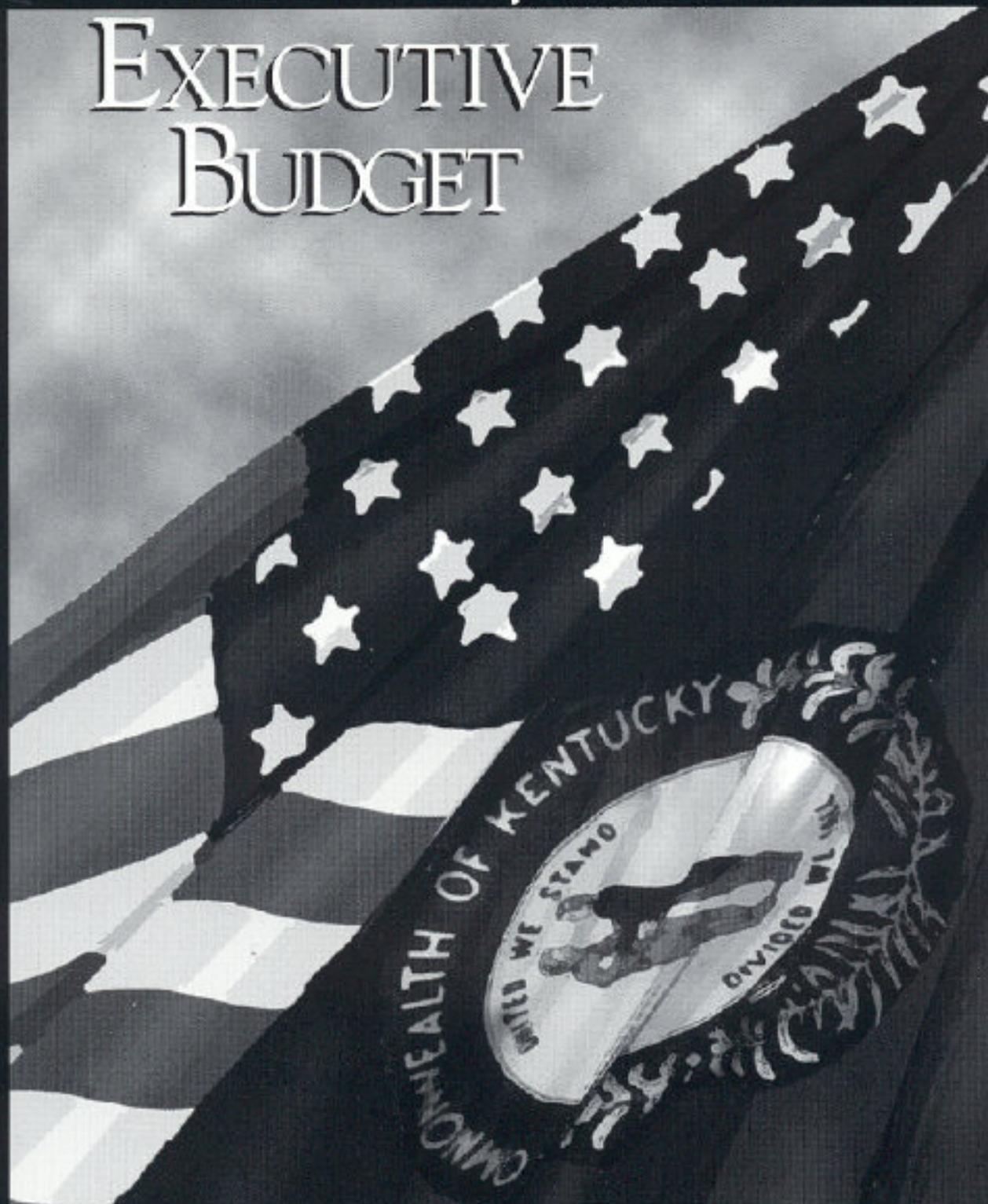




*Education,  
Arts and  
Humanities*

2002-2004

# EXECUTIVE BUDGET



**Education, Arts and Humanities**

	<b>Revised FY 2002</b>	<b>Requested FY 2003</b>	<b>Requested FY 2004</b>	<b>Recommended FY 2003</b>	<b>Recommended FY 2004</b>
<b>SOURCE OF FUNDS</b>					
<b>General Fund</b>					
Regular Appropriation	208,042,700	229,217,400	254,289,200	207,362,800	220,023,100
Budget Reduction	-6,147,800				
<b>Total General Fund</b>	<b>201,894,900</b>	<b>229,217,400</b>	<b>254,289,200</b>	<b>207,362,800</b>	<b>220,023,100</b>
<b>Restricted Funds</b>					
Balance Forward	2,879,900	1,182,700	890,900	1,182,700	809,300
Current Receipts	4,526,700	4,069,700	4,103,000	4,069,700	4,103,000
Non-Revenue Receipts	6,667,500	7,576,600	7,818,400	7,576,600	7,818,400
<b>Total Restricted Funds</b>	<b>14,074,100</b>	<b>12,829,000</b>	<b>12,812,300</b>	<b>12,829,000</b>	<b>12,730,700</b>
<b>Federal Funds</b>					
Balance Forward	94,100	21,300	7,200	21,300	7,200
Current Receipts	4,443,800	4,404,300	4,383,500	4,404,300	4,383,500
<b>Total Federal Funds</b>	<b>4,537,900</b>	<b>4,425,600</b>	<b>4,390,700</b>	<b>4,425,600</b>	<b>4,390,700</b>
<b>TOTAL SOURCE OF FUNDS</b>	<b>220,506,900</b>	<b>246,472,000</b>	<b>271,492,200</b>	<b>224,617,400</b>	<b>237,144,500</b>
<b>EXPENDITURES BY CLASS</b>					
Personnel Cost	30,641,000	31,724,800	33,299,400	30,421,600	31,729,900
Operating Expenses	15,495,400	16,165,900	16,227,800	16,040,500	16,046,700
Grants, Loans or Benefits	96,837,900	116,143,000	131,194,200	99,418,300	101,957,200
Debt Service	75,075,000	80,368,800	89,043,200	76,853,100	85,976,500
Capital Outlay	472,100	471,400	288,800	367,400	288,800
Construction	781,500	700,000	700,000	700,000	700,000
<b>TOTAL EXPENDITURES</b>	<b>219,302,900</b>	<b>245,573,900</b>	<b>270,753,400</b>	<b>223,800,900</b>	<b>236,699,100</b>
<b>EXPENDITURES BY FUND SOURCE</b>					
General Fund	201,894,900	229,217,400	254,289,200	207,362,800	220,023,100
Restricted Funds	12,891,400	11,938,100	12,073,700	12,019,700	12,285,500
Federal Funds	4,516,600	4,418,400	4,390,500	4,418,400	4,390,500
<b>TOTAL EXPENDITURES</b>	<b>219,302,900</b>	<b>245,573,900</b>	<b>270,753,400</b>	<b>223,800,900</b>	<b>236,699,100</b>
<b>EXPENDITURES BY UNIT</b>					
Secretary	3,295,300	3,328,800	3,419,000	3,277,200	3,307,500
Kentucky Arts Council	5,987,100	7,157,300	7,148,600	5,983,200	5,927,300
Kentucky Historical Society	6,897,200	7,081,700	7,288,000	6,813,100	6,991,400
Kentucky Educational Television	17,305,500	18,761,200	19,268,300	16,642,800	17,065,000
School Facilities Construction Commission	75,318,200	79,144,800	86,304,200	77,121,400	86,226,800
Deaf and Hard of Hearing	1,049,100	1,148,100	1,167,200	1,109,100	1,081,100
Kentucky Heritage Council	2,503,200	3,070,400	3,121,800	1,946,400	1,939,300
Kentucky Center for the Arts	619,800	645,600	1,207,500	619,800	619,800
Environmental Education Council	161,000	262,900	268,600	150,000	150,000
Libraries and Archives	17,522,200	17,752,600	19,064,200	17,100,600	17,543,400
Teachers' Retirement System	88,644,300	107,220,500	122,496,000	93,037,300	95,847,500
<b>TOTAL EXPENDITURES</b>	<b>219,302,900</b>	<b>245,573,900</b>	<b>270,753,400</b>	<b>223,800,900</b>	<b>236,699,100</b>

The agencies in the Education, Arts and Humanities Cabinet are dedicated to improving the quality of life in Kentucky by preserving its diverse natural and cultural heritage and its historic resources; promoting life-long learning; and embracing initiatives that enrich people's lives and promote an environment in which communities can thrive.

**Education, Arts and Humanities  
Secretary**

	<b>Revised FY 2002</b>	<b>Requested FY 2003</b>	<b>Requested FY 2004</b>	<b>Recommended FY 2003</b>	<b>Recommended FY 2004</b>
<b>SOURCE OF FUNDS</b>					
<b>General Fund</b>					
Regular Appropriation	3,251,500	3,292,400	3,382,300	3,240,800	3,270,800
Budget Reduction	-40,700				
<b>Total General Fund</b>	<b>3,210,800</b>	<b>3,292,400</b>	<b>3,382,300</b>	<b>3,240,800</b>	<b>3,270,800</b>
<b>Restricted Funds</b>					
Balance Forward	49,400	300	300	300	300
Current Receipts	35,400	36,400	36,400	36,400	36,400
<b>Total Restricted Funds</b>	<b>84,800</b>	<b>36,700</b>	<b>36,700</b>	<b>36,700</b>	<b>36,700</b>
<b>TOTAL SOURCE OF FUNDS</b>	<b>3,295,600</b>	<b>3,329,100</b>	<b>3,419,000</b>	<b>3,277,500</b>	<b>3,307,500</b>
<b>EXPENDITURES BY CLASS</b>					
Personnel Cost	676,600	705,400	742,100	682,500	714,100
Operating Expenses	169,100	203,400	206,900	203,400	206,900
Grants, Loans or Benefits	2,449,600	2,420,000	2,470,000	2,391,300	2,386,500
<b>TOTAL EXPENDITURES</b>	<b>3,295,300</b>	<b>3,328,800</b>	<b>3,419,000</b>	<b>3,277,200</b>	<b>3,307,500</b>
<b>EXPENDITURES BY FUND SOURCE</b>					
General Fund	3,210,800	3,292,400	3,382,300	3,240,800	3,270,800
Restricted Funds	84,500	36,400	36,700	36,400	36,700
<b>TOTAL EXPENDITURES</b>	<b>3,295,300</b>	<b>3,328,800</b>	<b>3,419,000</b>	<b>3,277,200</b>	<b>3,307,500</b>
<b>EXPENDITURES BY UNIT</b>					
Secretary	954,600	981,800	1,000,800	942,900	955,700
Martin Luther King Commission	4,200	4,300	4,400	4,200	4,200
Governor's Scholars	1,706,400	1,712,400	1,722,900	1,706,300	1,713,800
Governor's School for the Arts	405,000	405,000	455,000	405,000	405,000
Office of Operations & Dev	225,100	225,300	235,900	218,800	228,800
<b>TOTAL EXPENDITURES</b>	<b>3,295,300</b>	<b>3,328,800</b>	<b>3,419,000</b>	<b>3,277,200</b>	<b>3,307,500</b>

The Office of the Secretary, Education, Arts and Humanities Cabinet is responsible for the development and implementation of statewide education, arts, and humanities policy and programs. It provides coordination, direction, and management oversight to the agencies within the Cabinet. Within the appropriation unit for the Office of the Secretary are the following:

The Governor's Scholars Program is designed to motivate and empower Kentucky's brightest young people to become effective thinkers and citizen leaders with a zeal for excellence and a mind for innovation. The program provides an intensive residential summer academic and personal growth program for academically talented rising high school seniors. The scholars, chosen competitively, spend five uninterrupted weeks in the program on three college campuses.

The Governor's School for the Arts (GSA) is a summer residential program at the Kentucky Center for the Arts for artistically gifted juniors and seniors in high school, serving approximately 200 students during the three-week program. In addition, participating students are invited to attend the annual Kentucky College and Career Day at the Kentucky Fair and Exposition Center. Colleges and universities across the nation recognize the artistic excellence of GSA graduates. Two Kentucky universities offer scholarships to GSA graduates by virtue of their attendance at GSA.

The Office of Operations and Development coordinates and assists fiscal and personnel operations, strategic planning, development initiatives, and legislative programs of cabinet agencies. By coordinating strategic partnership planning, legislative review and presentation, and overall fundraising strategy in the Office of Operations and Development, the cabinet agencies can concentrate on maintaining and enhancing the quality and delivery of services, while enriching ongoing programs and ensuring the success of new program ventures.

This Martin Luther King Commission was formally attached to the Education, Arts and Humanities Cabinet in 1996. The Commission's duties include: developing proposals for and overseeing a special program for the annual King holiday celebration; participating in Black History Month; assisting in developing educational materials and contests; and encouraging public participation in holiday observances. The Commission provides other state agencies guidance and assistance on issues and programs related to diversity, equality, and multi-culturalism.

**Policy**

Up to \$30,000 General Fund each year is available to be transferred to the Environmental Education Council for additional support.

**Education, Arts and Humanities  
Kentucky Arts Council**

	<b>Revised FY 2002</b>	<b>Requested FY 2003</b>	<b>Requested FY 2004</b>	<b>Recommended FY 2003</b>	<b>Recommended FY 2004</b>
<b>SOURCE OF FUNDS</b>					
<b>General Fund</b>					
Regular Appropriation	4,895,500	5,818,700	5,915,000	4,644,600	4,693,700
Budget Reduction	-269,200				
<b>Total General Fund</b>	<b>4,626,300</b>	<b>5,818,700</b>	<b>5,915,000</b>	<b>4,644,600</b>	<b>4,693,700</b>
<b>Restricted Funds</b>					
Balance Forward	316,200	89,900	10,000	89,900	10,000
Current Receipts	426,700	537,400	506,000	537,400	506,000
Non-Revenue Receipts	96,500	96,500	96,500	96,500	96,500
<b>Total Restricted Funds</b>	<b>839,400</b>	<b>723,800</b>	<b>612,500</b>	<b>723,800</b>	<b>612,500</b>
<b>Federal Funds</b>					
Balance Forward	18,600	6,100		6,100	
Current Receipts	598,800	618,700	621,100	618,700	621,100
<b>Total Federal Funds</b>	<b>617,400</b>	<b>624,800</b>	<b>621,100</b>	<b>624,800</b>	<b>621,100</b>
<b>TOTAL SOURCE OF FUNDS</b>	<b>6,083,100</b>	<b>7,167,300</b>	<b>7,148,600</b>	<b>5,993,200</b>	<b>5,927,300</b>
<b>EXPENDITURES BY CLASS</b>					
Personnel Cost	1,050,600	1,104,600	1,159,200	1,069,700	1,119,200
Operating Expenses	858,800	913,600	892,900	871,300	839,100
Grants, Loans or Benefits	4,077,700	5,139,100	5,096,500	4,042,200	3,969,000
<b>TOTAL EXPENDITURES</b>	<b>5,987,100</b>	<b>7,157,300</b>	<b>7,148,600</b>	<b>5,983,200</b>	<b>5,927,300</b>
<b>EXPENDITURES BY FUND SOURCE</b>					
General Fund	4,626,300	5,818,700	5,915,000	4,644,600	4,693,700
Restricted Funds	749,500	713,800	612,500	713,800	612,500
Federal Funds	611,300	624,800	621,100	624,800	621,100
<b>TOTAL EXPENDITURES</b>	<b>5,987,100</b>	<b>7,157,300</b>	<b>7,148,600</b>	<b>5,983,200</b>	<b>5,927,300</b>
<b>EXPENDITURES BY UNIT</b>					
Arts Council	5,111,700	6,247,800	6,251,000	5,100,900	5,070,500
Craft Marketing	875,400	909,500	897,600	882,300	856,800
<b>TOTAL EXPENDITURES</b>	<b>5,987,100</b>	<b>7,157,300</b>	<b>7,148,600</b>	<b>5,983,200</b>	<b>5,927,300</b>

The Kentucky Arts Council was formed in 1965 by Executive Order and is authorized under KRS 153.210-235. The Council develops and promotes a broadly conceived state policy of support for the arts in Kentucky.

The Kentucky Arts Council supports, through grants and technical assistance, Kentucky arts organizations, schools, community arts councils, and individual artists and craftpersons. These organizations and individuals contribute significantly to the economy, education, and quality of life in Kentucky. They play a significant role in overseeing services necessary to implement the Kentucky Arts Council mission and plan, the Kentucky Education Reform Act, and Kentucky's Strategic Plan for Economic Development.

The Council's major programs are: Arts and Cultural Organization Support, Community Arts Development, Arts Education, Crafts Marketing, Individual Artists Recognition and Support, Project Grants, Folk and Traditional Arts Support, and KAC Directories and Honors.

**Education, Arts and Humanities  
Kentucky Historical Society**

	<b>Revised FY 2002</b>	<b>Requested FY 2003</b>	<b>Requested FY 2004</b>	<b>Recommended FY 2003</b>	<b>Recommended FY 2004</b>
<b>SOURCE OF FUNDS</b>					
<b>General Fund</b>					
Regular Appropriation	6,502,700	6,452,700	6,736,500	6,145,000	6,377,500
Budget Reduction	-357,700				
<b>Total General Fund</b>	<b>6,145,000</b>	<b>6,452,700</b>	<b>6,736,500</b>	<b>6,145,000</b>	<b>6,377,500</b>
<b>Restricted Funds</b>					
Balance Forward	504,500	431,300	247,800	431,300	208,700
Current Receipts	570,200	349,600	433,000	349,600	433,000
<b>Total Restricted Funds</b>	<b>1,074,700</b>	<b>780,900</b>	<b>680,800</b>	<b>780,900</b>	<b>641,700</b>
<b>Federal Funds</b>					
Balance Forward	48,800	15,000	7,000	15,000	7,000
Current Receipts	75,000	87,900	35,500	87,900	35,500
<b>Total Federal Funds</b>	<b>123,800</b>	<b>102,900</b>	<b>42,500</b>	<b>102,900</b>	<b>42,500</b>
<b>TOTAL SOURCE OF FUNDS</b>	<b>7,343,500</b>	<b>7,336,500</b>	<b>7,459,800</b>	<b>7,028,800</b>	<b>7,061,700</b>
<b>EXPENDITURES BY CLASS</b>					
Personnel Cost	3,778,100	3,970,800	4,185,200	3,702,200	3,888,600
Operating Expenses	2,962,600	2,914,400	2,906,300	2,914,400	2,906,300
Grants, Loans or Benefits	156,500	196,500	196,500	196,500	196,500
<b>TOTAL EXPENDITURES</b>	<b>6,897,200</b>	<b>7,081,700</b>	<b>7,288,000</b>	<b>6,813,100</b>	<b>6,991,400</b>
<b>EXPENDITURES BY FUND SOURCE</b>					
General Fund	6,145,000	6,452,700	6,736,500	6,145,000	6,377,500
Restricted Funds	643,400	533,100	509,000	572,200	571,400
Federal Funds	108,800	95,900	42,500	95,900	42,500
<b>TOTAL EXPENDITURES</b>	<b>6,897,200</b>	<b>7,081,700</b>	<b>7,288,000</b>	<b>6,813,100</b>	<b>6,991,400</b>
<b>EXPENDITURES BY UNIT</b>					
Administration	3,716,600	3,734,300	3,884,200	3,641,100	3,782,700
Oral History and Educational Outreach	874,400	941,400	962,700	890,100	906,100
Research and Publications	1,092,800	1,126,100	1,146,500	1,069,800	1,083,700
Museums	1,213,400	1,279,900	1,294,600	1,212,100	1,218,900
<b>TOTAL EXPENDITURES</b>	<b>6,897,200</b>	<b>7,081,700</b>	<b>7,288,000</b>	<b>6,813,100</b>	<b>6,991,400</b>

The Society's mission, pursuant to KRS 171.311, is to collect and preserve for future generations materials and information regarding Kentucky's past; to disseminate knowledge and understanding of the state's history; and to produce for people of all backgrounds an increased awareness of and appreciation for the Commonwealth and its heritage. The agency operates four programs: Administration, Research and Publications, Museums, and Oral History and Educational Outreach.

Since 1999, the Society and its three facilities-the History Center, Old State Capitol, and Kentucky Military History Museum-have averaged over 200,000 visitors annually. Over forty-percent of the total audience consists of Kentucky students who visit in organized school groups. Via its website the agency offers access to research collections through on-line databases and an electronic library catalog.

The Administration program provides overall agency direction, planning, and management. During the current biennium, a new branch, Institutional Advancement, was established to help raise increased private sector support for projects and services that do not receive state support. Units within the IA branch include: development, special events, membership, gift shop, facilities rental, marketing/public relations, and website management. As a consequence, annual and planned giving efforts have been launched to raise additional private funds.

The Research and Publications program has three branches: Publications, Research Library, and Special Collections. Publications produces three periodicals and numerous book-length works on Kentucky history subjects. The research library, housed in the Kentucky History Center, possesses over 100,000 volumes of Kentucky family history materials and serves over 30,000 research requests annually. Special Collections consists of maps, photographs, manuscripts, and rare books. Considerable resources have been invested in digitizing research materials for on-line public access. A digitizing unit within the Special Collections branch creates electronic copies of fragile historic materials to permit Internet access to research collections and to preserve them.

The Museum program operates the Kentucky History Center's museum (a 20,000 sq. ft. permanent exhibition and a 4,000 sq. ft. temporary exhibition gallery), the Old State Capitol, and the Kentucky Military History Museum. Since the Center's opening more than half a dozen major temporary exhibits have been offered to the public. Six subunits compose the Museum program: education, visitor services, traveling exhibitions, exhibit design, artifact collections, and military history.

The Oral History and Educational Outreach program includes the Kentucky Oral History Commission, the Kentucky Folklife Program, and the Local History branch. Incorporated into the Local History Branch are the Kentucky Junior Historians, the Governors' Gravesite Grants program, Local History Grants, Education Grants, and Kentucky Historic Highway Markers program. The program provides Kentucky communities' historic organizations and museums with technical support and limited grant funds, and promotes history education in Kentucky's schools.

**Education, Arts and Humanities  
Kentucky Educational Television**

	<b>Revised FY 2002</b>	<b>Requested FY 2003</b>	<b>Requested FY 2004</b>	<b>Recommended FY 2003</b>	<b>Recommended FY 2004</b>
<b>SOURCE OF FUNDS</b>					
<b>General Fund</b>					
Regular Appropriation	15,499,300	16,954,800	17,492,600	14,836,400	15,289,300
Budget Reduction	-852,500				
<b>Total General Fund</b>	<b>14,646,800</b>	<b>16,954,800</b>	<b>17,492,600</b>	<b>14,836,400</b>	<b>15,289,300</b>
<b>Restricted Funds</b>					
Balance Forward	732,200				
Current Receipts	1,226,500	1,106,400	1,075,700	1,106,400	1,075,700
<b>Total Restricted Funds</b>	<b>1,958,700</b>	<b>1,106,400</b>	<b>1,075,700</b>	<b>1,106,400</b>	<b>1,075,700</b>
<b>Federal Funds</b>					
Current Receipts	700,000	700,000	700,000	700,000	700,000
<b>Total Federal Funds</b>	<b>700,000</b>	<b>700,000</b>	<b>700,000</b>	<b>700,000</b>	<b>700,000</b>
<b>TOTAL SOURCE OF FUNDS</b>	<b>17,305,500</b>	<b>18,761,200</b>	<b>19,268,300</b>	<b>16,642,800</b>	<b>17,065,000</b>
<b>EXPENDITURES BY CLASS</b>					
Personnel Cost	10,037,800	9,992,900	10,460,100	9,496,400	9,776,900
Operating Expenses	5,717,400	5,834,200	5,889,900	5,796,300	5,864,800
Grants, Loans or Benefits	502,700	513,300	513,300	424,300	513,300
Debt Service		1,495,000	1,495,000		
Capital Outlay	266,100	225,800	210,000	225,800	210,000
Construction	781,500	700,000	700,000	700,000	700,000
<b>TOTAL EXPENDITURES</b>	<b>17,305,500</b>	<b>18,761,200</b>	<b>19,268,300</b>	<b>16,642,800</b>	<b>17,065,000</b>
<b>EXPENDITURES BY FUND SOURCE</b>					
General Fund	14,646,800	16,954,800	17,492,600	14,836,400	15,289,300
Restricted Funds	1,958,700	1,106,400	1,075,700	1,106,400	1,075,700
Federal Funds	700,000	700,000	700,000	700,000	700,000
<b>TOTAL EXPENDITURES</b>	<b>17,305,500</b>	<b>18,761,200</b>	<b>19,268,300</b>	<b>16,642,800</b>	<b>17,065,000</b>
<b>EXPENDITURES BY UNIT</b>					
General Administration and Support	2,447,200	2,521,100	2,633,400	2,447,200	2,504,400
Broadcasting and Education	10,451,300	10,219,600	10,485,800	9,758,200	10,002,100
Engineering	4,407,000	4,525,500	4,654,100	4,437,400	4,558,500
Debt Service		1,495,000	1,495,000		
<b>TOTAL EXPENDITURES</b>	<b>17,305,500</b>	<b>18,761,200</b>	<b>19,268,300</b>	<b>16,642,800</b>	<b>17,065,000</b>

As required by KRS 168, the Kentucky Authority for Educational Television (KET) produces and transmits educational programming for students in public schools, state-supported institutions of higher education, and others desiring broadcast programs. KET is divided into three program areas: General Administration and Support, Engineering, and Broadcasting and Education.

KET operates a statewide network of 16 analog transmitters and four translators. It also operates a satellite delivery system including a four-channel uplink, and approximately 1,700 downlinks at all public schools, colleges, state parks, and many libraries and other public buildings in nearly every Kentucky community. This satellite system also feeds several cable systems around the Commonwealth. The Federal Communications Commission has mandated that all public television networks broadcast a digital signal by May 2003. KET is in the process of installing digital transmitters and will meet the deadline.

**Education, Arts and Humanities  
Kentucky Educational Television  
General Administration and Support**

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
<b>SOURCE OF FUNDS</b>					
<b>General Fund</b>					
Regular Appropriation	2,447,200	2,521,100	2,633,400	2,447,200	2,504,400
<b>Total General Fund</b>	2,447,200	2,521,100	2,633,400	2,447,200	2,504,400
<b>TOTAL SOURCE OF FUNDS</b>	2,447,200	2,521,100	2,633,400	2,447,200	2,504,400
<b>EXPENDITURES BY CLASS</b>					
Personnel Cost	1,708,900	1,813,900	1,905,700	1,740,000	1,797,200
Operating Expenses	738,300	707,200	727,700	707,200	707,200
<b>TOTAL EXPENDITURES</b>	2,447,200	2,521,100	2,633,400	2,447,200	2,504,400
<b>EXPENDITURES BY FUND SOURCE</b>					
General Fund	2,447,200	2,521,100	2,633,400	2,447,200	2,504,400
<b>TOTAL EXPENDITURES</b>	2,447,200	2,521,100	2,633,400	2,447,200	2,504,400

The General Administration and Support Unit oversees the implementation of Kentucky Educational Television's (KET) mission as directed by the Kentucky Authority for Educational Television. KET was established by the Kentucky General Assembly in the early 1960s for the purpose of supporting educational excellence in the Commonwealth. The agency's mission includes service to citizens of the Commonwealth in the home, in institutions of education, and in the workplace.

This Unit recommends and carries out the policies of the Authority in all matters of the agency. The Unit assures that the agency is in compliance with pertinent state regulations and federal broadcasting laws. The Unit also works to ascertain the desires of the citizens of the Commonwealth.

The Unit carries out research and planning activities to verify the needs of current and potential audiences. It then works to assure effective, efficient, and appropriate service to those audiences. Major areas of agency effort include programs and services in public affairs, K-12 student learning and teacher training, adult basic education, higher education, outreach programs on important state issues, and cultural and performing arts programs.

The Unit recognizes that coordination of efforts with other agencies, organizations and institutions is essential to effective service. It works to insure complementing, productive, non-duplicative efforts with groups such as, the Kentucky Department of Education, the Governor's Office for Technology, the Workforce Development Cabinet, colleges and universities, and all public school districts, to name a few.

The agency has been recognized as the educational telecommunications leader in the Commonwealth. As such, the General Administration and Support Unit also conducts activities which lead to constructive recommendations on current practice and future directions of telecommunications for the Commonwealth. Technologies that the agency currently exploits include broadcast television (analog and digital), microwave transmission, digital satellite communications, two-way video/audio via T1 lines, the Internet, CD-ROM, datacasting, and videotape distribution.

**Education, Arts and Humanities  
Kentucky Educational Television  
Broadcasting and Education**

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
<b>SOURCE OF FUNDS</b>					
<b>General Fund</b>					
Regular Appropriation	9,607,600	9,460,800	9,757,700	8,999,400	9,274,000
Budget Reduction	-822,500				
<b>Total General Fund</b>	8,785,100	9,460,800	9,757,700	8,999,400	9,274,000
<b>Restricted Funds</b>					
Balance Forward	732,200				
Current Receipts	934,000	758,800	728,100	758,800	728,100
<b>Total Restricted Funds</b>	1,666,200	758,800	728,100	758,800	728,100
<b>TOTAL SOURCE OF FUNDS</b>	10,451,300	10,219,600	10,485,800	9,758,200	10,002,100
<b>EXPENDITURES BY CLASS</b>					
Personnel Cost	6,258,800	6,078,300	6,346,700	5,743,800	5,863,000
Operating Expenses	3,342,200	3,402,200	3,415,800	3,364,300	3,415,800
Grants, Loans or Benefits	502,700	513,300	513,300	424,300	513,300
Capital Outlay	266,100	225,800	210,000	225,800	210,000
Construction	81,500				
<b>TOTAL EXPENDITURES</b>	10,451,300	10,219,600	10,485,800	9,758,200	10,002,100
<b>EXPENDITURES BY FUND SOURCE</b>					
General Fund	8,785,100	9,460,800	9,757,700	8,999,400	9,274,000
Restricted Funds	1,666,200	758,800	728,100	758,800	728,100
<b>TOTAL EXPENDITURES</b>	10,451,300	10,219,600	10,485,800	9,758,200	10,002,100

The Broadcasting and Education Unit acquires or produces programs and related support material which will most effectively carry out the mission and policies set by the Authority. This process includes soliciting feedback from appropriate audiences and seeking input from agencies and groups such as the Kentucky Department of Education and the Higher Education Telecommunications Consortium. The Unit daily assembles five channels of television programming (KET broadcast, KET2, and three instructional satellite channels) for delivery to a variety of audiences.

One category of programming is aimed at needs of students at all levels. Instructional programming for elementary and secondary schools directly supports KERA's learning goals and outcomes. The Unit produces live interactive distance learning courses designed to provide equal access to a variety of learning opportunities for all students. It produces KERA related professional development opportunities for educators throughout the state. It also provides for the delivery of college courses to post-secondary students across the Commonwealth. The Unit also broadcasts programs designed to help people in the workplace. Acquired and/or produced programming serves under-educated adults, professionals in need of training, and other citizens with various needs related to their jobs and professions. The Unit also produces a full schedule of national and locally-produced programs for citizens at home. This includes educational and public affairs programming and quality arts experiences for all Kentuckians. A full line-up of educational children's programs offers a quality alternative to commercial television viewing.

A statewide regional support staff of instructional and technical specialists provide training, information, and help with technical issues. This service is provided freely to educational institutions and to people in the homes of the Commonwealth.

The Operations staff maintain and operate network master control, studio, and remote facilities. They are responsible for the maintenance of over \$15 million worth of equipment at the Network Center. With the beginning of digital broadcasting, this staff will be faced with the challenge of operating and maintaining analog and digital systems until the analog spectrum is returned to the federal government in 2006 or later.

**Education, Arts and Humanities  
Kentucky Educational Television  
Engineering**

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
<b>SOURCE OF FUNDS</b>					
<b>General Fund</b>					
Regular Appropriation	3,444,500	3,477,900	3,606,500	3,389,800	3,510,900
Budget Reduction	-30,000				
<b>Total General Fund</b>	3,414,500	3,477,900	3,606,500	3,389,800	3,510,900
<b>Restricted Funds</b>					
Current Receipts	292,500	347,600	347,600	347,600	347,600
<b>Total Restricted Funds</b>	292,500	347,600	347,600	347,600	347,600
<b>Federal Funds</b>					
Current Receipts	700,000	700,000	700,000	700,000	700,000
<b>Total Federal Funds</b>	700,000	700,000	700,000	700,000	700,000
<b>TOTAL SOURCE OF FUNDS</b>	4,407,000	4,525,500	4,654,100	4,437,400	4,558,500
<b>EXPENDITURES BY CLASS</b>					
Personnel Cost	2,070,100	2,100,700	2,207,700	2,012,600	2,116,700
Operating Expenses	1,636,900	1,724,800	1,746,400	1,724,800	1,741,800
Construction	700,000	700,000	700,000	700,000	700,000
<b>TOTAL EXPENDITURES</b>	4,407,000	4,525,500	4,654,100	4,437,400	4,558,500
<b>EXPENDITURES BY FUND SOURCE</b>					
General Fund	3,414,500	3,477,900	3,606,500	3,389,800	3,510,900
Restricted Funds	292,500	347,600	347,600	347,600	347,600
Federal Funds	700,000	700,000	700,000	700,000	700,000
<b>TOTAL EXPENDITURES</b>	4,407,000	4,525,500	4,654,100	4,437,400	4,558,500

KET's Engineering Service Unit oversees delivery of KET programs and other resources. It operates and maintains a land-based broadcast network of 16 analog transmitters and four translators capable of delivering one channel of service into all parts of the state and a second service to the largest metropolitan area in the state. The second service utilizes one of the two transmitters in Louisville, and is also delivered by satellite to cable systems across the Commonwealth. This network is the largest public television network in the country, second in the world to the public network in Japan. The first digital transmitter in Kentucky was turned on by KET in Louisville in August 1999. Fifteen additional digital transmitters are currently being installed across the state. The Engineering Service Unit operates all technical equipment to specifications mandated by the Federal Communications Commission.

The unit also operates and maintains the KET Star Channels satellite delivery system comprised of a four channel digital uplink at the KET Telecommunications Center and approximately 1,700 receiving dishes at schools, colleges, libraries, state parks, and other public buildings. This satellite system also feeds the second Louisville transmitter and cable systems around the Commonwealth. KET also utilizes T1 telephone lines for two-way teaching, conferencing, and the Internet for educational information delivery and interaction.

Engineering develops new uses of technologies that can extend the capacity of limited staff and financial resources. It works to interface KET's technical capacities with other appropriate technical systems (i.e., KEWS, LRC, etc.) in Kentucky and elsewhere, further extending the variety, reach, accessibility, and versatility of KET services to the Commonwealth.

The Federal Communications Commission has mandated that all public television networks broadcast a digital signal by May 2003. KET is in the process of installing digital transmitters and will meet the deadline.

**Education, Arts and Humanities  
School Facilities Construction Commission**

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
<b>SOURCE OF FUNDS</b>					
<b>General Fund</b>					
Regular Appropriation	79,030,500	79,144,800	86,304,200	77,121,400	86,226,800
Budget Reduction	-3,712,300				
<b>Total General Fund</b>	<b>75,318,200</b>	<b>79,144,800</b>	<b>86,304,200</b>	<b>77,121,400</b>	<b>86,226,800</b>
<b>TOTAL SOURCE OF FUNDS</b>	<b>75,318,200</b>	<b>79,144,800</b>	<b>86,304,200</b>	<b>77,121,400</b>	<b>86,226,800</b>
<b>EXPENDITURES BY CLASS</b>					
Personnel Cost	216,100	243,400	226,400	240,700	223,700
Operating Expenses	27,100	27,600	26,600	27,600	26,600
Debt Service	75,075,000	78,873,800	86,051,200	76,853,100	85,976,500
<b>TOTAL EXPENDITURES</b>	<b>75,318,200</b>	<b>79,144,800</b>	<b>86,304,200</b>	<b>77,121,400</b>	<b>86,226,800</b>
<b>EXPENDITURES BY FUND SOURCE</b>					
General Fund	75,318,200	79,144,800	86,304,200	77,121,400	86,226,800
<b>TOTAL EXPENDITURES</b>	<b>75,318,200</b>	<b>79,144,800</b>	<b>86,304,200</b>	<b>77,121,400</b>	<b>86,226,800</b>
<b>EXPENDITURES BY UNIT</b>					
School Facilities Construction Commission	75,273,100	79,098,800	86,257,300	77,075,400	86,179,900
Education Technology	45,100	46,000	46,900	46,000	46,900
<b>TOTAL EXPENDITURES</b>	<b>75,318,200</b>	<b>79,144,800</b>	<b>86,304,200</b>	<b>77,121,400</b>	<b>86,226,800</b>

The School Facilities Construction Commission, created by the 1985 Extraordinary Session of the General Assembly (KRS 157.611 et seq.), exists to assist local school districts with their school building needs. The School Facilities Construction Commission is responsible for the distribution of available state funds to eligible local school districts which have demonstrated a reasonable local effort to provide adequate school facilities but still have unmet building needs. The Commission is empowered to act on behalf of local school districts to issue bonds in the name of the Commission and to enter into lease arrangements with local boards of education to finance construction of new facilities or major renovation of existing school facilities.

Administration of offers of assistance to local school districts made under the auspices of the Kentucky Education Technology System (KETS) is performed by staff attached to the School Facilities Construction Commission.

**Policy**

The Governor's budget proposal includes \$8,500,000 million in fiscal year 2004 in General Funds for debt service to support \$100 million in debt authorized by the 2000 Regular Session of the General Assembly.

The enacted budget also includes authorization for the School Facilities Construction Commission to make an additional \$100 million in offers of assistance during the 2002-2004 biennium in anticipation of debt service availability during the 2004-2006 biennium.

**Education, Arts and Humanities  
Deaf and Hard of Hearing**

	<b>Revised FY 2002</b>	<b>Requested FY 2003</b>	<b>Requested FY 2004</b>	<b>Recommended FY 2003</b>	<b>Recommended FY 2004</b>
<b>SOURCE OF FUNDS</b>					
<b>General Fund</b>					
Regular Appropriation	898,600	948,100	967,200	909,100	881,100
Budget Reduction	-49,500				
<b>Total General Fund</b>	<b>849,100</b>	<b>948,100</b>	<b>967,200</b>	<b>909,100</b>	<b>881,100</b>
<b>Restricted Funds</b>					
Balance Forward	13,600	13,600	13,600	13,600	13,600
Current Receipts	200,000	200,000	200,000	200,000	200,000
<b>Total Restricted Funds</b>	<b>213,600</b>	<b>213,600</b>	<b>213,600</b>	<b>213,600</b>	<b>213,600</b>
<b>Federal Funds</b>					
Balance Forward	200	200	200	200	200
<b>Total Federal Funds</b>	<b>200</b>	<b>200</b>	<b>200</b>	<b>200</b>	<b>200</b>
<b>TOTAL SOURCE OF FUNDS</b>	<b>1,062,900</b>	<b>1,161,900</b>	<b>1,181,000</b>	<b>1,122,900</b>	<b>1,094,900</b>
<b>EXPENDITURES BY CLASS</b>					
Personnel Cost	722,800	763,600	790,100	744,000	767,500
Operating Expenses	321,300	379,500	372,100	360,100	308,600
Grants, Loans or Benefits	5,000	5,000	5,000	5,000	5,000
<b>TOTAL EXPENDITURES</b>	<b>1,049,100</b>	<b>1,148,100</b>	<b>1,167,200</b>	<b>1,109,100</b>	<b>1,081,100</b>
<b>EXPENDITURES BY FUND SOURCE</b>					
General Fund	849,100	948,100	967,200	909,100	881,100
Restricted Funds	200,000	200,000	200,000	200,000	200,000
<b>TOTAL EXPENDITURES</b>	<b>1,049,100</b>	<b>1,148,100</b>	<b>1,167,200</b>	<b>1,109,100</b>	<b>1,081,100</b>
<b>EXPENDITURES BY UNIT</b>					
Commission on the Deaf and Hard of Hearing	849,100	948,100	967,200	909,100	881,100
TDD Distribution	200,000	200,000	200,000	200,000	200,000
<b>TOTAL EXPENDITURES</b>	<b>1,049,100</b>	<b>1,148,100</b>	<b>1,167,200</b>	<b>1,109,100</b>	<b>1,081,100</b>

In accordance with KRS 163.500 - 163.525, the Commission on the Deaf and Hard of Hearing serves in an advisory capacity to the Governor and the General Assembly concerning policies and programs to enhance the quality and coordination of services for deaf and hard of hearing individuals in both the public and private sectors. The Commission oversees the provision of interpreter services to deaf and hard of hearing individuals. The Commission identifies and evaluates public and private entities that provide services to deaf and hard of hearing residents of Kentucky for information, referral, and advocacy services. The Commission administers a TDD Distribution program which distributes specialized telecommunications equipment to qualified deaf, hard of hearing, and speech-impaired residents of Kentucky. The Commission assists local, state, and federal governments and public and private agencies in the development of programs for the deaf and hard of hearing. Finally, the Commission reviews legislative programs relating to services to deaf and hard of hearing persons and conducts studies of conditions affecting the health and welfare of the deaf and hard of hearing.

**Education, Arts and Humanities  
Kentucky Heritage Council**

	<b>Revised FY 2002</b>	<b>Requested FY 2003</b>	<b>Requested FY 2004</b>	<b>Recommended FY 2003</b>	<b>Recommended FY 2004</b>
<b>SOURCE OF FUNDS</b>					
<b>General Fund</b>					
Regular Appropriation	977,600	2,069,700	2,128,200	945,700	945,700
Budget Reduction	-53,800				
<b>Total General Fund</b>	<b>923,800</b>	<b>2,069,700</b>	<b>2,128,200</b>	<b>945,700</b>	<b>945,700</b>
<b>Restricted Funds</b>					
Balance Forward	446,700	16,000	10,000	16,000	10,000
Current Receipts	352,900	228,600	227,500	228,600	227,500
<b>Total Restricted Funds</b>	<b>799,600</b>	<b>244,600</b>	<b>237,500</b>	<b>244,600</b>	<b>237,500</b>
<b>Federal Funds</b>					
Current Receipts	795,800	766,100	766,100	766,100	766,100
<b>Total Federal Funds</b>	<b>795,800</b>	<b>766,100</b>	<b>766,100</b>	<b>766,100</b>	<b>766,100</b>
<b>TOTAL SOURCE OF FUNDS</b>	<b>2,519,200</b>	<b>3,080,400</b>	<b>3,131,800</b>	<b>1,956,400</b>	<b>1,949,300</b>
<b>EXPENDITURES BY CLASS</b>					
Personnel Cost	1,308,900	1,269,200	1,336,900	1,226,900	1,287,300
Operating Expenses	386,700	403,000	386,700	403,000	386,700
Grants, Loans or Benefits	807,600	1,398,200	1,398,200	316,500	265,300
<b>TOTAL EXPENDITURES</b>	<b>2,503,200</b>	<b>3,070,400</b>	<b>3,121,800</b>	<b>1,946,400</b>	<b>1,939,300</b>
<b>EXPENDITURES BY FUND SOURCE</b>					
General Fund	923,800	2,069,700	2,128,200	945,700	945,700
Restricted Funds	783,600	234,600	227,500	234,600	227,500
Federal Funds	795,800	766,100	766,100	766,100	766,100
<b>TOTAL EXPENDITURES</b>	<b>2,503,200</b>	<b>3,070,400</b>	<b>3,121,800</b>	<b>1,946,400</b>	<b>1,939,300</b>

The Kentucky Heritage Council provides a comprehensive state historic preservation program through its subprograms: General Preservation Services, Site Identification and Evaluation, Site Development, and Site Protection. The Council administers the National Historic Preservation Program in Kentucky, distributes federal funds, and provides technical assistance to various agencies on all aspects of historic preservation. Major program activities include the Survey of Historic Sites in Kentucky, the National Register Program, the Kentucky Main Street Revitalization/Renaissance Kentucky Program, the Investment Tax Credit Program, and the Restoration Grants Program. The Kentucky Heritage Council is administered in accordance with KRS 171.380.

**Education, Arts and Humanities  
Kentucky Center for the Arts**

	<b>Revised FY 2002</b>	<b>Requested FY 2003</b>	<b>Requested FY 2004</b>	<b>Recommended FY 2003</b>	<b>Recommended FY 2004</b>
<b>SOURCE OF FUNDS</b>					
<b>General Fund</b>					
Regular Appropriation	655,900	645,600	1,207,500	619,800	619,800
Budget Reduction	-36,100				
<b>Total General Fund</b>	<b>619,800</b>	<b>645,600</b>	<b>1,207,500</b>	<b>619,800</b>	<b>619,800</b>
<b>TOTAL SOURCE OF FUNDS</b>	<b>619,800</b>	<b>645,600</b>	<b>1,207,500</b>	<b>619,800</b>	<b>619,800</b>
<b>EXPENDITURES BY CLASS</b>					
Personnel Cost	73,300	105,200	111,400	105,200	111,400
Operating Expenses	546,500	540,400	547,100	514,600	508,400
Debt Service			549,000		
<b>TOTAL EXPENDITURES</b>	<b>619,800</b>	<b>645,600</b>	<b>1,207,500</b>	<b>619,800</b>	<b>619,800</b>
<b>EXPENDITURES BY FUND SOURCE</b>					
General Fund	619,800	645,600	1,207,500	619,800	619,800
<b>TOTAL EXPENDITURES</b>	<b>619,800</b>	<b>645,600</b>	<b>1,207,500</b>	<b>619,800</b>	<b>619,800</b>

The Kentucky Center for the Arts is the Commonwealth's premier performing arts center. Over 400,000 people attend events at the Kentucky Center each year. It is the performance home of five of the region's finest arts organizations: Kentucky Opera, Louisville Ballet, The Louisville Orchestra, Louisville Theatrical Association, and State One: The Louisville Children's Theatre. The Kentucky Center's programming is dedicated to encouraging and supporting performing arts, presenting the finest in nationally and internationally renowned artists and presenting the works of Kentucky arts groups and artists.

The Kentucky Center houses three theatres: the 2,479-seat Robert S. Whitney Hall, 622-seat Moritz von Bomhard Theater, and the 139-seat Boyd Martin Experimental Theatre. The facility features a multi-tiered lobby, two rehearsal halls, a 190-seat restaurant and a retail area specializing in arts-related items and Kentucky crafts. All areas of the facility are accessible to those with physical disabilities, and special services for the hearing impaired and visually impaired are available during performances.

Since its opening, the Kentucky Center has provided comprehensive statewide arts educational programs, which bring the arts to children and adults in 42 community centers and six of Kentucky's educational regions. The Kentucky Center's management also provides a wide range of consulting services throughout the state.

**Education, Arts and Humanities  
Environmental Education Council**

	<b>Revised FY 2002</b>	<b>Requested FY 2003</b>	<b>Requested FY 2004</b>	<b>Recommended FY 2003</b>	<b>Recommended FY 2004</b>
<b>SOURCE OF FUNDS</b>					
<b>General Fund</b>					
Regular Appropriation		112,900	118,600		
<b>Total General Fund</b>		112,900	118,600		
<b>Restricted Funds</b>					
Balance Forward	71,000	60,000	60,000	60,000	60,000
Non-Revenue Receipts	150,000	150,000	150,000	150,000	150,000
<b>Total Restricted Funds</b>	221,000	210,000	210,000	210,000	210,000
<b>TOTAL SOURCE OF FUNDS</b>	221,000	322,900	328,600	210,000	210,000
<b>EXPENDITURES BY CLASS</b>					
Personnel Cost	113,400	231,300	241,200	113,600	117,200
Operating Expenses	22,600	16,600	16,500	16,600	16,500
Grants, Loans or Benefits	25,000	15,000	10,900	19,800	16,300
<b>TOTAL EXPENDITURES</b>	161,000	262,900	268,600	150,000	150,000
<b>EXPENDITURES BY FUND SOURCE</b>					
General Fund		112,900	118,600		
Restricted Funds	161,000	150,000	150,000	150,000	150,000
<b>TOTAL EXPENDITURES</b>	161,000	262,900	268,600	150,000	150,000

The Kentucky Environmental Education Council is dedicated to improving the environmental literacy of all Kentuckians. The Council provides opportunities for all Kentuckians to understand both that environmental problems exist and how each person's actions contribute to the health of the environment. The Council sponsors programs and activities that improve the quality of environmental education in the Commonwealth. These programs and activities include the following:

- Working with citizens, especially those engaged in environmental education, to implement the master plan for improving environmental education and environmental literacy.
- Working with the Kentucky Department of Education, the Teacher Professional Standards Board, and the Environmental Education Interagency Committee to establish guidelines for improving professional development in environmental education for educators.
- Establishing standards for environmental education that fit within the Kentucky Department of Education's instructional standards and help insure balanced, ecologically based curriculum and instruction.
- Working to ensure that environmental education is equitably distributed to all Kentuckians.

**Education, Arts and Humanities  
Libraries and Archives**

	<b>Revised FY 2002</b>	<b>Requested FY 2003</b>	<b>Requested FY 2004</b>	<b>Recommended FY 2003</b>	<b>Recommended FY 2004</b>
<b>SOURCE OF FUNDS</b>					
<b>General Fund</b>					
Regular Appropriation	14,108,800	13,887,300	15,113,000	13,192,800	13,442,800
Budget Reduction	-776,000				
<b>Total General Fund</b>	<b>13,332,800</b>	<b>13,887,300</b>	<b>15,113,000</b>	<b>13,192,800</b>	<b>13,442,800</b>
<b>Restricted Funds</b>					
Balance Forward	745,300	571,600	549,200	571,600	506,700
Current Receipts	1,715,000	1,611,300	1,624,400	1,611,300	1,624,400
<b>Total Restricted Funds</b>	<b>2,460,300</b>	<b>2,182,900</b>	<b>2,173,600</b>	<b>2,182,900</b>	<b>2,131,100</b>
<b>Federal Funds</b>					
Balance Forward	26,500				
Current Receipts	2,274,200	2,231,600	2,260,800	2,231,600	2,260,800
<b>Total Federal Funds</b>	<b>2,300,700</b>	<b>2,231,600</b>	<b>2,260,800</b>	<b>2,231,600</b>	<b>2,260,800</b>
<b>TOTAL SOURCE OF FUNDS</b>	<b>18,093,800</b>	<b>18,301,800</b>	<b>19,547,400</b>	<b>17,607,300</b>	<b>17,834,700</b>
<b>EXPENDITURES BY CLASS</b>					
Personnel Cost	7,359,800	7,480,700	7,872,400	7,182,700	7,549,600
Operating Expenses	3,402,900	3,561,700	3,624,100	3,561,700	3,624,100
Grants, Loans or Benefits	6,591,500	6,565,500	6,579,700	6,315,500	6,329,700
Debt Service			948,000		
Capital Outlay	168,000	144,700	40,000	40,700	40,000
<b>TOTAL EXPENDITURES</b>	<b>17,522,200</b>	<b>17,752,600</b>	<b>19,064,200</b>	<b>17,100,600</b>	<b>17,543,400</b>
<b>EXPENDITURES BY FUND SOURCE</b>					
General Fund	13,332,800	13,887,300	15,113,000	13,192,800	13,442,800
Restricted Funds	1,888,700	1,633,700	1,690,400	1,676,200	1,839,800
Federal Funds	2,300,700	2,231,600	2,260,800	2,231,600	2,260,800
<b>TOTAL EXPENDITURES</b>	<b>17,522,200</b>	<b>17,752,600</b>	<b>19,064,200</b>	<b>17,100,600</b>	<b>17,543,400</b>
<b>EXPENDITURES BY UNIT</b>					
General Operations	10,614,700	10,998,900	12,401,000	10,700,900	11,130,200
Direct Local Aid	6,907,500	6,753,700	6,663,200	6,399,700	6,413,200
<b>TOTAL EXPENDITURES</b>	<b>17,522,200</b>	<b>17,752,600</b>	<b>19,064,200</b>	<b>17,100,600</b>	<b>17,543,400</b>

The Department for Libraries and Archives supports and promotes equitable access to quality library services and information resources, and ensures that adequate documentation of government programs is created, maintained, and available for public use.

The Department is directed by three goals: (1) to provide effective services that meet the needs of library and public records customers; (2) to build effective and productive partnerships with other organizations and public agencies for enhanced management of and access to information and services; and, (3) to improve employee job satisfaction and agency operations.

The Department serves both governmental agencies and the people of Kentucky directly through local public libraries. The Department also serves several distinct customer populations including the general public, the blind and physically disabled, institutionalized persons, state government personnel, state and local public agencies, and researchers needing historic public records.

**Education, Arts and Humanities  
Libraries and Archives  
General Operations**

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
<b>SOURCE OF FUNDS</b>					
<b>General Fund</b>					
Regular Appropriation	7,433,300	7,566,600	8,882,800	7,226,100	7,462,600
Budget Reduction	-48,000				
Other	-375,000				
<b>Total General Fund</b>	<b>7,010,300</b>	<b>7,566,600</b>	<b>8,882,800</b>	<b>7,226,100</b>	<b>7,462,600</b>
<b>Restricted Funds</b>					
Balance Forward	713,200	541,300	519,300	541,300	476,800
Current Receipts	1,707,800	1,602,700	1,615,700	1,602,700	1,615,700
<b>Total Restricted Funds</b>	<b>2,421,000</b>	<b>2,144,000</b>	<b>2,135,000</b>	<b>2,144,000</b>	<b>2,092,500</b>
<b>Federal Funds</b>					
Balance Forward	18,800				
Current Receipts	1,705,900	1,807,600	1,836,800	1,807,600	1,836,800
<b>Total Federal Funds</b>	<b>1,724,700</b>	<b>1,807,600</b>	<b>1,836,800</b>	<b>1,807,600</b>	<b>1,836,800</b>
<b>TOTAL SOURCE OF FUNDS</b>	<b>11,156,000</b>	<b>11,518,200</b>	<b>12,854,600</b>	<b>11,177,700</b>	<b>11,391,900</b>
<b>EXPENDITURES BY CLASS</b>					
Personnel Cost	7,359,800	7,480,700	7,872,400	7,182,700	7,549,600
Operating Expenses	3,210,900	3,401,200	3,463,600	3,401,200	3,463,600
Grants, Loans or Benefits	19,000	77,000	77,000	77,000	77,000
Debt Service			948,000		
Capital Outlay	25,000	40,000	40,000	40,000	40,000
<b>TOTAL EXPENDITURES</b>	<b>10,614,700</b>	<b>10,998,900</b>	<b>12,401,000</b>	<b>10,700,900</b>	<b>11,130,200</b>
<b>EXPENDITURES BY FUND SOURCE</b>					
General Fund	7,010,300	7,566,600	8,882,800	7,226,100	7,462,600
Restricted Funds	1,879,700	1,624,700	1,681,400	1,667,200	1,830,800
Federal Funds	1,724,700	1,807,600	1,836,800	1,807,600	1,836,800
<b>TOTAL EXPENDITURES</b>	<b>10,614,700</b>	<b>10,998,900</b>	<b>12,401,000</b>	<b>10,700,900</b>	<b>11,130,200</b>
<b>EXPENDITURES BY UNIT</b>					
Field Services	2,407,100	2,480,300	2,599,100	2,377,000	2,487,900
State Library Services	2,231,000	2,187,500	2,253,600	2,133,800	2,201,400
Administrative Services	2,864,100	3,095,900	3,218,600	3,048,600	3,165,100
Public Records	3,112,500	3,235,200	4,329,700	3,141,500	3,275,800
<b>TOTAL EXPENDITURES</b>	<b>10,614,700</b>	<b>10,998,900</b>	<b>12,401,000</b>	<b>10,700,900</b>	<b>11,130,200</b>

**Education, Arts and Humanities  
Libraries and Archives  
General Operations  
Administrative Services**

	<b>Revised FY 2002</b>	<b>Requested FY 2003</b>	<b>Requested FY 2004</b>	<b>Recommended FY 2003</b>	<b>Recommended FY 2004</b>
<b>SOURCE OF FUNDS</b>					
<b>General Fund</b>					
Regular Appropriation	2,277,300	2,452,600	2,565,400	2,405,300	2,511,500
Budget Reduction	-25,000				
<b>Total General Fund</b>	<b>2,252,300</b>	<b>2,452,600</b>	<b>2,565,400</b>	<b>2,405,300</b>	<b>2,511,500</b>
<b>Restricted Funds</b>					
Balance Forward	25,400	18,400	7,400	18,400	7,400
<b>Total Restricted Funds</b>	<b>25,400</b>	<b>18,400</b>	<b>7,400</b>	<b>18,400</b>	<b>7,400</b>
<b>Federal Funds</b>					
Balance Forward	6,000				
Current Receipts	598,800	632,300	646,200	632,300	646,200
<b>Total Federal Funds</b>	<b>604,800</b>	<b>632,300</b>	<b>646,200</b>	<b>632,300</b>	<b>646,200</b>
<b>TOTAL SOURCE OF FUNDS</b>	<b>2,882,500</b>	<b>3,103,300</b>	<b>3,219,000</b>	<b>3,056,000</b>	<b>3,165,100</b>
<b>EXPENDITURES BY CLASS</b>					
Personnel Cost	1,337,600	1,379,400	1,449,600	1,332,100	1,396,100
Operating Expenses	1,499,500	1,666,500	1,719,000	1,666,500	1,719,000
Grants, Loans or Benefits	2,000	10,000	10,000	10,000	10,000
Capital Outlay	25,000	40,000	40,000	40,000	40,000
<b>TOTAL EXPENDITURES</b>	<b>2,864,100</b>	<b>3,095,900</b>	<b>3,218,600</b>	<b>3,048,600</b>	<b>3,165,100</b>
<b>EXPENDITURES BY FUND SOURCE</b>					
General Fund	2,252,300	2,452,600	2,565,400	2,405,300	2,511,500
Restricted Funds	7,000	11,000	7,000	11,000	7,400
Federal Funds	604,800	632,300	646,200	632,300	646,200
<b>TOTAL EXPENDITURES</b>	<b>2,864,100</b>	<b>3,095,900</b>	<b>3,218,600</b>	<b>3,048,600</b>	<b>3,165,100</b>

The Commissioner's Office sets overall policy and direction for the Department and provides communication advice and support to each division. The Office supports the activities of the state Advisory council on Libraries, chairs the Archives and Records Commission, and serves on the State Information Systems Commission, the Communications Advisory Committee, and the Oral History Commission.

The Division of Administrative Services formulates and implements executive direction for planning, policy, and procedures for the Department in accordance with KRS Chapter 171. The Division provides administrative support to the program areas of the Department. This division funds and supports the activities of the Commissioner's Office, as well as those of the Financial, Personnel and Payroll, Federal Grants Management, Information Systems, Building Facilities, and Administrative Support units. Payroll and IT support is also provided to the Office of the Secretary of the Cabinet and several other smaller agencies in the Education, Arts and Humanities Cabinet.

**Education, Arts and Humanities  
Libraries and Archives  
General Operations  
Field Services**

	<b>Revised FY 2002</b>	<b>Requested FY 2003</b>	<b>Requested FY 2004</b>	<b>Recommended FY 2003</b>	<b>Recommended FY 2004</b>
<b>SOURCE OF FUNDS</b>					
<b>General Fund</b>					
Regular Appropriation	2,084,300	2,071,500	2,180,200	1,968,200	2,030,100
Budget Reduction	-23,000				
<b>Total General Fund</b>	<b>2,061,300</b>	<b>2,071,500</b>	<b>2,180,200</b>	<b>1,968,200</b>	<b>2,030,100</b>
<b>Restricted Funds</b>					
Balance Forward	29,000	32,800	35,800	32,800	35,800
Current Receipts	11,300	10,500	10,600	10,500	10,600
<b>Total Restricted Funds</b>	<b>40,300</b>	<b>43,300</b>	<b>46,400</b>	<b>43,300</b>	<b>46,400</b>
<b>Federal Funds</b>					
Current Receipts	338,300	401,300	411,400	401,300	411,400
<b>Total Federal Funds</b>	<b>338,300</b>	<b>401,300</b>	<b>411,400</b>	<b>401,300</b>	<b>411,400</b>
<b>TOTAL SOURCE OF FUNDS</b>	<b>2,439,900</b>	<b>2,516,100</b>	<b>2,638,000</b>	<b>2,412,800</b>	<b>2,487,900</b>
<b>EXPENDITURES BY CLASS</b>					
Personnel Cost	2,206,500	2,219,700	2,338,500	2,116,400	2,227,300
Operating Expenses	183,600	193,600	193,600	193,600	193,600
Grants, Loans or Benefits	17,000	67,000	67,000	67,000	67,000
<b>TOTAL EXPENDITURES</b>	<b>2,407,100</b>	<b>2,480,300</b>	<b>2,599,100</b>	<b>2,377,000</b>	<b>2,487,900</b>
<b>EXPENDITURES BY FUND SOURCE</b>					
General Fund	2,061,300	2,071,500	2,180,200	1,968,200	2,030,100
Restricted Funds	7,500	7,500	7,500	7,500	46,400
Federal Funds	338,300	401,300	411,400	401,300	411,400
<b>TOTAL EXPENDITURES</b>	<b>2,407,100</b>	<b>2,480,300</b>	<b>2,599,100</b>	<b>2,377,000</b>	<b>2,487,900</b>

The Division of Field Services provides support to Kentucky's public libraries for the improvement of library services by providing consultation, technical assistance, and financial aid. The Division provides services pursuant to KRS Chapter 171.

This division's Public Library Development Branch is made up of professional and technical staff that provides consultative and technical assistance concerning public library services and programs provided by the Department. The staff is located throughout the Commonwealth in regional offices that are mainly housed in local public libraries.

The Program Development Branch provides statewide guidance in specialized library services. This office plans and implements statewide continuing education programs. Services are also provided for technological development, automated operations, and statistical analysis. Branch staff provide consulting services in the areas of library construction; assistance in developing early childhood, children's, and young adult programs and materials; and provides administrative support to the Kentucky State Board for the Certification of Librarians.

The Kentucky Talking Book Library and Institutions Branch provides special library materials and playback equipment to eligible service clientele. Volunteers record materials that are of special interest to Kentucky Talking Book patrons, and departmental staff coordinate distribution. The Branch also provides library materials and professional consultation to state residential institution libraries.

**Education, Arts and Humanities  
Libraries and Archives  
General Operations  
State Library Services**

	<b>Revised FY 2002</b>	<b>Requested FY 2003</b>	<b>Requested FY 2004</b>	<b>Recommended FY 2003</b>	<b>Recommended FY 2004</b>
<b>SOURCE OF FUNDS</b>					
<b>General Fund</b>					
Regular Appropriation	1,865,600	1,459,100	1,522,100	1,405,400	1,469,900
Other	-375,000				
<b>Total General Fund</b>	<b>1,490,600</b>	<b>1,459,100</b>	<b>1,522,100</b>	<b>1,405,400</b>	<b>1,469,900</b>
<b>Restricted Funds</b>					
Balance Forward	3,200	3,500	4,900	3,500	4,900
Current Receipts	1,300	1,400	1,400	1,400	1,400
<b>Total Restricted Funds</b>	<b>4,500</b>	<b>4,900</b>	<b>6,300</b>	<b>4,900</b>	<b>6,300</b>
<b>Federal Funds</b>					
Balance Forward	12,100				
Current Receipts	727,300	728,400	731,500	728,400	731,500
<b>Total Federal Funds</b>	<b>739,400</b>	<b>728,400</b>	<b>731,500</b>	<b>728,400</b>	<b>731,500</b>
<b>TOTAL SOURCE OF FUNDS</b>	<b>2,234,500</b>	<b>2,192,400</b>	<b>2,259,900</b>	<b>2,138,700</b>	<b>2,207,700</b>
<b>EXPENDITURES BY CLASS</b>					
Personnel Cost	1,336,000	1,291,600	1,360,700	1,237,900	1,308,500
Operating Expenses	895,000	895,900	892,900	895,900	892,900
<b>TOTAL EXPENDITURES</b>	<b>2,231,000</b>	<b>2,187,500</b>	<b>2,253,600</b>	<b>2,133,800</b>	<b>2,201,400</b>
<b>EXPENDITURES BY FUND SOURCE</b>					
General Fund	1,490,600	1,459,100	1,522,100	1,405,400	1,469,900
Restricted Funds	1,000				
Federal Funds	739,400	728,400	731,500	728,400	731,500
<b>TOTAL EXPENDITURES</b>	<b>2,231,000</b>	<b>2,187,500</b>	<b>2,253,600</b>	<b>2,133,800</b>	<b>2,201,400</b>

The Division of State Library Services provides library services through the State Library for its clientele: state government personnel, public libraries, other institutions, and individuals. In an effort to equalize library services and access to information across the state, this division promotes and maintains cooperative arrangements for information and resource sharing among all types of libraries, library consortia, and information centers, including state agencies, as mandated by Chapter 171.

State Library Support is the administrative unit of the division and provides coordinated program planning and control to ensure the best service in a cost-effective manner. The unit directs the statewide library resource sharing activities of the Department, including direct service delivery, coordination of activities on a statewide basis, and support via direct local aid. The Department works closely with the Kentucky Virtual Library (KYVL) in the delivery of services and coordination of activities, and also participates as an individual library institution.

In 2001, the division partnered with the Division of Public Records to create a Government Information Locator System (GILS) for the Commonwealth. Both financial and staff support were provided to the "Find It! Kentucky" GILS pilot project. The pilot was successfully concluded and expansion of the project will begin in 2002 with the recruitment of new participants.

The Public Services Branch is committed to providing resources, research, consultation, and assistance to state agencies and public libraries through use of a variety of information formats including the Internet. During 2001, the State Library entered into partnerships with the Governmental Services Center (GSC) and the Kentucky Employees Assistance Program (KEAP) to provide supplementary information resources for the agencies' clients through the Library's web site.

The Audiovisual unit of the branch provides a centralized collection of videos and films that are loaned without a fee to public libraries, state agencies, and walk-in customers. The unit is unique in that it is the only major source of films and "public performance" videos in the Commonwealth. The primary needs are for children's films suitable for large audience viewing and videos designed for adult training and education.

The Technical Support Branch provides computerized access to information for the State Library's collections and public libraries. The branch serves as a model for quality control throughout the state, and supplies training and consulting services to librarians and state agency personnel involved in the organization of reference materials.

**Education, Arts and Humanities  
Libraries and Archives  
General Operations  
Public Records**

	<b>Revised FY 2002</b>	<b>Requested FY 2003</b>	<b>Requested FY 2004</b>	<b>Recommended FY 2003</b>	<b>Recommended FY 2004</b>
<b>SOURCE OF FUNDS</b>					
<b>General Fund</b>					
Regular Appropriation	1,206,100	1,583,400	2,615,100	1,447,200	1,451,100
<b>Total General Fund</b>	<b>1,206,100</b>	<b>1,583,400</b>	<b>2,615,100</b>	<b>1,447,200</b>	<b>1,451,100</b>
<b>Restricted Funds</b>					
Balance Forward	655,600	486,600	471,200	486,600	428,700
Current Receipts	1,695,200	1,590,800	1,603,700	1,590,800	1,603,700
<b>Total Restricted Funds</b>	<b>2,350,800</b>	<b>2,077,400</b>	<b>2,074,900</b>	<b>2,077,400</b>	<b>2,032,400</b>
<b>Federal Funds</b>					
Balance Forward	700				
Current Receipts	41,500	45,600	47,700	45,600	47,700
<b>Total Federal Funds</b>	<b>42,200</b>	<b>45,600</b>	<b>47,700</b>	<b>45,600</b>	<b>47,700</b>
<b>TOTAL SOURCE OF FUNDS</b>	<b>3,599,100</b>	<b>3,706,400</b>	<b>4,737,700</b>	<b>3,570,200</b>	<b>3,531,200</b>
<b>EXPENDITURES BY CLASS</b>					
Personnel Cost	2,479,700	2,590,000	2,723,600	2,496,300	2,617,700
Operating Expenses	632,800	645,200	658,100	645,200	658,100
Debt Service			948,000		
<b>TOTAL EXPENDITURES</b>	<b>3,112,500</b>	<b>3,235,200</b>	<b>4,329,700</b>	<b>3,141,500</b>	<b>3,275,800</b>
<b>EXPENDITURES BY FUND SOURCE</b>					
General Fund	1,206,100	1,583,400	2,615,100	1,447,200	1,451,100
Restricted Funds	1,864,200	1,606,200	1,666,900	1,648,700	1,777,000
Federal Funds	42,200	45,600	47,700	45,600	47,700
<b>TOTAL EXPENDITURES</b>	<b>3,112,500</b>	<b>3,235,200</b>	<b>4,329,700</b>	<b>3,141,500</b>	<b>3,275,800</b>

The Division of Public Records, under KRS 171.410-740, works with government agencies to ensure creation and preservation of documentation of agencies' organizational functions, policies, decisions, procedures, and essential transactions, as well as information that protects the legal and financial rights of government and of individuals directly affected by an agency's activities. The Division establishes standards, procedures, and administrative regulations for recording, managing, preserving, and reproducing government records. It works with the heads of state and local government agencies to ensure that they create and maintain active programs for the efficient management of their records.

The Public Records Support Office provides overall policy development, coordination of program planning, and administrative direction of division programs in public records administration and archival management.

The State Records Branch assists state agencies, boards and commissions, public universities, and judicial offices in developing and maintaining programs to manage government information. Branch staff manage the State Records Center for high volume storage of non-permanent records still in business use.

The Archival Services Branch operates the state's central repository for valuable government records. It serves as the official point of access for state government information. The Branch is also involved in a variety of outreach and educational activities that inform public officials and the general public about the wealth and range of materials housed at the State Archives.

The Technology Analysis and Support Branch provides support to agencies on archival and records management considerations in the application of information technology. It works with other units to provide guidance to public agencies on the management of electronic records and oversees the work of the department's Document Preservation Laboratory. This includes professional consulting education and training programs, records disaster recovery assistance, and laboratory conservation treatment.

The Image Management Branch provides centralized image management and micrographics services to state and local government agencies on a cost recovery basis. These central services help improve and speed access to information, reduce the volume of paper-based files, and ensure archival preservation of information contained in fragile paper records.

The Local Records Branch assists local government agencies in implementing and maintaining archives and records management programs.

**Education, Arts and Humanities  
Libraries and Archives  
Direct Local Aid**

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
<b>SOURCE OF FUNDS</b>					
<b>General Fund</b>					
Regular Appropriation	6,675,500	6,320,700	6,230,200	5,966,700	5,980,200
Budget Reduction	-728,000				
Other	375,000				
<b>Total General Fund</b>	<b>6,322,500</b>	<b>6,320,700</b>	<b>6,230,200</b>	<b>5,966,700</b>	<b>5,980,200</b>
<b>Restricted Funds</b>					
Balance Forward	32,100	30,300	29,900	30,300	29,900
Current Receipts	7,200	8,600	8,700	8,600	8,700
<b>Total Restricted Funds</b>	<b>39,300</b>	<b>38,900</b>	<b>38,600</b>	<b>38,900</b>	<b>38,600</b>
<b>Federal Funds</b>					
Balance Forward	7,700				
Current Receipts	568,300	424,000	424,000	424,000	424,000
<b>Total Federal Funds</b>	<b>576,000</b>	<b>424,000</b>	<b>424,000</b>	<b>424,000</b>	<b>424,000</b>
<b>TOTAL SOURCE OF FUNDS</b>	<b>6,937,800</b>	<b>6,783,600</b>	<b>6,692,800</b>	<b>6,429,600</b>	<b>6,442,800</b>
<b>EXPENDITURES BY CLASS</b>					
Operating Expenses	192,000	160,500	160,500	160,500	160,500
Grants, Loans or Benefits	6,572,500	6,488,500	6,502,700	6,238,500	6,252,700
Capital Outlay	143,000	104,700		700	
<b>TOTAL EXPENDITURES</b>	<b>6,907,500</b>	<b>6,753,700</b>	<b>6,663,200</b>	<b>6,399,700</b>	<b>6,413,200</b>
<b>EXPENDITURES BY FUND SOURCE</b>					
General Fund	6,322,500	6,320,700	6,230,200	5,966,700	5,980,200
Restricted Funds	9,000	9,000	9,000	9,000	9,000
Federal Funds	576,000	424,000	424,000	424,000	424,000
<b>TOTAL EXPENDITURES</b>	<b>6,907,500</b>	<b>6,753,700</b>	<b>6,663,200</b>	<b>6,399,700</b>	<b>6,413,200</b>
<b>EXPENDITURES BY UNIT</b>					
Field Services	5,686,000	5,488,700	5,398,200	5,134,700	5,148,200
State Library Services	621,500	665,000	665,000	665,000	665,000
Public Records	600,000	600,000	600,000	600,000	600,000
<b>TOTAL EXPENDITURES</b>	<b>6,907,500</b>	<b>6,753,700</b>	<b>6,663,200</b>	<b>6,399,700</b>	<b>6,413,200</b>

Direct Local Aid provides the following services to citizens of the Commonwealth:

- Federal grants are provided for continuing education, training, and demonstration projects.
- State Aid provides cash grants to all counties with legally established public libraries. The grant funds may be used for the following purposes: purchase, upgrading, and maintenance of technology resources; purchase of library materials and equipment; maintenance and operation of bookmobiles and extension programs; staff and trustee training and compensation; building maintenance; debt service; resource-sharing; program development; and certain other local library needs and services.

- The Bookmobile program furnishes and replaces bookmobiles used by Kentucky's public libraries. The bookmobiles provide informational and educational resources to those who cannot physically reach a public library. Bookmobiles make regular stops at schools, daycare centers, and after-school centers. Services are also provided to the elderly and homebound individuals. Funds are also provided for maintenance and repair of existing bookmobiles. Services are provided as funds are available.
- Construction grants are available through a competitive application process to assist with retiring debt associated with the construction or repair of library facilities.
- Institution grants are given to two local libraries to administer library service in three state prisons. The Danville Library works with the Northpoint Training Center, and the Oldham County Public Library works with the Kentucky State Reformatory and the Kentucky Correctional Institution for Women.
- Kentucky Talking Book Library grants are given to assist in the delivery of services directly to blind and physically disabled library patrons.
- Local Records grants provide funds to assist local governments with the protection and preservation of public records, and the improvement of local government records management programs.

These services are administered by the Department's program divisions: Field Services, State Library Services, and Public Records. Direct services include cash grants, library materials, and bookmobiles.

**Education, Arts and Humanities  
Teachers' Retirement System**

	<b>Revised FY 2002</b>	<b>Requested FY 2003</b>	<b>Requested FY 2004</b>	<b>Recommended FY 2003</b>	<b>Recommended FY 2004</b>
<b>SOURCE OF FUNDS</b>					
<b>General Fund</b>					
Regular Appropriation	82,222,300	99,890,400	114,924,100	85,707,200	88,275,600
<b>Total General Fund</b>	<b>82,222,300</b>	<b>99,890,400</b>	<b>114,924,100</b>	<b>85,707,200</b>	<b>88,275,600</b>
<b>Restricted Funds</b>					
Balance Forward	1,000				
Non-Revenue Receipts	6,421,000	7,330,100	7,571,900	7,330,100	7,571,900
<b>Total Restricted Funds</b>	<b>6,422,000</b>	<b>7,330,100</b>	<b>7,571,900</b>	<b>7,330,100</b>	<b>7,571,900</b>
<b>TOTAL SOURCE OF FUNDS</b>	<b>88,644,300</b>	<b>107,220,500</b>	<b>122,496,000</b>	<b>93,037,300</b>	<b>95,847,500</b>
<b>EXPENDITURES BY CLASS</b>					
Personnel Cost	5,303,600	5,857,700	6,174,400	5,857,700	6,174,400
Operating Expenses	1,080,400	1,371,500	1,358,700	1,371,500	1,358,700
Grants, Loans or Benefits	82,222,300	99,890,400	114,924,100	85,707,200	88,275,600
Capital Outlay	38,000	100,900	38,800	100,900	38,800
<b>TOTAL EXPENDITURES</b>	<b>88,644,300</b>	<b>107,220,500</b>	<b>122,496,000</b>	<b>93,037,300</b>	<b>95,847,500</b>
<b>EXPENDITURES BY FUND SOURCE</b>					
General Fund	82,222,300	99,890,400	114,924,100	85,707,200	88,275,600
Restricted Funds	6,422,000	7,330,100	7,571,900	7,330,100	7,571,900
<b>TOTAL EXPENDITURES</b>	<b>88,644,300</b>	<b>107,220,500</b>	<b>122,496,000</b>	<b>93,037,300</b>	<b>95,847,500</b>

The Teachers' Retirement System, as defined in KRS 161.220-161.716, was established in 1940 to provide a broad program of retirement benefits, death and survivor benefits, medical insurance benefits, and disability benefits to its membership.

Administration of the System is the responsibility of the nine-member Board of Trustees. Two of the members are ex-officio, serving by reason of their constitutional offices. They are the Commissioner of Education and the State Treasurer. The members of the Retirement System elect the remaining seven trustees for four-year terms. Four of these must be active members of the Retirement System, one must be a retired member, and two must be persons from outside the teaching profession. The Board of Trustees appoints an Executive Secretary who is responsible for the administration of the affairs of the Retirement System under policies established by the Board. The most important objectives of the Board of Trustees are to maintain a retirement system that is actuarially sound and to maintain member benefits at a level that is comparable with the benefits provided other state employees through the Kentucky Employees' Retirement System and the Social Security System.

Membership is comprised of all persons occupying positions in the public elementary or secondary schools for which certification is required. In addition, staff members of Western Kentucky University, Eastern Kentucky University, Morehead State University, Murray State University, Kentucky State University, professional staff of the Department of Education, Cabinet for Workforce Development, faculty members of the School for the Deaf, the School for the Blind, as well as faculty of the state and area vocational schools are members. Membership is mandatory for all persons teaching in the public schools or other institutions covered by the statutes governing teachers' retirement.

Benefits are financed through member contributions, corresponding contributions by the state and income accruing from the invested reserves of the system. The General Assembly has set the member and state contribution rate at 9.855 percent of gross salary. University faculty members contribute 8.375 percent of gross salary and the state matches this amount. In addition, each employer contributes an overmatch of 3.25 percent of gross salary to help reduce the system's unfunded liability. The reserves of the agency are invested in a manner that will provide a reasonable rate of return with major emphasis being placed upon the protection of the reserves.

The employer match for Department of Education, the Cabinet for Workforce Development, and university employees is budgeted within the Department, the Cabinet, and the affected universities and is then transferred to the Teachers' Retirement System.

Funding for the employer match on behalf of local school district members is provided as an adjunct to the Support Education Excellence in Kentucky program (SEEK) within the Department of Education.

### **Policy**

The Governor's proposed budget includes sufficient General Fund support to meet the amortized cost of previously enacted cost of living adjustments and other benefit improvements for system members.

The proposed budget, under the terms of KRS 161.550, includes \$1,179,900 in General Fund support in fiscal year 2004 to make up for an underestimate of required state appropriations to the system in fiscal year 2001.

The Governor's budget proposal includes \$3,668,400 in fiscal year 2003 and \$7,636,700 in fiscal year 2004 in General Fund support to make initial payments on the amortized cost of increased retirement allowances for those recipients retiring during the 2002-2004 biennium who are eligible to add accrued sick leave to their final year of service.

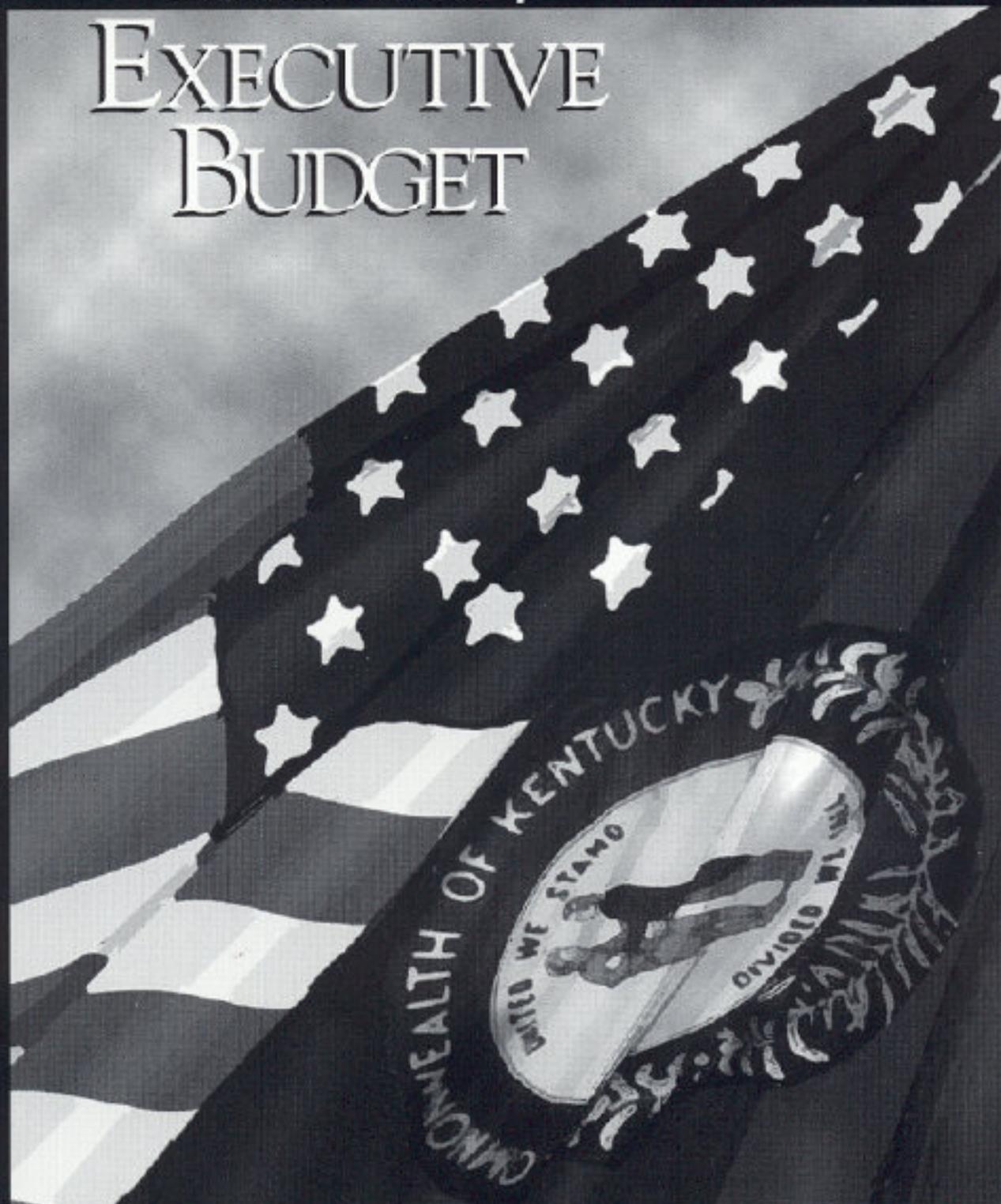
The Governor's proposed budget includes General Fund support in the amount of \$694,800 in fiscal year 2003 and \$1,451,800 in fiscal year 2004 to increase the minimum retirement payments made to those persons who taught many years ago at very low salaries. The minimum value per year of service will increase from the current \$335 to \$368.50 in fiscal year 2003 and then to \$405 in fiscal year 2004.



*Families and  
Children*

2002-2004

# EXECUTIVE BUDGET



**Families and Children**

	<b>Revised FY 2002</b>	<b>Requested FY 2003</b>	<b>Requested FY 2004</b>	<b>Recommended FY 2003</b>	<b>Recommended FY 2004</b>
<b>SOURCE OF FUNDS</b>					
<b>General Fund</b>					
Regular Appropriation	322,170,500	332,743,400	345,040,900	308,327,100	308,427,100
Tobacco Settlement - I	9,082,800	6,023,300	2,023,300	7,262,800	3,581,300
Continuing Appropriation - Tobacco Settlement	6,990,800	4,000,000	4,000,000	4,000,000	4,000,000
Budget Reduction	-14,090,800				
<b>Total General Fund</b>	<b>324,153,300</b>	<b>342,766,700</b>	<b>351,064,200</b>	<b>319,589,900</b>	<b>316,008,400</b>
<b>Restricted Funds</b>					
Balance Forward	87,269,000	62,926,500	41,581,100	62,926,500	41,512,100
Current Receipts	75,035,600	73,653,100	75,306,900	78,694,900	84,065,400
Non-Revenue Receipts	3,416,400	6,031,800	-2,409,300	6,226,900	2,629,700
<b>Total Restricted Funds</b>	<b>165,721,000</b>	<b>142,611,400</b>	<b>114,478,700</b>	<b>147,848,300</b>	<b>128,207,200</b>
<b>Federal Funds</b>					
Balance Forward	15,062,500				
Current Receipts	537,148,300	559,476,100	577,111,200	545,756,100	557,668,500
<b>Total Federal Funds</b>	<b>552,210,800</b>	<b>559,476,100</b>	<b>577,111,200</b>	<b>545,756,100</b>	<b>557,668,500</b>
<b>TOTAL SOURCE OF FUNDS</b>	<b>1,042,085,100</b>	<b>1,044,854,200</b>	<b>1,042,654,100</b>	<b>1,013,194,300</b>	<b>1,001,884,100</b>
<b>EXPENDITURES BY CLASS</b>					
Personnel Cost	302,572,500	320,615,000	337,732,500	297,617,900	308,286,200
Operating Expenses	85,735,200	88,493,500	91,393,300	86,068,900	87,581,000
Grants, Loans or Benefits	585,258,700	590,164,600	613,390,200	583,995,400	606,016,900
Capital Outlay	92,200				
<b>TOTAL EXPENDITURES</b>	<b>973,658,600</b>	<b>999,273,100</b>	<b>1,042,516,000</b>	<b>967,682,200</b>	<b>1,001,884,100</b>
<b>EXPENDITURES BY FUND SOURCE</b>					
General Fund	318,653,300	338,766,700	351,064,200	315,589,900	316,008,400
Restricted Funds	102,794,500	101,030,300	114,340,600	106,336,200	128,207,200
Federal Funds	552,210,800	559,476,100	577,111,200	545,756,100	557,668,500
<b>TOTAL EXPENDITURES</b>	<b>973,658,600</b>	<b>999,273,100</b>	<b>1,042,516,000</b>	<b>967,682,200</b>	<b>1,001,884,100</b>
<b>EXPENDITURES BY UNIT</b>					
Administration Services	72,966,800	75,879,900	79,157,600	69,127,800	72,123,300
Community Based Services	862,056,900	882,491,900	920,105,600	858,361,900	887,318,100
Disability Determinations	38,634,900	40,901,300	43,252,800	40,192,500	42,442,700
<b>TOTAL EXPENDITURES</b>	<b>973,658,600</b>	<b>999,273,100</b>	<b>1,042,516,000</b>	<b>967,682,200</b>	<b>1,001,884,100</b>

The Cabinet for Families and Children is authorized by KRS Chapter 194B. The Office of Administration Services, the Department of Disability Determinations, the Department for Community Based Services, and the Office of Family Resources and Youth Services Centers form the Cabinet. General Funds which support the Office of Family Resources and Youth Services Centers are appropriated to the Department of Education and transferred to the Cabinet annually.

**Families and Children  
Administration Services**

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
<b>SOURCE OF FUNDS</b>					
<b>General Fund</b>					
Regular Appropriation	31,162,100	31,395,100	33,080,200	27,660,400	29,162,700
<b>Total General Fund</b>	31,162,100	31,395,100	33,080,200	27,660,400	29,162,700
<b>Restricted Funds</b>					
Balance Forward	12,475,200	2,644,900	1,322,400	2,644,900	1,322,400
Current Receipts	2,150,800	2,292,600	2,396,700	2,292,600	2,396,700
Non-Revenue Receipts	-7,812,400	775,000	782,700	775,000	782,700
<b>Total Restricted Funds</b>	6,813,600	5,712,500	4,501,800	5,712,500	4,501,800
<b>Federal Funds</b>					
Balance Forward	2,463,400				
Current Receipts	35,172,600	40,094,700	41,575,600	37,077,300	38,458,800
<b>Total Federal Funds</b>	37,636,000	40,094,700	41,575,600	37,077,300	38,458,800
<b>TOTAL SOURCE OF FUNDS</b>	75,611,700	77,202,300	79,157,600	70,450,200	72,123,300
<b>EXPENDITURES BY CLASS</b>					
Personnel Cost	29,363,400	31,367,300	32,878,900	27,289,800	28,493,400
Operating Expenses	40,848,300	41,162,100	42,928,200	38,487,500	40,279,400
Grants, Loans or Benefits	2,662,900	3,350,500	3,350,500	3,350,500	3,350,500
Capital Outlay	92,200				
<b>TOTAL EXPENDITURES</b>	72,966,800	75,879,900	79,157,600	69,127,800	72,123,300
<b>EXPENDITURES BY FUND SOURCE</b>					
General Fund	31,162,100	31,395,100	33,080,200	27,660,400	29,162,700
Restricted Funds	4,168,700	4,390,100	4,501,800	4,390,100	4,501,800
Federal Funds	37,636,000	40,094,700	41,575,600	37,077,300	38,458,800
<b>TOTAL EXPENDITURES</b>	72,966,800	75,879,900	79,157,600	69,127,800	72,123,300
<b>EXPENDITURES BY UNIT</b>					
Administration Services	72,966,800	75,879,900	79,157,600	69,127,800	72,123,300
<b>TOTAL EXPENDITURES</b>	72,966,800	75,879,900	79,157,600	69,127,800	72,123,300

Administration Services includes the administrative and program support systems for the Cabinet for Families and Children (CFC) in accordance with KRS 194. These offices provide support services for major program areas, departments, and agencies within the Cabinet. Administration Services is comprised of the following:

The Office of the Secretary is responsible for cabinet implementation of all legislative, executive, and federally mandated programs. The Secretary's Office provides the executive leadership, coordination, and direction for all programs and projects of the Cabinet and serves as the primary contact for community groups, local officials, service providers, business and labor organizations, federal agencies, and legislative and congressional activities.

The Office of the General Counsel provides legal services to Cabinet officials and other staff. It represents the Cabinet in court and assists in drafting and reviewing legislation and regulations.

The Office of the Ombudsman was created to "provide a review of complaints made by citizens with regard to services rendered by the Cabinet for Families and Children which cannot be resolved through normal administrative remedies" (KRS 194.030). Ombudsman staff investigate grievances and, where appropriate, initiate corrective action.

The Office of Human Resource Management oversees the Cabinet's personnel administration, EEO compliance, and professional development/training activities.

The Division of Personnel manages human resources functions, tuition assistance and employee suggestion programs.

The EEO Compliance Branch provides an internal mechanism to identify and resolve concerns of discrimination involving race, religion, gender, age, national origin, and political affiliation.

The Division of Professional Development and Training provides training and professional development opportunities to Cabinet employees, foster and adoptive parents, and community partners.

The Office of Technology Services (OTS) oversees technology resources for the Cabinet for Families and Children. There are two divisions within OTS. The Division of Technical Support focuses on maintaining the Cabinet's computer network and support of voice communications. The Division of System Support supervises the development, operation, and security of the extensive statewide application systems used by the Cabinet.

The Office of Program Support (OPS) provides budget planning, policy development, fiscal services, facilities and property management, supplies, and employee services for the Cabinet. OPS serves as a liaison to external agencies including the Governor's Office for Policy and Management, Legislative Research Commission (LRC), and the Finance and Administration Cabinet. The Office coordinates the review of Cabinet administrative regulations with LRC. The Budget Planning and Development Branch prepares, maintains, and analyzes budgets for the Cabinet.

The Division of Financial Management provides centralized accounting and payment services for the entire Cabinet. Responsibilities include processing expenditures, auditing and payment of employee travel, producing grant-related financial reports, and preparing and filing all CFC expenditure reports. This division, in order to maximize federal funding related to administrative and supervisory costs, determines the Cabinet's indirect expenses through a complex step-down cost allocation plan.

The Division of Procurement Services is responsible for space design and utilization, coordination of all capital construction projects, environmental services, and records management.

The Office of Performance Enhancement (OPE) assists the Cabinet in holding itself and its contractors accountable for achieving desired results. The Office monitors contracts and conducts performance audits and reviews to verify that services have been delivered in an appropriate fashion.

**Families and Children  
Community Based Services**

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
<b>SOURCE OF FUNDS</b>					
<b>General Fund</b>					
Regular Appropriation	291,008,400	301,348,300	311,960,700	280,666,700	279,264,400
Tobacco Settlement - I	9,082,800	6,023,300	2,023,300	7,262,800	3,581,300
Continuing Appropriation - Tobacco Settlement	6,990,800	4,000,000	4,000,000	4,000,000	4,000,000
Budget Reduction	-14,090,800				
<b>Total General Fund</b>	<b>292,991,200</b>	<b>311,371,600</b>	<b>317,984,000</b>	<b>291,929,500</b>	<b>286,845,700</b>
<b>Restricted Funds</b>					
Balance Forward	74,793,600	60,281,600	40,258,700	60,281,600	40,189,700
Current Receipts	72,868,900	71,360,500	72,910,200	76,402,300	81,668,700
Non-Revenue Receipts	11,169,100	5,194,100	-3,257,800	5,389,200	1,781,200
<b>Total Restricted Funds</b>	<b>158,831,600</b>	<b>136,836,200</b>	<b>109,911,100</b>	<b>142,073,100</b>	<b>123,639,600</b>
<b>Federal Funds</b>					
Balance Forward	11,348,000				
Current Receipts	464,667,700	478,542,800	492,348,600	468,549,000	476,832,800
<b>Total Federal Funds</b>	<b>476,015,700</b>	<b>478,542,800</b>	<b>492,348,600</b>	<b>468,549,000</b>	<b>476,832,800</b>
<b>TOTAL SOURCE OF FUNDS</b>	<b>927,838,500</b>	<b>926,750,600</b>	<b>920,243,700</b>	<b>902,551,600</b>	<b>887,318,100</b>
<b>EXPENDITURES BY CLASS</b>					
Personnel Cost	249,689,600	264,368,900	278,608,700	246,158,100	254,358,000
Operating Expenses	41,312,900	43,658,200	44,671,000	43,908,200	43,507,500
Grants, Loans or Benefits	571,054,400	574,464,800	596,825,900	568,295,600	589,452,600
<b>TOTAL EXPENDITURES</b>	<b>862,056,900</b>	<b>882,491,900</b>	<b>920,105,600</b>	<b>858,361,900</b>	<b>887,318,100</b>
<b>EXPENDITURES BY FUND SOURCE</b>					
General Fund	287,491,200	307,371,600	317,984,000	287,929,500	286,845,700
Restricted Funds	98,550,000	96,577,500	109,773,000	101,883,400	123,639,600
Federal Funds	476,015,700	478,542,800	492,348,600	468,549,000	476,832,800
<b>TOTAL EXPENDITURES</b>	<b>862,056,900</b>	<b>882,491,900</b>	<b>920,105,600</b>	<b>858,361,900</b>	<b>887,318,100</b>
<b>EXPENDITURES BY UNIT</b>					
Family Support	309,450,500	312,942,500	315,046,200	304,056,800	305,227,500
Child Support	61,318,000	59,090,300	61,224,700	58,167,300	60,249,200
Energy	23,198,400	23,196,100	23,209,100	23,236,700	23,247,600
Child Care	153,314,800	145,144,200	150,162,900	146,018,400	151,021,900
Family and Community Services	314,775,200	342,118,800	370,462,700	326,882,700	347,571,900
<b>TOTAL EXPENDITURES</b>	<b>862,056,900</b>	<b>882,491,900</b>	<b>920,105,600</b>	<b>858,361,900</b>	<b>887,318,100</b>

The Department for Community Based Services (DCBS) is responsible for the following programs: Family Support (including Temporary Assistance to Needy Families (TANF), Food Stamps, Medicaid Eligibility, State Supplementation and Welfare to Work), Child Support, Energy Assistance, Child Care, and Family and Community Based Services (including Family Based Services, Adult Services and Alternatives for Children).

These programs benefit Kentuckians who, because of social, educational, mental, or physical impairments are without sufficient resources to meet their basic needs. The Department's mission is to preserve the family as a unit when possible and protect individuals from abuse, neglect, and exploitation with safety and permanency as the paramount goals.

**Families and Children  
Community Based Services  
Family Support**

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
<b>SOURCE OF FUNDS</b>					
<b>General Fund</b>					
Regular Appropriation	119,083,800	125,390,200	127,220,000	120,026,600	121,016,200
Budget Reduction	-6,900,000				
<b>Total General Fund</b>	<b>112,183,800</b>	<b>125,390,200</b>	<b>127,220,000</b>	<b>120,026,600</b>	<b>121,016,200</b>
<b>Restricted Funds</b>					
Non-Revenue Receipts	20,988,500	11,367,800	11,361,200	11,168,000	11,346,700
<b>Total Restricted Funds</b>	<b>20,988,500</b>	<b>11,367,800</b>	<b>11,361,200</b>	<b>11,168,000</b>	<b>11,346,700</b>
<b>Federal Funds</b>					
Balance Forward	403,400				
Current Receipts	175,874,800	176,184,500	176,465,000	172,862,200	172,864,600
<b>Total Federal Funds</b>	<b>176,278,200</b>	<b>176,184,500</b>	<b>176,465,000</b>	<b>172,862,200</b>	<b>172,864,600</b>
<b>TOTAL SOURCE OF FUNDS</b>	<b>309,450,500</b>	<b>312,942,500</b>	<b>315,046,200</b>	<b>304,056,800</b>	<b>305,227,500</b>
<b>EXPENDITURES BY CLASS</b>					
Personnel Cost	103,609,700	110,056,000	115,127,700	101,170,300	105,559,000
Operating Expenses	15,357,100	18,053,500	16,575,400	18,053,500	16,575,400
Grants, Loans or Benefits	190,483,700	184,833,000	183,343,100	184,833,000	183,093,100
<b>TOTAL EXPENDITURES</b>	<b>309,450,500</b>	<b>312,942,500</b>	<b>315,046,200</b>	<b>304,056,800</b>	<b>305,227,500</b>
<b>EXPENDITURES BY FUND SOURCE</b>					
General Fund	112,183,800	125,390,200	127,220,000	120,026,600	121,016,200
Restricted Funds	20,988,500	11,367,800	11,361,200	11,168,000	11,346,700
Federal Funds	176,278,200	176,184,500	176,465,000	172,862,200	172,864,600
<b>TOTAL EXPENDITURES</b>	<b>309,450,500</b>	<b>312,942,500</b>	<b>315,046,200</b>	<b>304,056,800</b>	<b>305,227,500</b>
<b>EXPENDITURES BY UNIT</b>					
Food Stamps	50,385,300	54,694,000	57,092,600	50,504,500	52,552,500
Medical Assistance	27,965,500	30,783,000	30,369,100	28,327,600	27,708,100
State Supplementation	18,213,700	20,892,900	21,648,400	20,862,500	21,365,600
Welfare to Work	3,103,700	514,400		512,900	
TANF	209,782,300	206,058,200	205,936,100	203,849,300	203,601,300
<b>TOTAL EXPENDITURES</b>	<b>309,450,500</b>	<b>312,942,500</b>	<b>315,046,200</b>	<b>304,056,800</b>	<b>305,227,500</b>

The Family Support Program consists of the following programs: Temporary Assistance to Needy Families (TANF), Food Stamps, Medicaid Eligibility, State Supplementation and Welfare to Work.

The National Vote Registration Act of 1993, also known as the Motor-Voter Act, requires agencies that deliver services to persons with disabilities or provide benefits under the Kentucky Transitional Assistance Program; Women, Infants and Children Program; Medicaid; or Food Stamps; as well as Armed Forces Recruiting Stations and driver licensing stations make available voter registration applications. These agencies are mandated to distribute voter registration forms, provide assistance in completing these forms, and ensure completed forms reach the proper state election office for processing.

**Temporary Assistance for Needy Families (TANF)**

The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 amended and combined Title IV-A (AFDC) and Title IV-F (JOBS) of the Social Security Act to provide block grants to states for Temporary Assistance for Needy Families

(TANF). These federal funds support the program's administrative and benefit expenditures that include personnel, operating, and indirect costs; contracts with partnering agencies; cash assistance subsidies; supportive services; child care; and transportation. A Maintenance of Effort requirement mandates that states spend an amount equal to or greater than 80 percent of fiscal year 1994 expenditures. For Kentucky, this amount is \$71.9 million. The TANF expires September 30, 2002. Congress is expected to reauthorize the program but there may be significant changes.

The Kentucky Transitional Assistance Program (K-TAP) is the Commonwealth's cash assistance program for families with a dependent child who is deprived of parental support due to the continued absence, unemployment, incapacity, or death of one or both parents. Eligibility requirements include residency, age, and enumeration. Monthly payments are designed to help adults find a job or obtain training that leads to employment. Gross income must fall below the Gross Income Scale appropriate to the family's size, and total family resources cannot exceed agency limits.

The Kentucky Works Program assists recipients with their transition into the workforce and attainment of self-sufficiency. Adults receiving K-TAP benefits must participate in this program and, with the help of a case manager, develop a Transitional Assistance Agreement. Kentucky Works Program activities include employment, on-the-job training, work experience training programs, a job search/job readiness component, vocational training or other educational services, community service, high school completion for teen parents, and other activities necessary to prepare for employment. Referrals to providers of transportation, child care, and supportive services such as car repairs and supplies, ensure that individuals are able to take part in this program.

TANF funds also are provided as a job retention bonus for a K-TAP recipient who obtains and maintains full-time employment, an education bonus for a recipient who completes educational goals, and relocation assistance. Former K-TAP recipients with earned income may continue to receive supportive services such as housing assistance, case management, and transportation subsidies for a period of up to 12 months.

Employment Retention Assistance to maintain self-sufficiency is available to former K-TAP families now working with incomes at or below 200 percent of the federal poverty level. Up to \$1,500 in benefits is available for a 12-month period to assist with short term needs in order to stabilize the family and permit continued employment.

The Family Alternative Diversion Program provides an alternative for families who, while otherwise eligible, choose not to receive K-TAP cash assistance. A maximum of \$1,500 is available to assist the family with immediate needs such as food, shelter, transportation, etc. These benefits may be authorized for up to three months during a 12-month period.

Safety Net Services are available to former K-TAP families who lose cash assistance as a result of time limits or failure to complete an assessment for Kentucky Works. Families with an income at or below 200 percent of the federal poverty level can access temporary benefits to meet basic needs such as shelter, food, clothing, or utilities. A total of \$635 may be authorized for four months during a 12-month period. Beginning July 1, 2001, Safety Net Services are funded using TANF money.

Employment Retention services may be provided for 12 months in cases of discontinued employment. These services include case management, transportation, payments for specific needs, and referrals to other programs such as child care, child support, Medicaid, and the Kentucky Children's Health Insurance Program.

The Kinship Care Program was implemented on August 1, 2000. This program provides financial assistance and support services to non-parental relatives caring for children who cannot remain in the home of their parents due to abuse, neglect, or the death of both parents. An initial, one-time amount is available to address each child's immediate needs in this new environment.

Efforts continue within the Cabinet for Families and Children to partner with local communities to achieve the goals of self-sufficiency, protection, and permanency for Kentucky's families. The flexibility of the TANF block grant has allowed the Cabinet to pursue initiatives such as change management and organizational restructuring and, as a result, better address the needs of those striving to escape a life of dependency.

## **Food Stamps**

The Food Stamp program, authorized by the Food Stamp Act of 1997 (PL 95-113) and KRS 194B.050, helps low-income persons purchase food for a nutritional diet. It is designed to promote the general welfare and safeguard the health and well-being of the nation's population by raising nutritional levels among low-income households. A household, which is defined as any individual, family, or group of people living with each other who buy and prepare food together, must meet eligibility

standards.

The Food Stamp Employment and Training (FS E&T) program is designed to assist able-bodied food stamp recipients obtain employment that leads to self-sufficiency. This initiative, mandated in 1987 as a result of amendments to the Food Stamp Act, requires that work registrants in the 81 FS E&T designated counties participate in either vocational education training or a Work Experience Program. In August 1997, Public Law 105-33 amended the Food Stamp Act and the Food Stamp

Employment and Training Program to mandate that 80 percent of federal FS E&T funding be spent on able-bodied adults between the ages of 18-49 who lack dependents, are placed in and comply with the requirements of a work program, and meet the eligibility standards of 7 U.S.C. 2015(o).

### **Medicaid Eligibility**

The Department for Community Based Services (DCBS), using staff in field offices located in each Kentucky county, determines eligibility for the Medicaid program under a contract with the Department for Medicaid Services. The Medicaid program is authorized under Title XIX of the U.S. Social Security Act and KRS 205.520.

### **State Supplementation**

The State Supplementation Program, authorized by KRS 205.245, provides financial support to aged, blind, or disabled individuals who have insufficient income to meet their needs in a licensed personal care home or family care home, or to purchase caretaker services designed to prevent institutionalization.

### **Welfare to Work**

The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 reformed the nation's welfare laws and changed the nature and provision of welfare benefits in the United States. Because welfare benefits were no longer considered an entitlement, moving welfare recipients into employment became a primary goal of the new federal policy.

Subsequently, the Balanced Budget Act of 1997 gave the U.S. Department of Labor (USDOL) authority to establish the Welfare-to-Work (WtW) program as a supplement to welfare reform. Under this program, the hardest-to-employ welfare recipients receive transitional assistance to move into unsubsidized employment and attain self-sufficiency. In addition, this same assistance is provided to prevent others from becoming dependent upon welfare.

Formula grants, which allocate 75 percent of the federal Welfare-to-Work funds, are distributed to each state based on its share of the national number of individuals living in poverty. In Kentucky, the Cabinet administers the WtW grant program with cooperation from the Department for Training and Re-Employment in the Workforce Development Cabinet. Through a competitive process, the other 25 percent of these funds are allocated by USDOL to local communities with large concentrations of poverty. Using a methodology that focuses on high poverty rates, states, including Kentucky, allocate 85 percent of the federal grant to Local Workforce Investment Boards (LWIBs) which oversee and direct job-training programs in their respective Local Workforce Investment Area (LWIA). States have the authority to use the remaining 15 percent of the formula funds to operate their own welfare-to-work initiatives or provide additional support for projects managed by the LWIAs.

For the formula grant portion of the WtW program, states must spend one dollar of non-federal funds for every two federal dollars spent. In-kind contributions may constitute one-half of these matching funds. While applicants for competitive grants are not required to match federal funds, they must indicate those resources that will be contributed to the project. This allows the U.S. Department of Labor's Employment and Training Administration to determine how effectively competitive grant funds "leverage" local resources.

As a result of nationwide difficulties encountered in recruiting participants, Congress relaxed the WtW eligibility criteria in 1999. Eligible participants were redefined to include long-term welfare recipients; impoverished non-custodial parents; Temporary Assistance for Needy Families (TANF)/Kentucky Transitional Assistance Program (K-TAP) recipients with characteristics indicative of long-term welfare dependency, or who possess barriers to self-sufficiency according to standards established by the LWIAs; custodial parents with household incomes below 100 percent of the poverty level; and young adults (ages 18-25) who are former recipients of foster care maintenance payments or under the responsibility of the

state. On October 1, 2000, these new eligibility criteria were implemented statewide in Kentucky.

Despite the 1999 amendment that eased eligibility criteria, Kentucky has experienced continued recruitment difficulties and, thus, administrative expenses and cost-per-participant levels exceeded expectations. Moreover, it was discovered that administrative expenditures at the local level had exceeded federal limits and, thus, the Cabinet chose to overmatch with state funds to support these costs rather than face federal penalties. In addition, the Commonwealth's recent budget reductions resulted in fewer dollars available for the state match. As a result of these difficulties, Kentucky was unable to utilize the full allocation of the 1999 WtW formula grant and returned a portion to the U.S. Department of Labor.

### **Policy**

The Cabinet for Families and Children secured an extension through April 2003 for the remaining funds from the 1998 federal grant, though all but five Local Workforce Investment Areas had phased out their Welfare -to-Work program as of June 30, 2001. These five will be phased out by April 2003. CFC staff affiliated with Welfare to Work will be transitioned to TANF.

**Families and Children  
Community Based Services  
Child Care**

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
<b>SOURCE OF FUNDS</b>					
<b>General Fund</b>					
Regular Appropriation	16,463,000	16,463,000	16,463,000	16,463,000	16,463,000
Tobacco Settlement - I	9,082,800	6,023,300	2,023,300	7,023,300	3,023,300
Continuing Appropriation - Tobacco Settlement	6,990,800	4,000,000	4,000,000	4,000,000	4,000,000
Budget Reduction	-5,490,800				
<b>Total General Fund</b>	<b>27,045,800</b>	<b>26,486,300</b>	<b>22,486,300</b>	<b>27,486,300</b>	<b>23,486,300</b>
<b>Restricted Funds</b>					
Balance Forward	51,400				
Current Receipts	-51,400				
<b>Total Restricted Funds</b>					
<b>Federal Funds</b>					
Balance Forward	2,518,200				
Current Receipts	129,250,800	122,657,900	127,676,600	122,532,100	127,535,600
<b>Total Federal Funds</b>	<b>131,769,000</b>	<b>122,657,900</b>	<b>127,676,600</b>	<b>122,532,100</b>	<b>127,535,600</b>
<b>TOTAL SOURCE OF FUNDS</b>	<b>158,814,800</b>	<b>149,144,200</b>	<b>150,162,900</b>	<b>150,018,400</b>	<b>151,021,900</b>
<b>EXPENDITURES BY CLASS</b>					
Personnel Cost	13,900,000	13,499,600	13,649,100	13,373,800	13,508,100
Operating Expenses	1,203,900	856,900	888,500	856,900	888,500
Grants, Loans or Benefits	138,210,900	130,787,700	135,625,300	131,787,700	136,625,300
<b>TOTAL EXPENDITURES</b>	<b>153,314,800</b>	<b>145,144,200</b>	<b>150,162,900</b>	<b>146,018,400</b>	<b>151,021,900</b>
<b>EXPENDITURES BY FUND SOURCE</b>					
General Fund	21,545,800	22,486,300	22,486,300	23,486,300	23,486,300
Federal Funds	131,769,000	122,657,900	127,676,600	122,532,100	127,535,600
<b>TOTAL EXPENDITURES</b>	<b>153,314,800</b>	<b>145,144,200</b>	<b>150,162,900</b>	<b>146,018,400</b>	<b>151,021,900</b>

Under KRS Chapter 199, the Department for Community Based Services (DCBS), through the Division of Child Care, manages day care services in the Commonwealth. During fiscal year 2001, the Department paid for approximately 64,400 children of working parents (including K-TAP participants) and 6,500 children from protective service families to attend full-day/part-day child care facilities and spent over \$106 million for child care subsidies.

Priorities for allocation of available funds have been to meet protective services child care and child care needs for work participation requirements for the families receiving benefits through the Kentucky Temporary Assistance Program (KTAP). Failure to meet participation requirements would result in substantial penalties and the loss of federal funds. After these priorities are met, remaining funds are used to provide child care subsidies for low income working parents. This includes families who are transitioning from KTAP and those who would be at risk of becoming dependent on KTAP if child care were not available.

The Division of Child Care certifies home child care providers that serve no more than six non-relative children. Once certified, these homes are eligible to receive reimbursement for children participating in any component of the program, and they may participate in the federal school lunch program. Currently, there are approximately 1,100 certified homes in Kentucky.

The cost of services for working parents is partially offset by a sliding fee scale under which parents pay a portion of the expense based on their income and family size. Child care assistance provided to families as a result of protective services are

available without regard to income. In addition, child care is provided for 12 months following discontinuance of K-TAP benefits due to employment.

House Bill 706 passed by the 2000 General Assembly emphasized improving the quality of child care in Kentucky. The Cabinet's Division of Child Care has been collaborating with the Governor's Office of Early Childhood Development and other public and private entities in the development and implementation of the Governor's Early Childhood Development initiatives. These include the establishment of a pilot early childhood development center which occurred through a partnership among CFC, the City of Richmond, the Richmond Child Care Center, and Eastern Kentucky University. Tobacco funds in the amount of \$1,500,000 will lapse to the General Fund Surplus account at the close of fiscal year 2002.

A portion of the Tobacco Settlement Funds may be used to match federal funds to support the following initiatives:

- **Voluntary Quality Rating System**  
The Voluntary Quality Rating System (STARS for KIDS NOW) for licensed child care centers was piloted in the spring of 2001 and statewide implementation was initiated in July 2001. During this pilot period, a total of 77 STARS were issued to licensed centers. A workgroup is currently developing a similar rating system for certified family day care homes as well as Type II licensed centers. It is anticipated that this project will be piloted in the spring of 2002 and implemented statewide in July 2002.
- **Professional Development and Quality Incentive Funds**  
Successful attainment of national child care accreditation and credentials are indicators that a child care program provides quality services. The Division of Child Care is committed to support the professional development of these providers through assistance, in the form of mini-grants, with payment of national accreditation and credentialing fees. In addition, this division collaborates with the Kentucky Association of Child Care Resource and Referral Agencies (KACCRRRA) to improve the number of quality child care resources in the Commonwealth. With the divisions assistance, KACCRRRA provides technical support and training to child care programs and serves as a resource for parents needing help in obtaining quality child care.

**Families and Children  
Community Based Services**

**Energy**

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
<b>SOURCE OF FUNDS</b>					
<b>Restricted Funds</b>					
Balance Forward	138,100	138,100	138,100	138,100	69,100
<b>Total Restricted Funds</b>	138,100	138,100	138,100	138,100	69,100
<b>Federal Funds</b>					
Balance Forward	100,000				
Current Receipts	23,098,400	23,196,100	23,209,100	23,167,700	23,178,500
<b>Total Federal Funds</b>	23,198,400	23,196,100	23,209,100	23,167,700	23,178,500
<b>TOTAL SOURCE OF FUNDS</b>	23,336,500	23,334,200	23,347,200	23,305,800	23,247,600
<b>EXPENDITURES BY CLASS</b>					
Personnel Cost	284,800	277,500	287,000	249,100	256,400
Operating Expenses	69,700	74,700	78,200	74,700	78,200
Grants, Loans or Benefits	22,843,900	22,843,900	22,843,900	22,912,900	22,913,000
<b>TOTAL EXPENDITURES</b>	23,198,400	23,196,100	23,209,100	23,236,700	23,247,600
<b>EXPENDITURES BY FUND SOURCE</b>					
Restricted Funds				69,000	69,100
Federal Funds	23,198,400	23,196,100	23,209,100	23,167,700	23,178,500
<b>TOTAL EXPENDITURES</b>	23,198,400	23,196,100	23,209,100	23,236,700	23,247,600
<b>EXPENDITURES BY UNIT</b>					
LIHEAP & Weatherization	15,668,300	15,653,800	15,658,200	15,713,300	15,717,100
Weatherization	7,530,100	7,542,300	7,550,900	7,523,400	7,530,500
<b>TOTAL EXPENDITURES</b>	23,198,400	23,196,100	23,209,100	23,236,700	23,247,600

The Low Income Home Energy Assistance Program (PL 103-333) and the Weatherization Assistance Program (PL 94-385) are federally funded programs that provide assistance to help low-income households meet the cost of energy expenses through direct fuel bill subsidies or energy conservation repairs to their homes.

The Home Energy Assistance Program (HEAP), authorized by KRS 205.400, provides support with home heating costs for low-income households. Eligibility criteria include: income that does not exceed 110 percent of the federal poverty level; resources that total less than \$1,500 (or \$4,000 if there is a catastrophic illness in the household); and the responsibility for home heating expenses. This program is divided into two segments: Subsidy, which provides heating assistance benefits to eligible households; and Crisis, which is designed to assist any low-income family experiencing a home heating emergency. Services include accepting applications, determining eligibility, implementing an outreach component, and coordinating this program with other energy assistance initiatives.

The Weatherization Assistance Program is designed to reduce energy consumption, lower heating bills, and ensure the health and safety of families whose annual income is at or below 125 percent of the federal poverty level. Funds are provided to conduct energy audits, heat system safety tests and repairs, reduce air infiltration, install insulation, and perform other energy-related conservation measures. The average cost per house for weatherization measures, including materials, labor, and overhead, is \$2,500. The average cost for health and safety measures, including energy system repair/replacement, is \$990 per dwelling. Anticipated annual savings for fuel expenses is \$300 per family. While a house is allowed to receive this assistance only one time, a dwelling may be re-weatherized if this service was provided prior to October 1, 1993.

**Families and Children  
Disability Determinations**

	<b>Revised FY 2002</b>	<b>Requested FY 2003</b>	<b>Requested FY 2004</b>	<b>Recommended FY 2003</b>	<b>Recommended FY 2004</b>
<b>SOURCE OF FUNDS</b>					
<b>Restricted Funds</b>					
Balance Forward	200				
Current Receipts	15,900				
Non-Revenue Receipts	59,700	62,700	65,800	62,700	65,800
<b>Total Restricted Funds</b>	<b>75,800</b>	<b>62,700</b>	<b>65,800</b>	<b>62,700</b>	<b>65,800</b>
<b>Federal Funds</b>					
Balance Forward	1,251,100				
Current Receipts	37,308,000	40,838,600	43,187,000	40,129,800	42,376,900
<b>Total Federal Funds</b>	<b>38,559,100</b>	<b>40,838,600</b>	<b>43,187,000</b>	<b>40,129,800</b>	<b>42,376,900</b>
<b>TOTAL SOURCE OF FUNDS</b>	<b>38,634,900</b>	<b>40,901,300</b>	<b>43,252,800</b>	<b>40,192,500</b>	<b>42,442,700</b>
<b>EXPENDITURES BY CLASS</b>					
Personnel Cost	23,519,500	24,878,800	26,244,900	24,170,000	25,434,800
Operating Expenses	3,574,000	3,673,200	3,794,100	3,673,200	3,794,100
Grants, Loans or Benefits	11,541,400	12,349,300	13,213,800	12,349,300	13,213,800
<b>TOTAL EXPENDITURES</b>	<b>38,634,900</b>	<b>40,901,300</b>	<b>43,252,800</b>	<b>40,192,500</b>	<b>42,442,700</b>
<b>EXPENDITURES BY FUND SOURCE</b>					
Restricted Funds	75,800	62,700	65,800	62,700	65,800
Federal Funds	38,559,100	40,838,600	43,187,000	40,129,800	42,376,900
<b>TOTAL EXPENDITURES</b>	<b>38,634,900</b>	<b>40,901,300</b>	<b>43,252,800</b>	<b>40,192,500</b>	<b>42,442,700</b>

The Department for Disability Determinations (DDDS) determines medical eligibility for residents of the Commonwealth who apply for Social Security and Supplemental Security Income disability benefits. The DDDS reevaluates the claims of disability recipients who have been selected for a periodic review of their medical condition, and conducts face-to-face evidentiary hearings for those individuals who appeal an unfavorable review of their continuing eligibility.

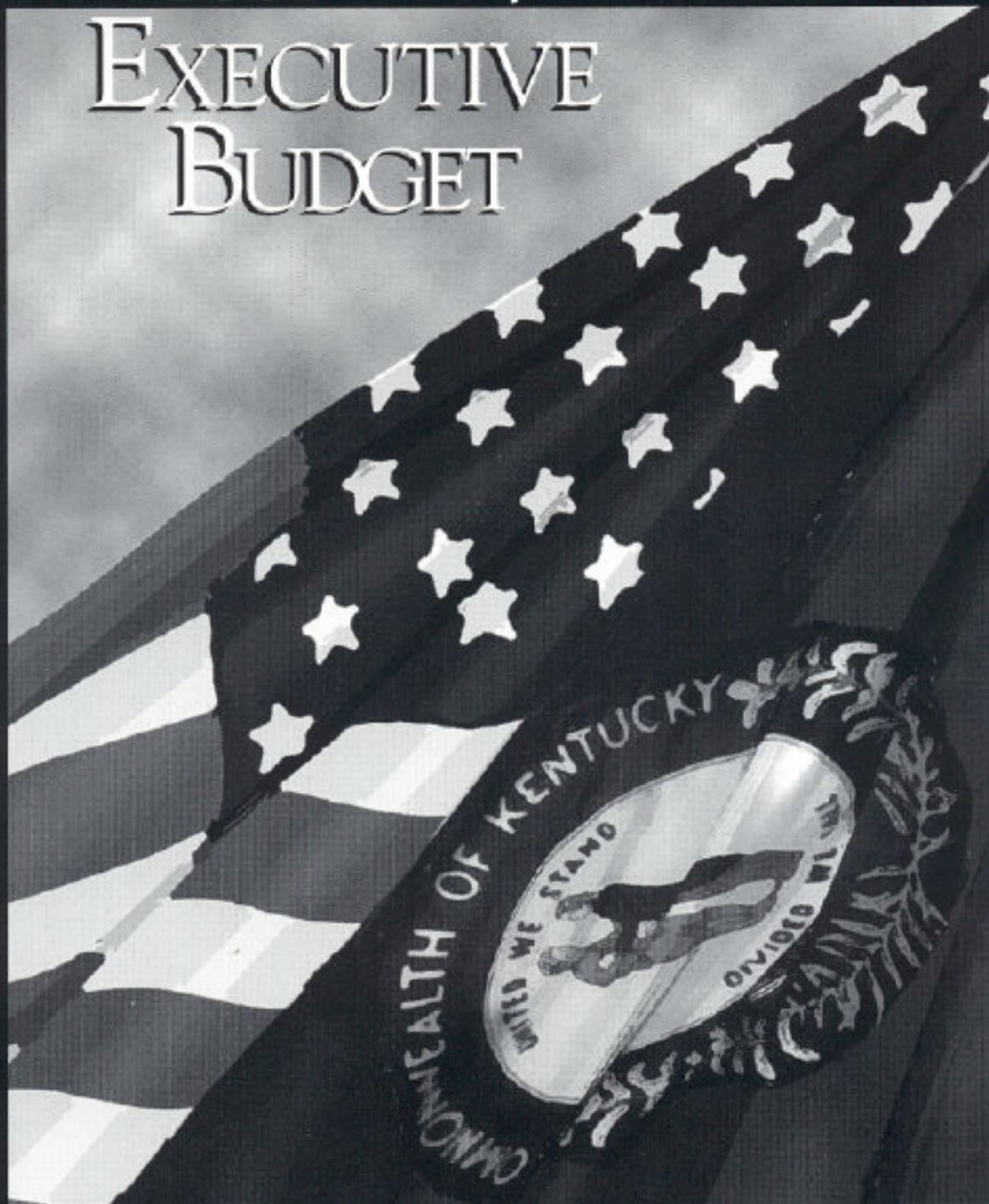
The DDDS workload depends upon: 1) the number of individuals who apply for disability benefits through the Social Security Administration; 2) the number of claims that SSA selects for continuing review and sends to the Department, and 3) Congressional mandates, legal actions or other initiatives.



2002-2004

*Finance and  
Administration*

# EXECUTIVE BUDGET



**Finance and Administration**

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
<b>SOURCE OF FUNDS</b>					
<b>General Fund</b>					
Regular Appropriation	337,064,300	311,461,200	315,123,100	297,425,000	297,453,000
Tobacco Settlement - I	7,547,000	7,404,000	7,404,000	6,112,000	6,116,000
Continuing Appropriation - Tobacco Settlement	1,258,000				
Budget Reduction	-50,861,300				
Other	75,000				
<b>Total General Fund</b>	<b>295,083,000</b>	<b>318,865,200</b>	<b>322,527,100</b>	<b>303,537,000</b>	<b>303,569,000</b>
<b>Restricted Funds</b>					
Balance Forward	10,006,100	8,906,200	6,776,500	8,906,200	7,047,500
Current Receipts	110,805,800	117,002,500	122,276,700	115,116,800	119,778,100
Non-Revenue Receipts	-546,800	-116,000	-119,800	-574,900	-588,000
<b>Total Restricted Funds</b>	<b>120,265,100</b>	<b>125,792,700</b>	<b>128,933,400</b>	<b>123,448,100</b>	<b>126,237,600</b>
<b>Federal Funds</b>					
Current Receipts	8,000,000	4,000,000	4,000,000	4,000,000	4,000,000
<b>Total Federal Funds</b>	<b>8,000,000</b>	<b>4,000,000</b>	<b>4,000,000</b>	<b>4,000,000</b>	<b>4,000,000</b>
<b>Road Fund</b>					
Regular Appropriation	3,951,000	3,956,700	3,958,400	3,951,000	3,947,000
<b>Total Road Fund</b>	<b>3,951,000</b>	<b>3,956,700</b>	<b>3,958,400</b>	<b>3,951,000</b>	<b>3,947,000</b>
<b>TOTAL SOURCE OF FUNDS</b>	<b>427,299,100</b>	<b>452,614,600</b>	<b>459,418,900</b>	<b>434,936,100</b>	<b>437,753,600</b>
<b>EXPENDITURES BY CLASS</b>					
Personnel Cost	85,898,100	91,026,500	95,554,000	86,985,000	91,177,700
Operating Expenses	65,044,000	70,448,500	72,818,400	71,032,100	72,502,800
Grants, Loans or Benefits	10,322,200	6,364,000	6,406,900	6,459,000	6,459,000
Debt Service	198,385,800	274,935,000	276,460,000	260,333,000	259,142,000
Capital Outlay	3,115,400	3,064,100	3,097,700	3,079,500	3,092,300
<b>TOTAL EXPENDITURES</b>	<b>362,765,500</b>	<b>445,838,100</b>	<b>454,337,000</b>	<b>427,888,600</b>	<b>432,373,800</b>
<b>EXPENDITURES BY FUND SOURCE</b>					
General Fund	239,455,600	318,865,200	322,527,100	303,537,000	303,569,000
Restricted Funds	111,358,900	119,016,200	123,851,500	116,400,600	120,857,800
Federal Funds	8,000,000	4,000,000	4,000,000	4,000,000	4,000,000
Road Fund	3,951,000	3,956,700	3,958,400	3,951,000	3,947,000
<b>TOTAL EXPENDITURES</b>	<b>362,765,500</b>	<b>445,838,100</b>	<b>454,337,000</b>	<b>427,888,600</b>	<b>432,373,800</b>
<b>EXPENDITURES BY UNIT</b>					
General Administration	8,383,700	9,041,200	9,422,600	8,725,000	9,128,000
Office of the Controller	14,615,600	10,887,300	11,030,100	10,494,000	10,607,000
Debt Service	198,358,800	274,920,000	276,445,000	260,318,000	259,127,000
County Costs	22,208,000	23,763,600	24,999,600	24,503,000	25,503,000
County Fees	74,664,400	77,645,600	80,760,800	77,645,600	80,760,800
Administration	13,085,000	13,376,900	13,660,100	13,001,000	13,363,000
Facilities Management	31,450,000	36,203,500	38,018,800	33,202,000	33,885,000
<b>TOTAL EXPENDITURES</b>	<b>362,765,500</b>	<b>445,838,100</b>	<b>454,337,000</b>	<b>427,888,600</b>	<b>432,373,800</b>

The Finance and Administration Cabinet is responsible for managing the financial resources of the Commonwealth and providing central administrative services to agencies of state and local government. The mission of the Finance and Administration Cabinet is to enable its customers to achieve their missions through leadership assistance in the delivery of quality services, effective administration, and sound financial management. The Cabinet provides leadership, coordination, and support to other state agencies to ensure accountability and integrity in the use of public resources. The Cabinet's priority is to find more efficient means to conduct government business.

The Cabinet's duties include expenditure control, state purchasing, construction of state facilities, and property management.

**Finance and Administration**  
**General Administration**

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
<b>SOURCE OF FUNDS</b>					
<b>General Fund</b>					
Regular Appropriation	5,903,300	6,263,600	6,626,100	5,988,000	6,258,000
Budget Reduction	-346,000				
Other	75,000				
<b>Total General Fund</b>	<b>5,632,300</b>	<b>6,263,600</b>	<b>6,626,100</b>	<b>5,988,000</b>	<b>6,258,000</b>
<b>Restricted Funds</b>					
Balance Forward	3,511,900	2,748,200	1,702,800	2,748,200	1,744,200
Current Receipts	2,910,700	2,672,200	2,876,400	2,673,000	2,876,300
Non-Revenue Receipts	-923,000	-940,000	-960,000	-940,000	-960,000
<b>Total Restricted Funds</b>	<b>5,499,600</b>	<b>4,480,400</b>	<b>3,619,200</b>	<b>4,481,200</b>	<b>3,660,500</b>
<b>TOTAL SOURCE OF FUNDS</b>	<b>11,131,900</b>	<b>10,744,000</b>	<b>10,245,300</b>	<b>10,469,200</b>	<b>9,918,500</b>
<b>EXPENDITURES BY CLASS</b>					
Personnel Cost	5,678,900	6,023,000	6,493,300	5,601,000	6,021,000
Operating Expenses	2,397,600	2,712,700	2,629,500	2,850,000	2,831,000
Grants, Loans or Benefits	214,200	213,800	213,600	214,000	214,000
Debt Service	27,000	15,000	15,000	15,000	15,000
Capital Outlay	66,000	76,700	71,200	45,000	47,000
<b>TOTAL EXPENDITURES</b>	<b>8,383,700</b>	<b>9,041,200</b>	<b>9,422,600</b>	<b>8,725,000</b>	<b>9,128,000</b>
<b>EXPENDITURES BY FUND SOURCE</b>					
General Fund	5,632,300	6,263,600	6,626,100	5,988,000	6,258,000
Restricted Funds	2,751,400	2,777,600	2,796,500	2,737,000	2,870,000
<b>TOTAL EXPENDITURES</b>	<b>8,383,700</b>	<b>9,041,200</b>	<b>9,422,600</b>	<b>8,725,000</b>	<b>9,128,000</b>
<b>EXPENDITURES BY UNIT</b>					
Secretary	2,382,500	2,494,800	2,524,700	2,412,000	2,482,000
Technology Operations	775,600	925,700	958,400	770,000	804,000
Management & Budget	975,600	1,051,700	1,100,700	1,057,000	1,103,000
Financial Management	2,745,400	3,050,300	3,106,300	3,013,000	3,052,000
Legal & Legislative Services	662,600	688,700	702,500	646,000	648,000
Capital Plaza Operations	842,000	830,000	810,000	827,000	819,000
Gubernatorial Transition			220,000		220,000
<b>TOTAL EXPENDITURES</b>	<b>8,383,700</b>	<b>9,041,200</b>	<b>9,422,600</b>	<b>8,725,000</b>	<b>9,128,000</b>

The General Administration appropriation unit provides coordination and management of the Cabinet. It is comprised of the Office of the Secretary, Gubernatorial Transition, Technology Operations, Capital Plaza Operations, Office of Management and Budget, Office of Financial Management, and the Office of Legal and Legislative Services.

The Office of the Secretary includes the Office of the Secretary, the Office of Administrative Policy and Audit, the Customer Resource Center, and the Office of Equal Employment Opportunity and Contract Compliance.

The Office of the Secretary develops executive policy and directs the overall management of the Commonwealth's property and financial assets. Staff of the Office coordinate fiscal and personnel administration for the Cabinet and handle inquiries and issues that arise from the General Assembly, the news media, and the general public. The Office also supervises the legal, internal audit, and computer support functions for the Finance and Administration Cabinet. The Secretary of Finance serves on numerous boards and commissions including the Kentucky Economic Development Partnership Board, the Kentucky Economic Development Finance Authority, the Kentucky Infrastructure Authority, and the Kentucky Housing Corporation.

The Office of Administrative Policy and Audit is responsible for assuring the reliability and integrity of information used to support management decision making, evaluating how state assets are safeguarded, and appraising the economy and efficiency of resource use. Staff also ascertain whether the operations or programs are being implemented as planned, and performs special studies at the request of management. Recently, this effort has concentrated on the Management Accounting and Reporting System (MARS).

The Customer Resource Center (CRC) operates a Help Desk to support over 4,000 users of the MARS system and is responsible for training Commonwealth employees on all MARS products. In addition, CRC is responsible for developing and analyzing reports to identify areas of needed improvement.

The Office of Equal Employment Opportunity (EEO) and Contract Compliance is responsible for developing, implementing, and monitoring the Finance and Administration Cabinet's affirmative action plan, as required by KRS 18A.138. The Office also monitors all contracts in excess of \$250,000 awarded by the Cabinet to ensure compliance with the affirmative action provisions of the Kentucky Equal Opportunity Act.

The Office of Technology Operations was established to provide the cabinet improved technical assistance in the areas of information technology planning, network support, systems development and maintenance, and hardware/software procurement.

The Office of Capital Plaza Operations is responsible for the operation of the Capital Plaza Complex, which consists of a twenty-four-story building, a civic center, an area designed for commercial shops, and several surface and covered parking facilities. This office provides staff support to the Capital Development Committee, which was established to improve communication and coordination of Kentucky State Government initiatives with citizens and officials of the City of Frankfort and Franklin County.

The Office of Management and Budget manages personnel, fiscal policy, and payroll functions for all units within the Finance and Administration Cabinet, the Governor's Office, the Executive Branch Ethics Commission, the School Facilities Construction Commission, and the Lieutenant Governor's Office. This unit prepares the Cabinet's budget and manages the Cabinet's personal property inventory. They review all internal reorganizations and prepare Executive Orders.

The Office of Financial Management manages the state's investments and debt. This includes managing cash flow to maximize the return on state investments, making debt service payments, managing the sale of bonds, and reporting to the General Assembly on all investment and debt matters. The Office is responsible for developing a long-term debt plan for the Commonwealth, including the development of criteria for the issuance of debt, providing an evaluation of how much total state debt is justified, and evaluating revenue projections relative to proposed revenue bond issues. The Office handles all investments on behalf of the General Fund, the Capital Construction Fund, the Transportation Fund, and approximately 50 other accounts.

The Office of Legal and Legislative Services provides legal services to the departments of the Finance and Administration Cabinet and Cabinet-related entities. Members of this office represent the Secretary of the Cabinet in civil litigation. The unit also reviews legislation being considered by the General Assembly.

**Finance and Administration  
Office of the Controller**

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
<b>SOURCE OF FUNDS</b>					
<b>General Fund</b>					
Regular Appropriation	6,535,100	6,489,300	6,619,100	6,098,000	6,193,000
Budget Reduction	-309,500				
<b>Total General Fund</b>	6,225,600	6,489,300	6,619,100	6,098,000	6,193,000
<b>Restricted Funds</b>					
Balance Forward	252,700	238,900	205,900	238,900	208,000
Non-Revenue Receipts	376,200	365,000	372,000	365,100	372,000
<b>Total Restricted Funds</b>	628,900	603,900	577,900	604,000	580,000
<b>Federal Funds</b>					
Current Receipts	8,000,000	4,000,000	4,000,000	4,000,000	4,000,000
<b>Total Federal Funds</b>	8,000,000	4,000,000	4,000,000	4,000,000	4,000,000
<b>TOTAL SOURCE OF FUNDS</b>	14,854,500	11,093,200	11,197,000	10,702,000	10,773,000
<b>EXPENDITURES BY CLASS</b>					
Personnel Cost	2,867,900	3,057,700	3,211,900	2,656,000	2,776,000
Operating Expenses	3,737,700	3,829,600	3,818,200	3,838,000	3,831,000
Grants, Loans or Benefits	8,000,000	4,000,000	4,000,000	4,000,000	4,000,000
Capital Outlay	10,000				
<b>TOTAL EXPENDITURES</b>	14,615,600	10,887,300	11,030,100	10,494,000	10,607,000
<b>EXPENDITURES BY FUND SOURCE</b>					
General Fund	6,225,600	6,489,300	6,619,100	6,098,000	6,193,000
Restricted Funds	390,000	398,000	411,000	396,000	414,000
Federal Funds	8,000,000	4,000,000	4,000,000	4,000,000	4,000,000
<b>TOTAL EXPENDITURES</b>	14,615,600	10,887,300	11,030,100	10,494,000	10,607,000
<b>EXPENDITURES BY UNIT</b>					
Controller	6,225,600	6,489,300	6,619,100	6,098,000	6,193,000
Social Security	390,000	398,000	411,000	396,000	414,000
Rural Empowerment Zone Grant	8,000,000	4,000,000	4,000,000	4,000,000	4,000,000
<b>TOTAL EXPENDITURES</b>	14,615,600	10,887,300	11,030,100	10,494,000	10,607,000

The Office of the Controller provides management for financial accounting control policies and procedures, financial accounting systems, administration of the Old-Age, Survivors, Disability and Hospital Insurance program, and functions relating to the county fee systems for local entities. The State Controller functions as the Commonwealth's Chief Accounting Officer and shall participate in the development and maintenance of the Commonwealth's strategic financial management program.

The Division of Social Security administers, for the benefit of state employees and political subdivisions within the Commonwealth, the Old Age and Survivors Insurance program under Section 218 of the federal Social Security Act. This program is responsible for ensuring that the social security obligations of the state and its political subdivisions are met. To fulfill this responsibility, the State Office for Social Security periodically visits each of the political subdivisions for a procedural, compliance, and fiscal audit pursuant to KRS 61.410 - 61.500.

The Division of Statewide Accounting Services is responsible for maintenance and operation of the central statewide accounting system and provides centralized accounting of all receipts and disbursements of the Commonwealth. In addition, this Division prepares daily, monthly, and annual financial reports, which constitute a complete report of the financial activities and condition of the Commonwealth.

**Finance and Administration**

**Debt Service**

	<b>Revised FY 2002</b>	<b>Requested FY 2003</b>	<b>Requested FY 2004</b>	<b>Recommended FY 2003</b>	<b>Recommended FY 2004</b>
<b>SOURCE OF FUNDS</b>					
<b>General Fund</b>					
Regular Appropriation	291,133,000	263,848,000	265,377,000	250,538,000	249,347,000
Tobacco Settlement - I	7,547,000	7,404,000	7,404,000	6,112,000	6,116,000
Continuing Appropriation - Tobacco Settlement	1,258,000				
Budget Reduction	-49,619,800				
<b>Total General Fund</b>	<b>250,318,200</b>	<b>271,252,000</b>	<b>272,781,000</b>	<b>256,650,000</b>	<b>255,463,000</b>
<b>Road Fund</b>					
Regular Appropriation	3,668,000	3,668,000	3,664,000	3,668,000	3,664,000
<b>Total Road Fund</b>	<b>3,668,000</b>	<b>3,668,000</b>	<b>3,664,000</b>	<b>3,668,000</b>	<b>3,664,000</b>
<b>TOTAL SOURCE OF FUNDS</b>	<b>253,986,200</b>	<b>274,920,000</b>	<b>276,445,000</b>	<b>260,318,000</b>	<b>259,127,000</b>
<b>EXPENDITURES BY CLASS</b>					
Debt Service	198,358,800	274,920,000	276,445,000	260,318,000	259,127,000
<b>TOTAL EXPENDITURES</b>	<b>198,358,800</b>	<b>274,920,000</b>	<b>276,445,000</b>	<b>260,318,000</b>	<b>259,127,000</b>
<b>EXPENDITURES BY FUND SOURCE</b>					
General Fund	194,690,800	271,252,000	272,781,000	256,650,000	255,463,000
Road Fund	3,668,000	3,668,000	3,664,000	3,668,000	3,664,000
<b>TOTAL EXPENDITURES</b>	<b>198,358,800</b>	<b>274,920,000</b>	<b>276,445,000</b>	<b>260,318,000</b>	<b>259,127,000</b>

**Policy**

Pursuant to the 2002-2004 Branch Budget Request Manual and consistent with the intent of KRS Chapter 56, previously authorized State Property and Buildings Commission General Fund Debt Service for all agencies is now consolidated in the Finance and Administration Cabinet. All new 2002-2004 State Property and Buildings Commission General Fund Debt Service (except that which directly affects the Finance and Administrative Cabinet's programs) is reflected in budgets of the affected agencies.

**Finance and Administration  
County Costs**

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
<b>SOURCE OF FUNDS</b>					
<b>General Fund</b>					
Regular Appropriation	20,881,000	21,932,600	23,142,000	23,078,000	24,078,000
<b>Total General Fund</b>	20,881,000	21,932,600	23,142,000	23,078,000	24,078,000
<b>Restricted Funds</b>					
Balance Forward	210,200	210,200	210,200	210,200	181,000
Current Receipts	1,327,000	1,372,000	1,389,400	1,395,800	1,395,000
Non-Revenue Receipts		459,000	468,200		
<b>Total Restricted Funds</b>	1,537,200	2,041,200	2,067,800	1,606,000	1,576,000
<b>TOTAL SOURCE OF FUNDS</b>	22,418,200	23,973,800	25,209,800	24,684,000	25,654,000
<b>EXPENDITURES BY CLASS</b>					
Personnel Cost	952,200	1,448,000	1,466,400	1,175,000	1,175,000
Operating Expenses	19,147,800	20,165,400	21,339,900	21,083,000	22,083,000
Grants, Loans or Benefits	2,108,000	2,150,200	2,193,300	2,245,000	2,245,000
<b>TOTAL EXPENDITURES</b>	22,208,000	23,763,600	24,999,600	24,503,000	25,503,000
<b>EXPENDITURES BY FUND SOURCE</b>					
General Fund	20,881,000	21,932,600	23,142,000	23,078,000	24,078,000
Restricted Funds	1,327,000	1,831,000	1,857,600	1,425,000	1,425,000
<b>TOTAL EXPENDITURES</b>	22,208,000	23,763,600	24,999,600	24,503,000	25,503,000
<b>EXPENDITURES BY UNIT</b>					
Public Defender Program	927,000	1,423,000	1,441,400	1,145,000	1,145,000
Witnesses	150,000	150,000	151,000	125,000	125,000
DUI Service Fees	850,000	867,000	884,400	920,000	920,000
Sheriffs Fees'	7,787,000	8,787,000	9,942,800	9,787,000	10,787,000
County Clerks (Make Tax Bills)	300,000	301,000	302,000	300,000	300,000
Board Of Assessment Appeals	110,000	110,000	110,000	80,000	80,000
Fugitive From Justice	790,000	805,800	821,900	900,000	900,000
Jury Fund	4,110,000	4,110,000	4,110,000	4,000,000	4,000,000
Sheriffs Expense Allowance	465,000	465,000	465,000	465,000	465,000
Premium On Sheriffs' Bonds	30,000	30,600	31,200	25,000	25,000
Base Court Revenue	5,431,000	5,431,000	5,431,000	5,431,000	5,431,000
Access to Justice	1,258,000	1,283,200	1,308,900	1,325,000	1,325,000
<b>TOTAL EXPENDITURES</b>	22,208,000	23,763,600	24,999,600	24,503,000	25,503,000

County Costs are paid to local officials for the performance of functions required by state statutes. For example, a sheriff is paid by the state for services rendered to the state for enforcing state laws. This falls within the Criminal Prosecutions program. A witness in a state court trial is paid by the state for performing a function required by state statute. This is an example of the Miscellaneous Fee program. Payments under the County Costs program are statutorily mandated except for the Base Court Revenue program. Therefore all programs other than Base Court Revenue are regarded as necessary government expenses.

Under KRS 27A.630, filing fees for civil actions include \$10 in Circuit Court and \$5 in District Court to support access to justice by indigent clients. The fees are paid to the General Fund, and the Finance and Administration Cabinet distributes them monthly to non-profit agencies designated by the Chief Justice in each judicial district to provide the legal services.

KRS 31.185 requires the fiscal court or legislative body of an urban county government, containing less than ten Circuit Judges, to annually appropriate twelve and one-half (\$.125) cents per capita, of the population of the county as determined by the Council of Local Governments' most recent population statistics, to a special account to be administered by the Finance and Administration Cabinet. The funds, which shall not lapse, shall be used to pay all court orders (KRS 31.185[2]) that have been entered into as a result of a needy defendant's motion for funding assistance. If the funds are depleted in any given year, any unpaid court orders will be paid as a judgment against the Commonwealth.

**Policy**

Included in the 2002-2004 Governor's Recommended Budget is an additional \$2 million in fiscal year 2003 and \$3 million in fiscal year 2004 to support increased court security costs incurred by the Sheriffs' Offices from the \$8.00 per hour bailiff charge.

**Finance and Administration  
County Fees**

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
<b>SOURCE OF FUNDS</b>					
<b>Restricted Funds</b>					
Balance Forward	2,272,300	2,272,300	2,272,300	2,272,300	2,272,300
Current Receipts	74,664,400	77,645,600	80,760,800	77,645,600	80,760,800
<b>Total Restricted Funds</b>	76,936,700	79,917,900	83,033,100	79,917,900	83,033,100
<b>TOTAL SOURCE OF FUNDS</b>	76,936,700	79,917,900	83,033,100	79,917,900	83,033,100
<b>EXPENDITURES BY CLASS</b>					
Personnel Cost	49,595,300	52,075,000	54,678,700	52,075,000	54,678,700
Operating Expenses	22,827,400	23,284,100	23,749,800	23,284,100	23,749,800
Capital Outlay	2,241,700	2,286,500	2,332,300	2,286,500	2,332,300
<b>TOTAL EXPENDITURES</b>	74,664,400	77,645,600	80,760,800	77,645,600	80,760,800
<b>EXPENDITURES BY FUND SOURCE</b>					
Restricted Funds	74,664,400	77,645,600	80,760,800	77,645,600	80,760,800
<b>TOTAL EXPENDITURES</b>	74,664,400	77,645,600	80,760,800	77,645,600	80,760,800
<b>EXPENDITURES BY UNIT</b>					
Campbell County	3,909,700	4,066,200	4,229,800	4,066,200	4,229,800
Daviess County	4,522,100	4,713,200	4,913,200	4,713,200	4,913,200
Fayette County	12,549,500	13,034,000	13,539,900	13,034,000	13,539,900
Hardin County	3,675,000	3,824,900	3,981,700	3,824,900	3,981,700
Jefferson County	33,147,800	34,474,000	35,860,000	34,474,000	35,860,000
Kenton County	7,465,700	7,761,800	8,071,100	7,761,800	8,071,100
Pike County	3,846,700	3,997,700	4,155,300	3,997,700	4,155,300
Warren County	5,547,900	5,773,800	6,009,800	5,773,800	6,009,800
<b>TOTAL EXPENDITURES</b>	74,664,400	77,645,600	80,760,800	77,645,600	80,760,800

County clerks, sheriffs, and jailers in counties having a population of 70,000 or more must deposit their fees and commissions into the State Treasury. Seventy-five percent of the fee officer's income is deposited to his/her account for expenditures and the remaining 25 percent is deposited to the credit of the respective county fiscal court or urban county government. The balance of funds in the 25 percent account is returned to the respective county government quarterly. Any portion of the fee officer's income that is unused at the end of his/her term will revert to his/her county fiscal court or urban county government rather than lapse to the General Fund surplus.

**Finance and Administration**  
**Administration**

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
<b>SOURCE OF FUNDS</b>					
<b>General Fund</b>					
Regular Appropriation	3,789,600	3,784,900	3,887,300	3,637,000	3,513,000
Budget Reduction	-199,700				
<b>Total General Fund</b>	3,589,900	3,784,900	3,887,300	3,637,000	3,513,000
<b>Restricted Funds</b>					
Balance Forward	2,325,600	1,749,400	1,628,700	1,749,400	1,853,000
Current Receipts	8,635,900	9,182,600	9,459,500	9,184,600	9,459,000
<b>Total Restricted Funds</b>	10,961,500	10,932,000	11,088,200	10,934,000	11,312,000
<b>Road Fund</b>					
Regular Appropriation	283,000	288,700	294,400	283,000	283,000
<b>Total Road Fund</b>	283,000	288,700	294,400	283,000	283,000
<b>TOTAL SOURCE OF FUNDS</b>	14,834,400	15,005,600	15,269,900	14,854,000	15,108,000
<b>EXPENDITURES BY CLASS</b>					
Personnel Cost	8,113,500	8,540,500	8,914,300	8,131,000	8,489,000
Operating Expenses	4,273,800	4,348,000	4,397,600	4,331,000	4,370,000
Capital Outlay	697,700	488,400	348,200	539,000	504,000
<b>TOTAL EXPENDITURES</b>	13,085,000	13,376,900	13,660,100	13,001,000	13,363,000
<b>EXPENDITURES BY FUND SOURCE</b>					
General Fund	3,589,900	3,784,900	3,887,300	3,637,000	3,513,000
Restricted Funds	9,212,100	9,303,300	9,478,400	9,081,000	9,567,000
Road Fund	283,000	288,700	294,400	283,000	283,000
<b>TOTAL EXPENDITURES</b>	13,085,000	13,376,900	13,660,100	13,001,000	13,363,000
<b>EXPENDITURES BY UNIT</b>					
Commissioner	396,000	427,300	446,200	412,000	431,000
Creative Services	896,600	927,200	945,700	901,000	939,000
Risk Management	178,400	185,600	195,000	180,000	189,000
Occupations and Professions	689,400	706,000	720,200	705,000	731,000
Material & Procurement Services	1,657,700	1,757,700	1,802,600	1,706,000	1,778,000
Purchases State Surplus Property	233,000	386,400	399,200	398,000	410,000
Purchases Federal Surplus Property	841,000	616,300	613,300	611,000	604,000
Printing	5,739,000	5,853,800	5,970,900	5,689,000	5,794,000
Postal Services	2,453,900	2,516,600	2,567,000	2,399,000	2,487,000
<b>TOTAL EXPENDITURES</b>	13,085,000	13,376,900	13,660,100	13,001,000	13,363,000

The Department for Administration was established by KRS 42.014 and its duties, organization, and responsibilities are set forth in KRS 42.023. The Department for Administration is responsible for purchasing, control of and disposition of state and federal surplus properties, printing and reproductions, state forms, creative and technical production in the visual and media arts, postal and messenger services, administrative assistance to boards and commissions, and administration of the state's risk management program.

Within the Department are seven divisions: Material and Procurement Services, Surplus Property, Printing, Occupations and Professions, Postal Services, Risk Management, and Creative Services.

The Commissioner's Office coordinates and implements any new laws, rules, and regulations which affect the Department for Administration and develops changes in policies and procedures relating to the Department or its activities.

The Division of Creative Services provides photography, audio visual, and graphics arts services to state government.

The Division of Risk Management (DRM) was created in 1989 and codified in KRS Chapter 42.0245. DRM provides technical assistance and advises the Cabinet and other state agencies in respect to workers' compensation insurance, state property and building insurance, contract insurance, fidelity bond procurement, and construction risk management.

The Division of Occupations and Professions provides administrative services and technical assistance state boards and commissions. Currently, the Division directly supports the following twenty (20) organizations: Alcohol and Drug Counselors, Art Therapy, Athletic Commission, Athlete Agents, Dietitians and Nutritionists, Fee-Based Pastoral Counselors, Geology, Hearing Instrument Specialists, Interpreters for the Deaf and Hard of Hearing and the Interpreters Policy Committee, Marriage and Family Therapists, Nursing Home Administrators, Occupational Therapy, Ophthalmic Dispensers, Professional Counselors, Proprietary Education, Psychology, Social Work, Speech-Language Pathology and Audiology, and Veterinary Examiners. The services provided by the Division include personnel, property management, budget management, contracting, complaint management, efficient fee collection, enforcement of statutes and regulations, and other issues identified as important to performing the duties of the agency.

The Division of Material and Procurement Services is responsible for the central purchasing and materials management for state government (excluding construction and road maintenance). The Procurement Branch is responsible for purchasing all commodities and non-professional services for state agencies that exceed a small agency's purchase authority limit. The Government Contract Review Branch provides administrative oversight and review of all personal service contracts and Memoranda of Agreement, and ensures compliance with the provisions of KRS 45A prior to forwarding appropriate contracts to the Legislative Research Commission, Government Contract Review Committee, for approval. The Division supports the Procurement Desktop software module of MARS, designing and testing modifications to the software to ensure it meets the needs of using agencies.

The Division of Surplus Property is responsible for disposing of all state surplus personal property (KRS 42.024 and KRS 45A.045). As part of this division, the Federal Surplus Property Program (Public Law 94-519) has the responsibility to seek, transport, and transfer (sell) surplus federal property to state agencies, local governments, and other eligible entities.

The Division of Printing, established by KRS 42.025, is responsible for the printing and duplicating needs of state agencies as deemed necessary by the Finance and Administration Cabinet. The Division is a full service, self-supporting printing facility that includes inventory selection, pre-press with high resolution output, printing, color copying, large format printing, bindery, finishing, and delivery. Also included are five Quick Copy Centers in convenient locations in the Frankfort/Franklin County area with the ability to receive printing requests via network connections. The Division of Printing continues to provide on-demand printing and shipping of forms used by agencies in their provision of services - reducing warehousing and associated forms costs. The Division also provides electronic form development and maintains a forms library on a state government web site.

The Division of Postal Services is composed of five large mail centers. The Division provides messenger service to all state agencies and performs mail processing functions for over 125 state agencies. This division provides a multitude of mail services and advises agencies about USPS rules, regulations, and services.

**Finance and Administration  
Facilities Management**

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
<b>SOURCE OF FUNDS</b>					
<b>General Fund</b>					
Regular Appropriation	8,822,300	9,142,800	9,471,600	8,086,000	8,064,000
Budget Reduction	-386,300				
<b>Total General Fund</b>	8,436,000	9,142,800	9,471,600	8,086,000	8,064,000
<b>Restricted Funds</b>					
Balance Forward	1,433,400	1,687,200	756,600	1,687,200	789,000
Current Receipts	23,267,800	26,130,100	27,790,600	24,217,800	25,287,000
<b>Total Restricted Funds</b>	24,701,200	27,817,300	28,547,200	25,905,000	26,076,000
<b>TOTAL SOURCE OF FUNDS</b>	33,137,200	36,960,100	38,018,800	33,991,000	34,140,000
<b>EXPENDITURES BY CLASS</b>					
Personnel Cost	18,690,300	19,882,300	20,789,400	17,347,000	18,038,000
Operating Expenses	12,659,700	16,108,700	16,883,400	15,646,000	15,638,000
Capital Outlay	100,000	212,500	346,000	209,000	209,000
<b>TOTAL EXPENDITURES</b>	31,450,000	36,203,500	38,018,800	33,202,000	33,885,000
<b>EXPENDITURES BY FUND SOURCE</b>					
General Fund	8,436,000	9,142,800	9,471,600	8,086,000	8,064,000
Restricted Funds	23,014,000	27,060,700	28,547,200	25,116,000	25,821,000
<b>TOTAL EXPENDITURES</b>	31,450,000	36,203,500	38,018,800	33,202,000	33,885,000
<b>EXPENDITURES BY UNIT</b>					
Commissioner's Office	560,500	598,800	626,400	530,000	550,000
Engineering	2,744,100	3,011,700	3,152,800	2,612,000	2,625,000
Contracting and Administration	1,277,900	1,378,300	1,441,400	1,188,000	1,236,000
Real Property	1,293,400	1,353,500	1,380,600	1,245,000	1,301,000
Historic Properties	542,900	724,600	752,900	587,000	606,000
Physical Plant	25,031,200	29,136,600	30,664,700	27,040,000	27,567,000
<b>TOTAL EXPENDITURES</b>	31,450,000	36,203,500	38,018,800	33,202,000	33,885,000

The Department for Facilities Management consists of the Commissioner's Office and six divisions: Contracting and Administration; Engineering; Historic Properties; Building Services; Mechanical Maintenance and Operations; and Real Property. (Building Services and Mechanical Maintenance and Operations are jointly displayed as "Physical Plant.") The Department manages the State's facilities construction program, maintains Finance and Administration Cabinet buildings, provides management and oversight of state-owned historical buildings and sites, and provides real property acquisition, disposition, leasing, and inventory services.

The Commissioner's Office coordinates and supervises the activities of the six divisions authorized in KRS 42.027.

The Division of Engineering provides professional and technical engineering and architectural services to state agencies, reviews capital construction design documents, acts as a liaison between the Department and state agencies on new construction and major maintenance projects, and monitors construction and maintenance contracts for compliance with plans and specifications.

The Division of Contracting and Administration, administers the procurement process for construction projects of the Commonwealth of Kentucky, excluding roads and bridges. Procurement procedures and practices are prescribed by the Kentucky Model Procurement Code, KRS 45A, and the related administrative regulations. The Division prepares invitations to bid, opens and evaluates those bids, and awards contracts. The General Contracting branch provides general construction procurement, administers the advertising and awarding of state general construction projects and related support systems, provides procurement information to state agencies, and administers procurement programs for new building construction, renovation, and mechanical, electrical, and HVAC systems. The Specialized Contracting branch administers the advertising and awarding of state specialized construction projects and related support systems, provides procurement information to state agencies, administers programs such as reclamation under the Abandoned Mines Lands Program, the procurement of state-owned telephone switching systems, asbestos abatement projects, and master agreements for maintenance of elevators, escalators, and similar services. The Administrative Services branch and the Pre-Audit Branch provides support services to the Division and Department.

The Division of Real Property provides buildings and parking facilities for state agencies throughout the Commonwealth. The Leased Property branch is responsible for administering space requests for leased property, acquisitions of privately-owned leased property for state use, lease renewals and cancellations, modifications to leased property, and related activities. The State Properties branch administers space assignments for state-owned real property, acquisitions and sales of real properties, leases of state-owned real property to other entities, easements on state-owned real property, appraisals and appraisal reviews for acquisitions and dispositions, authorization of demolition of state-owned buildings, and relocation assistance. The Planning and Utilization branch plans space utilization, minor building alterations and renovations, and interior space standards. The Inventory and Compliance branch administers inventory of state-owned real property, inventory of state-owned leased-out real property, inventory of state leased-in real property, building use permits, reserved parking assignments in Frankfort, and deed and easement records of state-owned real property.

The Division of Historic Properties, in accordance with KRS 42.019 and KRS 11.026, is responsible for the preservation and maintenance of Finance and Administration Cabinet-owned historic sites including the Kentucky State Capitol, Executive Mansion, Old Governor's Mansion, Berry Hill Mansion, and the Vest-Lindsey State Meeting House. The Division consults with the Department of Parks to preserve and maintain those historic sites under the management and control of the Tourism Development Cabinet. The same consultation services are provided to other agencies within state government as requested. The Director of the Division of Historic Properties serves as State Curator and a member of the Historic Properties Advisory Commission. The Commission is statutorily responsible for overseeing the maintenance, restoration, preservation, and care of furnishings and grounds of the Executive Mansion, Old Governor's Mansion, and State Capitol grounds. The Division operates tourist information program at the Executive Mansion, Old Governor's Mansion, and the Capitol Building. The tourist information staff manages the information desk at the Capitol, conducts tours, and mails pre-site visit information packets to school groups and organizations planning to visit the Capitol. Staff in Historic Properties are responsible for scheduling and coordinating events held in the public areas of the Capitol Building and grounds. Staff have established and implemented policies and guidelines for the use of this space to allow public access while preserving and protecting the historic and architectural integrity of the buildings and grounds.

The Divisions of Building Services and Mechanical Maintenance and Operations (Physical Plant), as authorized by KRS 42.027, provide a multitude of services for all Finance and Administration Cabinet-operated buildings and for the state agencies occupying those facilities.

In Frankfort, the Divisions are responsible for several buildings including the Capitol, New Capitol Annex, Old Capitol, Old Capitol Annex, Capital Plaza Complex, Cabinet for Human Resources Building, Executive Mansion, Old Governor's Mansion, New State Office Building, Library and Archives Building, Central Lab Facility, and the Kentucky History Center. The Divisions also serve buildings at the London Regional and Madisonville State Office Complexes as well as the Spindletop Research Complex in Fayette County. Services provided include minor renovations; maintaining parking lots, sidewalks and ramps; janitorial and landscaping services; maintaining the heating, ventilating, and air conditioning systems; maintaining special equipment within the buildings as requested; roof repair; fire alarm and security systems; electrical systems; energy conservation; maintaining elevators and escalators; maintaining emergency power systems; and after-hours emergency services.

Additionally, the Divisions are responsible for developing plans and specifications for a wide variety of construction projects. After plans and specifications are complete and have been approved, the Divisions oversee the construction phase and provide contract administration.

## **Policy**

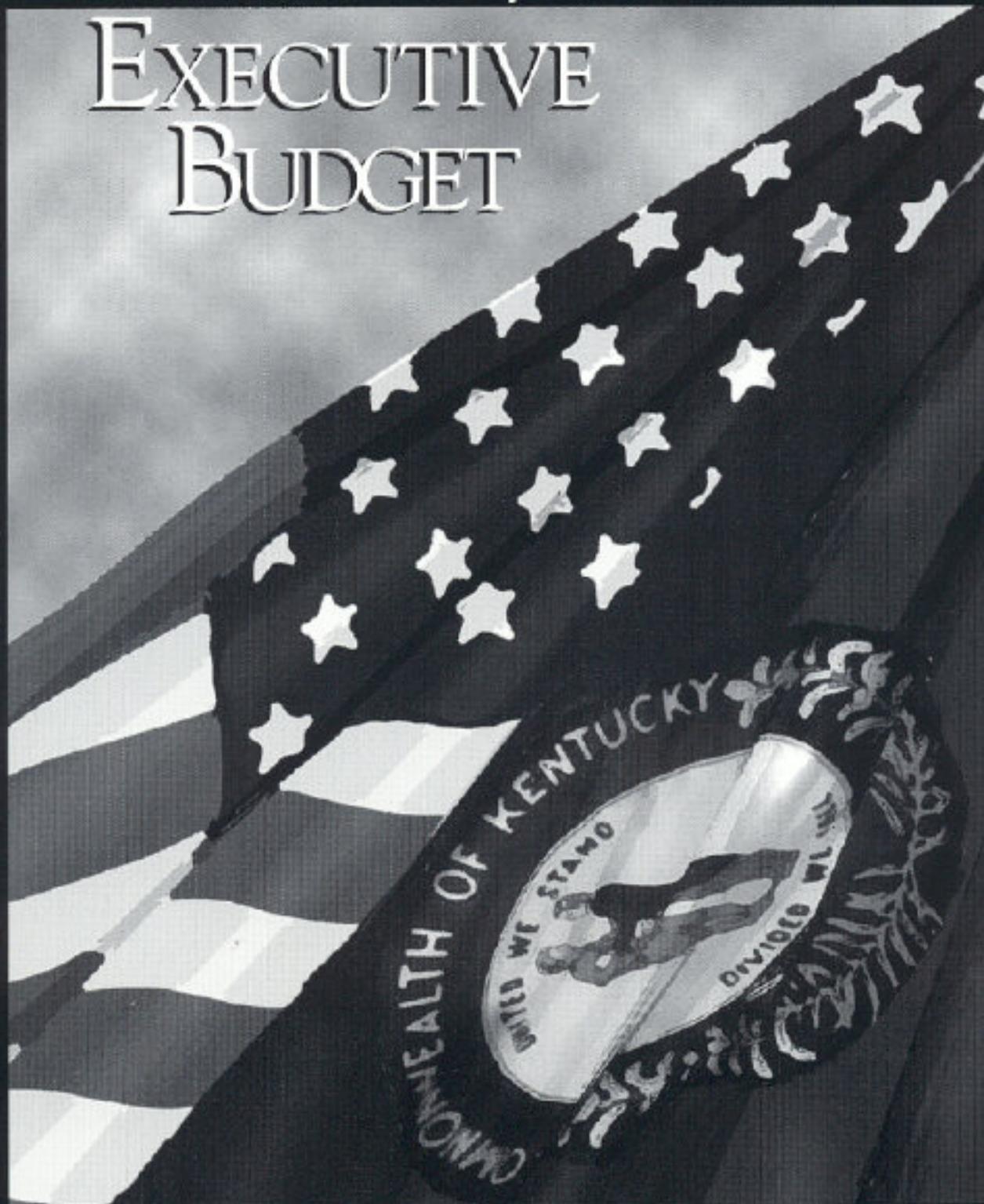
Included in the Governor's recommended budget is the transfer of five buildings from the Cabinet for Families and Children to the Department for Facilities Management in the Finance and Administration Cabinet.



2002-2004

*Health  
Services*

# EXECUTIVE BUDGET



## Health Services

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
<b>SOURCE OF FUNDS</b>					
<b>General Fund</b>					
Regular Appropriation	1,071,532,000	1,273,743,300	1,378,135,100	1,046,098,800	1,055,155,700
Tobacco Settlement - I	19,940,000	25,828,300	25,290,800	24,338,800	23,482,800
Continuing Appropriation - Gen'l Fund	1,185,000				
Continuing Appropriation - Tobacco Settlement	8,699,400	543,500	543,500	543,500	543,500
Budget Reduction	-36,547,000				
Reorganization Adjustments	-3,075,100				
<b>Total General Fund</b>	<b>1,061,734,300</b>	<b>1,300,115,100</b>	<b>1,403,969,400</b>	<b>1,070,981,100</b>	<b>1,079,182,000</b>
<b>Restricted Funds</b>					
Balance Forward	13,517,400	6,616,500	4,965,600	6,616,500	7,333,100
Current Receipts	222,929,700	261,265,600	270,702,900	261,265,600	270,702,900
Non-Revenue Receipts	257,159,300	233,185,400	238,473,000	247,864,200	237,525,900
<b>Total Restricted Funds</b>	<b>493,606,400</b>	<b>501,067,500</b>	<b>514,141,500</b>	<b>515,746,300</b>	<b>515,561,900</b>
<b>Federal Funds</b>					
Balance Forward	4,461,900				
Current Receipts	2,623,976,400	2,930,382,700	3,113,868,400	2,518,030,400	2,501,941,800
Non-Revenue Receipts	-20,115,400	-22,699,400	-22,604,600	-22,772,100	-22,685,500
<b>Total Federal Funds</b>	<b>2,608,322,900</b>	<b>2,907,683,300</b>	<b>3,091,263,800</b>	<b>2,495,258,300</b>	<b>2,479,256,300</b>
<b>TOTAL SOURCE OF FUNDS</b>	<b>4,163,663,600</b>	<b>4,708,865,900</b>	<b>5,009,374,700</b>	<b>4,081,985,700</b>	<b>4,074,000,200</b>
<b>EXPENDITURES BY CLASS</b>					
Personnel Cost	271,127,800	295,901,200	307,545,200	275,916,600	287,736,300
Operating Expenses	54,817,800	61,806,500	64,536,300	58,589,400	56,287,300
Grants, Loans or Benefits	3,828,088,500	4,344,840,800	4,626,549,000	3,738,837,900	3,728,136,500
Debt Service			8,883,000		
Capital Outlay	936,500	808,300	766,300	765,200	745,200
Construction	33,000				
<b>TOTAL EXPENDITURES</b>	<b>4,155,003,600</b>	<b>4,703,356,800</b>	<b>5,008,279,800</b>	<b>4,074,109,100</b>	<b>4,072,905,300</b>
<b>EXPENDITURES BY FUND SOURCE</b>					
General Fund	1,059,690,800	1,299,571,600	1,403,969,400	1,070,437,600	1,079,182,000
Restricted Funds	486,989,900	496,101,900	513,046,600	508,413,200	514,467,000
Federal Funds	2,608,322,900	2,907,683,300	3,091,263,800	2,495,258,300	2,479,256,300
<b>TOTAL EXPENDITURES</b>	<b>4,155,003,600</b>	<b>4,703,356,800</b>	<b>5,008,279,800</b>	<b>4,074,109,100</b>	<b>4,072,905,300</b>
<b>EXPENDITURES BY UNIT</b>					
Administrative Support	28,734,400	30,564,000	31,894,800	30,241,200	31,416,600
Children with Special Health Care Needs	53,351,200	58,423,100	62,679,800	50,452,200	51,395,200
Medicaid Services	3,398,571,700	3,864,063,700	4,126,960,700	3,274,331,900	3,251,294,400
Mental Health/Mental Retardation	376,507,100	423,853,900	457,029,300	401,241,000	420,383,000
Public Health	253,373,000	278,971,800	281,161,400	271,409,600	271,562,200
Certificate of Need	484,700	365,700	385,200	365,700	385,200
Aging Services	43,981,500	47,114,600	48,168,600	46,067,500	46,468,700
<b>TOTAL EXPENDITURES</b>	<b>4,155,003,600</b>	<b>4,703,356,800</b>	<b>5,008,279,800</b>	<b>4,074,109,100</b>	<b>4,072,905,300</b>

The Cabinet for Health Services was created by Executive Order 95-79 (which also abolished the Cabinet for Human Resources) on December 28, 1995 and is codified as KRS 194A. The Department for Medicaid Services, Department for Mental Health/ Mental Retardation Services, Department for Public Health, Commission for Children with Special Health Care Needs, the Office of Certificate of Need, the Office of Aging Services, the Office of Program Support, the Office of the General Counsel, the Office of the Inspector General and the Office of the Secretary form the Cabinet for Health Services. These last four units are included in one appropriation unit called Administrative Support. The Office of Aging Services was transferred to the Cabinet for Health Services from the Cabinet for Families and Children by Executive Order 99-80.

**Health Services  
Administrative Support**

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
<b>SOURCE OF FUNDS</b>					
<b>General Fund</b>					
Regular Appropriation	9,968,100	9,800,400	9,996,300	9,358,000	9,355,400
Budget Reduction	-425,800				
<b>Total General Fund</b>	9,542,300	9,800,400	9,996,300	9,358,000	9,355,400
<b>Restricted Funds</b>					
Balance Forward	5,173,700	3,950,300	2,305,100	3,950,300	2,305,100
Current Receipts	7,139,500	6,182,500	6,182,500	6,182,500	6,182,500
Non-Revenue Receipts	-489,200	-173,700	-173,700	326,300	326,300
<b>Total Restricted Funds</b>	11,824,000	9,959,100	8,313,900	10,459,100	8,813,900
<b>Federal Funds</b>					
Balance Forward	200				
Current Receipts	9,200,600	10,850,800	11,238,200	10,543,100	10,981,800
Non-Revenue Receipts	2,117,600	2,258,800	2,353,600	2,186,100	2,272,700
<b>Total Federal Funds</b>	11,318,400	13,109,600	13,591,800	12,729,200	13,254,500
<b>TOTAL SOURCE OF FUNDS</b>	32,684,700	32,869,100	31,902,000	32,546,300	31,423,800
<b>EXPENDITURES BY CLASS</b>					
Personnel Cost	23,094,200	24,151,800	25,417,600	23,164,200	24,412,800
Operating Expenses	5,193,200	6,185,200	6,250,200	6,350,000	6,276,800
Grants, Loans or Benefits	447,000	227,000	227,000	727,000	727,000
<b>TOTAL EXPENDITURES</b>	28,734,400	30,564,000	31,894,800	30,241,200	31,416,600
<b>EXPENDITURES BY FUND SOURCE</b>					
General Fund	9,542,300	9,800,400	9,996,300	9,358,000	9,355,400
Restricted Funds	7,873,700	7,654,000	8,306,700	8,154,000	8,806,700
Federal Funds	11,318,400	13,109,600	13,591,800	12,729,200	13,254,500
<b>TOTAL EXPENDITURES</b>	28,734,400	30,564,000	31,894,800	30,241,200	31,416,600
<b>EXPENDITURES BY UNIT</b>					
Administrative Support	10,991,700	11,888,400	12,387,200	11,760,900	12,084,100
Inspector General	17,742,700	18,675,600	19,507,600	18,480,300	19,332,500
<b>TOTAL EXPENDITURES</b>	28,734,400	30,564,000	31,894,800	30,241,200	31,416,600

Administrative Support consists of two components: Support Services and the Office of the Inspector General.

The Support Services area includes the Office of the Secretary, Office of the General Counsel, the Office of Program Support and the Office of Women's Health. These offices provide policy, administrative, legal, financial and personnel support services to the program areas of the Cabinet.

The Office of the Inspector General provides support to other programs in both the Cabinet for Health Services and for Cabinet for Families and Children through the Division of Audits and the Division of Special Investigations. Executive Order 2000-1104 replaced the Division of Licensing and Regulation with the Division of Long Term Care, the Division of Licensed Child Care, and the Division of Community Health Services. These three divisions are responsible for the inspections of health care facilities, childcare facilities, and child day care programs.

**Health Services  
Administrative Support  
Inspector General**

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
<b>SOURCE OF FUNDS</b>					
<b>General Fund</b>					
Regular Appropriation	5,732,800	5,647,500	5,760,400	5,259,900	5,341,700
<b>Total General Fund</b>	5,732,800	5,647,500	5,760,400	5,259,900	5,341,700
<b>Restricted Funds</b>					
Balance Forward	1,695,000	1,189,900	764,400	1,189,900	764,400
Current Receipts	2,882,500	1,925,500	1,925,500	1,925,500	1,925,500
Non-Revenue Receipts	-685,700	-173,700	-173,700	326,300	326,300
<b>Total Restricted Funds</b>	3,891,800	2,941,700	2,516,200	3,441,700	3,016,200
<b>Federal Funds</b>					
Current Receipts	9,308,000	10,850,800	11,238,200	10,543,100	10,981,800
<b>Total Federal Funds</b>	9,308,000	10,850,800	11,238,200	10,543,100	10,981,800
<b>TOTAL SOURCE OF FUNDS</b>	18,932,600	19,440,000	19,514,800	19,244,700	19,339,700
<b>EXPENDITURES BY CLASS</b>					
Personnel Cost	15,571,600	16,254,400	17,124,400	15,559,100	16,449,300
Operating Expenses	1,751,100	2,221,200	2,183,200	2,221,200	2,183,200
Grants, Loans or Benefits	420,000	200,000	200,000	700,000	700,000
<b>TOTAL EXPENDITURES</b>	17,742,700	18,675,600	19,507,600	18,480,300	19,332,500
<b>EXPENDITURES BY FUND SOURCE</b>					
General Fund	5,732,800	5,647,500	5,760,400	5,259,900	5,341,700
Restricted Funds	2,701,900	2,177,300	2,509,000	2,677,300	3,009,000
Federal Funds	9,308,000	10,850,800	11,238,200	10,543,100	10,981,800
<b>TOTAL EXPENDITURES</b>	17,742,700	18,675,600	19,507,600	18,480,300	19,332,500

Executive Order 2000-1104 revised the organizational structure of the Office of the Inspector General into five separate divisions: the Division of Audits, the Division of Special Investigations, the Division of Long Term Care, the Division of Licensed Child Care, and the Division of Community Health Services. The general authority for the Office of the Inspector General is in KRS 194A.030(6).

The Division of Audits (DOA) audits Cabinet programs to assess contractor compliance with state and federal laws and regulations. In accordance with KRS 194A.030(6), the Office of the Inspector General's Division of Audits is responsible for the conduct of audits of programs within the Cabinet for Health Services and the Cabinet for Families and Children, their grantees and contractors. These include, but are not limited to, audits of nursing homes, home health agencies, mental health-mental retardation boards, primary care centers, psychiatric hospitals, adult day care facilities, spouse abuse centers, child care centers, the Supports for Community Living Program, Community Action Agencies and Child Support programs. The DOA also conducts preliminary investigations of alleged fraud and abuse, which are received over the Medicaid fraud hotline (mandated by KRS 205.8483 and 42 CFR 455) and other Medicaid fraud referrals.

The Division of Special Investigations conducts investigations to detect fraud or abuse of any program by any client, or by any vendor of services with whom the Cabinet has contracted; special investigations requested by the secretary, commissioners, or office heads of the Cabinet into matters related to the Cabinet for Health Services or the Cabinet for Families and Children or its programs; and the notification and forwarding of any information relevant to possible criminal violations to the appropriate prosecuting authority. The Division of Special Investigations operates a toll-free welfare and Medicaid fraud and abuse hotline; conducts investigations of Women, Infants, and Children (WIC) program vendors to determine adherence to WIC policies and procedures by making WIC compliance purchases to collect evidence of improper vendor practices; and collects, maintains, and reports data on assistance program fraud investigations by the Office of the Inspector General and the Office of the Attorney General.

The chief responsibility of the Division of Long Term Care is to ensure that all long-term care facilities meet applicable state licensure and federal certification requirements. Performance of certification and recertification for participation in the Medicare and Medicaid Program is accomplished through on-site surveys and complaint investigations which are statutorily mandated under 42 CFR 488.330 and 42 CFR 488.335.

The Division of Licensed Child Care is responsible for licensing all child day care centers, child caring facilities and child placing agencies. The Division also is responsible for rating child day care centers pursuant to the STARS for KIDS NOW quality-rating system.

The Division of Community Health Services conducts on-site inspections of all health facilities in the state, other than long term care facilities, to determine compliance with state licensing standards and federal Medicare and Medicaid certification requirements. The Division is responsible for ensuring that 2,667 laboratories in the state comply with the Clinical Laboratory Improvement Act (CLIA). The Division responds to citizens' complaints regarding poor health care received and ensures maintenance of an abuse registry for home health aides.

### **Policy**

The recommended budget provides for a fee increase to offset the effects of inflation and to provide additional match for available federal funds. Agency funds of \$77,500 are recommended in fiscal year 2003 and \$77,500 for fiscal year 2004. A fee increase is recommended of \$50,000 for fiscal year 2003 and \$50,000 for fiscal year 2004 to provide training for staff in health care facilities.

**Health Services  
Administrative Support  
Administrative Support**

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
<b>SOURCE OF FUNDS</b>					
<b>General Fund</b>					
Regular Appropriation	4,235,300	4,152,900	4,235,900	4,098,100	4,013,700
Budget Reduction	-425,800				
<b>Total General Fund</b>	3,809,500	4,152,900	4,235,900	4,098,100	4,013,700
<b>Restricted Funds</b>					
Balance Forward	3,478,700	2,760,400	1,540,700	2,760,400	1,540,700
Current Receipts	4,257,000	4,257,000	4,257,000	4,257,000	4,257,000
Non-Revenue Receipts	196,500				
<b>Total Restricted Funds</b>	7,932,200	7,017,400	5,797,700	7,017,400	5,797,700
<b>Federal Funds</b>					
Balance Forward	200				
Current Receipts	-107,400				
Non-Revenue Receipts	2,117,600	2,258,800	2,353,600	2,186,100	2,272,700
<b>Total Federal Funds</b>	2,010,400	2,258,800	2,353,600	2,186,100	2,272,700
<b>TOTAL SOURCE OF FUNDS</b>	13,752,100	13,429,100	12,387,200	13,301,600	12,084,100
<b>EXPENDITURES BY CLASS</b>					
Personnel Cost	7,522,600	7,897,400	8,293,200	7,605,100	7,963,500
Operating Expenses	3,442,100	3,964,000	4,067,000	4,128,800	4,093,600
Grants, Loans or Benefits	27,000	27,000	27,000	27,000	27,000
<b>TOTAL EXPENDITURES</b>	10,991,700	11,888,400	12,387,200	11,760,900	12,084,100
<b>EXPENDITURES BY FUND SOURCE</b>					
General Fund	3,809,500	4,152,900	4,235,900	4,098,100	4,013,700
Restricted Funds	5,171,800	5,476,700	5,797,700	5,476,700	5,797,700
Federal Funds	2,010,400	2,258,800	2,353,600	2,186,100	2,272,700
<b>TOTAL EXPENDITURES</b>	10,991,700	11,888,400	12,387,200	11,760,900	12,084,100

Executive Order 96-862 established Administrative Support in the Cabinet for Health Services. Executive Order 96-1494 further revised the organization of the Cabinet, which is codified in KRS Chapter 194A. Administrative Support includes activities such as budget and policy development, financial management and reporting, human resources development, purchasing and operational management, administrative hearings, and technology resources management.

The Office of the Secretary provides executive leadership to improve the Cabinet's service delivery system and to adapt programs and services to better meet changing public needs. The Office also serves as the primary contact for community groups, local officials, service providers, business and labor organizations, federal agencies, and legislative and congressional activities.

The Office of the General Counsel provides legal service and assistance to all units of the Cabinet and administers all personal service contracts for legal services.

The Office of Program Support for the Cabinet for Health Services provides overall administrative support to the Cabinet. This Office includes the following branches: Budget and Policy, Administrative Hearings, Financial Management, Human Resources Development, Technical Support, Central Contracts, Purchasing, Executive Director, and Ombudsman.

The 1998 General Assembly enacted House Bill 864 that created a new section of KRS Chapter 194 to establish the Office of Women's Physical and Mental Health. The purpose of this office is to heighten statewide awareness of and responsiveness to the various health needs of women. It also works to improve communication and working relationships among men and women with respect to understanding and addressing women's health and gender issues.

The Budget and Policy branch provides the Secretary with professional support in planning, budgeting, and policy analysis including needs assessments, policy development, and program evaluation. The Administrative Hearings branch provides a fair, efficient, and timely hearing process to issue decisions consistent with laws and regulations. The Financial Management and Reporting branch provides accurate and timely accounting and processing of payments for services, goods, and benefits in accordance with state and federal law. The Human Resources Development branch provides the Cabinet with professional support in personnel administration, human development, employee relations, and payroll benefits administration. The Technology Resources Management branch and Chief Information Office provides network support and technology resources to assist in information management for employees. The Central Contracts Branch provides services necessary to properly review, evaluate, process and maintain all contracts within the Cabinet. The Purchasing branch provides services and supplies to Cabinet employees in an efficient and effective manner. The Executive Director provides leadership to coordinate activities within the branches. The Ombudsman provides ombudsman services to vendors and consumers within the managed care arena.

**Health Services**  
**Children with Special Health Care Needs**

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
<b>SOURCE OF FUNDS</b>					
<b>General Fund</b>					
Regular Appropriation	6,176,100	21,220,800	22,812,700	16,709,500	16,709,500
Tobacco Settlement - I	755,300	302,600	302,600	1,600,000	1,600,000
Continuing Appropriation - Tobacco Settlement	238,800				
Budget Reduction	-372,900				
Reorganization Adjustments	10,717,500				
<b>Total General Fund</b>	<b>17,514,800</b>	<b>21,523,400</b>	<b>23,115,300</b>	<b>18,309,500</b>	<b>18,309,500</b>
<b>Restricted Funds</b>					
Balance Forward	85,400	581,400	1,022,600	581,400	1,022,600
Current Receipts	3,681,300	4,852,600	3,861,100	4,852,600	3,861,100
Non-Revenue Receipts	20,325,200	22,434,600	24,858,000	17,677,600	18,379,200
<b>Total Restricted Funds</b>	<b>24,091,900</b>	<b>27,868,600</b>	<b>29,741,700</b>	<b>23,111,600</b>	<b>23,262,900</b>
<b>Federal Funds</b>					
Balance Forward	358,300				
Current Receipts	11,967,600	10,053,700	9,822,800	10,053,700	9,822,800
<b>Total Federal Funds</b>	<b>12,325,900</b>	<b>10,053,700</b>	<b>9,822,800</b>	<b>10,053,700</b>	<b>9,822,800</b>
<b>TOTAL SOURCE OF FUNDS</b>	<b>53,932,600</b>	<b>59,445,700</b>	<b>62,679,800</b>	<b>51,474,800</b>	<b>51,395,200</b>
<b>EXPENDITURES BY CLASS</b>					
Personnel Cost	9,688,100	10,353,300	10,856,100	10,012,000	10,489,900
Operating Expenses	1,665,800	1,505,800	1,503,000	1,505,800	1,503,000
Grants, Loans or Benefits	41,683,800	46,400,700	50,177,400	38,771,100	39,259,000
Capital Outlay	313,500	163,300	143,300	163,300	143,300
<b>TOTAL EXPENDITURES</b>	<b>53,351,200</b>	<b>58,423,100</b>	<b>62,679,800</b>	<b>50,452,200</b>	<b>51,395,200</b>
<b>EXPENDITURES BY FUND SOURCE</b>					
General Fund	17,514,800	21,523,400	23,115,300	18,309,500	18,309,500
Restricted Funds	23,510,500	26,846,000	29,741,700	22,089,000	23,262,900
Federal Funds	12,325,900	10,053,700	9,822,800	10,053,700	9,822,800
<b>TOTAL EXPENDITURES</b>	<b>53,351,200</b>	<b>58,423,100</b>	<b>62,679,800</b>	<b>50,452,200</b>	<b>51,395,200</b>
<b>EXPENDITURES BY UNIT</b>					
Handicapped Children Program	13,274,400	14,109,200	14,458,100	14,077,200	14,402,800
Hemophilia Program	1,073,100	1,089,700	1,107,000	1,077,800	1,093,500
Disabled Children's Program	39,003,700	43,224,200	47,114,700	35,297,200	35,898,900
<b>TOTAL EXPENDITURES</b>	<b>53,351,200</b>	<b>58,423,100</b>	<b>62,679,800</b>	<b>50,452,200</b>	<b>51,395,200</b>

The Commission for Children with Special Health Care Needs has over 75 years experience in providing care for children with a variety of special needs. Through the years, the Commission has evolved from providing surgeries for "crippled children" to offering comprehensive medical care for children with a range of complex needs. A family-centered approach ensures that the family is valued as an integral part of the care plan and services are provided to assist the family in meeting children's needs. Executive Order 2001-1322 transferred First Steps, the Kentucky Early Intervention System, from the Department for Mental Health/Mental Retardation to the Commission for Children with Special Health Care Needs. The Kentucky Early Intervention System provides services and supports such as therapy, education, counseling, and respite, among others that create

opportunities for children to grow and develop to their fullest potential, and reduces the financial stress associated with a child with a disability. The Kentucky Early Intervention System is an entitlement program and patients are admitted based on standardized testing or diagnosis regardless of financial status.

The mission to plan, develop, provide, and evaluate the public statewide system of care for children with special health care needs and to provide early intervention services is mandated pursuant to:

- KRS 200.460 to 200.499 authorizes the Commission's functions;
- 902 KAR 4:070 is the Commission's regulatory authority;
- KRS 200.550 and 200.560 authorizes the Hemophilia program;
- 902 KSR 4:080 administers the Disabled Children's Program mandated by the Maternal and Child Health Block Grant authorized at the federal level by Title V of the Social Security Act.

The Commission for Children with Special Health Care Needs works collaboratively with other agencies to assure services to children with disabilities are comprehensive, community-based, family-centered and coordinated, thus avoiding duplication and fragmentation of the service delivery system. Accessibility is a key component of the delivery system.

The family's financial status plays a role in determining whether the child is accepted into the Children with Special Health Care Needs Program and the Hemophilia Program. All families with incomes at 200 percent of the federal poverty level are accepted. A sliding fee scale based on income and number in household determines what percentage of the cost each family pays for treatment. Individuals who fall outside the program's income guidelines can also receive services through the Commission if they reside in medically under-served areas of the state. The parent or legal guardian is required to reimburse the Commission for all costs expended for treatment. This allows the Commission to further assist in communities where specialized medical care is unavailable.

The Commission has four ongoing initiatives that will impact the budget over the next biennium and beyond. These include: the implementation of a Care Coordination and Quality Management Model for the agency's clinical programs, the Kentucky Early Intervention System (First Steps), the Kentucky Youth Transitioning to Implement and Comprehensive Health Care (KY-Teach) Grant, and Universal Newborn Hearing Screening (UNHS). The Commission also operates the VISION program, a vision testing program that is a part of the Governor's Early Childhood Development program. These initiatives result in program changes consistent with the strategies and overall goal of Governor Patton's strategic agenda and fall hand in hand with the Cabinet for Health Services strategic goals.

**Health Services  
Medicaid Services**

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
<b>SOURCE OF FUNDS</b>					
<b>General Fund</b>					
Regular Appropriation	782,573,200	965,644,700	1,042,949,500	769,021,700	773,921,700
Budget Reduction	-15,651,500				
<b>Total General Fund</b>	766,921,700	965,644,700	1,042,949,500	769,021,700	773,921,700
<b>Restricted Funds</b>					
Balance Forward	171,200				
Non-Revenue Receipts	230,715,300	201,699,900	204,023,700	220,635,700	209,055,400
<b>Total Restricted Funds</b>	230,886,500	201,699,900	204,023,700	220,635,700	209,055,400
<b>Federal Funds</b>					
Balance Forward	2,830,500				
Current Receipts	2,420,166,000	2,721,677,300	2,904,945,700	2,309,632,700	2,293,275,500
Non-Revenue Receipts	-22,233,000	-24,958,200	-24,958,200	-24,958,200	-24,958,200
<b>Total Federal Funds</b>	2,400,763,500	2,696,719,100	2,879,987,500	2,284,674,500	2,268,317,300
<b>TOTAL SOURCE OF FUNDS</b>	3,398,571,700	3,864,063,700	4,126,960,700	3,274,331,900	3,251,294,400
<b>EXPENDITURES BY CLASS</b>					
Personnel Cost	56,992,900	60,956,700	61,642,400	60,609,400	60,944,400
Operating Expenses	2,037,700	2,345,100	2,345,100	2,345,100	2,345,100
Grants, Loans or Benefits	3,339,541,100	3,800,761,900	4,062,973,200	3,211,377,400	3,188,004,900
<b>TOTAL EXPENDITURES</b>	3,398,571,700	3,864,063,700	4,126,960,700	3,274,331,900	3,251,294,400
<b>EXPENDITURES BY FUND SOURCE</b>					
General Fund	766,921,700	965,644,700	1,042,949,500	769,021,700	773,921,700
Restricted Funds	230,886,500	201,699,900	204,023,700	220,635,700	209,055,400
Federal Funds	2,400,763,500	2,696,719,100	2,879,987,500	2,284,674,500	2,268,317,300
<b>TOTAL EXPENDITURES</b>	3,398,571,700	3,864,063,700	4,126,960,700	3,274,331,900	3,251,294,400
<b>EXPENDITURES BY UNIT</b>					
Administration	78,666,800	82,829,500	83,875,700	82,482,200	83,177,700
Benefits	3,319,904,900	3,781,234,200	4,043,085,000	3,191,849,700	3,168,116,700
<b>TOTAL EXPENDITURES</b>	3,398,571,700	3,864,063,700	4,126,960,700	3,274,331,900	3,251,294,400

Two major programs operate within the Department for Medicaid Services: the Kentucky Medical Assistance Program (regular Medicaid program) and the Kentucky Children's Health Initiative program (K-CHIP).

The Medical Assistance program pays providers for health care they provide to medically indigent Kentuckians. Eligibility for services is determined by staff in county Cabinet for Families and Children offices. Persons may also automatically qualify for benefits if they are eligible for Supplemental Security Income benefits administered by the Social Security Administration.

K-CHIP provides for comprehensive physical and behavioral health services for uninsured children who are not eligible for Medicaid.

**Health Services  
Medicaid Services  
Administration**

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
<b>SOURCE OF FUNDS</b>					
<b>General Fund</b>					
Regular Appropriation	18,079,900	18,130,500	18,571,300	17,848,000	18,028,200
Budget Reduction	-361,600				
<b>Total General Fund</b>	17,718,300	18,130,500	18,571,300	17,848,000	18,028,200
<b>Restricted Funds</b>					
Non-Revenue Receipts	17,141,600	20,624,400	20,606,800	20,624,400	20,606,800
<b>Total Restricted Funds</b>	17,141,600	20,624,400	20,606,800	20,624,400	20,606,800
<b>Federal Funds</b>					
Balance Forward	1,174,800				
Current Receipts	64,865,100	69,032,800	69,655,800	68,968,000	69,500,900
Non-Revenue Receipts	-22,233,000	-24,958,200	-24,958,200	-24,958,200	-24,958,200
<b>Total Federal Funds</b>	43,806,900	44,074,600	44,697,600	44,009,800	44,542,700
<b>TOTAL SOURCE OF FUNDS</b>	78,666,800	82,829,500	83,875,700	82,482,200	83,177,700
<b>EXPENDITURES BY CLASS</b>					
Personnel Cost	56,992,900	60,956,700	61,642,400	60,609,400	60,944,400
Operating Expenses	2,037,700	2,345,100	2,345,100	2,345,100	2,345,100
Grants, Loans or Benefits	19,636,200	19,527,700	19,888,200	19,527,700	19,888,200
<b>TOTAL EXPENDITURES</b>	78,666,800	82,829,500	83,875,700	82,482,200	83,177,700
<b>EXPENDITURES BY FUND SOURCE</b>					
General Fund	17,718,300	18,130,500	18,571,300	17,848,000	18,028,200
Restricted Funds	17,141,600	20,624,400	20,606,800	20,624,400	20,606,800
Federal Funds	43,806,900	44,074,600	44,697,600	44,009,800	44,542,700
<b>TOTAL EXPENDITURES</b>	78,666,800	82,829,500	83,875,700	82,482,200	83,177,700
<b>EXPENDITURES BY UNIT</b>					
Medical Assistance Administration	72,274,500	80,335,000	81,345,800	79,987,700	80,647,800
KCHIP Administration	6,392,300	2,494,500	2,529,900	2,494,500	2,529,900
<b>TOTAL EXPENDITURES</b>	78,666,800	82,829,500	83,875,700	82,482,200	83,177,700

Administrative functions of the Medicaid and K-CHIP programs include: determining the eligibility of applicants, formulating policy, processing claims, utilization management, recoupment of monies from liable third parties, collecting overpayments and cost reimbursement. Claims are paid through a fiscal agent contract. The Medicaid program contracts for medical review of Medicaid acute care admissions, level of care determinations for long-term care patients, review care of recipients in mental hospitals and psychiatric facilities. The eligibility determination function is performed through contract by the Cabinet for Families and Children, Department for Community Based Services.

The Department also administers the Kentucky Children's Health Insurance Program (K-CHIP). As a result of aggressive outreach efforts, a daily average of 51,000 children are enrolled in K-CHIP. Uninsured children with incomes below 200 percent of the federal poverty level are eligible for the program.

**Policy**

The recommended budget includes a General Fund allocation for the contract with the Attorney General's Office (\$105,800 in fiscal year 2003 and \$105,800 in fiscal year 2004). Funds are recommended for the administration-related portion of the Supports for Community Living (SCL) expansion for persons with mental retardation or other developmental disabilities. Total administrative funds for SCL expansion are provided in the amount of \$259,400 in fiscal year 2003 and \$619,900 in fiscal year 2004 at a 50/50 state/federal match rate.

The state funded portion of the eligibility contract with the Cabinet for Families and Children is as follows:

	<u>FY 2003</u>	<u>FY 2004</u>
Medicaid Eligibility	11,071,000	11,064,500
K-CHIP Eligibility	404,500	404,700
Total	<u>11,475,500</u>	<u>11,469,200</u>

**Health Services  
Medicaid Services  
Benefits**

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
<b>SOURCE OF FUNDS</b>					
<b>General Fund</b>					
Regular Appropriation	764,493,300	947,514,200	1,024,378,200	751,173,700	755,893,500
Budget Reduction	-15,289,900				
<b>Total General Fund</b>	<b>749,203,400</b>	<b>947,514,200</b>	<b>1,024,378,200</b>	<b>751,173,700</b>	<b>755,893,500</b>
<b>Restricted Funds</b>					
Balance Forward	171,200				
Non-Revenue Receipts	213,573,700	181,075,500	183,416,900	200,011,300	188,448,600
<b>Total Restricted Funds</b>	<b>213,744,900</b>	<b>181,075,500</b>	<b>183,416,900</b>	<b>200,011,300</b>	<b>188,448,600</b>
<b>Federal Funds</b>					
Balance Forward	1,655,700				
Current Receipts	2,355,300,900	2,652,644,500	2,835,289,900	2,240,664,700	2,223,774,600
<b>Total Federal Funds</b>	<b>2,356,956,600</b>	<b>2,652,644,500</b>	<b>2,835,289,900</b>	<b>2,240,664,700</b>	<b>2,223,774,600</b>
<b>TOTAL SOURCE OF FUNDS</b>	<b>3,319,904,900</b>	<b>3,781,234,200</b>	<b>4,043,085,000</b>	<b>3,191,849,700</b>	<b>3,168,116,700</b>
<b>EXPENDITURES BY CLASS</b>					
Grants, Loans or Benefits	3,319,904,900	3,781,234,200	4,043,085,000	3,191,849,700	3,168,116,700
<b>TOTAL EXPENDITURES</b>	<b>3,319,904,900</b>	<b>3,781,234,200</b>	<b>4,043,085,000</b>	<b>3,191,849,700</b>	<b>3,168,116,700</b>
<b>EXPENDITURES BY FUND SOURCE</b>					
General Fund	749,203,400	947,514,200	1,024,378,200	751,173,700	755,893,500
Restricted Funds	213,744,900	181,075,500	183,416,900	200,011,300	188,448,600
Federal Funds	2,356,956,600	2,652,644,500	2,835,289,900	2,240,664,700	2,223,774,600
<b>TOTAL EXPENDITURES</b>	<b>3,319,904,900</b>	<b>3,781,234,200</b>	<b>4,043,085,000</b>	<b>3,191,849,700</b>	<b>3,168,116,700</b>
<b>EXPENDITURES BY UNIT</b>					
Medicaid Benefits	3,214,911,500	3,675,344,900	3,937,018,500	3,085,960,400	3,062,050,200
KCHIP Benefits	104,993,400	105,889,300	106,066,500	105,889,300	106,066,500
<b>TOTAL EXPENDITURES</b>	<b>3,319,904,900</b>	<b>3,781,234,200</b>	<b>4,043,085,000</b>	<b>3,191,849,700</b>	<b>3,168,116,700</b>

Under Title XIX of the Social Security Act and KRS 205.520, the Kentucky Medicaid program provides for preventive and remedial medical care for financially and medically indigent citizens in Kentucky who meet the technical income and resource criteria for eligibility. The following services are currently provided by Kentucky's Medicaid program: inpatient hospital, physician services, nursing facility services, outpatient hospital, home health, family planning, screening, lab, dental, transportation - non-emergency and emergency, vision care, hearing care, intermediate care facilities for the mentally retarded (ICF/MR), pharmacy, Medicare premiums, community mental health, mental hospitals, psychiatric residential treatment facilities, renal dialysis services, primary care/rural health, podiatry, alternative intermediate services for mentally retarded (Supports for Community Living), ambulatory surgical centers, home and community-based waiver (HCBS), adult day care, nurse midwife, nurse anesthetist, Hospice, preventive services, targeted case management, school-based services, home-based services for children who are ventilator dependent, durable medical equipment, portable x-ray, nurse practitioners, chiropractor, and other medically necessary diagnostic and treatment services for children (Early Periodic Screening Diagnosis and Treatment (EPSDT). In addition, qualified Medicare beneficiaries receive the following services: chiropractic, physical therapist, occupational therapist, psychologist, licensed clinical social worker, physician assistant, and comprehensive outpatient rehabilitative facility services.

**Kentucky Medical Assistance Program (KMAP) Recipient Groups**

Persons who are eligible for KMAP benefits are classified into two groups: those who already qualify for some type of financial assistance (categorically eligible) and those eligible for medical assistance only (medically needy).

**Categorically Needy:** Persons in this financial assistance group receive grant money from Temporary Assistance to Needy Families (TANF), State Supplementation, or the Supplemental Security Income (SSI) programs. Within this group are the following categories of people: needy families with dependent children; foster care children; those 65 years of age or older with inadequate incomes; the needy blind; and the needy permanently and totally disabled. Any SSI or State Supplementation recipient automatically receives Medicaid. Individuals who meet the technical and financial requirements of the Aid to Families with Dependent Children (AFDC) program as it existed on July 16, 1996, can qualify for Medicaid.

**Medically Needy:** Persons in this group have incomes or resources above a level to qualify for financial assistance to meet basic needs, but have insufficient income to meet all or part of their medical needs. This group also includes: pregnant women and infants with household income of less than 185 percent of the Federal Poverty Level (FPL); children under age six with household income under 133 percent of FPL; and children born after September 30, 1983, who have attained six years of age but have not attained 19 years of age in families with income not exceeding 100 percent of the FPL.

<b>2001 Poverty Guidelines</b>	
<b><u>Family Size</u></b>	<b><u>Monthly Income</u></b>
1	\$716
2	\$967
3	\$1,219
4	\$1,471
5	\$1,722
6	\$1,974
7	\$2,226
8	\$2,477

Although the aged, blind, and disabled (both categorically and medically needy) represent only 43 percent of the recipient population, they account for approximately 69 percent of expenditures. The recommended budget assumes average monthly eligibles of 628,353 in fiscal year 2003 and 633,574 in fiscal year 2004. These figures include K-CHIP eligibles.

### **Projecting Benefits Cost**

Fee For Service:

- For purposes of statistical validity, the historic cost of Medicaid's 55 categories of service were grouped into eight general service types:
  - Inpatient
  - Outpatient
  - Mental Health
  - Physician
  - Pharmaceutical
  - Waiver
  - Other
  - Managed Care (excluded from fee-for-service calculation)
- The cost per member per month (PMPM) for each eligible group for each general service category was determined and the historic rate of growth of the cost was measured. The historic growth rate was trended forward for each eligibility group, and adjustments were made for such factors as anticipated medical inflation and changes in utilization. The resulting projected cost per recipient by group was multiplied by the respective projected recipient count, and the subtotals were added to produce total fee-for-service cost.

### **Provider Taxes**

Although the majority of the funds that the Commonwealth uses to match federal Medicaid dollars are derived from the General Fund, approximately 20.5 percent of the program's fiscal year 2001 expenditure match was secured from a dedicated provider tax. The tax is levied on hospitals, home health agencies, health maintenance organizations, and long-term care facilities.

### **Intergovernmental Transfers**

Intergovernmental transfers (IGT) are a key strategy in offsetting the projected Medicaid shortfall. Revenues dependent upon

the two teaching hospitals and local government-owned hospitals and nursing facilities are not included in the recommended agency revenue figures as these are dependent upon these entities agreeing each year to continue to participate in the IGTs. Appropriation increases will be requested as these funds are secured.

### **Disproportionate Share Hospital (DSH) Payments**

The Federal Balanced Budget Act of 1997 as amended by the Benefits Improvement and Protection Act of 2000 effectively capped Disproportionate Share Hospital (DSH) payments at \$207,088,100 in fiscal year 2003 and \$213,300,700 in fiscal year 2004. Disproportionate share hospital payments to state mental hospitals are budgeted at approximately \$36.6 million in fiscal year 2003 and \$37.7 million in fiscal year 2004.

### **Passport Managed Care Plan**

The recommended budget assumes that the Region Three Medicaid managed care partnership will continue to operate. Other areas of the state are expected to operate under managed care provisions as allowed under the federal Balanced Budget Act of 1997.

### **Benefit Match Rate**

The recommended budget assumes a federal medical assistance percentage (FMAP) of 69.90 for state fiscal year 2003 and 69.90 for state fiscal year 2004. The federal Medicaid match rate for K-CHIP is 78.93 percent in fiscal year 2003 and 78.92 percent in fiscal year 2004.

### **Quality and Charity Care Trust Fund**

To the extent that all parties agree, the General Fund appropriation of the Quality and Charity Care Trust Fund may be transferred to the Department for Medicaid Services Benefits.

### **Kentucky Children's Health Initiative Program (K-CHIP)**

The Kentucky Children's Health Initiative program was initiated under Title XXI of the Social Security Act and serves eligible children up to 200 percent of the federal poverty level.

The recommended budget funds K-CHIP at a total of \$105,889,300 in fiscal year 2003 (53,988 children) and \$106,066,500 in fiscal year 2004 (54,000 children). The budget anticipates the continued spend-down of state funds from the "Kentucky Children's Health Insurance Program Trust Fund" as established in KRS 205.6478. Because very little of the federal money appropriated in fiscal year 1998 and 1999 for K-CHIP was expended, these funds are available to spend down through fiscal year 2004. Additionally, because Kentucky has been so successful in its K-CHIP implementation, it received federal reallocations totaling \$124 million from other states' federal fiscal year 1998 unspent CHIP allocations. This allows Kentucky's program to operate at current levels through state fiscal year 2004. Kentucky's federal allocation declines by \$17 million annually beginning in federal fiscal year 2002. Kentucky will be eligible for federal fiscal year 1999 allocations not spent by other states, barring any changes by Congress. This would carry Kentucky's CHIP program well into the 2004-2006 biennium. However, as other states' CHIP programs accelerate, there will be increased lobbying by those states to redirect allocations back to their own states - which could leave Kentucky's CHIP program seriously underfunded in the 2004-2006 biennium.

### **Policy**

The recommended budget includes \$6,545,800 in fiscal year 2003 and \$22,218,900 in fiscal year 2004 to continue the roll-out of the Supports for Community Living Program.

The budget assumes a series of actions to bring the Medicaid Benefits expenditure budget in line with available revenues. Even so, all actions necessary to balance in fiscal year 2004 have not been formally determined. If any of the proposed solutions do not fully materialize or if other factors change significantly (i.e., the economy deteriorates further) the outlook for meeting these budget challenges would change accordingly.

**DEPARTMENT FOR MEDICAID SERVICES  
PROJECTED BUDGET STATUS**

	<b>FY 2002</b>	<b>FY 2003</b>	<b>FY 2004</b>
<b>REVENUE:</b>			
General Fund	\$749,203,400	\$749,203,400	\$749,203,400
Agency Fund	\$213,744,900	\$181,075,500	\$183,416,900
Federal Funds	\$2,320,203,100	\$2,186,233,300	\$2,189,643,800
<b>Total Revenue</b>	<b>\$3,283,151,400</b>	<b>\$3,116,512,200</b>	<b>\$3,122,264,100</b>
Projected Expenditures	\$3,638,891,300	\$3,835,036,000	\$4,042,910,300
Less Type III DSH and University Hospital Agreements (state match provided by universities)	\$97,025,100	\$100,330,200	\$102,983,100
<b>Net Projected Expenditures</b>	<b>\$3,541,866,200</b>	<b>\$3,734,705,800</b>	<b>\$3,939,927,200</b>
<b>Projected Surplus (Deficit)</b>	<b>(\$258,714,800)</b>	<b>(\$618,193,600)</b>	<b>(\$817,663,100)</b>
<b>ACTIONS TO BALANCE THE BUDGET:</b>			
Management Initiative/Carry Forward	\$114,307,300	\$257,797,400	\$174,399,500
Increased Provider Tax on Expenditures	\$39,579,100	\$5,341,500	\$4,824,200
Budget Neutral Collections	\$78,508,400	Factored into Forecast	Factored into Forecast
Intergovernmental Transfers (IGT's)	\$150,413,200	\$185,000,000	\$185,000,000
Third Party Liability Collections/Cost Avoidance	\$8,316,700	\$32,566,700	\$23,272,700
Pharmacy Management Initiatives	\$0	\$100,000,000	\$100,000,000
Cost Containment Initiatives	\$0	\$110,000,000	\$110,000,000
Federal Credits for Agency Accounts Receivable	\$46,573,500		
Cost Report/Audit Settlements (Collections)	\$18,814,000	\$37,387,500	\$4,000,000
Cash Management Initiative	\$60,000,000	\$64,500,000	\$0
Additional Revenue/Cost Avoidance	<b>\$516,512,200</b>	<b>\$792,593,100</b>	<b>\$601,496,400</b>
<b>Projected Surplus/(Deficit)</b>	<b>\$257,797,400</b>	<b>\$174,399,500</b>	<b>(\$216,166,700)</b>

Notes:

- (1) Includes Kentucky Children's Health Insurance Program (KCHIP).
- (2) Based on the January 3, 2002, consensus forecast.
- (3) Cost avoidance does not result in revenues.

**Health Services**  
**Mental Health/Mental Retardation**

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
<b>SOURCE OF FUNDS</b>					
<b>General Fund</b>					
Regular Appropriation	182,202,300	189,000,400	211,125,700	168,255,000	171,611,900
Tobacco Settlement - I	1,000,000	500,000	500,000	1,000,000	1,000,000
Continuing Appropriation - Tobacco Settlement	1,000,000				
Budget Reduction	-7,546,400				
Reorganization Adjustments	-10,717,500				
<b>Total General Fund</b>	<b>165,938,400</b>	<b>189,500,400</b>	<b>211,625,700</b>	<b>169,255,000</b>	<b>172,611,900</b>
<b>Restricted Funds</b>					
Balance Forward	1,166,000				2,367,500
Current Receipts	162,693,200	185,024,500	195,473,400	185,024,500	195,473,400
Non-Revenue Receipts	5,791,300	8,033,900	8,574,300	8,033,900	8,574,300
<b>Total Restricted Funds</b>	<b>169,650,500</b>	<b>193,058,400</b>	<b>204,047,700</b>	<b>193,058,400</b>	<b>206,415,200</b>
<b>Federal Funds</b>					
Balance Forward	7,800				
Current Receipts	40,910,400	41,295,100	41,355,900	41,295,100	41,355,900
<b>Total Federal Funds</b>	<b>40,918,200</b>	<b>41,295,100</b>	<b>41,355,900</b>	<b>41,295,100</b>	<b>41,355,900</b>
<b>TOTAL SOURCE OF FUNDS</b>	<b>376,507,100</b>	<b>423,853,900</b>	<b>457,029,300</b>	<b>403,608,500</b>	<b>420,383,000</b>
<b>EXPENDITURES BY CLASS</b>					
Personnel Cost	146,365,100	164,970,000	172,852,600	149,690,100	157,916,000
Operating Expenses	29,737,500	35,083,600	37,348,400	31,879,200	29,278,600
Grants, Loans or Benefits	199,781,500	223,155,300	238,401,300	219,069,800	232,586,500
Debt Service			7,804,000		
Capital Outlay	623,000	645,000	623,000	601,900	601,900
<b>TOTAL EXPENDITURES</b>	<b>376,507,100</b>	<b>423,853,900</b>	<b>457,029,300</b>	<b>401,241,000</b>	<b>420,383,000</b>
<b>EXPENDITURES BY FUND SOURCE</b>					
General Fund	165,938,400	189,500,400	211,625,700	169,255,000	172,611,900
Restricted Funds	169,650,500	193,058,400	204,047,700	190,690,900	206,415,200
Federal Funds	40,918,200	41,295,100	41,355,900	41,295,100	41,355,900
<b>TOTAL EXPENDITURES</b>	<b>376,507,100</b>	<b>423,853,900</b>	<b>457,029,300</b>	<b>401,241,000</b>	<b>420,383,000</b>
<b>EXPENDITURES BY UNIT</b>					
Community Alcohol and Drug Services	40,467,200	40,750,900	40,938,500	40,812,000	40,846,700
Community Mental Health Services	70,682,000	92,674,100	105,154,700	87,838,200	96,747,200
Community Mental Retardation Services	27,327,600	28,514,200	29,066,800	27,725,700	27,702,900
General Mental Health/Mental Retardation Support	28,335,400	29,243,700	29,822,400	28,393,400	28,180,500
Residential Mental Health/Mental Retardation	209,694,900	232,671,000	252,046,900	216,471,700	226,905,700
<b>TOTAL EXPENDITURES</b>	<b>376,507,100</b>	<b>423,853,900</b>	<b>457,029,300</b>	<b>401,241,000</b>	<b>420,383,000</b>

The Department operates Mental Health, Mental Retardation, Substance Abuse, and Developmental Disabilities programs. Services are provided both in the community and in state-owned and state-operated facilities. Over 2,000 inpatients are cared for daily in the facilities and several thousand more are treated as outpatients in community mental health centers operated by 14 regional community mental health/mental retardation boards.

Executive Order 2001-1322 transferred First Steps, the Kentucky Early Intervention System (KEIS), from the Department for Mental Health/Mental Retardation to the Commission for Children with Special Health Care Needs.

**Health Services**  
**Mental Health/Mental Retardation**  
**Community Alcohol and Drug Services**

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
<b>SOURCE OF FUNDS</b>					
<b>General Fund</b>					
Regular Appropriation	8,774,200	8,700,900	8,888,500	8,262,000	8,296,700
Tobacco Settlement - I	1,000,000	500,000	500,000	1,000,000	1,000,000
Continuing Appropriation - Tobacco Settlement	1,000,000				
Budget Reduction	-1,854,700				
<b>Total General Fund</b>	<b>8,919,500</b>	<b>9,200,900</b>	<b>9,388,500</b>	<b>9,262,000</b>	<b>9,296,700</b>
<b>Restricted Funds</b>					
Balance Forward	1,063,800				
Current Receipts	2,437,300	2,700,000	2,700,000	2,700,000	2,700,000
Non-Revenue Receipts	1,588,900	2,450,000	2,450,000	2,450,000	2,450,000
<b>Total Restricted Funds</b>	<b>5,090,000</b>	<b>5,150,000</b>	<b>5,150,000</b>	<b>5,150,000</b>	<b>5,150,000</b>
<b>Federal Funds</b>					
Balance Forward	100				
Current Receipts	26,457,600	26,400,000	26,400,000	26,400,000	26,400,000
<b>Total Federal Funds</b>	<b>26,457,700</b>	<b>26,400,000</b>	<b>26,400,000</b>	<b>26,400,000</b>	<b>26,400,000</b>
<b>TOTAL SOURCE OF FUNDS</b>	<b>40,467,200</b>	<b>40,750,900</b>	<b>40,938,500</b>	<b>40,812,000</b>	<b>40,846,700</b>
<b>EXPENDITURES BY CLASS</b>					
Personnel Cost	3,688,700	3,378,000	3,158,500	3,200,200	2,958,700
Operating Expenses	158,900	212,800	216,700	169,700	173,600
Grants, Loans or Benefits	36,619,600	37,160,100	37,563,300	37,442,100	37,714,400
<b>TOTAL EXPENDITURES</b>	<b>40,467,200</b>	<b>40,750,900</b>	<b>40,938,500</b>	<b>40,812,000</b>	<b>40,846,700</b>
<b>EXPENDITURES BY FUND SOURCE</b>					
General Fund	8,919,500	9,200,900	9,388,500	9,262,000	9,296,700
Restricted Funds	5,090,000	5,150,000	5,150,000	5,150,000	5,150,000
Federal Funds	26,457,700	26,400,000	26,400,000	26,400,000	26,400,000
<b>TOTAL EXPENDITURES</b>	<b>40,467,200</b>	<b>40,750,900</b>	<b>40,938,500</b>	<b>40,812,000</b>	<b>40,846,700</b>

Community Alcohol and Drug Services supports the provision of quality treatment, prevention, early identification, and education services to citizens suffering from, or who are at-risk of, alcohol and drug abuse. Services are provided primarily through contracts with 16 regional prevention centers.

Alcohol and other drug abuse prevention and treatment services are provided pursuant to KRS Chapter 222 (Alcohol and Drug Education, Treatment, and Rehabilitation). The receipts from alcohol intoxication fees are received pursuant to KRS 431.100. Other statutes under which the program operates include: KRS 189A (Driving Under the Influence (DUI) assessment, education, and treatment) and KRS 218A.410 (Drug Forfeiture).

Services provided primarily through contracts with community-based service providers (Community Mental health Centers and their subcontractors, schools, local government agencies, and other community-based organizations) include: prevention programming in communities offered through 16 Regional Prevention Centers; school-based student assistance programs; juvenile diversion programs; DUI assessment and education programs; consultation with businesses on the development of a drug-free work place and employee assistance programs; social setting detoxification centers, residential treatment centers, and output treatment

services; and specialized treatment services for pregnant women, adolescents, and intravenous drug users. In addition, methadone outpatient treatment services are available to opiate dependent persons who are high-risk for HIV disease due to their intravenous drug use. Training, consultation, client evaluations, and treatment services are made available, within budget limitations, to the Cabinet for Families and Children and Criminal Justice agencies for clients with alcohol and other drug problems.

**Health Services**  
**Mental Health/Mental Retardation**  
**Community Mental Health Services**

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
<b>SOURCE OF FUNDS</b>					
<b>General Fund</b>					
Regular Appropriation	35,563,200	42,075,800	48,023,800	37,239,900	39,616,300
Budget Reduction	-851,500				
<b>Total General Fund</b>	<b>34,711,700</b>	<b>42,075,800</b>	<b>48,023,800</b>	<b>37,239,900</b>	<b>39,616,300</b>
<b>Restricted Funds</b>					
Current Receipts	21,363,700	34,874,000	40,874,000	34,874,000	40,874,000
Non-Revenue Receipts	3,676,800	4,407,800	4,922,000	4,407,800	4,922,000
<b>Total Restricted Funds</b>	<b>25,040,500</b>	<b>39,281,800</b>	<b>45,796,000</b>	<b>39,281,800</b>	<b>45,796,000</b>
<b>Federal Funds</b>					
Balance Forward	500				
Current Receipts	10,929,300	11,316,500	11,334,900	11,316,500	11,334,900
<b>Total Federal Funds</b>	<b>10,929,800</b>	<b>11,316,500</b>	<b>11,334,900</b>	<b>11,316,500</b>	<b>11,334,900</b>
<b>TOTAL SOURCE OF FUNDS</b>	<b>70,682,000</b>	<b>92,674,100</b>	<b>105,154,700</b>	<b>87,838,200</b>	<b>96,747,200</b>
<b>EXPENDITURES BY CLASS</b>					
Personnel Cost	10,702,500	11,875,100	12,585,400	11,629,600	12,289,700
Operating Expenses	209,100	306,200	311,900	210,800	216,500
Grants, Loans or Benefits	59,770,400	80,492,800	92,257,400	75,997,800	84,241,000
<b>TOTAL EXPENDITURES</b>	<b>70,682,000</b>	<b>92,674,100</b>	<b>105,154,700</b>	<b>87,838,200</b>	<b>96,747,200</b>
<b>EXPENDITURES BY FUND SOURCE</b>					
General Fund	34,711,700	42,075,800	48,023,800	37,239,900	39,616,300
Restricted Funds	25,040,500	39,281,800	45,796,000	39,281,800	45,796,000
Federal Funds	10,929,800	11,316,500	11,334,900	11,316,500	11,334,900
<b>TOTAL EXPENDITURES</b>	<b>70,682,000</b>	<b>92,674,100</b>	<b>105,154,700</b>	<b>87,838,200</b>	<b>96,747,200</b>

Community Mental Health Services seek to assure that Kentuckians with mental health problems have an array of services available that will support and improve their ability to function. To accomplish this mission, the Department has contracted with 14 regional mental health/mental retardation boards that oversee the individual community mental health centers in local communities. In addition, the Division of Mental Health has targeted funds to priority populations considered to be the most vulnerable and in need of services. These are:

- Adults with severe mental illness (KRS 210, KRS 202A);
- Children and youth with severe emotional disabilities (KRS 200.500 to KRS 200.509);
- Victims and perpetrators of sexual abuse or domestic violence (908KAR 2.070); and
- Persons having acquired traumatic brain injury (KRS 211.470 to KRS 211.478).

In accordance with KRS 210.410, community mental health centers (CMHCs) must provide persons with mental health problems with specific services such as: consultation and educational services to help individuals understand their illnesses and treatment options; therapeutic rehabilitation programs, where a person with mental illness may receive services to assist them to live independently within the community; outpatient services; emergency services; and inpatient services, which are generally made available through referrals to state or community hospitals.

Additionally, state and federal funds are used to expand the array of services to include case management services, psychotropic medications, and housing and vocational support services for adults with severe mental illness. Funds are also provided for unique services that “wrap around” a child or adult who is at risk of psychiatric hospitalization. These funds are used to purchase goods and services that are individualized and can include peer mentoring, respite, and social skills training. To address the staggering impact of sexual or domestic violence on the mental health of its victims, treatment services for victims and perpetrators, along with rape crisis services, have been implemented across the state through 13 rape crisis centers. Each center serves approximately nine counties.

The Community Mental Health program also assists in statewide mental health planning; defines, implements and monitors services; provides technical assistance and training to providers, consumers and the general public; and procures and administers additional federal and other mental health funds. The Department has developed mental health outcomes for community mental health services in collaboration with consumers and providers, and tested outcome measurement tools during the last two fiscal years. These tools measure outcomes of treatment such as overall functioning, symptom reduction, substance abuse patterns, and medication usage. A companion survey will measure consumer satisfaction with mental health services. Non-confidential client data will be combined with system data to present system-wide trends and identify opportunities for quality improvement.

The Brain Injury Services unit was formed in March 1999. Its mission is to develop comprehensive services and supports to persons with acquired brain injuries and their families. Funding for the unit and its services is derived from fees imposed for violations of certain traffic laws and convictions for Driving Under the Influence (DUI) violations.

## **Policy**

Included in the Governor's recommendation is a General Fund allocation of \$1,100,000 in fiscal year 2003 and \$800,000 in fiscal year 2004 to move patients in psychiatric institutions into the community.

The Governor's recommendation Includes \$2,000,000 in fiscal year 2003 and \$4,000,000 in fiscal year 2004 for the establishment of five crisis stabilization units in each year of the biennium to complete the phase-in of crisis stabilization units as first begun in 1996.

**Health Services**  
**Mental Health/Mental Retardation**  
**Community Mental Retardation Services**

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
<b>SOURCE OF FUNDS</b>					
<b>General Fund</b>					
Regular Appropriation	36,374,900	24,775,600	25,271,100	23,987,100	23,907,200
Budget Reduction	-1,442,900				
Reorganization Adjustments	-10,717,500				
<b>Total General Fund</b>	<b>24,214,500</b>	<b>24,775,600</b>	<b>25,271,100</b>	<b>23,987,100</b>	<b>23,907,200</b>
<b>Restricted Funds</b>					
Balance Forward	11,500				
Current Receipts		22,400	22,900	22,400	22,900
Non-Revenue Receipts	561,300	1,176,100	1,202,300	1,176,100	1,202,300
<b>Total Restricted Funds</b>	<b>572,800</b>	<b>1,198,500</b>	<b>1,225,200</b>	<b>1,198,500</b>	<b>1,225,200</b>
<b>Federal Funds</b>					
Balance Forward	-13,600				
Current Receipts	2,553,900	2,540,100	2,570,500	2,540,100	2,570,500
<b>Total Federal Funds</b>	<b>2,540,300</b>	<b>2,540,100</b>	<b>2,570,500</b>	<b>2,540,100</b>	<b>2,570,500</b>
<b>TOTAL SOURCE OF FUNDS</b>	<b>27,327,600</b>	<b>28,514,200</b>	<b>29,066,800</b>	<b>27,725,700</b>	<b>27,702,900</b>
<b>EXPENDITURES BY CLASS</b>					
Personnel Cost	3,013,100	3,352,600	3,481,900	3,047,900	3,025,400
Operating Expenses	573,800	764,600	777,000	696,300	708,700
Grants, Loans or Benefits	23,740,700	24,397,000	24,807,900	23,981,500	23,968,800
<b>TOTAL EXPENDITURES</b>	<b>27,327,600</b>	<b>28,514,200</b>	<b>29,066,800</b>	<b>27,725,700</b>	<b>27,702,900</b>
<b>EXPENDITURES BY FUND SOURCE</b>					
General Fund	24,214,500	24,775,600	25,271,100	23,987,100	23,907,200
Restricted Funds	572,800	1,198,500	1,225,200	1,198,500	1,225,200
Federal Funds	2,540,300	2,540,100	2,570,500	2,540,100	2,570,500
<b>TOTAL EXPENDITURES</b>	<b>27,327,600</b>	<b>28,514,200</b>	<b>29,066,800</b>	<b>27,725,700</b>	<b>27,702,900</b>

Community Mental Retardation Services provides an array of services to enable children and adults with mental retardation and other developmental disabilities to have quality lives through inclusion in all aspects of community life. This includes a place to live, education and learning, a job, health care, and social and civic participation. Services are provided via contracts with community mental health/mental retardation boards, state universities, and for-profit and non-profit agencies and include residential, vocational, educational, and social support. Residential services include family homes, group homes, supervised apartment living, staffed residences, and other alternative living arrangements. Supported Living Services are provided to give individuals with disabilities the supports they need to live as independently as possible in their homes and to participate in the community to the fullest extent possible and supported employment provides individuals with mental retardation and other developmental disabilities the necessary support to find a job, receive support and training on the job site, and then to receive the ongoing support necessary to keep that job or to find another job if necessary or desired. In addition to the above programs, support services are provided to persons of all ages with mental retardation and other developmental disabilities and include respite care, service coordination, leisure/recreation, habilitation, in-home support and training, and therapy services.

Developmental Disabilities Planning, another program component, promotes systems change, capacity building and advocacy for people with developmental disabilities. These services are managed by the Developmental Disabilities Council, a group of 26 persons including consumers, parents and representatives of state and local agencies appointed by the Governor. The Council was established by the Developmental Disabilities Assistance Act (PL 106-402) and KRS 194.135. Of the 1.5 million persons

living in Kentucky who have disabilities, approximately 110,000 have developmental disabilities. The Council serves as an advocate and funds time-limited demonstration projects and engages in outreach activities to assist individuals with developmental disabilities and their families.

**Policy**

Funds are included in the recommended Medicaid budget to continue the roll-out of the Supports for Community Living (SCL) Program.

**Health Services**  
**Mental Health/Mental Retardation**  
**General Mental Health/Mental Retardation Support**

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
<b>SOURCE OF FUNDS</b>					
<b>General Fund</b>					
Regular Appropriation	28,252,300	28,843,700	29,422,400	27,993,400	27,780,500
Budget Reduction	-189,900				
<b>Total General Fund</b>	28,062,400	28,843,700	29,422,400	27,993,400	27,780,500
<b>Restricted Funds</b>					
Balance Forward	90,700				
Current Receipts	45,000	200,000	200,000	200,000	200,000
Non-Revenue Receipts	-35,700				
<b>Total Restricted Funds</b>	100,000	200,000	200,000	200,000	200,000
<b>Federal Funds</b>					
Current Receipts	173,000	200,000	200,000	200,000	200,000
<b>Total Federal Funds</b>	173,000	200,000	200,000	200,000	200,000
<b>TOTAL SOURCE OF FUNDS</b>	28,335,400	29,243,700	29,822,400	28,393,400	28,180,500
<b>EXPENDITURES BY CLASS</b>					
Personnel Cost	2,633,500	2,603,000	2,735,900	2,463,200	2,581,200
Operating Expenses	739,100	925,900	942,600	870,100	886,800
Grants, Loans or Benefits	24,962,800	25,714,800	26,143,900	25,060,100	24,712,500
<b>TOTAL EXPENDITURES</b>	28,335,400	29,243,700	29,822,400	28,393,400	28,180,500
<b>EXPENDITURES BY FUND SOURCE</b>					
General Fund	28,062,400	28,843,700	29,422,400	27,993,400	27,780,500
Restricted Funds	100,000	200,000	200,000	200,000	200,000
Federal Funds	173,000	200,000	200,000	200,000	200,000
<b>TOTAL EXPENDITURES</b>	28,335,400	29,243,700	29,822,400	28,393,400	28,180,500

The General Mental Health/Mental Retardation (MH/MR) Support program includes the Commissioner's Office, the Division of Administration and Financial Management, and Community Care Grants. Through the Commissioner's Office, this program's activities include policy and budget development, program monitoring, standards development, and management decision-making for the overall direction of the Department. The Department contracts with the University of Kentucky for technical and information support services.

The Community Care Grants provide the funding for the "core services" or "safety net" for individuals needing mental health, mental retardation, and/or substance abuse services, and the infrastructure that supports and provides these services. Kentucky Revised Statute 210.420 sets the distribution formula for these funds to local community mental health centers. This statute allows the centers some discretion as to which program areas and which services will be funded based on local needs.

**Health Services**  
**Mental Health/Mental Retardation**  
**Residential Mental Health/Mental Retardation Ser**

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
<b>SOURCE OF FUNDS</b>					
<b>General Fund</b>					
Regular Appropriation	73,237,700	84,604,400	99,519,900	70,772,600	72,011,200
Budget Reduction	-3,207,400				
<b>Total General Fund</b>	70,030,300	84,604,400	99,519,900	70,772,600	72,011,200
<b>Restricted Funds</b>					
Balance Forward					2,367,500
Current Receipts	138,847,200	147,228,100	151,676,500	147,228,100	151,676,500
<b>Total Restricted Funds</b>	138,847,200	147,228,100	151,676,500	147,228,100	154,044,000
<b>Federal Funds</b>					
Balance Forward	20,800				
Current Receipts	796,600	838,500	850,500	838,500	850,500
<b>Total Federal Funds</b>	817,400	838,500	850,500	838,500	850,500
<b>TOTAL SOURCE OF FUNDS</b>	209,694,900	232,671,000	252,046,900	218,839,200	226,905,700
<b>EXPENDITURES BY CLASS</b>					
Personnel Cost	126,327,300	143,761,300	150,890,900	129,349,200	137,061,000
Operating Expenses	28,056,600	32,874,100	35,100,200	29,932,300	27,293,000
Grants, Loans or Benefits	54,688,000	55,390,600	57,628,800	56,588,300	61,949,800
Debt Service			7,804,000		
Capital Outlay	623,000	645,000	623,000	601,900	601,900
<b>TOTAL EXPENDITURES</b>	209,694,900	232,671,000	252,046,900	216,471,700	226,905,700
<b>EXPENDITURES BY FUND SOURCE</b>					
General Fund	70,030,300	84,604,400	99,519,900	70,772,600	72,011,200
Restricted Funds	138,847,200	147,228,100	151,676,500	144,860,600	154,044,000
Federal Funds	817,400	838,500	850,500	838,500	850,500
<b>TOTAL EXPENDITURES</b>	209,694,900	232,671,000	252,046,900	216,471,700	226,905,700

The Residential Mental Health/Mental Retardation Services program provides inpatient services in the areas of psychiatric hospitalization, intermediate care for persons with mental retardation, nursing facility care, forensic psychiatry, and substance abuse. The Department provides care to over 1,500 inpatients each day.

Inpatient psychiatric services are provided for adults 18 and older through three psychiatric hospitals: Eastern State Hospital in Lexington (117 beds); Central State Hospital in Louisville (115 beds); and Western State Hospital in Hopkinsville (118 beds). The Hazard Psychiatric Facility (91 beds) provides acute inpatient psychiatric services through a contract with the Department. Eastern State Hospital is operated under a management contract with Bluegrass Regional Mental Health/Mental Retardation Board, Inc.

Two facilities, Glasgow Intermediate Care Facility (84 beds) and Western State Intermediate Care Facility (132 beds) on the campus of Western State Hospital, provide nursing facility services for mentally ill patients age 18 and over who are admitted from state psychiatric hospitals.

Seven facilities provide intermediate care for the mentally retarded who are unable to live unassisted in their community: Oakwood in Somerset (390 beds); Outwood in Dawson Springs (79 beds); Hazelwood in Louisville (177 beds); Central State Intermediate Care Facility for the Mentally Retarded on the campus of Central State Hospital (43 beds); Del Maria in Fern Creek (8 beds); the Meadows on Mount Washington (8 beds); and Windsong in Crestwood (8 beds). Residents are assisted in self-care skills, appropriate social behavior and are provided an array of specialized services designed to promote the personal growth of the individual.

Numerous initiatives are being implemented to improve the overall quality of services and supports provided to the people who reside at Oakwood. Oakwood has been divided into four separate residential components, each of which is working toward full licensure as an intermediate care facility for the mentally retarded. Collectively they are called "the Communities at Oakwood."

Volta House, a 23-bed facility on the campus of Western State Hospital in Hopkinsville, provides a 28-day inpatient program for individuals suffering from chronic or acute alcoholism.

Forensic psychiatric services are provided at the Kentucky Correctional Psychiatric Center within the Luther Lockett Correctional Complex in LaGrange (91 beds). Pretrial services are provided for persons with felony charges who are referred by district and circuit courts for evaluation of competency to stand trial. The correctional component serves post-convicted female patients in need of acute inpatient psychiatric treatment who are transferred from various institutions within the Department of Corrections.

**Policy**

The Cabinet for Health Services plans to move the current staff, patients, services, and operations from the Eastern State Hospital Facility to a portion of space located in the Veteran's Medical Center on Leestown Road in Lexington. The intent is to have the lease authorized upon conclusion of the 2002 General Assembly in order for the proposed move to proceed as early as December 2002.

**Health Services  
Public Health**

	<b>Revised FY 2002</b>	<b>Requested FY 2003</b>	<b>Requested FY 2004</b>	<b>Recommended FY 2003</b>	<b>Recommended FY 2004</b>
<b>SOURCE OF FUNDS</b>					
<b>General Fund</b>					
Regular Appropriation	65,028,100	60,476,600	62,595,100	56,201,300	56,601,300
Tobacco Settlement - I	18,184,700	25,025,700	24,488,200	21,738,800	20,882,800
Continuing Appropriation - Gen'l Fund	1,185,000				
Continuing Appropriation - Tobacco Settlement	7,460,600	543,500	543,500	543,500	543,500
Budget Reduction	-11,788,000				
Reorganization Adjustments	-3,075,100				
<b>Total General Fund</b>	<b>76,995,300</b>	<b>86,045,800</b>	<b>87,626,800</b>	<b>78,483,600</b>	<b>78,027,600</b>
<b>Restricted Funds</b>					
Balance Forward	6,243,100	1,887,700	1,487,000	1,887,700	1,487,000
Current Receipts	49,184,500	64,925,300	64,904,100	64,925,300	64,904,100
Non-Revenue Receipts	599,000	523,000	523,000	523,000	523,000
<b>Total Restricted Funds</b>	<b>56,026,600</b>	<b>67,336,000</b>	<b>66,914,100</b>	<b>67,336,000</b>	<b>66,914,100</b>
<b>Federal Funds</b>					
Balance Forward	1,096,000				
Current Receipts	123,186,300	127,620,500	127,620,500	127,620,500	127,620,500
<b>Total Federal Funds</b>	<b>124,282,300</b>	<b>127,620,500</b>	<b>127,620,500</b>	<b>127,620,500</b>	<b>127,620,500</b>
<b>TOTAL SOURCE OF FUNDS</b>	<b>257,304,200</b>	<b>281,002,300</b>	<b>282,161,400</b>	<b>273,440,100</b>	<b>272,562,200</b>
<b>EXPENDITURES BY CLASS</b>					
Personnel Cost	32,654,700	33,270,500	34,463,000	30,312,800	31,740,200
Operating Expenses	15,935,300	16,434,400	16,830,400	16,267,100	16,639,200
Grants, Loans or Benefits	204,783,000	229,266,900	228,959,000	224,829,700	223,182,800
Debt Service			909,000		
<b>TOTAL EXPENDITURES</b>	<b>253,373,000</b>	<b>278,971,800</b>	<b>281,161,400</b>	<b>271,409,600</b>	<b>271,562,200</b>
<b>EXPENDITURES BY FUND SOURCE</b>					
General Fund	74,951,800	85,502,300	87,626,800	77,940,100	78,027,600
Restricted Funds	54,138,900	65,849,000	65,914,100	65,849,000	65,914,100
Federal Funds	124,282,300	127,620,500	127,620,500	127,620,500	127,620,500
<b>TOTAL EXPENDITURES</b>	<b>253,373,000</b>	<b>278,971,800</b>	<b>281,161,400</b>	<b>271,409,600</b>	<b>271,562,200</b>
<b>EXPENDITURES BY UNIT</b>					
General Health Support	43,123,800	44,116,100	45,179,800	42,675,600	42,897,300
Epidemiology and Health Planning	24,328,300	28,107,600	28,397,100	27,475,000	27,658,000
Adult and Child Health	169,866,900	190,195,000	190,660,700	185,564,500	185,352,700
Laboratory Services	5,312,900	5,660,600	5,859,700	5,358,600	5,537,600
Public Health Protection and Safety	10,741,100	10,892,500	11,064,100	10,335,900	10,116,600
<b>TOTAL EXPENDITURES</b>	<b>253,373,000</b>	<b>278,971,800</b>	<b>281,161,400</b>	<b>271,409,600</b>	<b>271,562,200</b>

The Department for Public Health (DPH) as authorized by KRS 211.025 and 211.180 develops and operates all health related activities that provide services to protect and improve the health of the citizens of the Commonwealth.

The Department is responsible for programs that affect the quality of life of every citizen in the state every day. What distinguishes public health from personal preventive health services-those preventive services provided by private physicians, hospitals, clinics, and other private organizations-is the systematic action on behalf of the community or society. Public health organizations are accountable to the populations they serve, and public health officials are primarily responsible for the health of the population living in their jurisdiction (county, group of counties, state). Private health providers are primarily responsible for the health of only the patients who come to them for services.

In fiscal year 2001, the public health departments of Kentucky reported the following accomplishments:

- Adult health preventive visits to 174,861
- Cancer related clinical visits (primarily breast and cervical cancer) to 26,425
- 9,489 diabetes health promotion education activities to high-risk populations
- Family planning services to 120,538
- Maternity services to 54,492
- 424,500 medical home health units/visits to 9,900 patients
- 475,000 units/visits of Medicaid Home and Community Based Services to 2,750
- Children's preventive services to 234,814
- 119,865 WIC enrollees
- Referrals to university diagnostic centers for 622 infants with positive or inconclusive results for phenylketonuria (PKU), galactosemia, congenital hypothyroidism and sickle cell
- Diagnosis and early intervention services for chronic illness or developmental delay through First Steps, Kentucky's Early Intervention System to 9,873 children; 652 were found to have risk conditions that affect their development
- Genetic testing, counseling and education for 1,246 Kentuckians
- Provided 1,006,100 doses of vaccine to Kentuckians. Data recently released by the Centers for Disease Control and Prevention (CDC) show that 82.5 percent of Kentucky's two-year olds have received the required immunizations
- 378,473 persons immunized
- 94% (46,214) of kindergarten entrants adequately immunized
- Conducted inspections of 50,000 food establishments, 3,500 X-ray and other radiation-producing machines, and 9,480 dairies, and 114,904 sanitation inspections
- 822,783 laboratory tests were performed

The Cabinet for Health Services and the Department for Public Health have relied on local health departments to carry out two important functions for the state: core public health activities required by statute or regulation, and preventive services to specific populations mandated by budget appropriations. The seven core functions are: enforcement of public health regulations; surveillance of public health; communicable disease control; public health education; public health policy development; reduction of risk to families and children; and disaster preparedness. Preventive services for specific populations include family planning, prenatal care, well childcare, Women, Infants, and Children supplemental nutrition services (WIC), adult preventive services, and chronic disease monitoring and support services.

Local health departments may provide additional services depending on the availability of alternative revenue sources. Examples of these services include home health services; physician based ambulatory primary care services and expanded school health services.

At the end of fiscal year 2002 \$1,500,000 of tobacco funds will lapse to the General Fund Surplus account.

Executive Order 2000-1621 transferred the Toxicology section from the Department of Public Health, Division of Laboratory Services to the Office of the Medical Examiner within the Justice Cabinet.

Executive Order 2000-1625 transferred the Emergency Medical Services Program from the Department of Public Health to the Kentucky Board of Emergency Medical Services, a new independent, stand alone board responsible for the administration of all emergency medical services laws of the Commonwealth.

**Health Services  
Public Health  
General Health Support**

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
<b>SOURCE OF FUNDS</b>					
<b>General Fund</b>					
Regular Appropriation	18,885,400	18,360,700	19,413,100	16,920,200	17,130,600
Continuing Appropriation - Gen'l Fund	1,185,000				
Budget Reduction	-1,999,500				
<b>Total General Fund</b>	<b>18,070,900</b>	<b>18,360,700</b>	<b>19,413,100</b>	<b>16,920,200</b>	<b>17,130,600</b>
<b>Restricted Funds</b>					
Balance Forward	2,714,800				
Current Receipts	20,459,800	23,622,400	23,633,700	23,622,400	23,633,700
Non-Revenue Receipts	523,000	523,000	523,000	523,000	523,000
<b>Total Restricted Funds</b>	<b>23,697,600</b>	<b>24,145,400</b>	<b>24,156,700</b>	<b>24,145,400</b>	<b>24,156,700</b>
<b>Federal Funds</b>					
Current Receipts	1,355,300	1,610,000	1,610,000	1,610,000	1,610,000
<b>Total Federal Funds</b>	<b>1,355,300</b>	<b>1,610,000</b>	<b>1,610,000</b>	<b>1,610,000</b>	<b>1,610,000</b>
<b>TOTAL SOURCE OF FUNDS</b>	<b>43,123,800</b>	<b>44,116,100</b>	<b>45,179,800</b>	<b>42,675,600</b>	<b>42,897,300</b>
<b>EXPENDITURES BY CLASS</b>					
Personnel Cost	7,229,500	7,779,600	8,046,000	6,605,900	7,120,300
Operating Expenses	713,900	873,100	874,900	844,500	846,300
Grants, Loans or Benefits	35,180,400	35,463,400	35,349,900	35,225,200	34,930,700
Debt Service			909,000		
<b>TOTAL EXPENDITURES</b>	<b>43,123,800</b>	<b>44,116,100</b>	<b>45,179,800</b>	<b>42,675,600</b>	<b>42,897,300</b>
<b>EXPENDITURES BY FUND SOURCE</b>					
General Fund	18,070,900	18,360,700	19,413,100	16,920,200	17,130,600
Restricted Funds	23,697,600	24,145,400	24,156,700	24,145,400	24,156,700
Federal Funds	1,355,300	1,610,000	1,610,000	1,610,000	1,610,000
<b>TOTAL EXPENDITURES</b>	<b>43,123,800</b>	<b>44,116,100</b>	<b>45,179,800</b>	<b>42,675,600</b>	<b>42,897,300</b>

The General Health Support program provides funding to four organizational units within the Department for Health Services: the Office of the Commissioner, the State Employees' Nurses Stations, the Division of Resource Management and the Division of Local Health Department Operations.

The Commissioner's Office is responsible for the leadership, management, oversight, and policy direction of the Department for Public Health (DPH). The Commissioner advises the heads of major agencies in state government on policies, plans, and programs relating to matters of public health including actions necessary to respond to extraordinary events in order to safeguard the health of the citizens of the Commonwealth. The Commissioner serves as the Chief Medical Officer of the Commonwealth. A role that continues to expand is the creation and management of anti-bioterrorism initiatives and coordination of emergency response capabilities with other federal and state agencies.

The Director of Nursing provides professional consultation, support, and technical assistance to the commissioner, executive staff, state and local health departments including approximately 1,000 nurses practicing in local health departments. The Director administers the nurse-managed employee health centers in Frankfort that support direct care, blood pressure monitoring, flu shots, health education, and HIV/AIDS and CPR classes for state employees. The unit also arranges for first aid coverage for large state events.

Resource Management includes budgeting and financial services for the Department of Public Health as well as local health departments. Resource Management plans and manages information systems within the Department.

Local Health Department Operations includes maintenance of an automated patient and services reporting system that tracks approximately 5.0 million services to 710,000 patients. The Division provides a statewide on-line computer network with at least one site in each county.

**Policy**

The recommended budget provides for a two percent inflationary increase in fees for the following programs: Food, Sanitation, Vital Statistics, and Laboratory. Agency funds of \$180,000 are recommended in fiscal year 2003 and \$183,600 in fiscal year 2004.

**Health Services  
Public Health  
Epidemiology and Health Planning**

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
<b>SOURCE OF FUNDS</b>					
<b>General Fund</b>					
Regular Appropriation	8,511,200	8,521,800	8,725,000	7,889,200	7,985,900
Budget Reduction	-271,400				
<b>Total General Fund</b>	<b>8,239,800</b>	<b>8,521,800</b>	<b>8,725,000</b>	<b>7,889,200</b>	<b>7,985,900</b>
<b>Restricted Funds</b>					
Balance Forward	887,700	887,700	487,000	887,700	487,000
Current Receipts	1,956,100	1,956,100	1,956,100	1,956,100	1,956,100
<b>Total Restricted Funds</b>	<b>2,843,800</b>	<b>2,843,800</b>	<b>2,443,100</b>	<b>2,843,800</b>	<b>2,443,100</b>
<b>Federal Funds</b>					
Current Receipts	14,132,400	17,229,000	17,229,000	17,229,000	17,229,000
<b>Total Federal Funds</b>	<b>14,132,400</b>	<b>17,229,000</b>	<b>17,229,000</b>	<b>17,229,000</b>	<b>17,229,000</b>
<b>TOTAL SOURCE OF FUNDS</b>	<b>25,216,000</b>	<b>28,594,600</b>	<b>28,397,100</b>	<b>27,962,000</b>	<b>27,658,000</b>
<b>EXPENDITURES BY CLASS</b>					
Personnel Cost	7,522,400	7,789,600	8,033,200	7,300,900	7,525,000
Operating Expenses	6,498,700	7,438,700	7,400,300	7,406,900	7,368,500
Grants, Loans or Benefits	10,307,200	12,879,300	12,963,600	12,767,200	12,764,500
<b>TOTAL EXPENDITURES</b>	<b>24,328,300</b>	<b>28,107,600</b>	<b>28,397,100</b>	<b>27,475,000</b>	<b>27,658,000</b>
<b>EXPENDITURES BY FUND SOURCE</b>					
General Fund	8,239,800	8,521,800	8,725,000	7,889,200	7,985,900
Restricted Funds	1,956,100	2,356,800	2,443,100	2,356,800	2,443,100
Federal Funds	14,132,400	17,229,000	17,229,000	17,229,000	17,229,000
<b>TOTAL EXPENDITURES</b>	<b>24,328,300</b>	<b>28,107,600</b>	<b>28,397,100</b>	<b>27,475,000</b>	<b>27,658,000</b>
<b>EXPENDITURES BY UNIT</b>					
Communicable Diseases	9,181,100	9,363,600	9,468,100	9,159,900	9,187,800
AIDS/HIV	9,111,800	9,737,100	9,766,000	9,666,600	9,676,600
Surveillance & Investigation	2,815,100	5,347,500	5,379,000	5,047,200	5,072,900
Health Data	374,100	392,600	410,500	349,800	364,400
Health Policy	725,100	745,000	765,400	729,700	748,200
Vital	2,121,100	2,521,800	2,608,100	2,521,800	2,608,100
<b>TOTAL EXPENDITURES</b>	<b>24,328,300</b>	<b>28,107,600</b>	<b>28,397,100</b>	<b>27,475,000</b>	<b>27,658,000</b>

The mission of the Epidemiology and Health Planning program is to assess the occurrence, of and risk factors for, preventable diseases and injuries in the Commonwealth; to develop policy related to the prevention of disease; and to assure the provision of public health services. To discharge these responsibilities, the program conducts activities divided into six subprograms:

- Communicable Disease which includes immunizations, Sexually Transmitted Diseases (STD), TB, and other communicable diseases;
- HIV/AIDS surveillance, prevention services, and counseling and testing;
- Surveillance and Investigations including reportable disease surveillance, emerging infections, health status and health risk factor studies, and injury epidemiology;

- Health Data which collects and analyzes data relating to community health systems planning and development;
- Health Policy Development which includes collection of provider information and development of the state health plan; and
- Vital Statistics which collects and preserves mandatory records of all vital events including births, deaths, marriages, and divorces.

The program makes available financial support and vaccines to local health departments for the provision of 1,000,000 immunizations each year (more, in years when outbreaks occur) to more than 400,000 persons. Immunization rates in schools, day care, health department clinics, and among the general child population are tracked. The tuberculosis control program reduces the number of cases and deaths due to tuberculosis. This is accomplished by: preventing non-infected individuals from becoming infected, keeping those infected without disease from progressing to disease, and by rendering infected individuals with disease non-infectious. Kentucky's TB case rate remains below the national average.

The program is the designated State Center for Health Statistics. Health Data and Vital Statistics are responsible for the mandated collection, analysis, and dissemination of health data from all sources to policy makers, health planners and consumers with information relating to the total program goal of assessing the health of the population, developing policy relating to the health of the population and insuring access of public health services to the population. The maintenance of all vital records (birth, death, marriage and divorce certificates) and response to all persons who need vital statistics data are also carried out by this program.

**Health Services  
Public Health  
Adult and Child Health**

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
<b>SOURCE OF FUNDS</b>					
<b>General Fund</b>					
Regular Appropriation	28,475,100	24,986,200	25,478,400	23,642,600	23,775,800
Tobacco Settlement - I	18,184,700	25,025,700	24,488,200	21,738,800	20,882,800
Continuing Appropriation - Tobacco Settlement	7,460,600	543,500	543,500	543,500	543,500
Budget Reduction	-8,647,600				
Reorganization Adjustments	-2,706,500				
<b>Total General Fund</b>	42,766,300	50,555,400	50,510,100	45,924,900	45,202,100
<b>Restricted Funds</b>					
Balance Forward	2,244,200	1,000,000	1,000,000	1,000,000	1,000,000
Current Receipts	20,654,800	32,938,000	32,905,500	32,938,000	32,905,500
<b>Total Restricted Funds</b>	22,899,000	33,938,000	33,905,500	33,938,000	33,905,500
<b>Federal Funds</b>					
Balance Forward	1,096,000				
Current Receipts	106,149,100	107,245,100	107,245,100	107,245,100	107,245,100
<b>Total Federal Funds</b>	107,245,100	107,245,100	107,245,100	107,245,100	107,245,100
<b>TOTAL SOURCE OF FUNDS</b>	172,910,400	191,738,500	191,660,700	187,108,000	186,352,700
<b>EXPENDITURES BY CLASS</b>					
Personnel Cost	10,101,900	9,394,000	9,686,900	8,883,900	9,141,600
Operating Expenses	5,283,000	4,336,600	4,756,800	4,283,300	4,703,500
Grants, Loans or Benefits	154,482,000	176,464,400	176,217,000	172,397,300	171,507,600
<b>TOTAL EXPENDITURES</b>	169,866,900	190,195,000	190,660,700	185,564,500	185,352,700
<b>EXPENDITURES BY FUND SOURCE</b>					
General Fund	40,722,800	50,011,900	50,510,100	45,381,400	45,202,100
Restricted Funds	21,899,000	32,938,000	32,905,500	32,938,000	32,905,500
Federal Funds	107,245,100	107,245,100	107,245,100	107,245,100	107,245,100
<b>TOTAL EXPENDITURES</b>	169,866,900	190,195,000	190,660,700	185,564,500	185,352,700
<b>EXPENDITURES BY UNIT</b>					
Maternal & Child Health	72,796,200	92,593,700	92,925,000	88,138,000	87,881,000
Drug Enforcement	1,085,800	1,125,100	1,163,200	1,078,700	1,113,500
Chronic Diseases	10,966,700	11,132,800	11,225,700	11,007,400	11,014,600
Nutrition	85,018,200	85,343,400	85,346,800	85,340,400	85,343,600
<b>TOTAL EXPENDITURES</b>	169,866,900	190,195,000	190,660,700	185,564,500	185,352,700

The Adult and Child Health Services program promotes and improves the health status of all Kentuckians through early childhood development programs; community based health education; clinical care of primarily a preventive nature; nutrition counseling and food supplementation; the education and enforcement of appropriate drug prescription and record keeping; and the promotion of an adequate network of primary care providers throughout the State.

The Maternal and Child Health subprogram provides oversight to many of the services and activities which focus on mothers and children including well child, family planning, maternity services, and home visitation. It has been estimated that every dollar spent on early intervention for children for preventive health care, anticipatory guidance, health education, and parenting classes, results in cost avoidance of future costs of \$7.

The Drug Enforcement subprogram administers and enforces the Kentucky Controlled Substances Act, the Drug and Device portions of the Kentucky Food, Drug and Cosmetic Act, the use of the title "doctor" and the treatment of cancer law. In addition, the program provides technical and professional expertise to professional licensing boards, local health departments, and all law enforcement agencies that enforce controlled substances laws.

The Chronic Disease subprogram focuses on community-based health promotion and education for adults and children as well as planning efforts aimed at finding local solutions to major health problems in the locale and state. Medical costs for persons with chronic diseases make up more than 60 percent of all medical care expenditures. Activities are directed primarily toward breast and cervical cancer screening, diabetes control, cardiovascular health, and preventing tobacco-related diseases and conditions. Services are focused on adults without a medical "home." Referrals to other providers are made for management of problems detected.

The Nutrition subprogram administers the federally-funded Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) program which provides a monthly food prescription (package) as well as nutrition education to low-income pregnant and postpartum women, infants and children at nutritional risk; and sets standards of care for nutrition services. Studies have shown that pregnant women who participate in WIC have fewer premature births, less low birth weight babies and seek prenatal care earlier in the pregnancy. Nutritionists in local health departments provide medical nutrition therapy and follow-up nutrition care for children with special health care needs.

Executive Order 2000-1625 transferred the Emergency Medical Services Program from the Department for Adult and Child Health to the Kentucky Board of Emergency Medical Services.

**Health Services  
Public Health  
Laboratory Services**

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
<b>SOURCE OF FUNDS</b>					
<b>General Fund</b>					
Regular Appropriation	5,046,500	4,564,600	4,763,700	4,262,600	4,441,600
Budget Reduction	-461,000				
Reorganization Adjustments	-368,600				
<b>Total General Fund</b>	4,216,900	4,564,600	4,763,700	4,262,600	4,441,600
<b>Restricted Funds</b>					
Balance Forward	246,000				
Current Receipts	850,000	1,096,000	1,096,000	1,096,000	1,096,000
<b>Total Restricted Funds</b>	1,096,000	1,096,000	1,096,000	1,096,000	1,096,000
<b>TOTAL SOURCE OF FUNDS</b>	5,312,900	5,660,600	5,859,700	5,358,600	5,537,600
<b>EXPENDITURES BY CLASS</b>					
Personnel Cost	3,031,900	3,224,100	3,382,700	2,933,600	3,072,100
Operating Expenses	2,281,000	2,436,500	2,477,000	2,425,000	2,465,500
<b>TOTAL EXPENDITURES</b>	5,312,900	5,660,600	5,859,700	5,358,600	5,537,600
<b>EXPENDITURES BY FUND SOURCE</b>					
General Fund	4,216,900	4,564,600	4,763,700	4,262,600	4,441,600
Restricted Funds	1,096,000	1,096,000	1,096,000	1,096,000	1,096,000
<b>TOTAL EXPENDITURES</b>	5,312,900	5,660,600	5,859,700	5,358,600	5,537,600

The Laboratory Services Program provides essential examinations of clinical and environmental specimens as required to support other state programs, and local health department programs, and reference diagnostic testing not readily available elsewhere for hospitals and practicing physicians. Laboratory Services performs clinical toxicology and forensic toxicology examinations; tests environmental samples for water fluoride levels; examines milk, food, and water for evidence of contamination; and performs pesticide analyses; radiochemistry; and occupational safety and health chemistry.

The Laboratory Services Program is certified as a high complexity laboratory, obligating it to meet the most stringent federal requirements for quality assurance, quality control, and personnel qualifications. The program is responsible for approximately 259 local health department sites licensed on multiple-site certificates under Clinical Laboratory Improvement Act (CLIA). The program's staff provide technical direction, training sessions, on-site consultations, procedure manuals, forms for documentation, and other necessary tools.

Laboratory Services perform tests for patients in the Department for Mental Health and Mental Retardation Services' facilities and provide occupational health chemistry analysis for the Kentucky Occupational Safety and Health Program.

General Fund support (81%) is the primary source of funding for Laboratory Services. Agency funds (19%) are received from newborn screening fees and a cooperative agreement with OSHA through the Labor Cabinet.

Executive Order 2000-1621 transferred the Toxicology section from the Division of Laboratory Services to the Office of the Medical Examiner within the Justice Cabinet.

<b>Health Services</b>					
<b>Public Health</b>					
<b>Public Health Protection and Safety</b>					
	<b>Revised FY 2002</b>	<b>Requested FY 2003</b>	<b>Requested FY 2004</b>	<b>Recommended FY 2003</b>	<b>Recommended FY 2004</b>
<b>SOURCE OF FUNDS</b>					
<b>General Fund</b>					
Regular Appropriation	4,109,900	4,043,300	4,214,900	3,486,700	3,267,400
Budget Reduction	-408,500				
<b>Total General Fund</b>	<b>3,701,400</b>	<b>4,043,300</b>	<b>4,214,900</b>	<b>3,486,700</b>	<b>3,267,400</b>
<b>Restricted Funds</b>					
Balance Forward	150,400				
Current Receipts	5,263,800	5,312,800	5,312,800	5,312,800	5,312,800
Non-Revenue Receipts	76,000				
<b>Total Restricted Funds</b>	<b>5,490,200</b>	<b>5,312,800</b>	<b>5,312,800</b>	<b>5,312,800</b>	<b>5,312,800</b>
<b>Federal Funds</b>					
Current Receipts	1,549,500	1,536,400	1,536,400	1,536,400	1,536,400
<b>Total Federal Funds</b>	<b>1,549,500</b>	<b>1,536,400</b>	<b>1,536,400</b>	<b>1,536,400</b>	<b>1,536,400</b>
<b>TOTAL SOURCE OF FUNDS</b>	<b>10,741,100</b>	<b>10,892,500</b>	<b>11,064,100</b>	<b>10,335,900</b>	<b>10,116,600</b>
<b>EXPENDITURES BY CLASS</b>					
Personnel Cost	4,769,000	5,083,200	5,314,200	4,588,500	4,881,200
Operating Expenses	1,158,700	1,349,500	1,321,400	1,307,400	1,255,400
Grants, Loans or Benefits	4,813,400	4,459,800	4,428,500	4,440,000	3,980,000
<b>TOTAL EXPENDITURES</b>	<b>10,741,100</b>	<b>10,892,500</b>	<b>11,064,100</b>	<b>10,335,900</b>	<b>10,116,600</b>
<b>EXPENDITURES BY FUND SOURCE</b>					
General Fund	3,701,400	4,043,300	4,214,900	3,486,700	3,267,400
Restricted Funds	5,490,200	5,312,800	5,312,800	5,312,800	5,312,800
Federal Funds	1,549,500	1,536,400	1,536,400	1,536,400	1,536,400
<b>TOTAL EXPENDITURES</b>	<b>10,741,100</b>	<b>10,892,500</b>	<b>11,064,100</b>	<b>10,335,900</b>	<b>10,116,600</b>
<b>EXPENDITURES BY UNIT</b>					
Radiation	2,244,900	2,387,300	2,422,700	2,310,700	2,339,700
Milk	1,324,100	1,531,600	1,596,900	1,226,900	1,311,000
Food	4,649,900	4,606,100	4,661,300	4,490,900	4,146,900
Sanitation	2,522,200	2,367,500	2,383,200	2,307,400	2,319,000
<b>TOTAL EXPENDITURES</b>	<b>10,741,100</b>	<b>10,892,500</b>	<b>11,064,100</b>	<b>10,335,900</b>	<b>10,116,600</b>

The Public Health Protection and Safety Program provides a variety of environmental services, from monitoring exposure to radiation to insuring sanitation of food and milk and public facilities.

The Radiation subprogram inspects and issues 450 specific licenses to users of radioactive materials and registers and inspects 200 users of radiation sources. The program monitors the transportation of radioactive waste, both in and through the Commonwealth, and is equipped to respond to radiological emergencies 24 hours per day. The program registers and inspects 3,350 facilities and issues certificates and inspects approximately 5,500 operators of sources of radiation. Monitoring of nuclear waste disposal sites (such as Maxey Flats) is conducted by this agency along with the Natural Resources and Environmental Protection Cabinet.

The Milk Safety subprogram inspects dairy farms, dairy plants, and milk processors. The program provides safety education to milk haulers, pasteurization equipment operators and other industry professionals.

The Food subprogram trains local health department employees who inspect food service establishments, retail food stores, vending machine companies, tattoo studios and boarding homes, bed and breakfast establishments, and food manufacturing and storage plants. The program collects representative samples from the state's raw agricultural producers to test for pesticide residues. The food safety program also oversees quarantine and destruction of food, drugs and alcohol which have been contaminated by disasters such as floods.

The Sanitation subprogram establishes sanitary and safety standards for the construction and operation of public facilities. The program oversees construction of onsite sewage disposal systems and trains and certifies inspectors and operators. The program conducts lead abatement activities, especially in areas occupied by children. The program investigates unsafe products and provides education on safety issues.

### **Policy**

The recommended budget provides for a license fee increase to support the radioactive materials program. Agency funds of \$149,000 are recommended in fiscal year 2003 and \$149,000 in fiscal year 2004.

**Health Services  
Certificate of Need**

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
<b>SOURCE OF FUNDS</b>					
<b>General Fund</b>					
Regular Appropriation		131,500	134,100	131,500	134,100
<b>Total General Fund</b>		131,500	134,100	131,500	134,100
<b>Restricted Funds</b>					
Balance Forward	427,900	120,800	112,700	120,800	112,700
Current Receipts	177,600	226,100	226,100	226,100	226,100
<b>Total Restricted Funds</b>	605,500	346,900	338,800	346,900	338,800
<b>TOTAL SOURCE OF FUNDS</b>	605,500	478,400	472,900	478,400	472,900
<b>EXPENDITURES BY CLASS</b>					
Personnel Cost	450,200	337,300	354,400	337,300	354,400
Operating Expenses	34,500	28,400	30,800	28,400	30,800
<b>TOTAL EXPENDITURES</b>	484,700	365,700	385,200	365,700	385,200
<b>EXPENDITURES BY FUND SOURCE</b>					
General Fund		131,500	134,100	131,500	134,100
Restricted Funds	484,700	234,200	251,100	234,200	251,100
<b>TOTAL EXPENDITURES</b>	484,700	365,700	385,200	365,700	385,200

The Certificate of Need process ensures that the citizens of the Commonwealth will have safe, adequate and efficient medical care. KRS 194A.030 established the Office of Certificate of Need. KRS 216B provides statutory authority to promulgate administrative regulations, process approval or disapproval of applications for certificates of need, schedule public hearings, monitor the implementation of approved certificates of need, and issue advisory opinions.

A Certificate of Need must be obtained prior to the following activities:

- Establishment of a health facility;
- Obligation of a capital expenditure which exceeds the capital expenditure minimum;
- A substantial change in the bed capacity of a health facility;
- A substantial change in a previously approved project;
- Acquisition of major medical equipment;
- Alteration of a geographical area or a specific location which has been designated on a certificate of need or license; or
- Transfer of an approved certificate of need for the establishment of a new health facility or the replacement of a licensed facility.

**Policy**

The recommended budget provides for a fee increase of \$84,800 for fiscal year 2003 and \$84,800 for fiscal year 2004 for the purpose of maintaining adequate staffing to support the Certificate of Need function in Kentucky.

**Health Services  
Aging Services**

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
<b>SOURCE OF FUNDS</b>					
<b>General Fund</b>					
Regular Appropriation	25,584,200	27,468,900	28,521,700	26,421,800	26,821,800
Budget Reduction	-762,400				
<b>Total General Fund</b>	24,821,800	27,468,900	28,521,700	26,421,800	26,821,800
<b>Restricted Funds</b>					
Balance Forward	250,100	76,300	38,200	76,300	38,200
Current Receipts	53,600	54,600	55,700	54,600	55,700
Non-Revenue Receipts	217,700	667,700	667,700	667,700	667,700
<b>Total Restricted Funds</b>	521,400	798,600	761,600	798,600	761,600
<b>Federal Funds</b>					
Balance Forward	169,100				
Current Receipts	18,545,500	18,885,300	18,885,300	18,885,300	18,885,300
<b>Total Federal Funds</b>	18,714,600	18,885,300	18,885,300	18,885,300	18,885,300
<b>TOTAL SOURCE OF FUNDS</b>	44,057,800	47,152,800	48,168,600	46,105,700	46,468,700
<b>EXPENDITURES BY CLASS</b>					
Personnel Cost	1,882,600	1,861,600	1,959,100	1,790,800	1,878,600
Operating Expenses	213,800	224,000	228,400	213,800	213,800
Grants, Loans or Benefits	41,852,100	45,029,000	45,811,100	44,062,900	44,376,300
Debt Service			170,000		
Construction	33,000				
<b>TOTAL EXPENDITURES</b>	43,981,500	47,114,600	48,168,600	46,067,500	46,468,700
<b>EXPENDITURES BY FUND SOURCE</b>					
General Fund	24,821,800	27,468,900	28,521,700	26,421,800	26,821,800
Restricted Funds	445,100	760,400	761,600	760,400	761,600
Federal Funds	18,714,600	18,885,300	18,885,300	18,885,300	18,885,300
<b>TOTAL EXPENDITURES</b>	43,981,500	47,114,600	48,168,600	46,067,500	46,468,700

The Office of Aging Services was transferred to the Cabinet for Health Services by Executive Order 99-80. The Office is designated as the State Unit on Aging by the Federal Administration on Aging. Services are carried out through contracts with the 15 Area Development Districts (ADDs).

Older Americans Act services include: congregate meals, nutrition services, employment services, and the long-term care ombudsman program. Congregate meals are served to persons age 60 and over at senior citizens centers located in each Kentucky county.

Homecare provides alternative services for frail and vulnerable adults 60 years and older who are physically and/or functionally disabled and at-risk of long-term institutionalization. Services include: homemaker/personal care, homemaker/home management, home health aide, home-delivered meals, home repair, chore, respite, and escort services (such as to the doctor's office). Homecare is a state program operated under KRS 205.455 to 465. The program served over 10,400 persons during fiscal year 2001. Some Homecare funds are now being used to leverage federal Medicaid funds through the Homecare Home and Community Based Waiver (1915c waiver).

Community Based Services provides programs for adult day care and Alzheimer's respite, personal care attendant for physically disabled adults, and a state health insurance assistance program. These programs strive to provide cost effective alternatives to the population at-risk of institutionalization. A portion of the personal care attendant program funds are used to leverage federal Medicaid funds through a recently approved Personal Care Attendant Home and Community Based waiver.

KRS 194A.707 established the initial and annual certification review process for assisted living communities effective July 14, 2000, to be carried out by the Office of Aging Services.

### **Policy**

The recommended budget provides additional funding for the Long Term Care Ombudsman program. Agency funds of \$450,000 for fiscal year 2003 and \$450,000 for fiscal year 2004 are recommended. The source of the funds is the civil monetary penalty account. The use of these funds is restricted by federal rules for the protection of persons residing in long-term care facilities. The Long Term Care Ombudsman Program receives and investigates all complaints and problems of approximately 34,000 residents of nursing homes, personal care homes, and family care homes in Kentucky.

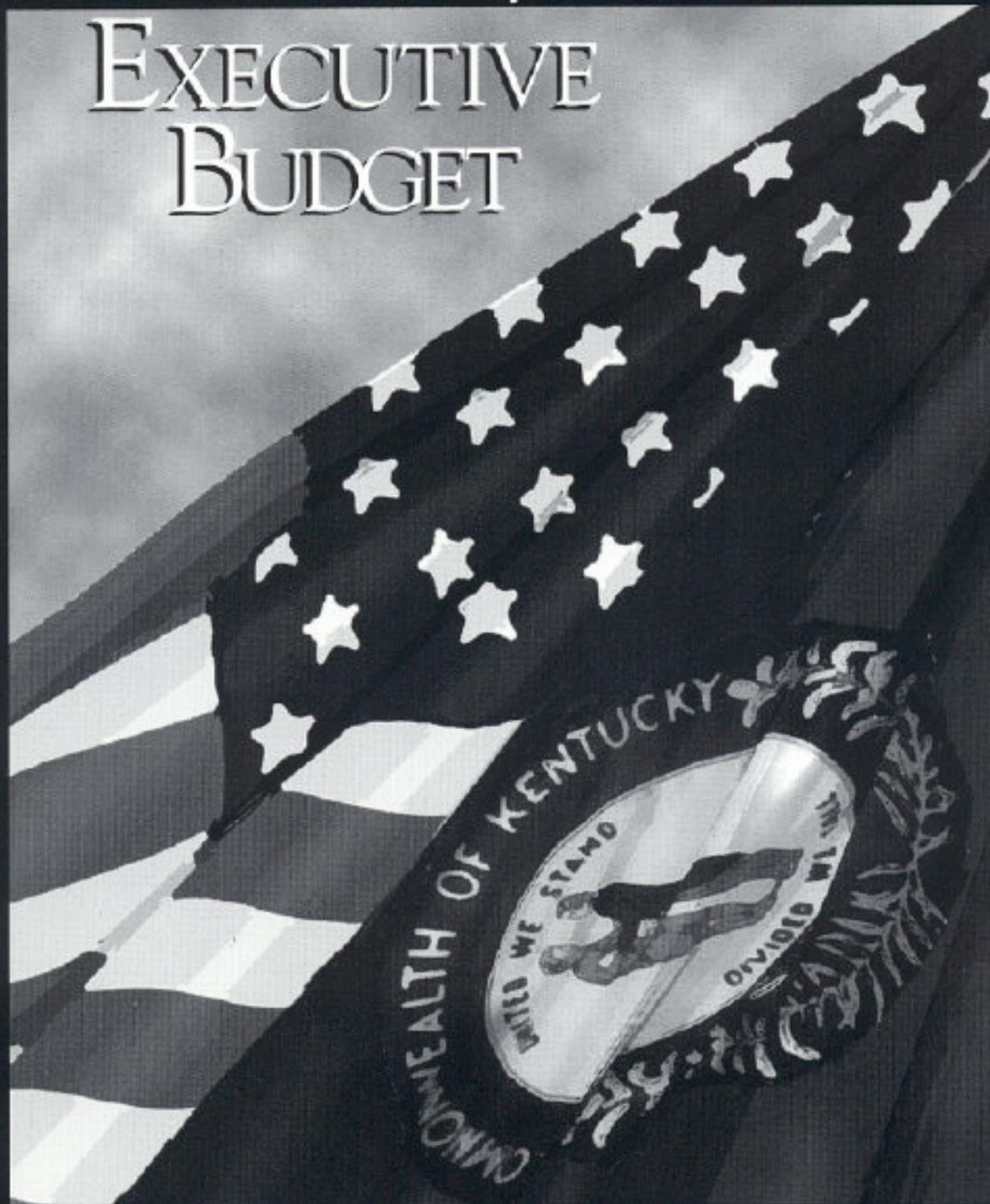
Included in the Governor's recommendation is an additional General Fund allocation of \$1,600,000 for fiscal year 2003 and \$2,000,000 for fiscal year 2004 for the Homecare Program.



2002-2004

*Justice*

# EXECUTIVE BUDGET



**Justice Cabinet**

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
<b>SOURCE OF FUNDS</b>					
<b>General Fund</b>					
Regular Appropriation	492,113,800	531,517,800	571,499,500	462,269,800	494,364,800
Continuing Appropriation - Gen'l Fund	320,000	234,600	135,500	234,600	139,900
Budget Reduction	-23,485,300				
Reorganization Adjustments	368,600				
<b>Total General Fund</b>	469,317,100	531,752,400	571,635,000	462,504,400	494,504,700
<b>Restricted Funds</b>					
Balance Forward	18,762,800	13,147,900	8,606,500	15,228,400	11,726,100
Current Receipts	42,380,800	42,222,900	41,776,000	57,872,900	41,652,000
Non-Revenue Receipts	35,118,900	38,925,100	41,534,900	39,245,000	41,029,200
<b>Total Restricted Funds</b>	96,262,500	94,295,900	91,917,400	112,346,300	94,407,300
<b>Federal Funds</b>					
Balance Forward	6,360,028	194,900	194,900	194,900	194,900
Current Receipts	43,210,172	43,817,700	44,257,000	44,220,700	44,611,200
Non-Revenue Receipts	422,200				
<b>Total Federal Funds</b>	49,992,400	44,012,600	44,451,900	44,415,600	44,806,100
<b>Road Fund</b>					
Regular Appropriation	30,000,000	30,000,000	30,000,000	30,000,000	30,000,000
<b>Total Road Fund</b>	30,000,000	30,000,000	30,000,000	30,000,000	30,000,000
<b>TOTAL SOURCE OF FUNDS</b>	645,572,000	700,060,900	738,004,300	649,266,300	663,718,100
<b>EXPENDITURES BY CLASS</b>					
Personnel Cost	343,989,400	383,568,000	408,989,300	349,544,900	366,049,100
Operating Expenses	82,583,800	90,602,600	92,667,800	85,786,800	87,321,300
Grants, Loans or Benefits	188,217,400	199,833,000	204,301,600	186,220,800	187,605,300
Debt Service	3,079,500	4,655,000	11,503,000	3,357,500	3,360,200
Capital Outlay	9,944,000	10,465,400	9,721,200	8,495,400	8,964,900
Construction	2,100,000	2,000,000	2,000,000	3,800,000	2,000,000
<b>TOTAL EXPENDITURES</b>	629,914,100	691,124,000	729,182,900	637,205,400	655,300,800
<b>EXPENDITURES BY FUND SOURCE</b>					
General Fund	469,082,500	531,616,900	571,612,200	462,364,500	494,468,900
Restricted Funds	81,034,100	85,689,400	83,313,700	100,620,200	86,220,700
Federal Funds	49,797,500	43,817,700	44,257,000	44,220,700	44,611,200
Road Fund	30,000,000	30,000,000	30,000,000	30,000,000	30,000,000
<b>TOTAL EXPENDITURES</b>	629,914,100	691,124,000	729,182,900	637,205,400	655,300,800
<b>EXPENDITURES BY UNIT</b>					
Justice Administration	27,723,200	23,902,200	24,146,100	23,427,600	23,779,900
State Police	135,049,600	143,794,800	149,088,800	133,018,300	136,207,400
Juvenile Justice	116,412,100	123,159,200	133,972,400	114,865,100	118,991,700
Criminal Justice Training	35,633,700	41,977,500	41,116,100	41,777,100	40,641,400
Corrections	315,095,500	358,290,300	380,859,500	324,117,300	335,680,400
<b>TOTAL EXPENDITURES</b>	629,914,100	691,124,000	729,182,900	637,205,400	655,300,800

The Kentucky Justice Cabinet was created in 1974 pursuant to KRS 15A.010. The Cabinet is comprised of five departments: Department of Justice Administration, Department of State Police, Department of Juvenile Justice, Department of Criminal Justice Training, and Department of Corrections.

**Justice Cabinet  
Justice Administration**

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
<b>SOURCE OF FUNDS</b>					
<b>General Fund</b>					
Regular Appropriation	7,664,100	8,959,500	9,132,100	8,086,000	8,231,000
Budget Reduction	-331,000				
Reorganization Adjustments	368,600				
<b>Total General Fund</b>	7,701,700	8,959,500	9,132,100	8,086,000	8,231,000
<b>Restricted Funds</b>					
Balance Forward	1,217,200	1,071,700	897,000	1,001,000	830,400
Current Receipts					176,000
Non-Revenue Receipts	1,692,800	1,737,500	1,757,000	1,737,500	1,757,000
<b>Total Restricted Funds</b>	2,910,000	2,809,200	2,654,000	2,738,500	2,763,400
<b>Federal Funds</b>					
Balance Forward	830,000				
Current Receipts	17,230,000	13,030,500	13,030,500	13,433,500	13,384,700
Non-Revenue Receipts	52,500				
<b>Total Federal Funds</b>	18,112,500	13,030,500	13,030,500	13,433,500	13,384,700
<b>TOTAL SOURCE OF FUNDS</b>	28,724,200	24,799,200	24,816,600	24,258,000	24,379,100
<b>EXPENDITURES BY CLASS</b>					
Personnel Cost	6,656,100	7,692,800	8,014,300	7,252,100	7,631,900
Operating Expenses	1,886,100	2,105,200	2,099,700	2,146,300	2,115,900
Grants, Loans or Benefits	18,977,700	14,019,500	14,023,100	14,019,500	14,023,100
Capital Outlay	203,300	84,700	9,000	9,700	9,000
<b>TOTAL EXPENDITURES</b>	27,723,200	23,902,200	24,146,100	23,427,600	23,779,900
<b>EXPENDITURES BY FUND SOURCE</b>					
General Fund	7,701,700	8,959,500	9,132,100	8,086,000	8,231,000
Restricted Funds	1,909,000	1,912,200	1,983,500	1,908,100	2,164,200
Federal Funds	18,112,500	13,030,500	13,030,500	13,433,500	13,384,700
<b>TOTAL EXPENDITURES</b>	27,723,200	23,902,200	24,146,100	23,427,600	23,779,900
<b>EXPENDITURES BY UNIT</b>					
Secretary	4,123,700	4,299,500	4,446,800	4,170,300	4,309,400
Medical Examiner Program	3,808,900	4,200,400	4,267,500	4,055,200	4,243,100
Parole Board	1,173,000	1,740,100	1,785,200	1,581,300	1,589,600
Grants	18,287,600	13,282,500	13,287,600	13,245,200	13,274,100
Criminal Justice Council	330,000	379,700	359,000	375,600	363,700
<b>TOTAL EXPENDITURES</b>	27,723,200	23,902,200	24,146,100	23,427,600	23,779,900

Justice Administration is responsible for the overall administration of the Justice Cabinet, coordinating the activities of the various departments, boards, and branches. The Department of Justice Administration is comprised of the Office of the Secretary, the Criminal Justice Council, the Grants Management branch, the Kentucky State Parole Board, and the Kentucky State Medical Examiner.

The Office of the Secretary includes the Secretary, Deputy Secretary, General Counsel, and Administrative Services for the Justice Cabinet. The Office is responsible for the overall administration of the Cabinet, provision of legal services, development of legislation, regulation, policy, and coordination of activities within and among the Cabinet departments and agencies.

The Office of the Kentucky Criminal Justice Council was established in accordance with passage of House Bill 455 by the 1998 Regular Session of the General Assembly. Kentucky Revised Statute (KRS) 15A.040 states the Criminal Justice Council shall advise and recommend to the Governor and the General Assembly policies and direction for long-range planning regarding all elements of the criminal justice system. The Council consists of a 29-member board with representation from the various justice areas: law enforcement, judicial, corrections, prosecution bar, defense bar, legislative, professional associations, crime victims, victim advocates, and universities. The Secretary of the Justice Cabinet serves ex-officio as Chair of the Council. Seven standing committees currently exist to carry out statewide criminal justice planning for the executive, legislative, and judicial branches of government.

The Grants Management Branch was created in conjunction with the establishment of the Office of the Kentucky Criminal Justice Council. As stated in KRS 15A.040(1)(a), the Council is required to make recommendations to the Justice Secretary with respect to the award of state and federal grants, consistent with the priorities adopted by the Governor, the General Assembly, and the Council. The Grants Management Branch's additional duties include the receipt and distribution of federal funds throughout the Cabinet, such as the Residential Substance Abuse Treatment (RSAT) program, the Full Faith and Credit Act program, and the Law Enforcement DUI Service Fee Program.

The Kentucky State Parole Board, as an independent, autonomous agency attached to Justice Administration for administrative purposes, consists of a seven-member Board which reviews and applies release review authority to all convicted felons per KRS 439. Furthermore, the Board notifies crime victims of pending parole decisions and, upon request, meets with the victims.

The Kentucky State Medical Examiner, in accordance with KRS 72.210-275, provides forensic specialists who assist the County Coroners' offices (120 counties) and law enforcement officials in conducting medico-legal investigations. The Medical Examiner provides professional support for physicians, a forensic anthropologist, chief and deputy medical examiners, regional medical examiners, and contractual services with the Universities of Kentucky and Louisville for facilities, equipment, histology services, radiology services, and medico-legal autopsy assistants. The staff also provides assistance to the Criminal Justice Training program with curriculum for coroners and law enforcement officers. Branch offices and autopsy facilities are operated in Frankfort, Louisville, Northern Kentucky, and Madisonville.

In March 2001, through Executive Order 2000-1621, the Toxicology Laboratory was transferred from the Department of Public Health within the Cabinet for Health Services to the Justice Cabinet, Medical Examiners Office. Since 80 percent of the work performed by the Lab was for the Medical Examiners Office, it was deemed appropriate that the Lab be located in the Justice Cabinet.

## **Policy**

The Governor's recommended budget provides General Fund support in the amount of \$256,700 in fiscal year 2003, \$156,900 in fiscal year 2004, and restricted fund support in the amount of \$176,000 in fiscal year 2004 for the Medical Examiner's Office, Toxicology Laboratory. Funds will support four additional positions in fiscal year 2003 and seven additional positions in fiscal year 2004 as well as operating resources in order to substantially improve turn around time and responsiveness.

The Governor's recommended budget provides General Fund support in the amount of \$78,000 in fiscal year 2003 and \$81,900 in fiscal year 2004 for the Medical Examiner's Office Memoranda of Agreement with the University of Kentucky and University of Louisville, as well as the personal service contract with St. Luke's Hospital for forensic services provided.

**Justice Cabinet  
State Police**

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
<b>SOURCE OF FUNDS</b>					
<b>General Fund</b>					
Regular Appropriation	89,362,100	96,851,400	101,456,300	85,574,900	88,324,900
Budget Reduction	-3,787,200				
<b>Total General Fund</b>	85,574,900	96,851,400	101,456,300	85,574,900	88,324,900
<b>Restricted Funds</b>					
Balance Forward	5,044,700	874,700	536,000	874,700	536,000
Current Receipts	5,859,000	5,532,100	5,535,200	6,032,100	5,785,200
Non-Revenue Receipts	1,300,000	1,300,000	1,300,000	1,300,000	1,300,000
<b>Total Restricted Funds</b>	12,203,700	7,706,800	7,371,200	8,206,800	7,621,200
<b>Federal Funds</b>					
Balance Forward	189,900				
Current Receipts	7,955,800	9,772,600	10,261,300	9,772,600	10,261,300
<b>Total Federal Funds</b>	8,145,700	9,772,600	10,261,300	9,772,600	10,261,300
<b>Road Fund</b>					
Regular Appropriation	30,000,000	30,000,000	30,000,000	30,000,000	30,000,000
<b>Total Road Fund</b>	30,000,000	30,000,000	30,000,000	30,000,000	30,000,000
<b>TOTAL SOURCE OF FUNDS</b>	135,924,300	144,330,800	149,088,800	133,554,300	136,207,400
<b>EXPENDITURES BY CLASS</b>					
Personnel Cost	99,264,200	110,593,700	116,252,500	102,456,500	105,046,500
Operating Expenses	23,409,200	25,076,500	25,470,100	23,470,200	23,794,700
Grants, Loans or Benefits	3,371,200				
Capital Outlay	7,905,000	8,124,600	7,366,200	7,091,600	7,366,200
Construction	1,100,000				
<b>TOTAL EXPENDITURES</b>	135,049,600	143,794,800	149,088,800	133,018,300	136,207,400
<b>EXPENDITURES BY FUND SOURCE</b>					
General Fund	85,574,900	96,851,400	101,456,300	85,574,900	88,324,900
Restricted Funds	11,329,000	7,170,800	7,371,200	7,670,800	7,621,200
Federal Funds	8,145,700	9,772,600	10,261,300	9,772,600	10,261,300
Road Fund	30,000,000	30,000,000	30,000,000	30,000,000	30,000,000
<b>TOTAL EXPENDITURES</b>	135,049,600	143,794,800	149,088,800	133,018,300	136,207,400
<b>EXPENDITURES BY UNIT</b>					
Administration	12,921,100	16,898,200	17,717,600	15,573,200	15,579,300
Services	40,783,900	46,946,100	47,683,100	43,831,100	44,774,100
State Police Operations	81,344,600	79,950,500	83,688,100	73,614,000	75,854,000
<b>TOTAL EXPENDITURES</b>	135,049,600	143,794,800	149,088,800	133,018,300	136,207,400

The Kentucky State Police, the statewide law enforcement agency of the Commonwealth, has been a Department in the Justice Cabinet since 1974. State Troopers are assigned to 16 regional posts across the State. The Department is responsible for the enforcement of criminal and traffic laws, along with white-collar crime, organized crime, racketeering, and drug-related crime. The State Police also provides protection for the Governor, Lieutenant Governor, their families, and property. The Kentucky State Police is comprised of three programmatic divisions: Administration, Operations, and Services.

The Administrative Division provides professional support services for the Department, such as: organizational policy, personnel, payroll, fiscal, legal, internal investigations, inspections, and drug control. Public relations, training, analysis, research, strategic planning, and information coordination are other functions performed in this division. The State Police Academy is also part of this division.

The Operations Division includes the regional posts and the personnel assigned to each post. State Police posts are maintained in Mayfield, Madisonville, Henderson, Elizabethtown, Bowling Green, Dry Ridge, Frankfort, LaGrange, Richmond, Columbia, Morehead, Ashland, Pikeville, Hazard, Harlan, and London. The Governor's protection and security operations are included in this division. Special Operations, Special Investigations, and the Electronic Crimes Unit are also part of this division.

The Services Division is responsible for providing technical assistance to other Departmental areas, along with outside agencies, concerning records, communications, criminal history information, intelligence information, automated fingerprint information, and data processing. Furthermore, functions involving driver's test administration, state facility security, forensic laboratory services, concealed deadly weapon licensing, the provision of supplies and equipment, and the aircraft section are included in this division.

### **Policy**

The Governor's recommended budget provides restricted funds support in the amount of \$5,554,200 in fiscal year 2002 for implementation of the Commercial Mobile Radio System (CMRS) at ten Kentucky State Police Posts; funds to purchase hardware and software for the Billing State program which provides criminal background checks for school systems and other agencies; and funds to purchase equipment and related items authorized by Federal Asset Forfeiture guidelines to assist in drug enforcement programs implemented by the Kentucky State Police.

The Governor's recommended budget provides restricted funds support in the amount of \$500,000 in fiscal year 2003, \$250,000 in fiscal year 2004, and General Fund support in the amount of \$750,000 in fiscal year 2004 for the Kentucky State Police Crime Lab in order to substantially improve turn around time and responsiveness. Funds will support eleven additional full-time positions in fiscal year 2003 and 26 additional full-time positions in fiscal year 2004 as well as operating and capital needs.

**Justice Cabinet  
Juvenile Justice**

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
<b>SOURCE OF FUNDS</b>					
<b>General Fund</b>					
Regular Appropriation	89,643,000	90,350,600	102,907,400	83,550,100	86,050,100
Budget Reduction	-6,092,900				
<b>Total General Fund</b>	<b>83,550,100</b>	<b>90,350,600</b>	<b>102,907,400</b>	<b>83,550,100</b>	<b>86,050,100</b>
<b>Restricted Funds</b>					
Balance Forward	2,930,600	2,393,600		5,000,000	4,100,000
Current Receipts	15,619,400	13,115,000	13,815,000	13,115,000	13,115,000
<b>Total Restricted Funds</b>	<b>18,550,000</b>	<b>15,508,600</b>	<b>13,815,000</b>	<b>18,115,000</b>	<b>17,215,000</b>
<b>Federal Funds</b>					
Balance Forward	4,618,728				
Current Receipts	14,693,272	17,300,000	17,250,000	17,300,000	17,250,000
<b>Total Federal Funds</b>	<b>19,312,000</b>	<b>17,300,000</b>	<b>17,250,000</b>	<b>17,300,000</b>	<b>17,250,000</b>
<b>TOTAL SOURCE OF FUNDS</b>	<b>121,412,100</b>	<b>123,159,200</b>	<b>133,972,400</b>	<b>118,965,100</b>	<b>120,515,100</b>
<b>EXPENDITURES BY CLASS</b>					
Personnel Cost	63,257,300	67,255,000	73,885,300	60,818,600	65,005,000
Operating Expenses	12,300,000	12,583,200	13,285,000	12,305,900	12,584,500
Grants, Loans or Benefits	39,854,800	41,271,000	42,992,100	39,740,600	39,402,200
Debt Service			1,685,000		
Capital Outlay		50,000	125,000		
Construction	1,000,000	2,000,000	2,000,000	2,000,000	2,000,000
<b>TOTAL EXPENDITURES</b>	<b>116,412,100</b>	<b>123,159,200</b>	<b>133,972,400</b>	<b>114,865,100</b>	<b>118,991,700</b>
<b>EXPENDITURES BY FUND SOURCE</b>					
General Fund	83,550,100	90,350,600	102,907,400	83,550,100	86,050,100
Restricted Funds	13,550,000	15,508,600	13,815,000	14,015,000	15,691,600
Federal Funds	19,312,000	17,300,000	17,250,000	17,300,000	17,250,000
<b>TOTAL EXPENDITURES</b>	<b>116,412,100</b>	<b>123,159,200</b>	<b>133,972,400</b>	<b>114,865,100</b>	<b>118,991,700</b>
<b>EXPENDITURES BY UNIT</b>					
Program Management	1,273,500	1,336,900	1,399,600	1,263,200	1,315,300
Program Operations	108,836,800	115,177,300	125,601,300	107,580,900	111,435,200
Support Services	6,301,800	6,645,000	6,971,500	6,021,000	6,241,200
<b>TOTAL EXPENDITURES</b>	<b>116,412,100</b>	<b>123,159,200</b>	<b>133,972,400</b>	<b>114,865,100</b>	<b>118,991,700</b>

The Department of Juvenile Justice, established as part of the Justice Cabinet in August 1996, operates programs for juvenile prevention, detention, community services, and residential facilities for post-adjudicated offenders. All programs are designed primarily for public and youthful offenders. The Department consists of three programmatic areas: Program Management, Program Operations, and Support Services.

Program Management is comprised of three organizational units, which provide management and policy direction for the Department: Office of the Commissioner, Office of General Counsel, and Office of Ombudsman. The Office of the Commissioner provides staff support for the Commissioner, which includes public information services. The Office of General Counsel is responsible for providing legal services and advice to employees, presiding over all administrative hearings, and promulgating administrative regulations. The Office of Ombudsman investigates and resolves grievances filed by those receiving services from the Department.

Program Operations consists of the direct services provided to both public and youthful offenders, through Day Treatment Services, Group Homes, Residential Facilities, Community Supervision, Private Child Care Facilities, Detention Facilities, and Alternatives to Detention. The programs are administered on a regional basis, with three separate regions in the state.

Day Treatment Services is comprised of 6 state-owned and 20 contract programs. These programs are the least restrictive, since the youth remain in a home setting during the evening and attend a day treatment program during the day. A court or school system usually refers youth to serve in these programs. Day Treatment provides educational alternatives, treatment, and counseling for youth between the ages of 12 and 17. The total capacity of 26 centers is 955 youths.

<b>Day Treatment Facilities</b>	<b>County</b>	<b>Slots</b>
Hardin County	Hardin	40
Hopkins County	Hopkins	40
Lifeskills	Warren	40
Daviess County	Daviess	45
Calloway County	Calloway	30
Ohio County	Ohio	30
Barren County	Barren	30
Harrodsburg Independent	Boyle	30
Bullitt County	Bullitt	50
Shelby County	Shelby	30
Wilkinson Street	Franklin	50
Boyle County	Boyle	30
Shelby Valley	Pike	30
Phelps	Pike	30
Madison County	Madison	30
Newport	Campbell	45
Laurel County	Laurel	30
Pulaski County	Pulaski	30
Clark County	Clark	30
Christian County	Christian	40
Campbell County	Campbell	15
Bell County	Bell	30
Corbin Board of Education	Knox/Laurel/Whitley	30
Lexington Urban County Government	Fayette	55
Ashland	Boyd	40
Louisville	Jefferson	75

Day Treatment Slots = 955

Group Homes, comprised of 11 state-operated and two contract homes, are community-based residential treatment facilities that serve eight to ten youth per home. These programs accept youth between 12-18 years of age, who have been committed to the Department as public or youthful offenders. Group home care serves as an alternative to institutionalization and aims to transition youth from institutional placement to the community. The total capacity of 13 group homes is 128 youths.

<b>Group Home Facilities</b>	<b>County</b>	<b>Beds</b>
Ashland	Boyd	10
Bowling Green	Warren	10
Burnside	Pulaski	10
Frenchburg	Menifee	10
Glasgow	Barren	10
Hopkinsville	Christian	10

London	Laurel	10
Mayfield	Graves	10
Middlesboro	Bell	10
Frankfort	Franklin	10
Westport	Jefferson	8
Reynolds (contract)	Jefferson	10
Chabra (contract)	Jefferson	10

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Group Home Beds = 128

The 13 state-operated Residential Facilities provide 24-hour care and custody of juveniles who have been committed to the Department as public offenders, or sentenced as youthful offenders. These facilities serve youth who are in need of treatment that cannot be provided in their community, or who require placement in a secure setting because they represent a threat to the community. The current capacity of the 13 facilities is 509 youths.

Residential Facilities	City	County	Beds
Northern Kentucky Youth Development Center	Crittenden	Grant	44
Morehead Youth Development Center	Morehead	Rowan	32
Green River Youth Development Center	Cromwell	Butler	40
Rice-Audubon Youth Development Center	Louisville	Jefferson	40
Mayfield Boy's Youth Development Center	Mayfield	Graves	36
Owensboro Treatment Center	Owensboro	Daviess	30
Cardinal Treatment Center	Louisville	Jefferson	33
Lincoln Village Youth Development Center	Elizabethtown	Hardin	40
Lake Cumberland Youth Development Center	Monticello	Wayne	44
Woodsbend Boy's Youth Development Center	West Liberty	Morgan	44
Bluegrass Assessment Center	Lexington	Fayette	16
Cadet Leadership Education Program	Jackson	Breathitt	40
Adair Youth Development Center	Columbia	Adair	70

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Residential Beds = 509

Community Services are community-based services provided to juvenile offenders. Juvenile workers in the community offices develop service objectives and comprehensive service plans for juvenile offenders and their families. Juvenile workers supervise juvenile offenders and recommend any necessary out-of-home placements. Juvenile workers supervise over 3600 youths.

Private child care facilities and therapeutic foster care programs are utilized to alleviate facility capacity problems and to provide specialized treatment for youths. Approximately 350 juveniles are in these programs on any given day.

Four state-operated detention centers are currently in operation in Breathitt, McCracken, Campbell, and Warren Counties, and ten beds are available for detention in the youth development center in Adair County. A fifth center will open in the spring of 2002 in Laurel County, and at that time, 262 beds will be available in state detention centers. The regional center in Boyd County is under construction and scheduled for completion by the beginning of fiscal year 2004. Centers located in Fayette and Hardin Counties are being designed and should open by fiscal year 2005. At that time the state will have 438 beds available and will provide detention services to all counties in the state with the exception of Jefferson.

Currently, the state charges counties \$94 per day for holding juveniles and provides a subsidy to the counties of \$80 per day for all public and youthful offenders. The subsidy is provided for juveniles placed in both state-operated and approved locally operated facilities. Starting with fiscal year 2003, the state will end the practice of charging and providing a subsidy for juveniles in state-operated facilities. It will continue providing the subsidy for eligible juveniles held in approved locally operated facilities, and the per diem rate will increase to \$94.

State-operated Detention Centers	County	Beds
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Breathitt Regional Juvenile Detention Center	Breathitt	56
McCracken Regional Juvenile Detention Center	McCracken	48
Campbell Regional Juvenile Detention Center	Campbell	52
Adair Youth Development Center	Adair	10
Warren Regional Juvenile Detention Center	Warren	48
Laurel Regional Juvenile Detention Center	Laurel	48
Boyd Regional Juvenile Detention Center	Boyd	48
Fayette Regional Juvenile Detention Center	Fayette	80
Hardin Regional Juvenile Detention Center	Hardin	48

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Detention Beds = 438

Less restrictive placements than detention facilities are provided through contracts with emergency shelters and foster care providers. Seven Departmental staff members are responsible for the assessment of juveniles in the facilities, and the determination of whether an alternative to detention is appropriate.

The Division of Placement Services, included in the Program Operations area, determines appropriate out of home placements for youth committed to the Department of Juvenile Justice.

Support Services, which provides administrative support to all organizational units of the Department, includes: Division of Administration, Division of Program Services, Medical Branch, and the Division of Staff Development. The Division of Administration consists of three branches: Personnel, Fiscal, and Information Systems. The Division of Program Services is charged with the development and implementation of a reliable protocol for checking the quality of all special incident investigations, inspection of each residential program to ensure ACA accreditation, and research and development of new prevention programs. The Medical branch oversees the medical delivery system throughout the Department. The Division of Staff Development provides training to all Department employees, and operates a seven-week academy for youth workers on the campus of Eastern Kentucky University.

**Policy**

The Governor's recommended budget provides additional General Fund support in the amount of \$2,500,000 in fiscal year 2004 to support the operation and maintenance of the Boyd County Regional Juvenile Detention Center and the Fayette County Regional Juvenile Detention Center.

**Juvenile Justice – Program Operations**  
**Performance Budgeting Pilot Project Information**

**Program Mission**

The mission of the Program Operations program of the Department for Juvenile Justice is to promote public safety by providing balanced, comprehensive services that hold youth accountable, and provide the opportunity for youth to develop into productive, responsible citizens.

**Objective:** To effectively supervise and treat 2,300 youth (average daily population) residing in the community who are committed or probated by the courts to the care and supervision of the Department for Juvenile Justice.

**Performance Indicator:** Percentage of contact for committed or probated juveniles out of the home on a monthly basis.

<u><b>FY 2002</b></u> 95%	<u><b>FY 2003</b></u> 95%	<u><b>FY 2004</b></u> 95%
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**Performance Indicator:** Youth that complete the program in a youth development/treatment center and return to the community attain age 18 without additional placement outside the home.

<u><b>FY 2002</b></u> 45%	<u><b>FY 2003</b></u> 45%	<u><b>FY 2004</b></u> 45%
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**Performance Indicator:** Probated or committed youth residing in the community are enrolled in an educational program or are gainfully employed.

<u><b>FY 2002</b></u> 90%	<u><b>FY 2003</b></u> 90%	<u><b>FY 2004</b></u> 90%
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**Performance Indicator:** Youth that complete a residential program and return to the community have no additional public offense convictions more serious than the ones convicted of prior to placement while remaining committed to the Department for Juvenile Justice.

<u><b>FY 2002</b></u> 70%	<u><b>FY 2003</b></u> 70%	<u><b>FY 2004</b></u> 70%
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**Objective:** To effectively provide treatment and educational opportunity to 600 (average daily population) youth in state-operated and contracted day treatment programs.

**Performance Indicator:** Youth assigned to day treatment programs completing the program.

<u><b>FY 2002</b></u> 90%	<u><b>FY 2003</b></u> 90%	<u><b>FY 2004</b></u> 90%
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**Performance Indicator:** Youth assigned to day treatment are not placed out of the home while enrolled in the day treatment program.

<u><b>FY 2002</b></u> 75%	<u><b>FY 2003</b></u> 75%	<u><b>FY 2004</b></u> 75%
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**Performance Indicator:** Youth that never have placed out of home, excluding foster care, and complete a day treatment program are not placed outside the home within one year of completing the program.

<u><b>FY 2002</b></u> 75%	<u><b>FY 2003</b></u> 75%	<u><b>FY 2004</b></u> 75%
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**Performance Indicator:** Youth assigned to day treatment programs show an increase in school attendance during the day treatment program period compared to a one-year period prior to assignment to the program.

<u><b>FY 2002</b></u> 90%	<u><b>FY 2003</b></u> 90%	<u><b>FY 2004</b></u> 90%
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**Objective:** To protect the public and provide rehabilitative treatment services to 400 (average daily population) youth removed from the community and placed in a state-operated or privately contracted residential programs.

**Performance Indicator:** Escapes from the centers are limited to a maximum percent of those placed per year in the youth development/treatment center system.

<u>FY 2002</u>	<u>FY 2003</u>	<u>FY 2004</u>
3%	3%	3%

**Performance Indicator:** Youth placed in the centers nine months or more before their 18<sup>th</sup> birthday complete the required program prior to attaining age 18.

<u>FY 2002</u>	<u>FY 2003</u>	<u>FY 2004</u>
90%	90%	90%

**Performance Indicator:** Youth that complete the program in a youth development/treatment center and return to the community attain age 18 without additional placement outside the home.

<u>FY 2002</u>	<u>FY 2003</u>	<u>FY 2004</u>
45%	45%	45%

**Performance Indicator:** Youth that complete a residential program and return to the community have no additional public offense convictions more serious than the ones convicted of prior to placement prior to age 18.

<u>FY 2002</u>	<u>FY 2003</u>	<u>FY 2004</u>
70%	70%	70%

**Justice Cabinet  
Criminal Justice Training**

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
<b>SOURCE OF FUNDS</b>					
<b>Restricted Funds</b>					
Balance Forward	3,944,100	3,620,600	632,300	4,677,000	2,359,000
Current Receipts	713,200	576,600	569,000	726,600	719,000
Non-Revenue Receipts	34,143,400	35,712,600	38,302,900	36,032,500	37,797,200
<b>Total Restricted Funds</b>	<b>38,800,700</b>	<b>39,909,800</b>	<b>39,504,200</b>	<b>41,436,100</b>	<b>40,875,200</b>
<b>Federal Funds</b>					
Balance Forward	514,900	194,900	194,900	194,900	194,900
Current Receipts	1,190,000	2,700,000	2,700,000	2,700,000	2,700,000
<b>Total Federal Funds</b>	<b>1,704,900</b>	<b>2,894,900</b>	<b>2,894,900</b>	<b>2,894,900</b>	<b>2,894,900</b>
<b>TOTAL SOURCE OF FUNDS</b>	<b>40,505,600</b>	<b>42,804,700</b>	<b>42,399,100</b>	<b>44,331,000</b>	<b>43,770,100</b>
<b>EXPENDITURES BY CLASS</b>					
Personnel Cost	8,405,500	9,744,800	10,139,900	9,746,600	10,041,200
Operating Expenses	2,072,500	3,278,100	2,017,900	2,352,400	2,015,700
Grants, Loans or Benefits	21,526,300	23,524,700	24,272,400	23,524,700	24,272,400
Debt Service	3,079,500	3,872,000	3,872,000	3,357,500	3,360,200
Capital Outlay	549,900	1,557,900	813,900	995,900	951,900
Construction				1,800,000	
<b>TOTAL EXPENDITURES</b>	<b>35,633,700</b>	<b>41,977,500</b>	<b>41,116,100</b>	<b>41,777,100</b>	<b>40,641,400</b>
<b>EXPENDITURES BY FUND SOURCE</b>					
Restricted Funds	34,123,700	39,277,500	38,416,100	39,077,100	37,941,400
Federal Funds	1,510,000	2,700,000	2,700,000	2,700,000	2,700,000
<b>TOTAL EXPENDITURES</b>	<b>35,633,700</b>	<b>41,977,500</b>	<b>41,116,100</b>	<b>41,777,100</b>	<b>40,641,400</b>
<b>EXPENDITURES BY UNIT</b>					
KLEPF	35,633,700	40,177,500	41,116,100	39,344,800	40,185,600
Special Training Programs		1,800,000		2,432,300	455,800
<b>TOTAL EXPENDITURES</b>	<b>35,633,700</b>	<b>41,977,500</b>	<b>41,116,100</b>	<b>41,777,100</b>	<b>40,641,400</b>

The Department of Criminal Justice Training is responsible for the training of local law enforcement professionals as provided under Kentucky Revised Statutes, Chapters 15, 15A, 16, 70, 72, 95, and 403.785(2), along with 500 KAR 8:010. Basic and specialized training courses are offered to police officers, dispatchers, sheriffs, deputies, airport security personnel, university campus security personnel, and coroners. Course curriculum includes training in basic law enforcement, telecommunications, coroner training, AIDS, child sexual abuse, domestic violence, bias-related crimes, and breath testing. Training is conducted at the Training Center on the Eastern Kentucky University campus or at various regional sites.

The Department operates two training programs: the Kentucky Law Enforcement Program Foundation Fund (KLEPFF), and the Special Training Programs with the Peace Officers Professional Standards (POPS) office. The KLEPFF agency resources are derived from insurance premium surcharge proceeds, which accrue pursuant to KRS 42.190 and KRS 136.392. The recommended continuation budget provides agency funds for the distribution of a stipend of \$3,100 (plus pension) by the Department to each qualified law enforcement officer.

**Policy**

The Governor's recommended budget provides additional restricted funds support in the amount of \$1,600,000 in fiscal year 2002, \$1,477,000 in fiscal year 2003, and \$1,340,000 in fiscal year 2004 for twenty additional full-time training instructors as well as for operating and capital needs.

The Governor's recommended budget provides additional federal funds support in the amount of \$1,510,000 in each year of the biennium to support the Federal Police Corps Program in order to meet the demand to train newly hired municipal police and sheriff's deputies.

The Governor's recommended budget provides additional restricted funds support in the amount of \$137,200 in fiscal year 2003 and \$84,000 in fiscal year 2004 for two additional full-time positions as well as for operating and capital needs for the Peace Officer Professional Standards (POPS) program.

The Governor's recommended budget provides a \$1,800,000 restricted funds transfer in fiscal year 2002 to equip and furnish the Law Enforcement Basic Training Complex.

**Justice Cabinet  
Corrections**

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
<b>SOURCE OF FUNDS</b>					
<b>General Fund</b>					
Regular Appropriation	305,444,600	335,356,300	358,003,700	285,058,800	311,758,800
Continuing Appropriation - Gen'l Fund	320,000	234,600	135,500	234,600	139,900
Budget Reduction	-13,274,200				
<b>Total General Fund</b>	<b>292,490,400</b>	<b>335,590,900</b>	<b>358,139,200</b>	<b>285,293,400</b>	<b>311,898,700</b>
<b>Restricted Funds</b>					
Balance Forward	5,626,200	5,187,300	6,541,200	3,675,700	3,900,700
Current Receipts	20,189,200	22,999,200	21,856,800	37,999,200	21,856,800
Non-Revenue Receipts	-2,017,300	175,000	175,000	175,000	175,000
<b>Total Restricted Funds</b>	<b>23,798,100</b>	<b>28,361,500</b>	<b>28,573,000</b>	<b>41,849,900</b>	<b>25,932,500</b>
<b>Federal Funds</b>					
Balance Forward	206,500				
Current Receipts	2,141,100	1,014,600	1,015,200	1,014,600	1,015,200
Non-Revenue Receipts	369,700				
<b>Total Federal Funds</b>	<b>2,717,300</b>	<b>1,014,600</b>	<b>1,015,200</b>	<b>1,014,600</b>	<b>1,015,200</b>
<b>TOTAL SOURCE OF FUNDS</b>	<b>319,005,800</b>	<b>364,967,000</b>	<b>387,727,400</b>	<b>328,157,900</b>	<b>338,846,400</b>
<b>EXPENDITURES BY CLASS</b>					
Personnel Cost	166,406,300	188,281,700	200,697,300	169,271,100	178,324,500
Operating Expenses	42,916,000	47,559,600	49,795,100	45,512,000	46,810,500
Grants, Loans or Benefits	104,487,400	121,017,800	123,014,000	108,936,000	109,907,600
Debt Service		783,000	5,946,000		
Capital Outlay	1,285,800	648,200	1,407,100	398,200	637,800
<b>TOTAL EXPENDITURES</b>	<b>315,095,500</b>	<b>358,290,300</b>	<b>380,859,500</b>	<b>324,117,300</b>	<b>335,680,400</b>
<b>EXPENDITURES BY FUND SOURCE</b>					
General Fund	292,255,800	335,455,400	358,116,400	285,153,500	311,862,900
Restricted Funds	20,122,400	21,820,300	21,727,900	37,949,200	22,802,300
Federal Funds	2,717,300	1,014,600	1,015,200	1,014,600	1,015,200
<b>TOTAL EXPENDITURES</b>	<b>315,095,500</b>	<b>358,290,300</b>	<b>380,859,500</b>	<b>324,117,300</b>	<b>335,680,400</b>
<b>EXPENDITURES BY UNIT</b>					
Corrections Management	30,241,300	39,369,800	45,181,500	31,822,000	32,207,700
Adult Correctional Institutions	192,816,400	209,772,500	227,478,300	195,332,100	208,387,600
Community Services and Local Facilities	76,676,300	93,467,300	92,193,800	81,592,400	79,704,900
Local Jail Support	15,361,500	15,680,700	16,005,900	15,370,800	15,380,200
<b>TOTAL EXPENDITURES</b>	<b>315,095,500</b>	<b>358,290,300</b>	<b>380,859,500</b>	<b>324,117,300</b>	<b>335,680,400</b>

The Department of Corrections, pursuant to KRS 196 - 197, is responsible for the broad range of activities associated with criminal incarceration, public safety, inmate rehabilitation, probation and parole, and criminal recidivism. As the largest Department in the Justice Cabinet, Corrections has four separate appropriation units: Corrections Management, Community Services and Local Facilities, Local Jail Support, and Adult Institutions. The Department of Corrections utilizes resources from each of these units to provide the necessary balance between public safety and fiscal responsibility. The Department's compliance with the Federal Court Consent Decree concerning overcrowded facilities and the Kentucky Supreme Court ruling mandating the timely removal of state prisoners from local jails, accentuates a continuing need to accommodate a growing inmate population through community and institutional based solutions.

The Department of Corrections operates in conformance with the Federal Court Consent Decree concerning major penal institutions and inmate populations. In March 1987, Corrections was adjudged to be in substantial compliance with the 1980 Federal Court Consent Decree by the U.S. District Court. The Department of Corrections also operates the Kentucky Correctional Institution for Women in accordance with a court decision resulting from litigation concerning inmates' civil rights.

Based on the latest trends and current criminal laws, sentencing, and parole patterns, the Department of Corrections has estimated that the number of convicted felons under the custody of the Department will increase by approximately 281 in fiscal year 2002, 435 in fiscal year 2003, and 435 in fiscal year 2004. The convicted felon population in custody will be brought to approximately 16,524 by the end of fiscal year 2003 and 16,959 by the end of fiscal year 2004.

**Justice Cabinet  
Corrections  
Corrections Management**

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
<b>SOURCE OF FUNDS</b>					
<b>General Fund</b>					
Regular Appropriation	16,281,700	23,899,500	29,872,000	15,222,900	15,823,800
Budget Reduction	-887,000				
<b>Total General Fund</b>	<b>15,394,700</b>	<b>23,899,500</b>	<b>29,872,000</b>	<b>15,222,900</b>	<b>15,823,800</b>
<b>Restricted Funds</b>					
Balance Forward	3,640,500	3,332,100	4,714,700	1,820,500	2,074,300
Current Receipts	13,328,700	15,878,500	14,667,800	15,878,500	14,667,800
Non-Revenue Receipts	-1,772,500	175,000	175,000	175,000	175,000
<b>Total Restricted Funds</b>	<b>15,196,700</b>	<b>19,385,600</b>	<b>19,557,500</b>	<b>17,874,000</b>	<b>16,917,100</b>
<b>Federal Funds</b>					
Balance Forward	195,700				
Current Receipts	1,009,700	799,400	800,000	799,400	800,000
Non-Revenue Receipts	265,000				
<b>Total Federal Funds</b>	<b>1,470,400</b>	<b>799,400</b>	<b>800,000</b>	<b>799,400</b>	<b>800,000</b>
<b>TOTAL SOURCE OF FUNDS</b>	<b>32,061,800</b>	<b>44,084,500</b>	<b>50,229,500</b>	<b>33,896,300</b>	<b>33,540,900</b>
<b>EXPENDITURES BY CLASS</b>					
Personnel Cost	19,467,300	25,870,700	27,264,500	19,796,100	20,602,600
Operating Expenses	9,657,300	11,421,700	10,451,000	10,761,500	10,115,100
Grants, Loans or Benefits	898,900	1,011,000	1,015,000	981,000	985,000
Debt Service		783,000	5,946,000		
Capital Outlay	217,800	283,400	505,000	283,400	505,000
<b>TOTAL EXPENDITURES</b>	<b>30,241,300</b>	<b>39,369,800</b>	<b>45,181,500</b>	<b>31,822,000</b>	<b>32,207,700</b>
<b>EXPENDITURES BY FUND SOURCE</b>					
General Fund	15,394,700	23,899,500	29,872,000	15,222,900	15,823,800
Restricted Funds	13,376,200	14,670,900	14,509,500	15,799,700	15,583,900
Federal Funds	1,470,400	799,400	800,000	799,400	800,000
<b>TOTAL EXPENDITURES</b>	<b>30,241,300</b>	<b>39,369,800</b>	<b>45,181,500</b>	<b>31,822,000</b>	<b>32,207,700</b>
<b>EXPENDITURES BY UNIT</b>					
Commissioner	974,100	985,100	1,040,900	882,300	920,000
Training	1,422,800	1,509,600	1,550,000	1,439,700	1,487,700
General Counsel	874,700	902,700	945,700	878,300	917,300
Administrative Services	4,485,000	4,811,000	5,033,600	4,431,200	4,599,900
Debt Service		783,000	5,946,000		
Correctional Industries	13,058,700	14,305,900	14,144,500	13,934,700	13,718,900
Mental Health Programs	9,426,000	16,072,500	16,520,800	10,255,800	10,563,900
<b>TOTAL EXPENDITURES</b>	<b>30,241,300</b>	<b>39,369,800</b>	<b>45,181,500</b>	<b>31,822,000</b>	<b>32,207,700</b>

Corrections Management provides the administrative and management functions for the Department of Corrections. These functions are achieved through seven program areas: Office of the Commissioner, Division of Mental Health, Division of Corrections Training, Division of Administrative Services, Office of General Counsel, Debt Service, and Correctional Industries.

The Office of the Commissioner provides departmental management and administrative support necessary for the Commissioner of Corrections to conduct statutorily assigned duties, pursuant to KRS 196 and 197. The Office conducts centralized personnel and budgeting functions. The Commission on Corrections/Community Services is administratively attached to the Office.

The Division of Mental Health is responsible for the provision of specialized mental health services to Kentucky's paroled, probated, and incarcerated population. The Division is comprised of four units: Alcohol and Other Drug programs, Sex Offender programs, Sex Offender Risk Assessment Unit, and Psychiatric and Psychological Outpatient Services.

The Division of Corrections Training, referenced in KRS 12.020, 16.090, 441.055, and 441.115, is responsible for developing curriculum and providing job training to Corrections employees including jail staff in the various counties of the Commonwealth. Instruction is provided through the Basic Academy program, the Common Core/Officer Inservice program, Jail Training programs, and various specialized programs.

The Division of Administrative Services, referenced in KRS 12.020, is comprised of three branches and one section that provide support services to the entire Department in: accounting and purchasing, construction, building and equipment maintenance, environmental compliance, property inventory, planning, information technology, inmate information, and victim notification.

The Office of General Counsel, referenced in KRS 12.210-213 and 12.220, is responsible for providing: oversight of Corrections policies and procedures, training on legal developments, legal advice and representation in all civil lawsuits, and representation of the Department in various administrative hearings. The General Counsel also handles appeals for current and former employees of the Parole Board, the Sex Offender Risk Assessment Advisory Board, and the Department of Corrections.

The Debt Service program reflects the current cost of bonded indebtedness attributable to Capital Construction projects in the Department of Corrections.

Kentucky Correctional Industries (KCI), as authorized by KRS 197.200, is a Division of the Department that produces goods or services employing inmate labor. Kentucky Correctional Industries is a self-supporting operation, receiving only restricted funds for operations in ten of the Department's twelve institutions. Twenty-three separate plants produce products and services such as: office furniture, recycling, license tags, janitorial products, printing, mattresses, ergonomic chairs, signage, furniture refurbishing, and office panel systems. Data entry, coupon sorting, and mail services are also offered by KCI.

## **Policy**

The Governor's recommended budget provides General Fund support in the amount of \$279,700 in fiscal year 2003 and \$263,000 in fiscal year 2004 for six additional full-time positions for the Sex Offender Treatment Program in compliance with KRS 197.045(4).

**Justice Cabinet  
Corrections**

**Adult Correctional Institutions**

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
<b>SOURCE OF FUNDS</b>					
<b>General Fund</b>					
Regular Appropriation	193,614,500	203,031,300	220,674,600	188,590,800	201,583,900
Budget Reduction	-8,470,800				
<b>Total General Fund</b>	<b>185,143,700</b>	<b>203,031,300</b>	<b>220,674,600</b>	<b>188,590,800</b>	<b>201,583,900</b>
<b>Restricted Funds</b>					
Balance Forward	1,543,500	1,543,500	1,543,500	1,543,500	1,543,400
Current Receipts	6,436,500	6,526,000	6,588,500	6,526,000	6,588,500
<b>Total Restricted Funds</b>	<b>7,980,000</b>	<b>8,069,500</b>	<b>8,132,000</b>	<b>8,069,500</b>	<b>8,131,900</b>
<b>Federal Funds</b>					
Balance Forward	100				
Current Receipts	1,131,400	215,200	215,200	215,200	215,200
Non-Revenue Receipts	104,700				
<b>Total Federal Funds</b>	<b>1,236,200</b>	<b>215,200</b>	<b>215,200</b>	<b>215,200</b>	<b>215,200</b>
<b>TOTAL SOURCE OF FUNDS</b>	<b>194,359,900</b>	<b>211,316,000</b>	<b>229,021,800</b>	<b>196,875,500</b>	<b>209,931,000</b>
<b>EXPENDITURES BY CLASS</b>					
Personnel Cost	116,421,700	127,795,500	136,871,100	117,553,200	124,804,400
Operating Expenses	29,458,900	31,889,000	35,047,200	30,926,700	32,925,700
Grants, Loans or Benefits	45,867,800	49,973,200	54,657,900	46,737,400	50,524,700
Capital Outlay	1,068,000	114,800	902,100	114,800	132,800
<b>TOTAL EXPENDITURES</b>	<b>192,816,400</b>	<b>209,772,500</b>	<b>227,478,300</b>	<b>195,332,100</b>	<b>208,387,600</b>
<b>EXPENDITURES BY FUND SOURCE</b>					
General Fund	185,143,700	203,031,300	220,674,600	188,590,800	201,583,900
Restricted Funds	6,436,500	6,526,000	6,588,500	6,526,100	6,588,500
Federal Funds	1,236,200	215,200	215,200	215,200	215,200
<b>TOTAL EXPENDITURES</b>	<b>192,816,400</b>	<b>209,772,500</b>	<b>227,478,300</b>	<b>195,332,100</b>	<b>208,387,600</b>
<b>EXPENDITURES BY UNIT</b>					
Institutions Operations	2,172,700	4,569,900	5,665,200	1,493,100	1,596,300
Medical Services	31,390,400	33,948,800	37,112,800	33,560,000	36,496,700
Education	5,983,000	6,196,100	6,146,400	5,893,800	5,893,800
Private Prisons	16,254,800	17,578,500	20,025,600	14,722,600	14,735,200
Blackburn Correctional Complex	6,424,100	6,928,700	7,211,700	6,461,100	6,697,700
Bell County Forestry Camp	2,571,500	2,712,100	2,795,000	2,676,500	2,808,300
Kentucky Correctional Institution for Women	9,548,100	10,556,000	10,990,800	9,641,400	10,090,000
Frankfort Career Development Center	2,663,300	2,710,700	2,800,500	2,435,800	2,554,600
Eastern Kentucky Correctional Complex	18,182,600	19,256,900	20,032,900	18,832,800	19,879,400
Northpoint Training Center	13,295,100	14,567,000	15,174,900	14,289,000	15,292,700
Kentucky State Reformatory	23,528,300	25,160,400	26,768,100	24,036,600	25,691,600
Kentucky State Penitentiary	15,658,000	16,277,300	17,851,500	15,605,500	16,743,300
Western Kentucky Correctional Complex	8,609,300	9,573,000	10,345,900	8,851,800	10,654,400
Roederer Correctional Complex	11,960,000	13,348,800	13,919,100	11,848,400	12,788,300
Luther Lockett Correctional Complex	11,871,600	12,875,800	13,453,700	12,273,500	13,194,300
Green River Correctional Complex	11,571,800	12,135,100	12,619,500	11,431,000	11,835,000

Institutional Farms	1,131,800	1,221,300	1,283,800	1,221,300	1,283,800
New 895-Bed Medium Security Inst- Elliot Co		156,100	3,280,900	57,900	152,200
<b>TOTAL EXPENDITURES</b>	<u>192,816,400</u>	<u>209,772,500</u>	<u>227,478,300</u>	<u>195,332,100</u>	<u>208,387,600</u>

Adult Correctional Institutions is comprised of 12 state correctional facilities and two privately contracted facilities for adult felon offenders. Four additional programmatic areas serve all institutions and their incarcerated populations: the Division of Operations, Education Programs, Medical Services, and Institutional Farms.

The Division of Operations, pursuant to KRS 197.505, 197.065, 196.240, and 197.110, supervises and directs the following activities: classification and placement of inmates, coordination of academic and technical programs, coordination of dietary and health programs for state owned facilities, contract compliance at the two privately contracted prisons, and coordination of security threat group information.

Education Programs consist of the educational programs and related services provided at the 12 state prison facilities, which provide offenders with opportunities to acquire various skills. The Department contracts with the Kentucky Community and Technical College System (KCTCS) to operate correctional education programs.

Medical Services, pursuant to KRS 197.020, provides necessary health services to inmates committed to the Department. Services are performed at each institutional location through institutional medical staff, personal service contracts, and outside referrals to local specialists and hospitals. The provision of medical services is monitored, authorized, and reviewed by a system-wide Medical Director.

The Institutional Farm program operations include 6,200 acres of productive agricultural land at the following institutions: Roederer Correctional Complex, Western Kentucky Correctional Complex, Northpoint Training Center, Blackburn Correctional Complex, Kentucky Correctional Institute for Women, and Eastern Kentucky Correctional Complex. Farm products produced at the various locations include cattle, swine, grain, vegetables, and fruit. The operations are non-General Fund supported, and provide inmate labor opportunities, institutional wet garbage disposal, grain for sale and animal consumption, and vegetables for prison use.

The Private Prison program area, authorized and governed by KRS 197.500-525, contains the two private prisons operated in the Commonwealth: Marion Adjustment Center (contracted capacity - 700 inmates) in Marion County and Lee Adjustment Center (budgeted capacity - 600 inmates) in Lee County. Both facilities were originally contracted as minimum security, however, Lee Adjustment Center was converted to medium security during 1999. Private prison usage is projected to be approximately 95 percent of contracted capacity.

Kentucky State Reformatory (KSR) is a medium security institution with an operational capacity of 1,555 inmates, located near LaGrange, Kentucky in Oldham County. The inmate population is divided into four segments: general population, special management unit, nursing care facility, and mental health unit. Pursuant to the Federal Court Consent Decree issued in 1980, KSR converted all designated living areas into single cell facilities and opened a new 150-bed mental health unit during 1998. In 1995 KSR opened the Nursing Care Facility which houses inmates in need of medical care due to their medical condition.

Kentucky State Penitentiary (KSP) is a maximum security institution with an operational capacity of 816 inmates, located near Eddyville, in Lyon County. The inmate population is separated into three major groups: general population, protective custody, and disciplinary/administrative segregation. KSP also houses the state's capital punishment unit.

Blackburn Correctional Complex (BCC) is a minimum security institution with an operational capacity of 557 inmates, located near Lexington, in Fayette County. The institution programmatically directs inmates to halfway houses or returns the inmate to the community by parole, based upon the individual's demonstrated conduct, program performance, and need.

Bell County Forestry Camp (BCFC) is a minimum security institution with an operational capacity of 230 inmates, located near Pineville, in Bell County. The institution provides manpower to the Division of Forestry for fire suppression in Bell and seven surrounding counties during fire season, along with road, highway garage, and general park maintenance.

Kentucky Correctional Institution for Women (KCIW), the only institutional facility for women in the Commonwealth, houses 728 inmates in PeeWee Valley in Shelby County. All levels of security and all levels of medical services must be provided since all female prisoners must be housed at KCIW.

Frankfort Career Development Center (FCDC) is a minimum security institution with an operational capacity of 205 inmates, located in Frankfort, in Franklin County. The institution primarily provides inmate labor to state government agencies in Frankfort at 24 work locations.

Eastern Kentucky Correctional Complex (EKCC) is a medium security institution with an operational capacity of 1,584 inmates, located near West Liberty, in Morgan County. The facility is the largest correctional institution in the state, providing inmates with employment opportunities, academic resources, and vocational programs.

Western Kentucky Correctional Complex (WKCC) is a medium security institution with an operational capacity of 577 inmates, located near Eddyville, in Lyon County. The institution operates a full farm operation on 2,500 acres, a community work program for surrounding parks and cities, and the Correctional Industries recycling program serving the surrounding counties.

Roederer Correctional Complex (RCC) is a medium security institution with an operational capacity of 912 inmates, located near LaGrange, in Oldham County. The institution operates the Department's Assessment and Classification Center, serving all incoming male inmates with the exception of inmates sentenced to death. A 130-bed Boot Camp unit has also been established at the institution, along with farm operations.

Luther Lockett Correctional Complex (LLCC) is a medium security institution with an operational capacity of 971 inmates, also located near LaGrange, in Oldham County. The facility houses two separate institutions: the Department of Correction's prison facility and the Cabinet for Health Services, Kentucky Correctional Psychiatric Center (KCPC). Due to the proximity of KCPC, the inmate population has a variety of psychological, pharmaceutical, recreational, academic, vocational, and substance abuse programs available. The Luther Lockett Correctional Complex Pharmacy serves as the central pharmacy for the Department, filling 15,000 prescriptions per month.

Green River Correctional Complex (GRCC) is a medium security institution with an operational capacity of 897 inmates, located near Central City, in Muhlenberg County. The institution is the newest facility in the system, utilizing the latest security technology.

Northpoint Training Center (NTC) is a medium security institution with an operational capacity of 1,096 inmates, located near Danville, in Boyle County. The institution operates a prison farm, along with counseling, academic, and vocational programs.

## **Policy**

The Governor's recommended budget provides General Fund support in the amount of \$3,163,400 in fiscal year 2003 and \$10,337,700 in fiscal year 2004 to cover the costs associated with the projected increase in felon population as well as to provide operational staff and maintenance support for previously authorized projects at the Kentucky State Reformatory, Kentucky State Penitentiary, and Western Kentucky Correctional Complex.

The Governor's recommended budget provides General Fund support in the amount of \$57,900 in fiscal year 2003 and \$152,200 in fiscal year 2004 to support start-up costs related to the opening of the new 895-bed prison in Elliott County.

**Justice Cabinet  
Corrections  
Community Services and Local Facilities**

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
<b>SOURCE OF FUNDS</b>					
<b>General Fund</b>					
Regular Appropriation	80,272,300	92,843,900	91,563,900	65,969,000	79,075,000
Budget Reduction	-3,916,400				
<b>Total General Fund</b>	76,355,900	92,843,900	91,563,900	65,969,000	79,075,000
<b>Restricted Funds</b>					
Balance Forward	442,200	311,700	283,000	311,700	283,000
Current Receipts	424,000	594,700	600,500	15,594,700	600,500
Non-Revenue Receipts	-244,800				
<b>Total Restricted Funds</b>	621,400	906,400	883,500	15,906,400	883,500
<b>Federal Funds</b>					
Balance Forward	10,700				
<b>Total Federal Funds</b>	10,700				
<b>TOTAL SOURCE OF FUNDS</b>	76,988,000	93,750,300	92,447,400	81,875,400	79,958,500
<b>EXPENDITURES BY CLASS</b>					
Personnel Cost	30,492,300	34,590,000	36,535,700	31,896,300	32,891,500
Operating Expenses	3,361,800	3,802,100	3,841,200	3,377,000	3,314,000
Grants, Loans or Benefits	42,822,200	54,825,200	51,816,900	46,319,100	43,499,400
Capital Outlay		250,000			
<b>TOTAL EXPENDITURES</b>	76,676,300	93,467,300	92,193,800	81,592,400	79,704,900
<b>EXPENDITURES BY FUND SOURCE</b>					
General Fund	76,355,900	92,843,900	91,563,900	65,969,000	79,075,000
Restricted Funds	309,700	623,400	629,900	15,623,400	629,900
Federal Funds	10,700				
<b>TOTAL EXPENDITURES</b>	76,676,300	93,467,300	92,193,800	81,592,400	79,704,900
<b>EXPENDITURES BY UNIT</b>					
Probation and Parole Program	24,725,600	27,953,000	29,728,800	25,808,800	26,697,700
Local Facilities	51,655,700	64,892,900	61,837,100	55,162,200	52,379,300
Jefferson County Misdemeanant		326,400	332,900	326,400	332,900
Community Corrections Commission	195,000	195,000	195,000	195,000	195,000
Drug Testing Fees	100,000	100,000	100,000	100,000	100,000
<b>TOTAL EXPENDITURES</b>	76,676,300	93,467,300	92,193,800	81,592,400	79,704,900

The Community Services and Local Facilities provides an effective and efficient system of community based correctional programs to protect the Commonwealth. Two organizational units comprise this area: the Division of Probation and Parole, and the Division for Local Facilities.

The Division of Probation and Parole, pursuant to KRS 439.370 and 439.480, through the probation and parole officers in the 13 districts, provides supervision of approximately 22,000 probationers and parolees in the community, investigations of offenders for the courts and parole board, rehabilitative services to offenders, and assistance in employment and home placement.

The Division for Local Facilities, as mandated by KRS Chapter 441, is responsible for jail inspection, jail standards review and enforcement regulations, technical assistance to local governments, and approval of construction plans. The Division administers the Controlled Intake, Class D Felony, and Halfway House programs.

**Policy**

The Governor's recommended budget provides General Fund support in the amount of \$1,756,900 in fiscal year 2003 to cover the costs associated with increased felon population in local jails.

Notwithstanding the provisions of KRS 441.605 - 441.965 for fiscal year 2003, funds in the amount of \$15,000,000 shall be expended from the Kentucky Local Correctional Facility Construction Authority for local correctional facility and operational support consistent with contractual covenants pursuant to bond indentures of the Authority.

Notwithstanding the provisions of KRS 196.076, funding is not provided for the Probation and Parole Ladder.

**Justice Cabinet  
Corrections  
Local Jail and Support**

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
<b>SOURCE OF FUNDS</b>					
<b>General Fund</b>					
Regular Appropriation	15,276,100	15,581,600	15,893,200	15,276,100	15,276,100
Continuing Appropriation - Gen'l Fund	320,000	234,600	135,500	234,600	139,900
<b>Total General Fund</b>	<b>15,596,100</b>	<b>15,816,200</b>	<b>16,028,700</b>	<b>15,510,700</b>	<b>15,416,000</b>
<b>TOTAL SOURCE OF FUNDS</b>	<b>15,596,100</b>	<b>15,816,200</b>	<b>16,028,700</b>	<b>15,510,700</b>	<b>15,416,000</b>
<b>EXPENDITURES BY CLASS</b>					
Personnel Cost	25,000	25,500	26,000	25,500	26,000
Operating Expenses	438,000	446,800	455,700	446,800	455,700
Grants, Loans or Benefits	14,898,500	15,208,400	15,524,200	14,898,500	14,898,500
<b>TOTAL EXPENDITURES</b>	<b>15,361,500</b>	<b>15,680,700</b>	<b>16,005,900</b>	<b>15,370,800</b>	<b>15,380,200</b>
<b>EXPENDITURES BY FUND SOURCE</b>					
General Fund	15,361,500	15,680,700	16,005,900	15,370,800	15,380,200
<b>TOTAL EXPENDITURES</b>	<b>15,361,500</b>	<b>15,680,700</b>	<b>16,005,900</b>	<b>15,370,800</b>	<b>15,380,200</b>
<b>EXPENDITURES BY UNIT</b>					
Local Jail Allotment	13,567,400	13,838,700	14,115,500	13,567,400	13,567,400
Restricted Medical	931,100	949,700	968,700	931,100	931,100
Jailers' Allowance	463,000	472,300	481,700	472,300	481,700
Catastrophic Medical	400,000	420,000	440,000	400,000	400,000
<b>TOTAL EXPENDITURES</b>	<b>15,361,500</b>	<b>15,680,700</b>	<b>16,005,900</b>	<b>15,370,800</b>	<b>15,380,200</b>

The Local Jail Support Program consists of four funds used to assist counties in local jail operations: Local Jail Allotment, Restricted Medical Allotment, Jailer's Allowance, and Catastrophic Medical. These programs were part of the Jail Reform package passed in the 1982 and 1984 Regular Sessions of the General Assembly.

The Local Jail Allotment, pursuant to KRS 441.206, was established for the care and maintenance of prisoners charged with or convicted of violations of state law. Funds appropriated for the Jail Allotment program are distributed to each county based upon a statutory formula.

The Restricted Medical Fund program is used to pay for indigent inmate medical costs, pursuant to a distribution formula in KRS 441.206.

The Jailer's Allowance program, pursuant to KRS 441.115, trains jailers and jail personnel. No fee is charged for this training. Three hundred dollars (\$300) per month is paid to jailers to help defray the costs of participation in this training program. Expense allowance payments are discontinued if the jailer fails to satisfactorily complete annual continuing training.

The Catastrophic Medical program, pursuant to KRS 441.045, provides funds that assist counties with costs of providing necessary medical, dental, or psychological care beyond routine care and diagnostic services. When the cost of providing such services exceeds \$2,000, the county is reimbursed. Initial reimbursements are limited by the maximum payments allowed for services under the Kentucky Medical Assistance Program.