fabricating, processing, printing, or imprinting;
- 18 2. A transaction whereby the possession of tangible personal property or  
19 digital property is transferred, but the seller retains the title as security  
20 for the payment of the price; and
- 21 3. A transfer for a consideration of the title or possession of tangible  
22 personal property or digital property which has been produced,  
23 fabricated, or printed to the special order of the purchaser.

24 (c) This definition shall apply regardless of the classification of a transaction  
25 under generally accepted accounting principles, the Internal Revenue Code, or  
26 other provisions of federal, state, or local law;

27 (39) "Seller" includes every person engaged in the business of selling tangible personal

1 property, digital property, or services of a kind, the gross receipts from the retail  
 2 sale of which are required to be included in the measure of the sales tax, and every  
 3 person engaged in making sales for resale;

4 (40) (a) "Storage" includes any keeping or retention in this state for any purpose  
 5 except sale in the regular course of business or subsequent use solely outside  
 6 this state of tangible personal property or digital property purchased from a  
 7 retailer.

8 (b) "Storage" does not include the keeping, retaining, or exercising any right or  
 9 power over tangible personal property for the purpose of subsequently  
 10 transporting it outside the state for use thereafter solely outside the state, or  
 11 for the purpose of being processed, fabricated, or manufactured into, attached  
 12 to, or incorporated into, other tangible personal property to be transported  
 13 outside the state and thereafter used solely outside the state;

14 (41) "Tangible personal property" means personal property which may be seen,  
 15 weighed, measured, felt, or touched, or which is in any other manner perceptible to  
 16 the senses and includes natural, artificial, and mixed gas, electricity, water, steam,  
 17 and prewritten computer software;

18 (42) "Taxpayer" means any person liable for tax under this chapter;

19 (43) "Transferred electronically" means accessed or obtained by the purchaser by means  
 20 other than tangible storage media; and

21 (44) (a) "Use" includes the exercise of:

22 1. Any right or power over tangible personal property or digital property  
 23 incident to the ownership of that property, or by any transaction in  
 24 which possession is given, or by any transaction involving digital  
 25 property where the right of access is granted; or

26 2. Any right or power to benefit from extended warranty services.

27 (b) "Use" does not include the keeping, retaining, or exercising any right or

1 power over tangible personal property or digital property for the purpose of:

- 2 1. Selling tangible personal property or digital property in the regular
- 3 course of business; or
- 4 2. Subsequently transporting tangible personal property outside the state
- 5 for use thereafter solely outside the state, or for the purpose of being
- 6 processed, fabricated, or manufactured into, attached to, or incorporated
- 7 into, other tangible personal property to be transported outside the state
- 8 and thereafter used solely outside the state.

9 ➔Section 35. KRS 139.470 is amended to read as follows:

10 There are excluded from the computation of the amount of taxes imposed by this chapter:

- 11 (1) Gross receipts from the sale of, and the storage, use, or other consumption in this
- 12 state of, tangible personal property or digital property which this state is prohibited
- 13 from taxing under the Constitution or laws of the United States, or under the
- 14 Constitution of this state;
- 15 (2) Gross receipts from sales of, and the storage, use, or other consumption in this state
- 16 of:
- 17 (a) Nonreturnable and returnable containers when sold without the contents to
- 18 persons who place the contents in the container and sell the contents together
- 19 with the container; and
- 20 (b) Returnable containers when sold with the contents in connection with a retail
- 21 sale of the contents or when resold for refilling;

22 As used in this section the term "returnable containers" means containers of a kind

23 customarily returned by the buyer of the contents for reuse. All other containers are

24 "nonreturnable containers";

- 25 (3) Gross receipts from occasional sales of tangible personal property or digital
- 26 property and the storage, use, or other consumption in this state of tangible personal
- 27 property or digital property, the transfer of which to the purchaser is an occasional

- 1 sale;
- 2 (4) Gross receipts from sales of tangible personal property to a common carrier,  
3 shipped by the retailer via the purchasing carrier under a bill of lading, whether the  
4 freight is paid in advance or the shipment is made freight charges collect, to a point  
5 outside this state and the property is actually transported to the out-of-state  
6 destination for use by the carrier in the conduct of its business as a common carrier;
- 7 (5) Gross receipts from sales of tangible personal property sold through coin-operated  
8 bulk vending machines, if the sale amounts to fifty cents (\$0.50) or less, if the  
9 retailer is primarily engaged in making the sales and maintains records satisfactory  
10 to the department. As used in this subsection, "bulk vending machine" means a  
11 vending machine containing unsorted merchandise which, upon insertion of a coin,  
12 dispenses the same in approximately equal portions, at random and without  
13 selection by the customer;
- 14 (6) Gross receipts from sales to any cabinet, department, bureau, commission, board, or  
15 other statutory or constitutional agency of the state and gross receipts from sales to  
16 counties, cities, or special districts as defined in KRS 65.005. This exemption shall  
17 apply only to purchases of tangible personal property, digital property, or services  
18 for use solely in the government function. A purchaser not qualifying as a  
19 governmental agency or unit shall not be entitled to the exemption even though the  
20 purchaser may be the recipient of public funds or grants;
- 21 (7) (a) Gross receipts from the sale of sewer services, water, and fuel to Kentucky  
22 residents for use in heating, water heating, cooking, lighting, and other  
23 residential uses. As used in this subsection, "fuel" shall include but not be  
24 limited to natural gas, electricity, fuel oil, bottled gas, coal, coke, and wood.  
25 Determinations of eligibility for the exemption shall be made by the  
26 department;
- 27 (b) In making the determinations of eligibility, the department shall exempt from

1 taxation all gross receipts derived from sales:

- 2 1. Classified as "residential" by a utility company as defined by applicable  
3 tariffs filed with and accepted by the Public Service Commission;
- 4 2. Classified as "residential" by a municipally owned electric distributor  
5 which purchases its power at wholesale from the Tennessee Valley  
6 Authority;
- 7 3. Classified as "residential" by the governing body of a municipally  
8 owned electric distributor which does not purchase its power from the  
9 Tennessee Valley Authority, if the "residential" classification is  
10 reasonably consistent with the definitions of "residential" contained in  
11 tariff filings accepted and approved by the Public Service Commission  
12 with respect to utilities which are subject to Public Service Commission  
13 regulation.

14 If the service is classified as residential, use other than for "residential"  
15 purposes by the customer shall not negate the exemption;

16 (c) The exemption shall not apply if charges for sewer service, water, and fuel are  
17 billed to an owner or operator of a multi-unit residential rental facility or  
18 mobile home and recreational vehicle park other than residential  
19 classification; and

20 (d) The exemption shall apply also to residential property which may be held by  
21 legal or equitable title, by the entirety, jointly, in common, as a  
22 condominium, or indirectly by the stock ownership or membership  
23 representing the owner's or member's proprietary interest in a corporation  
24 owning a fee or a leasehold initially in excess of ninety-eight (98) years;

25 (8) Gross receipts from sales to an out-of-state agency, organization, or institution  
26 exempt from sales and use tax in its state of residence when that agency,  
27 organization, or institution gives proof of its tax-exempt status to the retailer and



1 the retailer maintains a file of the proof;

2 (9) (a) Gross receipts derived from the sale of ~~[, the following]~~ tangible personal  
3 property, **as provided in paragraph (b) of this subsection**, to a manufacturer  
4 or industrial processor if the property is to be directly used in the  
5 manufacturing or industrial processing process of:

6 **1. Tangible personal property at a plant facility;**

7 **2. Distilled spirits or wine at a plant facility or on the premises of a**  
8 **distiller, rectifier, winery, or small farm winery licensed under KRS**  
9 **243.030 that includes a retail establishment on the premises; or**

10 **3. Malt beverages at a plant facility or on the premises of a brewer or**  
11 **microbrewery licensed under KRS 243.040 that includes a retail**  
12 **establishment;**

13 and which will be for sale. ~~[,]~~

14 **(b) The following tangible personal property shall qualify for exemption under**  
15 **this subsection:**

16 1. Materials which enter into and become an ingredient or component part  
17 of the manufactured product;

18 2. Other tangible personal property which is directly used in the  
19 manufacturing or industrial processing process, if the property has a  
20 useful life of less than one (1) year. Specifically these items are  
21 categorized as follows:

22 a. Materials. This refers to the raw materials which become an  
23 ingredient or component part of supplies or industrial tools exempt  
24 under subdivisions b. and c. below;

25 b. Supplies. This category includes supplies such as lubricating and  
26 compounding oils, grease, machine waste, abrasives, chemicals,  
27 solvents, fluxes, anodes, filtering materials, fire brick, catalysts,

1                   dyes, refrigerants, and explosives. The supplies indicated above  
 2                   need not come in direct contact with a manufactured product to be  
 3                   exempt. "Supplies" does not include repair, replacement, or spare  
 4                   parts of any kind; and

5                   c.    Industrial tools. This group is limited to hand tools such as jigs,  
 6                   dies, drills, cutters, rolls, reamers, chucks, saws, and spray guns  
 7                   and to tools attached to a machine such as molds, grinding balls,  
 8                   grinding wheels, dies, bits, and cutting blades. Normally, for  
 9                   industrial tools to be considered directly used in the manufacturing  
 10                  or industrial processing process, they shall come into direct  
 11                  contact with the product being manufactured or processed; and

12                  3.    Materials and supplies that are not reusable in the same manufacturing  
 13                  or industrial processing process at the completion of a single  
 14                  manufacturing or processing cycle. A single manufacturing cycle shall  
 15                  be considered to be the period elapsing from the time the raw materials  
 16                  enter into the manufacturing process until the finished product emerges  
 17                  at the end of the manufacturing process.

18                  ~~(c)~~~~(b)~~    The property described in paragraph ~~(b)~~~~(a)~~ of this subsection shall be  
 19                  regarded as having been purchased for resale.

20                  ~~(d)~~~~(e)~~    For purposes of this subsection, a manufacturer or industrial processor  
 21                  includes an individual or business entity that performs only part of the  
 22                  manufacturing or industrial processing activity, and the person or business  
 23                  entity need not take title to tangible personal property that is incorporated  
 24                  into, or becomes the product of, the activity.

25                  ~~(e)~~~~(d)~~    The exemption provided in this subsection does not include repair,  
 26                  replacement, or spare parts;

27    (10) Any water use fee paid or passed through to the Kentucky River Authority by

1 facilities using water from the Kentucky River basin to the Kentucky River  
 2 Authority in accordance with KRS 151.700 to 151.730 and administrative  
 3 regulations promulgated by the authority;

4 (11) Gross receipts from the sale of newspaper inserts or catalogs purchased for storage,  
 5 use, or other consumption outside this state and delivered by the retailer's own  
 6 vehicle to a location outside this state, or delivered to the United States Postal  
 7 Service, a common carrier, or a contract carrier for delivery outside this state,  
 8 regardless of whether the carrier is selected by the purchaser or retailer or an agent  
 9 or representative of the purchaser or retailer, or whether the F.O.B. is retailer's  
 10 shipping point or purchaser's destination.

11 (a) As used in this subsection:

12 1. "Catalogs" means tangible personal property that is printed to the  
 13 special order of the purchaser and composed substantially of  
 14 information regarding goods and services offered for sale; and

15 2. "Newspaper inserts" means printed materials that are placed in or  
 16 distributed with a newspaper of general circulation.

17 (b) The retailer shall be responsible for establishing that delivery was made to a  
 18 non-Kentucky location through shipping documents or other credible  
 19 evidence as determined by the department;

20 (12) Gross receipts from the sale of water used in the raising of equine as a business;

21 (13) Gross receipts from the sale of metal retail fixtures manufactured in this state and  
 22 purchased for storage, use, or other consumption outside this state and delivered by  
 23 the retailer's own vehicle to a location outside this state, or delivered to the United  
 24 States Postal Service, a common carrier, or a contract carrier for delivery outside  
 25 this state, regardless of whether the carrier is selected by the purchaser or retailer or  
 26 an agent or representative of the purchaser or retailer, or whether the F.O.B. is the  
 27 retailer's shipping point or the purchaser's destination.

- 1 (a) As used in this subsection, "metal retail fixtures" means check stands and  
2 belted and nonbelted checkout counters, whether made in bulk or pursuant to  
3 specific purchaser specifications, that are to be used directly by the purchaser  
4 or to be distributed by the purchaser.
- 5 (b) The retailer shall be responsible for establishing that delivery was made to a  
6 non-Kentucky location through shipping documents or other credible  
7 evidence as determined by the department;
- 8 (14) Gross receipts from the sale of unenriched or enriched uranium purchased for  
9 ultimate storage, use, or other consumption outside this state and delivered to a  
10 common carrier in this state for delivery outside this state, regardless of whether the  
11 carrier is selected by the purchaser or retailer, or is an agent or representative of the  
12 purchaser or retailer, or whether the F.O.B. is the retailer's shipping point or  
13 purchaser's destination;
- 14 (15) Amounts received from a tobacco buydown. As used in this subsection, "buydown"  
15 means an agreement whereby an amount, whether paid in money, credit, or  
16 otherwise, is received by a retailer from a manufacturer or wholesaler based upon  
17 the quantity and unit price of tobacco products sold at retail that requires the retailer  
18 to reduce the selling price of the product to the purchaser without the use of a  
19 manufacturer's or wholesaler's coupon or redemption certificate;
- 20 (16) Gross receipts from the sale of tangible personal property or digital property  
21 returned by a purchaser when the full sales price is refunded either in cash or credit.  
22 This exclusion shall not apply if the purchaser, in order to obtain the refund, is  
23 required to purchase other tangible personal property or digital property at a price  
24 greater than the amount charged for the property that is returned;
- 25 (17) Gross receipts from the sales of gasoline and special fuels subject to tax under KRS  
26 Chapter 138;
- 27 (18) The amount of any tax imposed by the United States upon or with respect to retail

- 1 sales, whether imposed on the retailer or the consumer, not including any  
 2 manufacturer's excise or import duty;
- 3 (19) Gross receipts from the sale of any motor vehicle as defined in KRS 138.450 which  
 4 is:
- 5 (a) Sold to a Kentucky resident, registered for use on the public highways, and  
 6 upon which any applicable tax levied by KRS 138.460 has been paid; or
- 7 (b) Sold to a nonresident of Kentucky if the nonresident registers the motor  
 8 vehicle in a state that:
- 9 1. Allows residents of Kentucky to purchase motor vehicles without  
 10 payment of that state's sales tax at the time of sale; or
- 11 2. Allows residents of Kentucky to remove the vehicle from that state  
 12 within a specific period for subsequent registration and use in Kentucky  
 13 without payment of that state's sales tax;
- 14 (20) Gross receipts from the sale of a semi-trailer as defined in KRS 189.010(12) and  
 15 trailer as defined in KRS 189.010(17);
- 16 (21) Gross receipts from the collection of:
- 17 (a) Any fee or charge levied by a local government pursuant to KRS 65.760;
- 18 (b) The charge imposed by KRS 65.7629(3);
- 19 (c) The fee imposed by KRS 65.7634; and
- 20 (d) The service charge imposed by KRS 65.7636;
- 21 (22) Gross receipts derived from charges for labor or services to apply, install, repair, or  
 22 maintain tangible personal property directly used in manufacturing or industrial  
 23 processing process of:
- 24 (a) Tangible personal property at a plant facility;
- 25 (b) Distilled spirits or wine at a plant facility or on the premises of a distiller,  
 26 rectifier, winery, or small farm winery licensed under KRS 243.030; or
- 27 (c) Malt beverages at a plant facility or on the premises of a brewer or

1           microbrewery licensed under KRS 243.040~~[, and]~~

2           that is not otherwise exempt under subsection (9) of this section or KRS  
3           139.480(10), if the charges for labor or services are separately stated on the invoice,  
4           bill of sale, or similar document given to purchaser;

5       (23) (a) For persons selling services included in KRS 139.200(2)(g) to (q) prior to  
6           January 1, 2019, gross receipts derived from the sale of those services if the  
7           gross receipts were less than six thousand dollars (\$6,000) during calendar  
8           year 2018. When gross receipts from these services exceed six thousand  
9           dollars (\$6,000) in a calendar year:

- 10           1. All gross receipts over six thousand dollars (\$6,000) are taxable in that
- 11                     calendar year; and
- 12           2. All gross receipts are subject to tax in subsequent calendar years.

13       (b) The exemption provided in this subsection shall not apply to a person also  
14           engaged in the business of selling tangible personal property, digital property,  
15           or services included in KRS 139.200(2)(a) to (f); and

16       (24) (a) For persons that first begin making sales of services included in KRS  
17           139.200(2)(g) to (q) on or after January 1, 2019, gross receipts derived from  
18           the sale of those services if the gross receipts are less than six thousand  
19           dollars (\$6,000) within the first calendar year of operation. When gross  
20           receipts from these services exceed six thousand dollars (\$6,000) in a calendar  
21           year:

- 22           1. All gross receipts over six thousand dollars (\$6,000) are taxable in that
- 23                     calendar year; and
- 24           2. All gross receipts are subject to tax in subsequent calendar years.

25       (b) The exemption provided in this subsection shall not apply to a person that is  
26           also engaged in the business of selling tangible personal property, digital  
27           property, or services included in KRS 139.200(2)(a) to (f).

1        ➔ Section 36. KRS 189A.050 is amended to read as follows:

- 2        (1) All persons convicted of violation of KRS 189A.010(1)(a), (b), (c), (d), or (e) shall  
 3        be sentenced to pay a service fee of **four hundred twenty-five dollars (\$425)**~~three~~  
 4        ~~hundred seventy five dollars (\$375)]~~, which shall be in addition to all other  
 5        penalties authorized by law.
- 6        (2) The fee shall be imposed in all cases but shall be subject to the provisions of KRS  
 7        534.020 and KRS 534.060.
- 8        (3) The first fifty dollars (\$50) of each service fee imposed by this section shall be paid  
 9        into the general fund, **the second fifty dollars (\$50) of each service fee imposed by**  
 10       **this section shall be paid to the ignition interlock administration fund established**  
 11       **in Section 38 of this Act,** and the remainder of the revenue collected from the  
 12       service fee imposed by this section shall be utilized as follows:
- 13       (a) Twelve percent (12%)~~[of the amount collected]~~ shall be transferred to the  
 14       Department of Kentucky State Police forensic laboratory for the acquisition,  
 15       maintenance, testing, and calibration of alcohol concentration testing  
 16       instruments and the training of laboratory personnel to perform these tasks;
- 17       (b) Twenty percent (20%)~~[of the service fee collected pursuant to this section]~~  
 18       shall be allocated to the Department of Public Advocacy;
- 19       (c) One percent (1%) shall be transferred to the Prosecutor's Advisory Council  
 20       for training of prosecutors for the prosecution of persons charged with  
 21       violations of this chapter and for obtaining expert witnesses in cases involving  
 22       the prosecution of persons charged with violations of this chapter or any other  
 23       offense in which driving under the influence is a factor in the commission of  
 24       the offense charged;
- 25       (d) Sixteen percent (16%)~~[of the amount collected]~~ shall be transferred as  
 26       follows:
- 27       1. Fifty percent (50%) shall be credited to the traumatic brain injury trust

- 1 fund established under KRS 211.476; and
- 2 2. Fifty percent (50%) shall be credited to the Cabinet for Health and  
3 Family Services, Department for Behavioral Health, Developmental and  
4 Intellectual Disabilities, for the purposes of providing direct services to  
5 individuals with brain injuries that may include long-term supportive  
6 services and training and consultation to professionals working with  
7 individuals with brain injuries. As funding becomes available under this  
8 subparagraph, the cabinet may promulgate administrative regulations  
9 pursuant to KRS Chapter 13A to implement the services permitted by  
10 this subparagraph;
- 11 (e) Any amount specified by a specific statute shall be transferred as provided in  
12 that statute;
- 13 (f) Forty-six percent (46%)~~[of the amount collected]~~ shall be transferred to be  
14 utilized to fund enforcement of this chapter and for the support of jails,  
15 recordkeeping, treatment, and educational programs authorized by this  
16 chapter and by the Department of Public Advocacy; and
- 17 (g) The remainder~~[of the amount collected]~~ shall be transferred to the general  
18 fund.
- 19 (4) The amounts specified in subsection (3)(a), (b), (c), and (d) of this section shall be  
20 placed in trust and agency accounts that shall not lapse.
- 21 ➔Section 37. KRS 189A.350 (Effective July 1, 2020) is amended to read as  
22 follows:
- 23 (1) (a) The Transportation Cabinet shall:
- 24 1. Issue ignition interlock license application forms and other forms  
25 necessary for the implementation of ignition interlock licenses;
- 26 2. Create a uniform ignition interlock certificate of installation to be  
27 provided to a defendant by an ignition interlock provider upon



- 1 installation of an ignition interlock device;
- 2 3. Create an ignition interlock license. The ignition interlock license may
- 3 be a regular driver's or operator's license with an ignition interlock
- 4 restriction printed on the license;
- 5 4. Require a person issued an ignition interlock license to maintain motor
- 6 vehicle insurance for the duration of his or her ignition interlock license;
- 7 5. Certify ignition interlock devices approved for use in the
- 8 Commonwealth;
- 9 6. Publish and periodically update on the Transportation Cabinet Web site
- 10 a list of contact information, including a link to the Web site of each
- 11 certified ignition interlock device provider, with the entity appearing
- 12 first on the list changing on a statistically random basis each time a
- 13 unique visitor visits the list of the approved ignition interlock installers
- 14 and the approved servicing and monitoring entities;
- 15 7. Monitor the ignition interlock device service locations of providers and
- 16 create a random or designated selection process to require a provider to
- 17 provide ignition interlock device services in any area of the
- 18 Commonwealth which the Transportation Cabinet determines is
- 19 underserved by providers; and
- 20 8. Except as provided in paragraph (b) of this subsection, promulgate
- 21 administrative regulations to carry out the provisions of this section.
- 22 (b) The Transportation Cabinet shall not create any ignition interlock license or
- 23 device violations in administrative regulations. The sole ignition interlock
- 24 license or device violations are established in this chapter.
- 25 (2) No model of ignition interlock device shall be certified for use in the
- 26 Commonwealth unless it meets or exceeds standards promulgated by the
- 27 Transportation Cabinet pursuant to this section.

- 1 (3) In bidding for a contract with the Transportation Cabinet to provide ignition  
2 interlock devices and servicing or monitoring or both, the ignition interlock device  
3 provider shall take into account that some defendants will not be able to pay the full  
4 amount of the fees established pursuant to KRS 189A.340(7)(a).
- 5 (4) Any contract between the cabinet and an ignition interlock device provider shall  
6 include the following:
- 7 (a) A requirement that the provider accept reduced payments as a full payment  
8 for all purposes from persons determined to be at or below two hundred  
9 percent (200%) of the federal poverty guidelines by the Transportation  
10 Cabinet as provided by KRS 189A.340(7)(c);
- 11 (b) A requirement that no unit of state or local government and no public officer  
12 or employee shall be liable for the cost of purchasing or installing the ignition  
13 interlock device or associated costs;
- 14 (c) A requirement that the provider agree to a price for the cost of leasing or  
15 purchasing an ignition interlock device and any associated servicing or  
16 monitoring fees during the duration of the contract. This price shall not be  
17 increased but may be reduced during the duration of the contract;
- 18 (d) Requirements and standards for the servicing, inspection, and monitoring of  
19 the ignition interlock device;
- 20 (e) Provisions for training for service center technicians and clients;
- 21 (f) A requirement that the provider electronically transmit reports on driving  
22 activity within seven (7) days of servicing an ignition interlock device to the  
23 Transportation Cabinet, prosecuting attorney, and defendant;
- 24 (g) Requirements for a transition plan for the ignition interlock device provider  
25 before the provider leaves the state to ensure that continuous monitoring is  
26 achieved and to provide a minimum forty-five (45) day notice to the cabinet  
27 of any material change to the design of the ignition interlock device, or any

1 changes to the provider's installation, servicing, or monitoring capabilities;

2 (h) A requirement that, before beginning work, the ignition interlock device  
 3 provider have and maintain insurance as approved by the cabinet, including  
 4 provider's public liability and property damage insurance, in an amount  
 5 determined by the cabinet, that covers the cost of defects or problems with  
 6 product design, materials, workmanship during manufacture, calibration,  
 7 installation, device removal, or any use thereof;

8 (i) A provision requiring that an ignition interlock provider agree to hold  
 9 harmless and indemnify any unit of state or local government, public officer,  
 10 or employee from all claims, demands, and actions, as a result of damage or  
 11 injury to persons or property which may arise, directly or indirectly, out of  
 12 any action or omission by the ignition interlock provider relating to the  
 13 installation, service, repair, use, or removal of an ignition interlock device;

14 (j) A requirement that a warning label to be affixed to each ignition interlock  
 15 device upon installation. The label shall contain a warning that any person  
 16 who tampers with, circumvents, or otherwise misuse the device commits a  
 17 violation of law under KRS 189A.345;

18 (k) A requirement that a provider will remove an ignition interlock device  
 19 without cost, if the device is found to be defective;

20 (l) A requirement that a provider have at least one (1) ignition interlock device  
 21 service location in each Transportation Cabinet highway district; and

22 (m) A requirement that a provider accept assignments to provide ignition interlock  
 23 device services in areas of the Commonwealth which the Transportation  
 24 Cabinet determines are underserved by providers in accordance with  
 25 subsection (1) of this section.

26 **(5) (a) The Transportation Cabinet may require ignition interlock device providers**  
 27 **to pay the following fees:**

- 1            1. An application fee not to exceed five hundred dollars (\$500);
- 2            2. An annual renewal fee not to exceed two hundred dollars (\$200);
- 3            3. An annual service inspection fee not to exceed one hundred dollars
- 4            (\$100); or
- 5            4. A revisit fee for a failed inspection not to exceed one hundred fifty
- 6            dollars (\$150).

7            (b) Any fees collected pursuant to this subsection shall be paid to the ignition  
 8            interlock administration fund established in Section 38 of this Act.

9            ➔SECTION 38. A NEW SECTION OF KRS CHAPTER 189A IS CREATED  
 10 TO READ AS FOLLOWS:

11            (1) The ignition interlock administration fund is created as a restricted fund. The  
 12            restricted fund shall consist of funds deposited pursuant to Sections 36 and 37 of  
 13            this Act. The Transportation Cabinet shall administer the fund.

14            (2) The funds deposited pursuant to:

15            (a) Section 36 of this Act shall be appropriated to the Department of Vehicle  
 16            Regulation; and

17            (b) Section 37 of this Act shall be appropriated to the Office of Highway Safety;  
 18            for administrative costs associated with ignition interlock pursuant to this  
 19            chapter.

20            (3) Notwithstanding KRS 45.229, any moneys remaining in the fund at the close of  
 21            the fiscal year shall not lapse but shall be carried forward into the succeeding  
 22            fiscal year to be used for the purposes set forth in subsection (2) of this section.

23            (4) Any interest earned on moneys in the fund shall become a part of the fund and  
 24            shall not lapse.

25            ➔Section 39. KRS 138.146 is amended to read as follows:

26            (1) The cigarette tax shall be due when any licensed wholesaler or unclassified acquirer  
 27            takes possession within this state of untax-paid cigarettes.

- 1 (2) (a) The cigarette tax shall be paid by the purchase of stamps by a resident  
2 wholesaler within forty-eight (48) hours after the wholesaler receives the  
3 cigarettes.
- 4 (b) A stamp shall be affixed to each package of an aggregate denomination not  
5 less than the amount of the cigarette tax on the package.
- 6 (c) The affixed stamp shall be prima facie evidence of payment of the cigarette  
7 tax.
- 8 (d) Unless stamps have been previously affixed, they shall be affixed by each  
9 resident wholesaler prior to the delivery of any cigarettes to a retail location  
10 or any person in this state.
- 11 (e) The evidence of cigarette tax payment shall be affixed to each individual  
12 package of cigarettes by a nonresident wholesaler prior to the introduction or  
13 importation of the cigarettes into the territorial limits of this state.
- 14 (f) The evidence of cigarette tax payment shall be affixed by an unclassified  
15 acquirer within twenty-four (24) hours after the cigarettes are received by the  
16 unclassified acquirer.
- 17 (3) (a) The department shall by regulation prescribe the form of cigarette tax  
18 evidence, the method and manner of the sale and distribution of cigarette tax  
19 evidence, and the method and manner that tax evidence shall be affixed to the  
20 cigarettes.
- 21 (b) All cigarette tax evidence prescribed by the department shall be designed and  
22 furnished in a fashion to permit identification of the person that affixed the  
23 cigarette tax evidence to the particular package of cigarettes, by means of  
24 numerical rolls or other mark on the cigarette tax evidence.
- 25 (c) The department shall maintain for at least three (3) years information  
26 identifying the person that affixed the cigarette tax evidence to each package  
27 of cigarettes. This information shall not be kept confidential or exempt from

1 disclosure to the public through open records.

2 (4) (a) Units of cigarette tax evidence shall be sold at their face value, but the  
3 department shall allow as compensation to any licensed wholesaler an amount  
4 of tax evidence equal to thirty cents (\$0.30) face value for each three dollars  
5 (\$3) of tax evidence purchased at face value and attributable to the tax  
6 assessed in KRS 138.140(1)(a). No compensation shall be allowed for tax  
7 evidence purchased at face value attributable to the surtaxes imposed in KRS  
8 138.140(1)(b) or (c).

9 (b) The department shall have the power to withhold compensation as provided in  
10 paragraph (a) of this subsection from any licensed wholesaler for failure to  
11 abide by any provisions of KRS 138.130 to 138.205 or any administrative  
12 regulations promulgated thereunder. Any refund or credit for unused cigarette  
13 tax evidence shall be reduced by the amount allowed as compensation at the  
14 time of purchase.

15 (5) (a) Payment for units of cigarette tax evidence shall be made at the time the  
16 units are sold, unless the licensed wholesaler:

17 1. Has filed with the department a bond, issued by a corporation  
18 authorized to do surety business in Kentucky, in an amount equal to  
19 or greater than the amount of payment for the units of cigarette tax  
20 evidence purchased, plus all penalties, interest, and collection fees  
21 applicable to that amount, should the taxpayer default on the  
22 payment; and

23 2. Has registered and agrees to make the payment of tax to the  
24 department electronically.

25 (b) Except as provided in paragraph (c) of this subsection, if the licensed  
26 wholesaler qualifies under paragraph (a) of this subsection, the licensed  
27 wholesaler shall have ten (10) days from the date of purchase to remit

1 payment of cigarette tax, without the assessment of civil penalties under  
 2 KRS 131.180 or interest under KRS 131.183 during the ten (10) day period.

3 (c) 1. The ten (10) day payment period under paragraph (b) of this  
 4 subsection shall not apply to the payment for units of cigarette tax  
 5 evidence during the last ten (10) days of the month of June during  
 6 each fiscal year.

7 2. All payments for units of cigarette tax evidence made under paragraph  
 8 (b) of this subsection during the month of June shall be made the  
 9 earlier of:

10 a. The ten (10) day period; or

11 b. June 25.

12 (d) If the licensed wholesaler does not make the payment of cigarette tax within  
 13 the ten (10) day period, or within the period of time under paragraph (c) of  
 14 this subsection, the department shall:

15 1. Revoke the license required under KRS 138.195;

16 2. Issue a demand for payment in an amount equal to the cigarette tax  
 17 evidence purchased, plus all penalties, interest, and collection fees  
 18 applicable to that amount; and

19 3. Require immediate payment of the bond.

20 (6) (a) The bond required under subsection (5) of this section shall be on a form  
 21 and with a surety approved by the department.

22 (b) The licensed wholesaler shall be named as the principal obligor and the  
 23 department shall be named as the obligee within the bond.

24 (c) The bond shall be conditioned upon the payment by the licensed wholesaler  
 25 of all cigarette tax imposed by the Commonwealth.

26 (d) The provisions of KRS 131.110 shall not apply to the demand for payment  
 27 required under paragraph (c)2. of subsection (5) of this section.

- 1    (7) (a) No tax evidence may be affixed, or used in any way, by any person other than  
2           the person purchasing the evidence from the department.
- 3           (b) Tax evidence may not be transferred or negotiated, and may not, by any  
4           scheme or device, be given, bartered, sold, traded, or loaned to any other  
5           person.
- 6           (c) Unaffixed tax evidence may be returned to the department for credit or refund  
7           for any reason satisfactory to the department.
- 8    ~~(8)~~~~((6))~~ (a) In the event any retailer receives into his possession cigarettes to which  
9           evidence of Kentucky tax payment is not properly affixed, the retailer shall,  
10          within twenty-four (24) hours, notify the department of the receipt.
- 11          (b) The notification to the department shall be in writing, stating the name of the  
12          person from whom the cigarettes were received and the quantity of those  
13          cigarettes.
- 14          (c) The written notice may be:
- 15                1. Given to any field agent of the department; or
- 16                2. Directed to the commissioner of the Department of Revenue, Frankfort,  
17                Kentucky.
- 18          (d) If the notice is given by means of the United States mail, it shall be sent by  
19          certified mail.
- 20          (e) Any such cigarettes shall be retained by the retailer, and not sold, for a period  
21          of fifteen (15) days after giving the notice provided in this subsection.
- 22          (f) The retailer may, at his option, pay the tax due on those cigarettes according  
23          to administrative regulations prescribed by the department, and proceed to sell  
24          those cigarettes after the payment.
- 25    (9)~~((7))~~ (a) Cigarettes stamped with the cigarette tax evidence of another state shall  
26          at no time be commingled with cigarettes on which the Kentucky cigarette tax  
27          evidence has been affixed.



1 (b) Any licensed wholesaler, licensed sub-jobber, or licensed vending machine  
 2 operator may hold cigarettes stamped with the tax evidence of another state  
 3 for any period of time, subsection (2) of this section notwithstanding.

4 ➔Section 40. KRS 139.495 is amended to read as follows:

5 (1) The taxes imposed by this chapter shall apply to:

6 (a) Resident, nonprofit educational, charitable, or religious institutions which  
 7 have qualified for exemption from income taxation under Section 501(c)(3) of  
 8 the Internal Revenue Code; and

9 (b) Any resident, single member limited liability company that is:

10 1. Wholly owned and controlled by a resident or nonresident, nonprofit  
 11 educational, charitable, or religious institution which has qualified for  
 12 exemption from income taxation under Section 501(c)(3) of the Internal  
 13 Revenue Code; and

14 2. Disregarded as an entity separate from the resident or nonresident,  
 15 nonprofit educational, charitable, or religious institution for federal  
 16 income tax purposes pursuant to 26 C.F.R. sec. 301.7701-2;

17 as provided in this section.

18 (2) (a) Tax does not apply to:

19 1. Sales of tangible personal property, digital property, or services to these  
 20 institutions or limited liability companies described in subsection (1) of  
 21 this section, provided the tangible personal property, digital property, or  
 22 service is to be used solely in this state within the educational,  
 23 charitable, or religious function;

24 2. Sales of food to students in school cafeterias or lunchrooms;

25 3. Sales by school bookstores of textbooks, workbooks, and other course  
 26 materials;

27 4. Sales by nonprofit, school sponsored clubs and organizations, provided

- 1 such sales do not include tickets for athletic events;
- 2 5. Sales of admissions, including the sales of admissions to a golf course  
3 when the admission is the result of a fundraising event, by nonprofit  
4 educational, charitable, or religious institutions described in subsection  
5 (1) of this section. All other sales of admissions to a golf course by  
6 these institutions are not exempt from tax under this section; or
- 7 6. a. Fundraising event sales made by nonprofit educational, charitable,  
8 or religious institutions and limited liability companies described  
9 in subsection (1) of this section.
- 10 b. For the purposes of this subparagraph, "fundraising event sales"  
11 does not include sales related to the operation of a retail business,  
12 including but not limited to thrift stores, bookstores, surplus  
13 property auctions, recycle and reuse stores, or any ongoing  
14 operations in competition with for-profit retailers.
- 15 (b) The exemptions provided in subparagraphs 5. and 6. of paragraph (a) of this  
16 subsection shall not apply to sales generated by or arising at a tourism  
17 development project approved under KRS 148.851 to 148.860.
- 18 (3) An institution shall be entitled to a refund equal to twenty-five percent (25%) of the  
19 tax collected on its sale of donated goods if the refund is used exclusively as  
20 reimbursement for capital construction costs of additional retail locations in this  
21 state, provided the institution:
- 22 (a) Routinely sells donated items;
- 23 (b) Provides job training and employment to individuals with workplace  
24 disadvantages and disabilities;
- 25 (c) Spends at least seventy-five percent (75%) of its annual revenue on job  
26 training, job placement, or other related community services;
- 27 (d) Submits a refund application to the department within sixty (60) days after the

1 new retail location opens for business; and

2 (e) Provides records of capital construction costs for the new retail location and  
3 any other information the department deems necessary to process the refund.

4 The maximum refund allowed for any location shall not exceed one million dollars  
5 (\$1,000,000). As used in this subsection, "capital construction cost" means the cost  
6 of construction of any new facilities or the purchase and renovation of any existing  
7 facilities, but does not include the cost of real property other than real property  
8 designated as a brownfield site as defined in KRS 65.680(4).

9 (4) Notwithstanding any other provision of law to the contrary, refunds under  
10 subsection (3) of this section shall be made directly to the institution. Interest shall  
11 not be allowed or paid on the refund. The department may examine any refund  
12 within four (4) years from the date the refund application is received. Any  
13 overpayment shall be subject to the interest provisions of KRS 131.183 and the  
14 penalty provisions of KRS 131.180.

15 (5) All other sales made by nonprofit educational, charitable, or religious institutions or  
16 limited liability companies described in subsection (1) of this section are taxable  
17 and the tax may be passed on to the purchaser as provided in KRS 139.210.

18 ➔Section 41. KRS 139.498 is amended to read as follows:

19 (1) (a) For nonprofit civic, governmental, or other nonprofit organizations, except as  
20 described in KRS 139.495 and 139.497, the taxes imposed by this chapter do  
21 not apply to:

22 1. The sale of admissions, **including the sales of admissions to a golf**  
23 **course when the admission is the result of a fundraising event. All**  
24 **other sales of admissions to a golf course by these organizations are**  
25 **not exempt from tax under this section;** or

26 2. a. Fundraising event sales.

27 b. For the purposes of this paragraph, "fundraising event sales" does

1 not include sales related to the operation of a retail business,  
 2 including but not limited to thrift stores, bookstores, surplus  
 3 property auctions, recycle and reuse stores, or any ongoing  
 4 operations in competition with for-profit retailers.

5 (b) The exemption provided in subparagraph 1. of paragraph (a) of this  
 6 subsection shall not apply to the sale of admissions to a public facility that  
 7 qualifies for a sales tax rebate under KRS 139.533.

8 (2) All other sales made by organizations referred to in subsection (1) of this section  
 9 are taxable.

10 ➔Section 42. KRS 139.200 is amended to read as follows:

11 A tax is hereby imposed upon all retailers at the rate of six percent (6%) of the gross  
 12 receipts derived from:

13 (1) Retail sales of:

14 (a) Tangible personal property, regardless of the method of delivery, made within  
 15 this Commonwealth; and

16 (b) Digital property regardless of whether:

- 17 1. The purchaser has the right to permanently use the property;
- 18 2. The purchaser's right to access or retain the property is not permanent;
- 19 or
- 20 3. The purchaser's right of use is conditioned upon continued payment; and

21 (2) The furnishing of the following:

22 (a) The rental of any room or rooms, lodgings, campsites, or accommodations  
 23 furnished by any hotel, motel, inn, tourist camp, tourist cabin, campgrounds,  
 24 recreational vehicle parks, or any other place in which rooms, lodgings,  
 25 campsites, or accommodations are regularly furnished to transients for a  
 26 consideration. The tax shall not apply to rooms, lodgings, campsites, or  
 27 accommodations supplied for a continuous period of thirty (30) days or more

- 1 to a person;
- 2 (b) Sewer services;
- 3 (c) The sale of admissions, except:
- 4 1. Admissions to racetracks taxed under KRS 138.480;
- 5 2. Admissions to historical sites exempt under KRS 139.482;
- 6 3. Admissions taxed under KRS 229.031;
- 7 4. Admissions ***that are*** charged by nonprofit educational, charitable, or
- 8 religious institutions ***and for which an exemption is provided***~~[exempt]~~
- 9 under KRS 139.495; and
- 10 5. Admissions ***that are*** charged by nonprofit civic, governmental, or other
- 11 nonprofit organizations ***and for which an exemption is***
- 12 ***provided***~~[exempt]~~ under KRS 139.498;
- 13 (d) Prepaid calling service and prepaid wireless calling service;
- 14 (e) Intrastate, interstate, and international communications services as defined in
- 15 KRS 139.195, except the furnishing of pay telephone service as defined in
- 16 KRS 139.195;
- 17 (f) Distribution, transmission, or transportation services for natural gas that is for
- 18 storage, use, or other consumption in this state, excluding those services
- 19 furnished:
- 20 1. For natural gas that is classified as residential use as provided in KRS
- 21 139.470(7); or
- 22 2. To a seller or reseller of natural gas;
- 23 (g) Landscaping services, including but not limited to:
- 24 1. Lawn care and maintenance services;
- 25 2. Tree trimming, pruning, or removal services;
- 26 3. Landscape design and installation services;
- 27 4. Landscape care and maintenance services; and

- 1           5.    Snow plowing or removal services;
- 2           (h)   Janitorial services, including but not limited to residential and commercial
- 3                 cleaning services, and carpet, upholstery, and window cleaning services;
- 4           (i)   Small animal veterinary services, excluding veterinary services for equine,
- 5                 cattle, poultry, swine, sheep, goats, llamas, alpacas, ratite birds, buffalo, and
- 6                 cervids;
- 7           (j)   Pet care services, including but not limited to grooming and boarding
- 8                 services, pet sitting services, and pet obedience training services;
- 9           (k)   Industrial laundry services, including but not limited to industrial uniform
- 10                supply services, protective apparel supply services, and industrial mat and rug
- 11                supply services;
- 12           (l)   Non-coin-operated laundry and dry cleaning services;
- 13           (m)   Linen supply services, including but not limited to table and bed linen supply
- 14                services and nonindustrial uniform supply services;
- 15           (n)   Indoor skin tanning services, including but not limited to tanning booth or
- 16                tanning bed services and spray tanning services;
- 17           (o)   Non-medical diet and weight reducing services;
- 18           (p)   Limousine services, if a driver is provided; and
- 19           (q)   Extended warranty services.

20           ➔Section 43.   KRS 45A.077 is amended to read as follows:

- 21           (1)   A public-private partnership delivery method may be utilized as provided in this
- 22                section and administrative regulations promulgated thereunder. State contracts
- 23                using this method shall be awarded by competitive negotiation.
- 24           (2)   A contracting body utilizing a public-private partnership shall continue to be
- 25                responsible for oversight of any function that is delegated to or otherwise
- 26                performed by a private partner.
- 27           (3)   On or before December 31, 2016, the secretary of the Finance and Administration

1 Cabinet shall promulgate administrative regulations setting forth criteria to be used  
2 in determining when a public-private partnership is to be used for a particular  
3 project. The administrative regulations shall reflect the intent of the General  
4 Assembly to promote and encourage the use of public-private partnerships in the  
5 Commonwealth. The secretary shall consult with design-builders, construction  
6 managers, contractors, design professionals including engineers and architects, and  
7 other appropriate professionals during the development of these administrative  
8 regulations.

9 (4) A request for proposal for a project utilizing a public-private partnership shall  
10 include at a minimum:

- 11 (a) The parameters of the proposed public-private partnership agreement;
- 12 (b) The duties and responsibilities to be performed by the private partner or  
13 partners;
- 14 (c) The methods of oversight to be employed by the contracting body;
- 15 (d) The duties and responsibilities that are to be performed by the contracting  
16 body and any other partners to the contract;
- 17 (e) The evaluation factors and the relative weight of each to be used in the  
18 scoring of awards;
- 19 (f) Plans for financing and operating the qualifying project and the revenues,  
20 service payments, bond financings, and appropriations of public funds needed  
21 for the qualifying project;
- 22 (g) Comprehensive documentation of the experience, capabilities, capitalization  
23 and financial condition, and other relevant qualifications of the private entity;
- 24 (h) The ability of a private partner or partners to quickly respond to the needs  
25 presented in the request for proposal, and the importance of economic  
26 development opportunities represented by the qualifying project. In  
27 evaluating proposals, preference shall be given to a plan that includes the

- 1 involvement of small businesses as subcontractors, to the extent that small  
 2 businesses can provide services in a competitive manner, unless any  
 3 preference interferes with the qualification for federal or other funds; and
- 4 (i) Other information required by the contracting body or the cabinet to evaluate  
 5 the proposals submitted by respondents and the overall proposed public-  
 6 private partnership.
- 7 (5) A private entity desiring to be a private partner shall demonstrate to the satisfaction  
 8 of the contracting body or the cabinet that it is capable of performing any duty,  
 9 responsibility, or function it may be authorized or directed to perform as part of the  
 10 public-private partnership agreement.
- 11 (6) When a request for proposal for a project utilizing a public-private partnership is  
 12 issued for a capital project, the contracting body shall transmit a copy of the request  
 13 for proposal to the Capital Projects and Bond Oversight Committee staff, clearly  
 14 identifying to the staff that a public-private partnership is being utilized. The  
 15 contracting body shall submit the final contract to the Capital Projects and Bond  
 16 Oversight Committee under KRS 45.763 before work may be begun on the project.
- 17 (7) A request for proposal or other solicitation may be canceled, or all proposals may  
 18 be rejected, if it is determined in writing that the action is taken in the best interest  
 19 of the Commonwealth and approved by the purchasing officer.
- 20 (8) (a) Beginning July 1, 2022~~[2020]~~, in the case of any public-private partnership  
 21 for a capital project with an aggregate value of twenty-five million dollars  
 22 (\$25,000,000) or more, the project shall be authorized by the General  
 23 Assembly, by inclusion in the branch budget bill or by any other means  
 24 specified by the General Assembly, explicitly identifying and authorizing the  
 25 utilization of a public-private partnership delivery method for the applicable  
 26 capital project. The authorization of a capital project required by this  
 27 subsection is in addition to any other statutorily required authorization for a



1 capital project.

2 (b) The provisions of this subsection shall not apply to any public-private  
3 partnership project made public through a request for proposal or a public  
4 notice of an unsolicited proposal issued prior to July 1, ~~2020~~<sup>2022</sup>.

5 (9) Any corporation as described by KRS 45.750(2)(c), or as created under the  
6 Kentucky Revised Statutes as a governmental agency and instrumentality of the  
7 Commonwealth, that manages its capital construction program shall:

8 (a) Adhere to the administrative regulations promulgated under this section when  
9 utilizing a public-private partnership for financing capital projects;

10 (b) Report to legislative committees as specified in this section; and

11 (c) Submit public-private partnership agreements issued by it to the General  
12 Assembly for authorization as provided in subsection (8) of this section.

13 (10) (a) The governing body of a postsecondary institution that manages its capital  
14 construction program under KRS 164A.580 shall report to the Capital  
15 Projects and Bond Oversight Committee staff as specified in this section.

16 (b) Any provision of a public-private partnership agreement issued by a  
17 postsecondary institution which provides for a lease by or to the  
18 postsecondary institution shall be valid and enforceable if approved by the  
19 governing board of the institution.

20 (11) (a) A person or business may submit an unsolicited proposal to a governmental  
21 body, which may receive the unsolicited proposal.

22 (b) Within ninety (90) days of receiving an unsolicited proposal, a governmental  
23 body may elect to consider further action on the proposal, at which point the  
24 governmental body shall provide public notice of the proposal. Discussion of  
25 the project shall not be deemed a solicitation of the project or its concepts  
26 after public notice is given. The public notice shall:

27 1. Provide specific information regarding the proposed nature, timing, and

1 scope of the unsolicited proposal, except that trade secrets, financial  
 2 records, or other records of the person or business making the proposal  
 3 shall not be posted unless otherwise agreed to by the governmental body  
 4 and the person or business; and

5 2. Provide for a notice period for the submission of competing proposals as  
 6 follows:

7 a. Unsolicited proposals valued below five million dollars  
 8 (\$5,000,000) shall be posted for thirty (30) days;

9 b. Unsolicited proposals valued between five million dollars  
 10 (\$5,000,000) and twenty-five million dollars (\$25,000,000) shall  
 11 be posted for sixty (60) days; and

12 c. Unsolicited proposals valued over twenty-five million dollars  
 13 (\$25,000,000) shall be posted for ninety (90) days.

14 (c) Upon the end of the notice period provided under paragraph (b)2. of this  
 15 subsection, the governmental body may consider the unsolicited proposal and  
 16 any competing proposals received. If the governmental body determines it is  
 17 in the best interest of the Commonwealth to implement some or all of the  
 18 concepts contained within the unsolicited proposal or competing proposals  
 19 received by it, the governmental body may begin an open, competitive  
 20 procurement process to do so pursuant to this chapter.

21 (d) An unsolicited proposal shall be deemed rejected if no written response is  
 22 received from the governmental body within ninety (90) days of submission,  
 23 during which time the governmental body has not taken any action on the  
 24 proposal under paragraph (b) of this subsection.

25 ➔Section 44. KRS 132.285 is amended to read as follows:

26 (1) (a) Except as provided in subsection (3) of this section, any city may by  
 27 ordinance elect to use the annual county assessment for property situated

1 within the city as a basis of ad valorem tax levies ordered or approved by the  
2 legislative body of the city.

3 (b) Any city making the election provided in paragraph (a) of this subsection  
4 shall notify the department and property valuation administrator prior to the  
5 next succeeding assessment to be used for city levies. In such event the  
6 assessment finally determined for county tax purposes shall serve as a basis of  
7 all city levies for the fiscal year commencing on or after the county  
8 assessment date.

9 (c) Each city which elects to use the county assessment shall annually appropriate  
10 and pay each fiscal year to the office of the property valuation administrator  
11 for deputy and other authorized personnel allowance, supplies, maps and  
12 equipment, and other authorized expenses of the office one-half of one cent  
13 (\$0.005) for each one hundred dollars (\$100) of assessment, except that sums  
14 paid shall not be:

- 15 1. Less than two hundred fifty dollars (\$250); or
- 16 2. More than:
  - 17 a. Forty thousand dollars (\$40,000) in a city having an assessment  
18 subject to city tax of less than two billion dollars  
19 (\$2,000,000,000);
  - 20 b. Fifty thousand dollars (\$50,000) in a city having an assessment  
21 subject to city tax of two billion dollars (\$2,000,000,000) or more,  
22 but less than three billion dollars (\$3,000,000,000);~~or~~
  - 23 c. Sixty thousand dollars (\$60,000) in a city having an assessment  
24 subject to city tax of three billion dollars (\$3,000,000,000) ***but less***  
25 ***than six billion dollars (\$6,000,000,000);*** ~~or~~~~more~~
  - 26 ***d. One hundred thousand dollars (\$100,000) in a city having an***  
27 ***assessment subject to city tax of six billion dollars***



1           assessed for state and county taxes.

2 (2) In the event any omitted property is assessed by the property valuation  
3 administrator as provided by KRS 132.310, the assessment shall be considered as  
4 part of the assessment adopted by the city according to subsection (1) of this  
5 section.

6 (3) For purposes of the levy and collection of ad valorem taxes on motor vehicles,  
7 cities shall use the assessment required to be made pursuant to KRS 132.487(5).

8 (4) Notwithstanding the provisions of subsection (1) of this section, each city which  
9 elects to use the county assessment for ad valorem taxes levied for 1996 or  
10 subsequent years, and which used the county assessment for ad valorem taxes  
11 levied for 1995, shall appropriate and pay to the office of the property valuation  
12 administrator for the purposes set out in subsection (1) of this section an amount  
13 equal to the amount paid to the office of the property valuation administrator in  
14 1995, or the amount required by the provisions of subsection (1) of this section,  
15 whichever is greater.

16 ➔Section 45. KRS 132.590 is amended to read as follows:

17 (1) The compensation of the property valuation administrator shall be based on the  
18 schedule contained in subsection (2) of this section as modified by subsection (3) of  
19 this section. The compensation of the property valuation administrator shall be  
20 calculated by the Department of Revenue annually. Should a property valuation  
21 administrator for any reason vacate the office in any year during his term of office,  
22 he shall be paid only for the calendar days actually served during the year.

23 (2) The salary schedule for property valuation administrators provides for nine (9)  
24 levels of salary based upon the population of the county in the prior year as  
25 determined by the United States Department of Commerce, Bureau of the Census  
26 annual estimates. To implement the salary schedule, the department shall, by  
27 November 1 of each year, certify for each county the population group applicable to

1 each county based on the most recent estimates of the United States Department of  
 2 Commerce, Bureau of the Census. The salary schedule provides four (4) steps for  
 3 yearly increments within each population group. Property valuation administrators  
 4 shall be paid according to the first step within their population group for the first  
 5 year or portion thereof they serve in office. Thereafter, each property valuation  
 6 administrator, on January 1 of each subsequent year, shall be advanced  
 7 automatically to the next step in the salary schedule until the maximum salary  
 8 figure for the population group is reached. If the county population as certified by  
 9 the department increases to a new group level, the property valuation  
 10 administrator's salary shall be computed from the new group level at the beginning  
 11 of the next year. A change in group level shall have no affect on the annual change  
 12 in step. Prior to assuming office, any person who has previously served as a  
 13 property valuation administrator must certify to the Department of Revenue the  
 14 total number of years, not to exceed four (4) years, that the person has previously  
 15 served in the office. The department shall place the person in the proper step based  
 16 upon a formula of one (1) incremental step per full calendar year of service:

17 SALARY SCHEDULE

County Population	Steps and Salary			
by Group	for Property Valuation Administrators			
Group I	Step 1	Step 2	Step 3	Step 4
0-4,999	\$45,387	\$46,762	\$48,137	\$49,513
Group II	49,513	50,888	52,263	53,639
5,000-9,999	53,639	55,014	56,389	57,765
Group III	55,702	57,765	59,828	61,891
10,000-19,999	55,702	57,765	59,828	61,891
Group IV	55,702	57,765	59,828	61,891
20,000-29,999	55,702	57,765	59,828	61,891

1	Group V				
2	30,000-44,999	59,828	61,891	63,954	66,017
3	Group VI				
4	45,000-59,999	61,891	64,641	67,392	70,143
5	Group VII				
6	60,000-89,999	66,017	68,768	71,518	74,269
7	Group VIII				
8	90,000-499,999	68,080	71,518	74,957	78,395
9	Group IX				
10	500,000 and up	72,206	75,644	79,083	82,521

11 (3) (a) For calendar year 2000, the salary schedule in subsection (2) of this section  
 12 shall be increased by the amount of increase in the annual consumer price  
 13 index as published by the United States Department of Commerce for the year  
 14 ended December 31, 1999. This salary adjustment shall take effect on July 14,  
 15 2000, and shall not be retroactive to the preceding January 1.

16 (b) For each calendar year beginning after December 31, 2000, upon publication  
 17 of the annual consumer price index by the United States Department of  
 18 Commerce, the annual rate of salary for the property valuation administrator  
 19 shall be determined by applying the increase in the consumer price index to  
 20 the salary in effect for the previous year. This salary determination shall be  
 21 retroactive to the preceding January 1.

22 (c) In addition to the step increases based on service in office, each property  
 23 valuation administrator shall be paid an annual incentive of six hundred  
 24 eighty-seven dollars and sixty-seven cents (\$687.67) per calendar year for  
 25 each forty (40) hour training unit successfully completed based on continuing  
 26 service in that office and, except as provided in this subsection, completion of  
 27 at least forty (40) hours of approved training in each subsequent calendar

1 year. If a property valuation administrator fails without good cause, as  
2 determined by the commissioner of the Kentucky Department of Revenue, to  
3 obtain the minimum amount of approved training in any year, the officer shall  
4 lose all training incentives previously accumulated. No property valuation  
5 administrator shall receive more than one (1) training unit per calendar year  
6 nor more than four (4) incentive payments per calendar year. Each property  
7 valuation administrator shall be allowed to carry forward up to forty (40)  
8 hours of training credit into the following calendar year for the purpose of  
9 satisfying the minimum amount of training for that year. This amount shall be  
10 increased by the consumer price index adjustments prescribed in paragraphs  
11 (a) and (b) of this subsection. Each training unit shall be approved and  
12 certified by the Kentucky Department of Revenue. Each unit shall be  
13 available to property valuation administrators in each office based on  
14 continuing service in that office. The Kentucky Department of Revenue shall  
15 promulgate administrative regulations in accordance with KRS Chapter 13A  
16 to establish guidelines for the approval and certification of training units.

17 (4) Notwithstanding any provision contained in this section, no property valuation  
18 administrator holding office on July 14, 2000, shall receive any reduction in salary  
19 or reduction in adjustment to salary otherwise allowable by the statutes in force on  
20 July 14, 2000.

21 (5) Deputy property valuation administrators and other authorized personnel may be  
22 advanced one (1) step in grade upon completion of twelve (12) months' continuous  
23 service. The Department of Revenue may make grade classification changes  
24 corresponding to any approved for department employees in comparable positions,  
25 so long as the changes do not violate the integrity of the classification system.  
26 Subject to availability of funds, the department may extend cost-of-living increases  
27 approved for department employees to deputy property valuation administrators and



- 1 other authorized personnel, by advancement in grade.
- 2 (6) Beginning with the 1990-1992 biennium, the Department of Revenue shall prepare  
3 a biennial budget request for the staffing of property valuation administrators'  
4 offices. An equitable allocation of employee positions to each property valuation  
5 administrator's office in the state shall be made on the basis of comparative  
6 assessment work units. Assessment work units shall be determined from the most  
7 current objective information available from the United States Bureau of the Census  
8 and other similar sources of unbiased information. Beginning with the 1996-1998  
9 biennium, assessment work units shall be based on parcel count per employee. The  
10 total sum allowed by the state to any property valuation administrator's office as  
11 compensation for deputies, other authorized personnel, and for other authorized  
12 expenditures shall not exceed the amount fixed by the Department of Revenue.  
13 However, each property valuation administrator's office shall be allowed as a  
14 minimum such funds that are required to meet the federal minimum wage  
15 requirements for two (2) full-time deputies.
- 16 (7) Beginning with the 1990-1992 biennium each property valuation administrator  
17 shall submit by June 1 of each year for the following fiscal year to the Department  
18 of Revenue a budget request for his office which shall be based upon the number of  
19 employee positions allocated to his office under subsection (6) of this section and  
20 upon the county and city funds available to his office and show the amount to be  
21 expended for deputy and other authorized personnel including employer's share of  
22 FICA and state retirement, and other authorized expenses of the office. The  
23 Department of Revenue shall return to each property valuation administrator, no  
24 later than July 1, an approved budget for the fiscal year.
- 25 (8) Each property valuation administrator may appoint any persons approved by the  
26 Department of Revenue to assist him in the discharge of his duties. Each deputy  
27 shall be more than twenty-one (21) years of age and may be removed at the

1 pleasure of the property valuation administrator. The salaries of deputies and other  
 2 authorized personnel shall be fixed by the property valuation administrator in  
 3 accordance with the grade classification system established by the Department of  
 4 Revenue and shall be subject to the approval of the Department of Revenue. The  
 5 Personnel Cabinet shall provide advice and technical assistance to the Department  
 6 of Revenue in the revision and updating of the personnel classification system,  
 7 which shall be equitable in all respects to the personnel classification systems  
 8 maintained for other state employees. Any deputy property valuation administrator  
 9 employed or promoted to a higher position may be examined by the Department of  
 10 Revenue in accordance with standards of the Personnel Cabinet, for the position to  
 11 which he is being appointed or promoted. No state funds available to any property  
 12 valuation administrator's office as compensation for deputies and other authorized  
 13 personnel or for other authorized expenditures shall be paid without authorization  
 14 of the Department of Revenue prior to the employment by the property valuation  
 15 administrator of deputies or other authorized personnel or the incurring of other  
 16 authorized expenditures.

17 (9) Each county fiscal court shall annually appropriate and pay each fiscal year to the  
 18 office of the property valuation administrator as its cost for use of the assessment,  
 19 as required by KRS 132.280, an amount determined as follows:

Assessment Subject to			
County Tax of:			
At Least	But Less Than		Amount
----	\$100,000,000		\$0.005 for each \$100 of the first
			\$50,000,000 and \$0.002 for
			each \$100 over \$50,000,000.
\$100,000,000	150,000,000		\$0.004 for each \$100 of the first
			\$100,000,000 and \$0.002 for

1			each \$100 over \$100,000,000.
2	150,000,000	300,000,000	\$0.004 for each \$100 of the first
3			\$150,000,000 and \$0.003 for
4			each \$100 over \$150,000,000.
5	300,000,000	----	\$0.004 for each \$100.

6 (10) The total sum to be paid by the fiscal court to any property valuation administrator's  
 7 office under the provisions of subsection (9) of this section shall not exceed the  
 8 limits set forth in the following table:

9	Assessed Value of Property Subject to		
10	County Tax of:		
11	At Least	But Less Than	Limit
12	----	\$700,000,000	\$25,000
13	\$700,000,000	1,000,000,000	35,000
14	1,000,000,000	2,000,000,000	50,000
15	2,000,000,000	2,500,000,000	75,000
16	2,500,000,000	5,000,000,000	100,000
17	5,000,000,000	7,500,000,000	175,000
18	7,500,000,000	<u>15,000,000,000</u>	<u>250,000</u>
19	<u>15,000,000,000</u>	-----	<u>400,000</u>

20 [~~250,000~~]

21 This allowance shall be based on the assessment as of the previous January 1 and  
 22 shall be used for deputy and other personnel allowance, supplies, maps and  
 23 equipment, travel allowance for the property valuation administrator and his  
 24 deputies and other authorized personnel, and other authorized expenses of the  
 25 office.

26 (11) Annually, after appropriation by the county of funds required of it by subsection (9)  
 27 of this section, and no later than August 1, the property valuation administrator

1 shall file a claim with the county for that amount of the appropriation specified in  
2 his approved budget for compensation of deputies and assistants, including  
3 employer's shares of FICA and state retirement, for the fiscal year. The amount so  
4 requested shall be paid by the county into the State Treasury by September 1, or  
5 paid to the property valuation administrator and be submitted to the State Treasury  
6 by September 1. These funds shall be expended by the Department of Revenue only  
7 for compensation of approved deputies and assistants and the employer's share of  
8 FICA and state retirement in the appropriating county. Any funds paid into the  
9 State Treasury in accordance with this provision but unexpended by the close of the  
10 fiscal year for which they were appropriated shall be returned to the county from  
11 which they were received.

12 (12) After submission to the State Treasury or to the property valuation administrator of  
13 the county funds budgeted for personnel compensation under subsection (11) of this  
14 section, the fiscal court shall pay the remainder of the county appropriation to the  
15 office of the property valuation administrator on a quarterly basis. Four (4) equal  
16 payments shall be made on or before September 1, December 1, March 1, and June  
17 1 respectively. Any unexpended county funds at the close of each fiscal year shall  
18 be retained by the property valuation administrator, except as provided in KRS  
19 132.601(2). During county election years the property valuation administrator shall  
20 not expend in excess of forty percent (40%) of the allowances available to his office  
21 from county funds during the first five (5) months of the fiscal year in which the  
22 general election is held.

23 (13) The provisions of this section shall apply to urban-county governments and  
24 consolidated local governments. In an urban-county government and a consolidated  
25 local government, all the rights and obligations conferred on fiscal courts or  
26 consolidated local governments by the provisions of this section shall be exercised  
27 by the urban-county government or consolidated local government.

1 (14) When an urban-county form of government is established through merger of  
 2 existing city and county governments as provided in KRS Chapter 67A or when a  
 3 consolidated local government is established through merger of existing city and  
 4 county governments as provided by KRS Chapter 67C, the annual county  
 5 assessment shall be presumed to have been adopted as if the city had exercised the  
 6 option to adopt as provided in KRS 132.285~~], and the annual amount to be~~  
 7 ~~appropriated to the property valuation administrator's office shall be the combined~~  
 8 ~~amount that is required of the county under this section and that required of the city~~  
 9 ~~under KRS 132.285, except that the total shall not exceed one hundred thousand~~  
 10 ~~dollars (\$100,000) for any urban-county government or consolidated local~~  
 11 ~~government with an assessment subject to countywide tax of less than five billion~~  
 12 ~~dollars (\$5,000,000,000), one hundred seventy-five thousand dollars (\$175,000) for~~  
 13 ~~an urban-county government or consolidated local government with an assessment~~  
 14 ~~subject to countywide tax between five billion dollars (\$5,000,000,000) and seven~~  
 15 ~~billion five hundred million dollars (\$7,500,000,000), and two hundred fifty~~  
 16 ~~thousand dollars (\$250,000) for an urban-county government or consolidated local~~  
 17 ~~government with an assessment subject to countywide tax in excess of seven billion~~  
 18 ~~five hundred million dollars (\$7,500,000,000)]. For purposes of this subsection, the~~  
 19 amount to be considered as the assessment for purposes of KRS 132.285 shall be  
 20 the amount subject to taxation for full urban services.

21 (15) Notwithstanding the provisions of subsection (9) of this section, the amount  
 22 appropriated and paid by each county fiscal court to the office of the property  
 23 valuation administrator for 1996 and subsequent years shall be equal to the amount  
 24 paid to the office of the property valuation administrator for 1995, or the amount  
 25 required by the provisions of subsections (9) and (10) of this section, whichever is  
 26 greater.

27 ➔SECTION 46. A NEW SECTION OF KRS CHAPTER 143 IS CREATED TO

1 READ AS FOLLOWS:

- 2 **(1) A taxpayer engaged in severing or processing coal within this Commonwealth**  
 3 **that has paid the tax imposed under KRS 143.020 may apply for a refund equal to**  
 4 **the amount of tax paid under KRS 143.020 if the coal is transported directly to a**  
 5 **market outside of North America.**
- 6 **(2) To apply for the refund allowed under subsection (1) of this section the taxpayer**  
 7 **shall file an application for refund with the department and submit all**  
 8 **information and documentation necessary to substantiate that the tax was paid**  
 9 **upon the coal which was transported directly to a market outside of North**  
 10 **America.**
- 11 **(3) The refund process allowed under subsection (1) of this section is available**  
 12 **beginning on or after August 1, 2020, but before July 1, 2022, and limited during**  
 13 **any calendar year to the export of a combined total of ten million (10,000,000)**  
 14 **tons of coal subject to the tax imposed under KRS 143.020 and exported through**  
 15 **United States coal export terminals to markets outside of North America.**

16 ➔Section 47. KRS 103.200 is amended to read as follows:

17 As used in KRS 103.200 to 103.285:

- 18 (1) "Building" or "industrial building" means any land and building or buildings  
 19 (including office space related and subordinate to any of the facilities enumerated  
 20 below), any facility or other improvement thereon, and all real and personal  
 21 properties, including operating equipment and machinery deemed necessary in  
 22 connection therewith, whether or not now in existence, which shall be suitable for  
 23 the following or any combination thereof:
- 24 (a) Any activity, business, or industry for the manufacturing, processing or  
 25 assembling of any commercial product, including agricultural, mining, or  
 26 manufactured products **and solar-generated electricity**, together with storage,  
 27 warehousing, and distribution facilities in respect thereof;

- 1 (b) Any undertaking involving the construction, reconstruction, and use of  
2 airports, mass commuting facilities, ship canals, ports or port facilities, docks  
3 or wharf facilities or harbor facilities, off-street parking facilities or of  
4 railroads, monorails, or tramways, railway or airline terminals, cable  
5 television, mass communication facilities, and related facilities;
- 6 (c) Any buildings, structures, and facilities, including the site thereof and  
7 machinery, equipment, and furnishings suitable for use as health-care or  
8 related facilities, including without limitation hospitals, clinics, nursing  
9 homes, research facilities, extended or long-term care facilities, including  
10 housing for the aged or the infirm and all buildings, structures, and facilities  
11 deemed necessary or useful in connection therewith;
- 12 (d) Any nonprofit educational institution in any manner related to or in  
13 furtherance of the educational purposes of such institution, including but not  
14 limited to classroom, laboratory, housing, administrative, physical  
15 educational, and medical research and treatment facilities;
- 16 (e) Any facilities for any recreation or amusement park, public park, or theme  
17 park, including specifically facilities for the use of nonprofit entities in  
18 making recreational and cultural benefits available to the public;
- 19 (f) Any facilities involving manufacturing and service industries which process  
20 raw agricultural products, including timber, provide value-added functions, or  
21 supply ingredients used for production of basic agricultural crops and  
22 products;
- 23 (g) Any facilities incident to the development of industrial sites, including land  
24 costs and the costs of site improvements thereon, such as grading, streets,  
25 drainage, storm and sanitary sewers, and other facilities and structures  
26 incidental to the use of such site or sites for industrial use;
- 27 (h) Any facilities for the furnishing of water, if available on reasonable demand to

- 1 members of the general public;
- 2 (i) Any facilities for the extraction, production, grading, separating, washing,  
3 drying, preparing, sorting, loading, and distribution of mineral resources,  
4 together with related facilities;
- 5 (j) Any convention or trade show facilities, together with all related and  
6 subordinate facilities necessary to the development and proper utilization  
7 thereof;
- 8 (k) Any facilities designed and constructed to be used as hotels and/or motels,  
9 together with all related and subordinate facilities necessary to the operation  
10 thereof, including site preparation and similar facilities;
- 11 (l) Any activity designed for the preservation of residential neighborhoods,  
12 provided that such activity receives approval of the heritage division and  
13 insures the preservation of not fewer than four (4) family units;
- 14 (m) Any activity designed for the preservation of commercial or residential  
15 buildings which are on the National Register of Historic Places or within an  
16 area designated as a national historic district or approved by the heritage  
17 division;
- 18 (n) Any activity, including new construction, designed for revitalization or  
19 redevelopment of downtown business districts as designated by the issuer;  
20 and
- 21 (o) Any use by an entity recognized by the Internal Revenue Service as an  
22 organization described in 26 U.S.C. sec. 501(c)(3) in any manner related to or  
23 in the furtherance of that entity's exempt purposes where the use would also  
24 qualify for federally tax-exempt financing under the rules applicable to a  
25 qualified 501(c)(3) bond as defined in 26 U.S.C. sec. 145.
- 26 (2) "Bonds" or "negotiable bonds" means bonds, notes, variable rate bonds,  
27 commercial paper bonds, bond anticipation notes, or any other obligations for the



1 payment of money issued by a city, county, or other authority pursuant to KRS  
2 103.210 to 103.285.

3 (3) "Substantiating documentation" means an independent finding, study, report, or  
4 assessment of the economic and financial impact of a project, which shall include a  
5 review of customary business practices, terms, and conditions for similar types of  
6 projects, both taxable and tax-exempt, in the current market environment.

7 ➔Section 48. KRS 95A.210 is amended to read as follows:

8 As used in KRS 95A.200 to 95A.300, unless the context otherwise requires:

9 (1) "Commission" means the Commission on Fire Protection Personnel Standards and  
10 Education established pursuant to KRS 95A.020;

11 (2) "Established work schedule" means a work schedule adopted by or required of a  
12 local government setting a recurring pattern for time on and off duty for  
13 professional firefighters employed by the local government. An established work  
14 schedule includes but is not limited to a schedule of twenty-four (24) consecutive  
15 hours on duty, followed by forty-eight (48) consecutive hours off duty;

16 (3) "Executive director" means the executive director of the Commission on Fire  
17 Protection Personnel Standards and Education;

18 (4) "Fund" means Firefighters Foundation Program Fund;

19 (5) "Local government" means any city, county, urban-county government, charter  
20 county government, unified local government, consolidated local government, *air*  
21 *board created under KRS Chapter 183,* or any combination thereof of the  
22 Commonwealth;

23 (6) "Professional firefighter" means any member of a paid municipal fire department  
24 organized under KRS Chapter 95, 67A, or 67C, a fire protection district organized  
25 under KRS Chapter 75,~~[or]~~ a county fire department created pursuant to KRS  
26 Chapter 67, *or any firefighter employed by an air board created under KRS*  
27 *Chapter 183;*

1 (7) "Program" means the Alan "Chip" Terry Professional Development and Wellness  
2 Program for firefighters established in KRS 95A.292;

3 (8) "Scheduled overtime" means work by a professional firefighter in excess of forty  
4 (40) hours per week which regularly recurs as part of an established work schedule;  
5 and

6 (9) "Unscheduled overtime" means work by a professional firefighter in excess of forty  
7 (40) hours per week which does not regularly recur as part of an established work  
8 schedule.

9 ➔Section 49. KRS 65.710 is amended to read as follows:

10 In order to enable cities and counties to fulfill their obligations regarding the public  
11 health, safety, and welfare, the General Assembly does hereby allow cities and counties  
12 to contract with private persons, partnerships, or corporations for providing ambulance  
13 service to the residents of such cities and counties subject to the following conditions:

14 (1) These contracts must be in writing and must be approved by the legislative body of  
15 the city if a city is party thereto, or by the fiscal court in case a county is party  
16 thereto.

17 (2) No contract shall be made with an ambulance service or other organization or  
18 person unless the contract shall stipulate that at least one (1) person on each  
19 ambulance run shall possess currently valid emergency medical technician  
20 certification.

21 (3) All contracts made with any ambulance service or other organization or person  
22 shall stipulate that all vehicles used for operation of the service comply with vehicle  
23 and equipment administrative regulations issued by the Cabinet for Health and  
24 Family Services.

25 (4) All contracts shall include the stipulation that at least two (2) trained persons, one  
26 (1) driver and one (1) attendant, shall be carried on each ambulance for each  
27 ambulance call which is covered by the contract.

- 1 (5) No contract shall be made for a period of time greater than four (4) years~~one (1)~~  
 2 ~~year~~.
- 3 (6) The vehicle, equipment, training, and personnel requirements of subsections (2),  
 4 (3), and (4) of this section shall also apply to the operation of an ambulance service  
 5 by a city or a county or by a city and a county jointly.
- 6 (7) No provisions of this section shall be construed as to limit the power of any city or  
 7 county to contract for or operate ambulance services under requirements which are  
 8 stricter than those of this section, or to require insurance, or bonding of contractors,  
 9 provided these provisions are not in conflict with the requirements of this section.
- 10 ➔Section 50. KRS 138.130 is amended to read as follows:
- 11 As used in KRS 138.130 to 138.205:
- 12 (1) (a) "Chewing tobacco" means any leaf tobacco that is not intended to be smoked  
 13 and includes loose leaf chewing tobacco, plug chewing tobacco, and twist  
 14 chewing tobacco.
- 15 (b) "Chewing tobacco" does not include snuff;
- 16 (2) ~~[(a)]~~"Cigarettes" means any roll for smoking made wholly or in part of tobacco,  
 17 or any substitute for tobacco, irrespective of size or shape and whether or not  
 18 the tobacco is flavored, adulterated, or mixed with any other ingredient, the  
 19 wrapper or cover of which is made of paper or any other substance or  
 20 material, except tobacco~~].~~
- 21 ~~(b) "Cigarettes" does not include reference tobacco products or electronic~~  
 22 ~~cigarettes];~~
- 23 (3) "Cigarette tax" means the group of taxes consisting of:
- 24 (a) The tax imposed by KRS 138.140(1)(a);
- 25 (b) The surtax imposed by KRS 138.140(1)(b); and
- 26 (c) The surtax imposed by KRS 138.140(1)(c);
- 27 (4) (a) "Closed vapor cartridge" means a pre-filled disposable cartridge that:

- 1            1. Is intended to be used with or in a noncombustible product that  
 2            employs a heating element, battery, power source, electronic circuit, or  
 3            other electronic, chemical, or mechanical means, regardless of shape  
 4            or size, to deliver vaporized or aerosolized nicotine, non-nicotine  
 5            substances, or other materials to users that may be inhaling from the  
 6            product such as any electronic cigarette, electronic cigar, electronic  
 7            cigarillo, electronic pipe, or other similar product or device and every  
 8            variation thereof, regardless of whether marketed as such; and  
 9            2. Contains nicotine or non-nicotine substances or other material  
 10           consumed during the process of vaporization or aerosolization.

11           (b) "Closed vapor cartridge" does not include any product regulated as a drug  
 12           or device by the United States Food and Drug Administration under  
 13           Chapter V of the Food, Drug, and Cosmetic Act;

14           (5) "Department" means the Department of Revenue;

15           (6)~~[(5)]~~ "Distributor" means any person within this state in possession of tobacco  
 16           products or vapor products for resale within this state on which the tobacco  
 17           products tax imposed under KRS 138.140(2) has not been paid;

18           (7)~~[(6)]~~ "Half-pound unit" means a consumer-sized container, pouch, or package:

19           (a) Containing at least four (4) ounces but not more than eight (8) ounces of  
 20           chewing tobacco by net weight;

21           (b) Produced by the manufacturer to be sold to consumers as a half-pound unit  
 22           and not produced to be divided or sold separately; and

23           (c) Containing one (1) individual container, pouch, or package;

24           (8)~~[(7)]~~ "Manufacturer" means any person who manufactures or produces cigarettes or  
 25           tobacco products within or without this state;

26           (9)~~[(8)]~~ "Nonresident wholesaler" means any person who purchases cigarettes directly  
 27           from the manufacturer and maintains a permanent location outside this state where

1 Kentucky cigarette tax evidence is attached or from where Kentucky cigarette tax is  
2 reported and paid;

3 ~~(10)~~~~(9)~~ **(a) "Open vaping system" means:**

- 4 **1. Any noncombustible product that employs a heating element, battery,**  
5 **power source, electronic circuit, or other electronic, chemical, or**  
6 **mechanical means, regardless of shape or size and including the**  
7 **component parts and accessories thereto, that uses a refillable liquid**  
8 **solution to deliver vaporized or aerosolized nicotine, non-nicotine**  
9 **substances, or other materials to users that may be inhaling from the**  
10 **product such as any electronic cigarette, electronic cigar, electronic**  
11 **cigarillo, electronic pipe, or similar product or device and every**  
12 **variation thereof, regardless of whether marketed as such; and**  
13 **2. Any liquid solution that is intended to be used with the product**  
14 **described in subparagraph 1. of this paragraph.**

15 **(b) "Open vaping system" does not include any product regulated as a drug or**  
16 **device by the United States Food and Drug Administration under Chapter V**  
17 **of the Food, Drug, and Cosmetic Act;**

18 **(11)** "Person" means any individual, firm, copartnership, joint venture, association,  
19 municipal or private corporation whether organized for profit or not, the  
20 Commonwealth of Kentucky or any of its political subdivisions, an estate, trust, or  
21 any other group or combination acting as a unit;

22 **(12)**~~(10)~~ "Pound unit" means a consumer-sized container, pouch, or package:

- 23 (a) Containing more than eight (8) ounces but not more than sixteen (16) ounces  
24 of chewing tobacco by net weight;
- 25 (b) Produced by the manufacturer to be sold to consumers as a pound unit and not  
26 produced to be divided or sold separately; and
- 27 (c) Containing one (1) individual container, pouch, or package;

1 ~~(13)~~~~(11)~~ "Reference~~[-tobacco]~~ products" means tobacco products, vapor products, or  
 2 cigarettes made by a manufacturer specifically for an accredited state college or  
 3 university to be held by the college or university until sale or transfer to a  
 4 laboratory, hospital, medical center, institute, college or university, manufacturer,  
 5 or other institution;

6 ~~(14)~~~~(12)~~ "Resident wholesaler" means any person who purchases at least seventy-five  
 7 percent (75%) of all cigarettes purchased by the wholesaler directly from the  
 8 manufacturer on which the cigarette tax is unpaid, and who maintains an  
 9 established place of business in this state where the wholesaler attaches cigarette  
 10 tax evidence or receives untax-paid cigarettes;

11 ~~(15)~~~~(13)~~ "Retail distributor" means a retailer who has obtained a retail distributor's  
 12 license under KRS 138.195;

13 ~~(16)~~~~(14)~~ "Retailer" means any person who sells to a consumer or to any person for any  
 14 purpose other than resale;

15 ~~(17)~~~~(15)~~ "Sale" or "sell" means any transfer for a consideration, exchange, barter, gift,  
 16 offer for sale, advertising for sale, soliciting an order for cigarettes or tobacco  
 17 products, and distribution in any manner or by any means whatsoever;

18 ~~(18)~~~~(16)~~ "Sale at retail" means a sale to any person for any other purpose other than  
 19 resale;

20 ~~(19)~~~~(17)~~ "Single unit" means a consumer-sized container, pouch, or package:

- 21 (a) Containing less than four (4) ounces of chewing tobacco by net weight;
- 22 (b) Produced by the manufacturer to be sold to consumers as a single unit and not  
 23 produced to be divided or sold separately; and
- 24 (c) Containing one (1) individual container, pouch, or package;

25 ~~(20)~~~~(18)~~ (a) "Snuff" means tobacco that:

- 26 1. Is finely cut, ground, or powdered; and
- 27 2. Is not for smoking.

1 (b) "Snuff" includes snus;

2 ~~(21)~~~~(19)~~ "Sub-jobber" means any person who purchases cigarettes from a resident  
3 wholesaler, nonresident wholesaler, or unclassified acquirer licensed under KRS  
4 138.195 on which the cigarette tax has been paid and makes them available to  
5 retailers for resale. No person shall make cigarettes available to retailers for resale  
6 unless the person certifies and establishes to the satisfaction of the department that  
7 firm arrangements have been made to regularly supply at least five (5) retail  
8 locations with Kentucky tax-paid cigarettes for resale in the regular course of  
9 business;

10 ~~(22)~~~~(20)~~ "Tax evidence" means any stamps, metered impressions, or other indicia  
11 prescribed by the department by administrative regulation as a means of denoting  
12 the payment of cigarette taxes;

13 ~~(23)~~~~(21)~~ "Tobacco products" means any smokeless tobacco products, smoking tobacco,  
14 chewing tobacco, and any kind or form of tobacco prepared in a manner suitable for  
15 chewing or smoking, or both, or any kind or form of tobacco that is suitable to be  
16 placed in an individual's oral cavity, except cigarettes;

17 ~~(24)~~~~(22)~~ "Tobacco products tax" means the tax imposed by KRS 138.140(2)~~(a)~~1. to 3.;

18 ~~(25)~~~~(23)~~ "Transporter" means any person transporting untax-paid cigarettes obtained  
19 from any source to any destination within this state, other than cigarettes  
20 transported by the manufacturer thereof;

21 ~~(26)~~~~(24)~~ "Unclassified acquirer" means any person in this state who acquires cigarettes  
22 from any source on which the cigarette tax has not been paid, and who is not a  
23 person otherwise required to be licensed under KRS 138.195;

24 ~~(27)~~~~(25)~~ "Untax-paid cigarettes" means any cigarettes on which the cigarette tax  
25 imposed by KRS 138.140 has not been paid;

26 ~~(28)~~~~(26)~~ "Untax-paid tobacco or vapor products" means any tobacco products or vapor  
27 products on which the ~~tobacco products~~ tax imposed by KRS 138.140~~(2)~~ has not

1        been paid;~~and~~

2        **(29) "Vapor products" means a closed vapor cartridge or an open vaping system;**

3        **(30) "Vapor products tax" means tax imposed under subsection (2)(a)4. and 5. of**

4                    **Section 53 of this Act; and**

5        **(31)**~~(27)~~ "Vending machine operator" means any person who operates one (1) or more  
6        cigarette vending machines.

7        ➔Section 51. KRS 138.132 is amended to read as follows:

8        (1) It is the declared legislative intent of KRS 138.130 to 138.205 that any untax-paid  
9        tobacco products **or vapor products** held, owned, possessed, or in control of any  
10       person other than as provided in KRS 138.130 to 138.205 are contraband and  
11       subject to seizure and forfeiture as set out in this section.

12       (2) (a) If a retailer, who is not a licensed retail distributor, purchases tobacco  
13       products **or vapor products** from a licensed distributor and the purchase  
14       invoice does not contain the separate identification and display of the tobacco  
15       products tax **or vapor products tax**, the retailer shall, within twenty-four (24)  
16       hours, notify the department in writing.

17       (b) The notification shall include the name and address of the person from whom  
18       the tobacco products **or vapor products** were purchased and a copy of the  
19       purchase invoice.

20       (c) The tobacco products **or vapor products** for which the required information  
21       was not included on the invoice shall be retained by the retailer, and not sold,  
22       for a period of fifteen (15) days after giving the proper notice as required by  
23       this subsection.

24       (d) After the fifteen (15) day period, the retailer may pay the tax due on the  
25       tobacco products **or vapor products** described in paragraph (c) of this  
26       subsection according to administrative regulations promulgated by the  
27       department, and after which may proceed to sell the tobacco products **or**



1           vapor products.

- 2       (3) If a retailer, who is not a licensed retail distributor, purchases tobacco products or  
3           vapor products for resale from a person not licensed under KRS 138.195(7), which  
4           is prohibited by KRS 138.140(2), the retailer may not sell those tobacco products or  
5           vapor products until the retailer applies for and is granted a retail distributor's  
6           license under KRS 138.195(7)(b).
- 7       (4) If, upon examination, the department determines that the retailer has failed to  
8           comply with the provisions of subsection (3) of this section, the retailer shall pay all  
9           tax and interest and applicable penalties due and the following shall apply:
- 10       (a) For the first offense, an additional penalty shall be assessed equal to ten  
11           percent (10%) of the tax due;
- 12       (b) For a second offense within three (3) years or less of the first offense, an  
13           additional penalty shall be assessed equal to twenty-five percent (25%) of the  
14           tax due; and
- 15       (c) For a third offense or subsequent offense within three (3) years or less of the  
16           first offense, the tobacco products or vapor products shall be contraband and  
17           subject to seizure and forfeiture as provided in subsection (5) of this section.
- 18       (5) (a) Whenever a representative of the department finds contraband tobacco  
19           products or contraband vapor products within the borders of this state, the  
20           tobacco products or vapor products shall be immediately seized and stored in  
21           a depository to be determined by the representative.
- 22       (b) At the time of seizure, the representative shall deliver to the person in whose  
23           custody the tobacco products or vapor products are found a receipt for the  
24           seized products. The receipt shall state on its face that any inquiry concerning  
25           any tobacco products or vapor products seized shall be directed to the  
26           commissioner of the Department of Revenue, Frankfort, Kentucky.
- 27       (c) Immediately upon seizure, the representative shall notify the commissioner of

1 the nature and quantity of the tobacco products or vapor products seized. Any  
 2 seized tobacco products or vapor products shall be held for a period of twenty  
 3 (20) days, and if after that period no person has claimed the tobacco products  
 4 or vapor products as his or her property, the commissioner shall cause the  
 5 tobacco products or vapor products to be destroyed.

6 (6) All fixtures, equipment, materials, and personal property used in substantial  
 7 connection with the sale or possession of tobacco products or vapor products  
 8 involved in a knowing and intentional violation of KRS 138.130 to 138.205 shall be  
 9 contraband and subject to seizure and forfeiture as follows:

10 (a) The department's representative shall seize the property and store the property  
 11 in a safe place selected by the representative; and

12 (b) The representative shall proceed as provided in KRS 138.165(2). The  
 13 commissioner shall cause the property to be sold after notice published  
 14 pursuant to KRS Chapter 424. The proceeds from the sale shall be applied as  
 15 provided in KRS 138.165(2).

16 (7) The owner or any person having an interest in the fixtures, materials, or personal  
 17 property that has been seized as provided by subsection (6) of this section may  
 18 apply to the commissioner for remission of the forfeiture for good cause shown. If it  
 19 is shown to the satisfaction of the commissioner that the owner or person having an  
 20 interest in the property was without fault, the department shall remit the forfeiture.

21 (8) Any party aggrieved by an order entered under this section may appeal to the  
 22 Kentucky Claims Commission pursuant to KRS 49.220.

23 ➔Section 52. KRS 138.135 is amended to read as follows:

24 (1) (a) Every manufacturer, whether located in this state or outside this state, that  
 25 ships tobacco products or vapor products to a distributor, retailer, retail  
 26 distributor, or any other person located in this state shall file a report with the  
 27 department on or before the twentieth day of each month identifying all such

1 shipments made by the manufacturer during the preceding month. The  
 2 department, within its discretion, may allow a manufacturer to file the report  
 3 for periods other than monthly.

4 (b) The reports shall identify:

- 5 1. The names and addresses of the persons in this state to whom the  
 6 shipments were made;
- 7 2. The quantities of tobacco products and vapor products shipped, by type  
 8 of product and brand; and
- 9 3. Any other information the department may require.

10 (2) Each licensed distributor and each licensed retail distributor shall keep in each  
 11 licensed place of business complete and accurate records for that place of business,  
 12 including:

13 (a) Itemized invoices of:

- 14 1. Tobacco products and vapor products purchased, manufactured,  
 15 imported, or caused to be imported into this state from outside this state,  
 16 or shipped or transported to other distributors or retailers in this state or  
 17 outside this state, including type of product and brand;
- 18 2. All sales of tobacco products and vapor products, including sales of  
 19 tobacco products and vapor products manufactured or produced in this  
 20 state, including type of product and brand; and
- 21 3. All tobacco products and vapor products transferred to retail outlets  
 22 owned or controlled by the licensed distributor, including type of  
 23 product and brand; and

24 (b) Any other records required by the department.

25 (3) Each retailer of tobacco products or vapor products shall keep complete and  
 26 accurate records of all purchases of tobacco products or vapor products, including  
 27 invoices that identify:

- 1 (a) The distributor's name and address;
- 2 (b) The name, quantity, and purchase price of the product purchased;
- 3 (c) The license number of the distributor licensed under KRS 138.195(7); and
- 4 (d) The tobacco products tax or the vapor products tax imposed by Section 53 of  
 5 this Act~~[KRS 138.140]~~.

6 (4) All books, records, invoices, and documents required by this section shall be  
 7 preserved, in a form prescribed by the department, for not less than four (4) years  
 8 from the making of the records unless the department authorizes, in writing, the  
 9 destruction of the records.

10 ➔Section 53. KRS 138.140 is amended to read as follows:

- 11 (1) (a) A tax shall be paid on the sale of cigarettes within the state at a proportionate  
 12 rate of three cents (\$0.03) on each twenty (20) cigarettes.
- 13 (b) Effective July 1, 2018, a surtax shall be paid in addition to the tax levied in  
 14 paragraph (a) of this subsection at a proportionate rate of one dollar and six  
 15 cents (\$1.06) on each twenty (20) cigarettes.
- 16 (c) A surtax shall be paid in addition to the tax levied in paragraph (a) of this  
 17 subsection and in addition to the surtax levied by paragraph (b) of this  
 18 subsection, at a proportionate rate of one cent (\$0.01) on each twenty (20)  
 19 cigarettes. The revenues from this surtax shall be deposited in the cancer  
 20 research institutions matching fund created in KRS 164.043.
- 21 (d) The surtaxes imposed by paragraphs (b) and (c) of this subsection shall be  
 22 paid at the time that the tax imposed by paragraph (a) of this subsection is  
 23 paid.
- 24 (2) (a) An excise tax is hereby imposed upon every distributor for the privilege of  
 25 selling tobacco products in this state at the following rates:
- 26 1. Upon snuff at the rate of nineteen cents (\$0.19) per each one and one-  
 27 half (1-1/2) ounces or portion thereof by net weight sold;

- 1           2. Upon chewing tobacco at the rate of:
- 2           a. Nineteen cents (\$0.19) per each single unit sold;
- 3           b. Forty cents (\$0.40) per each half-pound unit sold; or
- 4           c. Sixty-five cents (\$0.65) per each pound unit sold.

5           If the container, pouch, or package on which the tax is levied contains

6           more than sixteen (16) ounces by net weight, the rate that shall be

7           applied to the unit shall equal the sum of sixty-five cents (\$0.65) plus

8           nineteen cents (\$0.19) for each increment of four (4) ounces or portion

9           thereof exceeding sixteen (16) ounces sold;~~and~~

- 10          3. Upon tobacco products sold, at the rate of fifteen percent (15%) of the
- 11          actual price for which the distributor sells tobacco products, except
- 12          snuff and chewing tobacco, within the Commonwealth;

13          **4. Upon closed vapor cartridges, one dollar and fifty cents (\$1.50) per**

14          **cartridge; and**

15          **5. Upon open vaping systems, fifteen percent (15%) of the actual price**

16          **for which the distributor sells the open vaping system.**

17          (b) The net weight posted by the manufacturer on the container, pouch, or

18          package or on the manufacturer's invoice shall be used to calculate the tax due

19          on snuff or chewing tobacco.

20          (c) 1. A retailer located in this state shall not purchase tobacco products for

21          resale to consumers from any person within or outside this state unless

22          that person is a distributor licensed under KRS 138.195(7)(a) or the

23          retailer applies for and is granted a retail distributor's license under KRS

24          138.195(7)(b) for the privilege of purchasing untax-paid tobacco

25          products and remitting the tax as provided in this paragraph.

26          2. A licensed retail distributor of tobacco products shall be subject to the

27          excise tax as follows:

- 1 a. On purchases of untax-paid snuff, at the same rate levied by  
2 paragraph (a)1. of this subsection;
- 3 b. On purchases of untax-paid chewing tobacco, at the same rates  
4 levied by paragraph (a)2. of this subsection; ~~and~~
- 5 c. On purchases of untax-paid tobacco products, except snuff and  
6 chewing tobacco, fifteen percent (15%) of the total purchase price  
7 as invoiced by the retail distributor's supplier;
- 8 **d. On purchases of untax-paid closed vapor cartridges, at the same**  
9 **rate levied by paragraph (a)4. of this subsection; and**
- 10 **e. On purchases of untax-paid open vaping systems, fifteen percent**  
11 **(15%) of the total purchase price as invoiced by the retail**  
12 **distributor's supplier.**
- 13 (d) 1. The licensed distributor that first possesses tobacco products **or vapor**  
14 **products** for sale to a retailer in this state or for sale to a person who is  
15 not licensed under KRS 138.195(7) shall be the distributor liable for the  
16 tax imposed by this subsection except as provided in subparagraph 2. of  
17 this paragraph.
- 18 2. A distributor licensed under KRS 138.195(7)(a) may sell tobacco  
19 products **or vapor products** to another distributor licensed under KRS  
20 138.195(7)(a) without payment of the excise tax. In such case, the  
21 purchasing licensed distributor shall be the distributor liable for the tax.
- 22 3. A licensed distributor or licensed retail distributor shall:
- 23 a. Identify and display the distributor's or retail distributor's license  
24 number on the invoice to the retailer; and
- 25 b. Identify and display the excise tax separately on the invoice to the  
26 retailer. If the excise tax is included as part of the product's sales  
27 price, the licensed distributor or licensed retail distributor shall list

1                   the total excise tax in summary form by tax type with invoice  
2                   totals.

3           4.   It shall be presumed that the excise tax has not been paid if the licensed  
4           distributor or licensed retail distributor does not comply with  
5           subparagraph 3. of this paragraph.

6           (e) No tax shall be imposed on tobacco products *or vapor products* under this  
7           subsection that are not within the taxing power of this state under the  
8           Commerce Clause of the United States Constitution.

9   (3) (a) The taxes imposed by subsections (1) and (2) of this section:

10           1.   Shall not apply to reference~~[tobacco]~~ products; and

11           2.   Shall be paid only once, regardless of the number of times the cigarettes  
12           or tobacco products may be sold.

13           (b) The taxes imposed by subsection (1)(a) and (b) and subsection (2) of this  
14           section shall be reduced by:

15           1.   Fifty percent (50%) on any product as to which a modified risk tobacco  
16           product order is issued under 21 U.S.C. sec. 387k(g)(1); or

17           2.   Twenty-five percent (25%) for any product as to which a modified risk  
18           tobacco product order is issued under 21 U.S.C. sec. 387k(g)(2).

19   (4) A reference~~[tobacco]~~ product shall carry a marking labeling the contents as a  
20           research cigarette, *research vapor product*, or a research tobacco product to be used  
21           only for tobacco-health research and experimental purposes and shall not be offered  
22           for sale, sold, or distributed to consumers.

23   (5) The department may prescribe forms and promulgate administrative regulations to  
24           execute and administer the provisions of this section.

25   (6) The General Assembly recognizes that increasing taxes on tobacco products should  
26           reduce consumption, and therefore result in healthier lifestyles for Kentuckians.

27           The relative taxes on tobacco products proposed in this section reflect the growing

1 data from scientific studies suggesting that although smokeless tobacco poses some  
 2 risks, those health risks are significantly less than the risks posed by other forms of  
 3 tobacco products. Moreover, the General Assembly acknowledges that some in the  
 4 public health community recognize that tobacco harm reduction should be a  
 5 complementary public health strategy regarding tobacco products. Taxing tobacco  
 6 products according to relative risk is a rational tax policy and may well serve the  
 7 public health goal of reducing smoking-related mortality and morbidity and  
 8 lowering health care costs associated with tobacco-related disease.

9 (7) Any person subject to the taxes imposed under subsections (1) and (2) of this  
 10 section that:

11 (a) Files an application related to a modified risk tobacco product shall report to  
 12 the department that an application has been filed within thirty (30) days of  
 13 that filing; and

14 (b) Receives an order authorizing the marketing of a modified risk tobacco  
 15 product shall report to the department that an authorizing order has been  
 16 received.

17 (8) Upon receipt of the information required by subsection (7)(b) of this section, the  
 18 department shall reduce the tax imposed on the modified risk tobacco product as  
 19 required by subsection (3)(b) of this section on the first day of the calendar month  
 20 following the expiration of forty-five (45) days following receipt of the information  
 21 required by subsection (7)(b) of this section.

22 ➔Section 54. KRS 138.183 is amended to read as follows:

23 (1) Notwithstanding any other provision of this chapter to the contrary, the president,  
 24 vice president, secretary, treasurer, or any other person holding any equivalent  
 25 corporate office of any corporation subject to the provisions of KRS 138.130 to  
 26 138.205 shall be personally and individually liable, both jointly and severally, for  
 27 the taxes imposed by Section 53 of this Act~~cigarette tax and the tobacco products~~



- 1       ~~tax~~].
- 2       (2) Corporate dissolution, withdrawal of the corporation from the state, or the cessation  
3       of holding any corporate office shall not discharge the liability of any person. The  
4       personal and individual liability shall apply to every person holding a corporate  
5       office at the time the tax becomes or became due.
- 6       (3) Notwithstanding any other provision of this chapter, KRS 275.150, 362.1-306(3) or  
7       predecessor law, or KRS 362.2-404(3) to the contrary, the managers of a limited  
8       liability company, the partners of a limited liability partnership, and the general  
9       partners of a limited liability limited partnership or any other person holding any  
10      equivalent office of a limited liability company, limited liability partnership or  
11      limited liability limited partnership subject to the provisions of KRS 138.130 to  
12      138.205 shall be personally and individually liable, both jointly and severally, for  
13      the **taxes imposed by Section 53 of this Act**~~[cigarette tax and the tobacco products~~  
14      ~~tax]~~.
- 15      (4) Dissolution, withdrawal of the limited liability company, limited liability  
16      partnership, or limited liability limited partnership from the state, or the cessation of  
17      holding any office shall not discharge the liability of any person. The personal and  
18      individual liability shall apply to every manager of a limited liability company,  
19      partner of a limited liability partnership or general partner of a limited liability  
20      limited partnership at the time the tax becomes or became due.
- 21      (5) No person shall be personally and individually liable under this section who had no  
22      authority to collect, truthfully account for, or pay over any **tax imposed by Section**  
23      **53 of this Act**~~[cigarette tax or tobacco products tax]~~ at the time the taxes imposed  
24      become or became due.
- 25      (6) "Taxes" as used in this section include interest accrued at the rate provided by KRS  
26      131.183, all applicable penalties imposed under the provisions of this chapter, and  
27      all applicable penalties imposed under the provisions of KRS 131.180, 131.410 to

1 131.445, and 131.990.

2 ➔Section 55. KRS 138.195 is amended to read as follows:

- 3 (1) (a) No person other than a manufacturer shall acquire cigarettes in this state on  
 4 which the Kentucky cigarette tax has not been paid, nor act as a resident  
 5 wholesaler, nonresident wholesaler, vending machine operator, sub-jobber,  
 6 transporter or unclassified acquirer of such cigarettes without first obtaining a  
 7 license from the department as set out in this section.
- 8 (b) No person shall act as a distributor of tobacco products or vapor products  
 9 without first obtaining a license from the department as set out in this section.
- 10 (c) For licenses effective for periods beginning on or after July 1, 2015, no  
 11 individual, entity, or any other group or combination acting as a unit may be  
 12 eligible to obtain a license under this section if the individual, or any partner,  
 13 director, principal officer, or manager of the entity or any other group or  
 14 combination acting as a unit has been convicted of or entered a plea of guilty  
 15 or nolo contendere to:
- 16 1. A crime relating to the reporting, distribution, sale, or taxation of  
 17 cigarettes, ~~or~~ tobacco products, or vapor products; or
  - 18 2. A crime involving fraud, falsification of records, improper business  
 19 transactions or reporting;
- 20 for ten (10) years from the expiration of probation or final discharge from  
 21 parole or maximum expiration of sentence.
- 22 (2) (a) Each resident wholesaler shall secure a separate license for each place of  
 23 business at which cigarette tax evidence is affixed or at which cigarettes on  
 24 which the Kentucky cigarette tax has not been paid are received.
- 25 (b) Each nonresident wholesaler shall secure a separate license for each place of  
 26 business at which evidence of Kentucky cigarette tax is affixed or from where  
 27 Kentucky cigarette tax is reported and paid.

- 1 (c) Each license shall be secured on or before July 1 of each year.
- 2 (d) Each licensee shall pay the sum of five hundred dollars (\$500) for each year,  
3 or portion thereof, for which each license is secured.
- 4 (3) (a) Each sub-jobber shall secure a separate license for each place of business  
5 from which cigarettes, upon which the cigarette tax has been paid, are made  
6 available to retailers, whether the place of business is located within or  
7 without this state.
- 8 (b) Each license shall be secured on or before July 1 of each year.
- 9 (c) Each licensee shall pay the sum of five hundred dollars (\$500) for each year,  
10 or portion thereof, for which each license is secured.
- 11 (4) (a) Each vending machine operator shall secure a license for the privilege of  
12 dispensing cigarettes, on which the cigarette tax has been paid, by vending  
13 machines.
- 14 (b) Each license shall be secured on or before July 1 of each year.
- 15 (c) Each licensee shall pay the sum of twenty-five dollars (\$25) for each year, or  
16 portion thereof, for which each license is secured.
- 17 (d) No vending machine shall be operated within this Commonwealth without  
18 having prominently affixed thereto the name of its operator and the license  
19 number assigned to that operator by the department.
- 20 (e) The department shall prescribe by administrative regulation the manner in  
21 which the information shall be affixed to the vending machine.
- 22 (5) (a) Each transporter shall secure a license for the privilege of transporting  
23 cigarettes within this state.
- 24 (b) Each license shall be secured on or before July 1 of each year.
- 25 (c) Each licensee shall pay the sum of fifty dollars (\$50) for each year, or portion  
26 thereof, for which each license is secured.
- 27 (d) No transporter shall transport any cigarettes without having in actual

1 possession an invoice or bill of lading therefor, showing:

- 2 1. The name and address of the consignor and consignee;
- 3 2. The date acquired by the transporter;
- 4 3. The name and address of the transporter;
- 5 4. The quantity of cigarettes being transported; and
- 6 5. The license number assigned to the transporter by the department.

7 (6) Each unclassified acquirer shall secure a license for the privilege of acquiring  
 8 cigarettes on which the cigarette tax has not been paid. The license shall be secured  
 9 on or before July 1 of each year. Each licensee shall pay the sum of fifty dollars  
 10 (\$50) for each year, or portion thereof, for which the license is secured.

11 (7) (a) 1. Each distributor shall secure a license for the privilege of selling  
 12 tobacco products or vapor products in this state. Each license shall be  
 13 secured on or before July 1 of each year, and each licensee shall pay the  
 14 sum of five hundred dollars (\$500) for each year, or portion thereof, for  
 15 which the license is secured.

16 2. a. A resident wholesaler, nonresident wholesaler, or subjobber  
 17 licensed under this section may also obtain and maintain a  
 18 distributor's license at each place of business at no additional cost  
 19 each year.

20 b. An unclassified acquirer licensed under this section may also  
 21 obtain and maintain a distributor's license for the privilege of  
 22 selling tobacco products or vapor products in this state. The  
 23 license shall be secured on or before July 1 of each year, and each  
 24 licensee shall pay the sum of four hundred fifty dollars (\$450) for  
 25 each year, or portion thereof, for which the license is secured.

26 3. The department may, upon application, grant a distributor's license to a  
 27 person other than a retailer and who is not otherwise required to hold a

1 distributor's license under this paragraph. If the department grants the  
 2 license, the licensee shall pay the sum of five hundred dollars (\$500) for  
 3 each year, or portion thereof, for which the license is secured, and the  
 4 licensee shall be subject to the excise tax in the same manner and  
 5 subject to the same requirements as a distributor required to be licensed  
 6 under this paragraph.

7 (b) The department may, upon application, grant a retail distributor's license to a  
 8 retailer for the privilege of purchasing tobacco products or vapor products  
 9 from a distributor not licensed by the department. If the department grants the  
 10 license, the licensee shall pay the sum of one hundred dollars (\$100) for each  
 11 year, or portion thereof, for which the license is secured.

12 (8) Nothing in KRS 138.130 to 138.205 shall be construed to prevent the department  
 13 from requiring a person to purchase more than one (1) license if the nature of that  
 14 person's business is so diversified as to justify the requirement.

15 (9) (a) The department may by administrative regulation require any person  
 16 requesting a license or holding a license under this section to supply such  
 17 information concerning his business, sales or any privilege exercised, as is  
 18 deemed reasonably necessary for the regulation of the licensees, and to  
 19 protect the revenues of the state.

20 (b) Failure on the part of the applicant or licensee to:

- 21 1. Comply with KRS 131.600 to 131.630, 138.130 to 138.205, 248.752, or
- 22 248.754 or any administrative regulations promulgated thereunder; or
- 23 2. Permit an inspection of premises, machines, or vehicles by an
- 24 authorized agent of the department at any reasonable time;
- 25 shall be grounds for the denial or revocation of any license issued by the
- 26 department, after due notice and a hearing by the department.

27 (c) The commissioner may assign a time and place for the hearing and may

- 1           appoint a conferee who shall conduct a hearing, receive evidence, and hear  
2           arguments.
- 3           (d) The conferee shall thereupon file a report with the commissioner together  
4           with a recommendation as to the denial or revocation of the license.
- 5           (e) From any denial or revocation made by the commissioner on the report, the  
6           licensee may prosecute an appeal to the Kentucky Claims Commission  
7           pursuant to KRS 49.220.
- 8           (f) Any person whose license has been revoked for the willful violation of any  
9           provision of KRS 131.600 to 131.630, 138.130 to 138.205, 248.752, or  
10          248.754 or any administrative regulations promulgated thereunder shall not be  
11          entitled to any license provided for in this section, or have any interest in any  
12          license, either disclosed or undisclosed, either as an individual, partnership,  
13          corporation or otherwise, for a period of two (2) years after the revocation.
- 14       (10) No license issued pursuant to this section shall be transferable or negotiable except  
15          that a license may be transferred between an individual and a corporation, if that  
16          individual is the exclusive owner of that corporation, or between a subsidiary  
17          corporation and its parent corporation.
- 18       (11) Every manufacturer located or doing business in this state and the first person to  
19          import cigarettes into this state shall keep written records of all shipments of  
20          cigarettes to persons within this state, and shall submit to the department monthly  
21          reports of such shipments. All books, records, invoices, and documents required by  
22          this section shall be preserved in a form prescribed by the department for not less  
23          than four (4) years from the making of the records unless the department authorizes,  
24          in writing, the destruction of the records.
- 25       (12) No person licensed under this section except nonresident wholesalers shall either  
26          sell to or purchase from any other such licensee untax-paid cigarettes.
- 27       (13) (a) Licensed distributors of tobacco products or vapor products shall pay and

1 report the tobacco products tax or vapor products tax on or before the  
 2 twentieth day of the calendar month following the month in which the  
 3 possession or title of the tobacco products or vapor products are transferred  
 4 from the licensed distributor to retailers or consumers in this state, as the case  
 5 may be.

6 (b) Retailers who have applied for and been granted a retail distributor's license  
 7 for the privilege of purchasing tobacco products or vapor products from a  
 8 person who is not a distributor licensed under KRS 138.195(7)(a) shall report  
 9 and pay the tobacco products tax or vapor products tax on or before the  
 10 twentieth day of the calendar month following the month in which the  
 11 products are acquired by the licensed retail distributors.

12 (c) If the distributor or retail distributor timely reports and pays the tax due, the  
 13 distributor or retail distributor may deduct an amount equal to one percent  
 14 (1%) of the tax due.

15 (d) The department shall promulgate administrative regulations setting forth the  
 16 details of the reporting requirements.

17 (14) A tax return shall be filed for each reporting period whether or not tax is due.

18 (15) Any license issued by the department under this section shall not be construed to  
 19 waive or condone any violation that occurred or may have occurred prior to the  
 20 issuance of the license and shall not prevent subsequent proceedings against the  
 21 licensee.

22 (16) (a) The department may deny the issuance of a license under this section if:

- 23 1. The applicant has made any material false statement on the application  
 24 for the license; or
- 25 2. The applicant has violated any provision of KRS 131.600 to 131.630,  
 26 138.130 to 138.205, 248.754, or 248.756 or any administrative  
 27 regulations promulgated thereunder.

1 (b) If the department denies the applicant a license under this section, the  
 2 department shall notify the applicant of the grounds for the denial, and the  
 3 applicant may request a hearing and appeal the denial as provided in  
 4 subsection (9) of this section.

5 ➔Section 56. KRS 138.197 is amended to read as follows:

6 The department shall publish and maintain on its Web site an up-to-date list of tobacco  
 7 products and vapor products distributors licensed under KRS 138.195(7).

8 ➔SECTION 57. A NEW SECTION OF KRS CHAPTER 141 IS CREATED TO  
 9 READ AS FOLLOWS:

10 (1) As used in this section:

11 (a) "Administrative adjustment request" means an administrative adjustment  
 12 request filed by a partnership under Section 6227 of the Internal Revenue  
 13 Code;

14 (b) "Audited partnership" means a partnership subject to a partnership level  
 15 audit resulting in a federal adjustment;

16 (c) "Corporate partner" means a partner that is subject to tax under KRS  
 17 141.040;

18 (d) "Direct partner" means a partner that holds an interest directly in a  
 19 partnership or pass-through entity;

20 (e) "Exempt partner" means a partner that is exempt from taxation under KRS  
 21 141.040 (a) or (b);

22 (f) 1. "Federal adjustment" means a change to an item or amount  
 23 determined under the Internal Revenue Code that is used by a  
 24 taxpayer to compute income tax owed to the Commonwealth, whether  
 25 that change results from action by the:

26 a. Internal Revenue Service, including a partnership level audit; or

27 b. Filing of an amended federal return, federal refund claim, or an



1 administrative adjustment request by the taxpayer.

2 2. A federal adjustment is positive to the extent that it increases net  
 3 income or taxable net income and is negative to the extent that it  
 4 decreases net income or taxable net income;

5 (g) "Federal adjustments report" includes methods or forms required by the  
 6 department for use by a taxpayer to report final federal adjustments,  
 7 including an amended income tax return, information return, or a uniform  
 8 multistate report;

9 (h) "Federal partnership representative" means the person:

10 1. The partnership designates for the taxable year as the partnership's  
 11 representative; or

12 2. The Internal Revenue Service has appointed to act as the federal  
 13 partnership representative, under Section 6223 (a) of the Internal  
 14 Revenue Code;

15 (i) "Final determination date" means the following:

16 1. a. Except as provided in subparagraphs 2. and 3. of this paragraph,  
 17 if the federal adjustment arises from any action by the Internal  
 18 Revenue Service, the final determination date is the first day on  
 19 which no federal adjustments arising from that action remain to  
 20 be finally determined, whether by Internal Revenue Service  
 21 decision with respect to which all rights of appeal have been  
 22 waived or exhausted, by agreement, or, if appealed or contested,  
 23 by a final decision with respect to which all rights of appeal have  
 24 been waived or exhausted.

25 b. For agreements required to be signed by the Internal Revenue  
 26 Service and the taxpayer, the final determination date is the date  
 27 upon which the last party signed the agreement;

1           2. For federal adjustments arising from any action by the Internal  
 2           Revenue Service, if the taxpayer filed as a member of a consolidated  
 3           return under KRS 141.201 or a combined report under KRS 141.202,  
 4           the final determination date means the first day on which no related  
 5           federal adjustments arising from that action remain to be finally  
 6           determined, as described in subparagraph 1. of this paragraph, for the  
 7           entire group; and

8           3. If the federal adjustment results from filing an amended federal  
 9           return, a federal refund claim, or an administrative adjustment  
 10           request, or if it is a federal adjustment reported on an amended federal  
 11           return or other similar report filed under Section 6225(c) of the  
 12           Internal Revenue Code, the final determination date means the day on  
 13           which the amended return, refund claim, administrative adjustment  
 14           request, or other similar report was filed;

15           (j) "Final federal adjustment" means a federal adjustment after the final  
 16           determination date for that federal adjustment has passed;

17           (k) "Indirect partner" means a partner in a partnership or pass-through entity  
 18           and that partnership or pass-through entity holds an interest directly, or  
 19           through another indirect partner, in a partnership or pass-through entity;

20           (l) "Nonresident partner" means an individual, trust, or estate partner that is  
 21           not a resident partner;

22           (m) "Partner" means a person that holds an interest directly or indirectly in a  
 23           partnership or other pass-through entity;

24           (n) "Partnership" means an entity subject to the provisions of Subchapter K of  
 25           Chapter 1 of the Internal Revenue Code;

26           (o) "Partnership level audit" means an examination by the Internal Revenue  
 27           Service at the partnership level under Subchapter C of Chapter 63 of the

1 Internal Revenue Code, as enacted by Pub. L. No. 114-74, which results in  
 2 a federal adjustment;

3 (p) "Pass-through entity" means an entity, other than a partnership, that is not  
 4 subject to tax under KRS 141.040;

5 (q) 1. "Reallocation adjustment" means a federal adjustment resulting from  
 6 a partnership level audit or an administrative adjustment request that  
 7 changes the shares of one (1) or more items of partnership income,  
 8 gain, loss, expense, or credit allocated to direct partners.

9 2. A positive reallocation adjustment means the portion of a reallocation  
 10 adjustment that would increase federal income for one (1) or more  
 11 direct partners.

12 3. A negative reallocation adjustment means the portion of a reallocation  
 13 adjustment that would decrease federal income for one (1) or more  
 14 direct partners;

15 (r) "Resident partner" means an individual, trust, or estate partner that is a  
 16 resident for the relevant taxable year;

17 (s) "Reviewed year" means the taxable year of a partnership that is subject to a  
 18 partnership level audit from which federal adjustments arise;

19 (t) "Taxpayer" has the same meaning as in KRS 131.010 and includes:

20 1. a. A partnership subject to a partnership level audit; or

21 b. A partnership that has made an administrative adjustment  
 22 request; and

23 2. A tiered partner of the partnership described in subparagraph 1. of  
 24 this paragraph; and

25 (u) "Tiered partner" means any partner that is a partnership or pass-through  
 26 entity.

27 (2) Except in the case of final federal adjustments that are required to be reported by

1 a partnership and its partners under subsection (3) of this section, and final  
 2 federal adjustments required to be reported for federal purposes under Section  
 3 6225(a)(2) of the Internal Revenue Code, a taxpayer shall report and pay any  
 4 income tax due with respect to final federal adjustments arising from any action:

5 (a) By the Internal Revenue Service; or

6 (b) Reported by the taxpayer on a timely filed amended federal income tax  
 7 return, including a return or other similar report filed under Section  
 8 6225(c)(2) of the Internal Revenue Code, or federal claim for refund;

9 by filing a federal adjustments report with the department for the reviewed year  
 10 and, if applicable, paying the additional tax owed by the taxpayer no later than  
 11 one hundred eighty (180) days after the final determination date.

12 (3) (a) Except for adjustments required to be reported for federal purposes under  
 13 Section 6225(a)(2) of the Internal Revenue Code, and the distributive share  
 14 of adjustments that have been reported as required under subsection (2) of  
 15 this section, partnerships and partners shall report final federal adjustments  
 16 arising from a partnership level audit or an administrative adjustment  
 17 request and make payments as under this subsection.

18 (b) 1. With respect to an action required or allowed to be taken by a  
 19 partnership under this subsection and a proceeding under KRS  
 20 131.110 with respect to that action, the state partnership representative  
 21 for the reviewed year shall have the sole authority to act on behalf of  
 22 the partnership, and the partnership's direct partners and indirect  
 23 partners shall be bound by those actions.

24 2. The state partnership representative for the reviewed year is the  
 25 partnership's federal partnership representative unless the partnership  
 26 designates in writing another person as its state partnership  
 27 representative.

1           3. The department may establish reasonable qualifications and  
 2           procedures for designating a person, other than the federal  
 3           partnership representative, to be the state partnership representative.

4           (c) Final federal adjustments subject to the requirements of this subsection,  
 5           except for those subject to a properly made election under subsection (4) of  
 6           this section, shall be reported as follows:

7           1. No later than ninety (90) days after the final determination date, the  
 8           partnership shall:

9           a. File with the department a completed federal adjustments report,  
 10           including all information required by the department;

11           b. Notify each of its direct partners of their distributive share of the  
 12           final federal adjustments, including all information required by  
 13           the department; and

14           c. File an amended composite return for direct partners or an  
 15           amended withholding return for direct partners as required  
 16           under Section 14 of this Act and pay the additional amount of  
 17           tax that would have been due had the final federal adjustments  
 18           been reported properly as required; and

19           2. No later than one hundred eighty (180) days after the final  
 20           determination date, each direct partner that is taxed under KRS  
 21           141.020 or 141.040 shall:

22           a. File a federal adjustments report reporting their distributive  
 23           share of the adjustments reported to them under subparagraph  
 24           1.b. of this paragraph; and

25           b. Pay any additional amount of tax due as if final federal  
 26           adjustments had been properly reported, plus any penalty due  
 27           under KRS 131.180 and interest due under KRS 131.183 and

1 minus any credit for related amounts paid or withheld and  
 2 remitted on behalf of the direct partner under subparagraph 1.c.  
 3 of this paragraph.

4 (4) An audited partnership making an election under this paragraph shall:

5 (a) No later than ninety (90) days after the final determination date, file a  
 6 completed federal adjustments report, including all information required by  
 7 the department, and notify the department that it is making the election  
 8 under this paragraph; and

9 (b) No later than one hundred eighty (180) days after the final determination  
 10 date, pay an amount, determined as follows, in lieu of taxes owed by its  
 11 direct and indirect partners:

12 1. Exclude from final federal adjustments the distributive share of these  
 13 adjustments reported to a direct exempt partner not subject to tax  
 14 under KRS 141.040(1)(a) or (b);

15 2. For the total distributive shares of the remaining final federal  
 16 adjustments reported to direct corporate partners subject to tax under  
 17 KRS 141.040, apportion and allocate the adjustments under Section  
 18 14 of this Act and multiply the resulting amount by the highest tax  
 19 rate for the taxable year under KRS 141.040;

20 3. For the total distributive shares of the remaining final federal  
 21 adjustments reported to nonresident direct partners subject to tax  
 22 under KRS 141.020, determine the amount of the adjustments under  
 23 Section 14 of this Act based on what would be subject to tax as  
 24 Kentucky-sourced income for a nonresident partner, and multiply the  
 25 resulting amount by the highest tax rate for the taxable year under  
 26 KRS 141.020;

27 4. For the total distributive shares of the remaining final federal

1           adjustments reported to tiered partners, determine the amount of the  
 2           adjustments which is of a type that it would be subject to tax under  
 3           Section 14 of this Act, less any amount that the audited partnership  
 4           can determine to the department's satisfaction that is not subject to  
 5           tax, and multiply that amount by the highest tax rate under KRS  
 6           141.020 or 141.040;

7           5. For the total distributive shares of the remaining final federal  
 8           adjustments reported to resident direct partners subject to tax under  
 9           KRS 141.020, multiply that amount by the highest tax rate under KRS  
 10           141.020; and

11           6. Add the amounts determined in subparagraphs 2. to 5. of this  
 12           paragraph, and remit the amount along with penalty due under KRS  
 13           131.180 and interest due under KRS 131.183.

14           (5) The election under subsection (4) of this section shall not apply to:

15           (a) The distributive share of final audit adjustments that under KRS 141.202  
 16           that are included in the unitary business income of any direct or indirect  
 17           corporate partner, provided that the audited partnership can reasonably  
 18           determine this;

19           (b) Any final federal adjustments resulting from an administrative adjustment  
 20           request; or

21           (c) Any audited partnership not otherwise subject to any reporting or payment  
 22           obligation to this state.

23           (6) (a) The direct and indirect partners of an audited partnership that are tiered  
 24           partners and all of the partners of those tiered partners that are subject to  
 25           tax under KRS 141.020 and 141.040 are subject to the reporting and  
 26           payment requirements of subsection (3) of this section and the tiered  
 27           partners are entitled to make the elections provided in subsection (4) of this

1 section.

2 (b) The tiered partners or their partners shall make the required reports and  
 3 payments no later than ninety (90) days after the time for filing and  
 4 furnishing statements to tiered partners and the partners under Section  
 5 6226 of the Internal Revenue Code and the regulations thereunder.

6 (c) The department may promulgate administrative regulations to establish  
 7 procedures and interim time periods for:

8 1. The reports and payments required by tiered partners and their  
 9 partners;

10 2. Making the elections under this section;

11 3. The procedures related to the modified reporting and payment method  
 12 under subsection (7) of this section; or

13 4. A de minimis amount upon which a taxpayer shall not be required to  
 14 comply with this section.

15 (7) (a) Under procedures promulgated under KRS Chapter 13A by the department,  
 16 an audited partnership or a tiered partner may enter into an agreement with  
 17 the department to utilize an alternative reporting and payment method,  
 18 including applicable time requirements for any other provision of this  
 19 section, if the audited partnership or tiered partner demonstrates that the  
 20 requested method will reasonably provide for the reporting and payment of  
 21 taxes, penalties, and interest due under the provisions of this section.

22 (b) Application for approval of an alternative reporting and payment method  
 23 shall be made by the audited partnership or tiered partner within the times  
 24 established under subsection (4) or (6) of this section, as appropriate.

25 (8) (a) The election made under subsection (4) or (7) of this section is irrevocable,  
 26 unless the department, in its discretion, determines otherwise.

27 (b) If properly reported and paid by the audited partnership or tiered partner,



1 the amount determined under subsection (4) or (6) of this section shall be  
 2 treated as paid in lieu of taxes owed by its direct and indirect partners, to the  
 3 extent applicable, on the same final federal adjustments.

4 (c) The direct partners or indirect partners may not take any deduction or  
 5 credit for this amount or claim a refund of the amount in this state.

6 (d) Nothing in this subsection shall preclude a direct resident partner from  
 7 claiming a credit against taxes paid to this state under KRS Chapter 141,  
 8 any amounts paid by the audited partnership or tiered partner on the  
 9 resident partner's behalf to another state or local tax jurisdiction under  
 10 KRS 141.070.

11 (9) Nothing in this section prevents the department from assessing a direct partner or  
 12 an indirect partner for taxes they owe, using the best information available, in the  
 13 event that a partnership or tiered partner fails to timely make any report or  
 14 payment required by this section for any reason.

15 (10) The department shall assess additional tax, interest, and penalties resulting from  
 16 any final federal adjustments arising from an audit by the Internal Revenue  
 17 Service including a partnership level audit, reported by the taxpayer on an  
 18 amended federal income tax return, or as part of an administrative adjustment  
 19 request by the following dates:

20 (a) If a taxpayer files with the department a federal adjustments report or an  
 21 amended Kentucky tax return as required within the periods under this  
 22 section, the department may assess any amounts, including in-lieu-of  
 23 amounts, taxes, interest, and penalties arising from those federal  
 24 adjustments if the department issues a notice of the assessment to the  
 25 taxpayer no later than the expiration of the one (1) year period following  
 26 the date of filing with the department of the federal adjustments report; or

27 (b) If the taxpayer fails to file the federal adjustments report within the periods

1 specified in subsections (2) or (3) of this section, as appropriate, or the  
 2 federal adjustments report filed by the taxpayer omits final federal  
 3 adjustments or understates the correct amount of tax owed, the department  
 4 may assess any amounts, including in-lieu-of amounts, taxes, interest, and  
 5 penalties arising from the final federal adjustments, and absent fraud, if the  
 6 department issues a notice of the assessment to the taxpayer no later than  
 7 the expiration of the six (6) year period following the final determination  
 8 date.

9 (11) (a) A taxpayer may make estimated payments to the department, following the  
 10 applicable process under KRS 141.207, of the tax expected to result from a  
 11 pending Internal Revenue Service audit, prior to the due date of the federal  
 12 adjustments report, without having to file the report with the department.

13 (b) The estimated tax payments shall be credited against any tax liability  
 14 ultimately found to be due and will limit the accrual of further statutory  
 15 interest on that amount.

16 (c) If the estimated tax payments exceed the final tax liability and statutory  
 17 interest ultimately determined to be due, the taxpayer is entitled to a refund  
 18 or credit for the excess, provided the taxpayer filed a federal adjustments  
 19 report or claim for refund or credit of tax under this section no later than  
 20 one (1) year following the final determination date.

21 (12) (a) Except for final federal adjustments required to be reported for federal  
 22 purposes under Section 6225(a)(2) of this Internal Revenue Code, a  
 23 taxpayer may file a claim for refund or credit of tax arising from federal  
 24 adjustments made by the Internal Revenue Service on or before the latter  
 25 of:

26 1. The expiration of the last day for filing a claim for refund or credit  
 27 under KRS 134.580; or

1           2. One (1) year from the date a federal adjustments report under  
 2           subsection (2) or (3) of this section, as applicable, was due to the  
 3           department.

4           (b) The federal adjustments report shall serve as the means for the taxpayer to  
 5           report additional tax due, report a claim for refund or credit of tax, and  
 6           make other adjustments, including any net operating loss, resulting from  
 7           adjustments to the taxpayer's federal taxable income.

8           (13) (a) Unless otherwise agreed in writing by the taxpayer and the department, any  
 9           adjustments by the department or by the taxpayer made after the expiration  
 10           of the time allowed under Section 58 of this Act is limited to changes to the  
 11           taxpayer's tax liability arising from federal adjustments.

12           (b) The time periods provided for in this section may be extended, upon written  
 13           agreement between the taxpayer and the department, based on the  
 14           complexity of the federal adjustment or the number of direct partners or  
 15           tiered partners.

16           (c) The time period shall be automatically extended, upon written notice to the  
 17           department, by sixty (60) days for an audited partnership or tiered partner  
 18           which has ten thousand (10,000) or more direct partners.

19           (d) Any extension granted under this subsection for filing the federal  
 20           adjustments report extends the last day prescribed by law for assessing any  
 21           additional tax arising from the adjustments to federal taxable income and  
 22           the period for filing a claim for refund or credit of taxes.

23           ➔ Section 58. KRS 141.210 is amended to read as follows:

24           ~~(1) As used in this section and KRS 141.235, unless the context requires otherwise:~~

25           ~~(a) "Conclusion of the federal audit" means the date that the adjustments made by~~  
 26           ~~the Internal Revenue Service to net income as reported on the taxpayer's~~  
 27           ~~federal income tax return become final and unappealable; and~~

1       ~~(b) "Final determination of the federal audit" means the revenue agent's report or~~  
 2           ~~other documents reflecting the final and unappealable adjustments made by~~  
 3           ~~the Internal Revenue Service.~~

4       ~~(2)~~ As soon as practicable after each return is received, the department shall examine  
 5       and audit it.

6       (2) (a) 1. If the amount of tax computed by the department is greater than the  
 7           amount returned by the taxpayer, the additional tax shall be assessed and  
 8           a notice of assessment mailed to the taxpayer by the department within  
 9           four (4) years from the date the return was filed, except as otherwise  
 10          provided in this subsection.

11       ~~2.[(a)]~~ In the case of a failure to file a return or of a fraudulent return the  
 12       additional tax may be assessed at any time.

13       ~~3.[(b)]~~ In the case of a return where a taxpayer other than a corporation  
 14       understates his net income or omits an amount properly includable in  
 15       net income or both which understatement or omission or both is in  
 16       excess of twenty-five percent (25%) of the amount of net income stated  
 17       in the return the additional tax may be assessed at any time within six  
 18       (6) years after the return was filed.

19       ~~4.[(c)]~~ In the case of a return where a corporation understates its taxable  
 20       net income or omits an amount properly includable in taxable net  
 21       income or both, which understatement or omission or both is in excess  
 22       of twenty-five percent (25%) of the amount of taxable net income stated  
 23       in the return, the additional tax may be assessed at any time within six  
 24       (6) years after the return was filed.

25       ~~5.[(d)]~~ In the case of an assessment of additional tax relating directly to  
 26       adjustments resulting from a final~~[determination of a]~~ federal  
 27       adjustment, as defined in Section 57 of this Act~~[audit]~~, the additional

1 tax may be assessed before the expiration of the times provided in  
 2 Section 57 of this Act~~[this subsection, or six months from the date the~~  
 3 ~~department receives the final determination of the federal audit from the~~  
 4 ~~taxpayer, whichever is later].~~

5 ~~6.[(e)]~~ In the case of the assessment of additional tax resulting from a  
 6 decrease of a net operating loss deduction or a capital loss deduction,  
 7 resulting from the carryback of a loss which occurs in a taxable year  
 8 beginning after December 31, 1993, the additional tax may be assessed  
 9 at any time before the expiration of the times provided for in this  
 10 subsection for assessing additional tax for the taxable year which  
 11 resulted in the net operating loss or capital loss carryback.

12 (b) The times provided in this subsection may be extended by agreement between  
 13 the taxpayer and the department.

14 (c) For the purposes of this subsection, a return filed before the last day  
 15 prescribed by law for filing the return shall be considered as filed on the last  
 16 day.

17 (d) ~~[For taxable years beginning after December 31, 1993,]~~Any extension  
 18 granted for filing the return shall also be considered as extending the last day  
 19 prescribed by law for filing the return.

20 (3) If any additional tax is assessed on account of any income which has been returned  
 21 for taxation by any other taxpayer, the department, with the consent of the other  
 22 taxpayer, his personal representatives, or heirs, shall reduce the amount of the  
 23 additional tax assessed for each year by the amount of the income tax paid for that  
 24 year by the other taxpayer on account of the income in question.

25 ~~[(4) Every taxpayer shall:~~

26 ~~(a) Notify the department in writing of every audit of the taxpayer's federal~~  
 27 ~~income tax return within thirty (30) days after the taxpayer has or should have~~

1           ~~had knowledge of the beginning of the audit by the Internal Revenue Service,~~  
2           ~~and~~

3           ~~(b) Submit a copy of the final determination of the federal audit within one~~  
4           ~~hundred eighty (180) days of the conclusion of the federal audit.]~~

5           ➔Section 59. KRS 141.235 is amended to read as follows:

- 6           (1) No suit shall be maintained in any court to restrain or delay the collection or  
7           payment of the tax levied by this chapter.
- 8           (2) Any tax collected pursuant to the provisions of this chapter may be refunded or  
9           credited in accordance with the provisions of KRS 134.580, except that:
- 10          (a) In any case where the assessment period contained in KRS 141.210 has been  
11           extended by an agreement between the taxpayer and the department, the  
12           limitation contained in this subsection shall be extended accordingly.
- 13          (b) If the claim for refund or credit relates directly to adjustments resulting from a  
14           federal audit, the taxpayer shall file a claim for refund or credit within the  
15           time provided *in Section 57 of this Act*~~for in this subsection or six (6)~~  
16           ~~months from the conclusion of the federal audit, whichever is later].~~
- 17          (c) If the claim for refund or credit relates to an overpayment attributable to a net  
18           operating loss carryback or capital loss carryback, resulting from a loss which  
19           occurs in a taxable year beginning after December 31, 1993, the claim for  
20           refund or credit shall be filed within the times prescribed in this subsection for  
21           the taxable year of the net operating loss or capital loss which results in the  
22           carryback.

23           For the purposes of this subsection and subsection (3) of this section, a return filed  
24           before the last day prescribed by law for filing the return shall be considered as  
25           filed on the last day.

- 26          (3) Overpayments as defined in KRS 134.580 of taxes collected pursuant to KRS  
27           141.305, 141.310, or 141.315 shall be refunded or credited with interest at the tax

1 interest rate as defined in KRS 131.010(6). Effective for refunds issued after April  
 2 24, 2008, the interest shall not begin to accrue until ninety (90) days after the latest  
 3 of:

- 4 (a) The due date of the return;
- 5 (b) The date the return was filed;
- 6 (c) The date the tax was paid;
- 7 (d) The last day prescribed by law for filing the return; or
- 8 (e) The date an amended return claiming a refund is filed.

9 (4) Exclusive authority to refund or credit overpayments of taxes collected pursuant to  
 10 this chapter is vested in the commissioner or his authorized agent. Amounts  
 11 directed to be refunded shall be paid out of the general fund.

12 ➔Section 60. KRS 132.195 is amended to read as follows:

13 (1) When any real or personal property which is exempt from taxation is leased or  
 14 possession is otherwise transferred to a natural person, association, partnership, or  
 15 corporation in connection with a business conducted for profit, the leasehold or  
 16 other interest in the property shall be subject to state and local taxation at the rate  
 17 applicable to real or personal property levied by each taxing jurisdiction.

18 (2) Subsection (1) of this section shall not apply to interests in:

- 19 (a) Industrial buildings, as defined under KRS 103.200, owned and financed by a  
 20 tax-exempt governmental unit or tax-exempt statutory authority under the  
 21 provisions of KRS Chapter 103, the taxation of which is provided for under  
 22 the provisions of KRS 132.020 and 132.200;
- 23 (b) Federal property for which payments are made in lieu of taxes in amounts  
 24 equivalent to taxes which might otherwise be lawfully assessed;
- 25 (c) Property of any state-supported educational institution;
- 26 (d) Vending stand locations and facilities operated by blind persons under the  
 27 auspices of the Division of Kentucky Business Enterprise, regardless of

whether the property is owned by the federal, state, or a local government;

(e) Property of any free public library;~~[-or]~~

(f) Property in Fayette County, Kentucky, administered by the Department of Military Affairs, Bluegrass Station Division;

**(g) All privately owned leasehold interests in residential property when the residential property is owned in fee simple by a purely public charity as of July 1, 2020:**

**1. When the real property includes a residential property unit that is:**

**a. Leased by the purely public charity for a period of at least one (1) year to an individual person who is fifty-five (55) years of age or older;**

**b. Maintained as the individual person's permanent residence under a lease agreement that:**

**i. Prohibits the lessee from subleasing the unit; and**

**ii. Provides that the lessee's possessory interest in the unit is terminable by the lessor upon the death of the lessee, the physical or mental inability of the lessee to continue to reside in the unit, or the lessee's relocation to a nursing home or similar assisted living facility; and**

**c. Constructed on or before July 1, 2020, or constructed after July 1, 2020, on land that was privately owned in fee simple by the purely public charity on or before July 1, 2020;**

**2. If the fee simple ownership is transferred by the purely public charity after July 1, 2020, it shall be transferred to another purely public charity and the requirements established for the residential property unit in subparagraph 1. of this paragraph shall be maintained; and**

**3. The taxation of which is provided for under Sections 61 and 62 of this**



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Act; or

- (h) All privately owned leasehold interests in residential property owned in fee simple by a purely public charity, which is exempt from ad valorem taxation under Kentucky Constitution Section 170, when the residential property unit is leased by the purely public charity to an individual person who is:
  - 1. Receiving medical or educational supportive services from the purely public charity; and
  - 2. a. A postsecondary educational participant;
  - b. A minor;
  - c. Sick, disabled, or impoverished; or
  - d. Over the age of sixty-five (65).

(3) Taxes shall be assessed to lessees of exempt real or personal property and collected in the same manner as taxes assessed to owners of other real or personal property, except that taxes due under this section shall not become a lien against the property. When due, such taxes shall constitute a debt due from the lessee to the state, county, school district, special district, or urban-county government for which the taxes were assessed and if unpaid shall be recoverable by the state as provided in KRS Chapter 134.

➔Section 61. KRS 132.020 is amended to read as follows:

- (1) The owner or person assessed shall pay an annual ad valorem tax for state purposes at the rate of:
  - (a) Thirty-one and one-half cents (\$0.315) upon each one hundred dollars (\$100) of value of all real property directed to be assessed for taxation;
  - (b) Twenty-five cents (\$0.25) upon each one hundred dollars (\$100) of value of all motor vehicles qualifying for permanent registration as historic motor vehicles under KRS 186.043;
  - (c) Fifteen cents (\$0.15) upon each one hundred dollars (\$100) of value of all:

- 1           1. Machinery actually engaged in manufacturing;
- 2           2. Commercial radio and television equipment used to receive, capture,  
3           produce, edit, enhance, modify, process, store, convey, or transmit audio  
4           or video content or electronic signals which are broadcast over the air to  
5           an antenna, including radio and television towers used to transmit or  
6           facilitate the transmission of the signal broadcast and equipment used to  
7           gather or transmit weather information, but excluding telephone and  
8           cellular communication towers; and
- 9           3. Tangible personal property which has been certified as a pollution  
10          control facility as defined in KRS 224.1-300. In the case of tangible  
11          personal property certified as a pollution control facility which is  
12          incorporated into a landfill facility, the tangible personal property shall  
13          be presumed to remain tangible personal property for purposes of this  
14          paragraph if the tangible personal property is being used for its intended  
15          purposes;
- 16          (d) Ten cents (\$0.10) upon each one hundred dollars (\$100) of value on the  
17          operating property of railroads or railway companies that operate solely  
18          within the Commonwealth;
- 19          (e) Five cents (\$0.05) upon each one hundred dollars (\$100) of value of goods  
20          held for sale in the regular course of business, which includes:
  - 21           1. Machinery and equipment held in a retailer's inventory for sale or lease  
22           originating under a floor plan financing arrangement;
  - 23           2. Motor vehicles:
    - 24           a. Held for sale in the inventory of a licensed motor vehicle dealer,  
25           including licensed motor vehicle auction dealers, which are not  
26           currently titled and registered in Kentucky and are held on an  
27           assignment pursuant to KRS 186A.230; or

- 1                   b. That are in the possession of a licensed motor vehicle dealer,  
2                   including licensed motor vehicle auction dealers, for sale, although  
3                   ownership has not been transferred to the dealer;
- 4                   3. Raw materials, which includes distilled spirits and distilled spirits  
5                   inventory;
- 6                   4. In-process materials, which includes distilled spirits and distilled spirits  
7                   inventory, held for incorporation in finished goods held for sale in the  
8                   regular course of business; and
- 9                   5. Qualified heavy equipment;
- 10               (f) One and one-half cents (\$0.015) upon each one hundred dollars (\$100) of  
11               value of all:
- 12               1. Privately owned leasehold interests in industrial buildings, as defined  
13               under KRS 103.200, owned and financed by a tax-exempt governmental  
14               unit, or tax-exempt statutory authority under the provisions of KRS  
15               Chapter 103, upon the prior approval of the Kentucky Economic  
16               Development Finance Authority, except that the rate shall not apply to  
17               the proportion of value of the leasehold interest created through any  
18               private financing;
- 19               2. Qualifying voluntary environmental remediation property, provided the  
20               property owner has corrected the effect of all known releases of  
21               hazardous substances, pollutants, contaminants, petroleum, or petroleum  
22               products located on the property consistent with a corrective action plan  
23               approved by the Energy and Environment Cabinet pursuant to KRS  
24               224.1-400, 224.1-405, or 224.60-135, and provided the cleanup was not  
25               financed through a public grant or the petroleum storage tank  
26               environmental assurance fund. This rate shall apply for a period of three  
27               (3) years following the Energy and Environment Cabinet's issuance of a

1           No Further Action Letter or its equivalent, after which the regular tax  
2           rate shall apply;

- 3           3. Tobacco directed to be assessed for taxation;
- 4           4. Unmanufactured agricultural products;
- 5           5. Aircraft not used in the business of transporting persons or property for  
6           compensation or hire; ~~and~~
- 7           6. Federally documented vessels not used in the business of transporting  
8           persons or property for compensation or hire, or for other commercial  
9           purposes; **and**

10           **7. Privately owned leasehold interests in residential property described in**  
11           **subsection (2)(g) of Section 60 of this Act;**

12           (g) One-tenth of one cent (\$0.001) upon each one hundred dollars (\$100) of value  
13           of all:

- 14           1. Farm implements and farm machinery owned by or leased to a person  
15           actually engaged in farming and used in his farm operations;
- 16           2. Livestock and domestic fowl;
- 17           3. Tangible personal property located in a foreign trade zone established  
18           pursuant to 19 U.S.C. sec. 81, provided that the zone is activated in  
19           accordance with the regulations of the United States Customs Service  
20           and the Foreign Trade Zones Board; and
- 21           4. Property which has been certified as an alcohol production facility as  
22           defined in KRS 247.910, or as a fluidized bed energy production facility  
23           as defined in KRS 211.390; and

24           (h) Forty-five cents (\$0.45) upon each one hundred dollars (\$100) of value of all  
25           other property directed to be assessed for taxation shall be paid by the owner  
26           or person assessed, except as provided in KRS 132.030, 132.200, 136.300,  
27           and 136.320, providing a different tax rate for particular property.

- 1 (2) Notwithstanding subsection (1)(a) of this section, the state tax rate on real property  
2 shall be reduced to compensate for any increase in the aggregate assessed value of  
3 real property to the extent that the increase exceeds the preceding year's assessment  
4 by more than four percent (4%), excluding:
- 5 (a) The assessment of new property as defined in KRS 132.010(8);
  - 6 (b) The assessment from property which is subject to tax increment financing  
7 pursuant to KRS Chapter 65; and
  - 8 (c) The assessment from leasehold property which is owned and financed by a  
9 tax-exempt governmental unit, or tax-exempt statutory authority under the  
10 provisions of KRS Chapter 103 and entitled to the reduced rate of one and  
11 one-half cents (\$0.015) pursuant to subsection (1)(f) of this section. In any  
12 year in which the aggregate assessed value of real property is less than the  
13 preceding year, the state rate shall be increased to the extent necessary to  
14 produce the approximate amount of revenue that was produced in the  
15 preceding year from real property.
- 16 (3) By July 1 each year, the department shall compute the state tax rate applicable to  
17 real property for the current year in accordance with the provisions of subsection  
18 (2) of this section and certify the rate to the county clerks for their use in preparing  
19 the tax bills. If the assessments for all counties have not been certified by July 1, the  
20 department shall, when either real property assessments of at least seventy-five  
21 percent (75%) of the total number of counties of the Commonwealth have been  
22 determined to be acceptable by the department, or when the number of counties  
23 having at least seventy-five percent (75%) of the total real property assessment for  
24 the previous year have been determined to be acceptable by the department, make  
25 an estimate of the real property assessments of the uncertified counties and compute  
26 the state tax rate.
- 27 (4) If the tax rate set by the department as provided in subsection (2) of this section

1 produces more than a four percent (4%) increase in real property tax revenues,  
2 excluding:

- 3 (a) The revenue resulting from new property as defined in KRS 132.010(8);
- 4 (b) The revenue from property which is subject to tax increment financing  
5 pursuant to KRS Chapter 65; and
- 6 (c) The revenue from leasehold property which is owned and financed by a tax-  
7 exempt governmental unit, or tax-exempt statutory authority under the  
8 provisions of KRS Chapter 103 and entitled to the reduced rate of one and  
9 one-half cents (\$0.015) pursuant to subsection (1) of this section;

10 the rate shall be adjusted in the succeeding year so that the cumulative total of each  
11 year's property tax revenue increase shall not exceed four percent (4%) per year.

- 12 (5) The provisions of subsection (2) of this section notwithstanding, the assessed value  
13 of unmined coal certified by the department after July 1, 1994, shall not be included  
14 with the assessed value of other real property in determining the state real property  
15 tax rate. All omitted unmined coal assessments made after July 1, 1994, shall also  
16 be excluded from the provisions of subsection (2) of this section. The calculated  
17 rate shall, however, be applied to unmined coal property, and the state revenue shall  
18 be devoted to the program described in KRS 146.550 to 146.570, except that four  
19 hundred thousand dollars (\$400,000) of the state revenue shall be paid annually to  
20 the State Treasury and credited to the Office of Energy Policy for the purpose of  
21 public education of coal-related issues.

22 ➔Section 62. KRS 132.200 is amended to read as follows:

23 All property subject to taxation for state purposes shall also be subject to taxation in the  
24 county, city, school, or other taxing district in which it has a taxable situs, except the  
25 class of property described in KRS 132.030 and the following classes of property, which  
26 shall be subject to taxation for state purposes only:

- 27 (1) Farm implements and farm machinery owned by or leased to a person actually

- 1 engaged in farming and used in his farm operation;
- 2 (2) Livestock, ratite birds, and domestic fowl;
- 3 (3) Capital stock of savings and loan associations;
- 4 (4) Machinery actually engaged in manufacturing, products in the course of  
5 manufacture, and raw material actually on hand at the plant for the purpose of  
6 manufacture. The printing, publication, and distribution of a newspaper or  
7 operating a job printing plant shall be deemed to be manufacturing;
- 8 (5) (a) Commercial radio and television equipment used to receive, capture, produce,  
9 edit, enhance, modify, process, store, convey, or transmit audio or video  
10 content or electronic signals which are broadcast over the air to an antenna;
- 11 (b) Equipment directly used or associated with the equipment identified in  
12 paragraph (a) of this subsection, including radio and television towers used to  
13 transmit or facilitate the transmission of the signal broadcast, but excluding  
14 telephone and cellular communications towers; and
- 15 (c) Equipment used to gather or transmit weather information;
- 16 (6) Unmanufactured agricultural products. They shall be exempt from taxation for state  
17 purposes to the extent of the value, or amount, of any unpaid nonrecourse loans  
18 thereon granted by the United States government or any agency thereof, and except  
19 that cities and counties may each impose an ad valorem tax of not exceeding one  
20 and one-half cents (\$0.015) on each one hundred dollars (\$100) of the fair cash  
21 value of all unmanufactured tobacco and not exceeding four and one-half cents  
22 (\$0.045) on each one hundred dollars (\$100) of the fair cash value of all other  
23 unmanufactured agricultural products, subject to taxation within their limits that are  
24 not actually on hand at the plants of manufacturing concerns for the purpose of  
25 manufacture, nor in the hands of the producer or any agent of the producer to whom  
26 the products have been conveyed or assigned for the purpose of sale;
- 27 (7) All privately owned leasehold interest in industrial buildings, as defined under KRS

- 1        103.200, owned and financed by a tax-exempt governmental unit, or tax-exempt  
2        statutory authority under the provisions of KRS Chapter 103, except that the rate  
3        shall not apply to the proportion of value of the leasehold interest created through  
4        any private financing;
- 5        (8) Tangible personal property which has been certified as a pollution control facility  
6        as defined in KRS 224.1-300. In the case of tangible personal property certified as a  
7        pollution control facility which is incorporated into a landfill facility, the tangible  
8        personal property shall be presumed to remain tangible personal property for  
9        purposes of this subsection if the tangible personal property is being used for its  
10       intended purposes;
- 11       (9) Property which has been certified as an alcohol production facility as defined in  
12       KRS 247.910;
- 13       (10) On and after January 1, 1977, the assessed value of unmined coal shall be included  
14       in the formula contained in KRS 132.590(9) in determining the amount of county  
15       appropriation to the office of the property valuation administrator;
- 16       (11) Tangible personal property located in a foreign trade zone established pursuant to  
17       19 U.S.C. sec. 81, provided that the zone is activated in accordance with the  
18       regulations of the United States Customs Service and the Foreign Trade Zones  
19       Board;
- 20       (12) Motor vehicles qualifying for permanent registration as historic motor vehicles  
21       under the provisions of KRS 186.043. However, nothing herein shall be construed  
22       to exempt historical motor vehicles from the usage tax imposed by KRS 138.460;
- 23       (13) Property which has been certified as a fluidized bed energy production facility as  
24       defined in KRS 211.390;
- 25       (14) All motor vehicles:
- 26            (a) Held for sale in the inventory of a licensed motor vehicle dealer, including  
27            motor vehicle auction dealers, which are not currently titled and registered in



- 1 Kentucky and are held on an assignment pursuant to the provisions of KRS  
2 186A.230;
- 3 (b) That are in the possession of a licensed motor vehicle dealer, including  
4 licensed motor vehicle auction dealers, for sale, although ownership has not  
5 been transferred to the dealer; and
- 6 (c) With a salvage title held by an insurance company;
- 7 (15) Machinery or equipment owned by a business, industry, or organization in order to  
8 collect, source separate, compress, bale, shred, or otherwise handle waste materials  
9 if the machinery or equipment is primarily used for recycling purposes as defined in  
10 KRS 139.010;
- 11 (16) New farm machinery and other equipment held in the retailer's inventory for sale  
12 under a floor plan financing arrangement by a retailer, as defined under KRS  
13 365.800;
- 14 (17) New boats and new marine equipment held for retail sale under a floor plan  
15 financing arrangement by a dealer registered under KRS 235.220;
- 16 (18) Aircraft not used in the business of transporting persons or property for  
17 compensation or hire if an exemption is approved by the county, city, school, or  
18 other taxing district in which the aircraft has its taxable situs;
- 19 (19) Federally documented vessels not used in the business of transporting persons or  
20 property for compensation or hire or for other commercial purposes, if an  
21 exemption is approved by the county, city, school, or other taxing district in which  
22 the federally documented vessel has its taxable situs;
- 23 (20) Any nonferrous metal that conforms to the quality, shape, and weight specifications  
24 set by the New York Mercantile Exchange's special contract rules for metals, and  
25 which is located or stored in a commodity warehouse and held on warrant, or for  
26 which a written request has been made to a commodity warehouse to place it on  
27 warrant, according to the rules and regulations of a trading facility. In this

1 subsection:

2 (a) "Commodity warehouse" means a warehouse, shipping plant, depository, or  
 3 other facility that has been designated or approved by a trading facility as a  
 4 regular delivery point for a commodity on contracts of sale for future  
 5 delivery; and

6 (b) "Trading facility" means a facility that is designated by or registered with the  
 7 federal Commodity Futures Trading Commission under 7 U.S.C. secs. 1 et  
 8 seq. "Trading facility" includes the Board of Trade of the City of Chicago, the  
 9 Chicago Mercantile Exchange, and the New York Mercantile Exchange;

10 (21) Qualifying voluntary environmental remediation property for a period of three (3)  
 11 years following the Energy and Environment Cabinet's issuance of a No Further  
 12 Action Letter or its equivalent, pursuant to the correction of the effect of all known  
 13 releases of hazardous substances, pollutants, contaminants, petroleum, or petroleum  
 14 products located on the property consistent with a corrective action plan approved  
 15 by the Energy and Environment Cabinet pursuant to KRS 224.1-400, 224.1-405, or  
 16 224.60-135, and provided the cleanup was not financed through a public grant  
 17 program of the petroleum storage tank environmental assurance fund;

18 (22) Biotechnology products held in a warehouse for distribution by the manufacturer or  
 19 by an affiliate of the manufacturer. For the purposes of this section:

20 (a) "Biotechnology products" means those products that are applicable to the  
 21 prevention, treatment, or cure of a disease or condition of human beings and  
 22 that are produced using living organisms, materials derived from living  
 23 organisms, or cellular, subcellular, or molecular components of living  
 24 organisms. Biotechnology products does not include pharmaceutical products  
 25 which are produced from chemical compounds;

26 (b) "Warehouse" includes any establishment that is designed to house or store  
 27 biotechnology products, but does not include blood banks, plasma centers, or

1 other similar establishments;

2 (c) "Affiliate" means an individual, partnership, or corporation that directly or  
 3 indirectly owns or controls, or is owned or controlled by, or is under common  
 4 ownership or control with, another individual, partnership, or corporation;[  
 5 and]

6 (23) Recreational vehicles held for sale in a retailer's inventory; **and**

7 **(24) A privately owned leasehold interest in residential property described in**  
 8 **subsection (2)(g) of Section 60 of this Act, if an exemption is approved by the**  
 9 **county, city, school, or other taxing district in which the residential property is**  
 10 **located.**

11 ➔Section 63. **Service Rates:** Notwithstanding KRS 45.253(6), the  
 12 Commonwealth Office of Technology shall maintain the rate schedule in effect in fiscal  
 13 year 2019-2020 for services rendered or materials furnished during the 2020-2022 fiscal  
 14 biennium, unless the services or materials are required by law to be furnished  
 15 gratuitously. Enterprise assessments and security assessments not directly related to  
 16 specific rated services shall not exceed fiscal year 2019-2020 levels.

17 ➔Section 64. **Kentucky Agricultural Finance Corporation:** Notwithstanding  
 18 KRS 247.978(2), the total amount of principal which a qualified applicant may owe the  
 19 Kentucky Agricultural Finance Corporation at any one time shall not exceed \$5,000,000.

20 ➔Section 65. **Administrative Fee on Infrastructure for Economic**  
 21 **Development Fund Projects:** A one-half of one percent administrative fee is authorized  
 22 to be paid to the Kentucky Infrastructure Authority for the administration of each project  
 23 funded by the Infrastructure for Economic Development Fund for Coal-Producing  
 24 Counties and the Infrastructure for Economic Development Fund for Tobacco Counties.  
 25 These administrative fees shall be paid, upon inception of the project, out of the fund  
 26 from which the project was allocated.

27 ➔Section 66. **Charges for Federal, State, and Local Audits:** Any additional

1 expenses incurred by the Auditor of Public Accounts for required audits of Federal Funds  
2 shall be charged to the government or agency that is the subject of the audit. The Auditor  
3 of Public Accounts receives General Fund appropriations for audits of the statewide  
4 systems of personnel and payroll, cash and investments, revenue collection, and the state  
5 accounting system. Any expenses incurred by the Auditor of Public Accounts for any  
6 other audits shall be charged to the agency that is the subject of such audit. The Auditor  
7 of Public Accounts shall maintain a record of all time and expenses for each audit or  
8 investigation.

9 Any expenses incurred by the Auditor of Public Accounts for auditing individual  
10 governmental entities when mandated by a legislative committee shall be charged to the  
11 agency or entity receiving audit services.

12 ➔Section 67. **Personnel Board Operating Assessment:** Each agency of the  
13 Executive Branch with employees covered by KRS Chapter 18A shall be assessed each  
14 fiscal year the amount required for the operation of the Personnel Board. The agency  
15 assessment shall be determined by the Secretary of the Finance and Administration  
16 Cabinet based on the authorized full-time positions of each agency on July 1 of each year  
17 of the biennium. The Secretary of the Finance and Administration Cabinet shall collect  
18 the assessment.

19 ➔Section 68. **Water Withdrawal Fees:** The water withdrawal fees imposed by  
20 the Kentucky River Authority shall not be subject to state and local taxes.  
21 Notwithstanding KRS 151.710(10), Tier I water withdrawal fees shall be used to support  
22 the operations of the Authority and for contractual services for water supply and quality  
23 studies.

24 ➔Section 69. **Urgent Needs School Assistance:** If a school district receives an  
25 allotment for an Urgent Needs School authorized in 2014 Ky. Acts ch. 117, Part I, A.,  
26 28., (5), 2014 Ky. Acts ch. 117, Part I, C., 1., (19)(b), 2016 Ky. Acts ch. 149, Part I, A.,  
27 28., (4) and (5), or 2018 Ky. Acts ch. 169, Part I, A., 27., (3) and subsequently, as a result

1 of litigation or insurance, receives funds for the original facility, the school district shall  
 2 reimburse the Commonwealth an amount equal to that received for such purposes. If the  
 3 litigation or insurance receipts are less than the amount received, the district shall  
 4 reimburse the Commonwealth an amount equal to that received as a result of litigation or  
 5 insurance less the district's costs and legal fees in securing the judgment or  
 6 payment. Any funds received in this manner shall be deposited in the Budget Reserve  
 7 Trust Fund Account (KRS 48.705).

8       ➔Section 70. **Pro Rata Assessment:** The Personnel Cabinet shall collect a pro  
 9 rata assessment from all state agencies, in all three branches of government, and other  
 10 organizations that are supported by the System. Those collections shall be deposited and  
 11 retained in a Restricted Funds account within the Personnel Cabinet.

12       ➔Section 71. **Premium and Retaliatory Taxes:** Notwithstanding KRS 304.17B-  
 13 021(4)(d), premium taxes collected under KRS Chapter 136 from any insurer and  
 14 retaliatory taxes collected under KRS 304.3-270 from any insurer shall be credited to the  
 15 General Fund.

16       ➔Section 72. **Monthly Per Employee Health Insurance Benefits Assessment:**  
 17 The Personnel Cabinet shall collect a benefits assessment per month per employee  
 18 eligible for health insurance coverage in the state group for duly authorized use by the  
 19 Personnel Cabinet in administering its statutory and administrative responsibilities,  
 20 including but not limited to administration of the Commonwealth's health insurance  
 21 program.

22       ➔Section 73. **Publishing Requirements:** Notwithstanding KRS 83A.060,  
 23 91A.040, and Chapter 424, a county containing a population of more than 90,000 or any  
 24 city within a county containing a population of more than 90,000, as determined by the  
 25 2010 United States Census, may publish enacted ordinances, audits, and bid solicitations  
 26 by posting the full ordinance, the full audit report including the auditor's opinion letter, or  
 27 the bid solicitation on an Internet Web site maintained by the county or city government

1 for a period of at least one (1) year. If a county or city publishes ordinances, audits, or bid  
 2 solicitations on an Internet Web site, the county or city shall also publish an  
 3 advertisement, in a newspaper qualified in accordance with KRS 424.120, with a  
 4 description of the ordinances, audits, or bid solicitations published on the Internet Web  
 5 site, including the Uniform Resource Locator (URL) where the documents can be  
 6 viewed. Any advertisement required to be published in a newspaper under KRS Chapter  
 7 424 shall contain the following statement at the end of the advertisement:

8 "This advertisement was paid for by [insert the name of the governmental body  
 9 required to advertise in a newspaper] using taxpayer dollars in the amount of \$[insert the  
 10 amount paid for the advertisement].".

11 ➔Section 74. KRS 39A.100 is amended to read as follows:

12 (1) In the event of the occurrence or threatened or impending occurrence of any of the  
 13 situations or events contemplated by KRS 39A.010, 39A.020, or 39A.030, the  
 14 Governor may declare, in writing, that a state of emergency exists. The Governor  
 15 shall have and may exercise the following emergency powers during the period in  
 16 which the state of emergency exists:

17 (a) To enforce all laws, and administrative regulations relating to disaster and  
 18 emergency response and to assume direct operational control of all disaster  
 19 and emergency response forces and activities in the Commonwealth;

20 (b) To require state agencies and to request local governments, local agencies,  
 21 and special districts to respond to the emergency or disaster in the manner  
 22 directed;

23 (c) To seize, take, or condemn property, excluding firearms and ammunition,  
 24 components of firearms and ammunition, or a combination thereof, for the  
 25 protection of the public or at the request of the President, the Armed Forces,  
 26 or the Federal Emergency Management Agency of the United States,  
 27 including:

- 1           1. All means of transportation and communication;
- 2           2. All stocks of fuel of whatever nature;
- 3           3. Food, clothing, equipment, materials, medicines, and all supplies; and
- 4           4. Facilities, including buildings and plants;
- 5       (d) To sell, lend, give, or distribute any of the property under paragraph (c) of this
- 6           subsection among the inhabitants of the Commonwealth and to account to the
- 7           State Treasurer for any funds received for the property;
- 8       (e) To make compensation for the property seized, taken, or condemned under
- 9           paragraph (c) of this subsection;
- 10       (f) To exclude all nonessential, unauthorized, disruptive, or otherwise
- 11           uncooperative personnel from the scene of the emergency, and to command
- 12           those persons or groups assembled at the scene to disperse. A person who
- 13           refuses to leave an area in which a written order of evacuation has been issued
- 14           in accordance with a written declaration of emergency or a disaster may be
- 15           forcibly removed to a place of safety or shelter, or may, if this is resisted, be
- 16           arrested by a peace officer. Forcible removal or arrest shall not be exercised
- 17           as options until all reasonable efforts for voluntary compliance have been
- 18           exhausted;
- 19       (g) To declare curfews and establish their limits;
- 20       (h) To prohibit or limit the sale or consumption of goods, excluding firearms and
- 21           ammunition, components of firearms and ammunition, or a combination
- 22           thereof, or commodities for the duration of the emergency;
- 23       (i) To grant emergency authority to pharmacists pursuant to KRS 315.500, for
- 24           the duration of the emergency;
- 25       (j) Except as prohibited by this section or other law, to perform and exercise
- 26           other functions, powers, and duties deemed necessary to promote and secure
- 27           the safety and protection of the civilian population;

- 1 (k) To request any assistance from agencies of the United States as necessary and  
 2 appropriate to meet the needs of the people of the Commonwealth; and
- 3 (l) Upon the recommendation of the Secretary of State, to declare by executive  
 4 order a different time, ~~or~~ place, or manner for holding elections in an  
 5 election area for which a state of emergency has been declared for part or all  
 6 of the election area. The election shall be held within thirty-five (35) days  
 7 from the date of the suspended or delayed election. The State Board of  
 8 Elections shall establish procedures for election officials to follow. Any  
 9 procedures established under this paragraph shall be subject to the approval  
 10 of the Secretary of State and the Governor by respective executive orders.
- 11 (2) In the event of the occurrence or threatened or impending occurrence of any of the  
 12 situations or events contemplated by KRS 39A.010, 39A.020, or 39A.030, which in  
 13 the judgment of a local chief executive officer is of such severity or complexity as  
 14 to require the exercise of extraordinary emergency measures, the county  
 15 judge/executive of a county other than an urban-county government, or mayor of a  
 16 city or urban-county government, or chief executive of other local governments or  
 17 their designees as provided by ordinance of the affected county, city, or urban-  
 18 county may declare in writing that a state of emergency exists, and thereafter,  
 19 subject to any orders of the Governor, shall have and may exercise for the period as  
 20 the state of emergency exists or continues, the following emergency powers:
- 21 (a) To enforce all laws and administrative regulations relating to disaster and  
 22 emergency response and to direct all local disaster and emergency response  
 23 forces and operations in the affected county, city, urban-county, or charter  
 24 county;
- 25 (b) To exclude all nonessential, unauthorized, disruptive, or uncooperative  
 26 personnel from the scene of the emergency, and to command persons or  
 27 groups of persons at the scene to disperse. A person who refuses to leave an



1 area in which a written order of evacuation has been issued in accordance  
 2 with a written declaration of emergency or a disaster may be forcibly removed  
 3 to a place of safety or shelter, or may, if this is resisted, be arrested by a peace  
 4 officer. Forcible removal or arrest shall not be exercised as options until all  
 5 reasonable efforts for voluntary compliance have been exhausted;

6 (c) To declare curfews and establish their limits;

7 (d) To order immediate purchase or rental of, contract for, or otherwise procure,  
 8 without regard to procurement codes or budget requirements, the goods and  
 9 services essential for protection of public health and safety or to maintain or  
 10 to restore essential public services; and

11 (e) To request emergency assistance from any local government or special district  
 12 and, through the Governor, to request emergency assistance from any state  
 13 agency and to initiate requests for federal assistance as are necessary for  
 14 protection of public health and safety or for continuation of essential public  
 15 services.

16 (3) Nothing in this section shall be construed to allow any governmental entity to  
 17 impose additional restrictions on the lawful possession, transfer, sale, transport,  
 18 carrying, storage, display, or use of firearms and ammunition or components of  
 19 firearms and ammunition.

20 ➔Section 75. The following KRS sections are repealed:

21 132.550 County clerk to compute amount due from each taxpayer -- Compensation of  
 22 clerk.

23 132.635 Application of KRS 132.590 and 132.630 to urban-county governments and  
 24 consolidated local governments.

25 189A.360 Nonrefundable application fee for ignition interlock license. (Effective July  
 26 1, 2020)

27 ➔Section 76. Sections 1 and 7 to 17 of this Act apply to taxable years beginning

1 on or after January 1, 2019.

2 →Section 77. Sections 34, 35, 39, 40 to 42, and 50 to 56 of this Act take effect  
3 August 1, 2020.

4 →Section 78. Section 37 of this Act takes effect July 1, 2020.

5 →Section 79. Sections 60 to 62 of this Act apply to privately owned leasehold  
6 interests in residential property assessed on or after January 1, 2021.

7 →Section 80. Sections 63 to 73 of this Act apply to the fiscal year beginning July  
8 1, 2020, and ending June 30, 2021, and the fiscal year beginning July 1, 2021, and ending  
9 June 30, 2022, and shall expire at the end of June 30, 2022.

10 →Section 81. Whereas many taxpayers are currently preparing to file returns, and  
11 clarifications for these taxpayers are needed immediately, and whereas elections are an  
12 inviolable part of the democratic process and the COVID 19 virus poses a risk to the  
13 health and well-being of voters, an emergency is declared to exist, and this Act takes  
14 effect upon its passage and approval by the Governor or upon its otherwise becoming  
15 law.