



2002-2004

*Budget  
in Brief*

# BUDGET OF THE COMMONWEALTH



PAUL E. PATTON  
GOVERNOR

MARY E. LASSITER  
ACTING STATE BUDGET DIRECTOR



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EXECUTIVE CABINET

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FINANCE AND  
ADMINISTRATION CABINET



## PREFACE

The Budget of the Commonwealth for the 2002-2004 biennium is the financial plan for Kentucky State Government as enacted by the Regular Session of the 2003 General Assembly. It is published by the Office of the State Budget Director, Governor's Office for Policy and Management in accordance with KRS Chapter 48.

The 2002-2004 budget is presented in three volumes:

- **Volume I:** State agency program budget detail
- **Volume II:** Capital projects  
Coal Severance Tax projects  
Water and Sewer Resources Development Bond Projects  
for Coal Producing Counties  
Water and Sewer Resources Development Bond Projects  
for Tobacco Counties
- **Budget in Brief:** Budget overview and summary data

These documents provide the detail to support the budget in legislative form as presented in the budget bill.

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## **OVERVIEW OF HOUSE BILL 269 AS ENACTED BY THE 2003 GENERAL ASSEMBLY**

The Regular Session of the General Assembly convened in January 2003 with the primary focus of enacting a biennial budget. The 2002 Regular Session of the General Assembly adjourned in April of 2002, unable to agree on a budget for the Executive and Judicial Branches. The Legislative Branch Budget, House Bill 657, was enacted during the Regular Session. After the Regular Session adjourned, Governor Paul E. Patton immediately called the First Extraordinary Session of the General Assembly to address the biennial budget for the Executive and Judicial Branches. Ultimately, this session also ended without agreement on a biennial budget.

The Governor subsequently issued Executive Order 2002-727, a Spending Plan for fiscal year 2002-2003, in order to continue day-to-day operations of state government until the General Assembly reconvened to enact a biennial budget. House Bill 1, the Executive Branch Appropriations Bill, which had been introduced in the First Extraordinary Session and which, with very few exceptions, basically included the funding priorities of each Chamber at that time, served as the basis for the expenditure limits contained in the Spending Plan. Similarly, the Chief Justice issued a Spending Plan based on House Bill 3, the Judicial Branch Appropriations Bill, which had been introduced during the First Extraordinary Session.

House Bill 269, the Executive Branch Appropriations Act, enacted in the 2003 Regular Session superseded the Spending Plan effectively rendering it moot. Additionally, House Bill 294, the Judicial Branch Appropriations Act, was enacted by the 2003 General Assembly.

Following is a summary of the major policy and budget framework as contained in House Bill 269:

- As a general proposition, agencies of the Executive Branch had General Fund appropriations in fiscal year 2002-2003 reduced by 2.6 percent from the figures contained in House Bill 1 and in the Emergency Spending Plan. Fiscal year 2003-2004 appropriations were generally straight-lined off of these reduced fiscal year 2002-2003 appropriations. There were no net reductions to the General Fund appropriations for K-12 Education, human services agencies (Cabinet for Health Services, Cabinet for Families and Children), certain elements of the criminal justice system or the Revenue Cabinet as compared to the Fiscal Year 2003 Spending Plan or Fiscal Year 2004 amounts as contained in House Bill 1.
- Agencies were directed to continue to implement cost saving measures ordered by Governor Patton and outlined in Executive Order 2002-1334 dated December 2002. Additional cost saving measures were directed in areas including contracts, non-classified employees, and assigned vehicles.
- Fund transfers of restricted funds to the General Fund were utilized at historically unprecedented levels. House Bill 269 includes fund transfers totaling over \$422 million over the biennium (\$327 million in fiscal year 2002-2003 and almost \$95 million in Fiscal Year 2003-2004).
- In lieu of the statutory annual salary increment of 5 percent, a 2.7 percent pay increase was provided in fiscal year 2002-2003. For fiscal year 2003-2004 an increment of \$1,080 was provided for Executive Branch classified employees (and Judicial Branch employees) to be applied on the employee's anniversary date.



## 2002-2004 BUDGET SUMMARY OF THE GENERAL FUND

	Enacted 2003	Enacted 2004
<b>RESOURCES</b>		
Beginning Balance	23,494,400	138,722,700
Consensus Revenue Forecast	6,862,500,000	7,038,300,000
Revenue Measures/Other Resources	(3,300,000)	58,220,000
Tobacco Settlement - Phase I	127,000,000	110,200,000
Fund Transfers	327,195,900	95,271,000
<b>Total Revenue</b>	<b>7,336,890,300</b>	<b>7,440,713,700</b>
 <b>Continued Appropriations Reserve</b>		
Budget Reserve Trust Fund	0	5,087,400
Tobacco Settlement - Phase I	64,375,600	64,375,600
Executive Branch	75,063,000	74,270,000
Legislative Branch	18,222,200	16,722,200
Judicial Branch	13,903,200	6,403,200
<b>Reserve Subtotal</b>	<b>171,564,000</b>	<b>166,858,400</b>
 <b>TOTAL RESOURCES</b>	 <b>7,508,454,300</b>	 <b>7,607,572,100</b>
 <b>APPROPRIATIONS</b>		
<b>Executive Branch:</b>		
Regular Operating	6,849,471,300	7,102,306,400
Tobacco Settlement - Phase I	125,600,000	109,100,000
Management Savings	(3,750,000)	(15,000,000)
Special Appropriation (HB 489)	147,000	
Partial Year Debt Service Savings		(19,344,000)
Budgeted Lapse	(1,652,000)	(8,642,000)
Capital Projects	100,000	400,000
 <b>Subtotal</b>	 <b>6,969,916,300</b>	 <b>7,168,820,400</b>
 <b>Judicial Branch</b>	 <b>196,506,500</b>	 <b>210,855,100</b>
 <b>Legislative Branch</b>	 <b>36,450,400</b>	 <b>40,616,400</b>
 <b>TOTAL APPROPRIATIONS</b>	 <b>7,202,873,200</b>	 <b>7,420,291,900</b>
 <b>BALANCE</b>	 <b>305,581,100</b>	 <b>187,280,200</b>
 <b>Continued Appropriations Reserve</b>		
Budget Reserve Trust Fund	5,087,400	25,509,200
Tobacco Settlement - Phase I	64,375,600	64,375,600
Executive Branch	74,270,000	74,270,000
Legislative Branch	16,722,200	16,722,200
Judicial Branch	6,403,200	6,403,200
<b>Reserve Subtotal</b>	<b>166,858,400</b>	<b>187,280,200</b>
 <b>ENDING BALANCE</b>	 <b>138,722,700</b>	 <b>0</b>

**General Fund**  
 (millions of dollars)  
**2002-2004 Enacted Budget**  
**January 2003 Consensus Forecast with Legislative Changes**

	<u>Fiscal Year 02</u>		<u>Fiscal Year 03</u>		<u>Fiscal Year 04</u>	
	Actual	% Chg Year Ago	Estimate	% Chg Year Ago	Estimate	% Chg Year Ago
Sales & Use	2,300.0	2.3	2,401.5	4.4	2,472.7	3.0
Individual Income	2,702.5	-2.7	2,836.6	5.0	2,983.0	5.2
Corp. Income & Lic.	324.9	-25.7	389.9	20.0	404.1	3.6
Coal Severance	160.2	13.1	143.7	-10.3	140.6	-2.2
Property	433.0	6.3	433.8	0.2	444.3	2.4
Lottery	169.0	7.6	168.6	-0.2	148.9	-11.7
Other	470.7	-2.6	485.1	3.1	502.9	3.7
<b>Total General Fund</b>	<b>6,560.2</b>	<b>-1.4</b>	<b>6,859.2</b>	<b>4.6</b>	<b>7,096.5</b>	<b>3.5</b>

**Note:** The CFG budget estimate of January 2003 was revised to reflect the budget as enacted by the 2003 General Assembly.

<u>Source</u>	<u>Actual 1999-00</u>	<u>Actual 2000-01</u>	<u>Actual 2001-02</u>	<u>Estimate 2002-03</u>	<u>Estimate 2003-04</u>
<b><u>Selected Sales and Gross Receipts Taxes</u></b>					
Sales & Use	2,171,397,969	\$2,248,471,099	\$2,299,990,621	2,401,500,000	2,472,700,000
Cigarette	14,184,888	14,007,582	13,943,208	15,400,000	16,200,000
Distilled Spirits Case Sales	82,871	82,528	81,923	100,000	100,000
Insurance Tax Foreign Companies	35,909,807	34,775,489	36,058,437	36,400,000	36,600,000
Insurance Tax Companies Other Than Life	57,000,964	59,118,322	65,899,201	68,800,000	71,900,000
Insurance Tax Fire Prevention Fund	2,444,792	2,932,009	3,145,313	3,400,000	4,100,000
Pari-Mutuel	6,645,098	6,182,083	5,179,952	6,000,000	4,150,000
Race Track Admission	220,824	216,616	260,232	300,000	400,000
Beer Consumption	6,284,242	6,272,031	6,286,734	6,300,000	6,400,000
Distilled Spirits Consumption	8,211,541	8,184,798	8,266,005	8,300,000	8,600,000
Wine Consumption	1,748,839	1,743,393	1,786,985	1,800,000	1,900,000
Beer Wholesale	32,101,648	32,582,888	34,596,592	35,700,000	36,900,000
Distilled Spirits Wholesale	14,055,368	14,809,730	15,129,147	15,500,000	15,800,000
Wine Wholesale	5,923,809	6,102,998	6,396,603	6,700,000	7,000,000
<b>TOTAL SEL. SALES AND GROSS RECEIPTS TAXES</b>	<b>\$2,356,212,661</b>	<b>\$2,435,481,566</b>	<b>\$2,497,020,953</b>	<b>\$2,606,300,000</b>	<b>\$2,682,750,000</b>
<b><u>License and Privilege Taxes</u></b>					
Coal Severance Tax	145,139,909	\$141,553,087	\$160,160,116	143,700,000	140,600,000
Mineral Severance Tax	13,923,246	12,710,667	12,355,174	12,000,000	12,400,000
Natural Gas Severance Tax	8,466,173	17,319,884	12,301,781	11,800,000	11,800,000
Oil Production	2,967,395	3,358,037	2,590,722	2,600,000	2,600,000
Corporate License	139,127,819	147,515,403	117,500,770	140,200,000	129,800,000
Cigarette License	86,468	73,425	134,707	100,000	100,000
Amusement Machine License	0	-	-	0	0
Race Track License	405,500	320,800	37,423	0	0
Marijuana and Controlled Substance Tax	54,687	33,936	84,227	0	0
Bank Franchise Tax	53,061,798	49,610,220	50,549,168	51,000,000	51,000,000
Corporation Organization	369,916	227,655	144,233	300,000	300,000
Cir. Ct. Clk. - Driver License Receipts	475,167	391,939	505,187	500,000	500,000
Sand and Gravel License	-8,350	375	7,675	0	0
Relicensure Fees (Driver's License)	0	-	-	0	0
Alcoholic Beverage License Suspension	49,150	193800	220800	200,000	200,000
Convention Center Caterer License	0	-	-	0	0
<b>TOTAL LICENSE AND PRIVILEGE TAXES</b>	<b>\$364,118,877</b>	<b>\$373,309,228</b>	<b>\$356,591,983</b>	<b>\$362,300,000</b>	<b>\$349,300,000</b>

<u>Source</u>	<u>Actual 1999-00</u>	<u>Actual 2000-01</u>	<u>Actual 2001-02</u>	<u>Estimate 2002-03</u>	<u>Estimate 2003-04</u>
<b><u>Income Taxes</u></b>					
Corporation Income Tax	306,442,050	\$289,931,017	\$207,353,777	249,700,000	274,300,000
Individual Income Tax	2,701,613,908	2,778,541,444	2,702,510,022	2,836,600,000	2,983,000,000
<b>Total Income Tax</b>	<b>3,008,055,958</b>	<b>3,068,472,461</b>	<b>2,909,863,799</b>	<b>\$3,086,300,000</b>	<b>\$3,257,300,000</b>
<b><u>Property Taxes</u></b>					
General - Real	167,326,472	\$171,524,695	\$179,678,051	186,900,000	194,300,000
General - Tangible Personal	50,192,021	52,476,931	151,308,795	53,500,000	53,500,000
General - Intangible Personal	22,721,743	22,551,152	23,113,567	27,000,000	27,500,000
General - Motor Vehicle	79,770,900	84,592,323		89,500,000	93,500,000
Bank Deposits	433,962	412,646	460,335	500,000	500,000
Distilled Spirits Ad Valorem	443,880	360,248	363,410	500,000	500,000
Marginal Accounts	49,206	110,331	84,000	100,000	100,000
Omitted Property Tax	8,872,026	13,085,599	20,021,804	16,000,000	14,700,000
Delinquent Tax - Prior Year	6,671,030	7,519,863	5,627,788	5,700,000	5,700,000
Apportioned Vehicles	997,976	3,397,041		3,800,000	4,000,000
Public Service Company	46,882,427	48,883,924	49,991,359	48,000,000	48,000,000
Domestic Life Insurance	404,705	97,197	130,250	100,000	0
Retirement Plans	38	287	301	0	0
Building & Loan Assoc. Capital Stock	2,491,414	2,482,623	2,249,927	2,300,000	2,000,000
<b>TOTAL PROPERTY TAXES</b>	<b>387,257,800</b>	<b>407,494,860</b>	<b>433,029,587</b>	<b>\$433,800,000</b>	<b>\$444,300,000</b>
<b><u>Inheritance Taxes</u></b>					
Inheritance Tax	74,489,981	\$83,461,499	\$83,359,872	97,700,000	64,100,000
<b>TOTAL INHERITANCE TAXES</b>	<b>\$74,489,981</b>	<b>\$83,461,499</b>	<b>\$83,359,872</b>	<b>\$97,700,000</b>	<b>\$64,100,000</b>

<u>Source</u>	<u>Actual 1999-00</u>	<u>Actual 2000-01</u>	<u>Actual 2001-02</u>	<u>Estimate 2002-03</u>	<u>Estimate 2003-04</u>
<b><u>Departmental Fees, Sales and Rentals</u></b>					
Public Service Commission Assessments-	15,967,716	12,598,396	10,455,826	12,500,000	13,000,000
Insurance - Retaliatory Taxes & Fees-	599,720	1,538,875	782,413	800,000	800,000
Sec. of State - Process Agents Fees	2,575,520	1,877,822	2,379,091	1,900,000	1,900,000
Circuit Court Clk. - Civil Filing Fee Receipts-	7,704,719	7,831,066	8,225,087	9,700,000	10,200,000
Circuit Court Clk. - Bond Filing Fee-	540,383	537,635	536,451	600,000	600,000
Circuit Court Clk. - 10% Bond Fee-	603,262	600,182	639,408	700,000	700,000
Circuit Court Clk. - Receipts for Services-	2,397,602	2,519,711	2,707,579	2,600,000	2,700,000
Strip Mining & Reclamation Fees-	0	(97,875)	1,361,074	1,100,000	1,100,000
Strip Mining & Reclamation - Fines Coll.	724,568	560,331	780,310	700,000	700,000
Master Commissioner Sales-	97,364	262,464	542,927	300,000	200,000
Miscellaneous - Pub Advoc; Sec State Fee	0	1,431,893	1,615,776	1,600,000	1,600,000
<b>TOTAL DEPARTMENT FEES, SALES AND RENTALS</b>	<b>\$31,210,854</b>	<b>\$29,660,500</b>	<b>\$30,025,942</b>	<b>\$32,400,000</b>	<b>\$33,400,000</b>
<b><u>Investment Receipts</u></b>					
General Depository Investment Income **	26,716,222	\$26,390,552	\$8,246,672	-5,000,000	-9,500,000
Circuit Court Clk. - Interest Income	1,361,232	1,515,296	1,403,291	1,500,000	1,500,000
Interest on Investments - Withholding Accounts	0		3,692,665	0	0
Ky Asset/Liab - TRAN		312,000	0	0	0
<b>TOTAL INVESTMENT RECEIPTS</b>	<b>\$28,077,454</b>	<b>\$28,217,848</b>	<b>\$13,342,628</b>	<b>-\$3,500,000</b>	<b>-\$8,000,000</b>
<b><u>Miscellaneous Revenue</u></b>					
Lottery	156,300,000	\$157,030,000	\$169,000,000	168,600,000	148,900,000
Legal Process - Clk. Supreme Court	142,818	135,839	110,921	100,000	100,000
Legal Process - Clk. Court of Appeals	7,996	4,795	29,641	0	0
Dept. of Rev. Legal Process Taxes - Co. Clk.	3,335,416	3,168,663	3,311,157	3,200,000	3,200,000
Dept. of Rev. Penalty & Int. of Co. Officials	(29,199)	(27,212)	(43,338)	0	0
Legal Process - Attorney General's Office	250	312,381	1,854,641	1,500,000	1,500,000
Judgment Fees for Delinquent Taxes	0	0		0	0
TVA - In Lieu of Taxes - State Portion	6,842,117	6,046,675	6,814,492	6,900,000	6,900,000
F.H.A. - In Lieu of Taxes	51,215	53,225	28,117	0	0
R.E.C.C. and R.T.C.C. In Lieu of Taxes	320	320	310	0	0
Business Development - In Lieu of Taxes	9,289	0	32,322	0	0
Abandoned Property	6,971,967	9,098,610	5,208,916	6,000,000	26,000,000

<u>Source</u>	<u>Actual</u> <u>1999-00</u>	<u>Actual</u> <u>2000-01</u>	<u>Actual</u> <u>2001-02</u>	<u>Estimate</u> <u>2002-03</u>	<u>Estimate</u> <u>2003-04</u>
Circuit Court Clk. - Fish & Wildlife Fines	94,908	78,708	80,972	100,000	100,000
Cir. Ct. Clk. - Criminal/Traffic Fines & Costs	44,905,082	39,462,310	38,211,614	46,400,000	47,600,000
Circuit Court Clk. - Bond Forfeitures	746,887	869,727	1,221,367	1,100,000	1,200,000
Fines Dept Insurance	0	0	555,589	0	0
NREP - Haz. Material & Waste - Fines & Pen.	0	0		0	0
Fines for Air Pollution Emission	0	0		0	0
Sale of NOx Allowances					20,970,000
Unclassified Receipts	194,814	21,556	19,737	100,000	0
Other Fines & Unhonored Checks	1,900,575	2,356,294	2,799,560	1,800,000	2,000,000
<b>TOTAL MISCELLANEOUS REVENUE</b>	<b>\$221,474,456</b>	<b>\$218,611,891</b>	<b>\$229,236,018</b>	<b>235,800,000</b>	<b>\$258,470,000</b>
<b>MISC. NOT IN REVENUE ESTIMATES</b>	<b>\$7,487,991</b>	<b>\$9,187,801</b>	<b>\$7,745,769</b>	<b>\$8,000,000</b>	<b>\$7,900,000</b>
<b>TAX AMNESTY ADJUSTMENT - see note</b>				<b>\$0</b>	<b>\$7,000,000</b>
<b>TOTAL GENERAL FUND</b>	<b>\$6,478,386,032</b>	<b>\$6,653,897,654</b>	<b>\$6,560,216,551</b>	<b>\$6,859,200,000</b>	<b>\$7,096,520,000</b>

\*\*Investment income is shown in this report at the net effect of the expense of generating that income.  
**Sub-totals may not add up to numbers displayed due to rounding of some estimates.**

**Note:** The Tax Amnesty program is included as a separate line item for FY04. Amnesty Receipts for FY03 have been identified and recorded in the appropriate tax category.

Excludes Phase I Tobacco Settlement Receipts

**2002-2004 BUDGET SUMMARY OF THE ROAD FUND**

	<b>Fiscal Year 2003</b>	<b>Fiscal Year 2004</b>
	<hr/>	<hr/>
<b>RESOURCES</b>		
Beginning Balance		
Official Revenue Estimate	1,121,129,400	1,139,210,500
Non-Revenue Receipts		
Fund Transfers		
<b>TOTAL RESOURCES</b>	<hr/> <b>1,121,129,400</b>	<hr/> <b>1,139,210,500</b>
<b>APPROPRIATIONS</b>		
Transportation Cabinet		
Revenue Sharing	220,520,900	224,762,500
Highways	586,293,600	597,113,200
Vehicle Regulation	30,031,700	31,333,800
Debt Service	167,660,900	161,312,100
General Administration and Support	70,288,300	75,914,900
Capital Construction	5,840,000	8,284,000
Subtotal	<hr/> 1,080,635,400	<hr/> 1,098,720,500
Governor's Office for Technology	125,000	125,000
Justice Cabinet	35,000,000	35,000,000
Revenue Cabinet	1,418,000	1,418,000
Finance and Administration Cabinet	3,951,000	3,947,000
<b>TOTAL APPROPRIATIONS</b>	<hr/> <b>1,121,129,400</b>	<hr/> <b>1,139,210,500</b>
<b>ENDING BALANCE</b>	<hr/> <b>0</b>	<hr/> <b>0</b>

**Road Fund**  
**(millions of dollars)**  
**2002 - 2004 Enacted Budget**  
**January 2003 Consensus Forecast with Legislative Changes**

	<u>Fiscal Year 2002</u>		<u>Fiscal Year 2003</u>		<u>Fiscal Year 2004</u>	
	Actual	%Chg	Estimate	%Chg	Estimate	%Chg
Motor Fuels & MF Use/Surtax	444.3	4.6	456.4	2.7	465.2	1.9
Motor Vehicle Usage & Rental	429.3	8.2	426.7	-0.6	442.4	3.7
License & Privilege (excl. WD)	103.9	8.9	103.1	-0.8	110.5	7.2
Weight Distance Tax/Surtax	75.3	0.1	78.3	4.0	81.1	3.6
Tolls	13.8	11.3	13.3	-3.6	13.7	3.0
Investment	32.2	-19.9	23.0	-28.6	5.5	-76.1
Other	20.2	4.0	20.3	0.5	20.8	2.5
<b>Total Road Fund</b>	<b>1,119.0</b>	<b>5.2</b>	<b>1,121.1</b>	<b>0.2</b>	<b>1,139.2</b>	<b>1.6</b>

	<b>FY 2000</b>	<b>FY 2001</b>	<b>FY 2002</b>	<b>FY 2003</b>	<b>FY 2004</b>
	<b><u>Actual</u></b>	<b><u>Actual</u></b>	<b><u>Actual</u></b>	<b><u>Estimated</u></b>	<b><u>Estimated</u></b>
<b><u>Sales and Gross Receipts Taxes</u></b>					
Motor Fuels Normal and Normal Use	423,876,350	424,286,240	443,933,200	456,000,000	464,800,000
Motor Vehicle Usage	359,437,723	345,120,799	381,398,175	375,600,000	390,800,000
Motor Vehicle Rental Usage	49,957,851	51,619,167	47,840,870	51,000,000	51,500,000
Truck Trip Permits	451,689	447,020	383,460	430,000	440,000
Sales and Use	-3,523	-701	0	0	0
Usage Tax on Buses	74,649	72,828	64,173	71,000	72,000
Supplemental Fuel Surtax	19,881	7,612	3,128	8,000	8,000
Usage Tax on Historical Vehicles	0	0	0	0	0
<b>TOTAL SALES AND GROSS RECEIPTS TAX</b>	<b>833,814,620</b>	<b>821,552,965</b>	<b>873,623,006</b>	<b>883,109,000</b>	<b>907,620,000</b>
<b><u>License and Privilege Taxes</u></b>					
Drive Away Utility Trailer Permits	5,365	7,199	6,170	4,500	4,600
Amateur Radio Plate	9,679	9,312	8,772	10,000	11,000
Passenger Car License	23,485,625	21,031,596	22,734,325	22,540,000	22,700,000
Truck License - State Share	20,618,255	20,417,994	21,000,668	21,100,000	26,300,000
Motorcycle License	255,028	442,979	310,884	275,000	285,000
Motorcycle License-Program GA19	203,587	226,033	249,880	190,000	193,000
Dealers License	293,756	297,495	283,715	300,000	320,000
Transfer License	572,965	544,390	558,197	545,000	560,000
Trailer License	1,304,803	1,256,847	1,319,936	1,300,000	1,300,000
County Clerk Penalty	24,390	32,337	-51,779	30,000	32,000
Bus License - Except City	35,260	33,070	44,719	34,500	36,000
City and Suburban Bus License	0	0	0	0	0
Bus Certificates and Permits	3,465	1,200	2,666	1,000	1,000
Taxi License	25,730	28,868	29,790	26,000	27,000
Truck Permits	77,543	71,805	72,560	71,000	72,000
Contract Taxicab Permit	16,695	14,190	15,905	12,000	12,000
Insurance Premium Tax - Foreign Llife	0	0	0	0	0
Motor Vehicle Operator's License	3,371,356	3,524,010	3,712,024	3,550,000	3,700,000
Motor Vehicle Operator's License-Program GA19	186,843	197,568	227,481	180,000	185,000
Highway Special Permits	6,771,670	6,598,370	6,298,572	6,550,000	6,950,000
U-Drive-It Permits	13,175	28,544	11,450	32,000	34,000
U-Drive-Licenses	3,493,279	2,554,706	2,488,915	2,600,000	2,950,000
Junk Yard License	3,023	3,947	1,715	5,000	5,000

	<b>FY 2000</b>	<b>FY 2001</b>	<b>FY 2002</b>	<b>FY 2003</b>	<b>FY 2004</b>
	<b><u>Actual</u></b>	<b><u>Actual</u></b>	<b><u>Actual</u></b>	<b><u>Estimated</u></b>	<b><u>Estimated</u></b>
Historic Vehicle License	168,912	151,211	170,753	158,000	158,000
Operator's License-Driver Education	521,734	576,204	603,190	550,000	560,000
Truck Proportional Registration	34,206,993	28,501,808	33,306,638	34,000,100	34,331,724
Operator's License - Photography Program	1,236,548	1,276,363	1,339,710	1,300,000	1,800,000
Industrial Hauling Permits	6,440	9,420	4,400	9,500	9,500
General Assembly License Plates	1,877	2,027	1,830	1,800	2,000
Pearl Harbor Survivor Plates	26	27	58	26	26
Collegiate Plates	153,431	181,221	182,618	150,000	160,000
Personalized License Plates	638,340	730,775	979,542	700,000	710,000
Army Reserve Plates	218,696	137,758	172,975	135,000	135,000
Purple Heart Plates	26,910	25,587	25,211	26,000	26,000
Judicial License Plates	775	768	776	750	750
Civil Air Patrol Plates	484	427	298	600	600
National Guard License Plates	10,453	9,669	8,795	10,000	10,000
Civic Event Plates	750	680	648	850	850
Street Rod Plates	1,347	1,725	2,016	2,900	2,900
Fraternal Order of Police Plates	57,222	60,108	101,638	61,000	62,000
Environmental License Plate	673,587	772,962	747,359	765,000	780,000
Dealer Demonstrator Tags	6,689	5,104	5,803	5,000	5,500
Volunteer Fireman License Tags	35,724	36,673	37,865	35,500	35,500
P.O.W. License Plates	335	263	161	250	250
Motor Carrier Identification Cards	6,180,822	4,040,036	5,266,711	4,250,000	4,400,000
Weight Distance Tax	75,143,363	75,170,124	75,265,069	78,300,000	81,100,000
Weight Distance Surtax	838	17	569	0	0
DES License Plates	7,870	7,532	7,205	7,600	7,700
Child Victims License Plates	198,493	135,764	64,559	136,000	137,000
Masonic License Plates	34,645	35,224	34,806	36,000	36,000
Coal Haul Co-Op Agreements	0	0	0	0	0
Coal Truck Special Tag	0	0	0	0	0
Temporary Tags	477,864	455,236	554,346	470,000	480,000
Truck Decal	0	0	0	0	0
Nonreciprocal Permits	245,796	215,075	206,715	220,000	250,000
Overweight Coal Truck Permit	738,342	727,675	807,089	730,000	735,000
Temporary Truck Decal Permits	0	0	0	0	0
<b>TOTAL LICENSE AND PRIVILEGE TAX</b>	<b>181,766,795</b>	<b>170,589,918</b>	<b>179,225,918</b>	<b>181,417,876</b>	<b>191,613,900</b>

	<b><u>FY 2000</u></b> <b><u>Actual</u></b>	<b><u>FY 2001</u></b> <b><u>Actual</u></b>	<b><u>FY 2002</u></b> <b><u>Actual</u></b>	<b><u>FY 2003</u></b> <b><u>Estimated</u></b>	<b><u>FY 2004</u></b> <b><u>Estimated</u></b>
<b><u>Departmental Fees, Sales and Rentals</u></b>					
Proposal Sales	40,427	52,618	89,353	82,500	85,000
Specification and Blue Print Sales	330,128	155,228	389,076	360,000	245,000
Miscellaneous Rentals	443,517	442,106	427,651	430,000	440,000
MVL Computer Services	442,361	446,199	414,829	445,000	450,000
Fines and Forfeitures	1,350	1,061	1,679	1,000	1,500
Alcoholic Driver Education Program	0	0	0	0	0
Traffic Offenders School Fees	1,662,262	2,005,215	1,960,686	2,100,000	2,200,000
Record Copy Sales	0	0	0	0	0
Highway Sign Logo Rental	552,343	574,179	542,110	575,000	600,000
Driving History Record Fee	4,304,420	4,964,264	5,483,192	5,500,000	5,960,000
Operator's License Reinstatement Fees	1,230,270	1,198,791	1,165,566	1,300,000	1,400,000
Operator's License Name Sales	0	94,791	0	80,000	90,000
Penalty & Interest - Weight and Use Taxes	1,357,755	1,549,150	1,592,624	1,590,000	1,650,000
Sales of Surplus Property	0	0	0	0	0
Medical Alert Stickers	479	430	310	500	500
Waste Transport Permit & License	0	0	0	0	0
Motor Vehicle Title Receipts	4,010,732	3,994,387	4,535,787	4,500,000	4,750,000
Motor Vehicle Title Receipts-Program GA19	0	0	0	0	0
Weight Distance Maintenance Fund	0	0	0	0	0
Lust Fund Fees (Leaky Underground Storage Tank)	0	0	0	0	0
Proceeds from Asset Disposition	0	0	0	0	0
Proceeds from Asset Disposition	414,581	255,910	282,268	230,000	250,000
License Examination Fee	0	0	0	0	0
Coal Road Recovery Fines	19,285	7,608	3,064	7,500	7,600
Bond Filing Fee	0	0	0	0	0
U-Drive-It Penalty and Interest	37,336	36,141	209,935	236,000	237,000
Truck Decal Penalty and Interest	0	0	0	0	0
<b>TOTAL DEPARTMENT FEES, SALES AND RENTALS</b>	<b>14,847,244</b>	<b>15,778,079</b>	<b>17,098,130</b>	<b>17,437,500</b>	<b>18,366,600</b>

	<b><u>FY 2000</u></b> <b><u>Actual</u></b>	<b><u>FY 2001</u></b> <b><u>Actual</u></b>	<b><u>FY 2002</u></b> <b><u>Actual</u></b>	<b><u>FY 2003</u></b> <b><u>Estimated</u></b>	<b><u>FY 2004</u></b> <b><u>Estimated</u></b>
<b><u>Toll Facility Income</u></b>					
Bert T. Combs Mountain Parkway	0	0	0	0	0
Western Kentucky Parkway	0	0	0	0	0
Bert T. Combs Mountain Parkway Extension	0	0	0	0	0
Blue Grass Parkway	0	0	0	0	0
Jackson Purchase Parkway	0	0	0	0	0
Pennyrile Parkway	0	0	0	0	0
Western Kentucky Parkway Extension	0	0	0	0	0
Audubon Parkway	1,356,285	1,160,716	1,383,946	1,300,000	1,400,000
Daniel Boone Parkway	3,126,505	2,499,631	3,348,575	3,100,000	3,100,000
Green River Parkway	4,612,553	4,490,267	4,574,463	4,400,000	4,500,000
Cumberland Parkway	4,378,759	4,260,287	4,478,500	4,500,000	4,700,000
<b>TOTAL TOLL FACILITY INCOME</b>	<b>13,474,101</b>	<b>12,410,901</b>	<b>13,785,484</b>	<b>13,300,000</b>	<b>13,700,000</b>
<b><u>Investment Income</u></b>					
Investment Income	29,418,349	40,187,239	32,156,652	23,000,000	5,500,000
<b>TOTAL INVESTMENT INCOME</b>	<b>29,418,349</b>	<b>40,187,239</b>	<b>32,156,652</b>	<b>23,000,000</b>	<b>5,500,000</b>
<b><u>Miscellaneous Income</u></b>					
Property DamageProperty DamageProperty Damage	0	482,206	658,050	650,000	700,000
Highway Loss Claims	0	0	0	0	0
Highway Miscellaneous Receipts	98,734	212,794	107,039	135,000	140,000
Cold Check Account	0	0	0	0	0
Motor Carrier - Misc.	0	0	0	0	0
Gain on Disposition of Investment	0	0	0	0	0
Other State Grants	213,781	0	147,632	150,000	160,000
Mass Transit - Local Grants	0	0	0	0	0
Off-Systems Local Grants	0	0	0	0	0
Toll Credit Card Receipts	97,447	133,562	118,745	130,000	150,000
Tax Clearing Account	0	0	0	0	0
Higher Education Equine Fund	0	0	0	0	0
Coal Severance	0	0	0	0	0
Legal Processs - County Court Clerk	0	0	0	0	0
Inheritance and Estate Tax	0	0	0	0	0
Individual Income Tax	0	0	0	0	0
<b>TOTAL MISCELLANEOUS INCOME</b>	<b>840,843</b>	<b>828,562</b>	<b>1,031,466</b>	<b>1,065,000</b>	<b>1,150,000</b>
<b>MISC. NOT IN REVENUE ESTIMATES</b>	<b>730,138</b>	<b>2,833,900</b>	<b>2,084,661</b>	<b>1,800,000</b>	<b>1,260,000</b>
<b>TOTAL ROAD FUND REVENUE</b>	<b>1,090,777,823</b>	<b>1,064,181,564</b>	<b>1,119,005,317</b>	<b>1,121,129,376</b>	<b>1,139,210,500</b>

**2002-2004 BUDGET OF THE COMMONWEALTH  
CAPITAL CONSTRUCTION SUMMARY**

<b>SOURCE OF FUNDS</b>	<b>FY 2003</b>	<b>FY 2004</b>	<b>New Authorization</b>
<b>Executive Branch</b>			
General Fund	100,000	400,000	500,000
Restricted Funds	811,046,900	220,877,000	1,031,923,900
Federal Funds	81,219,000	8,866,000	90,085,000
Bond Fund	500,742,900	110,530,000	611,272,900
Road Fund	5,840,000	8,284,000	14,124,000
Agency Bond Fund	155,000,000		155,000,000
Capital Construction Surplus	2,290,000	319,000	2,609,000
Capital Construction Contingency	800,000		800,000
Deferred Maintenance	957,000		957,000
Emergency Repair, Maintenance And Replacement		500,000	500,000
Investment Income	17,782,900	15,100,300	32,883,200
Other Funds	108,918,000	2,700,000	111,618,000
<b>Subtotal</b>	<b>1,684,696,700</b>	<b>367,576,300</b>	<b>2,052,273,000</b>
<b>Coal Severance Projects</b>			
Bond Fund	10,663,480		10,663,480
Restricted Funds	32,942,625	25,495,750	58,438,375
<b>Subtotal</b>	<b>43,606,105</b>	<b>25,495,750</b>	<b>69,101,855</b>
<b>TOTAL SOURCE OF FUNDS</b>	<b>1,728,302,805</b>	<b>393,072,050</b>	<b>2,121,374,855</b>
<b>EXPENDITURES BY CABINET</b>			
<b>Executive Branch</b>			
Government Operations	158,067,505	145,111,050	303,178,555
Economic Development	80,000,000		80,000,000
Education	2,594,600	557,100	3,151,700
Education, Arts and Humanities	248,681,900	139,400	248,821,300
Finance and Administration	44,276,400	5,750,000	50,026,400
Health Services	9,396,000	1,300,000	10,696,000
Justice	12,482,700	2,410,900	14,893,600
Natural Resources	7,493,000	7,992,900	15,485,900
Personnel	200,000		200,000
Postsecondary Education	1,148,780,900	206,275,000	1,355,055,900
Tourism Development	9,704,800	9,177,100	18,881,900
Transportation	5,840,000	13,964,000	19,804,000
Workforce Development	785,000	394,600	1,179,600
<b>TOTAL EXPENDITURES</b>	<b>1,728,302,805</b>	<b>393,072,050</b>	<b>2,121,374,855</b>

**NOTE:** There were no new capital projects authorized for expenditure by the 2003 Regular Session of the General Assembly for the Judicial and Legislative Branches.

## ***Capital Construction Overview***

The Commonwealth's capital construction program for the Executive Branch for the 2002-2004 biennium is set out in Volume II of the Budget of the Commonwealth. This volume is divided into three parts, i.e., state capital construction, which includes state capital projects as well as major items of equipment and information technology systems as defined by statute; a section devoted to Coal Severance Tax-funded capital projects; and a section detailing the new Water and Sewer Project Development Bond Pools initially financed from Coal Severance and Tobacco funds. This overview section of the volume focuses on the capital construction priorities, policies, and fund sources recommended to be appropriated for the next two years.

### ***Policy Emphasis – Bonds for Education, Infrastructure, and Economic Development***

The capital budget for the Executive Branch includes \$833,438,380 in bond funded capital projects of which \$626.4 million is to be supported from General Fund debt service and the remainder is to be financed with agency/restricted fund debt service. One hundred twenty million dollars (\$120 million) is devoted to the "Bonds for Brains" Trust Funds for Postsecondary Education with \$100 million for the Research Challenge Trust Fund Endowment match which is devoted to the University of Kentucky and the University of Louisville and \$20 million is provided for the Regional University Excellence Trust Fund Endowment match to be utilized by the comprehensive regional universities. This marks the third consecutive biennial investment in the Endowment Trust Fund matching programs. Collectively, the universities also received authorization for up to \$155 million in two agency bond pools targeted to statewide needs in the areas of fire and life safety, infrastructure, renovation, and limited new construction.

The School Facilities Construction Commission (SFCC) which aids local school districts in new construction and renovation projects received \$136,385,000 in new bonds to support offers of assistance to local school districts. In addition, two new bond programs under the auspices of the SFCC were authorized – an Urgent Need School Trust Fund (\$55,284,000) and a similar program entitled Category 5 Buildings also targeting schools of the most urgent need as defined by the School Building Assessment program administered by the Department of Education.

Two new Water and Sewer Resource Development Funds were created and authorized to be administered by the Kentucky Infrastructure Authority (KIA). Fifty-four million, seven hundred and sixty-five thousand dollars (\$54,765,000) was authorized for each of these two new programs with one program directed toward coal-producing counties and including 103 individual line-item projects enumerated in the Appropriations Act and the companion fund enumerating some 164 projects to tobacco counties throughout the Commonwealth. In addition, both the Federally Assisted Wastewater Matching program and the Federally Assisted Drinking Water Resources program (KIA Funds A and F) received appropriations of \$6.2 million and \$5 million in General Fund-supported debt, respectively. The new Kentucky Pride Fund established by House Bill 174 in the 2002 Regular Session was authorized for \$25 million under KIA with its purpose being to finance closure and corrective action at solid waste facilities or abandoned solid waste sites. A separate allocation of \$10.6 million was authorized for coal counties from General Fund-supported bonds with \$58,438,375 in coal severance revenues also authorized for direct non-bond funded projects.

Economic Development authorizations include a \$30 million bond pool to be administered by the Kentucky Economic Development Finance Agency (KEDFA), \$10 million in new Economic Development bond authorizations, and a \$15 million bond pool for "New Economy" initiatives. These authorizations were provided to "recapitalize" the Economic Development pools which had been depleted in budget balancing efforts as well as in support of a major economic development project in Hardin County in the past year. Bonds were also authorized in order to open and "make playable" six new or expanded State Park golf courses financed by previous bond issues from the 1998 and 2000 General Assemblies. This investment will permit the golf courses and State Park system to generate income which will more than offset the cost of operations. It will not, however, complete the new courses in terms of all of the appurtenances and amenities which are ultimately needed to be provided by a future General Assembly. In Lexington, the Civic Center/Rupp Arena Renovation project was approved for \$1.4 million in General Fund-supported debt service sufficient to provide at least \$15 million in bond proceeds. This sum is in addition to \$15 million in state support previously provided as well as local funding.

The Kentucky State Fair Board received authorization to proceed with a \$52 million agency fund-supported bond issue to construct new exhibition space at its facility in Louisville.

A relatively small number of other renovation and repair projects were also authorized from General Fund-supported bonds for state facilities including those operated by the Health Services Cabinet, the Department of Corrections, for the State-owned Dam program operated by the Natural Resources and Environmental Protection Cabinet, as well as several smaller projects.

### ***Debt Service Appropriations and Policy***

Among the newly created projects or pools specifically identified by language in the Appropriations Act as having General Fund-supported debt service are the two new Water and Sewer Development Funds (for coal and tobacco county projects), the \$10.6 million in Coal Severance-supported projects, and the new Parks Golf Course bond issue. House Bill 269, the Executive Branch Appropriations Act, includes annualized debt service from the General Fund in fiscal year 2003-2004 for each bond project authorized. (The School Facilities Construction Commission is the sole exception and has historically been treated differently by the General Assembly.) It is important to recognize that this long-standing policy of providing a full year's debt service in the second year of a new biennium was sustained in House Bill 269. However, it is also important to note that the Summary of the General Fund and General Fund balance sheet, separate documents that are complementary to the actual Appropriations Acts, reflect that only one-half of the annual amounts will actually be available for debt service support in fiscal year 2004. A total of \$19.3 million in "unneeded" fiscal year 2004 debt service that is appropriated is planned to be lapsed to balance the General Fund budget in fiscal year 2004. This policy is predicated on the assumption that bonds will not be sold until after the onset of fiscal year 2004, thus requiring only one debt service payment in the biennium.

### ***Other Legislation Authorizing Capital Projects – Senate Bill 48 and Senate Bill 93***

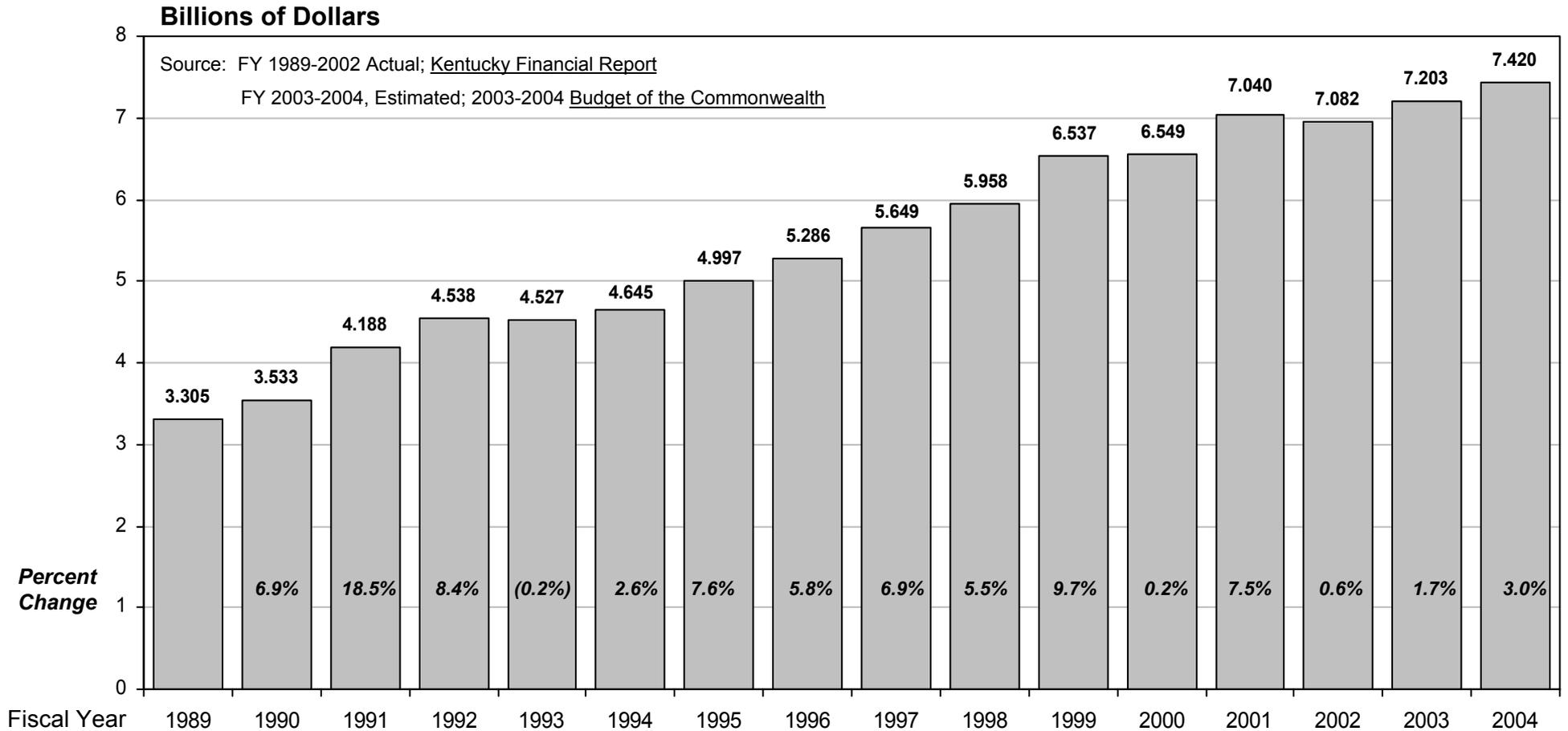
Senate Bill 48 supplements and reinforces policies incorporated in House Bill 269 as well as in the Governor's Spending Plan under which the state operated prior to enactment of a biennial budget by the General Assembly. Specifically, Senate Bill 48 makes appropriations for fiscal year 2003 projects for which a Memorandum of Agreement has been approved and executed. These include certain Community Development and Coal Severance-supported projects that were included in the Governor's Spending Plan and House Bill 1 as originally considered in the 2002 Special Session.

Senate Bill 93 authorizes and appropriates specific capital projects funded from Coal Severance revenues (single county) in Carter County and these individual projects are identified in the detailed section of this document.

# General Fund Expenditures

## Fiscal Years 1989-2004

(Billions of dollars – rounded)

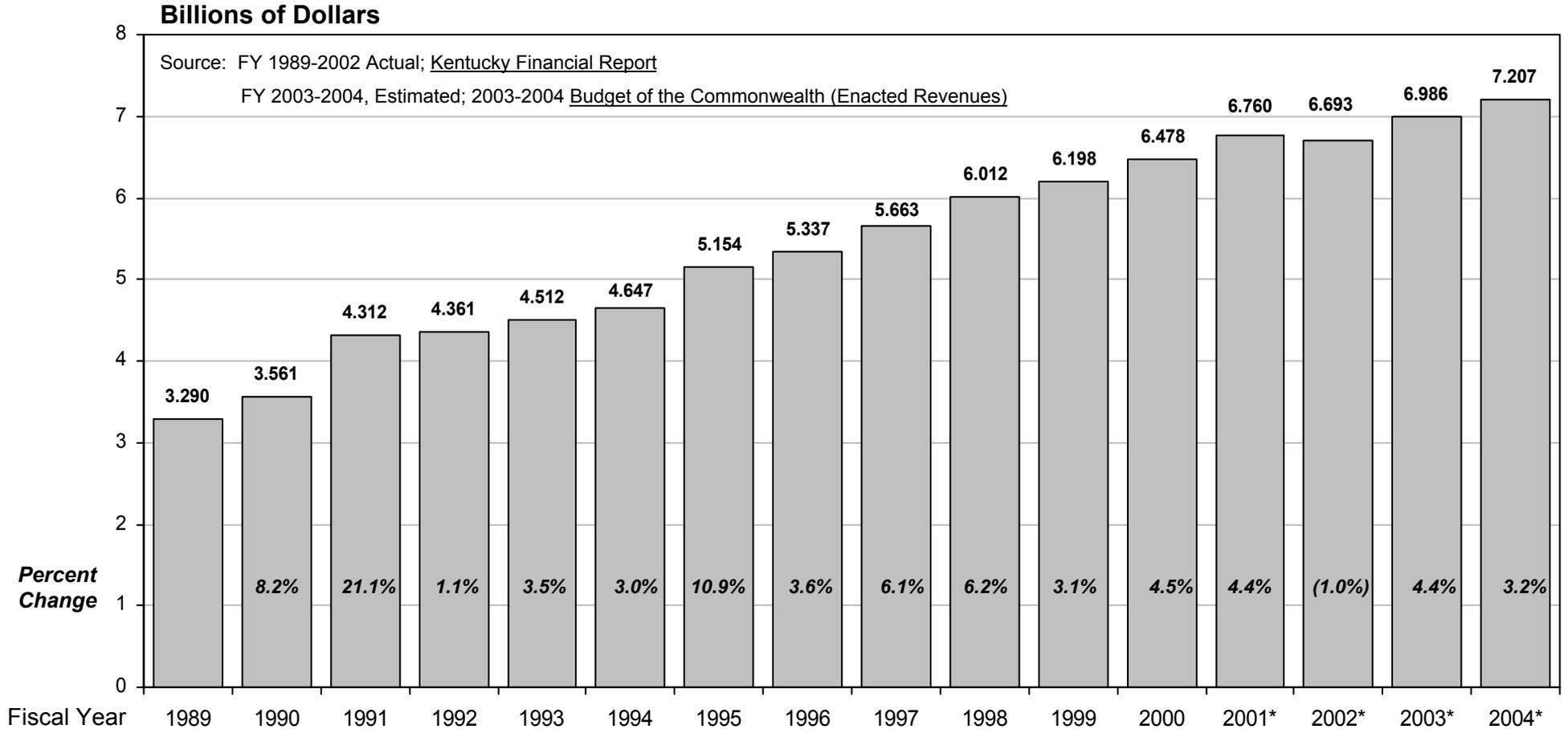


Includes Tobacco Settlement – Phase I Funds

# General Fund Revenue Receipts

## Fiscal Years 1989-2004

(Billions of dollars – rounded)

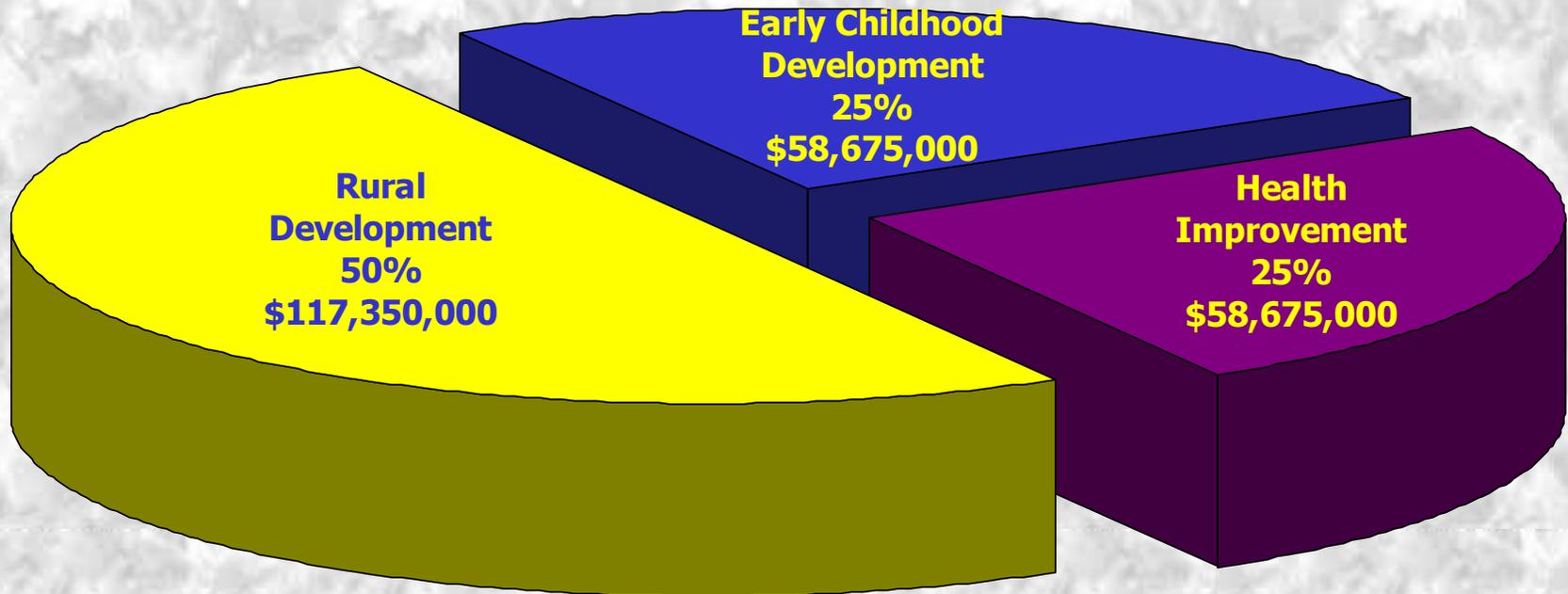


\* Includes Tobacco Settlement – Phase I Funds  
 Excludes Fund Transfers

## TOBACCO SETTLEMENT APPROPRIATIONS - PHASE I

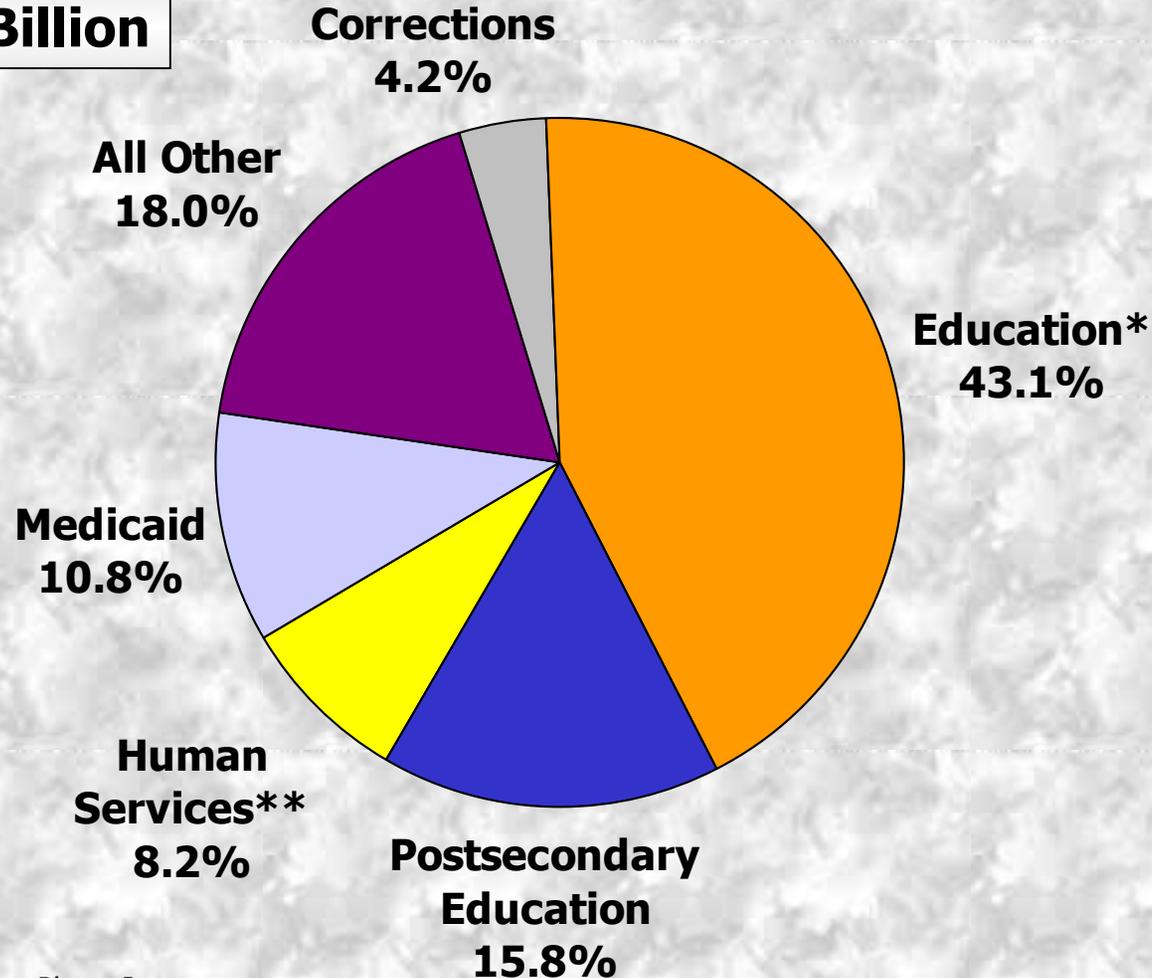
<b>Rural Development - (50%)</b>	<b>FY 2003</b>	<b>FY 2004</b>
Governor's Office of Agricultural Policy	47,688,000	34,434,000
Finance and Administration		
Debt Service	6,112,000	6,116,000
Natural Resources and Environmental Protection -		
Natural Resources	9,000,000	9,000,000
Kentucky Infrastructure Authority		5,000,000
<b>Subtotal</b>	<b>62,800,000</b>	<b>54,550,000</b>
<b>Health Improvement - (25%)</b>		
Kentucky Agency for Substance Abuse Policy (ASAP)	2,574,800	2,236,600
Health Services - Public Health	3,140,000	2,727,500
Council on Postsecondary Education -		
Lung Cancer Research Program	6,280,000	5,455,000
Public Protection and Regulation - Insurance (Kentucky Access)	19,405,200	16,855,900
<b>Subtotal</b>	<b>31,400,000</b>	<b>27,275,000</b>
<b>Early Childhood Development - (25%)</b>		
Governor's Office of Early Childhood Development	2,188,400	2,188,400
Families and Children - Community Based Services	7,262,800	3,581,300
Health Services - Public Health	18,598,800	18,155,300
Health Services - Mental Health/Mental Retardation	1,000,000	1,000,000
Health Services - Children with Special Health Care Needs	1,600,000	1,600,000
Postsecondary Education -		
Kentucky Higher Education Assistance Authority	750,000	750,000
<b>Subtotal</b>	<b>31,400,000</b>	<b>27,275,000</b>
<b>TOTAL TOBACCO SETTLEMENT - PHASE I</b>	<b>125,600,000</b>	<b>109,100,000</b>

**2002-2004 Biennium  
Tobacco Settlement Appropriations – Phase I  
\$234,700,000**



# 2002-2004 Biennium Distribution of General Fund Appropriations

**Total = \$14.4 Billion**



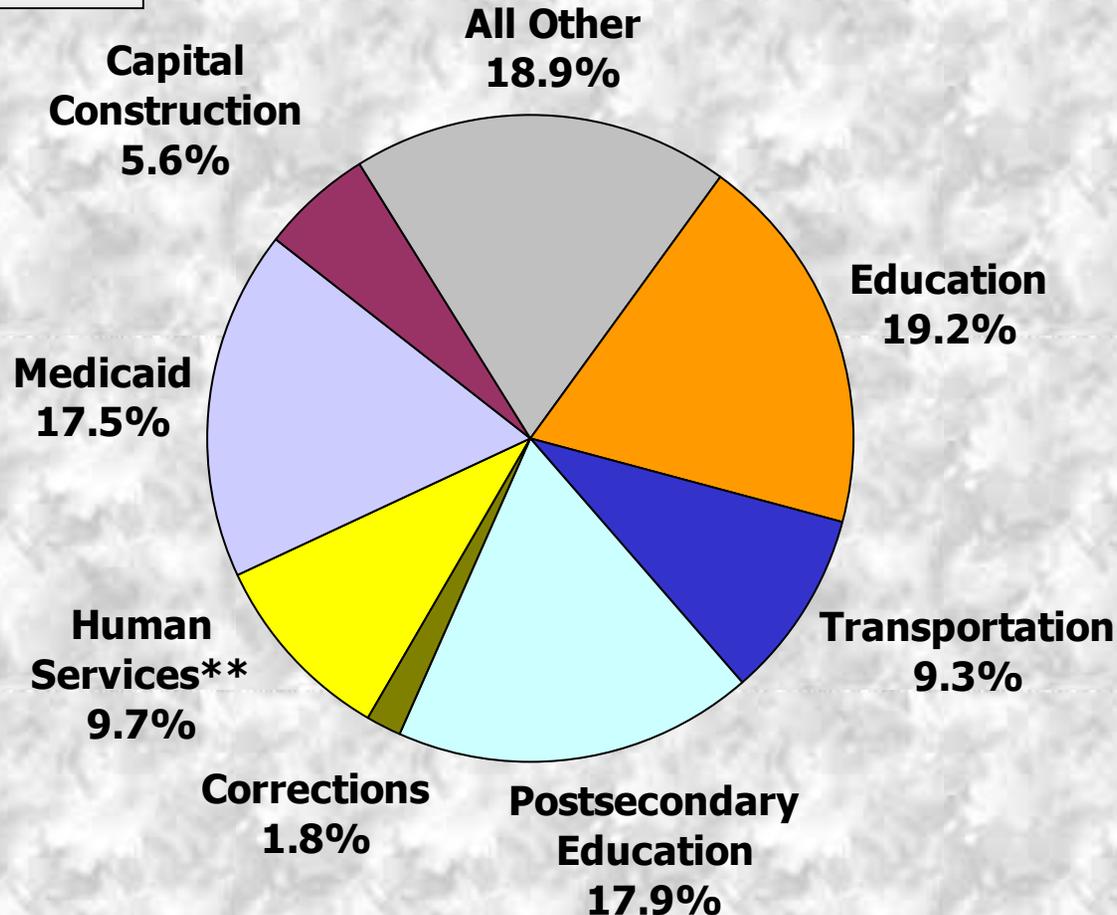
Excludes Tobacco Settlement – Phase I

\* Education includes the Department of Education, the Teachers' Retirement System, the School Facilities Construction Commission and the Educational Professional Standards Board

\*\* Human Services include the Cabinets for Families and Children and Health Services (net of Medicaid)

# 2002-2004 Biennium Distribution of All Funds Appropriations

**Total = \$37.6 Billion**



\* Education includes the Department of Education, the Teachers' Retirement System, and the School Facilities Construction Commission and the Educational Professional Standards Board

\*\* Human Services include the Cabinets for Families and Children and Health Services (net of Medicaid)

**2003-2004**  
**Enacted Agency Bond and Bond Fund Capital Projects**

Cabinet	Project Name	Fund	Fiscal Year FY 2002-03	Fiscal Year FY 2003-04
<b>Economic Development</b>				
	Economic Development Bonds			
		Bond Fund-Capital	10,000,000	0
	Kentucky Economic Dev Finance Auth Bond Pool			
		Bond Fund-Capital	30,000,000	0
	Rupp Arena/Lexington Civic Center			
		Bond Fund-Capital	15,000,000	0
	New Economy Bond Pool			
		Bond Fund-Capital	15,000,000	0
	<b>Total Economic Development</b>		<b>70,000,000</b>	<b>0</b>
<b>Education</b>				
	Security, Fire Alarm, & Energy Systems-KSB			
		Bond Fund-Capital	450,000	0
	Replace Kerr Hall HVAC-KSD			
		Bond Fund-Capital	1,067,000	0
	<b>Total Education</b>		<b>1,517,000</b>	<b>0</b>
<b>Education, Arts and Humanities</b>				
	School Facilities Construction Commission			
		Bond Fund-Capital	136,865,000	0
	Urgent Need School Trust Fund			
		Bond Fund-Capital	55,284,000	0
	Category 5 Buildings			
		Bond Fund-Capital	54,730,900	0
	<b>Total Education, Arts and Humanities</b>		<b>246,879,900</b>	<b>0</b>
<b>Finance and Administration</b>				
	Children's Science and Learning Center			
		Bond Fund-Capital	0	0
	<b>Total Finance and Administration</b>		<b>0</b>	<b>0</b>
<b>Government Operations</b>				
	Animal Shelters			
		Bond Fund-Capital	1,600,000	0
	KIA Fund A-Federally Assisted Wastewater Program			
		Bond Fund-Capital	6,200,000	0
	KIA Fund F-Drinking Water Revolving Loan Program			
		Bond Fund-Capital	5,000,000	0
	KIA - KY Pride Fund			
		Bond Fund-Capital	25,000,000	0
	Water & Sewer Resources Development-Tobacco			
		Bond Fund-Capital	0	54,765,000
	Water & Sewer Resources Development-Coal			
		Bond Fund-Capital	0	54,765,000
	Flood Control Matching Fund			
		Bond Fund-Capital	3,000,000	0
	Renaissance Kentucky			
		Bond Fund-Capital	6,000,000	0
	Black Mountain Utility District			
		Bond Fund-Capital	250,000	0
	Black Mountain Utility District			
		Bond Fund-Capital	1,250,000	0

**2003-2004**  
**Enacted Agency Bond and Bond Fund Capital Projects**

Cabinet	Project Name	Fund	Fiscal Year FY 2002-03	Fiscal Year FY 2003-04
<b>Government Operations</b>				
	City of Harlan			
		Bond Fund-Capital	500,000	0
	Knott County/City of Hazard			
		Bond Fund-Capital	661,746	0
	Southern Water and Sewer District			
		Bond Fund-Capital	3,348,903	0
	Leslie County Water District			
		Bond Fund-Capital	1,030,000	0
	Martin County Water District			
		Bond Fund-Capital	3,122,831	0
	Webster County Water District			
		Bond Fund-Capital	500,000	0
	<b>Total Government Operations</b>		<b>57,463,480</b>	<b>109,530,000</b>
<b>Health Services</b>				
	Install Sprinkler System-WSH			
		Bond Fund-Capital	2,200,000	0
	Roof Replacement Pool			
		Bond Fund-Capital	700,000	0
	Chiller Replacement Pool			
		Bond Fund-Capital	612,000	0
	Struct Rpr/Exp #102-Licensure/ADA Req-Oakwood			
		Bond Fund-Capital	2,009,000	0
	Install Sprinkler System at the Bingham Bldg-CSH			
		Bond Fund-Capital	850,000	0
	Water Piping Replacement Sys-ESH-V.A. Hosp. Move			
		Bond Fund-Capital	250,000	0
	<b>Total Health Services</b>		<b>6,621,000</b>	<b>0</b>
<b>Justice</b>				
	Replace/Repair Roofs-GRCC			
		Bond Fund-Capital	2,500,000	0
	Design Elliott Co. Phase II,850BedMedSecu			
		Bond Fund-Capital	0	0
	Replace Underground Steam & Condensate Lines-BCC			
		Bond Fund-Capital	1,260,000	0
	Replace Fire Alarm System- LLCC			
		Bond Fund-Capital	1,000,000	0
	Replace Dorm Roofs - NTC			
		Bond Fund-Capital	600,000	0
	<b>Total Justice</b>		<b>5,360,000</b>	<b>0</b>
<b>Natural Resources and Environmental Protection</b>				
	State Owned Dam Repair - City of Franklin			
		Bond Fund-Capital	0	1,000,000
	<b>Total Natural Resources and Environmental Protection</b>		<b>0</b>	<b>1,000,000</b>
<b>Postsecondary Education</b>				
	Research Challenge Trust Fund-Endowment Match			
		Bond Fund-Capital	100,000,000	0
	Reg'l Univ. Excellence Trust Fd-Endowment Match			
		Bond Fund-Capital	20,000,000	0

**2003-2004**  
**Enacted Agency Bond and Bond Fund Capital Projects**

Cabinet	Project Name	Fund	Fiscal Year FY 2002-03	Fiscal Year FY 2003-04
<b>Postsecondary Education</b>				
	Fire, Life Safety, Infrastructure-Pool	Agency Bonds-Capital	80,000,000	0
	Renovation, Infrastructure, New Construction Pool	Agency Bonds-Capital	75,000,000	0
	<b>Total Postsecondary Education</b>		<b>275,000,000</b>	<b>0</b>
<b>Tourism Development</b>				
	South Wing Expansion/Renovation Phase I	Bond Fund-Capital	0	0
	Purchase "DOT" Building	Bond Fund-Capital	500,000	0
	Replace Roofs	Bond Fund-Capital	2,800,000	0
	Kincaid Lake Golf Course	Bond Fund-Capital	0	0
	<b>Total Tourism Development</b>		<b>3,300,000</b>	<b>0</b>
<b>Workforce Development</b>				
	Const. New Sewage Treatment Plant-Perkins Rehab.	Bond Fund-Capital	265,000	0
	<b>Total Workforce Development</b>		<b>265,000</b>	<b>0</b>
		<b>Total Agency Bond</b>	<b>155,000,000</b>	<b>0</b>
		<b>Total Bond Fund</b>	<b>511,406,380</b>	<b>110,530,000</b>
		<b>TOTAL EXPENDITURES</b>	<b>666,406,380</b>	<b>110,530,000</b>

## 2002-2004 Budgeted Positions Record

Cabinet/Department	Full-time	Part-time	Interim	Total
Economic Development	138	27	1	166
Education, Arts & Humanities				
Department of Education	865	29	8	902
Arts & Humanities	486	40	9	535
Total Education, Arts & Humanities	<u>1,351</u>	<u>69</u>	<u>17</u>	<u>1,437</u>
Families & Children	6,237	56	70	6,363
Finance & Administration **	701	15	7	723
Health Services	3,867	48	15	3,930
Justice	7,406	27	32	7,465
Labor	541	15	9	565
Natural Resources & Environmental Protection	1,694	9	114	1,817
Personnel	218	3	5	226
Public Protection & Regulation	1,511	86	20	1,617
Revenue	1,000	4	127	1,131
Tourism Development	2,335	28	1,522	3,885
Transportation	6,316	56	250	6,622
Workforce Development	2,138	412	98	2,648
Government Operations				
Executive Office of the Governor	89		1	90
Governor's Office of Early Childhood Development	12			12
Governor's Office of Agricultural Policy	22		2	24
Office of State Budget Director	47		1	48
Governor's Office of Technology	472		1	473
Kentucky Agency for Substance Abuse Policy	7			7
Kentucky Infrastructure Authority	12			12
Department for Veterans' Affairs	755	10	6	771
Secretary of State	53			53
Board of Elections	17			17
State Treasurer	37		1	38
Attorney General	242	19	2	263
Unified Prosecutorial System	548	506		1,054
Auditor of Public Accounts	148		3	151
Agriculture	323	52	15	390
Subtotal Constitutional Officers	<u>2,784</u>	<u>587</u>	<u>32</u>	<u>3,403</u>
Registry of Election Finance	19	7		26
Military Affairs	350	2	2	354
Local Government	68			68
Personnel Board	6	7		13
Educational Professional Standards Board	41		10	51
Emergency Medical Services	21			21
Boards & Commissions	155	285	15	455
Executive Branch Ethics Commission	3	6	3	12
Commission on Human Rights	36	11	1	48
Commission on Women	4			4
Kentucky Retirement Systems	253	9	1	263
Governmental Services Center	20			20
Council on Postsecondary Education	72	18	1	91
Subtotal Government Operations	<u>1,048</u>	<u>345</u>	<u>33</u>	<u>1,426</u>
<b>Executive Branch Grand Total</b>	<b>39,285</b>	<b>1,787</b>	<b>2,352</b>	<b>43,424</b>

\*\* Includes 10 FT and 5 Interim positions in Ky River Authority

## Targets Necessary to Achieve 1000 Person Reduction

Cabinet/Department	Total Number of Permanent Full-Time, Part-time and Interim Employees on Payroll as of 12/3/2002	Personnel Reduction Target Per EO 2002-1334 & HB 269	Revised Total
Economic Development	132	3	129
Education, Arts & Humanities			
Department of Education *	691	18	673
Arts & Humanities	475	12	463
Total Education, Arts & Humanities	1,166	30	1,136
Families & Children	5,976	154	5,822
Finance & Administration **	893	23	870
Health Services	3,681	95	3,586
Justice	7,136	184	6,952
Labor	464	12	452
Natural Resources & Environmental Protection	1,645	42	1,603
Personnel	203	5	198
Public Protection & Regulation	1,358	35	1,323
Revenue	981	25	956
Tourism Development	2,517	65	2,452
Transportation	6,112	158	5,954
Workforce Development	2,437	63	2,374
Government Operations			
Office of the Governor	94	2	92
Lt. Governor	5		5
Secretary of the Cabinet	9		9
Office of State Budget Director	44	1	43
Kentucky Agency for Substance Abuse Policy	5		5
Kentucky Infrastructure Authority	11		11
Department for Veterans' Affairs	701	18	683
Secretary of State	45	1	44
Board of Elections	16		16
State Treasurer	38	1	37
Attorney General	234	6	228
Unified Prosecutorial System	1,030	27	1,003
Auditor of Public Accounts	134	3	131
Agriculture	307	8	299
Subtotal Constitutional Officers	2,673	67	2,606
Governor's Office for Technology	435	11	424
Registry of Election Finance	18		18
Military Affairs	326	8	318
Military Affairs Commission	3		3
Local Government	65	2	63
Personnel Board	6		6
Educational Professional Standards Board	44	1	43
Emergency Medical Services	17		17
Boards & Commissions	165	1	164
Executive Branch Ethics Commission	5		5
Commission on Human Rights	40	1	39
Commission on Women	4		4
Council on Postsecondary Education	65	2	63
Kentucky Retirement Systems	211	5	206
Subtotal Government Operations	4,077	98	3,979
Executive Branch Grand Total	38,725	992	37,733
Additional reductions necessary due to rounding		8	(8)
	38,725	1,000	37,725

\* Includes positions brought back under the state payroll due to failure of General Assembly to enact HB 507 or HB 1. They were part of the state payroll at this time.

\*\* Includes Ky River Authority



# SUMMARY DATA

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**SUMMARY APPROPRIATED**

<b>FUND</b>	<b>Enacted FY2003</b>	<b>Enacted FY2004</b>
<b>Operating Budget</b>		
General Fund Regular	7,087,515,600	7,379,699,700
General Fund Tobacco Settlement - I	125,600,000	109,100,000
General Fund Special Appropriation	146,800	
General Fund Continued Appropriation	107,187,600	28,050,700
General Fund Tobacco Settlement - I Continued Appropriation	64,375,637	4,543,500
Subtotal - General Fund	7,384,825,637	7,521,393,900
Road Fund Regular	1,115,289,400	1,130,926,500
Road Fund Surplus Plan	75,240,900	
Subtotal - Road Fund	1,190,530,300	1,130,926,500
Federal Funds	5,536,842,000	5,429,477,400
Restricted Funds	3,607,014,800	3,680,913,400
Subtotal - Operating Budget	17,719,212,737	17,762,711,200
<b>Capital Projects Budget</b>		
General Fund	100,000	400,000
Restricted Funds	843,989,525	246,372,750
Federal Fund	81,219,000	8,866,000
Road Fund	5,840,000	8,284,000
Bond Fund	511,406,380	110,530,000
Agency Bond Funds	155,000,000	
Capital Construction Contingency	800,000	
Capital Construction Surplus	2,290,000	319,000
Deferred Maintenance	957,000	
Emergency, Repair, Maintenance and Replacement		500,000
Investment Income	17,782,900	15,100,300
Other Funds	108,918,000	2,700,000
Subtotal - Capital Projects Budget	1,728,302,805	393,072,050
<b>Total - Appropriated Funds</b>	19,447,515,542	18,155,783,250

**SUMMARY AVAILABLE**

<b>FUND</b>	<b>Enacted FY2003</b>	<b>Enacted FY2004</b>
<b>Operating Budget</b>		
General Fund Regular	7,087,515,600	7,379,699,700
General Fund Tobacco Settlement - I	125,600,000	109,100,000
General Fund Special Appropriation	146,800	
General Fund Continued Appropriation	107,187,600	28,050,700
General Fund Tobacco Settlement - I Continued Appropriation	64,375,637	4,543,500
Subtotal - General Fund	7,384,825,637	7,521,393,900
Road Fund Regular	1,115,289,400	1,130,926,500
Road Fund Surplus Plan	75,240,900	
Subtotal - Road Fund	1,190,530,300	1,130,926,500
Federal Funds	5,574,138,700	5,466,661,100
Restricted Funds	3,909,833,454	3,880,321,554
Subtotal - Operating Budget	18,059,328,091	17,999,303,054
<b>Capital Projects Budget</b>		
General Fund	100,000	400,000
Restricted Funds	843,989,525	246,372,750
Federal Fund	81,219,000	8,866,000
Road Fund	5,840,000	8,284,000
Bond Fund	511,406,380	110,530,000
Agency Bond Funds	155,000,000	
Capital Construction Contingency	800,000	
Capital Construction Surplus	2,290,000	319,000
Deferred Maintenance	957,000	
Emergency, Repair, Maintenance and Replacement		500,000
Investment Income	17,782,900	15,100,300
Other Funds	108,918,000	2,700,000
Subtotal - Capital Projects Budget	1,728,302,805	393,072,050
<b>Total - Available Funds</b>	19,787,630,896	18,392,375,104



# GENERAL FUND

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**GENERAL FUND - ALL APPROPRIATIONS**

<b>Cabinet/Agency</b>	<b>Enacted FY2003</b>	<b>Enacted FY2004</b>
<b>GOVERNMENT OPERATIONS</b>		
Executive Office of the Governor		
Office of the Governor	7,452,100	7,093,900
Office of State Budget Director	3,365,000	3,365,000
State Planning Fund	477,000	
Subtotal	<u>11,294,100</u>	<u>10,458,900</u>
Governor's Office of Agriculture Policy	98,973,500	34,434,000
Governor's Office of Early Childhood Development	4,233,330	2,401,900
Kentucky Agency for Substance Abuse Policy	4,457,500	3,486,600
Kentucky Infrastructure Authority		13,311,000
Veterans' Affairs	14,073,100	15,163,700
Governor's Office for Technology	300,000	300,000
Secretary of State	2,260,100	2,260,100
Board of Elections	5,880,000	4,925,800
Treasury	2,216,700	2,216,700
Attorney General	12,984,900	12,932,500
Unified Prosecutorial System		
Commonwealth's Attorneys	25,108,000	26,545,300
County Attorneys	21,179,900	22,177,500
Subtotal	<u>46,287,900</u>	<u>48,722,800</u>
Auditor of Public Accounts	5,260,000	5,235,000
Agriculture	19,250,000	19,484,900
Military Affairs	10,694,400	10,694,400
Personnel Board	578,500	578,500
Local Government	8,773,900	9,623,800
Special Funds	73,725,000	73,223,000
Commission on Human Rights	1,926,800	1,926,800
Commission on Women	269,900	269,900
Commission on Small Business Advocacy	75,000	75,000
Registry of Election Finance	1,436,800	1,436,800
Educational Professional Standards Board	12,433,800	10,679,000
Board of Emergency Medical Services	2,504,300	2,504,300
Executive Branch Ethics Commission	325,900	325,900
Appropriations Not Otherwise Classified - Judgments	56,031,100	
Appropriations Not Otherwise Classified - Necessary Government Expenses	5,629,000	
Appropriations Not Otherwise Classified	7,254,300	7,367,500
Kentucky River Authority	379,000	379,000
Budget Reserve Trust Fund	5,087,400	25,921,800
<b>Total</b>	<u>414,596,230</u>	<u>320,339,600</u>
<b>ECONOMIC DEVELOPMENT</b>		
Secretary	1,392,700	7,862,300
Administration and Support	2,179,900	2,111,100
Business Development	2,517,900	2,475,500

**GENERAL FUND - ALL APPROPRIATIONS**

<u>Cabinet/Agency</u>	<u>Enacted FY2003</u>	<u>Enacted FY2004</u>
Financial Incentives	3,343,800	8,500,800
Community Development	2,855,900	2,879,100
<b>Total</b>	<u>12,290,200</u>	<u>23,828,800</u>
 <b>EDUCATION</b>		
Support Education Excellence in Kentucky (SEEK)	2,295,592,100	2,372,391,000
Executive Policy and Management	696,800	1,184,900
Operation and Support Services	11,341,800	10,532,300
Learning and Results Services	559,551,800	573,902,900
<b>Total</b>	<u>2,867,182,500</u>	<u>2,958,011,100</u>
 <b>EDUCATION, ARTS AND HUMANITIES</b>		
Secretary	3,351,300	3,151,300
Kentucky Arts Council	4,523,800	4,523,800
Kentucky Historical Society	5,985,200	6,185,200
Kentucky Educational Television	14,548,100	14,548,100
School Facilities Construction Commission	75,821,400	84,928,600
Deaf and Hard of Hearing	885,500	885,500
Kentucky Heritage Council	921,100	921,100
Kentucky Center for the Arts	603,700	603,700
Libraries and Archives	13,224,100	13,637,600
Teachers' Retirement System	90,113,200	97,489,000
<b>Total</b>	<u>209,977,400</u>	<u>226,873,900</u>
 <b>FAMILIES AND CHILDREN</b>		
Administration Services	27,660,400	29,162,700
Community Based Services	288,839,054	291,945,700
<b>Total</b>	<u>316,499,454</u>	<u>321,108,400</u>
 <b>FINANCE AND ADMINISTRATION</b>		
General Administration	5,832,300	8,632,300
Office of the Controller	5,939,400	5,939,400
Debt Service	251,610,000	254,874,000
Administration	3,542,400	3,513,000
Facilities Management	7,875,800	7,589,500
County Costs	22,631,000	21,926,600
<b>Total</b>	<u>297,430,900</u>	<u>302,474,800</u>
 <b>HEALTH SERVICES</b>		
Administrative Support	9,866,000	9,875,000
Children with Special Health Care Needs	18,441,236	18,309,500
Medicaid Services		
Administration	17,848,000	18,028,200
Benefits	752,373,700	761,755,500
Subtotal	<u>770,221,700</u>	<u>779,783,700</u>
Mental Health/Mental Retardation	169,548,491	173,521,900

**GENERAL FUND - ALL APPROPRIATIONS**

<u>Cabinet/Agency</u>	<u>Enacted FY2003</u>	<u>Enacted FY2004</u>
Public Health	77,953,214	77,508,000
Certificate of Need	131,500	134,100
Aging Services	26,421,800	26,821,800
<b>Total</b>	<u>1,072,583,941</u>	<u>1,085,954,000</u>
 <b>JUSTICE</b>		
Justice Administration	8,017,000	7,826,000
State Police	78,074,900	82,074,900
Juvenile Justice	82,611,600	83,790,100
Criminal Justice Training		
Corrections		
Corrections Management	15,222,900	16,331,800
Adult Correctional Institutions	189,290,800	197,583,900
Community Services and Local Facilities	67,374,000	81,400,400
Local Jail Support	15,707,200	15,276,100
Subtotal	<u>287,594,900</u>	<u>310,592,200</u>
<b>Total</b>	<u>456,298,400</u>	<u>484,283,200</u>
 <b>LABOR</b>		
General Administration and Support	404,200	422,000
Workplace Standards	2,031,100	2,013,300
<b>Total</b>	<u>2,435,300</u>	<u>2,435,300</u>
 <b>NATURAL RESOURCES AND ENVIRONMENTAL PROTECTION</b>		
General Administration and Support	9,445,900	9,505,900
Natural Resources	26,252,500	21,961,300
Environmental Protection	22,886,100	22,924,500
Surface Mining Reclamation and Enforcement	10,051,400	10,831,400
Environmental Quality Commission	253,700	
Kentucky Nature Preserves Commission	980,900	1,053,100
<b>Total</b>	<u>69,870,500</u>	<u>66,276,200</u>
 <b>PERSONNEL</b>		
	1,507,400	14,747,400
 <b>POSTSECONDARY EDUCATION</b>		
Council on Postsecondary Education	103,457,400	121,684,400
Kentucky Higher Education Assistance Authority	54,485,812	72,578,300
Eastern Kentucky University	71,668,300	73,515,900
Kentucky State University	22,412,400	22,631,500
Morehead State University	41,729,800	42,738,200
Murray State University	50,388,100	51,472,900
Northern Kentucky University	45,257,600	47,092,700
University of Kentucky	304,755,700	308,519,200
University of Louisville	172,576,600	174,950,000
Western Kentucky University	69,025,000	72,040,100
Kentucky Community and Technical College System	<u>185,313,100</u>	<u>189,097,700</u>

**GENERAL FUND - ALL APPROPRIATIONS**

<u>Cabinet/Agency</u>	<u>Enacted FY2003</u>	<u>Enacted FY2004</u>
<b>Total</b>	1,121,069,812	1,176,320,900
<b>PUBLIC PROTECTION AND REGULATION</b>		
Claims/Crime Victims' Compensation	635,000	857,300
Alcoholic Beverage Control	250,000	1,663,000
Insurance	19,405,200	16,855,900
Kentucky Racing Commission	509,200	522,800
Housing, Buildings, and Construction	1,718,300	2,318,300
Mines and Minerals	9,365,000	9,365,000
Public Advocacy	23,925,300	25,389,800
Public Service Commission	13,037,500	11,752,100
Secretary	261,200	261,200
Tax Appeals	478,100	498,600
<b>Total</b>	<u>69,584,800</u>	<u>69,484,000</u>
<b>REVENUE</b>		
Revenue	66,587,800	66,032,000
Property Valuation Administrators	27,431,800	28,222,300
<b>Total</b>	<u>94,019,600</u>	<u>94,254,300</u>
<b>TOURISM DEVELOPMENT</b>		
Secretary	4,023,800	1,673,800
Breaks Interstate Park	196,000	196,000
Travel	6,900,200	6,900,200
Kentucky Horse Park	1,750,000	1,650,000
Kentucky State Fair Board	407,000	712,000
<b>Total</b>	<u>42,134,100</u>	<u>39,989,100</u>
<b>TRANSPORTATION</b>		
General Administration and Support		
Air Transportation	396,900	
Public Transportation	6,798,600	4,875,300
<b>Total</b>	<u>7,195,500</u>	<u>4,875,300</u>
<b>WORKFORCE DEVELOPMENT</b>		
General Administration and Program Support	1,116,100	1,116,100
Technical Education	23,150,300	23,150,300
Adult Education and Literacy	10,807,600	10,807,600
Vocational Rehabilitation	11,045,200	11,236,400
Department for the Blind	1,282,800	1,492,600
Teachers' Retirement - Employer Contribution	4,627,700	4,743,400
Employment Services	69,000	69,000
<b>Total</b>	<u>52,098,700</u>	<u>52,615,400</u>
<b>Grand Total - Executive Branch</b>	<u>7,106,774,737</u>	<u>6,923,532,100</u>
Legislative Branch	40,135,200	44,865,200

GENERAL FUND - ALL APPROPRIATIONS

<u>Cabinet/Agency</u>	<u>Enacted FY2003</u>	<u>Enacted FY2004</u>
Judicial Branch	210,408,900	210,855,100
<b>Grand Total - Commonwealth of Kentucky</b>	<b>7,357,318,837</b>	<b>7,179,252,400</b>

**GENERAL FUND - REGULAR APPROPRIATION**

<b>Cabinet/Agency</b>	<b>Enacted FY2003</b>	<b>Enacted FY2004</b>
<b>GOVERNMENT OPERATIONS</b>		
Executive Office of the Governor		
Office of the Governor	7,452,100	7,093,900
Office of State Budget Director	3,365,000	3,365,000
State Planning Fund	477,000	
Subtotal	<u>11,294,100</u>	<u>10,458,900</u>
Governor's Office of Early Childhood Development	213,500	213,500
Kentucky Agency for Substance Abuse Policy	1,250,000	1,250,000
Kentucky Infrastructure Authority		8,311,000
Veterans' Affairs	14,072,800	15,163,700
Governor's Office for Technology	300,000	300,000
Secretary of State	2,260,100	2,260,100
Board of Elections	5,880,000	4,925,800
Treasury	2,216,700	2,216,700
Attorney General	12,954,900	12,932,500
Unified Prosecutorial System		
Commonwealth's Attorneys	25,108,000	26,545,300
County Attorneys	21,179,900	22,177,500
Subtotal	<u>46,287,900</u>	<u>48,722,800</u>
Auditor of Public Accounts	5,260,000	5,235,000
Agriculture	19,249,900	19,484,900
Military Affairs	10,694,400	10,694,400
Personnel Board	578,500	578,500
Local Government	8,773,900	9,623,800
Special Funds	73,725,000	73,223,000
Commission on Human Rights	1,926,800	1,926,800
Commission on Women	269,900	269,900
Commission on Small Business Advocacy	75,000	75,000
Registry of Election Finance	1,436,800	1,436,800
Educational Professional Standards Board	12,433,800	10,679,000
Board of Emergency Medical Services	2,504,300	2,504,300
Executive Branch Ethics Commission	325,900	325,900
Appropriations Not Otherwise Classified - Necessary	5,629,000	
Government Expenses		
Appropriations Not Otherwise Classified	7,107,500	7,367,500
Kentucky River Authority	379,000	379,000
Budget Reserve Trust Fund	5,087,400	25,921,800
<b>Total</b>	<u>252,187,100</u>	<u>276,480,600</u>
<b>ECONOMIC DEVELOPMENT</b>		
Secretary	1,392,700	7,862,300
Administration and Support	2,179,900	2,111,100
Business Development	2,517,900	2,475,500
Financial Incentives	3,343,800	8,500,800
Community Development	2,855,900	2,879,100

**GENERAL FUND - REGULAR APPROPRIATION**

<b>Cabinet/Agency</b>	<b>Enacted FY2003</b>	<b>Enacted FY2004</b>
<b>Total</b>	12,290,200	23,828,800
<b>EDUCATION</b>		
Support Education Excellence in Kentucky (SEEK)	2,295,592,100	2,372,391,000
Executive Policy and Management	696,800	1,184,900
Operation and Support Services	11,341,800	10,532,300
Learning and Results Services	558,512,500	573,902,900
<b>Total</b>	2,866,143,200	2,958,011,100
<b>EDUCATION, ARTS AND HUMANITIES</b>		
Secretary	3,351,300	3,151,300
Kentucky Arts Council	4,523,800	4,523,800
Kentucky Historical Society	5,985,200	6,185,200
Kentucky Educational Television	14,548,100	14,548,100
School Facilities Construction Commission	75,821,400	84,928,600
Deaf and Hard of Hearing	885,500	885,500
Kentucky Heritage Council	921,100	921,100
Kentucky Center for the Arts	603,700	603,700
Libraries and Archives	13,224,100	13,637,600
Teachers' Retirement System	90,113,200	97,489,000
<b>Total</b>	209,977,400	226,873,900
<b>FAMILIES AND CHILDREN</b>		
Administration Services	27,660,400	29,162,700
Community Based Services	280,666,700	284,364,400
<b>Total</b>	308,327,100	313,527,100
<b>FINANCE AND ADMINISTRATION</b>		
General Administration	5,832,300	8,632,300
Office of the Controller	5,939,400	5,939,400
Debt Service	245,498,000	248,758,000
Administration	3,542,400	3,513,000
Facilities Management	7,875,800	7,589,500
County Costs	22,631,000	21,926,600
<b>Total</b>	291,318,900	296,358,800
<b>HEALTH SERVICES</b>		
Administrative Support	9,866,000	9,875,000
Children with Special Health Care Needs	16,709,500	16,709,500
Medicaid Services		
Administration	17,848,000	18,028,200
Benefits	752,373,700	761,755,500
Subtotal	770,221,700	779,783,700
Mental Health/Mental Retardation	168,530,000	172,521,900
Public Health	55,693,300	56,081,700
Certificate of Need	131,500	134,100
Aging Services	26,421,800	26,821,800

**GENERAL FUND - REGULAR APPROPRIATION**

<u>Cabinet/Agency</u>	<u>Enacted FY2003</u>	<u>Enacted FY2004</u>
<b>Total</b>	1,047,573,800	1,061,927,700
<b>JUSTICE</b>		
Justice Administration	8,017,000	7,826,000
State Police	78,074,900	82,074,900
Juvenile Justice	82,611,600	83,790,100
Corrections		
Corrections Management	15,222,900	16,331,800
Adult Correctional Institutions	189,290,800	197,583,900
Community Services and Local Facilities	67,374,000	81,400,400
Local Jail Support	15,276,100	15,276,100
Subtotal	<u>287,163,800</u>	<u>310,592,200</u>
<b>Total</b>	455,867,300	484,283,200
<b>LABOR</b>		
General Administration and Support	404,200	422,000
Workplace Standards	2,031,100	2,013,300
<b>Total</b>	<u>2,435,300</u>	<u>2,435,300</u>
<b>NATURAL RESOURCES AND ENVIRONMENTAL PROTECTION</b>		
General Administration and Support	9,445,900	9,505,900
Natural Resources	12,930,400	12,961,300
Environmental Protection	22,886,100	22,924,500
Surface Mining Reclamation and Enforcement	10,051,400	10,831,400
Environmental Quality Commission	253,700	
Kentucky Nature Preserves Commission	980,900	1,053,100
<b>Total</b>	<u>56,548,400</u>	<u>57,276,200</u>
<b>PERSONNEL</b>	1,507,400	14,747,400
<b>POSTSECONDARY EDUCATION</b>		
Council on Postsecondary Education	99,177,400	114,229,400
Kentucky Higher Education Assistance Authority	45,860,000	71,828,300
Eastern Kentucky University	71,668,300	73,515,900
Kentucky State University	22,412,400	22,631,500
Morehead State University	41,729,800	42,738,200
Murray State University	50,388,100	51,472,900
Northern Kentucky University	45,257,600	47,092,700
University of Kentucky	304,755,700	308,519,200
University of Louisville	172,352,500	174,950,000
Western Kentucky University	69,025,000	72,040,100
Kentucky Community and Technical College Systems	185,313,100	189,097,700
<b>Total</b>	<u>1,107,939,900</u>	<u>1,168,115,900</u>
<b>PUBLIC PROTECTION AND REGULATION</b>		
Claims/Crime Victims' Compensation	635,000	857,300
Alcoholic Beverage Control	250,000	1,663,000

**GENERAL FUND - REGULAR APPROPRIATION**

<b>Cabinet/Agency</b>	<b>Enacted FY2003</b>	<b>Enacted FY2004</b>
Kentucky Racing Commission	509,200	522,800
Housing, Buildings, and Construction	1,718,300	2,318,300
Mines and Minerals	9,365,000	9,365,000
Public Advocacy	23,925,300	25,389,800
Public Service Commission	11,527,900	11,752,100
Secretary	261,200	261,200
Tax Appeals	478,100	498,600
<b>Total</b>	<b>48,670,000</b>	<b>52,628,100</b>
<b>REVENUE</b>		
Revenue	66,587,800	66,032,000
Property Valuation Administrators	27,431,800	28,222,300
<b>Total</b>	<b>94,019,600</b>	<b>94,254,300</b>
<b>TOURISM DEVELOPMENT</b>		
Secretary	4,023,800	1,673,800
Breaks Interstate Park	196,000	196,000
Travel	6,900,200	6,900,200
Kentucky Horse Park	1,750,000	1,650,000
Kentucky State Fair Board	407,000	712,000
<b>Total</b>	<b>42,134,100</b>	<b>39,989,100</b>
<b>TRANSPORTATION</b>		
Public Transportation	5,520,300	4,875,300
<b>WORKFORCE DEVELOPMENT</b>		
General Administration and Program Support	1,116,100	1,116,100
Technical Education	23,150,300	23,150,300
Adult Education and Literacy	10,807,600	10,807,600
Vocational Rehabilitation	11,045,200	11,236,400
Department for the Blind	1,282,800	1,492,600
Teachers' Retirement - Employer Contribution	4,627,700	4,743,400
Employment Services	69,000	69,000
<b>Total</b>	<b>52,098,700</b>	<b>52,615,400</b>
<b>Grand Total - Executive Branch</b>	<b>6,854,558,700</b>	<b>7,128,228,200</b>
Legislative Branch	36,450,400	40,616,400
Judicial Branch	196,506,500	210,855,100
<b>Grand Total - Commonwealth of Kentucky</b>	<b>7,087,515,600</b>	<b>7,379,699,700</b>

**GENERAL FUND - TOBACCO SETTLEMENT - I**

<b>Cabinet/Agency</b>	<b>Enacted FY2003</b>	<b>Enacted FY2004</b>
<b>GOVERNMENT OPERATIONS</b>		
Governor's Office of Agriculture Policy	47,688,000	34,434,000
Governor's Office of Early Childhood Development	2,188,400	2,188,400
Kentucky Agency for Substance Abuse Policy	2,574,800	2,236,600
Kentucky Infrastructure Authority		5,000,000
<b>Total</b>	<b>52,451,200</b>	<b>43,859,000</b>
<b>FAMILIES AND CHILDREN</b>		
Community Based Services	7,262,800	3,581,300
<b>FINANCE AND ADMINISTRATION</b>		
Debt Service	6,112,000	6,116,000
<b>HEALTH SERVICES</b>		
Children with Special Health Care Needs	1,600,000	1,600,000
Mental Health/Mental Retardation	1,000,000	1,000,000
Public Health	21,738,800	20,882,800
<b>Total</b>	<b>24,338,800</b>	<b>23,482,800</b>
<b>NATURAL RESOURCES AND ENVIRONMENTAL PROTECTION</b>		
Natural Resources	9,000,000	9,000,000
<b>POSTSECONDARY EDUCATION</b>		
Council on Postsecondary Education	6,280,000	5,455,000
Kentucky Higher Education Assistance Authority	750,000	750,000
<b>Total</b>	<b>7,030,000</b>	<b>6,205,000</b>
<b>PUBLIC PROTECTION AND REGULATION</b>		
Insurance	19,405,200	16,855,900
<b>Grand Total - Executive Branch</b>	<b>125,600,000</b>	<b>109,100,000</b>
<b>Grand Total - Commonwealth of Kentucky</b>	<b>125,600,000</b>	<b>109,100,000</b>

**GENERAL FUND - CONTINUING APPROPRIATION**

<b>Cabinet/Agency</b>	<b>Enacted FY2003</b>	<b>Enacted FY2004</b>
<b>GOVERNMENT OPERATIONS</b>		
Veterans' Affairs	300	
Attorney General	30,000	
Agriculture	100	
Appropriations Not Otherwise Classified - Judgments	56,031,100	
Budget Reserve Trust Fund		5,087,400
<b>Total</b>	<b>56,061,500</b>	<b>5,087,400</b>
<b>ECONOMIC DEVELOPMENT</b>		
Financial Incentives	6,425,900	6,425,900
<b>EDUCATION</b>		
Learning and Results Services	1,039,300	
<b>JUSTICE</b>		
Corrections		
Local Jail Support	431,100	
<b>POSTSECONDARY EDUCATION</b>		
Council on Postsecondary Education		2,000,000
Kentucky Higher Education Assistance Authority	7,696,300	
University of Louisville	224,100	
<b>Total</b>	<b>7,920,400</b>	<b>2,000,000</b>
<b>PUBLIC PROTECTION AND REGULATION</b>		
Public Service Commission	1,509,600	
<b>TRANSPORTATION</b>		
Air Transportation	396,900	
Public Transportation	1,278,300	
<b>Total</b>	<b>1,675,200</b>	
<b>Grand Total - Executive Branch</b>	<b>75,063,000</b>	<b>13,513,300</b>
Legislative Branch	18,222,200	14,537,400
Judicial Branch	13,902,400	
<b>Grand Total - Commonwealth of Kentucky</b>	<b>107,187,600</b>	<b>28,050,700</b>

**GENERAL FUND - CONTINUING APPROPRIATION TOBACCO SETTLEMENT - I**

<u>Cabinet/Agency</u>	<u>Enacted FY2003</u>	<u>Enacted FY2004</u>
<b>GOVERNMENT OPERATIONS</b>		
Governor's Office of Agriculture Policy	51,285,500	
Governor's Office of Early Childhood Development	1,831,430	
Kentucky Agency for Substance Abuse Policy	632,700	
<b>Total</b>	<u>53,749,630</u>	
<b>FAMILIES AND CHILDREN</b>		
Community Based Services	4,909,554	4,000,000
<b>HEALTH SERVICES</b>		
Children with Special Health Care Needs	131,736	
Mental Health/Mental Retardation	18,491	
Public Health	1,064,614	543,500
<b>Total</b>	<u>1,214,841</u>	<u>543,500</u>
<b>NATURAL RESOURCES AND ENVIRONMENTAL PROTECTION</b>		
Natural Resources	4,322,100	
<b>POSTSECONDARY EDUCATION</b>		
Kentucky Higher Education Assistance Authority	179,512	
<b>Grand Total - Executive Branch</b>	<u>64,375,637</u>	<u>4,543,500</u>
<b>Grand Total - Commonwealth of Kentucky</b>	<u>64,375,637</u>	<u>4,543,500</u>

**GENERAL FUND - SPECIAL APPROPRIATION**

<b>Cabinet/Agency</b>	<b>Enacted FY2003</b>	<b>Enacted FY2004</b>
<b>GOVERNMENT OPERATIONS</b>		
Appropriations Not Otherwise Classified	146,800	
<b>Grand Total - Executive Branch</b>	146,800	
<b>Grand Total - Commonwealth of Kentucky</b>	146,800	



# RESTRICTED FUNDS

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**RESTRICTED FUNDS - AVAILABLE**

<b>Cabinet/Agency</b>	<b>Enacted FY2003</b>	<b>Enacted FY2004</b>
<b>GOVERNMENT OPERATIONS</b>		
Executive Office of the Governor		
Office of the Governor	3,765,300	2,384,300
Office of State Budget Director	2,409,600	2,446,600
Subtotal	<u>6,174,900</u>	<u>4,830,900</u>
Governor's Office of Agriculture Policy	298,500	303,600
Governor's Office of Early Childhood Development	150,000	100,000
Kentucky Infrastructure Authority	7,320,100	3,820,600
Veterans' Affairs	19,811,554	20,534,454
Governor's Office for Technology	62,176,200	61,801,700
Secretary of State	1,101,600	1,098,100
Board of Elections	271,200	192,600
Treasury	839,200	858,000
Attorney General	8,272,700	7,750,900
Unified Prosecutorial System		
Commonwealth's Attorneys	843,300	200,000
County Attorneys	62,300	4,800
Subtotal	<u>905,600</u>	<u>204,800</u>
Auditor of Public Accounts	4,869,400	5,044,100
Agriculture	5,993,000	4,933,600
Military Affairs	20,818,300	20,165,000
Personnel Board	3,100	3,100
Local Government	3,539,200	2,137,000
Commission on Human Rights	24,000	24,000
Commission on Women	7,300	7,300
Commission on Small Business Advocacy	110,800	65,800
Kentucky Retirement Systems	14,980,500	15,847,500
Registry of Election Finance	853,700	204,300
Boards and Commissions	30,351,600	27,819,300
Educational Professional Standards Board	1,944,600	1,344,600
Board of Emergency Medical Services	269,700	273,100
Governmental Services Center	1,669,100	1,610,100
Executive Branch Ethics Commission	300	2,400
Kentucky River Authority	6,516,100	4,662,100
<b>Total</b>	<u>199,272,254</u>	<u>185,638,954</u>
<b>ECONOMIC DEVELOPMENT</b>		
Secretary	7,364,100	7,229,300
Administration and Support	82,700	52,900
Business Development	772,400	523,600
Financial Incentives	2,182,900	2,227,500
Community Development	610,000	598,400
<b>Total</b>	<u>11,012,100</u>	<u>10,631,700</u>

**RESTRICTED FUNDS - AVAILABLE**

<b>Cabinet/Agency</b>	<b>Enacted FY2003</b>	<b>Enacted FY2004</b>
<b>EDUCATION</b>		
Operation and Support Services	3,455,000	3,469,800
Learning and Results Services	10,487,200	10,463,800
<b>Total</b>	<b>13,942,200</b>	<b>13,933,600</b>
<b>EDUCATION, ARTS AND HUMANITIES</b>		
Secretary	449,800	237,300
Kentucky Arts Council	832,100	651,800
Kentucky Historical Society	918,700	724,500
Kentucky Educational Television	1,106,400	1,075,700
School Facilities Construction Commission		2,290,000
Deaf and Hard of Hearing	281,700	260,200
Kentucky Heritage Council	795,700	237,500
Environmental Education Council	229,200	212,200
Libraries and Archives	2,335,000	2,155,200
Teachers' Retirement System	7,637,800	7,879,600
<b>Total</b>	<b>14,586,400</b>	<b>15,724,000</b>
<b>FAMILIES AND CHILDREN</b>		
Administration Services	17,348,900	14,138,200
Disability Determinations	64,000	67,100
Community Based Services	159,578,200	127,193,400
<b>Total</b>	<b>176,991,100</b>	<b>141,398,700</b>
<b>FINANCE AND ADMINISTRATION</b>		
General Administration	5,358,100	4,537,400
Office of the Controller	632,300	608,300
Administration	11,504,000	11,782,200
Facilities Management	25,682,000	25,896,500
County Costs	1,578,700	1,548,700
County Fees	90,517,800	86,133,000
<b>Total</b>	<b>135,272,900</b>	<b>130,506,100</b>
<b>HEALTH SERVICES</b>		
Administrative Support	11,392,300	9,747,100
Children with Special Health Care Needs	23,112,000	23,263,300
Medicaid Services		
Administration	20,624,400	20,806,000
Benefits	200,011,300	201,949,400
Subtotal	220,635,700	222,755,400
Mental Health/Mental Retardation	195,900,600	209,127,700
Public Health	70,041,600	69,619,700
Certificate of Need	375,600	367,500
Aging Services	922,300	885,300
<b>Total</b>	<b>522,380,100</b>	<b>535,766,000</b>

**RESTRICTED FUNDS - AVAILABLE**

<b>Cabinet/Agency</b>	<b>Enacted FY2003</b>	<b>Enacted FY2004</b>
<b>JUSTICE</b>		
Justice Administration	2,758,900	2,783,800
State Police	12,563,900	11,778,300
Juvenile Justice	18,115,600	15,691,900
Criminal Justice Training	41,545,400	45,400,000
Corrections		
Corrections Management	17,299,900	16,343,000
Adult Correctional Institutions	6,730,800	6,793,200
Community Services and Local Facilities	15,671,100	677,600
Subtotal	<u>39,701,800</u>	<u>23,813,800</u>
<b>Total</b>	<u>114,685,600</u>	<u>99,467,800</u>
<b>LABOR</b>		
General Administration and Support	6,103,400	6,348,100
Workplace Standards	137,200,900	137,616,400
Workers Claims	17,675,800	18,371,400
Kentucky Occupational Safety and Health Review Commission	610,600	613,100
Kentucky Workers' Compensation Funding Commission	159,615,500	161,676,700
<b>Total</b>	<u>321,206,200</u>	<u>324,625,700</u>
<b>NATURAL RESOURCES AND ENVIRONMENTAL PROTECTION</b>		
General Administration and Support	563,200	404,700
Natural Resources	8,947,900	7,208,500
Environmental Protection	34,107,400	39,461,200
Surface Mining Reclamation and Enforcement	31,541,000	30,476,600
Environmental Quality Commission	3,300	1,300
Kentucky Nature Preserves Commission	938,600	876,600
<b>Total</b>	<u>76,101,400</u>	<u>78,428,900</u>
<b>PERSONNEL</b>		
	43,812,500	42,816,800
<b>POSTSECONDARY EDUCATION</b>		
Council on Postsecondary Education	16,234,800	6,405,700
Kentucky Higher Education Assistance Authority	87,412,200	98,412,300
Eastern Kentucky University	83,158,600	87,603,100
Kentucky State University	16,446,900	17,699,000
Morehead State University	46,293,500	47,104,600
Murray State University	68,752,700	72,256,200
Northern Kentucky University	66,180,400	69,535,800
University of Kentucky	858,999,900	873,254,500
University of Louisville	293,702,300	302,317,400
Western Kentucky University	81,837,400	85,598,400
Kentucky Community and Technical College Sys	177,568,900	185,450,000
<b>Total</b>	<u>1,796,587,600</u>	<u>1,845,637,000</u>

**RESTRICTED FUNDS - AVAILABLE**

<b>Cabinet/Agency</b>	<b>Enacted FY2003</b>	<b>Enacted FY2004</b>
<b>PUBLIC PROTECTION AND REGULATION</b>		
Claims/Crime Victims' Compensation	4,294,200	5,123,500
Alcoholic Beverage Control	6,102,100	4,555,900
Financial Institutions	11,433,000	9,946,800
Insurance	28,229,100	27,389,300
Kentucky Racing Commission	16,028,100	14,963,400
Housing, Buildings, and Construction	14,298,100	14,566,600
Mines and Minerals	2,499,800	2,111,600
Public Advocacy	4,454,100	4,400,800
Public Service Commission	2,687,500	187,500
Secretary	41,002,800	27,132,500
Charitable Gaming	4,732,100	4,681,800
<b>Total</b>	<b>135,760,900</b>	<b>115,059,700</b>
<b>REVENUE</b>		
Revenue	5,267,500	4,378,700
Property Valuation Administrators	4,462,100	4,638,000
<b>Total</b>	<b>9,729,600</b>	<b>9,016,700</b>
<b>TOURISM DEVELOPMENT</b>		
Secretary	131,300	1,212,300
Travel	2,001,600	1,600
Kentucky Horse Park	6,041,500	5,796,500
Kentucky State Fair Board	33,452,200	33,323,200
Fish and Wildlife Resources	50,932,600	49,137,200
<b>Total</b>	<b>143,819,700</b>	<b>142,133,300</b>
<b>TRANSPORTATION</b>		
General Administration and Support	29,175,600	29,175,600
Air Transportation	5,201,600	4,817,900
Public Transportation	2,506,100	874,100
Highways	73,533,100	73,546,600
Vehicle Regulation	11,836,700	11,558,000
<b>Total</b>	<b>122,253,100</b>	<b>119,972,200</b>
<b>WORKFORCE DEVELOPMENT</b>		
General Administration and Program Support	6,661,200	6,696,400
Technical Education	21,381,200	20,186,300
Adult Education and Literacy	11,294,700	11,294,700
Vocational Rehabilitation	3,048,900	3,090,900
Department for the Blind	3,127,900	2,937,400
Training and Reemployment	700	700
Employment Services	6,249,900	7,656,800
<b>Total</b>	<b>51,764,500</b>	<b>51,863,200</b>
<b>Grand Total - Executive Branch</b>	<b>3,889,178,154</b>	<b>3,862,620,354</b>

**RESTRICTED FUNDS - AVAILABLE**

<b>Cabinet/Agency</b>	<b>Enacted FY2003</b>	<b>Enacted FY2004</b>
Legislative Branch	1,034,900	800,600
Judicial Branch	19,620,400	16,900,600
<b>Grand Total - Commonwealth of Kentucky</b>	<b>3,909,833,454</b>	<b>3,880,321,554</b>

**RESTRICTED FUNDS - APPROPRIATED**

<b>Cabinet/Agency</b>	<b>Enacted FY2003</b>	<b>Enacted FY2004</b>
<b>GOVERNMENT OPERATIONS</b>		
Executive Office of the Governor		
Office of the Governor	2,231,000	1,298,200
Office of State Budget Director	923,000	1,318,000
Subtotal	<u>3,154,000</u>	<u>2,616,200</u>
Governor's Office of Agriculture Policy	155,900	161,000
Governor's Office of Early Childhood Development	50,000	
Kentucky Infrastructure Authority	6,067,500	2,568,000
Veterans' Affairs	18,609,100	19,332,000
Governor's Office for Technology	60,092,500	59,718,000
Secretary of State	878,500	1,006,600
Board of Elections	108,600	116,900
Treasury	815,700	834,500
Attorney General	6,747,400	7,269,900
Unified Prosecutorial System		
Commonwealth's Attorneys	843,300	200,000
County Attorneys	62,300	4,800
Subtotal	<u>905,600</u>	<u>204,800</u>
Auditor of Public Accounts	3,940,500	4,377,100
Agriculture	3,506,200	3,573,800
Military Affairs	18,680,500	18,796,200
Personnel Board	1,700	1,700
Local Government	2,235,800	902,400
Commission on Human Rights	24,000	24,000
Commission on Women		4,600
Commission on Small Business Advocacy	45,000	45,000
Kentucky Retirement Systems	14,980,500	15,847,500
Registry of Election Finance	202,800	203,200
Boards and Commissions	17,199,600	17,198,900
Educational Professional Standards Board	1,378,500	829,600
Board of Emergency Medical Services	168,300	171,700
Governmental Services Center	1,462,000	1,516,000
Executive Branch Ethics Commission	300	2,400
Kentucky River Authority	3,266,000	3,698,000
<b>Total</b>	<u>164,676,500</u>	<u>161,020,000</u>
<b>ECONOMIC DEVELOPMENT</b>		
Secretary	3,093,200	4,140,800
Administration and Support	29,800	45,900
Business Development	248,800	290,600
Financial Incentives	2,182,700	2,227,300
Community Development	440,100	454,000
<b>Total</b>	<u>5,994,600</u>	<u>7,158,600</u>

**RESTRICTED FUNDS - APPROPRIATED**

<b>Cabinet/Agency</b>	<b>Enacted FY2003</b>	<b>Enacted FY2004</b>
<b>EDUCATION</b>		
Operation and Support Services	2,187,900	2,264,400
Learning and Results Services	5,850,700	5,851,200
<b>Total</b>	<b>8,038,600</b>	<b>8,115,600</b>
<b>EDUCATION, ARTS AND HUMANITIES</b>		
Secretary	448,900	236,700
Kentucky Arts Council	782,800	612,500
Kentucky Historical Society	627,200	571,400
Kentucky Educational Television	1,106,400	1,075,700
School Facilities Construction Commission		2,290,000
Deaf and Hard of Hearing	281,500	260,000
Kentucky Heritage Council	785,700	227,500
Environmental Education Council	167,000	150,000
Libraries and Archives	1,804,200	1,839,800
Teachers' Retirement System	7,330,100	7,571,900
<b>Total</b>	<b>13,333,800</b>	<b>14,835,500</b>
<b>FAMILIES AND CHILDREN</b>		
Administration Services	4,390,100	4,501,800
Disability Determinations	62,700	65,800
Community Based Services	104,134,700	123,639,600
<b>Total</b>	<b>108,587,500</b>	<b>128,207,200</b>
<b>FINANCE AND ADMINISTRATION</b>		
General Administration	2,737,000	2,870,000
Office of the Controller	396,000	414,000
Administration	9,180,800	9,567,000
Facilities Management	25,116,000	25,821,000
County Costs	1,425,000	1,425,000
County Fees	85,145,600	80,760,800
<b>Total</b>	<b>124,000,400</b>	<b>120,857,800</b>
<b>HEALTH SERVICES</b>		
Administrative Support	8,154,000	8,806,700
Children with Special Health Care Needs	22,089,000	23,262,900
Medicaid Services		
Administration	20,624,400	20,806,000
Benefits	200,011,300	201,949,400
Subtotal	220,635,700	222,755,400
Mental Health/Mental Retardation	190,820,600	206,415,200
Public Health	65,849,000	65,914,100
Certificate of Need	234,200	251,100
Aging Services	760,400	761,600
<b>Total</b>	<b>508,542,900</b>	<b>528,167,000</b>

**RESTRICTED FUNDS - APPROPRIATED**

<b>Cabinet/Agency</b>	<b>Enacted FY2003</b>	<b>Enacted FY2004</b>
<b>JUSTICE</b>		
Justice Administration	1,908,100	2,164,200
State Police	7,870,800	7,621,200
Juvenile Justice	14,015,000	15,691,600
Criminal Justice Training	39,077,100	37,941,400
Corrections		
Corrections Management	15,799,700	15,583,900
Adult Correctional Institutions	6,526,100	6,588,500
Community Services and Local Facilities	15,623,400	629,900
Subtotal	<u>37,949,200</u>	<u>22,802,300</u>
<b>Total</b>	<u>100,820,200</u>	<u>86,220,700</u>
<b>LABOR</b>		
General Administration and Support	5,652,600	5,897,300
Workplace Standards	124,275,500	124,691,000
Workers Claims	16,397,700	17,093,300
Kentucky Occupational Safety and Health Review Commission	476,800	479,300
Kentucky Workers' Compensation Funding Commission	151,812,000	153,419,000
<b>Total</b>	<u>298,614,600</u>	<u>301,579,900</u>
<b>NATURAL RESOURCES AND ENVIRONMENTAL PROTECTION</b>		
General Administration and Support	331,900	277,300
Natural Resources	4,583,700	3,809,900
Environmental Protection	27,442,300	34,481,700
Surface Mining Reclamation and Enforcement	6,157,800	6,484,100
Environmental Quality Commission	2,000	
Kentucky Nature Preserves Commission	314,700	298,700
<b>Total</b>	<u>38,832,400</u>	<u>45,351,700</u>
<b>PERSONNEL</b>		
	37,424,500	37,983,500
<b>POSTSECONDARY EDUCATION</b>		
Council on Postsecondary Education	14,536,800	4,707,700
Kentucky Higher Education Assistance Authority	86,352,500	97,352,600
Eastern Kentucky University	83,158,600	87,603,100
Kentucky State University	16,446,900	17,699,000
Morehead State University	46,293,500	47,104,600
Murray State University	68,752,700	72,256,200
Northern Kentucky University	66,180,400	69,535,800
University of Kentucky	858,999,900	873,254,500
University of Louisville	293,702,300	302,317,400
Western Kentucky University	81,837,400	85,598,400
Kentucky Community and Technical College System	177,568,900	185,450,000
<b>Total</b>	<u>1,793,829,900</u>	<u>1,842,879,300</u>

**RESTRICTED FUNDS - APPROPRIATED**

<b>Cabinet/Agency</b>	<b>Enacted FY2003</b>	<b>Enacted FY2004</b>
<b>PUBLIC PROTECTION AND REGULATION</b>		
Claims/Crime Victims' Compensation	2,539,000	2,936,900
Alcoholic Beverage Control	5,637,600	4,295,200
Financial Institutions	8,993,100	9,329,700
Insurance	22,851,900	24,162,100
Kentucky Racing Commission	15,002,600	13,664,500
Housing, Buildings, and Construction	12,826,500	12,287,600
Mines and Minerals	2,261,100	2,043,200
Public Advocacy	3,025,900	3,077,900
Public Service Commission	2,524,000	24,000
Secretary	34,140,600	31,756,300
Charitable Gaming	3,460,800	3,603,800
<b>Total</b>	<u>113,263,100</u>	<u>107,181,200</u>
<b>REVENUE</b>		
Revenue	4,519,000	4,149,200
Property Valuation Administrators	3,894,100	4,464,100
<b>Total</b>	<u>8,413,100</u>	<u>8,613,300</u>
<b>TOURISM DEVELOPMENT</b>		
Secretary	119,000	1,200,000
Travel	2,000,000	
Kentucky Horse Park	5,942,000	5,632,000
Kentucky State Fair Board	30,163,000	30,059,500
Fish and Wildlife Resources	27,381,000	28,658,000
<b>Total</b>	<u>116,603,000</u>	<u>117,949,500</u>
<b>TRANSPORTATION</b>		
General Administration and Support	29,050,000	29,050,000
Air Transportation	4,817,200	4,817,900
Public Transportation	2,506,100	874,100
Highways	61,627,300	61,633,800
Vehicle Regulation	7,001,700	6,699,300
<b>Total</b>	<u>105,002,300</u>	<u>103,075,100</u>
<b>WORKFORCE DEVELOPMENT</b>		
General Administration and Program Support	6,661,200	6,696,400
Technical Education	20,637,400	19,672,600
Adult Education and Literacy	11,104,300	11,104,300
Vocational Rehabilitation	2,911,100	2,955,100
Department for the Blind	1,948,800	1,979,000
Employment Services	6,051,700	7,443,500
<b>Total</b>	<u>49,314,500</u>	<u>49,850,900</u>
<b>Grand Total - Executive Branch</b>	<u>3,595,291,900</u>	<u>3,669,046,800</u>

**RESTRICTED FUNDS - APPROPRIATED**

<b>Cabinet/Agency</b>	<b>Enacted FY2003</b>	<b>Enacted FY2004</b>
Legislative Branch	399,800	165,500
Judicial Branch	11,323,100	11,701,100
<b>Grand Total - Commonwealth of Kentucky</b>	<b>3,607,014,800</b>	<b>3,680,913,400</b>



# FEDERAL FUNDS

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**FEDERAL FUNDS - AVAILABLE**

<b>Cabinet/Agency</b>	<b>Enacted FY2003</b>	<b>Enacted FY2004</b>
<b>GOVERNMENT OPERATIONS</b>		
Executive Office of the Governor		
Office of the Governor	71,000	71,000
Governor's Office of Early Childhood Development	175,000	175,000
Kentucky Agency for Substance Abuse Policy	111,700	111,700
Kentucky Infrastructure Authority	50,342,700	50,341,700
Governor's Office for Technology	1,225,000	
Attorney General	2,351,400	2,351,400
Unified Prosecutorial System		
Commonwealth's Attorneys	1,001,900	764,900
County Attorneys	431,600	451,700
Subtotal	<u>1,433,500</u>	<u>1,216,600</u>
Auditor of Public Accounts		
Agriculture	3,411,300	2,586,300
Military Affairs	41,360,800	18,827,700
Local Government	52,553,100	52,550,000
Commission on Human Rights	690,700	288,900
Commission on Women	200	200
Educational Professional Standards Board	3,020,300	4,379,200
Board of Emergency Medical Services	363,800	101,000
<b>Total</b>	<u>157,110,500</u>	<u>133,000,700</u>
<b>ECONOMIC DEVELOPMENT</b>		
Community Development	<u>161,800</u>	<u>160,100</u>
<b>EDUCATION</b>		
Operation and Support Services	583,700	595,000
Learning and Results Services	491,206,100	498,140,300
<b>Total</b>	<u>491,789,800</u>	<u>498,735,300</u>
<b>EDUCATION, ARTS AND HUMANITIES</b>		
Secretary		
Kentucky Arts Council	740,800	669,100
Kentucky Historical Society	507,800	395,600
Kentucky Educational Television	700,000	700,000
Kentucky Heritage Council	766,100	766,100
Libraries and Archives	2,233,400	2,262,600
<b>Total</b>	<u>4,948,100</u>	<u>4,793,400</u>
<b>FAMILIES AND CHILDREN</b>		
Administration Services	38,726,800	39,873,700
Disability Determinations	40,215,100	42,462,200
Community Based Services	502,247,100	489,401,100
<b>Total</b>	<u>581,189,000</u>	<u>571,737,000</u>

**FEDERAL FUNDS - AVAILABLE**

<b>Cabinet/Agency</b>	<b>Enacted FY2003</b>	<b>Enacted FY2004</b>
<b>FINANCE AND ADMINISTRATION</b>		
Office of the Controller	4,000,000	4,000,000
<b>HEALTH SERVICES</b>		
Administrative Support	12,955,600	13,480,900
Children with Special Health Care Needs	10,345,800	10,114,900
Medicaid Services		
Administration	46,060,900	46,793,000
Benefits	2,245,464,700	2,270,733,300
Subtotal	<u>2,291,525,600</u>	<u>2,317,526,300</u>
Mental Health/Mental Retardation	41,734,500	41,365,600
Public Health	141,594,200	128,094,200
Aging Services	19,024,100	19,024,100
<b>Total</b>	<u>2,517,179,800</u>	<u>2,529,606,000</u>
<b>JUSTICE</b>		
Justice Administration	13,488,500	13,439,700
State Police	9,772,600	10,261,300
Juvenile Justice	21,074,900	21,024,900
Criminal Justice Training	3,541,100	3,541,100
Corrections		
Corrections Management	1,743,100	800,000
Adult Correctional Institutions	339,000	225,500
Community Services and Local Facilities	72,200	21,200
Subtotal	<u>2,154,300</u>	<u>1,046,700</u>
<b>Total</b>	<u>50,031,400</u>	<u>49,313,700</u>
<b>LABOR</b>		
Workplace Standards	3,309,900	3,309,900
<b>NATURAL RESOURCES AND ENVIRONMENTAL PROTECTION</b>		
General Administration and Support	1,633,900	1,645,000
Natural Resources	6,569,400	5,200,800
Environmental Protection	19,563,600	19,768,500
Surface Mining Reclamation and Enforcement	17,521,800	17,668,500
Abandoned Mine Lands Reclamation Projects	22,000,000	22,000,000
Kentucky Nature Preserves Commission	25,000	25,000
<b>Total</b>	<u>67,313,700</u>	<u>66,307,800</u>
<b>POSTSECONDARY EDUCATION</b>		
Council on Postsecondary Education	4,260,000	3,161,200
Kentucky Higher Education Assistance Authority	868,700	890,000
Eastern Kentucky University	44,454,400	46,665,700
Kentucky State University	11,500,400	11,730,400
Morehead State University	46,570,500	51,207,100

**FEDERAL FUNDS - AVAILABLE**

<b>Cabinet/Agency</b>	<b>Enacted FY2003</b>	<b>Enacted FY2004</b>
Murray State University	10,646,700	10,906,800
Northern Kentucky University	7,422,000	7,669,100
University of Kentucky	126,193,600	128,053,100
University of Louisville	49,334,100	50,789,900
Western Kentucky University	30,444,000	32,444,000
Kentucky Community and Technical College System	68,053,500	71,735,500
<b>Total</b>	<b>399,747,900</b>	<b>415,252,800</b>
 <b>PUBLIC PROTECTION AND REGULATION</b>		
Claims/Crime Victims' Compensation	622,000	709,600
Mines and Minerals	599,300	598,500
Public Advocacy	1,886,600	1,605,100
Public Service Commission	571,700	584,100
<b>Total</b>	<b>3,679,600</b>	<b>3,497,300</b>
 <b>TOURISM DEVELOPMENT</b>		
Travel	28,600	28,600
Fish and Wildlife Resources	10,965,600	10,765,600
<b>Total</b>	<b>11,008,200</b>	<b>10,794,200</b>
 <b>TRANSPORTATION</b>		
General Administration and Support		
Air Transportation	27,700	23,300
Public Transportation	28,864,900	27,517,000
Highways	495,956,200	496,131,600
Vehicle Regulation	2,786,600	2,826,200
<b>Total</b>	<b>527,635,400</b>	<b>526,498,100</b>
 <b>WORKFORCE DEVELOPMENT</b>		
General Administration and Program Support	190,300	175,400
Technical Education	13,832,700	13,832,700
Adult Education and Literacy	12,776,000	15,300,900
Vocational Rehabilitation	43,730,800	44,595,800
Department for the Blind	7,595,600	7,747,700
Training and Reemployment	48,565,200	49,385,100
Employment Services	625,301,000	517,393,400
<b>Total</b>	<b>751,991,600</b>	<b>648,431,000</b>
 <b>Grand Total - Executive Branch</b>	 <b>5,571,096,700</b>	 <b>5,465,437,300</b>
Judicial Branch	3,042,000	1,223,800
 <b>Grand Total - Commonwealth of Kentucky</b>	 <b>5,574,138,700</b>	 <b>5,466,661,100</b>

**FEDERAL FUNDS - APPROPRIATED**

<b>Cabinet/Agency</b>	<b>Enacted FY2003</b>	<b>Enacted FY2004</b>
<b>GOVERNMENT OPERATIONS</b>		
Executive Office of the Governor		
Office of the Governor	71,000	71,000
Governor's Office of Early Childhood Development	175,000	175,000
Kentucky Agency for Substance Abuse Policy	111,700	111,700
Kentucky Infrastructure Authority	50,313,000	50,312,000
Governor's Office for Technology	1,225,000	
Attorney General	2,351,400	2,351,400
Unified Prosecutorial System		
Commonwealth's Attorneys	976,300	739,300
County Attorneys	414,700	434,800
Subtotal	<u>1,391,000</u>	<u>1,174,100</u>
Auditor of Public Accounts		
Agriculture	2,955,000	2,130,000
Military Affairs	40,720,900	18,187,800
Local Government	52,433,900	52,430,800
Commission on Human Rights	572,600	170,800
Commission on Women		200
Educational Professional Standards Board	3,020,300	4,379,200
Board of Emergency Medical Services	362,800	100,000
<b>Total</b>	<u>155,703,600</u>	<u>131,594,000</u>
<b>ECONOMIC DEVELOPMENT</b>		
Community Development	157,100	155,400
<b>EDUCATION</b>		
Operation and Support Services	562,500	573,800
Learning and Results Services	491,060,800	497,995,000
<b>Total</b>	<u>491,623,300</u>	<u>498,568,800</u>
<b>EDUCATION, ARTS AND HUMANITIES</b>		
Kentucky Arts Council	692,800	621,100
Kentucky Historical Society	486,800	381,600
Kentucky Educational Television	700,000	700,000
Kentucky Heritage Council	766,100	766,100
Libraries and Archives	2,231,600	2,260,800
<b>Total</b>	<u>4,877,300</u>	<u>4,729,600</u>
<b>FAMILIES AND CHILDREN</b>		
Administration Services	37,311,900	38,458,800
Disability Determinations	40,129,800	42,376,900
Community Based Services	489,678,800	476,832,800
<b>Total</b>	<u>567,120,500</u>	<u>557,668,500</u>

**FEDERAL FUNDS - APPROPRIATED**

<b>Cabinet/Agency</b>	<b>Enacted FY2003</b>	<b>Enacted FY2004</b>
<b>FINANCE AND ADMINISTRATION</b>		
Office of the Controller	4,000,000	4,000,000
<b>HEALTH SERVICES</b>		
Administrative Support	12,729,200	13,254,500
Children with Special Health Care Needs	10,053,700	9,822,800
Medicaid Services		
Administration	44,009,800	44,741,900
Benefits	2,245,464,700	2,270,733,300
Subtotal	2,289,474,500	2,315,475,200
Mental Health/Mental Retardation	41,724,800	41,355,900
Public Health	141,120,500	127,620,500
Aging Services	18,885,300	18,885,300
<b>Total</b>	<b>2,513,988,000</b>	<b>2,526,414,200</b>
<b>JUSTICE</b>		
Justice Administration	13,433,500	13,384,700
State Police	9,772,600	10,261,300
Juvenile Justice	17,300,000	17,250,000
Criminal Justice Training	2,700,000	2,700,000
Corrections		
Corrections Management	1,743,100	800,000
Adult Correctional Institutions	328,700	215,200
Community Services and Local Facilities	51,000	
Subtotal	2,122,800	1,015,200
<b>Total</b>	<b>45,328,900</b>	<b>44,611,200</b>
<b>LABOR</b>		
Workplace Standards	3,280,500	3,280,500
<b>NATURAL RESOURCES AND ENVIRONMENTAL PROTECTION</b>		
General Administration and Support	1,585,200	1,596,300
Natural Resources	6,283,300	4,914,700
Environmental Protection	19,457,000	19,661,900
Surface Mining Reclamation and Enforcement	17,243,300	17,390,000
Abandoned Mine Lands Reclamation Projects	22,000,000	22,000,000
Kentucky Nature Preserves Commission	25,000	25,000
<b>Total</b>	<b>66,593,800</b>	<b>65,587,900</b>
<b>POSTSECONDARY EDUCATION</b>		
Council on Postsecondary Education	4,260,000	3,161,200
Kentucky Higher Education Assistance Authority	868,700	890,000
Eastern Kentucky University	44,454,400	46,665,700
Kentucky State University	11,500,400	11,730,400
Morehead State University	46,570,500	51,207,100

**FEDERAL FUNDS - APPROPRIATED**

<b>Cabinet/Agency</b>	<b>Enacted FY2003</b>	<b>Enacted FY2004</b>
Murray State University	10,646,700	10,906,800
Northern Kentucky University	7,422,000	7,669,100
University of Kentucky	126,193,600	128,053,100
University of Louisville	49,334,100	50,789,900
Western Kentucky University	30,444,000	32,444,000
Kentucky Community and Technical College System	68,053,500	71,735,500
<b>Total</b>	<b>399,747,900</b>	<b>415,252,800</b>
 <b>PUBLIC PROTECTION AND REGULATION</b>		
Claims/Crime Victims' Compensation	546,900	557,800
Mines and Minerals	599,300	598,500
Public Advocacy	1,569,300	1,384,500
Public Service Commission	259,800	272,200
<b>Total</b>	<b>2,975,300</b>	<b>2,813,000</b>
 <b>TOURISM DEVELOPMENT</b>		
Fish and Wildlife Resources	7,864,000	7,650,000
 <b>TRANSPORTATION</b>		
Air Transportation	13,800	9,400
Public Transportation	28,864,900	27,517,000
Highways	495,939,000	496,114,400
Vehicle Regulation	2,786,600	2,826,200
<b>Total</b>	<b>527,604,300</b>	<b>526,467,000</b>
 <b>WORKFORCE DEVELOPMENT</b>		
General Administration and Program Support	190,300	175,400
Technical Education	13,037,200	13,037,200
Adult Education and Literacy	12,624,500	15,149,400
Vocational Rehabilitation	43,328,800	44,193,800
Department for the Blind	7,484,600	7,636,700
Training and Reemployment	48,530,400	49,350,300
Employment Services	617,825,500	509,917,900
<b>Total</b>	<b>743,021,300</b>	<b>639,460,700</b>
<b>Grand Total - Executive Branch</b>	<b>5,533,885,800</b>	<b>5,428,253,600</b>
Judicial Branch	2,956,200	1,223,800
<b>Grand Total - Commonwealth of Kentucky</b>	<b>5,536,842,000</b>	<b>5,429,477,400</b>



# ROAD FUND

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**ROAD FUND - REGULAR APPROPRIATION**

<b>Cabinet/Agency</b>	<b>Enacted FY2003</b>	<b>Enacted FY2004</b>
<b>GOVERNMENT OPERATIONS</b>		
Governor's Office for Technology	125,000	125,000
<b>FINANCE AND ADMINISTRATION</b>		
Debt Service	3,668,000	3,664,000
Administration	283,000	283,000
<b>Total</b>	<b>3,951,000</b>	<b>3,947,000</b>
<b>JUSTICE</b>		
State Police	35,000,000	35,000,000
<b>REVENUE</b>		
Revenue	1,418,000	1,418,000
<b>TRANSPORTATION</b>		
General Administration and Support	70,288,300	75,914,900
Revenue Sharing	220,520,900	224,762,500
Highways	586,293,600	597,113,200
Vehicle Regulation	30,031,700	31,333,800
Debt Service	167,660,900	161,312,100
<b>Total</b>	<b>1,074,795,400</b>	<b>1,090,436,500</b>
<b>Grand Total - Executive Branch</b>	<b>1,115,289,400</b>	<b>1,130,926,500</b>
<b>Grand Total - Commonwealth of Kentucky</b>	<b>1,115,289,400</b>	<b>1,130,926,500</b>

**ROAD FUND - SURPLUS EXPENDITURE PLAN**

<b>Cabinet/Agency</b>	<b>Enacted FY2003</b>	<b>Enacted FY2004</b>
<b>TRANSPORTATION</b>		
Highways	75,240,900	
<b>Grand Total - Executive Branch</b>	<b>75,240,900</b>	
<b>Grand Total - Commonwealth of Kentucky</b>	<b>75,240,900</b>	



# CAPITAL CONSTRUCTION

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**GENERAL FUND - CAPITAL**

<b>Cabinet/Agency</b>	<b>Enacted FY2003</b>	<b>Enacted FY2004</b>
<b>GOVERNMENT OPERATIONS</b>		
Veterans' Affairs	100,000	
<b>TOURISM DEVELOPMENT</b>		
Kentucky Horse Park		400,000
<b>Grand Total - Executive Branch</b>	<b>100,000</b>	<b>400,000</b>

**RESTRICTED FUNDS - CAPITAL**

<b>Cabinet/Agency</b>	<b>Enacted FY2003</b>	<b>Enacted FY2004</b>
<b>GOVERNMENT OPERATIONS</b>		
Governor's Office for Technology	7,117,000	5,652,000
Agriculture	275,000	
Military Affairs	500,000	500,000
Kentucky River Authority	30,000	2,500,000
<b>Total</b>	<b>7,922,000</b>	<b>8,652,000</b>
<b>ECONOMIC DEVELOPMENT</b>		
Financial Incentives	10,000,000	
<b>EDUCATION, ARTS AND HUMANITIES</b>		
Kentucky Educational Television	445,000	
<b>FINANCE AND ADMINISTRATION</b>		
Facilities Management	9,610,000	100,000
<b>HEALTH SERVICES</b>		
Public Health	1,474,000	
<b>JUSTICE</b>		
State Police	136,000	136,000
Juvenile Justice	190,000	
Corrections Management	1,060,000	
<b>Total</b>	<b>1,386,000</b>	<b>136,000</b>
<b>NATURAL RESOURCES AND ENVIRONMENTAL PROTECTION</b>		
General Administration and Support	3,000,000	3,000,000
Environmental Protection	2,600,000	2,600,000
<b>Total</b>	<b>5,600,000</b>	<b>5,600,000</b>
<b>POSTSECONDARY EDUCATION</b>		
Kentucky Higher Education Assistance Authority	650,000	
Eastern Kentucky University	42,650,000	
Kentucky State University	19,094,000	
Morehead State University	44,978,000	4,614,000
Murray State University	134,242,800	
Northern Kentucky University	30,110,000	
University of Kentucky	354,456,000	199,475,000
University of Louisville	74,329,100	
Western Kentucky University	44,176,000	
Kentucky Community and Technical College System	27,624,000	
<b>Total</b>	<b>772,309,900</b>	<b>204,089,000</b>
<b>TOURISM DEVELOPMENT</b>		
Kentucky State Fair Board	1,500,000	1,500,000
Fish and Wildlife Resources	800,000	800,000
<b>Total</b>	<b>2,300,000</b>	<b>2,300,000</b>
<b>COAL SEVERANCE TAX PROJECTS</b>		
	32,942,625	25,495,750
<b>Grand Total - Executive Branch</b>	<b>843,989,525</b>	<b>246,372,750</b>

**ROAD FUND - CAPITAL**

<b>Cabinet/Agency</b>	<b>Enacted FY2003</b>	<b>Enacted FY2004</b>
<b>TRANSPORTATION</b>		
General Administration and Support	2,340,000	6,864,000
Highways	3,500,000	1,420,000
<b>Total</b>	<b>5,840,000</b>	<b>8,284,000</b>
<b>Grand Total - Executive Branch</b>	<b>5,840,000</b>	<b>8,284,000</b>

**FEDERAL FUND - CAPITAL**

<u>Cabinet/Agency</u>	<u>Enacted FY2003</u>	<u>Enacted FY2004</u>
<b>GOVERNMENT OPERATIONS</b>		
Veterans' Affairs	18,400,000	
Agriculture	460,000	
Military Affairs	36,516,000	
<b>Total</b>	<u>55,376,000</u>	
<b>JUSTICE</b>		
Juvenile Justice	3,210,000	
<b>NATURAL RESOURCES AND ENVIRONMENTAL PROTECTION</b>		
General Administration and Support	1,000,000	1,000,000
<b>POSTSECONDARY EDUCATION</b>		
University of Kentucky	2,530,000	2,186,000
University of Louisville	17,775,000	
Western Kentucky University	1,328,000	
Kentucky Community and Technical College System	<u>21,633,000</u>	
<b>Total</b>		
<b>TRANSPORTATION</b>		
Highways		5,680,000
<b>Grand Total - Executive Branch</b>	<u>81,219,000</u>	<u>8,866,000</u>

**BOND FUND - CAPITAL**

<u>Cabinet/Agency</u>	<u>Enacted FY2003</u>	<u>Enacted FY2004</u>
<b>GOVERNMENT OPERATIONS</b>		
Kentucky Infrastructure Authority	36,200,000	109,530,000
Agriculture	1,600,000	
Local Government	9,000,000	
<b>Total</b>	<u>46,800,000</u>	<u>109,530,000</u>
<b>ECONOMIC DEVELOPMENT</b>		
Financial Incentives	70,000,000	
<b>EDUCATION</b>		
Operation and Support Services	1,517,000	
<b>EDUCATION, ARTS AND HUMANITIES</b>		
School Facilities Construction Commission	246,879,900	
<b>HEALTH SERVICES</b>		
Mental Health/Mental Retardation	6,621,000	
<b>JUSTICE</b>		
Corrections Management	5,360,000	
<b>NATURAL RESOURCES AND ENVIRONMENTAL PROTECTION</b>		
Environmental Protection		1,000,000
<b>POSTSECONDARY EDUCATION</b>		
Council on Postsecondary Education	120,000,000	
<b>TOURISM DEVELOPMENT</b>		
Kentucky State Fair Board	3,300,000	
<b>WORKFORCE DEVELOPMENT</b>		
Vocational Rehabilitation	265,000	
<b>COAL SEVERANCE TAX PROJECTS</b>	10,663,480	
<b>Grand Total - Executive Branch</b>	<u>511,406,380</u>	<u>110,530,000</u>

**AGENCY BOND FUND**

<b>Cabinet/Agency</b>	<b>Enacted FY2003</b>	<b>Enacted FY2004</b>
<b>POSTSECONDARY EDUCATION</b>		
Council on Postsecondary Education	155,000,000	
<b>Grand Total - Executive Branch</b>	<b>155,000,000</b>	

**CAPITAL CONSTRUCTION SURPLUS**

<u>Cabinet/Agency</u>	<u>Enacted FY2003</u>	<u>Enacted FY2004</u>
<b>GOVERNMENT OPERATIONS</b>		
Governor's Office for Technology	1,000,000	
Treasury	320,000	319,000
<b>Total</b>	<u>1,320,000</u>	<u>319,000</u>
<b>EDUCATION</b>		
Operation and Support Services	520,000	
<b>JUSTICE</b>		
Justice Administration	250,000	
<b>PERSONNEL</b>	200,000	
<b>Grand Total - Executive Branch</b>	<u>2,290,000</u>	<u>319,000</u>

**INVESTMENT INCOME**

<u>Cabinet/Agency</u>	<u>Enacted FY2003</u>	<u>Enacted FY2004</u>
<b>GOVERNMENT OPERATIONS</b>		
Governor's Office for Technology	1,500,000	
Military Affairs	1,143,400	1,114,300
<b>Total</b>	<u>2,643,400</u>	<u>1,114,300</u>
<b>EDUCATION</b>		
Operation and Support Services	557,600	557,100
<b>EDUCATION, ARTS AND HUMANITIES</b>		
Kentucky Center for the Arts	400,000	139,400
<b>FINANCE AND ADMINISTRATION</b>		
Facilities Management	5,886,400	3,250,000
<b>HEALTH SERVICES</b>		
Mental Health/Mental Retardation	1,301,000	1,300,000
<b>JUSTICE</b>		
Justice Administration		
State Police	232,300	232,100
Juvenile Justice	371,700	371,400
Corrections Management	1,672,700	1,671,400
<b>Total</b>	<u>2,276,700</u>	<u>2,274,900</u>
<b>NATURAL RESOURCES AND ENVIRONMENTAL PROTECTION</b>		
General Administration and Support	93,000	92,900
<b>TOURISM DEVELOPMENT</b>		
Parks	3,438,400	5,535,700
Kentucky Horse Park	666,400	441,400
<b>Total</b>	<u>4,104,800</u>	<u>5,977,100</u>
<b>WORKFORCE DEVELOPMENT</b>		
General Administration and Program Support	520,000	394,600
<b>Grand Total - Executive Branch</b>	<u>17,782,900</u>	<u>15,100,300</u>

**DEFERRED MAINTENANCE**

<b>Cabinet/Agency</b>	<b>Enacted FY2003</b>	<b>Enacted FY2004</b>
<b>EDUCATION, ARTS AND HUMANITIES</b>		
Kentucky Center for the Arts	957000	
<b>Grand Total - Executive Branch</b>	<b>957,000</b>	

**EMERGENCY, REPAIR, MAINTENANCE AND REPLACEMENT**

<b>Cabinet/Agency</b>	<b>Enacted FY2003</b>	<b>Enacted FY2004</b>
<b>TOURISM DEVELOPMENT</b>		
Parks		500,000
<b>Grand Total - Executive Branch</b>		<b>500,000</b>

**CAPITAL CONTRUCTION CONTINGENCY**

<b>Cabinet/Agency</b>	<b>Enacted FY2003</b>	<b>Enacted FY2004</b>
<b>GOVERNMENT OPERATIONS</b>		
Local Government	300,000	
<b>NATURAL RESOURCES AND ENVIRONMENTAL PROTECTION</b>		
Environmental Protection	500,000	
<b>Grand Total - Executive Branch</b>	<b>800,000</b>	

**OTHER FUNDS**

<u>Cabinet/Agency</u>	<u>Enacted FY2003</u>	<u>Enacted FY2004</u>
<b>FINANCE AND ADMINISTRATION</b>		
Ky Lottery	28,780,000	2,400,000
<b>NATURAL RESOURCES AND ENVIRONMENTAL PROTECTION</b>		
Kentucky Nature Preserves Commission	300,000	300,000
<b>POSTSECONDARY EDUCATION</b>		
Murray State University	3,000,000	
University of Louisville	76,838,000	
<b>Total</b>	<u>79,838,000</u>	
<b>Grand Total - Executive Branch</b>	<u>108,918,000</u>	<u>2,700,000</u>



# EXECUTIVE BUDGET

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- House Bill 269
- Senate Bill 48, 2003 Regular Session
- Executive Order 2003-505 dated May 21, 2003



# **GENERAL ASSEMBLY COMMONWEALTH OF KENTUCKY**

## **2003 REGULAR SESSION**

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HOUSE BILL NO. 269

AS ENACTED, VETOED IN PART, AND OVERRIDDEN IN PART

---

TUESDAY, MARCH 25, 2003

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# **GENERAL ASSEMBLY**

## **COMMONWEALTH OF KENTUCKY**

**2003 REGULAR SESSION**

---

**SENATE BILL NO. 48**

**AS ENACTED**

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**TUESDAY, MARCH 25, 2003**

---

AN ACT relating to the budget process, making an appropriation therefor, and declaring an emergency.

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

Section 1. The General Assembly hereby appropriates for fiscal year 2002-2003 funds required for those expenditures that have been approved by the Secretary of the Finance and Administration Cabinet and which have been paid or for which a check has been written by the Office of the State Treasurer.

Section 2. The General Assembly hereby appropriates for fiscal year 2002-2003 funds for those expenditures for which a Memorandum of Agreement has been approved by the Secretary of the Finance and Administration Cabinet and the Government Contract Review Committee of the Legislative Research Commission, except as modified by House Bill 269 in the 2003 Regular Session or for which the funding source has been changed.

Section 3. The provisions of Sections 1 and 2 of this Act shall apply to periods preceding the effective date of House Bill 269 and House Bill 294 of the 2003 Regular Session.

Section 4. Whereas the Commonwealth's fiscal year 2002-2003 ends June 30, 2003, and it is essential for the purpose of clarity and transition that the provisions of this Act become effective immediately, an emergency is declared to exist, and this Act takes effect upon its passage and approval by the Governor or upon its otherwise becoming law.



**PAUL E. PATTON  
GOVERNOR**

**EXECUTIVE ORDER**

**2003 -505**

**May 21, 2003**

**Secretary of State  
Frankfort  
Kentucky**

**RELATING TO REORGANIZATION  
DESIGNATION FOR ADMINISTRATION OF  
2002-2004 ENACTED BUDGET CAPITAL PROJECTS**

**WHEREAS**, the Commonwealth of Kentucky has always promoted effective and efficient management of state government operations; and

**WHEREAS**, it has been determined that improved efficiency and economy will result from a reorganization for administrative purposes of a portion of the 2002-2004 Enacted Budget Capital Projects; and

**WHEREAS**, the realignment will further the objective of improved oversight and management of Capital Projects in state government and is consistent with the legislative intent expressed in House Bill 269, the Executive Branch Appropriations Bill, and Senate Bill 48 which ratified certain project activity undertaken during the 2002-2004 biennium; and

**WHEREAS**, a number of individual project descriptions would benefit from clarifications as to intent and location;

**NOW, THEREFORE**, I Paul E. Patton, Governor of the Commonwealth of Kentucky, acting pursuant to the authority vested in me by the Constitution and KRS 12.028, do hereby Order and Direct the following Reorganization of Designation for Administration of the following 2002-2004 Enacted Budget Capital Projects:

**HOUSE BILL 269**

**(As Enacted and Vetoed in Part, and Overridden in Part)**

**Kentucky Infrastructure Authority Water and Sewer Development Bond Pool Projects**

***Coal Bond Project – Part XIII, Section A***

- Project #98 – 02-03  
Change “Whitley County Water District – Water/Sewer Extension to Jail”  
To “Whitley County Fiscal Court – Water/Sewer Extension to Jail”  
(\$790,000)



**PAUL E. PATTON  
GOVERNOR**

**EXECUTIVE ORDER**

**2003 -505**

**May 21, 2003**

**Secretary of State**

**Frankfort  
Kentucky**

**HOUSE BILL 269  
(As Enacted and Vetoed in Part, and Overridden in Part)**

**Kentucky Infrastructure Authority Water and Sewer Development Bond Pool Projects**

***Coal Bond Project – Part XIII, Section A***

- Project #98 – 02-03  
Change “Whitley County Water District – Water/Sewer Extension to Jail”  
To “Whitley County Fiscal Court – Water/Sewer Extension to Jail”  
(\$790,000)

***Tobacco Bond Projects – Part XIII, Section B***

- Project #81 – 02-03  
Change “Garrard County Water – Old Falls Lick and North 27 Water”  
To “Lincoln County Fiscal Court – Old Falls Lick and North 27 Water”  
(\$38,988)
- Project #80 – 02-03  
Change “Eubank Water”  
To “Lincoln County Fiscal Court – Eubank Water”  
(\$60,000)
- Project #2 – 02-03  
Change “Allen County Fiscal Court – Industrial Sewer Line Extension”  
To “City of Scottsville – Water and Sewer to Industrial Park and Line Extensions  
in County”  
(\$500,000)



**PAUL E. PATTON  
GOVERNOR**

**EXECUTIVE ORDER**

**2003 -505**

**May 21, 2003**

**Secretary of State**

**Frankfort  
Kentucky**

- **Project #56 – 02-03**  
Change “Garrard County Fiscal Court – Flint Road Water Line Upgrade”  
To “Madison County Fiscal Court – Flint Road Water Line Upgrade”  
(\$100,000)
- **Project #91 – 02-03**  
Change “Lebanon/Marion County Industrial Development Authority – Industrial Site Water”  
To “Lebanon Water Works, Inc. – Various Sites Water Extensions - \$180,000”  
“City of Lebanon Sewer System – Various Sites Sewer Extensions - \$270,000”
- **Project #26 – 02-03**  
Delete “City of Princeton – Water Treatment Plant Expansion”  
And Add \$150,000 to Project #25
- **Project #25 – 02-03**  
“City of Princeton – Water Storage Tank”  
Add \$150,000 from Project #26 to increase amount of Project #25 to \$275,000
- **Project #115 – 02-03**  
Delete “Mt. Sterling Water and Sewer”  
And Add \$110,000 to Project #114
- **Project #114 – 02-03**  
“Mt. Sterling – Water Treatment Plant”  
Add \$110,000 from Project #115 to increase amount of Project #114 to \$610,000

**Coal Severance Project – Part II, Section R**

- **Project #199 – 03-04**  
Change “Knox County Fiscal Court – Fire Hydrant 830 next to West Knox School”  
to “Barbourville Water – Fire Hydrant 830 next to West Knox School”  
(\$1,500)



**PAUL E. PATTON  
GOVERNOR**

**EXECUTIVE ORDER**

**2003 -505**

**May 21, 2003**

**Secretary of State**

**Frankfort  
Kentucky**

**Rupp Arena/Lexington Civic Center Project – Part II, Section B, Page 91**

- Move the "Rupp Arena/Lexington Civic Center" project from the Cabinet for Economic Development to the Finance and Administration Cabinet, Office of the Secretary.

**Tourism Development Projects – Part I, Section O, Page 74**

- Move from the Tourism Development Cabinet, Office of the Secretary, General Fund Operating Budget 2003 - \$2,300,000 in fiscal year 2003 to the Tourism Development Cabinet, Office of the Secretary, Capital Projects Budget as follows:

Improvement and Expansion of the Stonecrest Golf and Recreation Complex in Prestonsburg - \$1,500,000;

Acquisition and Construction of the White Hall Park on land immediately adjacent to the White Hall State Historic Site in Madison County - \$700,000;

Purchase and Repair of a Chair Lift at Jenny Wiley State Park in Floyd County - \$100,000.

The Finance and Administration Cabinet, the Governor's Office for Policy and Management, and other state agencies referred to herein shall take all necessary action to effectuate the provisions of this Order.



PAUL E. PATTON  
GOVERNOR

EXECUTIVE ORDER

2003 -505

May 21, 2003

Secretary of State  
Frankfort  
Kentucky

A handwritten signature in cursive script that reads "Paul E. Patton".

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PAUL E. PATTON, Governor  
Commonwealth of Kentucky

A handwritten signature in cursive script that reads "John Y. Brown III".

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JOHN Y. BROWN III  
Secretary of State



# LEGISLATIVE BUDGET

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- House Bill 657

# IN HOUSE

**2002 REGULAR SESSION**

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HOUSE BILL NO. 657

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WEDNESDAY, FEBRUARY 13, 2002

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Representatives Jody Richards, Gregory Stumbo, Joe Barrows, Jim Callahan, Larry Clark, and Harry Moberly introduced the following bill which was ordered to be printed.



# JUDICIAL BUDGET

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- House Bill 294



# **GENERAL ASSEMBLY COMMONWEALTH OF KENTUCKY**

## **2003 REGULAR SESSION**

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HOUSE BILL NO. 294

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TUESDAY, MARCH 4, 2003

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The following bill was reported to the Senate from the House and ordered to be printed.



# FY 2003 SPENDING PLAN EXECUTIVE AND JUDICIAL BRANCHES

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## EXECUTIVE BRANCH

- Executive Order 2002-727 dated June 26, 2002
- Finance and Administration Secretary's Order for Implementation of the Executive Spending Plan
- Explanation of Governor Patton's 2003 Spending Plan
- House Bill 1, dated April 24, 2002

## JUDICIAL BRANCH

- Executive Order dated June 27, 2002
- House Bill 3, dated April 24, 2002



PAUL E. PATTON  
GOVERNOR

EXECUTIVE ORDER

Secretary of State  
Frankfort  
Kentucky

2002-727  
June 26, 2002

**RELATING TO TEMPORARY EMERGENCY EXPENDITURES PROVIDING FINANCING FOR THE OPERATIONS, MAINTENANCE, SUPPORT, AND FUNCTIONING OF THE GOVERNMENT OF THE COMMONWEALTH OF KENTUCKY AND ITS VARIOUS OFFICERS, CABINETS, DEPARTMENTS, BOARDS, COMMISSIONS, INSTITUTIONS, SUBDIVISIONS, AGENCIES, AND OTHER STATE-SUPPORTED ACTIVITIES FOR FISCAL YEAR BEGINNING JULY 1, 2002 AND ENDING JUNE 30, 2003.**

WHEREAS, under KRS 48.300, KRS 48.950, and Sections 171 and 230 of the Kentucky Constitution, the General Assembly is empowered to raise and appropriate revenue and approve and adopt a balanced budget for the operation, maintenance, support and functioning of the Government of the Commonwealth of Kentucky; and

WHEREAS, the Regular Session of the General Assembly convened on January 8, 2002, and thereafter enacted a budget for the Legislative Branch but adjourned sine die on April 15, 2002 without enacting a budget for the Executive Branch or for the Court of Justice for the fiscal year beginning July 1, 2002; and

WHEREAS, the General Assembly was, by Proclamation of the Governor, convened in Extraordinary Session on April 22, 2002, for the sole purpose of enacting a comprehensive budget measure, but failed in its efforts and once again adjourned, sine die, without enacting a comprehensive appropriations measure to govern the fiscal policy of the state for the fiscal year beginning July 1, 2002; and

WHEREAS, there is no express comprehensive statutory plan directing how the Commonwealth is to proceed in the event that the General Assembly fails or refuses to enact a comprehensive budget; and

WHEREAS, the absence of a complete spending plan imperils the health, safety and welfare of the Commonwealth by, *inter alia*:



PAUL E. PATTON  
GOVERNOR

EXECUTIVE ORDER

Secretary of State  
Frankfort  
Kentucky

2002-727  
June 26, 2002

- (1) putting at risk billions of federal fund dollars, the receipt of which is conditioned upon the availability of state matching funds;
- (2) curtailing the economic prosperity and growth potential of the Commonwealth, and potential employment opportunities for Kentuckians;
- (3) endangering the land, water and air resources of the Commonwealth;
- (4) imperiling state emergency and disaster response systems, including local 911 operators;
- (5) disrupting operations of myriad state facilities including but not limited to prisons, schools, mental hospitals, children's homes and veterans' nursing home facilities;
- (6) obstructing the revenue collection processes of state and local governments;
- (7) jeopardizing the bond rating of the Commonwealth;
- (8) impeding timely payments from the State Treasury for goods received and services performed that are necessary for the day-to-day operations and maintenance of the programs and facilities of the Commonwealth; and
- (9) endangering the continuity and availability of services to all citizens of the Commonwealth; and

**WHEREAS**, pursuant to Sections 69 and 81 of the Kentucky Constitution, the supreme executive power of the Commonwealth is vested in the Governor and the Governor is explicitly empowered and mandated to "take care that the laws be faithfully executed"; and

**WHEREAS**, the expenditure of public funds is necessary in order for the Governor to fulfill his constitutionally mandated duty to faithfully execute the laws and provide for the common welfare of the Commonwealth as its Chief Magistrate; and

**WHEREAS**, because the General Assembly failed to carry out its constitutional and statutory duty to enact a comprehensive balanced budget during the 2002 Regular and Special Sessions, the Commonwealth is now confronted with an emergency requiring



PAUL E. PATTON  
GOVERNOR

EXECUTIVE ORDER

Secretary of State

Frankfort  
Kentucky

2002-727  
June 26, 2002

action by the Executive Branch to continue the operation of the government of the Commonwealth of Kentucky, including providing financing from available revenue for the continued operation of government;

NOW, THEREFORE, I, PAUL E. PATTON, Governor of the Commonwealth of Kentucky, by virtue of authority vested in me by the Kentucky Constitution and in particular Sections 69 and 81, and as further vested in me by the laws of the Commonwealth, do hereby FIND, DECLARE, ORDER AND DIRECT the following:

1. That a state of emergency exists in the Commonwealth due to the failure of the General Assembly to enact a budget for the Executive Branch or the Court of Justice as constitutionally and statutorily required for the fiscal period beginning July 1, 2002 and ending June 30, 2003.
2. The declared emergency poses a direct and serious imminent risk of harm to the preservation of order, the administration of justice and the protection of the public health and property, all of which are fundamental purposes of government.
3. The sound and orderly management of the people's business mandates that any disruption of services due to the failure of the General Assembly to enact a comprehensive balanced budget should be minimized, and that state services must therefore be provided on a predictable, regular and established schedule.
4. These services should and must be provided to the extent possible within the reasonable boundaries of anticipated revenues which, for the fiscal year beginning July 1, 2002 and ending June 30, 2003, have been forecast pursuant to statutorily recognized estimating procedures in the amounts reflected in the funding summary attached hereto as Exhibit A and incorporated herein by reference.



PAUL E. PATTON  
GOVERNOR

EXECUTIVE ORDER

Secretary of State  
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5. As reflected in Exhibit A, through its adoption of House Bill 657, the General Assembly has made appropriations for the use of the Legislative Branch totaling \$ 36,515,900, leaving \$ 18,187,941,616 in previously estimated revenues identified for use by the Executive Branch and the Court of Justice for the operation and function of their respective branches of government.
6. The authority of the Governor, pursuant to Sections 69 and 81 of the Kentucky Constitution, to cause the expenditure from the State Treasury of such available funds as may be necessary for the operation of government and the execution of the laws of the Commonwealth by the Executive Branch is hereby recognized. The authority of the Chief Justice, as executive head of the Court of Justice, pursuant to Sections 110 and 120 of the Kentucky Constitution, to issue warrants as may be necessary to cause the expenditure of funds for the compensation and necessary expenses of the Court of Justice is hereby recognized. Accordingly, the Secretary of the Finance and Administration Cabinet is hereby authorized to issue warrants for the payment of all claims as may be made by the Executive Branch of government in accordance with the Executive Spending Plan outlined in the Order of the Secretary of the Finance and Administration Cabinet issued concurrently herewith, and to assist the Court of Justice as may be necessary to implement lawful expenditures for its operation, taking into consideration the available financial resources and the competing financial obligations of the Commonwealth.
7. Pursuant to this Order and in accordance with KRS 48.400 et seq., the Secretary of the Finance and Administration Cabinet shall also have the authority, after consultation with the State Budget Director, to make adjustments to the general revenue allocation summary attached hereto,



PAUL E. PATTON  
GOVERNOR

EXECUTIVE ORDER

Secretary of State  
Frankfort  
Kentucky

2002-727  
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including the authority to transfer funds from one account to another, as may be necessary to protect the financial interests of the state.

8. In addition to the monthly reports as to the financial condition of the state and its budget units required by KRS 48.400, the Secretary of the Finance and Administration Cabinet shall make monthly reports to the Governor, the Chief Justice and the Legislative Research Commission on all expenditures authorized pursuant to this order.
9. Unless otherwise directed by the issuance of a subsequent Executive Order, all state personnel normally scheduled for duty shall continue to report for service at their usual duty station at their regularly scheduled hours pursuant to state law.
10. All state agencies and department heads are hereby authorized to perform such lawful acts as may be undertaken to implement the provisions of this Order.
11. The provisions of this Order shall remain in full force and effect until July 1, 2003, unless sooner rescinded or superseded by subsequent Executive Order or by legislative enactment of a budget.
12. This Order shall become effective immediately upon filing with the Secretary of State.

Paul E. Patton, Governor  
Commonwealth of Kentucky

John Y. Brown III, Secretary of State

## Exhibit A

FY 2002-2003

### Total Funds Available

General Fund	7,146,455,200
General Fund - Tobacco	125,600,000
Restricted Funds	4,278,503,516
Federal Funds	5,442,950,500
Road Fund	1,097,539,300
Capital Construction Surplus	2,540,000
Investment Income	22,194,000
Deferred Maintenance	957,000
Other Funds	105,918,000
Emergency Repair, Replacement and Maintenance	1,000,000
Capital Construction Contingency	800,000

**Total-Funds Available** 18,224,457,516

### Less Legislative Branch Appropriations:

General Fund	36,450,400
Restricted Funds	65,500

**Total-Legislative Branch Appropriations** 36,515,900

### Less Reserve for Court of Justice:

General Fund	200,368,100
Restricted Funds	11,126,100
Federal Funds	1,412,200

**Total-Reserve for Court of Justice** 212,906,400

### Funds Available to Executive Branch

General Fund	6,909,636,700
General Fund - Tobacco	125,600,000
Restricted Funds	4,267,311,916
Federal Funds	5,441,538,300
Road Fund	1,097,539,300
Capital Construction Surplus	2,540,000
Investment Income	22,194,000
Deferred Maintenance	957,000
Other Funds	105,918,000
Emergency Repair, Replacement and Maintenance	1,000,000
Capital Construction Contingency	800,000

**Total-Funds Available to Executive Branch** 17,975,035,216

**COMMONWEALTH OF KENTUCKY  
FINANCE AND ADMINISTRATION CABINET  
OFFICE OF THE SECRETARY**

**AN ORDER DIRECTING THE IMPLEMENTATION OF  
THE EXECUTIVE SPENDING PLAN  
AUTHORIZED AND APPROVED BY  
EXECUTIVE ORDER 2002-727**

**WHEREAS**, under KRS 48.300, KRS 48.950, and Sections 171 and 230 of the Kentucky Constitution, the General Assembly is empowered to raise and appropriate revenue and approve and adopt a balanced budget for the operation, maintenance, support and functioning of the Government of the Commonwealth of Kentucky; and

**WHEREAS**, during the 2002 Regular and Special Sessions, the General Assembly enacted a budget for the Legislative Branch, but did not enact a budget for either the Executive Branch or the Court of Justice, and thus did not fulfill its constitutional and statutory duty to enact a comprehensive balanced budget for the fiscal year beginning July 1, 2002; and

**WHEREAS**, because of the General Assembly's failure to act, the Governor of the Commonwealth has declared that a state of emergency exists that requires action of the Executive Branch to continue the operation of government; and

**WHEREAS**, to address this situation, the Governor has exercised his constitutional authority, including specifically the powers and mandates of Sections 69 and 81 of the Kentucky Constitution, and the further authority vested in him as the Chief Magistrate by the laws of the Commonwealth, to issue Executive Order 2002-727; and

**WHEREAS**, as provided in Executive Order 2002-727, the General Assembly has made appropriations for the use of the Legislative Branch during the fiscal year beginning July 1, 2002 totaling \$36,515,900, leaving \$18,187,941,616 in previously estimated revenues identified for use by the Executive Branch and the Court of Justice for the operation and function of their respective branches of government; and

**WHEREAS**, Exhibit A to Executive Order 2002-727 having identified \$212,906,400 for the use of the Court of Justice, a total of \$17,975,035,216 remains for the use of the Executive Branch to comply with the previously estimated revenues and reflect a balanced spending plan for government expenditures; and

WHEREAS, the Governor has directed the implementation of a spending plan and authorized the Secretary of the Finance and Administration Cabinet to issue warrants for the payment of all claims as may be made by the Executive Branch of government in accordance therewith;

NOW, THEREFORE, I, T. Kevin Flanery, in accordance with the authority vested in me pursuant to KRS Chapter 42 as the state's chief financial officer, and as further vested in me by the laws of the Commonwealth, do hereby FIND, DECLARE, ORDER AND DIRECT the following:

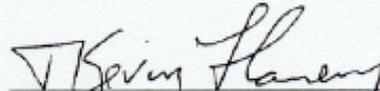
1. Executive Branch agencies are hereby directed to operate during the fiscal year beginning July 1, 2002 within the monetary parameters set forth in the Executive Spending Plan, a copy of which is attached hereto as Exhibit A and incorporated herein by reference, this Order, and Executive Order 2002-727.

2. Personnel within the Finance and Administration Cabinet shall cause warrants to issue on the State Treasury, as is customary, for the payment of all claims as may be made by the Executive Branch of government in accordance with Executive Spending Plan, a copy of which is attached hereto as Exhibit A and incorporated herein by reference, this Order, and Executive Order 2002-727.

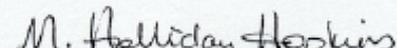
3. The provisions of this Order shall remain in full force and effect until July 1, 2003, unless sooner rescinded or superseded by subsequent Secretary's Order, Governor's Executive Order or by legislative enactment of a budget.

4. This Order shall become effective immediately upon its signing.

Signed this 26 day of June, 2002.

  
\_\_\_\_\_  
T. Kevin Flanery, Secretary  
Finance and Administration Cabinet

Approved as to form and legality:

  
\_\_\_\_\_  
M. Holliday Hopkins, General Counsel  
Finance and Administration Cabinet

# EXPLANATION OF GOVERNOR PATTON'S 2003 SPENDING PLAN



## Introduction

It is well recognized that a budget is the financial plan for an organization; the budget reflects policy decisions on how to allocate limited resources among unlimited needs and demands - the budget is the primary policy document of an organization. The budget communicates important financial and programmatic information to both internal and external users. The budget is a management tool.

The General Assembly of the Commonwealth of Kentucky did not, during either the 2002 Regular Session nor the First Extraordinary Session, enact an appropriations bill for either the Executive Branch or the Judicial Branch for the July 1, 2002 - June 30, 2004 biennium as “anticipated” by the Constitution of the Commonwealth.

Kentucky is one of 12 states identified by the National Conference of State Legislatures (NCSL) as having no constitutional or statutory provisions providing specific direction for the expenditure of funds in the event the General Assembly fails to enact an appropriations bill or a budget. (The NCSL survey indicated that nine states have provisions for “continuation” spending at previously appropriated levels in the event that the legislature fails to enact a budget. The NCSL survey indicated that in 25 states there are provisions that, if the legislature fails to enact a budget, the government is shut down - or that payments continue only for only “essential government services.” In four states, other provisions are provided for in the event a budget is not legislatively enacted.<sup>1</sup>)

It is not in the best interests of the people of Kentucky to operate state government with an undefined “continuation” spending program nor is it in the best interest of the people to shut down government services totally or partially. Kentucky state government provides a myriad of needed services to its people; the delivery of these services and the day-to-day operation of state government is important to the health and well-being of our citizens and to the economic prosperity of the state. Therefore, the failure of the Kentucky General Assembly to adopt an Appropriations Bill for the 2002-2004 biennium, requires Governor Paul E. Patton to implement a Spending Plan that ensures the continued operation of state government on an emergency basis.

Governor Patton’s fiscal year 2003 Spending Plan is not a “budget”-- the Governor does not have the authority to “legislate” or to make “appropriations.” However, the Governor does have the authority, and the responsibility, to ensure the efficient operation and management of state government. The Governor, as the Chief Magistrate of the Commonwealth, has the authority and responsibility to operate and manage all functions of the Executive Branch of government within the context of a fiscally responsible balanced budget.

The purpose of this document is to articulate those components of the Governor’s fiscal year 2003 Spending Plan that differ from the provisions of House Bill 1 as approved by the House of Representatives in the 2002 Extraordinary Session of the Kentucky General Assembly. (House

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<sup>1</sup> National Conference of State Legislatures, Vol.6, No.14; March 1998

Bill 1 represented a melding of the policy and financial decisions introduced in the Executive branch budget in January 2002 and the approvals and modifications made to that budget by the respective Chambers of the General Assembly throughout the course of the Regular 2002 Session.) The Senate adopted House Bill 1 Senate Committee Substitute (SCS). The financial differences between House Bill 1 and House Bill 1 SCS are de minimus and are detailed in Attachment B.

## **Goals of Governor Patton's Fiscal Year 2003 Spending Plan**

The goals for Governor Patton's fiscal year 2003 Spending Plan are to:

- 1) provide for the continued efficient operation of state government; avoid a shutdown or partial shutdown of government services;
- 2) provide for needed wage and salary increases for state employees and teachers;  
and
- 3) mirror, to the maximum degree possible, the financial provisions provided for in House Bill 1 as introduced during the Special Session and as adopted by the House of Representatives.

## Legal Analysis

To assist Governor Patton in the development of a fiscal year 2003 Spending Plan, a legal team was assembled to determine executive authority pursuant to the Kentucky Constitution and statutes. This legal team was comprised of:

- General Counsel, Office of the Governor,
- Office of the Attorney General,
- Office of the Legal and Legislative Services, Finance and Administration Cabinet,
- Outside Legal Counsel with extensive expertise in Kentucky constitutional law.

After thorough legal research of both constitutional and case law in Kentucky and in other states, the Governor was advised of the clear legal consensus that the Governor, as the Chief Magistrate of the Commonwealth, has broad but not unlimited, spending authority over the Executive Branch given the failure of the General Assembly to timely enact a budget.

The primary findings of this legal analysis were that the failure of the General Assembly to enact a budget imperils the health, safety, and welfare of our citizens and creates an emergency requiring executive action. Given this emergency, the Governor, as the Chief Magistrate of the Commonwealth, has not only the authority, but also the responsibility to ensure the sound and orderly operation of government. To do so requires the development and implementation of a Spending Plan to govern the Executive Branch of state government during the 2003 fiscal year. Importantly, this allows the General Assembly the opportunity to confirm or modify the Spending Plan in a Special Session should one be convened, or in the next Regular Session of the General Assembly (January 2003), as well as the opportunity to adopt a budget for fiscal year 2004, the second year of the fiscal biennium.

It should be noted that the General Assembly adopted an Appropriations Bill for the Legislative Branch of government in the 2002 Regular Session; the General Assembly failed to enact an Appropriations Bill for the Judicial Branch of government. It is recognized that the Chief Justice of the Kentucky Supreme Court also has broad authority to implement a judicial order which identifies a Spending Plan for the Judicial Branch of government.

The Governor's Spending Plan will be effectuated by an Executive Order that references a Finance and Administration Cabinet Secretary's Order. The Secretary's Order details spending targets, by fund source, for all budget units (appropriation units) of the Executive Branch.

## Criteria for Evaluating Elements of the Spending Plan

Given the consensus legal opinion that the Governor has broad, but not unlimited budgetary authority when the General Assembly fails to enact a biennial budget, a detailed analysis was undertaken by the Office of the State Budget Director (OSBD) to determine the specific provisions of House Bill 1 that could be incorporated into a Spending Plan, and those elements of House Bill 1 that could not be included in an Executive Spending Plan. The specific criteria used to evaluate the appropriateness of each provision of House Bill 1 (both financial and other than financial) included:

- The requirement for the Commonwealth to have a balanced budget;
- The broad ability to manage government granted to the Governor as the Chief Magistrate of the Commonwealth as identified in the Kentucky Constitution;
- The practical need to operate government activities absent a legislatively enacted budget;
- Prior legislative actions as measured by consideration of each element of House Bill 1 by the House of Representatives and the Senate; prior legislative action as measured by consideration of each element of House Bill 507 by the House of Representatives and the Senate;
- An identification of previous actions by the General Assembly with regard to provisions contained in House Bill 1 that were also previously specifically provided for in House Bill 502 (enacted Executive Branch Appropriations Bill, 2000 General Assembly), and/or House Bill 321 (enacted Executive Branch Appropriations Bill, 1998 General Assembly); and
- The authority granted to the Governor by the statutory budget reduction plan (KRS 48.130). It should be noted that both statutorily, the Governor has been granted broad authority to take actions necessary to ensure fiscal responsibility and a balanced budget when revenues have not met the projections upon which the budget was based.

Each financial component of House Bill 1 and each language provision contained in House Bill 1 was reviewed and analyzed based upon the enumerated criteria to determine its appropriateness for inclusion in the Governor's Spending Plan.

## **Elements of House Bill 1 Excluded from Governor Patton's Fiscal Year 2003 Spending Plan**

Four general categories of provisions contained in House Bill 1 were determined to be excluded from Governor Patton's fiscal year 2003 Spending Plan. These include:

- Provisions of House Bill 1 dealing with revenue and tax policy issues such as language "closing tax loopholes"; language extending certain tax credits to racetracks for another two years (as originally provided in House Bill 502 in 2000 for the 2000 – 2002 budget period); and other revenue measures contained in House Bill 1 that would change or otherwise modify existing tax laws.
- Provisions for changing statutorily established fees for three agencies of state government: Charitable Gaming Commission; Board of Hairdressers and Cosmetologists; and the Department for Public Health in the Cabinet for Health Services.
- Provisions for the authorization and issuance of bonds. House Bill 1 originally provided for the authorization and issuance of \$351,647,000 in bonds in fiscal year 2003 with the corresponding debt service appropriated in fiscal year 2004. (The conventional practice in the municipal market is for debt service to be paid semi- annually. House Bill 1 would have permitted issuance of bonds in fiscal year 2003 any time after January 1, and appropriated debt service in fiscal year 2004 to make the first debt service payment six months after the issuance of the bonds.) (See Attachment C
- Provisions for suspension of statutory law not quantifiably related to the development of a balanced budget. Over a number of years a variety of court cases have determined that the Appropriations Bill overrides other conflicting statutes for the temporary two-year period for which the Appropriations Bill is effective. Therefore, the Appropriations Bill has often been used to temporarily suspend or modify substantive law. The majority of Appropriations Bill suspensions of substantive law are contained in Part IX of House Bill 1 – the Special Provisions. There are numerous changes in substantive laws that were part of House Bill 1 as considered by the 2002 Extraordinary Session and House Bill 507 in the 2002 Regular Session that are not incorporated in Governor Patton's fiscal year 2003 Spending Plan.

# Itemization of Exceptions from House Bill 1

## Revenue and Tax Policy

### *Part III – General Provisions – Race Track Tax Credit*

Notwithstanding KRS 138.510, tracks with an average daily handle of one million two hundred thousand dollars (\$1,200,000) or more shall be allowed a tax credit equal to twelve thousand dollars (\$12,000) multiplied by the number of racing days at the track for the fiscal year beginning after June 30, 2002 and ending June 30, 2003, and twelve thousand dollars (\$12,000) multiplied by the number of racing days at the track for the fiscal year beginning after June 30, 2003, and ending June 30, 2004, if an amount equal to at least fifty percent (50%) of the credit is used for capital improvements and at least fifty percent (50%) is used for horsemen's incentives. Capital improvement means any addition, replacement, or remodeling of a structural unit of the track, including but not limited to the construction of barns used for the track, backstretch facilities for horsemen, paddock facilities, new pari-mutuel and totalizator or equipment, new access roads, new parking facilities, the reconstruction, reshaping, or leveling of the racetrack, the installation of permanent new heating or air conditioning, and installations of a permanent nature forming part of the track structure. Fifty percent (50%) of the amount of the tax credit for the horsemen's incentives shall be allocated to purses at the track and fifty percent (50%) allocated for stabling and transportation costs. The method of dispersal of the stabling and transportation costs shall be agreed upon by the track receiving the tax credit and the horsemen's group or groups contracting with the track. If a track fails to complete a qualifying capital improvement or make qualifying expenditures for horsemen's incentives, the Kentucky Economic Development Finance Authority as created under KRS 154.20-010 shall order the track to repay to the state all or any portion of the amount of the tax credit received by the track. The track receiving the credit shall report quarterly to the Interim Joint Committee on Appropriations and Revenue on the amounts of qualifying capital improvements and expenditures for horsemen's incentives made for which the credit is claimed.

### *Part III – General Provisions – Harness track tax credit*

Notwithstanding KRS 138.510, for fiscal year 2002-2003 and fiscal year 2003-2004, all harness racetracks licensed by the Kentucky Racing Commission shall not be required to pay the excise tax imposed under KRS 138.510(2) and that amount that would have been paid shall be retained by the track to promote and maintain its facilities and its live meet.

### *Part III – General Provisions – No use tax on print material*

Notwithstanding the provisions of KRS 139.340, a commercial printer or mailer engaged in business in this state shall not be required to collect use tax on sales of printing or direct mail advertising materials that are both printed out of state and delivered out of state to the United States Postal Service for mass mailing to third party Kentucky residents who are not purchasers of the advertising materials if the commercial printers or mailers:

- (a) Maintain records relating to these sales to assist in the collection of the use tax owed; and
- (b) File reports as provided in KRS 139.730 if requested by the Revenue Cabinet.

If the commercial printer or mailer complies with these reporting provisions, the purchaser of the printing or direct mail advertising materials described in this section shall have sole responsibility for payment of the use tax imposed in KRS 139.310.

*Part IX – Special Provisions Revenue Cabinet*  
Revenue

- a. Sales Tax on Communications Services: Notwithstanding the provisions of KRS 139.505, all applicants filing on or after June 1, 2002, for the refundable credit for sales tax paid on communications services shall comply with the following: any business whose interstate communications services, subject to the sales tax imposed under KRS Chapter 139 and deducted for federal income tax purposes, exceeds five percent (5%) of the business's Kentucky gross receipts during the preceding calendar year is entitled to a refundable credit if the business's annual Kentucky gross receipts are equal to or more than one million dollars (\$1,000,000), and the majority of the interstate communications service billed to a Kentucky service address for the annual period is for communications service originating outside of this state and terminating in this state.

The refundable credit shall be equal only to the sales tax paid on the difference by which the interstate communications service purchased by the business exceeds five percent (5%) of the business's Kentucky gross receipts.

To facilitate the administration of the refundable tax credit, the Revenue Cabinet shall grant eligible businesses which apply for the tax credit permission to directly report and pay the sales tax applicable to the purchase of communications service. Once the business receives permission to directly report and pay the tax, refunds of the tax paid on communications service shall not include any sales tax collected and paid by a communications service provider to the Cabinet.

- b. Deduction for Taxes Paid to Foreign Countries: Notwithstanding the provisions of KRS 141.010(11)(a), effective for taxable years beginning after December 31, 2001, the deduction for taxes paid to foreign countries is not allowable.
- c. Natural Gas Distribution Services: Notwithstanding KRS 139.100, the furnishing of natural gas or electric distribution services or natural gas or electric transmission or transportation services shall be retail sales subject to sales and use tax except for the furnishing of those services to residential customers as defined in KRS 139.470(8).

*Part IX – Special Provisions Tourism*  
Tax Credit Program

- a. Tax Credit Program: Notwithstanding any provision of KRS 148.855 to the contrary, the independent consulting firm shall consult with the Tourism Development Finance Authority, the Office of State Budget Director, the Finance and Administration Cabinet, and the Revenue Cabinet in the development of the report. The Office of State Budget Director, the Finance and Administration Cabinet, and the Revenue Cabinet shall agree as to the methodology to be used and assumptions to be made by the independent consultant in preparing its report. On the basis of the independent consultant's report and prior to any approval of a project by the Authority, the Office of State Budget Director, the Finance and Administration Cabinet, and the Revenue Cabinet shall certify to the Authority whether there is a projected net positive economic impact to the Commonwealth and the expected amount of incremental state revenues from the project. Approval shall not be granted if it is determined that there is no projected net positive economic impact to the Commonwealth.

Notwithstanding any provision of KRS 148.859(1)(a) to the contrary, any increase in approved costs incurred by the approved company and agreed to by the Authority shall apply retroactively for purposes of calculating the carryforward for unused inducements as set forth in KRS 139.536(3) for tax years commencing on or after July 1, 2004. Notwithstanding KRS 148.859(1)(c) to the contrary, the term shall be ten (10) years from the later of the date of final approval of the project or the original completion date specified in the agreement, if this completion date is within three (3) years of the date of the final approval of the project. An extension of the original completion date shall not alter the commencement of the term and, notwithstanding KRS 148.859(1) to the contrary, upon request from an approved company that has completed at a minimum fifty percent (50%) of an entertainment destination center, the Authority shall grant an additional extension or change to that provided in subsection (1)(b) of KRS 148.859, of up to three (3) years, which in no event shall exceed six (6) years from the date of final approval, to the completion date as specified in the agreement of the approved company, provided that:

- (1) The approved company shall have spent or have contractually obligated to spend an amount equal to or greater than the amount of approved costs set forth in the initial agreement;
- (2) The term of the agreement shall not be extended; and
- (3) The scope of the entertainment destination center, as set forth in the initial agreement, shall not be altered to include new or additional entertainment and leisure options.

## **Changing Statutory Fees**

### *Part I – Operating Budget Board of Hairdressers and Cosmetologist*

Notwithstanding KRS 317A.050, The Board of Hairdressers and Cosmetologists is permitted to increase the licensing and renewal fees necessary to provide for the enacted budget expenditure level.

### *Part I – Operating Budget Public Health*

Notwithstanding any other statutory provisions to the contrary, the Secretary shall promulgate such administrative regulations as may be required to prescribe such user fees as are necessary to support the Restricted Funds appropriations above.

### *Part I – Operating Budget Health Services – Administrative Support*

Notwithstanding any other statutory provisions to the contrary, the Secretary shall promulgate such administrative regulations as may be required to prescribe such user fees as are necessary to support the Restricted Funds appropriations above.

### *Part I – Operating Budget Charitable Gaming*

Notwithstanding KRS 238.570, the gross receipts fee for fiscal year 2002-2003 and fiscal year 2003-2004 shall be fifty-three one-hundredths percent (.53 %).

**Authorized Issuance of Bonds**

See Attachment C

## **Changes in Substantive Law**

### *Part I – Operating Budget School Facilities Construction Commission*

Notwithstanding any provisions of KRS 157.611 to 157.665, the School Facilities Construction Commission is authorized to make an additional \$100,000,000 in offers of assistance during the 2002-2004 biennium in anticipation of debt service availability during the 2004-2006 biennium. No bonded indebtedness based on the above amount is to be incurred during the 2002-2004 biennium

### *Part I – Operating Budget Kentucky Workers' Compensation Funding Commission*

Notwithstanding the provisions of KRS 342.122(1)(b), the workers' compensation assessment rate shall remain at eleven and one-half percent (11.5%) for the biennium.

### *Part III – General Provisions-EMPOWER KY*

However, KRS 45.760(14), 45.770, 45.780, and 45.800 Notwithstanding, no funds from the Emergency Repair, Maintenance and Replacement Account shall be used for Technology Trust Fund projects, systems, or initiatives.

### *Part III – General Provisions – Sovereign Immunity automobile insurance*

Notwithstanding any provision of the Kentucky Revised Statutes, to the extent that any governmental agency purchases motor vehicle liability insurance, sovereign immunity shall be waived to the extent of the insurance coverage.

### *Part III – General Provisions – Louisville/Jefferson County Merger*

Notwithstanding KRS 97.035(1), (2), and (3), when a city of the first class and a county containing such city have in effect a compact under KRS 79.310 to 79.330, such city and county shall by joint action create a joint city/county department to maintain and conduct a park and recreational system or systems. In such event, the board shall be dissolved as a corporate entity and all assets and liabilities of the board shall be transferred to the joint department. An advisory board may be established by joint agreement of such city and county. Notwithstanding KRS 97.035(1), (2), and (3), any city, except a city of the first class, and a county, except a county containing a city of the first class, operating a joint system under KRS 97.035 may by joint action create a joint city/county department to maintain and conduct a park and recreational system or systems. In such event, the board shall be dissolved as a corporate entity and all assets and liabilities of the board shall be transferred to the joint department. An advisory board may be established by joint agreement of such city and county.

*Part VI – General Fund Budget Reduction Plan*

- (5) Notwithstanding the provisions of KRS 48.130 and KRS 48.600, if the actions contained in subsections (1) through (4) of this section are insufficient to eliminate an actual or projected revenue shortfall in the enacted General Fund revenue receipts, then the Governor is empowered and directed to take necessary actions with respect to the Executive Branch budget units to balance the budget by such actions conforming with the criteria expressed in the preceding subsection.

*Part VII – Road Fund Budget Reduction Plan*

Notwithstanding the provisions of KRS 48.130, in the event of an actual or projected shortfall in estimated Road Fund revenue receipts of \$1,097,539,300 in fiscal year 2002-2003 and \$1,131,218,300 in fiscal year 2003-2004 as determined by KRS 48.120(3), the Governor shall implement sufficient reductions as may be required to protect the highest possible level of service.

*Part VIII – Road Fund Surplus Expenditure Plan*

Notwithstanding KRS 48.140 and pursuant to KRS 48.710, there is established a plan of expenditures from the Road Fund Surplus Account.

*Part IX – Special Provisions Governor’s Office of Technology*

CMRS Board: Notwithstanding any other provision of law, no information provided to the CMRS Board under KRS 65.7639 shall be disclosed other than to the submitting CMRS provider, the administrator, the board, and the independent certified public accountant retained by the Board under KRS 65.7629(13) without the express permission of the submitting CMRS provider unless ordered by a court of competent jurisdiction

*Part IX – Special Provisions Attorney General*

- a. Deputy and Assistant Attorneys General Salaries: Notwithstanding KRS 15.100, the Attorney General may set the salary for the deputy attorney general and the salary for the two (2) assistant deputy attorneys general at a rate less than that required in KRS 15.100.
- c. Annual and Sick Leave Service Credit: Notwithstanding any statutory or `regulatory restrictions to the contrary, any former employee of the Unified Prosecutorial System who has been appointed to a permanent full-time position under KRS Chapter 18A shall be credited annual and sick leave based on service credited under the Kentucky Retirement System solely for the purpose of computation of sick and annual leave. This provision shall only apply to any new appointment or current employee as of July 1, 1998.
- d. Child Sexual Abuse Exams: Notwithstanding KRS 186.1867, the Transportation Cabinet shall review the costs related to the distribution of child victim's license plates. Any

revenue received from the sale or renewal of these plates in excess of actual costs shall be transferred to the Child Victims Trust Fund on an annual basis.

- f. **Public Funds:** Notwithstanding any provision of common law or statutory law to the contrary, any funds or other assets of any kind or nature, including but not limited to public funds as defined in KRS 446.010, court-ordered settlement agreements under KRS Chapter 367, multi-state settlements, and private funds or assets recovered in a legal action on behalf of the general public, the Commonwealth, or its duly elected statewide public officials shall be deemed public funds, and shall be deposited in the General Fund Surplus Account. The Attorney General shall provide notice to the Governor's Office of Policy and Management and the Legislative Research Commission of the nature of any funds deposited in this account and no funds shall be disbursed without a specific legislative appropriation by the General Assembly while in a regular or special legislative session. This provision shall not apply to any funds or other assets recovered by judgment, settlement, or legal action by or on behalf of the Commonwealth, or other actions filed by a duly elected statewide public official, if the recovery sought and received is for specific individuals, identified as parties to the action, or persons for whom the recovery is received if identified specifically. Identification includes, but is not limited to, identification either by individual Social Security numbers, or other identifying number, or by proper name.

#### *Part IX – Special Provisions Agriculture*

Notwithstanding the provisions of this Section, the Legislative Research Commission shall have the authority to alternatively assign the directives identified in this Section to an interim joint committee or subcommittee thereof, and to designate a study completion date. In the event the Legislative Research Commission assigns the responsibilities and duties relating to the Kentucky Aquaculture Task Force to an interim joint committee or subcommittee thereof, any funds remaining from the amounts provided in Part I, Operating Budget, of this Act for the purpose of preparing the reports to be completed by the Task Force shall be transferred to the Legislative Research Commission.

#### *Part IX – Special Provisions Personnel Board*

**Administrative Hearings Notice:** Notwithstanding KRS 13B.050(2), the Personnel Board shall send notices of administrative hearings by first-class mail.

#### *Part IX – Special Provisions Education Professional Standards Board*

**Employment of Leadership Personnel:** Notwithstanding KRS 18A.005 to 18A.200, the Education Professional Standards Board shall have the sole authority to determine the employees of the Education Professional Standards Board staff who are exempt from the classified service and to set their compensation comparable to the competitive market.

*Part IX – Special Provisions Economic Development – Office of the Secretary*

Notwithstanding KRS 164.6017, the Kentucky Science and Technology Corporation shall submit an annual plan dealing with the allocation of funds from the Science and Technology Funding Program, excluding funds for the Knowledge-Based Economy Academic Programs, for review and approval by the Council on Postsecondary Education and the Office of the New Economy prior to the Council on Postsecondary Education executing a contract with the Corporation to administer Science and Technology Funding Programs.

- b. Department for Coal County Development: Notwithstanding any action to the contrary taken by the 2002 General Assembly during its regular session, the Department for Coal County Development, as created in KRS 154.12-260, is hereby maintained with all authority provided by KRS 154.12-260 and KRS 42.4588.

*Part IX – Special Provisions Economic Development – Financial Incentives*

Notwithstanding KRS 154.20-267, the total amount of Kentucky Investment Fund Act (KIFA) tax credits available to any single investment fund shall not exceed, in aggregate, \$1,000,000 for all investors and all taxable years. Notwithstanding KRS 154.20-267, the total Kentucky Investment Fund Act (KIFA) tax credits available for all investors in all investment funds shall not exceed \$3,000,000 per fiscal year.

Notwithstanding the provisions of Sections 18 and 19 of House Bill 525 as enacted in the 2002 Regular Session of the General Assembly, the Commissioner of the Office for the New Economy shall establish standards and criteria that shall be used to grant investment fund managers a waiver from compliance with the provisions of Section 37 of House Bill 525 and any other requirement under state law that an investment fund manager shall be a registered investment advisor. A waiver granted by the Commissioner of the Office for the New Economy to any investment fund manager that exempts the investment fund manager from complying with the provisions of Section 37 of House Bill 525, or the Kentucky Economic Development Fund Authority's approval of an investment fund or investment fund manager under this section, shall not be construed a certification of the investment fund manager's experience, knowledge, quality or other abilities and competencies. This information shall be conveyed to each investor.

Notwithstanding the provisions of House Bill 525 as enacted in the 2002 Regular Session of the General Assembly, any administrative regulation to be promulgated regarding the programs, policies, or tax credits addressed in House Bill 525 shall be reviewed and approved by the Commissioner of the Office for the New Economy.

*Part IX – Special Provisions Support Education Excellence In Kentucky (SEEK) Program*

- d. Final SEEK Calculation: Notwithstanding KRS 157.410, on or before March 1 of each year the chief state school officer shall determine the exact amount of the public common school fund to which each district is entitled and the remainder of the amount due each

district for the year shall be distributed in equal installments beginning the first month after completion of final calculation and for each successive month thereafter.

- e. Local Revenue: Notwithstanding KRS 160.470(1), all local school districts shall be permitted to levy a tax rate for calendar year 2002 and calendar year 2003 that does not produce more than four percent (4%) more revenue than the compensating tax rate as defined in KRS 132.010.

#### *Education – Executive Policy and Management*

- a. Employment of Personnel: Notwithstanding KRS 18A.115, the Department of Education may fill, through memoranda of agreement, not more than fifty percent (50%) of its existing authorized positions below the division director level with individuals employed as school administrators and educators in Kentucky.
- b. Employment of Leadership Personnel: Notwithstanding KRS 18A.005 to 18A.200, the Kentucky Board of Education shall continue to have sole authority to determine the employees of the Department of Education who are exempt from the classified service and to set their compensation comparable to the competitive market.

#### *Education – Learning and Results Services*

- b. Kentucky Education Technology System: Area Vocational Education Centers shall be fully eligible to participate in the Kentucky Education Technology System. Notwithstanding KRS 157.650 to 157.665, the School Facilities Construction Commission, in consultation with the Kentucky Board of Education and the Kentucky Department of Education, shall develop administrative regulations which identify a methodology by which the average daily attendance for Area Vocational Education Centers may be equated to the average daily attendance of other local school districts in order that they may receive their respective distributions of these funds.
- g. Allocation of Safe School Funds: Notwithstanding KRS 158.446, the General Fund appropriations in this Act in Part I, D., Section 32, Learning and Results Services, the Center for School Safety shall develop and implement allotment policies for all moneys received for the purposes of KRS 158.440 to 158.442 and KRS 158.445 to 158.446.
- j. Program Flexibility: Notwithstanding KRS 157.226(2) and (3), KRS 157.3175(3) and (4), and KRS 160.345(8) with regards to the state allocation, five (5) programs (Professional Development, Extended School Services, Preschool, Textbooks, and Safe Schools) shall be modified to permit the state and local school districts additional flexibility in the distribution of program funds while still addressing the governing statutes and serving the need and the intended student population.
- k. Advisory Council for Gifted and Talented Education: Notwithstanding the provisions of KRS 158.648(1), a member of the Advisory Council for Gifted and Talented Education may be reappointed but may not serve more than three (3) consecutive terms.

*Part IX – Special Provisions Teachers’ Retirement System*

Highly Skilled Educators' Retirement Benefits: Notwithstanding KRS Chapter 158 and KRS Chapter 161, salary supplements received by persons selected as highly skilled educators on or after July 1, 2000, shall not be included in the total salary compensation for any retirement benefits to which the employee may be entitled.

*Part IX – Special Provisions School Facilities Construction Commission*

Local Districts Facilities Plans: Notwithstanding the provisions of KRS 157.622(3), funds allocated by the School Facilities Construction Commission to local school districts for fiscal year 2002-2003 and fiscal year 2003-2004 shall be applied to the projects listed in the most current facility plan approved for the district by the Kentucky Board of Education and the funds shall be applied to projects in the priority order listed in the plan.

- b. Offers of Assistance: Notwithstanding KRS 157.622, a local school district may accumulate credit, subject to the availability of funds, for its unused state allocation for a period not to exceed eight (8) years.
- d. Growth Nickel Levy: The Facilities Support Program of Kentucky is fully funded in fiscal biennium 2002-2004. Notwithstanding KRS 157.621(3), local school districts may exercise authority expressed in KRS 157.621(1) and (2).
- e. Facilities Plans: Notwithstanding KRS 157.620(5), any school district that did not receive an offer of assistance during the 2000-2002 biennium that resulted from the \$100,000,000 authorization of the 2000 General Assembly, that has an unmet need established based on the facility plan in effect on June 30, 2002, shall receive an offer of assistance based on any increase to the above-referenced authorization made by the 2002 General Assembly that is not specifically designated for another purpose.

*Part IX – Special Provisions Cabinet for Health Services*

*Medicaid Services – Benefits*

Notwithstanding any other provision of this Act or law, in any fiscal year for which all the parties to the Quality and Charity Care Trust Agreement so agree, the General Fund appropriation to fulfill the Commonwealth's contractual obligation relating to the Quality and Charity Care Trust Agreement or any portion thereof, together with any other funds paid to the Quality and Charity Care Trust contractual obligation of the parties, or any portion thereof, shall be transferred to the Department for Medicaid Services as part of its Restricted Funds appropriation for Benefits. In any fiscal year for which all the parties to the Quality and Charity Care Trust Agreement do not agree to transfer all or any portion of the Trust's revenues to the Department of Medicaid Services for Benefits, the Quality and Charity Care Trust shall operate pursuant to its contractual provisions.

### *Mental Health/Mental Retardation*

Kentucky Commission on Services and Supports for Individuals with Mental Illness, Alcohol and Other Drug Abuse Disorders and Dual Diagnoses: Notwithstanding KRS 210.504, the Department for Mental Health/Mental Retardation shall provide at least \$12,500 each fiscal year to be distributed to support the continued operation of the fourteen (14) regional planning councils and support for Commission activities relating to the mandates of HB 843, as enacted by the 2000 General Assembly, through June 30, 2004. The regional planning councils shall make recommendations for, and the Commission shall develop, a two (2) year work plan for specifying goals and strategies relating to services and supports for individuals with mental illness and alcohol and other drug disorders and dual diagnoses, and efforts to reduce the stigma associated with mental illness and other substance abuse disorders. The Commission shall report workgroup activities and findings to the Governor and Interim Joint Committee on Health and Welfare by December 1 of each year.

### *Certificate of Need*

Notwithstanding KRS 216B.020(1), the provisions of KRS Chapter 216B that relate to the issuance of a certificate of need shall not apply to a health facility that will provide primary care services, twenty-four (24) hour emergency services, diagnostic imaging including magnetic resonance imaging, ambulatory surgical services, and such other outpatient services as necessary to serve the needs of residents of a county if there are no review criteria for those other outpatient services in the state health plan and if the health facility will be located in a county that has no hospital, has a population of sixty thousand (60,000) or more persons, and is a medically underserved area as determined by the Secretary of the Federal Department for Health and Human Services. The listed facility or services shall be subject to licensure, when applicable. The Cabinet for Health Services shall work in conjunction with the fiscal court of the county in which the health facility under this subsection is to be located to issue a request for proposal for only one (1) health facility no later than four (4) months following the effective date of this Act. If the cabinet and county both do not agree on the selection of the proposal within six (6) months following the effective date of this Act, then there shall be no exemption from a certificate of need for a health facility under this section. No proposal shall be selected under this paragraph more than six (6) months after the effective date of this Act.

### *Aging Services*

Local Match Requirements: Notwithstanding KRS 205.460, entities contracting with the Cabinet for Health Services to provide essential services under KRS 205.455 and this provision shall provide local match equal to or greater than the amount in effect during fiscal year 2001-2002. Local match may include any combination of materials, commodities, transportation, office space, personal services, or other types of facility services or funds. The Secretary of the Cabinet for Health Services shall prescribe the procedures to certify the local match assurance.

*Part IX, Special Provisions Justice Cabinet*

*Community Services and Local Facilities*

- a. Probation and Parole Credit: Notwithstanding KRS 439.344, the period of time spent on parole shall count as a part of the prisoner's remaining unexpired sentence, when it is used to determine a parolee's eligibility for a final discharge from parole as set out in KRS 439.354; or when a parolee is returned as a parole violator for a violation other than a new felony conviction.

*Part IX – Special Provisions Natural Resources and Environmental Protection Cabinet*

*Kentucky Nature Preserves Commission*

Minor Use or Development: Notwithstanding KRS 146.410 to 146.530, the Kentucky State Nature Preserves Commission may allow a minor use or development upon or near the property boundary of a nature preserve when the minor use or development results in the addition of acreage to the preserve, furthers the goal of encouraging land use adjacent to the preserve which can help protect the character of the preserve, furthers an important public purpose identified by another state or local public agency, and does not substantially or fundamentally alter the character of the preserve.

*Part IX – Special Provisions Postsecondary Education*

*Council on Postsecondary Education*

- i. Kentucky Science and Technology Corporation: Notwithstanding the provisions of KRS 164.6017, the Kentucky Science and Technology Corporation shall submit an annual plan detailing the annual allocation of funds from the Science and Technology Funding Program, excluding funds for the Knowledge-Based Economy Academic Programs, for review and approval by the Council on Postsecondary Education and the Office of the Commissioner for the New Economy within the Cabinet for Economic Development, prior to the Council on Postsecondary Education executing a contract with the Corporation to administer Science and Technology Funding programs.
- k. Concept Phase Funding Pool: Notwithstanding the provisions of KRS 164.6021, the funds appropriated in Part I, Operating Budget, to the Council on Postsecondary Education for the Research and Development Voucher Program may be used to fund the Concept Phase Funding Pool.
- m. Postsecondary Education Employment Status: Notwithstanding KRS 164.225, 164.360, and 164.830, the appointment of a relative to the governing board of a public postsecondary education institution, as defined under KRS 164.001, shall not affect the employment status of any related person employed at least thirty-six (36) months prior to the appointment of the relative.

### *Kentucky Higher Education Assistance Authority*

Student Loan Corporation: Notwithstanding KRS 164.240, the Kentucky Higher Education Student Loan Corporation may finance the educational loan programs through the issuance of its bonds or notes subject to the provisions set forth in KRS 164A.010 to 164A.230, provided that the proceeds of the bonds may be used for the educational loan programs and shall not be commingled with the proceeds of bonds or notes financing insured student loans as defined by KRS 164A.020; provided further that the corporation may without further approval finance education loans which are not insured student loans in an aggregate principal amount not exceeding \$10,000,000 from the proceeds of any bonds, notes, or lines of credit of the corporation which are primarily secured by insured student loans. The bonds or notes issued under the provisions of this subsection shall be special and limited obligations, payable solely and only from the receipts pledged, and shall not constitute an indebtedness or liability of the Commonwealth or a pledge of the faith and credit of the Commonwealth. In addition, no bonds or notes may be issued by the corporation for the purpose of financing a nongovernmentally insured education loan pursuant to this section except upon a finding by the Governor and the Legislative Research Commission that the loans are necessary to meet the financial needs of Kentucky residents to obtain a postsecondary education; provided that the corporation may without further approval finance education loans which are not insured student loans in an aggregate principal amount not exceeding \$10,000,000 from the proceeds of any bonds, notes, or lines of credit of the corporation which are primarily secured by insured student loans. In making the determination of need, the Governor and Legislative Research Commission shall consider the availability of other student assistance resources.

### *Kentucky Community and Technical College System*

Land Proceeds: Notwithstanding the provisions of KRS 45.777, proceeds in the amount of \$225,600 for the sale of KCTCS property located at Lincoln Park, 1501 Bland Street, Louisville, Kentucky 40217 to the Jefferson County Public School System shall be retained by KCTCS for Jefferson Community College. These proceeds are for fiscal year 2001-2002 authorization.

### *Part IX – Special Provisions Transportation Cabinet*

Notwithstanding KRS 176.440(2), any project additions or modifications that the 2002 General Assembly may make to the fiscal year 2002-2008 Recommended Six Year Road Plan shall carry the same force of law as projects that were included in the fiscal year 2002-2008 Recommended Six Year Road Plan as submitted by the Executive Branch.

*Part IX – Special Provisions Workforce Development Cabinet*

*Technical Education*

Participation in the Education Technology Program by Area Vocational Education Centers: Area Vocational Education Centers shall be fully eligible to participate in the Kentucky Education Technology System. Notwithstanding KRS 157.650 to 157.665, the School Facilities Construction Commission, in consultation with the Kentucky Board of Education and the Kentucky Department of Education, shall develop administrative regulations which identify a methodology by which the average daily attendance for Area Vocational Education Centers may be equated to the average daily attendance of other local school districts in order that they may receive their respective distributions of these funds. The School Facilities Construction Commission shall include Area Vocational Education Centers in any offers of assistance to local school districts for technology assistance during the 2002-2004 fiscal biennium.



# **ATTACHMENT A**

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## **GOVERNOR'S SPENDING PLAN FISCAL YEAR 2003 SPENDING TARGETS**

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# Governor's Spending Plan

## Fiscal Year 2002-2003

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Budget Units	FY 2002-2003
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Government Operations

Executive Office of the Governor

Office of the Governor

General Fund	7,651,000
Restricted Funds	1,911,000
Federal Funds	71,000
Total	9,633,000

Office of State Budget Director

General Fund	3,665,000
Restricted Funds	923,000
Total	4,588,000

State Planning Fund

General Fund	490,000
Total	490,000

Total Executive Office of the Governor

General Fund	11,806,000
Restricted Funds	2,834,000
Federal Funds	71,000
Total	14,711,000

Governor's Office of Technology

General Fund	300,000
Restricted Funds	61,318,000
Road Fund	125,000
Total	61,743,000

Governor's Office of Veterans Affairs

General Fund	14,448,500
Restricted Funds	18,448,100
Total	32,896,600

Governor's Office of Early Childhood Development

General Fund	213,500
General Fund (Tobacco)	2,188,400
Restricted Funds	50,000
Federal Funds	175,000
Total	2,626,900

## Kentucky Infrastructure Authority

Restricted Funds	2,579,000
Federal Funds	50,313,000
Total	52,892,000

## Governor's Office of Agricultural Policy

General Fund (Tobacco)	47,688,000
Restricted Funds	155,900
Total	47,843,900

## Kentucky Agency for Substance Abuse Policy

General Fund	1,500,000
General Fund (Tobacco)	2,574,800
Federal Funds	111,700
Total	4,186,500

## Secretary of State

General Fund	2,360,100
Restricted Funds	878,500
Total	3,238,600

## Board of Elections

General Fund	4,739,700
Restricted Funds	108,600
Total	4,848,300

## Treasury

General Fund	2,275,900
Restricted Funds	815,700
Total	3,091,600

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**Budget Units**

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FY 2002-2003

Attorney General		
	General Fund	13,738,900
	Restricted Funds	6,747,400
	Federal Funds	2,351,400
	Total	22,837,700
Unified Prosecutorial System		
Commonwealth Attorneys		
	General Fund	25,108,000
	Restricted Funds	843,300
	Federal Funds	706,600
	Total	26,657,900
County Attorneys		
	General Fund	21,179,900
	Restricted Funds	62,300
	Federal Funds	414,700
	Total	21,656,900
Total Unified Prosecutorial System		
	General Fund	46,287,900
	Restricted Funds	905,600
	Federal Funds	1,121,300
	Total	48,314,800
Auditor of Public Accounts		
	General Fund	5,400,400
	Restricted Funds	3,940,500
	Total	9,340,900
Agriculture		
	General Fund	19,712,400
	Restricted Funds	3,154,800
	Federal Funds	2,130,000
	Total	24,997,200
Military Affairs		
	General Fund	10,979,900
	Restricted Funds	18,680,500
	Federal Funds	19,107,500
	Total	48,767,900

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**Budget Units**FY 2002-2003

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Personnel Board		
	General Fund	578,500
	Restricted Funds	1,700
	<u>Total</u>	<u>580,200</u>
Local Government		
	General Fund	9,008,100
	Restricted Funds	785,800
	Federal Funds	52,433,900
	<u>Total</u>	<u>62,227,800</u>
Special Funds		
Local Government Economic Assistance Fund		
	General Fund	38,166,200
	<u>Total</u>	<u>38,166,200</u>
Local Government Economic Development Fund		
	General Fund	46,118,300
	<u>Total</u>	<u>46,118,300</u>
Area Development Fund		
	General Fund	830,500
	<u>Total</u>	<u>830,500</u>
Total Special Funds		
	General Fund	85,115,000
	<u>Total</u>	<u>85,115,000</u>
Commission on Human Rights		
	General Fund	1,978,200
	Restricted Funds	24,000
	Federal Funds	170,800
	<u>Total</u>	<u>2,173,000</u>
Commission on Women		
	General Fund	269,900
	<u>Total</u>	<u>269,900</u>
Commission on Small Business Advocacy		
	General Fund	75,000
	Restricted Funds	45,000
	<u>Total</u>	<u>120,000</u>

Kentucky Retirement Systems		
	Restricted Funds	14,980,500
	Total	14,980,500
Registry of Election Finance		
	General Fund	8,475,200
	Restricted Funds	202,800
	Total	8,678,000
Occupation and Professional Boards and Commissions		
Board of Accountancy		
	Restricted Funds	752,700
	Total	752,700
Board of Alcohol and Drug Counselors		
	Restricted Funds	62,000
	Total	62,000
Board of Architects		
	Restricted Funds	272,000
	Total	272,000
Board of Art Therapists		
	Restricted Funds	11,300
	Total	11,300
Kentucky Athletic Commission		
	Restricted Funds	158,500
	Total	158,500
Board of Auctioneers		
	Restricted Funds	360,200
	Total	360,200
Board of Barbering		
	Restricted Funds	225,600
	Total	225,600
Board of Chiropractic Examiners		
	Restricted Funds	182,800
	Total	182,800
Board of Dentistry		
	Restricted Funds	474,400
	Total	474,400

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**Budget Units****FY 2002-2003**

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Board of Dietitians and Nutritionists	
Restricted Funds	67,900
Total	67,900
Board of Embalmers and Funeral Home Directors	
Restricted Funds	240,400
Total	240,400
Board of Engineers and Land Surveyors	
Restricted Funds	1,291,800
Total	1,291,800
Board of Fee-Based Pastoral Counselors	
Restricted Funds	6,000
Total	6,000
Board of Geologists	
Restricted Funds	133,000
Total	133,000
Board of Hairdressers and Cosmetologists	
Restricted Funds	998,900
Total	998,900
Board of Hearing Instrument Specialists	
Restricted Funds	50,700
Total	50,700
Board of Interpreters for Deaf and Hard of Hearing	
Restricted Funds	25,000
Total	25,000
Board of Landscape Architects	
Restricted Funds	55,300
Total	55,300
Board for Marriage and Family Therapists	
Restricted Funds	79,200
Total	79,200
Board of Medical Licensure	
Restricted Funds	1,992,500
Total	1,992,500
Board of Nursing	
Restricted Funds	4,230,500
Total	4,230,500
Nursing Home Administrators Licensure Board	
Restricted Funds	69,000
Total	69,000

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**Budget Units**

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FY 2002-2003

Board of Occupational Therapy	Restricted Funds	76,600
	Total	76,600
Board of Ophthalmic Dispensers	Restricted Funds	57,600
	Total	57,600
Board of Optometric Examiners	Restricted Funds	152,400
	Total	152,400
Board of Pharmacy	Restricted Funds	835,000
	Total	835,000
Board of Physical Therapy	Restricted Funds	263,400
	Total	263,400
Board of Podiatry	Restricted Funds	14,500
	Total	14,500
Board of Professional Counselors	Restricted Funds	49,700
	Total	49,700
Board of Proprietary Education	Restricted Funds	123,000
	Total	123,000
Board of Psychology	Restricted Funds	169,600
	Total	169,600
Real Estate Appraisers Board	Restricted Funds	614,900
	Total	614,900
Real Estate Commission	Restricted Funds	2,003,100
	Total	2,003,100
Board of Respiratory Care	Restricted Funds	182,700
	Total	182,700
Board of Social Workers	Restricted Funds	141,300
	Total	141,300

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**Budget Units**FY 2002-2003

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Board of Speech Pathologists and Audiologists		
	Restricted Funds	83,000
	<u>Total</u>	<u>83,000</u>
Board of Veterinary Examiners		
	Restricted Funds	228,300
	<u>Total</u>	<u>228,300</u>
Total Occupation and Professional Boards and Commissions		
	Restricted Funds	16,734,800
	<u>Total</u>	<u>16,734,800</u>
Education Professional Standards Board		
	General Fund	12,433,800
	Restricted Funds	1,378,500
	Federal Funds	122,200
	<u>Total</u>	<u>13,934,500</u>
Board of Emergency Medical Services		
	General Fund	2,571,200
	Restricted Funds	168,300
	Federal Funds	296,800
	<u>Total</u>	<u>3,036,300</u>
Governmental Services Center		
	Restricted Funds	1,462,000
	<u>Total</u>	<u>1,462,000</u>
Executive Branch Ethics Commission		
	General Fund	335,900
	Restricted Funds	300
	<u>Total</u>	<u>336,200</u>
Miscellaneous Appropriations		
Attorney General Expense		
	General Fund	225,000
	<u>Total</u>	<u>225,000</u>
Board of Claims Awards		
	General Fund	600,000
	<u>Total</u>	<u>600,000</u>

## Budget Units

FY 2002-2003

Guardian Ad Litem	General Fund	3,200,000
	Total	3,200,000
Prior Year Claims	General Fund	400,000
	Total	400,000
Unredeemed Chcks Refunded	General Fund	1,000,000
	Total	1,000,000
Involuntary Commitments ICF/MR	General Fund	60,000
	Total	60,000
Frankfort In Lieu of Taxes	General Fund	195,000
	Total	195,000
Frankfort Cemetery	General Fund	2,500
	Total	2,500
Police Officers and Firefighters--Life Insurance	General Fund	250,000
	Total	250,000
Master Commissioners--Employers Retirement	General Fund	200,000
	Total	200,000
Master Commissioner--Social Security	General Fund	313,000
	Total	313,000
Workers' Compensation	General Fund	502,000
	Total	502,000
Medical Malpractice Liability Insurance Reimbursements	General Fund	60,000
	Total	60,000
Blanket Employee Bonds	General Fund	100,000
	Total	100,000
Total Miscellaneous Appropriations	General Fund	7,107,500
	Total	7,107,500

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**Budget Units**FY 2002-2003

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## Kentucky River Authority

General Fund	379,000
Restricted Funds	3,266,000
Total	3,645,000

## Total - Government Operations

General Fund	262,090,500
General Fund (Tobacco)	52,451,200
Restricted Funds	159,666,300
Federal Funds	128,404,600
Road Fund	125,000
Total	602,737,600

## Cabinet For Economic Development

## Office of the Secretary

General Fund	1,392,700
Restricted Funds	4,575,200
Total	5,967,900

## Administration and Program Support

General Fund	2,179,900
Restricted Funds	29,800
Total	2,209,700

## Business Development

General Fund	2,517,900
Restricted Funds	248,800
Total	2,766,700

## Financial Incentives

General Fund	3,343,800
Restricted Funds	2,182,700
Total	5,526,500

## Community Development

General Fund	2,855,900
Restricted Funds	440,100
Federal Funds	157,100
Total	3,453,100

## Total - Cabinet For Economic Development

General Fund	12,290,200
Restricted Funds	7,476,600
Federal Funds	157,100
Total	19,923,900

## Education

## Support Education Excellence in Kentucky (SEEK) Program

General Fund	2,280,882,700
Total	2,280,882,700

## Executive Policy and Management

General Fund	1,215,400
Total	1,215,400

## Operation and Support Services

General Fund	11,542,700
Restricted Funds	2,187,900
Federal Funds	562,500
Total	14,293,100

## Learning and Results Services

General Fund	570,081,000
Restricted Funds	5,850,700
Federal Funds	491,060,800
Total	1,066,992,500

## Total - Education

General Fund	2,863,721,800
Restricted Funds	8,038,600
Federal Funds	491,623,300
Total	3,363,383,700

## Education, Arts and Humanities Cabinet

## Office Of The Secretary

General Fund	3,440,800
Restricted Funds	436,400
Total	3,877,200

## Kentucky Arts Council

General Fund	4,644,600
Restricted Funds	713,800
Federal Funds	624,800
Total	5,983,200

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**Budget Units**FY 2002-2003

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## Teachers Retirement System

General Fund	90,113,200
Restricted Funds	7,330,100
<hr/> Total	<hr/> 97,443,300

## School Facilities Construction Commission

General Fund	77,121,400
<hr/> Total	<hr/> 77,121,400

## Deaf and Hard of Hearing

General Fund	909,100
Restricted Funds	200,000
<hr/> Total	<hr/> 1,109,100

## Kentucky Heritage Council

General Fund	945,700
Restricted Funds	234,600
Federal Funds	766,100
<hr/> Total	<hr/> 1,946,400

## Kentucky Educational Television

General Fund	14,936,400
Restricted Funds	1,106,400
Federal Funds	700,000
<hr/> Total	<hr/> 16,742,800

## Kentucky Historical Society

General Fund	6,145,000
Restricted Funds	572,200
Federal Funds	95,900
<hr/> Total	<hr/> 6,813,100

Libraries and Archives

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**Budget Units**

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FY 2002-2003

General Operations	General Fund	7,451,100
	Restricted Funds	1,667,200
	Federal Funds	1,807,600
	Total	10,925,900
Direct Local Aid	General Fund	5,966,700
	Restricted Funds	9,000
	Federal Funds	424,000
	Total	6,399,700
Total Libraries and Archives	General Fund	13,417,800
	Restricted Funds	1,676,200
	Federal Funds	2,231,600
	Total	17,325,600
Kentucky Center for the Arts	General Fund	619,800
	Total	619,800
Environmental Education Council	Restricted Funds	150,000
	Total	150,000
Total - Education, Arts and Humanities Cabinet	General Fund	212,293,800
	Restricted Funds	12,419,700
	Federal Funds	4,418,400
	Total	229,131,900
Cabinet for Families and Children		
Community Based Services	General Fund	280,666,700
	General Fund (Tobacco)	7,262,800
	Restricted Funds	101,883,400
	Federal Funds	468,549,000
	Total	858,361,900
Administration Services	General Fund	27,660,400
	Restricted Funds	4,390,100
	Federal Funds	37,077,300
	Total	69,127,800

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**Budget Units**FY 2002-2003

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## Disability Determination Services

Restricted Funds	62,700
Federal Funds	40,129,800
Total	40,192,500

## Total - Cabinet for Families and Children

General Fund	308,327,100
General Fund (Tobacco)	7,262,800
Restricted Funds	106,336,200
Federal Funds	545,756,100
Total	967,682,200

## Finance and Administration Cabinet

## General Administration

General Fund	5,988,000
Restricted Funds	2,737,000
Total	8,725,000

## Office of the Controller

General Fund	6,098,000
Restricted Funds	396,000
Federal Funds	4,000,000
Total	10,494,000

## Debt Service

General Fund	249,038,000
General Fund (Tobacco)	6,112,000
Road Fund	3,668,000
Total	258,818,000

## Administration

General Fund	3,637,000
Restricted Funds	9,081,000
Road Fund	283,000
Total	13,001,000

## Facilities Management

General Fund	8,086,000
Restricted Funds	25,116,000
Total	33,202,000

## County Costs

General Fund	23,078,000
Restricted Funds	1,425,000
Total	24,503,000

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**Budget Units**FY 2002-2003

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County Fees		
	Restricted Funds	77,645,600
	Total	77,645,600
Total - Finance and Administration Cabinet		
	General Fund	295,925,000
	General Fund (Tobacco)	6,112,000
	Restricted Funds	116,400,600
	Federal Funds	4,000,000
	Road Fund	3,951,000
	Total	426,388,600
Cabinet for Health Services		
Medicaid Services		
Administration		
	General Fund	17,848,000
	Restricted Funds	20,624,400
	Federal Funds	44,009,800
	Total	82,482,200
Benefits		
	General Fund	752,373,700
	Restricted Funds	200,011,300
	Federal Funds	2,245,464,700
	Total	3,197,849,700
Total Medicaid Services		
	General Fund	770,221,700
	Restricted Funds	220,635,700
	Federal Funds	2,289,474,500
	Total	3,280,331,900
Public Health		
	General Fund	56,201,300
	General Fund (Tobacco)	21,738,800
	Restricted Funds	65,849,000
	Federal Funds	127,620,500
	Total	271,409,600
Mental Health/Mental Retardation		
	General Fund	168,530,000
	General Fund (Tobacco)	1,000,000
	Restricted Funds	190,690,900
	Federal Funds	41,295,100
	Total	401,516,000

## Budget Units

FY 2002-2003

Children With Special Health Care Needs		
	General Fund	16,709,500
	General Fund (Tobacco)	1,600,000
	Restricted Funds	22,089,000
	Federal Funds	10,053,700
	Total	50,452,200
Certificate of Need		
	General Fund	131,500
	Restricted Funds	234,200
	Total	365,700
Aging Services		
	General Fund	26,421,800
	Restricted Funds	760,400
	Federal Funds	18,885,300
	Total	46,067,500
Administrative Support		
	General Fund	9,358,000
	Restricted Funds	8,154,000
	Federal Funds	12,729,200
	Total	30,241,200
Total - Cabinet for Health Services		
	General Fund	1,047,573,800
	General Fund (Tobacco)	24,338,800
	Restricted Funds	508,413,200
	Federal Funds	2,500,058,300
	Total	4,080,384,100
Justice Cabinet		
Justice Operations		
Justice Administration		
	General Fund	8,231,000
	Restricted Funds	1,908,100
	Federal Funds	13,433,500
	Total	23,572,600
State Police		
	General Fund	85,574,900
	Restricted Funds	7,670,800
	Federal Funds	9,772,600
	Road Fund	30,000,000
	Total	133,018,300

## Budget Units

FY 2002-2003

Criminal Justice Training	Restricted Funds	39,077,100
	Federal Funds	2,700,000
	Total	41,777,100
Juvenile Justice	General Fund	83,790,100
	Restricted Funds	14,015,000
	Federal Funds	17,300,000
	Total	115,105,100
Total Justice Operations	General Fund	177,596,000
	Restricted Funds	62,671,000
	Federal Funds	43,206,100
	Road Fund	30,000,000
	Total	313,473,100
Corrections		
Corrections Management	General Fund	15,222,900
	Restricted Funds	15,799,700
	Federal Funds	799,400
	Total	31,822,000
Community Services and Local Facilities	General Fund	65,969,000
	Restricted Funds	15,623,400
	Total	81,592,400
Adult Correctional Institutions	General Fund	188,590,800
	Restricted Funds	6,526,100
	Federal Funds	215,200
	Total	195,332,100
Local Jail Support	General Fund	15,276,100
	Total	15,276,100
Total Corrections	General Fund	285,058,800
	Restricted Funds	37,949,200
	Federal Funds	1,014,600
	Total	324,022,600

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**Budget Units**FY 2002-2003

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## Total - Justice Cabinet

General Fund	462,654,800
Restricted Funds	100,620,200
Federal Funds	44,220,700
Road Fund	30,000,000
<hr/>	
Total	637,495,700

## Labor

## Labor Cabinet

## General Administration and Support

General Fund	414,900
Restricted Funds	5,652,600
<hr/>	
Total	6,067,500

## Workplace Standards

General Fund	2,085,400
Restricted Funds	124,275,500
Federal Funds	3,280,500
<hr/>	
Total	129,641,400

## Workers Claims

Restricted Funds	16,397,700
<hr/>	
Total	16,397,700

## Kentucky Occupational Safety and Health Review Commission

Restricted Funds	476,800
<hr/>	
Total	476,800

## Total Labor Cabinet

General Fund	2,500,300
Restricted Funds	146,802,600
Federal Funds	3,280,500
<hr/>	
Total	152,583,400

## Workers Compensation Funding Commission

Restricted Funds	151,812,000
<hr/>	
Total	151,812,000

## Total - Labor

General Fund	2,500,300
Restricted Funds	298,614,600
Federal Funds	3,280,500
<hr/>	
Total	304,395,400

## Natural Resources and Environmental Protection

## Natural Resources and Environmental Protection Cabinet

## General Administration and Support

General Fund	9,698,100
Restricted Funds	331,900
Federal Funds	1,585,200
Total	11,615,200

## Environmental Protection

General Fund	23,497,000
Restricted Funds	27,442,300
Federal Funds	19,357,000
Total	70,296,300

## Natural Resources

General Fund	13,275,600
General Fund (Tobacco)	9,000,000
Restricted Funds	3,398,100
Federal Funds	5,397,700
Total	31,071,400

## Surface Mining Reclamation and Enforcement

General Fund	10,319,700
Restricted Funds	6,157,800
Federal Funds	17,243,300
Total	33,720,800

## Abandoned Mine Land Reclamation Projects

Federal Funds	22,000,000
Total	22,000,000

## Total Natural Resources and Environmental Protection Cabinet

General Fund	56,790,400
General Fund (Tobacco)	9,000,000
Restricted Funds	37,330,100
Federal Funds	65,583,200
Total	168,703,700

## Environmental Quality Commission

General Fund	260,500
Restricted Funds	2,000
Total	262,500

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**Budget Units**FY 2002-2003

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## Ky Nature Preserves Commission

General Fund	980,900
Restricted Funds	314,700
Federal Funds	25,000
Total	1,320,600

## Total - Natural Resources and Environmental Protection

General Fund	58,031,800
General Fund (Tobacco)	9,000,000
Restricted Funds	37,646,800
Federal Funds	65,608,200
Total	170,286,800

## Personnel Cabinet

## General Operations

General Fund	3,345,100
Restricted Funds	13,222,000
Total	16,567,100

## Public Employees Deferred Compensation Authority

Restricted Funds	5,183,300
Total	5,183,300

## Workers' Compensation Benefits and Reserve

Restricted Funds	17,269,200
Total	17,269,200

## Total - Personnel Cabinet

General Fund	3,345,100
Restricted Funds	35,674,500
Total	39,019,600

## Postsecondary Education

## Council on Postsecondary Education

General Fund	101,554,300
General Fund (Tobacco)	6,280,000
Restricted Funds	7,451,300
Federal Funds	3,161,200
Total	118,446,800

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**Budget Units**FY 2002-2003

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## Kentucky Higher Education Assistance Authority

General Fund	45,860,000
General Fund (Tobacco)	750,000
Restricted Funds	83,302,500
Federal Funds	817,800
<hr/> Total	<hr/> 130,730,300

## Eastern Kentucky University

General Fund	73,451,800
Restricted Funds	83,158,600
Federal Funds	44,454,400
<hr/> Total	<hr/> 201,064,800

## Kentucky State University

General Fund	23,162,700
Restricted Funds	16,446,900
Federal Funds	11,500,400
<hr/> Total	<hr/> 51,110,000

## Morehead State University

General Fund	42,747,400
Restricted Funds	46,293,500
Federal Funds	46,570,500
<hr/> Total	<hr/> 135,611,400

## Murray State University

General Fund	51,669,400
Restricted Funds	68,752,700
Federal Funds	10,646,700
<hr/> Total	<hr/> 131,068,800

## Northern Kentucky University

General Fund	45,989,000
Restricted Funds	66,180,400
Federal Funds	7,422,000
<hr/> Total	<hr/> 119,591,400

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**Budget Units**FY 2002-2003

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## University of Kentucky

General Fund	313,431,100
Restricted Funds	858,999,900
Federal Funds	126,193,600
Total	1,298,624,600

## University of Louisville

General Fund	176,745,200
Restricted Funds	293,702,300
Federal Funds	49,334,100
Total	519,781,600

## Western Kentucky University

General Fund	70,427,100
Restricted Funds	81,837,400
Federal Funds	30,444,000
Total	182,708,500

## Kentucky Community and Technical College System

General Fund	189,722,700
Restricted Funds	177,568,900
Federal Funds	68,053,500
Total	435,345,100

## Total - Postsecondary Education

General Fund	1,134,760,700
General Fund (Tobacco)	7,030,000
Restricted Funds	1,783,694,400
Federal Funds	398,598,200
Total	3,324,083,300

## Public Protection and Regulation Cabinet

## Insurance

General Fund (Tobacco)	19,405,200
Restricted Funds	22,851,900
Total	42,257,100

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**Budget Units**FY 2002-2003

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## Board of Claims/Crime Victims' Compensation

General Fund	635,000
Restricted Funds	2,539,000
Federal Funds	546,900
Total	3,720,900

## Alcoholic Beverage Control

General Fund	250,000
Restricted Funds	5,787,600
Total	6,037,600

## Financial Institutions

Restricted Funds	8,993,100
Total	8,993,100

## Kentucky Racing Commission

General Fund	522,800
Restricted Funds	13,702,600
Total	14,225,400

## Housing Buildings and Construction

General Fund	1,764,100
Restricted Funds	12,826,500
Total	14,590,600

## Mines and Minerals

General Fund	9,614,900
Restricted Funds	1,961,100
Federal Funds	598,500
Total	12,174,500

## Public Advocacy

General Fund	23,925,300
Restricted Funds	2,980,900
Federal Funds	1,313,100
Total	28,219,300

Public Service Commission	General Fund	11,527,900
	Restricted Funds	24,000
	Federal Funds	259,800
	Total	11,811,700
Office of the Secretary		
General Operations	General Fund	268,200
	Restricted Funds	2,036,900
	Total	2,305,100
	Petroleum Storage Tank Environmental Assurance Fund	
	Restricted Funds	32,103,700
	Total	32,103,700
Total Office of the Secretary	General Fund	268,200
	Restricted Funds	34,140,600
	Total	34,408,800
Board of Tax Appeals	General Fund	478,100
	Total	478,100
Charitable Gaming	Restricted Funds	3,460,800
	Total	3,460,800
Total - Public Protection and Regulation Cabinet	General Fund	48,986,300
	General Fund (Tobacco)	19,405,200
	Restricted Funds	109,268,100
	Federal Funds	2,718,300
	Total	180,377,900

## Revenue Cabinet

## Revenue Cabinet

General Fund	67,852,000
Restricted Funds	4,519,000
Road Fund	1,418,000
Total	73,789,000

## Property Valuation Administrators

General Fund	27,431,800
Restricted Funds	3,894,100
Total	31,325,900

## Total - Revenue Cabinet

General Fund	95,283,800
Restricted Funds	8,413,100
Road Fund	1,418,000
Total	105,114,900

## Tourism Development Cabinet

## Office of the Secretary

General Fund	4,259,000
Restricted Funds	119,000
Total	4,378,000

## Breaks Interstate Park

General Fund	200,000
Total	200,000

## Travel Development

General Fund	7,041,000
Total	7,041,000

## Parks

General Fund	29,446,000
Restricted Funds	50,898,000
Total	80,344,000

## Kentucky Horse Park

General Fund	1,750,000
Restricted Funds	5,200,000
Total	6,950,000

## Kentucky State Fair Board

General Fund	407,000
Restricted Funds	30,163,000
Total	30,570,000

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**Budget Units**FY 2002-2003

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## Fish and Wildlife Resources

Restricted Funds	27,381,000
Federal Funds	7,850,000
Total	35,231,000

## Total - Tourism Development Cabinet

General Fund	43,103,000
Restricted Funds	113,761,000
Federal Funds	7,850,000
Total	164,714,000

## Transportation Cabinet

## Air Transportation

Restricted Funds	4,817,200
Federal Funds	13,800
Total	4,831,000

## Revenue Sharing

Road Fund	217,962,400
Total	217,962,400

## Public Transportation

General Fund	5,520,300
Restricted Funds	2,506,100
Federal Funds	28,864,900
Total	36,891,300

## Highways

Restricted Funds	61,627,300
Federal Funds	495,939,000
Road Fund	570,470,500
Total	1,128,036,800

## Vehicle Regulation

Restricted Funds	7,001,700
Federal Funds	2,786,600
Road Fund	30,189,400
Total	39,977,700

## Debt Service

Road Fund	167,660,900
Total	167,660,900

## General Administration and Support

Restricted Funds	29,050,000
Road Fund	69,922,100
Total	98,972,100

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**Budget Units**

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FY 2002-2003

## Total - Transportation Cabinet

General Fund	5,520,300
Restricted Funds	105,002,300
Federal Funds	527,604,300
Road Fund	1,056,205,300
<hr/>	
Total	1,694,332,200

## Workforce Development Cabinet

## General Administration and Program Support

General Fund	1,145,900
Restricted Funds	6,661,200
Federal Funds	190,300
<hr/>	
Total	7,997,400

## Technical Education

General Fund	23,346,500
Restricted Funds	20,637,400
Federal Funds	13,037,200
<hr/>	
Total	57,021,100

## Adult Education and Literacy

General Fund	11,096,100
Restricted Funds	11,104,300
Federal Funds	12,624,500
<hr/>	
Total	34,824,900

## Vocational Rehabilitation

General Fund	11,045,200
Restricted Funds	2,911,100
Federal Funds	43,328,800
<hr/>	
Total	57,285,100

## Department for the Blind

General Fund	1,282,800
Restricted Funds	1,948,800
Federal Funds	7,484,600
<hr/>	
Total	10,716,200

## Teacher Retirement-Employer's Contribution

General Fund	4,627,700
<hr/>	
Total	4,627,700

## Training and Reemployment

Federal Funds	48,530,400
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Total	48,530,400

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**Budget Units**

FY 2002-2003

**Employment Services**

General Fund	584,200
Restricted Funds	6,051,700
Federal Funds	512,325,500
<b>Total</b>	<b>518,961,400</b>

**Total - Workforce Development Cabinet**

General Fund	53,128,400
Restricted Funds	49,314,500
Federal Funds	637,521,300
<b>Total</b>	<b>739,964,200</b>

**Fiscal Year 2002-2003 Operating Budget**

General Fund	6,909,536,700
General Fund (Tobacco)	125,600,000
Restricted Funds	3,560,760,700
Federal Funds	5,361,819,300
Road Fund	1,091,699,300
<b>Grand Total - Operating</b>	<b>17,049,416,000</b>

**Fiscal Year 2002-2003 Capital Projects Budget**

General Fund	100,000
Restricted Funds	706,551,216
Federal Funds	79,719,000
Road Fund	5,840,000
Capital Construction Surplus	2,540,000
Investment Income	22,194,000
Deferred Maintenance	957,000
Other Funds	105,918,000
Emergency Repair, Replacement and Maintenance	1,000,000
Capital Construction Contingency	800,000
<b>Grand Total - Capital Projects</b>	<b>925,619,216</b>

Grand Total Fiscal Year 2002-2003 Budget

Total Funds Available	FY 2002-2003
General Fund	6,909,636,700
General Fund (Tobacco)	125,600,000
Restricted Funds	4,267,311,916
Federal Funds	5,441,538,300
Road Fund	1,097,539,300
Capital Construction Surplus	2,540,000
Investment Income	22,194,000
Deferred Maintenance	957,000
Other Funds	105,918,000
Emergency Repair, Replacement and Maintenance	1,000,000
Capital Construction Contingency	800,000
Grand Total	17,975,035,216



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## **ATTACHMENT B**

# **COMPARISON OF HOUSE BILL 1 AND HOUSE BILL 1 SENATE COMMITTEE SUBSTITUTE**

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**FY 2002-2003 General Fund Summary  
Governor's Spending Plan**

	<b>HB 1</b>	<b>HB 1</b>	
	<b>FY 2002-2003</b>	<b>Senate Comm.</b>	<b>Difference</b>
		<b>Substitute</b>	<b>FY 2002-2003</b>
		<b>FY 2002-2003</b>	<b>FY 2002-2003</b>
<b>RESOURCES</b>			
Beginning Balance	37,890,000	37,890,000	0
Consensus Revenue Forecast	6,937,900,000	6,937,900,000	0
Revenue Measures	37,550,000	37,550,000	0
Tobacco Settlement - Phase I	125,600,000	125,600,000	0
Other Resources/Credits	19,102,000	19,102,000	0
Fund Transfers	193,087,000	193,087,000	0
<b>Total Revenue</b>	<b>7,351,129,000</b>	<b>7,351,129,000</b>	<b>0</b>
<b>APPROPRIATIONS</b>			
<b>Executive Branch:</b>			
Regular Operating	6,909,536,700	6,902,616,700	(6,920,000)
Tobacco Settlement - Phase I	125,600,000	125,600,000	0
Other	100,000	100,000	0
<b>Subtotal</b>	<b>7,035,236,700</b>	<b>7,028,316,700</b>	<b>(6,920,000)</b>
<b>Judicial Branch:</b>			
Regular Operating	200,368,100	200,368,100	0
<b>Subtotal</b>	<b>200,368,100</b>	<b>200,368,100</b>	<b>0</b>
<b>Legislative Branch:</b>			
Regular Operating	36,450,400	36,450,400	0
<b>Subtotal</b>	<b>36,450,400</b>	<b>36,450,400</b>	<b>0</b>
<b>TOTAL APPROPRIATIONS</b>	<b>7,272,055,200</b>	<b>7,265,135,200</b>	<b>(6,920,000)</b>
<b>ENDING BALANCE</b>	<b>79,523,800</b>	<b>86,443,800</b>	<b>6,920,000</b>

FY 2002-2003 General Fund  
 HB 1 vs. HB 1 SCS

HB 1 & HB 1 Senate  
 Comm. Substitute

**GOVERNMENT OPERATIONS**

Auditor of Public Accounts	(25,000)
Local Government	1,500,000
Local Government Economic Assistance Fund	(527,200)
Area Development Fund	527,200
Registry of Election Finance	(7,000,000)
Executive Branch Ethics Commission	25,000
Education Professional Standards Board	(2,000,000)

**Total** (7,500,000)

**EDUCATION**

Learning and Results Services	885,000
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**EDUCATION, ARTS AND HUMANITIES**

Secretary	(200,000)
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**JUSTICE**

Juvenile Justice	(1,105,000)
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**POSTSECONDARY EDUCATION**

Council on Postsecondary Education	1,200,000
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**TOURISM DEVELOPMENT**

Kentucky Horse Park	(200,000)
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**Grand Total - EXECUTIVE BRANCH** (6,920,000)

Legislative Branch	0
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Judicial Branch	0
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**Grand Total - STATE GOVERNMENT** (6,920,000)



## **ATTACHMENT C**

**BOND PROJECTS PROVIDED FOR IN  
HOUSE BILL 1 - NOT CONTAINED IN  
GOVERNOR PATTON'S FISCAL YEAR  
2003 SPENDING PLAN**

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**Bond Projects  
HB 1 - 2002 Special Session**

**Bond Funded  
Capital Projects  
FY 2002-2003**

Agency	Capital Project	
<b>General Fund Supported Bonds:</b>		
Council on Postsecondary Education	Research Challenge Trust Fund-Endowment Match	100,000,000
Council on Postsecondary Education	Regional University Excellence Trust Fund-Endowment Match	20,000,000
School Facilities Construction Commission	Officers of Assistance	104,600,000
Kentucky Infrastructure Authority	Kentucky Pride Fund Projects	25,000,000
Kentucky Infrastructure Authority	Fund A-Federally Assisted Wastewater Program	6,200,000
Kentucky Infrastructure Authority	Fund F-Drinking Water Revolving Loan Program	5,000,000
Local Government	Renaissance Kentucky	6,000,000
Local Government	Flood Control Matching Fund	3,000,000
Agriculture	Animal Shelters	1,600,000
Economic Development	Kentucky Economic Development Finance Authority Bond Pool	20,000,000
Education	Ky School for Deaf-Replace Kerr Hall HVAC	1,067,000
Education	Ky School for the Blind-Security, Fire Alarm & Energy System	450,000
Corrections	Blackburn Correctional Complex-Replace Underground Steam & Condensate Lines	1,260,000
Corrections	Northport Training Center-Replace Dorm Roofs	600,000
Corrections	Luther Luckett Correctional Complex-Replace Fire Alarm System	1,000,000
Corrections	Green River Correctional Complex-Replace/Repair Roofs	2,500,000
Mental Health/Mental Retardation	Oakwood-Structural Repair/Renovation	2,009,000
Mental Health/Mental Retardation	Western St. Hospital-Sprinkler System	2,200,000
Mental Health/Mental Retardation	Miscellaneous Chiller Pool	612,000
Public Health	Miscellaneous Roof Pool	700,000
Environmental Protection	Ky All Schedule Prescription Reporting System	1,474,000
Kentucky State Fair Board	State-Owned Dam Repair	1,000,000
Kentucky State Fair Board	Purchase DOT Building	500,000
Vocational Rehabilitation	Replace Roofs	2,800,000
	Perkins Rehabilitation Center-Construct New Sewage Treatment Plant	265,000
<b>Total-General Fund Supported Bonds</b>		<b>309,837,000</b>
<b>Agency Fund Supported Bonds:</b>		
Council on Postsecondary Education	Agency Bond Pool	31,300,000
Eastern Kentucky University	High Voltage Electrical Distribution System	10,500,000
<b>Total-Agency Fund Supported Bonds</b>		<b>41,800,000</b>
<b>Total-Bond Funded Capital Projects</b>		<b>351,637,000</b>



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# ATTACHMENT D

## GENERAL FUND AND ROAD FUND BALANCE SHEETS

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**FY 2002-2003 General Fund Summary  
Governor's Spending Plan**

	<u>Governor's Spending Plan FY 2002-2003</u>
<b>RESOURCES</b>	
Beginning Balance	0
Consensus Revenue Forecast	6,937,900,000
Revenue Measures	30,600,000
Tobacco Settlement - Phase I	125,600,000
Other Resources/Credits	19,102,000
Fund Transfers	193,087,000
<b>Total Revenue</b>	<u><b>7,306,289,000</b></u>
<b>APPROPRIATIONS</b>	
<b>Executive Branch:</b>	
Regular Operating	6,909,536,700
Tobacco Settlement - Phase I	125,600,000
Other	100,000
<b>Subtotal</b>	<u><b>7,035,236,700</b></u>
<b>Judicial Branch:</b>	
Regular Operating	200,368,100
<b>Subtotal</b>	<u><b>200,368,100</b></u>
<b>Legislative Branch:</b>	
Regular Operating	36,450,400
<b>Subtotal</b>	<u><b>36,450,400</b></u>
<b>TOTAL APPROPRIATIONS</b>	<u><b>7,272,055,200</b></u>
<b>ENDING BALANCE</b>	<u><b>34,683,800</b></u>

\* Assumes no carry forward from Fiscal Year 2001-2002

**FY 2002-2003 Road Fund Summary  
Governor's Spending Plan**

**Governor's  
Spending Plan  
FY 2002 - 2003**

**RESOURCES**

Beginning Balance	0
Official Revenue Estimate	1,097,539,300
Non-Revenue Receipts	0
Fund Transfers	0
<b>TOTAL RESOURCES</b>	<b>1,097,539,300</b>

**APPROPRIATIONS**

Transportation Cabinet	
Revenue Sharing	217,962,400
Highways	570,470,500
Vehicle Regulation	30,189,400
Debt Service	167,660,900
General Administration and Support	69,922,100
Capital Construction	5,840,000
Subtotal	<u>1,062,045,300</u>
Kentucky State Police	30,000,000
Revenue Cabinet	1,418,000
Governor's Office of Technology	125,000
Finance and Administration Cabinet	3,951,000
<b>TOTAL APPROPRIATIONS</b>	<b><u>1,097,539,300</u></b>
<b>ENDING BALANCE</b>	<b><u>0</u></b>



## **ATTACHMENT E**

### **CORRESPONDENCE FROM GOVERNOR PATTON**

- **June 6, 2002 letter to School Superintendents**
  - **June 17, 2002 letter to Constitutional Officers, Cabinet Secretaries and Agency Heads**
  - **June 19, 2002 letter to Legislators**
-



COMMONWEALTH OF KENTUCKY  
OFFICE OF THE GOVERNOR

PAUL E. PATTON  
GOVERNOR

700 CAPITOL AVENUE  
SUITE 100  
FRANKFORT, KY 40601  
(502) 564-2611  
FAX: (502) 564-2517

June 6, 2002

Dear School Superintendents:

As you know, we are facing an unprecedented fiscal situation as a result of an impasse in the General Assembly that resulted in both the regular session and a special session adjourning without passage of the biennial budget.

I have communicated with the Republican Senate leadership that I will be willing to participate in any meaningful dialogue on the subject of the disagreement if there is a good faith effort to compromise in a way that does not effectively repeal the current law governing the election of governors in Kentucky. However, recent comments by the Senate leadership do not indicate any willingness for such a compromise.

Absent an agreement, I plan to implement a spending plan for FY 03 by executive order. This plan will be, so far as the law will allow, essentially the same as the budget proposal I prepared for the special session. With few exceptions, that proposal passed both the House and the Senate.

For your planning purposes, the spending plan will increase basic SEEK by 2.7%, which under KRS 157.420(2)(a) will result in a minimum of a 2.7% salary increase for teachers and other certified personnel. While in the absence of a legislatively enacted appropriations act we cannot mandate an increase for classified personnel, I hope you will pass along this increase to those employees as well, since the spending plan I intend to propose will include funding for those employees.

At this time we are expecting an additional revenue shortfall for the current fiscal year that we will accommodate through our normal budget reduction plan as set forth in statute, without affecting education. We have not been able to determine the effect of this shortfall on the next biennial budget. After the first quarter of the new fiscal year we will know more about exactly how the revenues are shaping up for FY 03 and should any adjustments to the FY 03 budget be necessary, we will communicate that information through the Department of Education.



AN EQUAL OPPORTUNITY EMPLOYER M/F/D

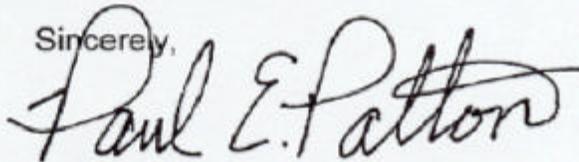
SCHOOL SUPERINTENDENTS

June 6, 2002

Page 2

I regret the current situation which requires my taking the unprecedented executive action of adopting a spending plan, but I must proceed in fulfilling my obligations. I will not permit a shut down of state government depriving the children of Kentucky of education services and many other Kentuckians the essential state services they are paying for with their tax dollars. I ask for your cooperation as we work through the difficult issues ahead.

Sincerely,

A handwritten signature in black ink that reads "Paul E. Patton". The signature is written in a cursive style with a large, prominent initial "P".

Paul E. Patton



COMMONWEALTH OF KENTUCKY  
OFFICE OF THE GOVERNOR

PAUL E. PATTON  
GOVERNOR

700 CAPITOL AVENUE  
SUITE 100  
FRANKFORT, KY 40601  
(502) 564-2611  
FAX: (502) 564-2517

MEMORANDUM

TO: Constitutional Officers  
Cabinet Secretaries  
Agency Heads

FROM: Governor Paul E. Patton *PP*

DATE: June 17, 2002

As you know, we are facing an unprecedented fiscal situation as a result of an impasse in the General Assembly that resulted in both the regular session and a special session adjourning without passage of the biennial budget.

Absent an agreement between the two chambers, I plan to implement a spending plan for FY 03 by executive order. This plan will be, so far as the law will allow, essentially the same as the budget proposal I prepared for the special session. With few exceptions, that proposal passed both the House and the Senate.

You and your budget staff will receive more detailed information as we finalize the documents, but for your planning purposes, the spending plan WILL accommodate a 2.7% salary increase for state employees. The spending plan will NOT direct any layoffs of state employees. It is important that you communicate this information to your employees to alleviate any concerns about the impact on individual employees or on our ability to deliver important services to the citizens of Kentucky.

In a related budget matter, on Tuesday, June 11, 2002, the Government Contract Review Committee in its regular monthly meeting deferred 280 FY 2003 contracts because of the budget impasse. Important government services, such as medical, legal, and other professional services that are essential to continue, are performed through personal services contracts and memoranda of agreements. Under existing statutes, these services may be provided under these deferred contracts until expressly disapproved by the Government Contract Review Committee. Therefore, your agency should move forward with the services contracted for in each of these deferred contracts on July 1, 2002, treating each as a valid contract.

I regret the current situation, but I must proceed in fulfilling my obligations. I will not permit a shutdown of state government, depriving the children of Kentucky of education services and many other Kentuckians the essential state services they are paying for with their tax dollars. We ask for your cooperation as we work through the difficult issues ahead.



AN EQUAL OPPORTUNITY EMPLOYER M/F/D



COMMONWEALTH OF KENTUCKY  
OFFICE OF THE GOVERNOR

PAUL E. PATTON  
GOVERNOR

700 CAPITOL AVENUE  
SUITE 100  
FRANKFORT, KY 40601  
(502) 564-2611  
FAX: (502) 564-2517

June 19, 2002

The Honorable Richard "Dick" Adams  
State Senator  
28 Court Street  
Madisonville, KY 42431

Dear Dick:

I want to personally update you on our plan to continue to operate state government in the absence of a legislatively enacted budget.

As you know, both the regular session and special session adjourned without a budget as a result of an impasse on the issue of election finance reform. The real question at issue in this impasse is whether one chamber of the General Assembly can effectively repeal a major public policy by refusing to provide the funding necessary for its implementation.

The parties have been unable to reach a solution that does not effectively repeal the current law governing the election of governors in Kentucky. Absent such a solution, I expect this issue to ultimately be settled by the courts.

Accordingly, I plan to implement a spending plan for FY 03 by Executive Order prior to July 1. This plan will be, so far as the law will allow, essentially the same as the budget proposal I prepared for the special session in April. That proposal included funding for nearly every item in the budgets that were passed by both the House and Senate in the regular session.

We have had a legal team conducting a thorough analysis of the Governor's executive authority in this unprecedented situation. It is clear that the Governor has broad, but not unlimited, authority to continue the operations of government and to do so in a way that maintains a balanced budget.



AN EQUAL OPPORTUNITY EMPLOYER M/F/D

June 19, 2002  
Page 2

It is important for you to know that by adopting the spending plan I am not attempting to step into the role of the General Assembly. The spending plan will not be a budget. However, it will provide for the continuing operations of state government using as a guide the budgets passed by each chamber during the regular session.

There are certain aspects of a legislatively enacted budget that cannot be included in an executive spending plan. These include changes to tax policy, fee increases, and authorization of bond issues. However, the bonding delay may not have an impact as this will be a plan designed to keep state government operating for a period of time not to exceed one year. It is my expectation that this impasse will be resolved much more quickly than that. All of the debt service in the budget proposal was in the second year of the biennium.

I am taking every step possible to ensure that I am fulfilling my obligations as Governor in a way that conforms to what the members of the General Assembly have expressed as their intent through previous actions. But as Governor, I do have the responsibility to continue the necessary operations of state government in a way that is the least disruptive to the services our citizens want and deserve.

If you have any questions, please call me or any member of my executive staff.

Sincerely,

A handwritten signature in black ink that reads "Paul". The signature is written in a cursive style with a large, prominent "P" at the beginning.

Paul E. Patton



# **GENERAL ASSEMBLY COMMONWEALTH OF KENTUCKY**

## **2002 EXTRAORDINARY SESSION**

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HOUSE BILL NO. 1

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THURSDAY, APRIL 25, 2002

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The following bill was reported to the Senate from the House and ordered to be printed.



JOSEPH E. LAMBERT  
CHIEF JUSTICE  
COMMONWEALTH OF KENTUCKY

**EXECUTIVE ORDER**

June 27, 2002

**IN RE: EMERGENCY SPENDING PLAN FOR CONTINUING OPERATIONS OF THE  
KENTUCKY COURT OF JUSTICE PURSUANT TO  
SECTION 110 OF THE CONSTITUTION OF KENTUCKY**

**WHEREAS**, the Government of the Commonwealth of Kentucky is based on the rule of law; and

**WHEREAS**, "The most sacred of the duties of a government is to do equal and impartial justice to all its citizens"<sup>1</sup>; and

**WHEREAS**, "Justice is the fundamental law of society"<sup>2</sup>; and "it is axiomatic that public confidence in the authority of the courts is instrumental to the continued rule of law"<sup>3</sup>; and

**WHEREAS**, "The role of the judiciary is central to American and Kentucky concepts of justice and the rule of law"<sup>4</sup>; and

**WHEREAS**, Section 14 of the Kentucky Constitution provides that "All courts shall be open, and every person for an injury done him in his lands, goods, person or reputation, shall have remedy by due course of law, and right and justice administered without sale, denial or delay"; and

**WHEREAS**, Section 27 and Section 109 of the Kentucky Constitution provide that the Judicial Branch (Court of Justice) is a separate independent branch of state government; and

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<sup>1</sup> Thomas Jefferson: Note in Destutt de Tracy, "Political Economy" (1816), in 14 THE WRITINGS OF THOMAS JEFFERSON at 465 (Lipscomb and Bergh eds., Mem. ed.) (1903-04).

<sup>2</sup> Letter from Thomas Jefferson to Pierre Samuel Dupont de Nemours (1816), in 14 THE WRITINGS OF THOMAS JEFFERSON at 490 (Lipscomb and Bergh eds., Mem. ed.) (1903-04).

<sup>3</sup> McDonald v. Ethics Comm'n of the State Judiciary, Ky., 3 S.W.3d 740, 744 (1999).

<sup>4</sup> SCR 4.300, Preamble to the Kentucky Code of Judicial Conduct.

**WHEREAS**, Section 110 of the Kentucky Constitution declares the Chief Justice of the Commonwealth of Kentucky to be the executive head of the Kentucky Court of Justice; and

**WHEREAS**, Section 110 of the Kentucky Constitution requires that the Chief Justice “submit the budget for the Court of Justice and perform all other necessary administrative functions relating to the court”; and

**WHEREAS**, the Chief Justice submitted a Budget Request for the operation and administration of the Court of Justice on November 15, 2001, in accordance with Section 110 of the Kentucky Constitution, and KRS 48.050; and

**WHEREAS**, the Chief Justice submitted a Budget Recommendation for the operation and administration of the Court of Justice on January 25, 2002, in accordance with Section 110 of the Kentucky Constitution, and KRS 48.100; and

**WHEREAS**, during the 2002 Regular Session of the General Assembly, both the Kentucky House of Representatives and the Kentucky Senate passed House Bill 658 which provided for a biennial budget for the Court of Justice; and

**WHEREAS**, House Bill 658, as passed by both chambers of the General Assembly, provided the same total appropriation for fiscal year 2003 for the Judicial Branch of state government despite the ultimate failure of agreement regarding final passage of a biennial budget for the Court of Justice prior to adjournment *sine die* of the General Assembly on April 15, 2002; and

**WHEREAS**, pursuant to Section 80 of the Kentucky Constitution, the Governor of the Commonwealth of Kentucky issued a call for an Extraordinary Session of the Kentucky General Assembly on April 17, 2002; and

**WHEREAS**, House Bill 3 introduced in the 2002 First Extraordinary Session of the Kentucky General Assembly provided for a biennial budget for the Court of Justice; and

**WHEREAS**, House Bill 3, as passed by both chambers of the General Assembly, provided the same total appropriation for fiscal year 2003 for the Judicial Branch of state government despite the ultimate failure of agreement regarding final passage of a biennial budget for the Court of Justice prior to adjournment *sine die* of the General Assembly on May 1, 2002; and

**WHEREAS**, the Kentucky General Assembly duly passed a biennial budget providing for the continuing operations and administration of the Legislative Branch of state government in March 2002 for the next fiscal biennium, duly signed by the Governor of Kentucky on April 2, 2002; and

**WHEREAS**, in the absence of appropriated funds for the continuing operations of the Executive and Judicial branches of state government, the Governor of the Commonwealth and Chief Justice of the Commonwealth must have the authority to call upon funds from the State Treasury sufficient to continue the operation of the Executive and Judicial branches of the Government of the Commonwealth of Kentucky; and

**WHEREAS**, the Legislative Branch Budget provided for sufficient funds within the Legislative budget to cause to happen a 2.7% salary increment for the next fiscal biennium for all Legislative Branch personnel; and

**WHEREAS**, the Chief Justice of the Commonwealth of Kentucky has a constitutional obligation to ensure that the Courts of Kentucky remain open, operational, and functioning; and

**WHEREAS**, the absence of a spending plan for the Court of Justice would imperil the constitutional rights, duties and obligations of Kentucky's citizens, including but not limited to the right to speedy trial, the right to bail, and the right to have disputes resolved in a court of law; and

**WHEREAS**, the Administrative Office of the Courts is a necessary and essential component of the operations of the Court of Justice; and

**WHEREAS**, the Kentucky Revised Statutes, Chapters 21, 21A, 22A, 23A, 24A, 26A, 27A, 29A, 30A, 31A, 32, and 34, place various and specific statutory duties and responsibilities between and among the four levels of courts within the Court of Justice, as well as the Administrative Office of the Courts and all entities offering service and support to the Kentucky Court of Justice; and

**WHEREAS**, Section 29 of the Kentucky Constitution vests the General Assembly of the Commonwealth of Kentucky with legislative power; and

**WHEREAS**, the Kentucky Constitution contains Section 230, ratified by the people of Kentucky in November 1945, which provides that "No money shall be drawn from the State Treasury, except in pursuance of appropriations made by law"; and

**WHEREAS**, the Kentucky Constitution contains Section 120, ratified by the people of Kentucky in November 1976, which provides that "All compensation and necessary expenses of the Court of Justice shall be paid out of the State Treasury"; and

**WHEREAS**, Section 124 of the Kentucky Constitution provides assistance in the interpretation of Section 120 by declaring that constitutional provisions pre-dating Sections 110-125 are repealed to the extent of any conflict therewith; and

**WHEREAS**, any conflict that may exist between Section 230 and Section 120 of the Kentucky Constitution must be resolved for the continuing operation of the Court of Justice as mandated by Section 14 for the orderly process of government and the protection of the citizens of the Commonwealth of Kentucky; and

**WHEREAS**, Section 230 does not give exclusive control of the treasury to the General Assembly, and such power to appropriate by the Legislature was not for an end in itself but merely to provide a safer and more expedient means of accomplishing an end<sup>5</sup>; and

**WHEREAS**, the Supreme Court of Kentucky has recognized that “the correct principle, as we view it, is that the legislative function cannot be so exercised as to interfere unreasonably with the functioning of the courts, and that any unconstitutional intrusion is per se unreasonable”<sup>6</sup>; and

**WHEREAS**, the Supreme Court of Kentucky has recognized that “The Kentucky General Assembly is not one of continuous session and a necessary corollary thereto is that it cannot legislate after it has adjourned *sine die*. A legislative body ceases to exist at the moment of its adjournment”<sup>7</sup>; and

**WHEREAS**, if steps are not taken to ensure the continued and orderly functions of the Court of Justice, the failure of appropriations on and after July 1, 2002, will discontinue the operations of the courts for the protection of the rights, duties, and obligations of all Kentucky citizens, such impact including but not limited to the deleterious effect on the bond rating of not less than fifty-one local governments of the Commonwealth with current bonded indebtedness for judicial branch capital construction projects dependent solely on the allocation of sufficient judicial branch funds for use allowance payments to retire said indebtedness,

**NOW, THEREFORE**, the appropriations provided for the Judicial Branch Budget for Fiscal Year 2003 as duly passed by the Kentucky House of Representatives and the Kentucky Senate in both the Regular Session and the First Extraordinary Session of the 2002 General Assembly are hereby declared to be the “necessary expenses”<sup>8</sup> of the Court of Justice for Fiscal Year 2003 and in accord with the sums set forth in Exhibit A to this Executive Order. Based on the foregoing findings and pursuant to Kentucky Constitution Section 120 and other authorities cited herein, and in order to provide the necessary funds for the continuing operations and necessary expenses of the Kentucky Court of Justice, the Chief Justice of the Commonwealth of Kentucky hereby

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<sup>5</sup> Miller v. Quertermous, 304 Ky. 733, 202 S.W.2d 389, 391 (1947).

<sup>6</sup> Ex Parte Auditor of Pub. Accounts, Ky., 609 S.W.2d 682, 688 (1980).

<sup>7</sup> Legislative Research Comm'n v. Brown, Ky., 664 S.W.2d 907, 915 (1984).

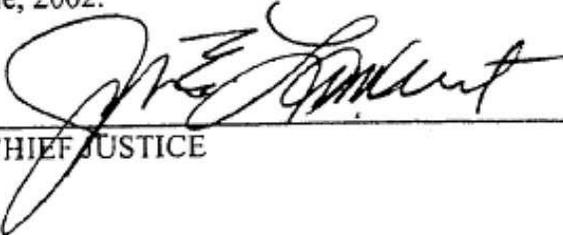
<sup>8</sup> Kentucky Constitution Section 120.

**ORDERS and DIRECTS** the Director of the Administrative Office of the Courts to issue such warrants to the Secretary of the Finance and Administration Cabinet for presentation to the State Treasurer, pursuant to KRS Chapter 41, and in accordance with the terms of this Order as may be necessary to effectuate the implementation of this Order, and to take all necessary actions to provide for the continuing operation of the Court of Justice.

**FURTHERMORE**, the Kentucky State Treasurer is hereby requested to honor all warrants presented to him in accordance with the terms of this Order and in fulfillment of the obligations of his office and in accordance with Section 120 of the Kentucky Constitution for the operation of the Kentucky Court of Justice from July 1, 2002, through June 30, 2003. The Courts of Kentucky shall remain open.

This Order shall be effective on July 1, 2002, and continue through June 30, 2003; provided, however, that upon enactment of a Judicial Branch Budget and Appropriations Bill and signature by the Governor, this order shall become a nullity.

Entered this the 27th day of June, 2002.

  
\_\_\_\_\_  
CHIEF JUSTICE

Distribution:

The Governor of Kentucky  
The President of the Senate  
The Speaker of the House of Representatives  
The State Treasurer  
The Secretary of the Governor's Executive Cabinet  
The Secretary of the Finance and Administration Cabinet  
The State Budget Director  
The Director of the Administrative Office of the Courts  
The Director of the Legislative Research Commission

# IN HOUSE

## 2002 EXTRAORDINARY SESSION

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COMMITTEE SUBSTITUTE FOR

HOUSE BILL NO. 3

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WEDNESDAY, APRIL 24, 2002

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Committee on Appropriations and Revenue reported the following bill which was ordered to be printed.



## OTHER

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- Governor Paul E. Patton budget address dated January 22, 2002
- Memo from Governor Paul E. Patton dated June 17, 2002
- Governor Paul E. Patton budget address dated February 5, 2003

Budget Address  
Governor Paul E. Patton  
January 22, 2002

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President Williams, Speaker Richards, and members of the General Assembly, members of the Judiciary, Governor Henry and other members of the Executive, my fellow Kentuckians.

For the fourth and final time I appear before you to discuss the financial status of the Commonwealth and to outline our budget proposal for the next biennium. I ask you to use this proposal as the starting point from which you can begin to develop Kentucky's budget for the 2003 and 2004 fiscal years.

This proposal will be dramatically different from the three previous recommendations I've made to you. For the first time since at least 1981, the state will be required to enact a budget with less General Fund revenue in the next fiscal year than we're spending in the current fiscal year because our economy is the worst it's been in at least 20 years; the growth of personal income is down 57 percent from expectations, corporate income tax collection is down 20 percent from the estimate of two years ago and the unemployment rate is up 40 percent since last December!

This national recession is affecting more than just state revenue; it's impacting the lives of thousands of Kentuckians even more dramatically. We've lost over 20,000 good-paying manufacturing jobs in just the past two years!! Bob Jackson and Buddy Buckingham, you know the personal and community trauma caused by the 980 jobs that are being lost in Murray as Mattel closes. Richie Sanders and Rob Wilkey, you know the impact of Sumitomo's workforce reduction of 926 jobs in your part of the state; and Robert Stivers and Barbara Colter, the loss of the 110 jobs in Clay County caused by the closing of Columbia Forest Products is a major blow to your community.

The effect of this economic slowdown on our budget is a current-year revenue of \$533 million, or 7.4 percent below our originally budgeted level of expenditure. How did we cope with this shortfall? We cut administrative expenses, we used some of our reserves, and we improved efficiency; we didn't slash and burn.

Most of our cuts to the original appropriations for this current fiscal year have been absorbed within our cabinets. I've been extremely cautious about trying to push the problems off to other agencies like our public schools, colleges or contract social service agencies. In fact, we haven't cut elementary and secondary education at all. The two percent cut to our colleges and universities hurt me deeply but I believe these institutions can tighten up their administrative costs just like we have and not affect student services. The two percent cut in Medicaid hasn't yet resulted in a direct cut in essential services to needy people but I fear that such cuts will be inevitable sometime in the next two years. All the rest of our part of state government has been cut on average 5%. The bottom line is that with these cuts and using some of our reserves, we've absorbed this revenue shortfall without substantially affecting direct services.

## 2002 Budget Address

Other states are experiencing similar revenue shortfalls. How are they coping? Ohio laid off 200 mental health workers. Michigan laid off 500 prison employees. We laid off no employees. Tennessee shut down state parks. Ours are still open. South Carolina cut elementary and secondary education 5 percent. We haven't cut our local school boards.

And Indiana, Iowa, Kansas, North Carolina, West Virginia and Tennessee have or are considering raising taxes!

Our highest priority has been to keep our current commitments. Just as I value my word as an individual, I expect government to provide its citizens the services its leaders have agreed to provide. It's the legacy of my parents and their constant admonishment, "Paul Edward, always do what you say you'll do. Keep your promises." To the people of Kentucky who depend on Kentucky State Government, which is all of our four million people, I say to you, this is a document of promises kept! I ask this legislature to work with me to make these promises a reality, even if a few have to be delayed to the next biennium.

Our economy measures have had minimal affect on services for the current year but we've had to be creative to achieve this goal. We've cut \$255 million in expenses but we're also using \$278 million of our reserves. In addition to \$159 million from our Budget Reserve Trust Fund, we've taken \$119 million from other programs which won't need those funds to carry on their work at present levels. We can't do that forever so all of the revenue growth next year, in fact for the next two years, will go to pay for services that are currently being provided with non-recurring funds, creating a condition I've preached against for six years, a structurally imbalanced budget. This is bad fiscal policy if used to increase services beyond a level which can be sustained. It's a sound, humane policy, if used temporarily to keep from cutting services that our people have come to depend on.

I want to emphasize that this proposal anticipates that the nation will come out of this recession and we'll have General Fund revenue growth of 3.3 percent in 03 and 4.1 percent in 04 but this revenue increase will be needed to replace the one-time money we're taking from our reserves to keep from cutting services. There will be no money for new services in the next biennium.

After having served as your governor for over six years, I think I know the needs of the people of Kentucky as well as anyone who's ever held this office. I know as clearly as I've ever known anything in my life that we need to provide more services for our needy people. I know that we need to provide more infrastructure like roads and water and sewer and community facilities all over Kentucky if we're going to be the world-class society that we want to be. I know that we need to provide more education for our children if they're going to be able to succeed in a world where other children are getting more education.

But our challenge during these next two years is going to be to keep the commitments we've already made and to not lose ground in the key areas of education and economic development that are critical to Kentucky's long-term future. I want you to realize the magnitude of the problem! In the second year of the next biennium, General Fund revenue is estimated to be less than the expenditures which we originally budgeted for the current fiscal year.

## 2002 Budget Address

How can we even hold our own, under these circumstances? By managing wisely, by being more efficient and by spending down our reserves. That's what I propose.

These past eight months have been very difficult as we've had to reduce, using the criteria you provided, the appropriations in the budget you adopted two years ago.

The exact opposite was true in my first two budgets. Revenue exceeded estimates. We had money left over at the end of the year and you and I both were able to go about the state announcing major state investments in the infrastructure of the Commonwealth. That is not the case this year.

Perhaps the most important thing we didn't do during times of plenty was commit all of these excess revenues to ongoing programs. Some other states are finding their fiscal situation much worse than ours. Indiana is proposing to cut the state's contribution to Medicaid by 10%; Idaho is cutting its appropriation to state police by 15%; and Michigan is considering rescinding previous tax cuts.

One reason we've been able to cope better than some of our neighbors is that when the economy was strong, we built our Budget Reserve Trust Fund, what some people call our rainy day fund, to an unprecedented high, 279 million dollars, 3.7 percent of our General Fund revenue. And we had reserves in other funds of nearly 220 million dollars. It's a good thing we did because these reserves have allowed us, with few exceptions, to keep the commitments we jointly made over the past six years. Using these reserves until state revenue catches up with the level of expenditures needed to fund programs we've already established will allow us to keep our promises.

Let me emphasize that we aren't proposing a deficit because our reserves and some one-time revenue will allow us to meet our obligations. Some of the major fund sources we propose to use include \$92 million from the Petroleum Storage Tank Removal Fund. This will still leave the fund with enough revenue to continue their expenditure at the average level of the past few years.

We'll also use 49 million dollars from the Kentucky Access Health Insurance Fund, again leaving the fund more money than it expects to need during the biennium. We won't transfer the \$38 million of coal severance tax to the Special Fund but we do prohibit any increase in the assessment on workers' compensation insurance premiums during the biennium. We credit \$30 million worth of the Blue Cross-Anthem stock received by the Kentucky Employees Retirement System against the state's obligation to the System in fiscal 03. This will in no way affect employee benefits or endanger the fiscal integrity of the Pension Fund. We declare a tax amnesty which will net \$30 million over the biennium. We propose to sell the NOx credits set aside for merchant power plants for about \$13 million. And we've used about \$45 million from other sources.

We've worked harder this time than we have on any of our three previous budget proposals. I've never presented to you a starting point for a budget that's been examined in such detail by our cabinets, the Governor's Office for Policy and Management and by me and the staff in the Governor's Office.

This proposal has no new programs. It also doesn't have any substantial cuts of essential services. It spends down our reserves. It doesn't have a deficit. That's the best balance I can achieve under these

## 2002 Budget Address

adverse fiscal conditions.

This has been the most difficult fiscal challenge I've faced as governor; but as difficult as it's been, our administration was better prepared to meet it than any you've ever worked with before.

Because of succession, this budget proposal has been prepared by the most experienced and capable group of public administrators ever to serve the people of Kentucky. Five of our fourteen cabinet secretaries have been on the job six years and have prepared their fourth budget, an unprecedented record. The rest of our cabinet secretaries are experienced, capable individuals with an average of over 11 years in state government. And my core leadership team - Skipper Martin, Crit Luallen and Jim Ramsey - has been here since day one.

It's because of this dedicated, experienced team that I can propose to you tonight a budget which, in almost every respect, keeps the commitments we've already made, with less revenue than we're spending in the current fiscal year. And I remind you that we've already cut the expenditure of all state government except education and Medicaid to five percent below the level you authorized two years ago.

As we began to prepare this proposal, we had five goals in mind. We were hopeful we wouldn't have to substantially cut services. We were determined to protect the purchasing power of our teachers and state employees. We were committed to keeping Kentucky safe by keeping criminals off the streets. We were keenly aware of our promises to our most vulnerable people, our mentally ill and mentally retarded. And for the sake of the future of Kentucky, we knew we had to keep our support for education at an acceptable level.

In general we asked our cabinets to prepare a budget for the next two years with the same amount of money they have in this fiscal year, after the 5 percent cut; essentially a flat-funded budget, with some exceptions. We know that some costs are going to increase which means other costs will have to be cut. But to minimize the impact on services, we instructed our cabinets to look at every single dollar being spent on administrative costs before touching a dollar going to critical programs or services. Each cabinet identified specific cost savings that would result from these management initiatives. We began in July by limiting overtime and this change alone is saving nearly a million dollars every two weeks.

Let me summarize for you just some of the other administrative cuts that we've made this year and the next two years to reduce the impact on direct service delivery.

We've cut the use of cell phones, pagers and other communication services – \$2 million; we've cut travel – \$2.5 million; we've cut printing – \$5.5 million; we've cut the use of state cars – \$3.5 million; we've eliminated or reduced almost \$12 million worth of contract services; we've cancelled \$5.5 million in purchases of furniture; we've eliminated \$1.3 million in rent and utilities and there are other similar cuts totaling over 90 million dollars over a three-year period. And while we propose no layoffs, we do reduce the number of authorized personnel in the executive branch by 4,500.

Even though our actions will require existing employees to work more efficiently, we haven't called on them to bear the brunt of the revenue shortfall because building and retaining a qualified professional

## 2002 Budget Address

workforce is essential to maintaining quality service. This is true of any organization and it's especially true of our government and schools. Job security and wage stability are two of the essential characteristics of employment which build loyalty and continuity in a workforce. That's the reason we worked so hard to meet this crisis with no layoffs and to assure a cost-of-living wage adjustment for all employees of state government and local schools boards.

If you'll remember, the cutbacks of the early 80's resulted in thousands of layoffs which created a sense of insecurity in the state workforce that reverberates even today. One of my highest priorities for public employees since I've been a public manager has been to not endanger the job security or cut the purchasing power of the people I work with because to do so is to bring on personal stress and will lower their standard of living. Nothing can be more destructive of morale and commitment than to think your employer is insensitive to your peace of mind or your increased costs at home.

And while some private employers are reducing their commitment to employee health insurance, we continue to fund the entire cost of a high-quality health care plan for our 44 thousand state employees and for all of the 130 thousand of our retirees and the employees of our local school boards and other government agencies.

Some agencies have absorbed the increased labor costs and the eleven percent annual increase in the cost of health insurance within their flat-funded base budget. Others have had to have more money to cover some or all of these costs. After all, once you've already absorbed a 5 percent budget cut, your options to absorb increased costs without cutting services is somewhat limited.

The employees of our school boards are equally important to the welfare of our people and are equally deserving of protection from cuts in their purchasing power and our budget does that!!!

Service to its people is the essence of government and our employees are essential to our efforts to provide services to our people. One of these important services is our criminal justice system. As I've often said, protecting the lives and the property of its citizens is the first responsibility of government, and the improvements we've made in our criminal justice system over the past 6 years are making Kentucky safer every day. But these improvements also result in more people in our prisons and this is a cost increase we can't avoid. We can't tell judges to impose stiffer sentences and then refuse to provide prison space. One of the largest increases over this year's adjusted budget, 7.3 percent for the biennium, goes to Corrections; for more parole officers and more prison beds.

While we're legally required to house convicted felons, we're morally obligated to care for our mentally retarded and mentally ill. One of the most important pieces of social legislation passed while I've been governor is House Bill 144. In that law we agreed to reduce the backlog of underserved mentally retarded and developmentally disabled people eligible for community-based services. We're providing 500 placements for these vulnerable Kentuckians in the current biennium and our proposal provides for another 500 in the next biennium!!!

To better serve our mentally ill neighbors and those suffering from substance abuse, we fund the recommendation of the commission established by House bill 843 which requested that we complete our

## 2002 Budget Address

system of crisis stabilization centers by adding ten to the already existing eighteen centers around the state. Our proposal does that!!!

We also address issues raised in the Olmstead Supreme Court decision by providing new dollars to the Department of Aging for important home care services and new dollars to the Workforce Development Cabinet for supported employment and more money for wrap-around services for the mentally ill in their community. Overall these programs for our most vulnerable people receive an increase of 7.1 percent over the biennium. We are keeping our promises.

As vital as our social service and criminal justice programs are, our largest and most important job in state government is education and we've kept our commitments there.

While our proposal pays for the increased cost of health insurance for school board employees in both years and for the cost-of-living wage adjustment in the second year of the biennium, it does require local school boards to provide a cost-of-living wage adjustment to all their employees in the first year of the biennium with current funding and to pay the cost of health insurance for federally funded employees out of their new federal dollars. Our local school boards will have almost twice as much new federal money as this health insurance will cost. The excess new federal money will help these districts absorb some of the employee wage adjustment so that the overall impact on school services will be minimal. Let me assure you that no other program impacted by this budget will be that fortunate.

I understand that states like California, Oregon, Florida and Georgia are considering cutting their support for elementary and secondary education. We've certainly treated our schools better than these states.

Not only have we provided for our teachers and other school employees, we've maintained our commitment to pre-school, school technology and school rewards and our commitment to build 100 million dollars worth of new school buildings in the next biennium. We've kept our promises to our school children!!!

We've certainly not been able to treat our colleges and universities quite as well. In the most important initiative of my administration, we've challenged our institutions of higher learning to create the intellectual capital we need to build a new economy where we can have the increased standard of living and quality of life that we all want.

My proposal doesn't do all we need to do to enable them to make the progress they need to make over the next two years, but we do fund the two most important parts of the Council on Postsecondary Education's recommendations.

We fully fund the Council's recommendation for the enrollment and retention fund. After all, we've charged all of these institutions, but especially our community and technical colleges and our comprehensive universities, to increase enrollment and to keep the students they enroll in school. We can't expect them to continue to pursue our goal of college completion rates equal to the national average if we can't keep our promise to reward them if they do the job.

## 2002 Budget Address

And similarly with our two research universities, and our comprehensive universities' programs of excellence. That's why we propose to continue the Bucks for Brains program at the level of 100 million dollars for the University of Kentucky and the University of Louisville and \$20 million for our six comprehensive universities, only this time we revert to our original 1998 proposal of Bonds for Brains. We also authorize \$67 million of bonds for agency-supported capital construction at our universities.

Of course, the most important element of our postsecondary education program is our students. And we fully fund our commitment to their scholarships. We've increased the appropriation to our needs-based and merit-based scholarship programs by 52 percent. This demonstrates how important these programs are and how well they're working! Overall enrollment in postsecondary education is up 14 percent! The really amazing statistic is that enrollment in our community and technical colleges is up 38 percent! We're ahead of schedule on our quest to achieve a college-going rate equal to the national average by 2020!!!

This budget also maintains our commitment to move forward on the next critical step of building on higher education reform and that's ensuring that Kentucky is competitive in the New Economy. By providing continued funding to begin implementation of our New Economy strategic plan, we'll be growing the quality jobs we need to keep our quality graduates here in Kentucky.

We keep our promise to the coal regions, made in 1992, to return 50 percent of the coal severance tax to help grow their economy and bring their infrastructure up to par.

And we keep our commitment to spend 50 percent of the tobacco settlement proceeds on maintaining our rural way of life and 25 percent on our youngest citizens to give them a better start in life.

Our agricultural economic revitalization program is by far the most progressive in the nation and will enable us to maintain our unique family farms and our high quality rural lifestyle.

Early childhood development is another area where Kentucky leads the nation. Only California, according to nationally known child advocate Rob Reiner, does more. This is really a matter of pay now or pay later. Children with high-quality childhood programs go on to earn 60 percent more when they reach adulthood. Low-income children who receive high quality, early child care are more likely to remain in school, attend college and get good jobs. For every one dollar invested in early childhood development, seven dollars is saved in the cost of remedial education, welfare and incarceration. No program we're operating now will have a higher rate of return to our society in 20 years!!!

And as far as the other 25 percent of the tobacco settlement money goes, we continue to fully fund the lung cancer research program and the smoking cessation and substance abuse programs and adequately fund the Kentucky Access Health insurance program for high risk individuals.

Yes, in many ways, and in spite of the most dire financial problems we've experienced in a generation, this is a budget of promises kept. But not all promises can be kept in this biennium. The three capital construction projects not funded that trouble me the most are the Lexington Convention Center and the Muhammad Ali Center in Louisville and the suspension of work on the multi-year, multi-administration renovation of the state Capitol complex.

## 2002 Budget Address

To the supporters of these projects, we made our promise to you believing that we would continue to have a community development program large enough to fund these and other needed projects throughout the Commonwealth. We were too optimistic. Considering our financial circumstances, I cannot, in good conscience, recommend construction projects while so many human needs go unmet. The General Assembly has endorsed these projects by partially funding them, knowing that more money was needed. I trust they'll be fully funded in 2004.

And there are other important areas that this budget doesn't address. It certainly doesn't do all we need to do to reach our education goals for the year 2020. It contains no state funds for construction at our colleges and universities; no new classrooms, no new research laboratories, no new student service facilities. While our proposal funds the cost of utilities and janitorial services for the new construction in progress as a result of our past capital construction programs, it doesn't adequately fund the cost of the additional faculty that'll be needed. And it makes no progress towards achieving benchmark funding.

For our elementary and secondary schools our proposal provides no money for real wage increases for our teachers and no money to extend the school year to the national average or to provide more pay to teachers in hard to fill disciplines or difficult schools.

For state employees, we still can't put those 18,000 people who are in a grade lower than they should be into the correct grade and we can't give a fair raise to the long-time employees who may have had their job grade raised but received no raise because they're still above the entry-level wage.

But most of all, I'm very concerned about our Medicaid program. During the past six years we've increased funding for Medicaid by forty-six percent, more than any other major program except juvenile justice. This proposal will recommend no increase in state funds for Medicaid over the biennium but we do anticipate actual spending increases of nearly 190 million dollars through efficient management of resources. The problem is that we're still about 200 million dollars short of the money required to pay for the anticipated needs in the second year of the biennium. Absent a source of this money, our only recourse will be to reduce the optional services available in our Medicaid program and eliminate coverage for some optional demographic groups. There's no doubt about it, Medicaid is the most seriously underfunded program in our proposal. The funds we recommend won't cover the inevitable and unavoidable increase in the cost of healthcare and the constantly increasing demand for services created by an aging population and the new pressures occasioned by a deteriorating economy.

This pains me more than any other part of this proposal but I can find no other option. I know many of you will be equally anguished but you'll also find it difficult to propose a less painful alternative.

Another deficiency in this proposal that'll affect you and your communities in a more visible way is the lack of funding to continue to improve our community infrastructure. There are no community development projects; no arena for Northern Kentucky, no money for the Center for Women and Families in Louisville, or no money for the Clay Community Center in Mount Sterling, or for any of the hundreds of other recreational, service or life-safety facilities that our communities need and you legislators want to provide for your constituents.

## 2002 Budget Address

Even though we propose 11.2 million dollars to match available federal funds for water and sewer programs, we don't have other General Fund appropriations to continue our 2020 program to provide safe adequate water to our rural areas by the year 2020.

Nothing for the Fairgrounds, nothing to complete our golf courses under construction, and nothing for the proposed regional business park in the Purchase. The fact of the matter is that we just don't have the money!

We're presenting you with a proposal which increases General Fund expenditures in fiscal year 03 over the reduced fiscal year 02 base by only \$65 million or .9 percent. This is 146 million, or 2 percent below what you appropriated for fiscal 02 in the budget enacted in the 2000 session. This expenditure level is \$100 million more than we expect to receive in recurring revenue in fiscal 03; a structural imbalance of 1.4 percent.

As we look at the 04 proposal, it anticipates a level of expenditure above the proposed 03 budget of \$247 million, or 3.5 percent, with a structural imbalance of \$58 million, or 0.8 of one percent.

The \$298 million of new bonded indebtedness recommended for the next biennium is the lowest amount authorized in any biennium that we can find in the records available. This maintains our debt service at 6 percent of state-generated revenue, which is the guideline I've used to gauge the level of debt we should carry.

This proposal seriously depletes our reserves and so we must act as quickly as we can to rebuild them, especially our Budget Reserve Trust Fund. We don't use any of the remaining \$120 million in the Budget Reserve Trust Fund because to budget this money to fund ongoing expenses would be the worse of all fiscal policies and would in fact be a mockery of the principle of a reserve fund. I will resist all efforts to use any of this money. At the same time, we don't make a direct appropriation to the fund, directing only that all of any lapses or excess revenues be appropriated to it.

Our current experience demonstrates that we need a Budget Reserve Trust Fund of at least five percent of General Fund Revenue, about \$360 million based on our 2004 estimate of revenue. Let me urge you to make direct appropriations to the Budget Reserve Trust Fund in the next biennium and continue to appropriate all lapses and excess revenues to the fund until it's reached this 5 percent level.

Now we don't need to get to 5 percent in the next budget but we should be determined to get there in eight to ten years. Hopefully, it'll be that long before we have another recession like we're in now.

I know this proposal doesn't do everything we want or need to do but to my friends in the legislature who want to improve other services for your constituents, let me assure you that I share your concerns, but in my opinion, it's going to be difficult with current revenue. I ask for you to not raise expectations of more money for important programs without providing a source of that money. I call upon the leaders of each body of the legislature to join with me and not allow the passage of a law calling for an expenditure which is not in the budget and to resist those who try, regardless of party.

## 2002 Budget Address

In summary, we face the most severe revenue shortfall since 1981. But we've managed our way through it and we've presented to you a proposed budget that cuts administrative costs, maintains faith with our employees and teachers, keeps criminals off the streets, protects our most vulnerable citizens and ensures continued progress in education.

We won't be able to start new programs that our people need or fund the many projects that are important to your local communities but this proposal does, with very few exceptions, keep the promises we've already made. There's nothing in this proposal that hasn't been endorsed by previous legislative action. We have kept faith with our people. This is a document of promises kept.

I fully realize that you must make the final decision. We stand ready to provide you any information in our possession. We caution you against reducing any item in this proposal without carefully evaluating the impact. We recognize our responsibility to work with you to do the best we can for our people during these difficult times.

Again, I thank the people of Kentucky for the opportunity to work with you to serve them and generations to come.

Good night and God bless you, God bless America.



COMMONWEALTH OF KENTUCKY  
OFFICE OF THE GOVERNOR

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GOVERNOR

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MEMORANDUM

TO: Constitutional Officers  
Cabinet Secretaries  
Agency Heads

FROM: Governor Paul E. Patton *PP*

DATE: June 17, 2002

As you know, we are facing an unprecedented fiscal situation as a result of an impasse in the General Assembly that resulted in both the regular session and a special session adjourning without passage of the biennial budget.

Absent an agreement between the two chambers, I plan to implement a spending plan for FY 03 by executive order. This plan will be, so far as the law will allow, essentially the same as the budget proposal I prepared for the special session. With few exceptions, that proposal passed both the House and the Senate.

You and your budget staff will receive more detailed information as we finalize the documents, but for your planning purposes, the spending plan WILL accommodate a 2.7% salary increase for state employees. The spending plan will NOT direct any layoffs of state employees. It is important that you communicate this information to your employees to alleviate any concerns about the impact on individual employees or on our ability to deliver important services to the citizens of Kentucky.

In a related budget matter, on Tuesday, June 11, 2002, the Government Contract Review Committee in its regular monthly meeting deferred 280 FY 2003 contracts because of the budget impasse. Important government services, such as medical, legal, and other professional services that are essential to continue, are performed through personal services contracts and memoranda of agreements. Under existing statutes, these services may be provided under these deferred contracts until expressly disapproved by the Government Contract Review Committee. Therefore, your agency should move forward with the services contracted for in each of these deferred contracts on July 1, 2002, treating each as a valid contract.

I regret the current situation, but I must proceed in fulfilling my obligations. I will not permit a shutdown of state government, depriving the children of Kentucky of education services and many other Kentuckians the essential state services they are paying for with their tax dollars. We ask for your cooperation as we work through the difficult issues ahead.



AN EQUAL OPPORTUNITY EMPLOYER M/F/D



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June 19, 2002

The Honorable Richard "Dick" Adams  
State Senator  
28 Court Street  
Madisonville, KY 42431

Dear Dick:

I want to personally update you on our plan to continue to operate state government in the absence of a legislatively enacted budget.

As you know, both the regular session and special session adjourned without a budget as a result of an impasse on the issue of election finance reform. The real question at issue in this impasse is whether one chamber of the General Assembly can effectively repeal a major public policy by refusing to provide the funding necessary for its implementation.

The parties have been unable to reach a solution that does not effectively repeal the current law governing the election of governors in Kentucky. Absent such a solution, I expect this issue to ultimately be settled by the courts.

Accordingly, I plan to implement a spending plan for FY 03 by Executive Order prior to July 1. This plan will be, so far as the law will allow, essentially the same as the budget proposal I prepared for the special session in April. That proposal included funding for nearly every item in the budgets that were passed by both the House and Senate in the regular session.

We have had a legal team conducting a thorough analysis of the Governor's executive authority in this unprecedented situation. It is clear that the Governor has broad, but not unlimited, authority to continue the operations of government and to do so in a way that maintains a balanced budget.



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It is important for you to know that by adopting the spending plan I am not attempting to step into the role of the General Assembly. The spending plan will not be a budget. However, it will provide for the continuing operations of state government using as a guide the budgets passed by each chamber during the regular session.

There are certain aspects of a legislatively enacted budget that cannot be included in an executive spending plan. These include changes to tax policy, fee increases, and authorization of bond issues. However, the bonding delay may not have an impact as this will be a plan designed to keep state government operating for a period of time not to exceed one year. It is my expectation that this impasse will be resolved much more quickly than that. All of the debt service in the budget proposal was in the second year of the biennium.

I am taking every step possible to ensure that I am fulfilling my obligations as Governor in a way that conforms to what the members of the General Assembly have expressed as their intent through previous actions. But as Governor, I do have the responsibility to continue the necessary operations of state government in a way that is the least disruptive to the services our citizens want and deserve.

If you have any questions, please call me or any member of my executive staff.

Sincerely,

A handwritten signature in black ink that reads "Paul". The signature is written in a cursive, flowing style.

Paul E. Patton

**BUDGET ADDRESS  
BY GOVERNOR PAUL E. PATTON  
WEDNESDAY, FEBRUARY 5, 2003 - 7:00 p.m.**

President Williams, Speaker Richards, and members of the General Assembly, members of the Judiciary, and other constitutional officers, my fellow Kentuckians.

I once again thank the people of Kentucky for selecting me to serve as their governor these past seven years. I thank the members of the Kentucky General Assembly for the privilege of working with you.

I've served in the best of times - and the worst of times. And now is the worst of times.

With the benefit of hindsight, it's now clear that, beginning in about July of 1994, the economy of the nation and Kentucky began to boom. State revenue increased dramatically in fiscal year 1995. In fact, state revenue for six consecutive years was abnormally high. Virtually every other state experienced this same phenomenon.

The boom is now over. Real revenue growth is practically non-existent. Most of our sister states are experiencing the same situation. The states are, as a whole, in the midst of the greatest fiscal crisis since World War II. In Kentucky, for the first time since 1954, revenue actually declined from one year to the next. We're well into our third year of historically slow growth. The prospects for recovery are dismal at best. There is no light at the end of the tunnel.

It is indeed our darkest hour – and it can be the greatest opportunity to gain on our sister states during my administration. My fundamental goal as Governor has been to set Kentucky on a path to achieving a quality of life and a standard of living above the national average by the year 2020. Because some states are allowing this nationwide fiscal crisis to take them backwards, those states which don't cut back on their commitments can make a quantum leap in their effort to gain competitive advantage. Kentucky has that opportunity - if we have the wisdom and the strength.

Yes, we have severe budget problems, but we're not alone. Forty-eight other states are experiencing, or have experienced budget shortfalls. Virginia has a 10 percent budget shortfall; Massachusetts' is 15 percent; California, 20 percent. The average nationwide is ten percent. Ours is about 6 percent.

How we and our sister states handle this crisis will determine where we'll be relative to each other economically and socially twenty years from now.

Some states have taken the easy road and cut education, social services and public protection programs; stopping progress and, in fact, going backwards.

A few states have rejected these cuts and increased taxes to keep their vital services functioning. What will Kentucky do? That's what you're assembled here in Frankfort to decide.

Before I get to our immediate problem, let me review for a moment our past.

While I've been governor, we have moved Kentucky forward. We saved the Kentucky Education Reform Act. We made new commitments to postsecondary education. We addressed adult education and early childhood development.

We improved the environment in the Commonwealth. We cut our welfare rolls in half. We created 180,000 new jobs. We've committed to rebuilding our farm economy and that of the coal-producing regions of the Commonwealth.

We've made Kentucky safer, making dramatic improvements in our juvenile justice system. We have better trained police officers, better-equipped State Police, and 5,401 new jail and prison beds with 900 more on the way.

We've cut the state payroll by over a thousand employees and we've made government more efficient by 572 million dollars through our Empower Kentucky initiative.

We put some of the excess revenue of the boom years into our Budget Reserve Trust Fund, about 280 million dollars and we had over 400 million dollars in reserve in other Dedicated Use funds.

We refunded 287 million dollars of taxes which had been collected and spent by previous administrations under laws which have been declared unconstitutional by the courts. We made 600 million dollars of cash investments in infrastructure that will improve the economy and the quality of life of Kentuckians in the years ahead. And we returned much of this excess revenue to our citizens as tax cuts; 26 different tax cuts. Over 2 billion dollars so far. Almost 500 million dollars in fiscal year 2004.

That's the reason that the percent of personal income Kentuckians are devoting to government has gone down 7 percent since I took office.

I'm proud of the fact that we've reduced the amount of our people's income that they're devoting to government; but I also realized that this is the genesis of our current problem.

Let me frame the fundamental issue of the debate that confronts us. Corporate support for state government is about 350 million dollars below what it should be compared to what it was in 1990.

We in Kentucky have historically had low corporate taxes, generally providing about 10 percent of the General Fund. That's what it was in 1990 when Corporate Kentucky lead the way for education reform.

By 2002 corporate support of the General Fund had decline to 5 percent, 50 percent lower than it was in 1990 – half as much. Individuals are now paying for 21 percent more of the General Fund than we were paying in 1990.

That shift in who's paying the cost of state services is the fundamental issue in this debate. This shift in relative tax burden brings up an even more fundamental question. Should corporations doing business in Kentucky and using the services of state government pay any taxes at all? If so, how much?

The fact is that large national and international businesses operating in Kentucky don't have to pay corporate taxes if they don't want to! All they have to do is to operate in Kentucky as a limited liability business!

Perhaps we should first define the term businesses. There are two fundamental types of business structures. One is businesses owned by one or more individuals who assume all the responsibility of gain or loss of the business and pay Individual Income taxes on the profit.

The other is limited liability businesses; one or more people investing to conduct business on a scale that they are not willing to do as individuals if it means risking all they have. To make these kinds of investments, their liability for losses must in some way be limited. The corporation has historically been the business structure used to achieve these ends. These type businesses have historically paid taxes to the governments that granted them limited liability protection and, of course, their owners also pay taxes on the income they receive as dividends. This issue of double taxation is at the center of the present debate.

There's lately emerged a new business entity, the Limited Liability Company, which is a partnership and isn't required to pay taxes directly. Its income is passed directly to its owners and the owners pay the taxes. This type business entity enjoys the limited liability protection of a corporation but avoids the burden of double

taxation.

In 1994 Kentucky authorized limited liability companies. Eight years later, we have over 33,000 of these companies doing business in the Commonwealth. Most major corporations operating in Kentucky are conducting at least some of their business with limited liability companies. Their stockholders live all over the world. Only those stockholders who are legal Kentucky residents, pay Kentucky taxes on the corporate profits they receive as dividends. Typically Kentuckians would own less than 2 percent of a large, national corporation.

Therein lies the essence of the debate about corporate support for state government. Should corporations pay anything for services such as the education of their workforce; the protection of their property; the use of the state's infrastructure? Until recently, in Kentucky and all other states, the answer has been yes. Today, in Kentucky, that answer is, only if they want to.

If all the owners lived in Kentucky and paid Kentucky Individual Income Tax, this probably wouldn't be an issue. But what if the owners live in Tennessee? Or Florida? Or France? Shouldn't they pay something when they profit from our tax money?

The way I see it, unless the current laws are changed, there will be virtually no direct corporate support for state government in the very near future because I don't know too many businesses who are going to continue to pay taxes they don't legally have to pay. We need to decide, once and for all, should corporations operating in Kentucky under any organizational structure pay taxes. We need to make that decision now; in this session.

When making any decision of this nature, we need to look at what our neighbors are doing.

All our close neighbors have higher corporate taxes than Kentucky and some of them are making them even higher as they look for ways to deal with their budget shortfalls.

If we look at our neighbor to the south, we find that Tennessee, according to the United States' Census Bureau, gets 15.3 percent of its tax receipts from Corporate Income and License taxes. They also had an 8.2 percent budget gap and they raised taxes 933 million dollars, including an additional 127 million dollars on corporations, to solve their problem. And now I understand that the new governor of Tennessee is calling for more taxes.

Illinois gets 10.8 percent of its revenue directly from corporations. They also raised taxes 370 million dollars and still have a 592 million dollar budget shortfall.

Indiana gets 7.1 percent of its revenue as Corporate Income and License taxes. They raised taxes a billion dollars even though they're getting a quarter billion dollars from Kentuckians who like their riverboats.

Ohio gets 15.3 percent of its revenue directly from corporations. They raised taxes 797 million dollars including 216 million dollars from corporations.

I read just last week where Governor Taft was calling for more tax increases to plug another 720 million dollar budget gap for next year. In calling for that tax increase, Governor Taft said to a joint session of the Ohio legislature, "The actions I'm asking you to take will be painful, but the consequences of inaction are unacceptable." I make that same statement to the members of the Kentucky General Assembly.

Governor Huckabee of Arkansas said to a joint session of his legislature, "And if you deem that all new revenue sources, your proposals or mine, are dead on arrival, then you'll be saying that teacher pay increases are dead, scholarships are dead, medicine for the elderly is dead, that long (prison) sentences are dead, and that we'll have to have a massive early release of thousands of inmates from the system." He went on to say, "To be blunt, our problems aren't that simple and the answers aren't either."

Again, I echo that message to the Kentucky legislature and the people of the Commonwealth.

We in Kentucky have yet to permanently address our problem. That is the challenge presented to the Kentucky General Assembly. I hear your opposition to new taxes. I don't like to have to even talk about them myself. But do we know something that our neighbors don't know? Does someone in the General Assembly have a silver bullet I haven't found? If you do, share with me; and the people of Kentucky. Our administration solicits your advice.

We've dealt with this budget shortfall for over two years. Since November of 2001 we've managed shortfalls of 872 million dollars! We've made dramatic cuts in the administrative cost of state government. We've reduced payroll. We've reduced vehicles; we've cut travel. We've reduced the use of personal service contracts.

So far, there have been very few programmatic reductions. Our people have yet to feel the pain of their government not living up to its commitments; with the single exception of the consequences of an underfunded Corrections budget.

As I review my administration's handling of this crisis, I think we've done pretty well. I think our job is to keep our people from feeling the pain. But we can no longer shield our citizens from this crisis.

You adopted a very progressive budget for Fiscal Years 2001 and 2002 in the 2000 legislative session. But the budget shortfall for 2001 was 185 million dollars. We tightened our belts and absorbed that shortfall without cutting services. In 2002 the budget shortfall was 687 million dollars, 9.4 percent of the budget. I cut our postsecondary education and our Medicaid program two percent and all the rest of government 5 percent – but I didn't cut our elementary and secondary schools; the education of our children is too important.

In the 2002 session I proposed a continuation budget for this year and the next, based on a budget for last year which had already been cut 5 percent in every area of state services except education and Medicaid. That budget had no expansion of services, no real raises for our teachers or state employees, no operating increases to cover inflation. When rent went up, we told our agencies to reduce space. When utility bills went up, we told our managers to turn down the thermostat. Last December we announced other cost-saving measures which will save over 30 million dollars more without cutting services that affect the average Kentuckian. But we can no longer avoid the inevitable. We must now restore the 500 million dollars a year that we've returned to the people in tax cuts while I've been governor or; drastically cut services.

By the first of July, all our reserves will be gone. We'll be almost 400 million dollars short of what it takes to fund the 2004 budget I proposed last year. We'll need another 103 million dollars to prevent more cuts in Medicaid and to keep all our convicted felons behind bars until they've served their time.

If we're going to really restore the financial health of the Commonwealth, we'll need another 92 million dollars to rebuild our reserves and continue to invest 6 percent of our revenue in our schools and communities.

There's no doubt that you can take 400 million dollars out of the budget I proposed last year. There's no doubt you can force even more cuts in Medicaid. I don't see how you can refuse to fund our prisons. But you can certainly refuse to rebuild our Budget Reserve Trust Fund and stop our infrastructure investment program. There's no doubt that you can push a lot of the problems off on the next governor and the next General Assembly. There is no doubt that you can adjourn without addressing the problem. There is no doubt you can pass a fictitious budget. But you, I, or the people of Kentucky cannot escape the fact that we either restore the revenue lost when we cut taxes in 26 different ways or we reduce the teachers in our classrooms or increase college tuitions or cut more people off Medicaid or let more felons out of prison or reduce our services to neglected children or let the weeds grow in our state parks or let our infrastructure deteriorate; or lose a lot of dedicated state employees; or a combination of all of the above. Those are the choices we face.

I've made my choice. I've already experienced the trauma of releasing felons from prison before they've paid their debt to society. I've seen them go out the very next day and abuse the good people of Kentucky. I've faced the reality of depriving Kentuckians of essential health care.

I've been to the mountain of cutting the very heart and soul out of government; and I've returned sickened, saddened and resolute. I can stomach no more.

If that is to be the future of Kentucky, that future will be your legacy – not mine.

And so I propose to you tonight a budget which doesn't expand our government – but it does live up to our existing commitments.

And I propose to address one of the fundamental problems we face, the structure of our tax laws.

I propose to revise our tax code to make it more fair, to keep us competitive for economic expansion, to make our revenue stream more stable, to make it grow more closely with the growth of our society and to make it adequate to meet our current commitments.

I propose 17 specific changes which will close loopholes and raise some taxes and cut others. The net increase in state revenue will be 573 million dollars.

But the centerpiece of my proposal is to close the biggest loophole of all, the loophole that permits huge multi-national corporations to operate in Kentucky while paying practically no taxes to pay for the government services they use everyday.

I'm not here to criticize the businesses that make our economic prosperity possible. I'm here to criticize a corporate tax code that has become dysfunctional.

All I want to do is change the way we tax these corporate citizens to make it more fair to all our businesses.

In 2000, 37,000 corporations filed corporate tax returns in Kentucky. Two of them paid 10 percent of our Corporate Income Tax. Eleven of them paid 10 percent of our Corporate License Tax. That can't be fair.

These kinds of inequities are possible because we have a corporate tax code that has so many loopholes that it enables a corporate citizen to organize itself in ways so as to legally reduce its tax liability to practically nothing. Again, I want to emphasize that this is not a criticism of corporate Kentucky. Our large corporations have every obligation to their stockholders to pay only their legally binding tax obligations. The criticism is of us, the elected leaders of Kentucky who made this possible. We have created these loopholes. We have every reason to expect our corporate citizens to use them.

In 1990 we increased taxes by today's equivalent of one and a quarter billion dollars a year to pay for an educational program that we didn't know for sure would work. Surely we will increase taxes half that much to pay for it after we know it does work. For my part, I'm there. But the decision is not mine. The decision is yours, the 138 men and women elected by your peers to decide on their behalf, the future of Kentucky.

I realize that corporations, like individuals, pay a lot of different taxes like sales tax and property tax. As far as I know the relative amount of these taxes corporations pay hasn't changed. Tonight I will concentrate on those taxes that are paid only by corporations and those taxes paid only by individuals and point out how the distribution of the tax burden has shifted since 1990.

There aren't many loopholes in the Individual Income Tax laws that the average Kentuckian can take advantage of. Our corporate tax laws are full of loopholes.

Our present corporate tax system allocates a portion of a national corporation's total income to Kentucky based on three factors – payroll, sales and capital employed in Kentucky. My proposal uses these same three factors to determine a corporation's fair share of support for state government. It just applies them in a different

way.

The present system is so full of loopholes, a corporation can almost wipe out its tax liability legally.

Closing those loopholes is the objective of replacing the Corporate Income Tax with the Business Activity Tax. This is based on a company's payroll and sales in Kentucky.

This tax will apply equally to every business operating in Kentucky which enjoys the protection of limited liability except professional partnership; doctors, lawyers, engineers, accountants and other professional services. It does not apply to sole proprietorships or general partnerships. This change is not intended to affect the tax burden of Kentuckians who own a business which passes its income through to its owners.

Any Business Activity Tax that's paid by a Subchapter S Corporation or by any company that passes its income directly through to its owners; that tax is taken as a direct credit on the Individual Income Tax of that owner. Now I want you to listen to that statement very clearly. Any Business Activity Tax paid by a pass-through company is deducted dollar for dollar from the Individual Income Tax owed by the owner. Most Kentucky companies owned by Kentuckians are pass-through companies. This change should have no effect on a Kentucky-owned business that's already paying its fair share of the cost of state government.

I also propose to increase the Corporate License Tax from 21 to 41 cents per \$100 of capital employed in Kentucky and extend it to apply to these same businesses. What we're trying to do is create a level playing field where all businesses, large or small, are playing by the same rules, paying the same taxes, and helping to keep our education programs improving. We're also maintaining the ability of all Kentucky business owners who are presently avoiding double taxation by the use of pass-through companies to maintain that savings.

In 1990, corporate leaders like John Hall, David Jones, and Oz Nelson led the businesses of Kentucky as they came to you and said "give us better schools – raise our taxes to pay for them." And you responded. Since 1990 the taxes that individuals pay have gone up 123 percent! The taxes corporations pay have gone down 9 percent.

And let me emphasize one more time, I am not criticizing our business community. I'm criticizing our corporate tax code which is fundamentally flawed.

The limited liability company loophole was created in 1994. Few people realized what the changes did. Some corporate executives are just now beginning to understand how to reorganize a company and virtually eliminate state taxes. That's what's causing the stampede to the Secretary of State's Office to file the papers to establish limited liability companies; the vehicles to tax-free heaven. I know this subject is complicated. It'll require a complicated solution. If you want to know more, it's all right here in this "hot off the press" document, *Securing Kentucky's Future*.

We've sent a copy to every legislator. It's available on the web to anyone who's interested. It documents in detail my proposal and my reasoning. I urge every Kentuckian to read it.

It's my responsibility to execute the programs the legislature has mandated so long as we have the money in the bank; and we still have money in the bank. It'll run out about July. I will then have no choice except to make cuts that will upset people more than the early release of felons. Then you and the people of Kentucky will see what an emasculated government really looks like. I already know.

You must now decide. If we raise no taxes, we'll put Kentucky back a generation. If we raise taxes a little, it'll be like a narcotic; mask the pain but not cure the disease.

If we address the fundamental problem and restore the revenue we didn't need during the good economic times, we can move Kentucky forward during the next administration and beyond and surpass those other states whose political leadership is more interested in the next election than they are in the next generation.

I think I've proven that I understand how important businesses are to the people of Kentucky.

I would never do anything to hurt the business climate in the Commonwealth. That's why I won't support cutting education. Providing good schools is the single most important thing we can do to make Kentucky more business friendly.

The other side of this coin is to cut my budget to fit existing revenue. I am not going to participate in cutting government services anymore. We'll leave that up to the people who say we don't need more revenue. They must draft the budget with no new revenue.

The people have the right to see a budget with no new revenue. I know what it looks like and it's ugly. It's cruel. It'll destroy all the progress we've made these last seven years. I will not support it. I will oppose it. I will not put my name on it. It will be your budget.

I'm proposing a sound budget. A budget that funds our current commitments. A budget that restores our fiscal integrity, protects our bond rating and begins to rebuild our budget reserves. My budget will fully fund our commitment to Basic SEEK for next year at the level of 3,234 dollars for every student in average daily attendance in our schools; it will fully fund the current estimated cost of the Medicaid program with no more cuts beyond those we've already begun to initiate. And it'll fully fund our Corrections Department so there will be no more early release of felons.

And my budget will continue our policy of investing 6 percent of our income in our infrastructure; the framework around which our economy grows. I've said it before and I'll say it again. No matter how bad things get, we must continue to invest in the future, just like those who came before us. It's especially important to invest now because interest rates may never be lower. And if we stop growing our infrastructure, we'll stop growing our economy.

I heard the story of the farmer who decided to economize so he slowly reduced the feed to his mule; just a little bit less everyday. After a month his neighbor asked him how his economizing effort was going. "Well, it was going great," the farmer said. "I had him completely weaned from food and then the darn thing died!"

Well, that's what happens when a society stops investing. It's just about the same as eating your seed corn.

We have a simple choice. Pay now or pay later. Statesmen will step up to the plate and pay now. Politicians will make the people pay later.

Our colleges and universities are our future, so my budget will fund the new health services campus at the University of Louisville and the Biological Sciences Pharmaceutical Complex at the University of Kentucky. It'll fund the Business Technology Center at Eastern; the Old Science Building Renovation at Northern; the Student Center Restoration at Morehead; the Science Building Replacement at Murray; the Thompson Science Complex replacement at Western; and the renovation of Hathaway Hall at Kentucky State.

It'll fund new KCTCS buildings at Henderson and Madisonville and Ashland. It'll fulfill the promise of 100 million dollars made two years ago to our schools for new buildings, and promises another 100 million dollars for the next biennium; and it funds Bucks for Brains.

We must continue to grow our economy and have plenty of land set aside for businesses to locate and expand, so my budget will fund the new business park in the Purchase and one in Hopkinsville as well as finish the convention center there. It'll pay off the loan on the Glendale industrial sight in Hardin County and provide the Economic Development Cabinet the ED bonds they must have to keep our economy growing.

And it'll fund our 2020 rural water initiative and keep us on track to reach our goal of providing every Kentuckian with access to high quality water by the year 2020.

And it finishes the six new golf courses you authorized in 2000.

And it funds the new executive office building which will let future administrations get on with the job of restoring and preserving our beautiful State Capitol building.

And I support and urge you to support the judicial branch's efforts to construct the 23 new courthouses in rural Kentucky. We absolutely must continue this program to provide every court in the Commonwealth with state-of-the-art facilities.

And my budget recognizes the importance of our major urban areas to all Kentuckians. My budget begins the multipurpose activities center in Northern Kentucky and finishes Rupp Arena and keeps our Kentucky State Fairgrounds in the first tier of large convention centers in America!!!

My budget is a responsible budget; a humane budget; a budget that keeps our commitments.

Those who can't see my vision for Kentucky can have the ugly budget of no new taxes. If you can't see very far, ugly doesn't look too bad. If you can see to the horizon, you see a sunrise; you see the future.

To the people of Kentucky, I ask you to study my budget and the comprehensive tax reform needed to fund it. Don't greet the mention of increased taxes with a knee-jerk reaction. This Business Activity Tax, in all likelihood, won't affect your pocketbook one dime. It will most assuredly affect the schools in your communities, the social services of your neighbors, the safety of your streets. If you agree with me, call your state senator and state representative. They really want to know your views. All they're hearing from now are the uninformed or the selfish special interests that only care about today – and themselves.

The flat earth, no new taxers will scream cut spending, cut spending and then they'll scream don't let felons out of jail. But keeping criminals off the street is where we've increased spending 65 percent. Room for 5,401 new inmates; and 900 more beds on the way. That's one reason the crime rate in Kentucky has dropped 10 percent.

We've increased spending on Medicaid by 63 percent and now I've had to cut Medicaid 250 million dollars and the cut spenders are calling my office demanding that we not cut the reimbursement rates of their friends in the health care field.

We've increased spending on education 29 percent but our teachers' salaries have already dropped from 27<sup>th</sup> to 34<sup>th</sup> in the nation. And the cut spenders scream, don't cut education.

Since I've been governor, inflation has caused costs to go up 19 percent but the increased costs of all the rest of state government has increased by only 13 percent, only two thirds as much as the average increase in costs in our nation as a whole.

My friends, the politicians can demagogue new taxes. But they offer no solution. I have but ten more months to serve. I have but one more challenge to meet; - to turn over to my successor a state government that has a balanced state budget, a sound fiscal position, and the ability to meet its existing commitments. I can't do that by myself. I need your help; you here in the legislature and you out there in Kentucky.

For seven years, I've tried my best to do and advocate what was right for the long-term welfare of all the people, not the short-term gain of the special interests.

I have supported Labor when I thought Labor was right. I have opposed Labor when I thought Labor was wrong. The same goes for business.

I've tried to be the advocate for the people. That's the role I play tonight. I believe history will prove me

right.

Goodnight, God bless you, and God bless America.