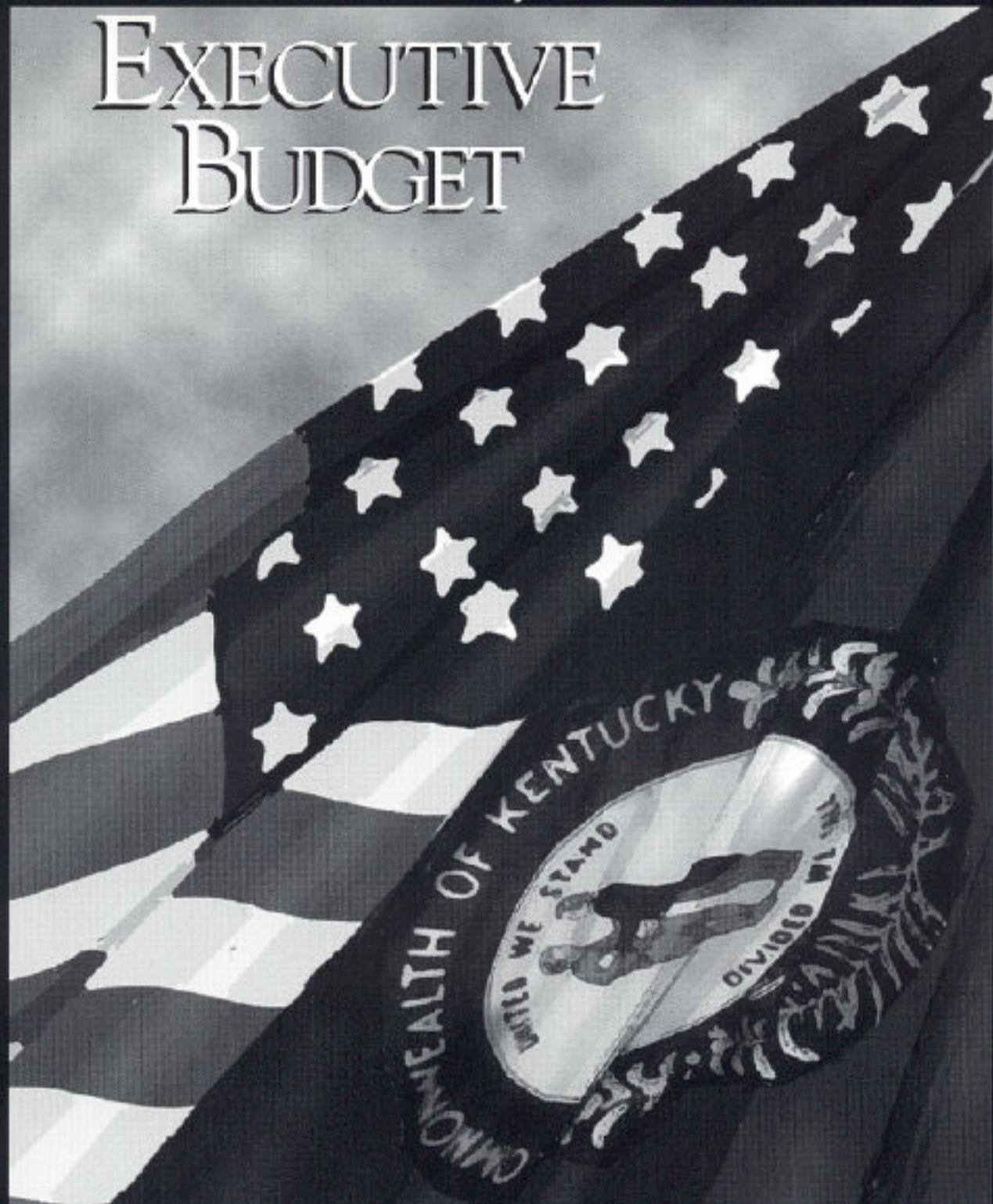




2002-2004

Labor

EXECUTIVE BUDGET



	Labor				
	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	21,639,400	40,604,200	40,656,300	2,500,300	2,500,300
Budget Reduction	-14,389,100				
Total General Fund	7,250,300	40,604,200	40,656,300	2,500,300	2,500,300
Restricted Funds					
Balance Forward	27,840,095	9,662,800	10,681,200	9,662,800	10,681,200
Current Receipts	140,500,000	127,800,000	126,635,000	127,800,000	126,635,000
Non-Revenue Receipts	143,546,189	140,213,000	139,739,100	140,213,000	139,739,100
Total Restricted Funds	311,886,284	277,675,800	277,055,300	277,675,800	277,055,300
Federal Funds					
Balance Forward	59,636				
Current Receipts	3,404,680	3,280,500	3,280,500	3,280,500	3,280,500
Total Federal Funds	3,464,316	3,280,500	3,280,500	3,280,500	3,280,500
TOTAL SOURCE OF FUNDS	322,600,900	321,560,500	320,992,100	283,456,600	282,836,100
EXPENDITURES BY CLASS					
Personnel Cost	31,979,000	32,095,900	33,742,600	32,036,700	33,586,600
Operating Expenses	159,886,900	150,330,800	149,743,700	131,286,100	130,743,700
Grants, Loans or Benefits	120,716,000	108,740,000	106,740,000	108,740,000	106,740,000
Capital Outlay	356,200	712,600	630,400	712,600	630,400
TOTAL EXPENDITURES	312,938,100	291,879,300	290,856,700	272,775,400	271,700,700
EXPENDITURES BY FUND SOURCE					
General Fund	7,250,300	21,604,200	21,656,300	2,500,300	2,500,300
Restricted Funds	302,223,484	266,994,600	265,919,900	266,994,600	265,919,900
Federal Funds	3,464,316	3,280,500	3,280,500	3,280,500	3,280,500
TOTAL EXPENDITURES	312,938,100	291,879,300	290,856,700	272,775,400	271,700,700
EXPENDITURES BY UNIT					
Labor	157,862,600	146,377,300	145,767,700	146,273,400	145,611,700
Workers Compensation Funding Commission	155,075,500	145,502,000	145,089,000	126,502,000	126,089,000
TOTAL EXPENDITURES	312,938,100	291,879,300	290,856,700	272,775,400	271,700,700

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

The following boards and councils are attached to the Labor Cabinet for administrative purposes: Kentucky Labor-Management Advisory Council, Prevailing Wage Review Board, Kentucky Occupational Safety and Health Standards Board, Apprenticeship and Training Council, State Labor Relations Board, Child Labor Committee, the Kentucky Employees Insurance Association, and the Workers' Compensation Advisory Council. Also attached to the Labor Cabinet for administrative purposes is the Kentucky Workers' Compensation Funding Commission as well as the Employers Mutual Insurance Authority, an off-budget entity. The organizational changes were created by the 1994 General Assembly.

	Labor Labor				
	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	2,639,400	2,604,200	2,656,300	2,500,300	2,500,300
Budget Reduction	-139,100				
Total General Fund	2,500,300	2,604,200	2,656,300	2,500,300	2,500,300
Restricted Funds					
Balance Forward	12,034,695	4,000,000	4,000,000	4,000,000	4,000,000
Current Receipts	2,250,000	2,000,000	2,000,000	2,000,000	2,000,000
Non-Revenue Receipts	141,613,289	138,492,600	137,830,900	138,492,600	137,830,900
Total Restricted Funds	155,897,984	144,492,600	143,830,900	144,492,600	143,830,900
Federal Funds					
Balance Forward	59,636				
Current Receipts	3,404,680	3,280,500	3,280,500	3,280,500	3,280,500
Total Federal Funds	3,464,316	3,280,500	3,280,500	3,280,500	3,280,500
TOTAL SOURCE OF FUNDS	161,862,600	150,377,300	149,767,700	150,273,400	149,611,700
EXPENDITURES BY CLASS					
Personnel Cost	28,516,000	28,947,800	30,398,800	28,888,600	30,242,800
Operating Expenses	8,274,400	7,976,900	7,998,500	7,932,200	7,998,500
Grants, Loans or Benefits	120,716,000	108,740,000	106,740,000	108,740,000	106,740,000
Capital Outlay	356,200	712,600	630,400	712,600	630,400
TOTAL EXPENDITURES	157,862,600	146,377,300	145,767,700	146,273,400	145,611,700
EXPENDITURES BY FUND SOURCE					
General Fund	2,500,300	2,604,200	2,656,300	2,500,300	2,500,300
Restricted Funds	151,897,984	140,492,600	139,830,900	140,492,600	139,830,900
Federal Funds	3,464,316	3,280,500	3,280,500	3,280,500	3,280,500
TOTAL EXPENDITURES	157,862,600	146,377,300	145,767,700	146,273,400	145,611,700
EXPENDITURES BY UNIT					
General Administration and Support	5,822,900	6,073,200	6,343,900	6,067,500	6,330,000
Workplace Standards	135,789,800	123,429,600	121,851,200	123,331,400	121,709,100
Workers Claims	15,806,800	16,397,700	17,093,300	16,397,700	17,093,300
Ky Occupational Safety and Health Review Comm.	443,100	476,800	479,300	476,800	479,300
TOTAL EXPENDITURES	157,862,600	146,377,300	145,767,700	146,273,400	145,611,700

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

Labor
General Administration and Support

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	558,700	420,600	446,600	414,900	432,700
Budget Reduction	-120,000				
Total General Fund	438,700	420,600	446,600	414,900	432,700
Restricted Funds					
Balance Forward	511,631				
Non-Revenue Receipts	4,872,569	5,652,600	5,897,300	5,652,600	5,897,300
Total Restricted Funds	5,384,200	5,652,600	5,897,300	5,652,600	5,897,300
TOTAL SOURCE OF FUNDS	5,822,900	6,073,200	6,343,900	6,067,500	6,330,000
EXPENDITURES BY CLASS					
Personnel Cost	4,493,300	4,686,000	4,932,600	4,680,300	4,918,700
Operating Expenses	1,250,300	1,266,200	1,283,900	1,266,200	1,283,900
Capital Outlay	79,300	121,000	127,400	121,000	127,400
TOTAL EXPENDITURES	5,822,900	6,073,200	6,343,900	6,067,500	6,330,000
EXPENDITURES BY FUND SOURCE					
General Fund	438,700	420,600	446,600	414,900	432,700
Restricted Funds	5,384,200	5,652,600	5,897,300	5,652,600	5,897,300
TOTAL EXPENDITURES	5,822,900	6,073,200	6,343,900	6,067,500	6,330,000
EXPENDITURES BY UNIT					
General Administration and Support	5,822,900	6,073,200	6,343,900	6,067,500	6,330,000
TOTAL EXPENDITURES	5,822,900	6,073,200	6,343,900	6,067,500	6,330,000

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

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

The Office of Labor-Management Relations is funded with General Fund appropriations, while the other subprograms are funded by restricted funds derived from the assessment on Workers' Compensation rates per KRS 342.122(1)(c).

**Labor
Workplace Standards**

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	2,080,700	2,183,600	2,209,700	2,085,400	2,067,600
Budget Reduction	-19,100				
Total General Fund	2,061,600	2,183,600	2,209,700	2,085,400	2,067,600
Restricted Funds					
Balance Forward	10,899,917	4,000,000	4,000,000	4,000,000	4,000,000
Current Receipts	2,250,000	2,000,000	2,000,000	2,000,000	2,000,000
Non-Revenue Receipts	121,125,283	115,965,500	114,361,000	115,965,500	114,361,000
Total Restricted Funds	134,275,200	121,965,500	120,361,000	121,965,500	120,361,000
Federal Funds					
Balance Forward	48,320				
Current Receipts	3,404,680	3,280,500	3,280,500	3,280,500	3,280,500
Total Federal Funds	3,453,000	3,280,500	3,280,500	3,280,500	3,280,500
TOTAL SOURCE OF FUNDS	139,789,800	127,429,600	125,851,200	127,331,400	125,709,100
EXPENDITURES BY CLASS					
Personnel Cost	11,123,200	10,870,100	11,351,300	10,816,600	11,209,200
Operating Expenses	3,685,800	3,643,600	3,601,900	3,598,900	3,601,900
Grants, Loans or Benefits	120,716,000	108,740,000	106,740,000	108,740,000	106,740,000
Capital Outlay	264,800	175,900	158,000	175,900	158,000
TOTAL EXPENDITURES	135,789,800	123,429,600	121,851,200	123,331,400	121,709,100
EXPENDITURES BY FUND SOURCE					
General Fund	2,061,600	2,183,600	2,209,700	2,085,400	2,067,600
Restricted Funds	130,275,200	117,965,500	116,361,000	117,965,500	116,361,000
Federal Funds	3,453,000	3,280,500	3,280,500	3,280,500	3,280,500
TOTAL EXPENDITURES	135,789,800	123,429,600	121,851,200	123,331,400	121,709,100
EXPENDITURES BY UNIT					
Employment Standards	2,061,600	2,183,600	2,209,700	2,085,400	2,067,600
Compliance	4,428,200	4,517,000	4,658,700	4,517,000	4,658,700
Education and Training	4,724,000	4,836,500	5,014,600	4,836,500	5,014,600
Workers Compensation Funds	124,576,000	111,892,500	109,968,200	111,892,500	109,968,200
TOTAL EXPENDITURES	135,789,800	123,429,600	121,851,200	123,331,400	121,709,100

The Department of Workplace Standards consists of the Division of Employment Standards, Apprenticeship and Training, the Division of Occupational Safety and Health Compliance, the Division of Education and Training for Occupational Safety and Health, and the Division of Workers' Compensation Funds.

**Labor
Workplace Standards
Employment Standards**

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	2,080,700	2,183,600	2,209,700	2,085,400	2,067,600
Budget Reduction	-19,100				
Total General Fund	2,061,600	2,183,600	2,209,700	2,085,400	2,067,600
TOTAL SOURCE OF FUNDS	2,061,600	2,183,600	2,209,700	2,085,400	2,067,600
EXPENDITURES BY CLASS					
Personnel Cost	1,728,700	1,778,500	1,871,700	1,725,000	1,729,600
Operating Expenses	332,900	405,100	338,000	360,400	338,000
TOTAL EXPENDITURES	2,061,600	2,183,600	2,209,700	2,085,400	2,067,600
EXPENDITURES BY FUND SOURCE					
General Fund	2,061,600	2,183,600	2,209,700	2,085,400	2,067,600
TOTAL EXPENDITURES	2,061,600	2,183,600	2,209,700	2,085,400	2,067,600

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

The Wage and Hour subprogram has the responsibility for enforcing all statutes pertaining to Employment Standards as set forth in KRS Chapters 337, 339, and 207. These include: payment of wages, withholding from wages, remittance of gratuities, minimum wage, overtime, lunch periods, rest periods, wage discrimination because of sex, prevailing wage, child labor, and discrimination in employment against the physically disabled. The objective of this section is to enforce these laws fairly, and to assist employees and employers in bringing about compliance with these statutes.

The Apprenticeship subprogram administers the apprenticeship statutes in KRS Chapter 343. This program encourages employers and employees to enter into voluntary agreements of apprenticeship that will equip the apprentice with valuable skills. This program closely monitors approximately 260 apprenticeship programs to assure that they are meeting the standards of providing quality training and classroom instruction to approximately 2,500 apprentices registered in this program.

Labor
Workplace Standards
Occupational Safety and Health Compliance

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
SOURCE OF FUNDS					
Restricted Funds					
Balance Forward	888,867				
Non-Revenue Receipts	1,915,533	2,911,300	3,053,000	2,911,300	3,053,000
Total Restricted Funds	2,804,400	2,911,300	3,053,000	2,911,300	3,053,000
Federal Funds					
Balance Forward	29,611				
Current Receipts	1,594,189	1,605,700	1,605,700	1,605,700	1,605,700
Total Federal Funds	1,623,800	1,605,700	1,605,700	1,605,700	1,605,700
TOTAL SOURCE OF FUNDS	4,428,200	4,517,000	4,658,700	4,517,000	4,658,700
EXPENDITURES BY CLASS					
Personnel Cost	2,976,200	3,014,200	3,187,800	3,014,200	3,187,800
Operating Expenses	1,076,000	1,163,800	1,100,900	1,163,800	1,100,900
Grants, Loans or Benefits	216,000	240,000	240,000	240,000	240,000
Capital Outlay	160,000	99,000	130,000	99,000	130,000
TOTAL EXPENDITURES	4,428,200	4,517,000	4,658,700	4,517,000	4,658,700
EXPENDITURES BY FUND SOURCE					
Restricted Funds	2,804,400	2,911,300	3,053,000	2,911,300	3,053,000
Federal Funds	1,623,800	1,605,700	1,605,700	1,605,700	1,605,700
TOTAL EXPENDITURES	4,428,200	4,517,000	4,658,700	4,517,000	4,658,700

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

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

Labor
Workplace Standards
Education and Training for Occupational
Safety and Review Commission

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
SOURCE OF FUNDS					
Restricted Funds					
Balance Forward	1,036,667				
Non-Revenue Receipts	1,858,133	3,161,700	3,339,800	3,161,700	3,339,800
Total Restricted Funds	2,894,800	3,161,700	3,339,800	3,161,700	3,339,800
Federal Funds					
Balance Forward	18,709				
Current Receipts	1,810,491	1,674,800	1,674,800	1,674,800	1,674,800
Total Federal Funds	1,829,200	1,674,800	1,674,800	1,674,800	1,674,800
TOTAL SOURCE OF FUNDS	4,724,000	4,836,500	5,014,600	4,836,500	5,014,600
EXPENDITURES BY CLASS					
Personnel Cost	3,219,100	3,343,700	3,527,600	3,343,700	3,527,600
Operating Expenses	1,407,600	1,415,900	1,459,000	1,415,900	1,459,000
Capital Outlay	97,300	76,900	28,000	76,900	28,000
TOTAL EXPENDITURES	4,724,000	4,836,500	5,014,600	4,836,500	5,014,600
EXPENDITURES BY FUND SOURCE					
Restricted Funds	2,894,800	3,161,700	3,339,800	3,161,700	3,339,800
Federal Funds	1,829,200	1,674,800	1,674,800	1,674,800	1,674,800
TOTAL EXPENDITURES	4,724,000	4,836,500	5,014,600	4,836,500	5,014,600

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

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

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

Funding for this program consists of federal funds and restricted agency funds. Federal funds are provided by a grant from the U.S. Department of Labor, Occupational Safety and Health Administration. The restricted agency funds are provided by the Kentucky Workers' Compensation Funding Commission through its assessments.

Labor
Workplace Standards
Workers Compensation Funds

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
SOURCE OF FUNDS					
Restricted Funds					
Balance Forward	8,974,383	4,000,000	4,000,000	4,000,000	4,000,000
Current Receipts	2,250,000	2,000,000	2,000,000	2,000,000	2,000,000
Non-Revenue Receipts	117,351,617	109,892,500	107,968,200	109,892,500	107,968,200
Total Restricted Funds	128,576,000	115,892,500	113,968,200	115,892,500	113,968,200
TOTAL SOURCE OF FUNDS	128,576,000	115,892,500	113,968,200	115,892,500	113,968,200
EXPENDITURES BY CLASS					
Personnel Cost	3,199,200	2,733,700	2,764,200	2,733,700	2,764,200
Operating Expenses	869,300	658,800	704,000	658,800	704,000
Grants, Loans or Benefits	120,500,000	108,500,000	106,500,000	108,500,000	106,500,000
Capital Outlay	7,500				
TOTAL EXPENDITURES	124,576,000	111,892,500	109,968,200	111,892,500	109,968,200
EXPENDITURES BY FUND SOURCE					
Restricted Funds	124,576,000	111,892,500	109,968,200	111,892,500	109,968,200
TOTAL EXPENDITURES	124,576,000	111,892,500	109,968,200	111,892,500	109,968,200

Executive Order (2001-1294) created the Division of Workers' Compensation Funds to provide for the administration and legal representation of the Special Fund and the Coal Workers' Pneumoconiosis Fund. This reorganization transferred all duties, personnel, and property of the Division of Coal Workers' Pneumoconiosis Fund to the Division of Special Fund, abolished the Division of Coal Workers' Pneumoconiosis Fund and renamed the Division of Special Fund the Division of Workers' Compensation Funds. The Division of Workers' Compensation Funds exists to provide legal representation, pay awarded benefits, and maintain payment records for the Special Fund and Coal Workers' Pneumoconiosis Fund.

The Special Fund is a workers' compensation fund used to pay a portion of income benefits awarded in injury and occupational disease claims. Its purpose is to encourage the hiring and retention of individuals with disability by allowing employers to shift liability to the special fund for compensable disability which does not result directly from workplace injuries. House Bill 1 enacted during a special legislative session in 1996 abolished special fund liability for injuries and occupational diseases arising after December 12, 1996. However, the 1996 legislative amendments did not affect established fund liability or liability for claims which arose prior to the effective date of the new law. As a result, a phased down Special Fund has continued to perform the statutory mandates of providing legal representation, payment of income benefits, and maintenance of payment records. Funding for the Special Fund is provided by assessments against workers' compensation insurance premiums and self-insured employers.

The Coal Workers' Pneumoconiosis Fund was created by the 1996 Extraordinary Session on December 12, 1996. Prior to that session, it had been determined that Coal Workers' Pneumoconiosis (Black Lung) placed a substantial burden on all employers of the Commonwealth through the Special Fund assessments. The establishment of this fund is intended to ensure that liabilities incurred as a result of workers compensation awards for Coal Workers' Pneumoconiosis be the financial responsibility of employers engaged in the severance and processing of coal. Funding is provided by an assessment imposed on the workers' compensation premiums paid by every employer engaged in the severance or processing of coal. In addition, an assessment is imposed upon the total annual amount of tons of coal severed by every entity engaged in the severance of coal as required by KRS Chapter 143. The Fund has one-half of the liability for income benefits awarded for claims brought under KRS Chapter 342 for the last exposure incurred on or after December 12, 1996.

Policy

Total projected expenditures for Special Fund awards in each year of the biennium, are \$107,000,000 and \$105,000,000 respectively, representing a significant reduction from the current year projection of \$119,000,000.

Total projected expenditures for Coal Worker's Pneumoconiosis awards will remain at \$1,500,000 each year of the biennium, representing no change from the current year projection of \$1,500,000.

**Labor
Workers Claims**

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
SOURCE OF FUNDS					
Restricted Funds					
Balance Forward	562,204				
Non-Revenue Receipts	15,244,596	16,397,700	17,093,300	16,397,700	17,093,300
Total Restricted Funds	15,806,800	16,397,700	17,093,300	16,397,700	17,093,300
TOTAL SOURCE OF FUNDS	15,806,800	16,397,700	17,093,300	16,397,700	17,093,300
EXPENDITURES BY CLASS					
Personnel Cost	12,488,700	12,969,400	13,674,100	12,969,400	13,674,100
Operating Expenses	3,306,000	3,027,600	3,074,200	3,027,600	3,074,200
Capital Outlay	12,100	400,700	345,000	400,700	345,000
TOTAL EXPENDITURES	15,806,800	16,397,700	17,093,300	16,397,700	17,093,300
EXPENDITURES BY FUND SOURCE					
Restricted Funds	15,806,800	16,397,700	17,093,300	16,397,700	17,093,300
TOTAL EXPENDITURES	15,806,800	16,397,700	17,093,300	16,397,700	17,093,300

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

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

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

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

Labor
Ky Occupational Safety and Health Review Commission

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
SOURCE OF FUNDS					
Restricted Funds					
Balance Forward	60,943				
Non-Revenue Receipts	370,841	476,800	479,300	476,800	479,300
Total Restricted Funds	431,784	476,800	479,300	476,800	479,300
Federal Funds					
Balance Forward	11,316				
Total Federal Funds	11,316				
TOTAL SOURCE OF FUNDS	443,100	476,800	479,300	476,800	479,300
EXPENDITURES BY CLASS					
Personnel Cost	410,800	422,300	440,800	422,300	440,800
Operating Expenses	32,300	39,500	38,500	39,500	38,500
Capital Outlay		15,000		15,000	
TOTAL EXPENDITURES	443,100	476,800	479,300	476,800	479,300
EXPENDITURES BY FUND SOURCE					
Restricted Funds	431,784	476,800	479,300	476,800	479,300
Federal Funds	11,316				
TOTAL EXPENDITURES	443,100	476,800	479,300	476,800	479,300

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

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

Funding for the Commission consists of restricted agency funds provided by assessments of the Workers Compensation Funding Commission.

Labor
Workers' Compensation Funding Commission

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	19,000,000	38,000,000	38,000,000		
Budget Reduction	-14,250,000				
Total General Fund	4,750,000	38,000,000	38,000,000		
Restricted Funds					
Balance Forward	15,805,400	5,662,800	6,681,200	5,662,800	6,681,200
Current Receipts	138,250,000	125,800,000	124,635,000	125,800,000	124,635,000
Non-Revenue Receipts	1,932,900	1,720,400	1,908,200	1,720,400	1,908,200
Total Restricted Funds	155,988,300	133,183,200	133,224,400	133,183,200	133,224,400
TOTAL SOURCE OF FUNDS	160,738,300	171,183,200	171,224,400	133,183,200	133,224,400
EXPENDITURES BY CLASS					
Personnel Cost	3,463,000	3,148,100	3,343,800	3,148,100	3,343,800
Operating Expenses	151,612,500	142,353,900	141,745,200	123,353,900	122,745,200
TOTAL EXPENDITURES	155,075,500	145,502,000	145,089,000	126,502,000	126,089,000
EXPENDITURES BY FUND SOURCE					
General Fund	4,750,000	19,000,000	19,000,000		
Restricted Funds	150,325,500	126,502,000	126,089,000	126,502,000	126,089,000
TOTAL EXPENDITURES	155,075,500	145,502,000	145,089,000	126,502,000	126,089,000
EXPENDITURES BY UNIT					
Workers' Compensation Funding Commission	1,932,900	1,720,400	1,908,200	1,720,400	1,908,200
Benefit Reserve	151,224,700	141,986,700	141,370,900	122,986,700	122,370,900
KCWP Fund	1,917,900	1,794,900	1,809,900	1,794,900	1,809,900
TOTAL EXPENDITURES	155,075,500	145,502,000	145,089,000	126,502,000	126,089,000

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

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

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

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

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

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

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

Policy

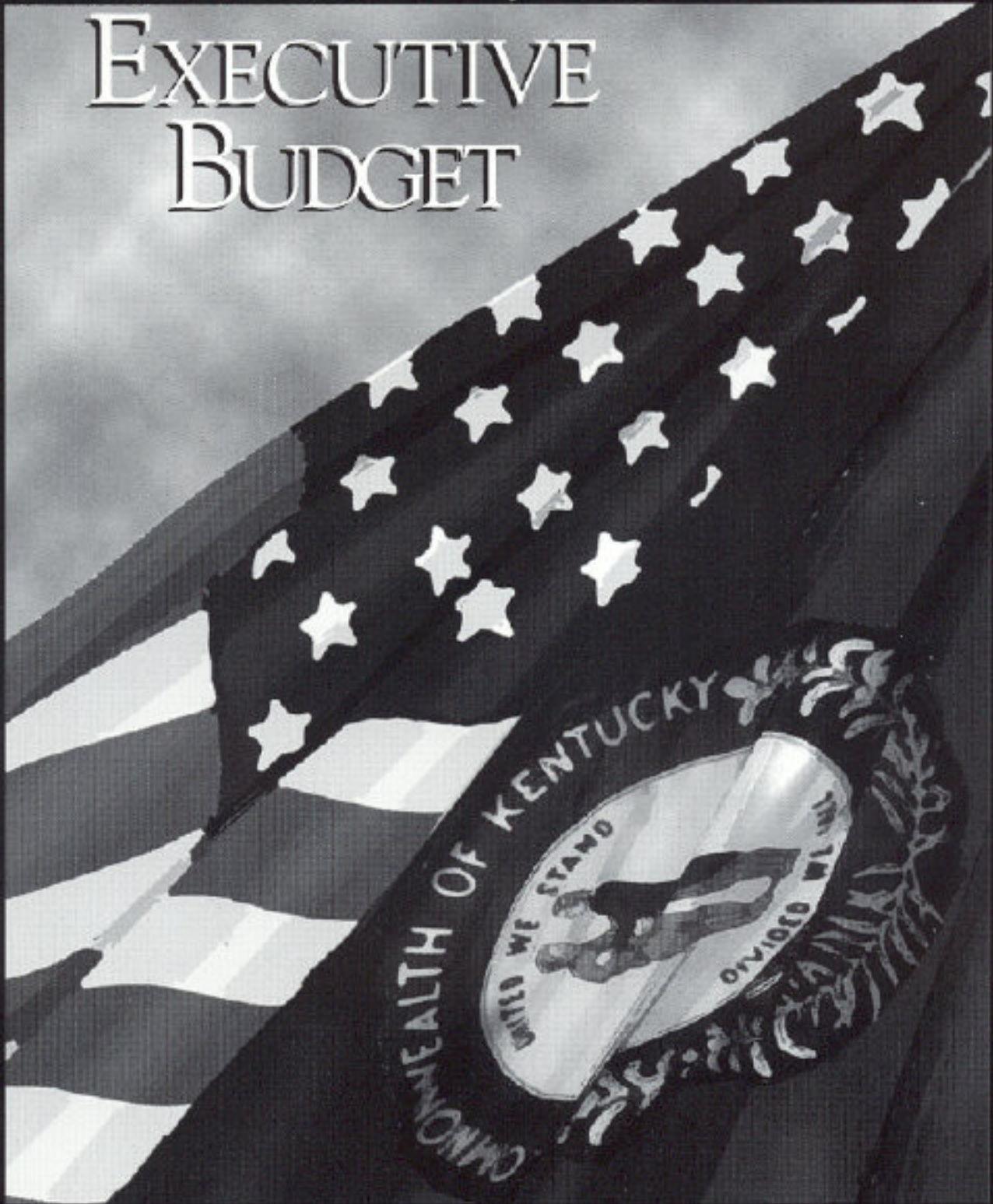
Notwithstanding KRS 342.122, the Workers' Compensation Funding Commission will finance a portion of the Mines and Minerals budget through Special Fund Assessments. Restricted funds in the amount of \$850,000 in fiscal year 2003 and \$850,000 in fiscal year 2004 are appropriated for the transfer to Mines and Minerals in the Public Protection and Regulation Cabinet. Notwithstanding KRS 342.122(1)(c), \$19,000,000 from the General Fund will not be appropriated to the Funding Commission in either year of the biennium. Notwithstanding KRS 342.122(1)(b), and the assessment rate will remain 11.5 percent for the biennium.



*Natural
Resources and
Environmental
Protection*

2002-2004

EXECUTIVE BUDGET



Natural Resources and Environmental Protection

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	60,961,000	73,108,300	76,893,600	58,031,800	60,831,800
Tobacco Settlement - I	9,000,000	9,000,000	9,000,000	9,000,000	9,000,000
Continuing Appropriation - Tobacco Settlement	3,803,000				
Budget Reduction	-1,529,200				
Total General Fund	72,234,800	82,108,300	85,893,600	67,031,800	69,831,800
Restricted Funds					
Balance Forward	44,022,900	36,722,100	31,049,500	36,722,100	31,049,500
Current Receipts	19,942,500	16,415,100	16,636,500	18,956,000	23,678,000
Non-Revenue Receipts	5,644,800	5,667,200	6,143,500	5,618,200	6,059,900
Total Restricted Funds	69,610,200	58,804,400	53,829,500	61,296,300	60,787,400
Federal Funds					
Balance Forward	316,500				
Current Receipts	68,222,400	70,733,600	71,085,500	70,685,000	70,799,100
Non-Revenue Receipts	-4,280,600	-5,101,500	-5,235,900	-5,076,800	-5,211,200
Total Federal Funds	64,258,300	65,632,100	65,849,600	65,608,200	65,587,900
TOTAL SOURCE OF FUNDS	206,103,300	206,544,800	205,572,700	193,936,300	196,207,100
EXPENDITURES BY CLASS					
Personnel Cost	94,609,300	97,794,900	102,259,600	95,046,700	101,043,500
Operating Expenses	18,462,100	18,988,200	18,646,900	17,445,900	17,541,200
Grants, Loans or Benefits	38,738,200	38,781,000	37,927,800	35,614,000	34,725,600
Capital Outlay	4,032,600	7,311,200	6,531,600	2,160,200	2,734,100
Construction	13,539,000	12,620,000	13,305,000	12,620,000	13,305,000
TOTAL EXPENDITURES	169,381,200	175,495,300	178,670,900	162,886,800	169,349,400
EXPENDITURES BY FUND SOURCE					
General Fund	72,234,800	82,108,300	85,893,600	67,031,800	69,831,800
Restricted Funds	32,888,100	27,754,900	26,927,700	30,246,800	33,929,700
Federal Funds	64,258,300	65,632,100	65,849,600	65,608,200	65,587,900
TOTAL EXPENDITURES	169,381,200	175,495,300	178,670,900	162,886,800	169,349,400
EXPENDITURES BY UNIT					
General Administration and Support	11,457,700	12,059,400	12,611,700	11,615,200	12,189,600
Natural Resources	37,771,600	38,087,500	38,867,700	31,071,400	31,928,400
Environmental Protection	63,212,700	66,790,600	67,764,800	62,896,300	67,023,500
Surface Mining Reclamation and Enforcement	33,269,400	34,392,400	35,275,200	33,720,800	34,554,800
Abandoned Mine Lands Reclamation Projects	22,000,000	22,000,000	22,000,000	22,000,000	22,000,000
Environmental Quality Commission	260,000	288,000	287,000	262,500	276,300
Kentucky Nature Preserves Commission	1,409,800	1,877,400	1,864,500	1,320,600	1,376,800
TOTAL EXPENDITURES	169,381,200	175,495,300	178,670,900	162,886,800	169,349,400

The Natural Resources and Environmental Protection Cabinet is charged with broad responsibilities for the protection and preservation of land, air, and water resources. The Cabinet provides environmental leadership and expertise, monitors environmental trends, anticipates needs, shapes a vision for Kentucky's geological future, and serves as a link between Kentucky's citizens, government, and businesses.

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

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	9,655,800	10,087,700	10,680,700	9,698,100	10,316,000
Budget Reduction	-193,100				
Total General Fund	9,462,700	10,087,700	10,680,700	9,698,100	10,316,000
Restricted Funds					
Balance Forward	798,300	265,100	103,900	265,100	103,900
Current Receipts	46,100	46,200	48,900	46,200	48,900
Non-Revenue Receipts	-216,100	130,500	130,500	124,500	124,500
Total Restricted Funds	628,300	441,800	283,300	435,800	277,300
Federal Funds					
Current Receipts	1,763,000	1,764,300	1,778,200	1,715,700	1,726,800
Non-Revenue Receipts	-131,200	-130,500	-130,500	-130,500	-130,500
Total Federal Funds	1,631,800	1,633,800	1,647,700	1,585,200	1,596,300
TOTAL SOURCE OF FUNDS	11,722,800	12,163,300	12,611,700	11,719,100	12,189,600
EXPENDITURES BY CLASS					
Personnel Cost	10,055,800	10,597,200	11,138,800	10,213,800	10,716,700
Operating Expenses	1,336,900	1,416,400	1,427,000	1,355,600	1,427,000
Capital Outlay	65,000	45,800	45,900	45,800	45,900
TOTAL EXPENDITURES	11,457,700	12,059,400	12,611,700	11,615,200	12,189,600
EXPENDITURES BY FUND SOURCE					
General Fund	9,462,700	10,087,700	10,680,700	9,698,100	10,316,000
Restricted Funds	363,200	337,900	283,300	331,900	277,300
Federal Funds	1,631,800	1,633,800	1,647,700	1,585,200	1,596,300
TOTAL EXPENDITURES	11,457,700	12,059,400	12,611,700	11,615,200	12,189,600
EXPENDITURES BY UNIT					
Secretary	1,630,100	1,358,100	1,407,400	1,323,800	1,374,000
Administrative Services	1,140,300	1,071,700	1,124,900	1,025,300	1,085,700
Administrative Hearings	804,800	858,600	894,900	813,800	865,100
Legal Services	4,666,200	4,969,500	5,214,600	4,809,000	5,033,600
Office of Financial Management	910,200	1,375,000	1,445,700	1,318,300	1,388,800
Information Services	1,570,500	1,635,100	1,699,900	1,575,300	1,650,000
Inspector General	735,600	791,400	824,300	749,700	792,400
TOTAL EXPENDITURES	11,457,700	12,059,400	12,611,700	11,615,200	12,189,600

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

The Office of the Secretary formulates and executes Cabinet policies based on administration priorities, state and federal statutes and regulations, legislative initiatives, the concerns of the general public, and the Cabinet's public information and environmental education efforts.

The Division of Administrative Services provides administrative oversight, direction and support to the Cabinet. The Division provides support in three major areas: personnel, payroll and human resources management; property, inventory, insurance, operations support, and training.

The Office of Administrative Hearings conducts and coordinates administrative hearings and penalty assessment conferences related to the enforcement activities of the Cabinet.

The Office of Legal Services provides litigation and other legal services for the Cabinet.

The Office of Information Services provides centralized systems analysis and applications development, systems operation support, specialized electronic systems support, and computer training for Cabinet employees.

The Office of Inspector General performs comprehensive investigations of suspected violations of environmental laws and regulations.

Policy

The Governor's recommended budget includes the Office of Financial Management, created by Executive Order 2001-1215, which performs centralized financial analysis, budgeting, and financial management for the Cabinet.

Natural Resources and Environmental Protection

Natural Resources

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	15,036,400	20,325,000	21,178,500	13,275,600	14,203,800
Tobacco Settlement - I	9,000,000	9,000,000	9,000,000	9,000,000	9,000,000
Continuing Appropriation - Tobacco Settlement	3,803,000				
Budget Reduction	-310,800				
Total General Fund	27,528,600	29,325,000	30,178,500	22,275,600	23,203,800
Restricted Funds					
Balance Forward	3,151,100	2,011,400	1,250,500	2,011,400	1,250,500
Current Receipts	2,278,300	1,495,200	1,681,300	1,528,500	1,716,700
Non-Revenue Receipts	632,200	1,108,700	1,127,600	1,108,700	1,127,600
Total Restricted Funds	6,061,600	4,615,300	4,059,400	4,648,600	4,094,800
Federal Funds					
Balance Forward	85,200				
Current Receipts	6,382,000	5,622,100	5,139,100	5,622,100	5,139,100
Non-Revenue Receipts	-274,400	-224,400	-224,400	-224,400	-224,400
Total Federal Funds	6,192,800	5,397,700	4,914,700	5,397,700	4,914,700
TOTAL SOURCE OF FUNDS	39,783,000	39,338,000	39,152,600	32,321,900	32,213,300
EXPENDITURES BY CLASS					
Personnel Cost	12,766,900	13,260,400	13,928,600	12,828,400	13,436,000
Operating Expenses	3,922,200	3,326,000	3,145,200	3,097,100	2,991,600
Grants, Loans or Benefits	20,422,300	18,162,900	18,422,100	15,145,900	15,369,900
Capital Outlay	660,200	3,338,200	3,371,800		130,900
TOTAL EXPENDITURES	37,771,600	38,087,500	38,867,700	31,071,400	31,928,400
EXPENDITURES BY FUND SOURCE					
General Fund	27,528,600	29,325,000	30,178,500	22,275,600	23,203,800
Restricted Funds	4,050,200	3,364,800	3,774,500	3,398,100	3,809,900
Federal Funds	6,192,800	5,397,700	4,914,700	5,397,700	4,914,700
TOTAL EXPENDITURES	37,771,600	38,087,500	38,867,700	31,071,400	31,928,400
EXPENDITURES BY UNIT					
Forestry	15,273,600	17,781,500	17,749,700	13,817,400	13,905,700
Commissioner	528,600	559,700	583,300	539,600	562,400
Conservation	18,728,700	16,838,400	17,543,400	13,827,700	14,492,400
Energy	3,240,700	2,907,900	2,991,300	2,886,700	2,967,900
TOTAL EXPENDITURES	37,771,600	38,087,500	38,867,700	31,071,400	31,928,400

The Department for Natural Resources is committed to the conservation, preservation, protection, perpetuation, and enhancement of the Commonwealth's natural land resources and stimulates more efficient energy utilization for the benefit of present and future generations of Kentucky citizens.

Natural Resources and Environmental Protection
Natural Resources
Commissioner

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	450,200	451,300	471,800	431,200	450,900
Budget Reduction	-19,000				
Total General Fund	431,200	451,300	471,800	431,200	450,900
Restricted Funds					
Balance Forward	8,800	11,000		11,000	
Non-Revenue Receipts	99,600	97,400	111,500	97,400	111,500
Total Restricted Funds	108,400	108,400	111,500	108,400	111,500
TOTAL SOURCE OF FUNDS	539,600	559,700	583,300	539,600	562,400
EXPENDITURES BY CLASS					
Personnel Cost	451,300	485,400	509,000	470,000	490,900
Operating Expenses	77,300	74,300	74,300	69,600	71,500
TOTAL EXPENDITURES	528,600	559,700	583,300	539,600	562,400
EXPENDITURES BY FUND SOURCE					
General Fund	431,200	451,300	471,800	431,200	450,900
Restricted Funds	97,400	108,400	111,500	108,400	111,500
TOTAL EXPENDITURES	528,600	559,700	583,300	539,600	562,400

The Office of the Commissioner provides leadership, policy direction and management for the Department for Natural Resources. Administrative oversight is provided for the Kentucky State Nature Preserves Commission, the Kentucky Heritage Land Conservation Fund Board, the Biodiversity Council, and the Forestry Best Management Practices Board.

Natural Resources and Environmental Protection
Natural Resources
Forestry

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	10,458,300	14,163,200	14,912,000	10,199,100	11,068,000
Budget Reduction	-209,200				
Total General Fund	10,249,100	14,163,200	14,912,000	10,199,100	11,068,000
Restricted Funds					
Balance Forward	627,500	284,900	284,900	284,900	284,900
Current Receipts	1,333,800	836,900	836,900	836,900	836,900
Non-Revenue Receipts	-187,300	300,000	300,000	300,000	300,000
Total Restricted Funds	1,774,000	1,421,800	1,421,800	1,421,800	1,421,800
Federal Funds					
Balance Forward	36,600				
Current Receipts	3,698,800	2,631,400	1,850,800	2,631,400	1,850,800
Non-Revenue Receipts	-200,000	-150,000	-150,000	-150,000	-150,000
Total Federal Funds	3,535,400	2,481,400	1,700,800	2,481,400	1,700,800
TOTAL SOURCE OF FUNDS	15,558,500	18,066,400	18,034,600	14,102,300	14,190,600
EXPENDITURES BY CLASS					
Personnel Cost	10,140,500	10,727,000	11,264,200	10,325,300	10,811,700
Operating Expenses	3,455,900	2,810,600	2,627,000	2,586,400	2,476,400
Grants, Loans or Benefits	1,017,000	905,700	486,700	905,700	486,700
Capital Outlay	660,200	3,338,200	3,371,800		130,900
TOTAL EXPENDITURES	15,273,600	17,781,500	17,749,700	13,817,400	13,905,700
EXPENDITURES BY FUND SOURCE					
General Fund	10,249,100	14,163,200	14,912,000	10,199,100	11,068,000
Restricted Funds	1,489,100	1,136,900	1,136,900	1,136,900	1,136,900
Federal Funds	3,535,400	2,481,400	1,700,800	2,481,400	1,700,800
TOTAL EXPENDITURES	15,273,600	17,781,500	17,749,700	13,817,400	13,905,700

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

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

Policy

The Governor's recommended budget also authorizes and provides the resources to address needs related to the inspection of logging operations, mill studies, and forest improvement practices.

Natural Resources - Forestry
Performance Budgeting Pilot Project Information

Program Mission

The mission of the Forestry program of the Department for Natural Resources is to protect and enhance Kentucky's forest resources by:

- providing environmental leadership and expertise,
- shaping a vision for the sustainability of Kentucky's forests,
- serving as a bridge linking Kentucky's citizens, government, and forest industry, and
- monitoring forest trends and anticipating needs.

Objective: By June 30, 2007 decrease the number of Kentucky's acres burned from forest fires by 20% from the ten-year average.

Performance Indicator: The number of acres burned each year due to wildland fires.

<u>FY 2002</u>	<u>FY 2003</u>	<u>FY 2004</u>
55,900	60,100	62,600

Objective: Increase landowner participation of forest stewardship activities by 10% over five years (2001 baseline year).

Performance Indicator: The number of landowners participating in forest stewardship activities annually.

<u>FY 2002</u>	<u>FY 2003</u>	<u>FY 2004</u>
1,500	1,380	1,380

Performance Indicator: The percentage change in the number of new landowners participating in forest stewardship activities.

<u>FY 2002</u>	<u>FY 2003</u>	<u>FY 2004</u>
75%	69%	69%

Performance Indicator: The number of acres improved through forest stewardship activities.

<u>FY 2002</u>	<u>FY 2003</u>	<u>FY 2004</u>
23,000	21,160	21,160

Objective: Increase citizen participation in activities that enhance water quality.

Performance Indicator: The number of master loggers, including new and redesignations annually.

<u>FY 2002</u>	<u>FY 2003</u>	<u>FY 2004</u>
1,600	1,472	1,472

Performance Indicator: The annual change in the number of forest stewardship/management plans.

<u>FY 2002</u>	<u>FY 2003</u>	<u>FY 2004</u>
1,500	1,058	1,058

Performance Indicator: The number of inspections of known timber harvesting operations.

<u>FY 2002</u>	<u>FY 2003</u>	<u>FY 2004</u>
3,800	3,496	3,496

Natural Resources and Environmental Protection
Natural Resources
Conservation

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	3,970,300	5,549,700	5,630,700	2,490,900	2,529,100
Tobacco Settlement - I	9,000,000	9,000,000	9,000,000	9,000,000	9,000,000
Continuing Appropriation - Tobacco Settlement	3,803,000				
Budget Reduction	-79,400				
Total General Fund	16,693,900	14,549,700	14,630,700	11,490,900	11,529,100
Restricted Funds					
Balance Forward	1,234,300	1,045,500	595,500	1,045,500	595,500
Current Receipts	944,500	658,300	844,400	706,400	895,000
Non-Revenue Receipts	645,500	636,900	641,700	636,900	641,700
Total Restricted Funds	2,824,300	2,340,700	2,081,600	2,388,800	2,132,200
Federal Funds					
Current Receipts	256,000	543,500	831,100	543,500	831,100
Total Federal Funds	256,000	543,500	831,100	543,500	831,100
TOTAL SOURCE OF FUNDS	19,774,200	17,433,900	17,543,400	14,423,200	14,492,400
EXPENDITURES BY CLASS					
Personnel Cost	1,577,600	1,460,400	1,532,300	1,466,700	1,533,400
Operating Expenses	159,100	237,300	237,200	237,300	237,300
Grants, Loans or Benefits	16,992,000	15,140,700	15,773,900	12,123,700	12,721,700
TOTAL EXPENDITURES	18,728,700	16,838,400	17,543,400	13,827,700	14,492,400
EXPENDITURES BY FUND SOURCE					
General Fund	16,693,900	14,549,700	14,630,700	11,490,900	11,529,100
Restricted Funds	1,778,800	1,745,200	2,081,600	1,793,300	2,132,200
Federal Funds	256,000	543,500	831,100	543,500	831,100
TOTAL EXPENDITURES	18,728,700	16,838,400	17,543,400	13,827,700	14,492,400

The Division of Conservation is responsible for assistance to Kentucky's 121 conservation districts in the development and implementation of sound conservation programs to protect, enhance, and develop the Commonwealth's natural resources to maximize resource utilization for the greatest number of citizens over the longest time period. The Division also develops educational activities; assists local conservation districts with financial assistance and equipment loans for conservation and water quality-related work on Kentucky lands; and provides administrative services to the State Soil and Water Conservation Commission.

The Division includes programmatic responsibilities relating to Soil Conservation Technical Assistance.

Policy

The Governor's recommended budget provides additional General Fund, Tobacco Settlement Funds of \$9 million each fiscal year for the Environmental Stewardship Program for cost share activities.

**Natural Resources and Environmental Protection
Natural Resources**

Energy

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	157,600	160,800	164,000	154,400	155,800
Budget Reduction	-3,200				
Total General Fund	154,400	160,800	164,000	154,400	155,800
Restricted Funds					
Balance Forward	1,280,500	670,000	370,100	670,000	370,100
Current Receipts				-14,800	-15,200
Non-Revenue Receipts	74,400	74,400	74,400	74,400	74,400
Total Restricted Funds	1,354,900	744,400	444,500	729,600	429,300
Federal Funds					
Balance Forward	48,600				
Current Receipts	2,427,200	2,447,200	2,457,200	2,447,200	2,457,200
Non-Revenue Receipts	-74,400	-74,400	-74,400	-74,400	-74,400
Total Federal Funds	2,401,400	2,372,800	2,382,800	2,372,800	2,382,800
TOTAL SOURCE OF FUNDS	3,910,700	3,278,000	2,991,300	3,256,800	2,967,900
EXPENDITURES BY CLASS					
Personnel Cost	597,500	587,600	623,100	566,400	600,000
Operating Expenses	229,900	203,800	206,700	203,800	206,400
Grants, Loans or Benefits	2,413,300	2,116,500	2,161,500	2,116,500	2,161,500
TOTAL EXPENDITURES	3,240,700	2,907,900	2,991,300	2,886,700	2,967,900
EXPENDITURES BY FUND SOURCE					
General Fund	154,400	160,800	164,000	154,400	155,800
Restricted Funds	684,900	374,300	444,500	359,500	429,300
Federal Funds	2,401,400	2,372,800	2,382,800	2,372,800	2,382,800
TOTAL EXPENDITURES	3,240,700	2,907,900	2,991,300	2,886,700	2,967,900

The Division of Energy has responsibility for encouraging energy efficiency in all sectors of the Kentucky economy to reduce costs and enhance national energy security.

The Division provides: school, hospital, and industrial sector grant awards; technical assistance to citizens concerned with energy efficiency and alternative energy sources such as solar, wood, geothermal, and wind; emergency planning for energy shortages; and energy data compilation.

Natural Resources and Environmental Protection
Environmental Protection

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	24,324,100	30,055,000	32,143,300	23,497,000	24,301,900
Budget Reduction	-636,400				
Total General Fund	23,687,700	30,055,000	32,143,300	23,497,000	24,301,900
Restricted Funds					
Balance Forward	10,529,700	7,147,200	3,637,300	7,147,200	3,637,300
Current Receipts	14,554,900	11,799,800	11,849,600	14,438,800	18,925,000
Non-Revenue Receipts	3,660,300	2,093,600	2,449,100	2,093,600	2,449,100
Total Restricted Funds	28,744,900	21,040,600	17,936,000	23,679,600	25,011,400
Federal Funds					
Balance Forward	35,300				
Current Receipts	19,596,500	21,820,400	22,157,800	21,820,400	22,157,800
Non-Revenue Receipts	-1,704,500	-2,488,100	-2,520,600	-2,463,400	-2,495,900
Total Federal Funds	17,927,300	19,332,300	19,637,200	19,357,000	19,661,900
TOTAL SOURCE OF FUNDS	70,359,900	70,427,900	69,716,500	66,533,600	68,975,200
EXPENDITURES BY CLASS					
Personnel Cost	43,642,800	44,491,800	46,529,800	43,510,400	47,324,100
Operating Expenses	8,717,900	9,836,200	9,742,900	8,729,300	8,834,100
Grants, Loans or Benefits	6,474,000	7,643,800	7,508,600	7,493,800	7,358,600
Capital Outlay	2,278,000	2,718,800	1,883,500	1,062,800	1,406,700
Construction	2,100,000	2,100,000	2,100,000	2,100,000	2,100,000
TOTAL EXPENDITURES	63,212,700	66,790,600	67,764,800	62,896,300	67,023,500
EXPENDITURES BY FUND SOURCE					
General Fund	23,687,700	30,055,000	32,143,300	23,497,000	24,301,900
Restricted Funds	21,597,700	17,403,300	15,984,300	20,042,300	23,059,700
Federal Funds	17,927,300	19,332,300	19,637,200	19,357,000	19,661,900
TOTAL EXPENDITURES	63,212,700	66,790,600	67,764,800	62,896,300	67,023,500
EXPENDITURES BY UNIT					
Water	24,168,800	27,136,200	27,827,800	25,475,100	26,220,600
Waste Management	20,275,600	19,005,200	19,026,800	18,387,400	21,271,900
Maxey Flats	466,000	1,423,500	1,198,500	466,000	484,600
Air Quality	12,327,900	12,887,700	13,253,800	12,576,500	12,883,500
Environmental Services	4,284,300	4,463,300	4,540,800	4,322,000	4,408,500
Commissioner	1,690,100	1,874,700	1,917,100	1,669,300	1,754,400
TOTAL EXPENDITURES	63,212,700	66,790,600	67,764,800	62,896,300	67,023,500

The Department for Environmental Protection is responsible for the protection of the environmental health of Kentucky's citizens through the prevention, abatement, and control of water, land, and air pollution. The Department conducts operations in six program areas: the Office of the Commissioner, Water, Air Quality, Waste Management, Environmental Services, and the Maxey Flats low-level nuclear waste disposal site.

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

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	1,522,100	1,727,500	1,767,200	1,522,100	1,604,500
Total General Fund	1,522,100	1,727,500	1,767,200	1,522,100	1,604,500
Restricted Funds					
Balance Forward	134,100	100,000	100,800	100,000	100,800
Current Receipts	11,900	11,900	11,900	11,900	11,900
Non-Revenue Receipts	122,000	136,100	143,000	136,100	143,000
Total Restricted Funds	268,000	248,000	255,700	248,000	255,700
TOTAL SOURCE OF FUNDS	1,790,100	1,975,500	2,022,900	1,770,100	1,860,200
EXPENDITURES BY CLASS					
Personnel Cost	1,512,500	1,587,900	1,663,800	1,522,100	1,589,100
Operating Expenses	177,600	217,800	218,800	147,200	165,300
Capital Outlay		69,000	34,500		
TOTAL EXPENDITURES	1,690,100	1,874,700	1,917,100	1,669,300	1,754,400
EXPENDITURES BY FUND SOURCE					
General Fund	1,522,100	1,727,500	1,767,200	1,522,100	1,604,500
Restricted Funds	168,000	147,200	149,900	147,200	149,900
TOTAL EXPENDITURES	1,690,100	1,874,700	1,917,100	1,669,300	1,754,400

The Office of the Commissioner provides leadership, policy direction, and management for the Department for Environmental Protection.

Natural Resources and Environmental Protection
Environmental Protection

Water

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	11,382,200	12,622,700	12,927,000	10,961,600	11,319,800
Budget Reduction	-320,600				
Total General Fund	11,061,600	12,622,700	12,927,000	10,961,600	11,319,800
Restricted Funds					
Balance Forward	965,200	452,500	240,000	452,500	240,000
Current Receipts	906,500	915,600	915,400	915,600	915,400
Non-Revenue Receipts	1,018,200	1,086,300	1,133,500	1,086,300	1,133,500
Total Restricted Funds	2,889,900	2,454,400	2,288,900	2,454,400	2,288,900
Federal Funds					
Balance Forward	4,200				
Current Receipts	11,484,500	13,173,500	13,521,700	13,173,500	13,521,700
Non-Revenue Receipts	-818,900	-874,400	-909,800	-874,400	-909,800
Total Federal Funds	10,669,800	12,299,100	12,611,900	12,299,100	12,611,900
TOTAL SOURCE OF FUNDS	24,621,300	27,376,200	27,827,800	25,715,100	26,220,600
EXPENDITURES BY CLASS					
Personnel Cost	15,005,200	16,838,400	17,745,500	15,929,800	16,693,400
Operating Expenses	2,704,400	2,914,200	2,938,900	2,768,200	2,826,100
Grants, Loans or Benefits	5,418,800	6,608,300	6,503,400	6,608,300	6,503,400
Capital Outlay	1,040,400	775,300	640,000	168,800	197,700
TOTAL EXPENDITURES	24,168,800	27,136,200	27,827,800	25,475,100	26,220,600
EXPENDITURES BY FUND SOURCE					
General Fund	11,061,600	12,622,700	12,927,000	10,961,600	11,319,800
Restricted Funds	2,437,400	2,214,400	2,288,900	2,214,400	2,288,900
Federal Funds	10,669,800	12,299,100	12,611,900	12,299,100	12,611,900
TOTAL EXPENDITURES	24,168,800	27,136,200	27,827,800	25,475,100	26,220,600

The Division of Water, operating under authority granted by both state and federal statutes, is responsible for administering programs for: ensuring a safe drinking water supply; water quality maintenance; water storage overflow prevention; water improvements construction safety; and water conservation, promotion, regulation, and development.

The Division includes programmatic responsibilities relating to Dam Safety Inspections, Kentucky Pollution Discharge Elimination System (KPDES) permitting, On-site Sewage Inspections, Confined Animal Feeding Operations (CAFOs) compliance, and Logging Operations (FCA) compliance.

Policy

The Governor's recommended budget provides additional personnel, operating, and capital support from federal funds in the amount of \$1,373,500 in fiscal year 2003 and \$1,277,600 in fiscal year 2004 for implementation of the Federal 106 Total Maximum Daily Loads (TMDLs) program, the Federal 319 Non-Point program, and the Federal Drinking Water program.

The Governor's recommended budget provides additional personnel and operating support from agency funds in the amount of \$65,000 in fiscal year 2003 and \$65,000 in fiscal year 2004 for the Power Plant Permitting program.

The Governor's recommended budget also authorizes and provides resources to address needs related to power plant permitting, slurry pond control, identification and control of wastewater straight pipes and Confined Animal Feeding Operations (CAFOs).

Natural Resources and Environmental Protection
Environmental Protection
Waste Management

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	5,915,200	9,035,300	10,902,700	5,661,700	5,898,400
Budget Reduction	-170,300				
Total General Fund	5,744,900	9,035,300	10,902,700	5,661,700	5,898,400
Restricted Funds					
Balance Forward	6,583,800	5,156,300	2,418,000	5,156,300	2,418,000
Current Receipts	4,472,700	1,444,800	1,270,500	4,175,900	8,495,200
Non-Revenue Receipts	3,318,800	788,100	1,100,000	788,100	1,100,000
Total Restricted Funds	14,375,300	7,389,200	4,788,500	10,120,300	12,013,200
Federal Funds					
Balance Forward	30,900				
Current Receipts	5,953,500	6,335,600	6,324,800	6,335,600	6,324,800
Non-Revenue Receipts	-672,700	-1,336,900	-1,334,000	-1,312,200	-1,309,300
Total Federal Funds	5,311,700	4,998,700	4,990,800	5,023,400	5,015,500
TOTAL SOURCE OF FUNDS	25,431,900	21,423,200	20,682,000	20,805,400	22,927,100
EXPENDITURES BY CLASS					
Personnel Cost	15,144,200	13,387,000	13,803,600	13,655,700	16,073,800
Operating Expenses	2,432,000	2,169,000	2,185,300	2,176,200	2,160,200
Grants, Loans or Benefits	505,500	455,500	455,500	455,500	455,500
Capital Outlay	93,900	893,700	482,400		482,400
Construction	2,100,000	2,100,000	2,100,000	2,100,000	2,100,000
TOTAL EXPENDITURES	20,275,600	19,005,200	19,026,800	18,387,400	21,271,900
EXPENDITURES BY FUND SOURCE					
General Fund	5,744,900	9,035,300	10,902,700	5,661,700	5,898,400
Restricted Funds	9,219,000	4,971,200	3,133,300	7,702,300	10,358,000
Federal Funds	5,311,700	4,998,700	4,990,800	5,023,400	5,015,500
TOTAL EXPENDITURES	20,275,600	19,005,200	19,026,800	18,387,400	21,271,900

The Division of Waste Management, pursuant to KRS 224, is responsible for programs that regulate the generation, transportation, storage, treatment, and disposal of all hazardous wastes in the state; ensure proper disposal of all solid waste produced in the Commonwealth; and administer the Clean Counties initiative. Additional responsibilities include resources use and recycling initiatives; technical assistance to counties and solid waste management districts to facilitate compliance with 401 KAR, Chapter 49; investigation and restoration duties relative to abandoned hazardous waste disposal sites; and citizen education concerning waste management issues.

The Division includes programmatic responsibilities relating to the Brownfields program.

Policy

The Governor's recommended budget provides additional personnel and operating support from agency funds of \$210,000 in fiscal year 2003 and \$210,00 in fiscal year 2004 to enhance the Clean Counties program.

The Governor's recommended budget provides agency fund resources for the Division of Waste Management, Hazardous Waste Management program of \$2,100,000 in fiscal year 2003 and \$2,776,500 in fiscal year 2004, contingent upon the reauthorization of the Hazardous Waste fee authorized by KRS 224.46-580.

The Governor's recommended budget provides agency fund resources for the Division of Waste Management, Waste Tire Cleanup program of \$ 2,500,000 in fiscal year 2003 and \$ 3,000,000 in fiscal year 2004, contingent upon the reauthorization of the Waste Tire fee authorized by KRS 224.50-880.

The Governor's recommended budget also authorizes and provides resources to address needs related to slurry pond control and illegal dump identification.

Natural Resources and Environmental Protection
Environmental Protection
Air Quality

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	1,484,600	1,655,100	1,685,200	1,436,000	1,464,200
Budget Reduction	-41,100				
Total General Fund	1,443,500	1,655,100	1,685,200	1,436,000	1,464,200
Restricted Funds					
Balance Forward	2,609,500	1,430,600	878,500	1,430,600	878,500
Current Receipts	8,956,200	9,206,800	9,431,100	9,114,700	9,281,800
Non-Revenue Receipts	-996,200	-271,600	-295,600	-271,600	-295,600
Total Restricted Funds	10,569,500	10,365,800	10,014,000	10,273,700	9,864,700
Federal Funds					
Balance Forward	200				
Current Receipts	1,934,000	1,934,000	1,934,000	1,934,000	1,934,000
Non-Revenue Receipts	-188,700	-188,700	-188,700	-188,700	-188,700
Total Federal Funds	1,745,500	1,745,300	1,745,300	1,745,300	1,745,300
TOTAL SOURCE OF FUNDS	13,758,500	13,766,200	13,444,500	13,455,000	13,074,200
EXPENDITURES BY CLASS					
Personnel Cost	8,957,400	9,538,700	10,011,400	9,373,200	9,791,100
Operating Expenses	2,096,300	2,278,500	2,267,600	2,282,800	2,267,600
Grants, Loans or Benefits	491,200	521,500	491,200	371,500	341,200
Capital Outlay	783,000	549,000	483,600	549,000	483,600
TOTAL EXPENDITURES	12,327,900	12,887,700	13,253,800	12,576,500	12,883,500
EXPENDITURES BY FUND SOURCE					
General Fund	1,443,500	1,655,100	1,685,200	1,436,000	1,464,200
Restricted Funds	9,138,900	9,487,300	9,823,300	9,395,200	9,674,000
Federal Funds	1,745,500	1,745,300	1,745,300	1,745,300	1,745,300
TOTAL EXPENDITURES	12,327,900	12,887,700	13,253,800	12,576,500	12,883,500

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

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

Policy

The Governor's recommended budget provides additional personnel and operating support from agency funds in the amount of \$74,400 in fiscal year 2003 and \$71,300 in fiscal year 2004 for the Air Quality Enforcement program. The Division will perform reviews and coordinate activities associated with violations of Federal Title V permits regulations.

The Governor's recommended budget provides additional personnel and operating support from agency funds in the amount of \$65,000 in fiscal year 2003 and \$65,000 in fiscal year 2004 for the Power Plant Permitting program.

The Governor's recommended budget also authorizes and provides resources to address needs related to power plant permitting, slurry pond control, and Confined Animal Feeding Operations (CAFOs).

The Governor's recommended budget provides additional personnel and operating support from agency funds in the amount of \$150,000 in fiscal year 2003 and \$150,000 in fiscal year 2004 for the West Louisville Community Project to conduct activities associated with air quality monitoring.

Natural Resources and Environmental Protection
Environmental Protection
Environmental Services

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	3,544,500	3,590,900	3,662,700	3,449,600	3,530,400
Budget Reduction	-94,900				
Total General Fund	3,449,600	3,590,900	3,662,700	3,449,600	3,530,400
Restricted Funds					
Balance Forward	237,100	7,800		7,800	
Current Receipts	207,600	220,700	220,700	220,700	220,700
Non-Revenue Receipts	197,500	354,700	368,200	354,700	368,200
Total Restricted Funds	642,200	583,200	588,900	583,200	588,900
Federal Funds					
Current Receipts	224,500	377,300	377,300	377,300	377,300
Non-Revenue Receipts	-24,200	-88,100	-88,100	-88,100	-88,100
Total Federal Funds	200,300	289,200	289,200	289,200	289,200
TOTAL SOURCE OF FUNDS	4,292,100	4,463,300	4,540,800	4,322,000	4,408,500
EXPENDITURES BY CLASS					
Personnel Cost	2,700,500	2,797,500	2,946,100	2,707,000	2,839,300
Operating Expenses	1,223,100	1,320,800	1,351,700	1,270,000	1,326,200
Capital Outlay	360,700	345,000	243,000	345,000	243,000
TOTAL EXPENDITURES	4,284,300	4,463,300	4,540,800	4,322,000	4,408,500
EXPENDITURES BY FUND SOURCE					
General Fund	3,449,600	3,590,900	3,662,700	3,449,600	3,530,400
Restricted Funds	634,400	583,200	588,900	583,200	588,900
Federal Funds	200,300	289,200	289,200	289,200	289,200
TOTAL EXPENDITURES	4,284,300	4,463,300	4,540,800	4,322,000	4,408,500

The Division of Environmental Services provides the necessary laboratory services for characterizing, evaluating, and documenting the nature and extent of environmental pollutants in the Commonwealth. KRS 224.033(7) requires services to be conducted in support of the regulatory, permitting, and enforcement efforts for air, water, and waste management activities, along with the investigation of spills and other environmental emergencies.

Natural Resources and Environmental Protection
Environmental Protection
Maxey Flats

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	475,500	1,423,500	1,198,500	466,000	484,600
Budget Reduction	-9,500				
Total General Fund	466,000	1,423,500	1,198,500	466,000	484,600
TOTAL SOURCE OF FUNDS	466,000	1,423,500	1,198,500	466,000	484,600
EXPENDITURES BY CLASS					
Personnel Cost	323,000	342,300	359,400	322,600	337,400
Operating Expenses	84,500	935,900	780,600	84,900	88,700
Grants, Loans or Benefits	58,500	58,500	58,500	58,500	58,500
Capital Outlay		86,800			
TOTAL EXPENDITURES	466,000	1,423,500	1,198,500	466,000	484,600
EXPENDITURES BY FUND SOURCE					
General Fund	466,000	1,423,500	1,198,500	466,000	484,600
TOTAL EXPENDITURES	466,000	1,423,500	1,198,500	466,000	484,600

Maxey Flats, originally operated as a low-level nuclear waste disposal site, was closed in 1977. The Commonwealth of Kentucky assumed ownership and responsibility for the toxic site in 1978, providing monitoring and maintenance activities at the site. A combination of state appropriations and federal funds has been used to minimize negative health impacts on the neighboring vicinity, while moving toward final site closure. The site was added to the federal Superfund cleanup list and currently is in the remedial design phase of the remedy authorized by the U.S. Environmental Protection Agency. Actual remediation has begun but is not expected to be completed for several years. After remediation, the Commonwealth will continue to be responsible for operating and maintaining the site.

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

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	10,754,800	10,816,900	11,063,300	10,319,700	10,680,700
Budget Reduction	-365,100				
Total General Fund	10,389,700	10,816,900	11,063,300	10,319,700	10,680,700
Restricted Funds					
Balance Forward	29,092,300	26,982,500	25,781,400	26,982,500	25,781,400
Current Receipts	2,869,600	2,874,200	2,881,500	2,742,800	2,812,200
Non-Revenue Receipts	1,418,900	2,256,900	2,358,800	2,213,900	2,281,200
Total Restricted Funds	33,380,800	32,113,600	31,021,700	31,939,200	30,874,800
Federal Funds					
Balance Forward	196,000				
Current Receipts	18,454,300	19,500,200	19,983,800	19,500,200	19,748,800
Non-Revenue Receipts	-2,168,900	-2,256,900	-2,358,800	-2,256,900	-2,358,800
Total Federal Funds	16,481,400	17,243,300	17,625,000	17,243,300	17,390,000
TOTAL SOURCE OF FUNDS	60,251,900	60,173,800	59,710,000	59,502,200	58,945,500
EXPENDITURES BY CLASS					
Personnel Cost	26,600,400	27,618,400	28,728,200	26,955,300	27,936,200
Operating Expenses	4,188,100	4,038,100	3,974,300	4,029,600	4,045,900
Grants, Loans or Benefits	1,441,500	1,464,300	1,267,100	1,464,300	1,267,100
Capital Outlay	1,029,400	1,051,600	1,150,600	1,051,600	1,150,600
Construction	10,000	220,000	155,000	220,000	155,000
TOTAL EXPENDITURES	33,269,400	34,392,400	35,275,200	33,720,800	34,554,800
EXPENDITURES BY FUND SOURCE					
General Fund	10,389,700	10,816,900	11,063,300	10,319,700	10,680,700
Restricted Funds	6,398,300	6,332,200	6,586,900	6,157,800	6,484,100
Federal Funds	16,481,400	17,243,300	17,625,000	17,243,300	17,390,000
TOTAL EXPENDITURES	33,269,400	34,392,400	35,275,200	33,720,800	34,554,800
EXPENDITURES BY UNIT					
Permits	7,948,300	8,176,100	8,399,600	8,023,700	8,285,200
Commissioner	2,351,900	2,472,700	2,543,000	2,363,800	2,431,900
Field Services	13,135,200	13,622,600	14,209,300	13,343,700	13,871,800
Abandoned Lands	9,834,000	10,121,000	10,123,300	9,989,600	9,965,900
TOTAL EXPENDITURES	33,269,400	34,392,400	35,275,200	33,720,800	34,554,800

The Department for Surface Mining Reclamation and Enforcement implements the provisions of the federal Surface Mining Control and Reclamation Act of 1977 pursuant to Public Law 95-87. The Department's mission is to minimize the negative environmental effects of surface mining and the surface effects of underground mining.

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

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	1,080,200	1,163,700	1,187,800	1,097,800	1,110,200
Budget Reduction	-22,400				
Other	40,000				
Total General Fund	1,097,800	1,163,700	1,187,800	1,097,800	1,110,200
Restricted Funds					
Balance Forward	14,843,000	14,685,400	15,100,000	14,685,400	15,100,000
Current Receipts	1,025,300	1,030,400	1,035,400	1,030,400	1,035,400
Non-Revenue Receipts	71,200	693,200	762,600	650,200	685,000
Total Restricted Funds	15,939,500	16,409,000	16,898,000	16,366,000	16,820,400
TOTAL SOURCE OF FUNDS	17,037,300	17,572,700	18,085,800	17,463,800	17,930,600
EXPENDITURES BY CLASS					
Personnel Cost	1,994,400	2,152,600	2,233,900	2,043,700	2,110,300
Operating Expenses	357,500	320,100	309,100	320,100	321,600
TOTAL EXPENDITURES	2,351,900	2,472,700	2,543,000	2,363,800	2,431,900
EXPENDITURES BY FUND SOURCE					
General Fund	1,097,800	1,163,700	1,187,800	1,097,800	1,110,200
Restricted Funds	1,254,100	1,309,000	1,355,200	1,266,000	1,321,700
TOTAL EXPENDITURES	2,351,900	2,472,700	2,543,000	2,363,800	2,431,900

The Office of the Commissioner provides leadership, policy direction, and management for the Department for Surface Mining Reclamation and Enforcement.

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

Permits

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	3,603,900	3,309,800	3,406,000	3,157,400	3,308,700
Budget Reduction	-197,000				
Other	-229,500				
Total General Fund	3,177,400	3,309,800	3,406,000	3,157,400	3,308,700
Restricted Funds					
Balance Forward	689,300	263,700	121,200	263,700	121,200
Current Receipts	7,600	7,600	9,700	7,600	9,700
Non-Revenue Receipts	-55,100	235,500	262,400	235,500	262,400
Total Restricted Funds	641,800	506,800	393,300	506,800	393,300
Federal Funds					
Current Receipts	4,874,200	5,016,200	5,162,700	5,016,200	5,145,600
Non-Revenue Receipts	-481,400	-535,500	-562,400	-535,500	-562,400
Total Federal Funds	4,392,800	4,480,700	4,600,300	4,480,700	4,583,200
TOTAL SOURCE OF FUNDS	8,212,000	8,297,300	8,399,600	8,144,900	8,285,200
EXPENDITURES BY CLASS					
Personnel Cost	5,990,300	6,235,700	6,471,800	6,089,600	6,298,300
Operating Expenses	1,154,800	1,198,200	1,132,800	1,191,900	1,191,900
Grants, Loans or Benefits	744,400	732,200	735,000	732,200	735,000
Capital Outlay	58,800	10,000	60,000	10,000	60,000
TOTAL EXPENDITURES	7,948,300	8,176,100	8,399,600	8,023,700	8,285,200
EXPENDITURES BY FUND SOURCE					
General Fund	3,177,400	3,309,800	3,406,000	3,157,400	3,308,700
Restricted Funds	378,100	385,600	393,300	385,600	393,300
Federal Funds	4,392,800	4,480,700	4,600,300	4,480,700	4,583,200
TOTAL EXPENDITURES	7,948,300	8,176,100	8,399,600	8,023,700	8,285,200

The Division of Permits is responsible for reviewing all surface mining permit applications according to standards in Kentucky statutes and the federal Surface Mining Control and Reclamation Act. The Division administers the federal Small Operator's Assistance and Lands Unsuitable for Mining programs, and reviews underground mining applications to determine the surface effects of such operations.

Policy

The Governor's recommended budget also authorizes and provides resources to address needs related to non-coal activities, such as limestone, sand, and gravel quarries.

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

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	6,070,700	6,343,400	6,469,500	6,064,500	6,261,800
Budget Reduction	-145,700				
Other	189,500				
Total General Fund	6,114,500	6,343,400	6,469,500	6,064,500	6,261,800
Restricted Funds					
Balance Forward	823,600	371,100	304,200	371,100	304,200
Current Receipts	69,100	68,600	68,800	68,600	62,300
Non-Revenue Receipts	36,700	503,600	463,800	503,600	463,800
Total Restricted Funds	929,400	943,300	836,800	943,300	830,300
Federal Funds					
Current Receipts	7,397,200	7,593,700	7,943,100	7,593,700	7,819,800
Non-Revenue Receipts	-934,800	-953,600	-1,013,200	-953,600	-1,013,200
Total Federal Funds	6,462,400	6,640,100	6,929,900	6,640,100	6,806,600
TOTAL SOURCE OF FUNDS	13,506,300	13,926,800	14,236,200	13,647,900	13,898,700
EXPENDITURES BY CLASS					
Personnel Cost	10,344,200	10,894,000	11,454,000	10,617,300	11,116,500
Operating Expenses	1,887,400	1,761,500	1,741,700	1,759,300	1,741,700
Grants, Loans or Benefits	189,000	189,000	189,000	189,000	189,000
Capital Outlay	714,600	778,100	824,600	778,100	824,600
TOTAL EXPENDITURES	13,135,200	13,622,600	14,209,300	13,343,700	13,871,800
EXPENDITURES BY FUND SOURCE					
General Fund	6,114,500	6,343,400	6,469,500	6,064,500	6,261,800
Restricted Funds	558,300	639,100	809,900	639,100	803,400
Federal Funds	6,462,400	6,640,100	6,929,900	6,640,100	6,806,600
TOTAL EXPENDITURES	13,135,200	13,622,600	14,209,300	13,343,700	13,871,800

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

Policy

The Governor's recommended budget also authorizes and provides resources to address needs related to non-coal activities, such as limestone, sand, and gravel quarries.

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

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
SOURCE OF FUNDS					
Restricted Funds					
Balance Forward	12,736,400	11,662,300	10,256,000	11,662,300	10,256,000
Current Receipts	1,767,600	1,767,600	1,767,600	1,636,200	1,704,800
Non-Revenue Receipts	1,366,100	824,600	870,000	824,600	870,000
Total Restricted Funds	15,870,100	14,254,500	12,893,600	14,123,100	12,830,800
Federal Funds					
Balance Forward	196,000				
Current Receipts	6,182,900	6,890,300	6,878,000	6,890,300	6,783,400
Non-Revenue Receipts	-752,700	-767,800	-783,200	-767,800	-783,200
Total Federal Funds	5,626,200	6,122,500	6,094,800	6,122,500	6,000,200
TOTAL SOURCE OF FUNDS	21,496,300	20,377,000	18,988,400	20,245,600	18,831,000
EXPENDITURES BY CLASS					
Personnel Cost	8,271,500	8,336,100	8,568,500	8,204,700	8,411,100
Operating Expenses	788,400	758,300	790,700	758,300	790,700
Grants, Loans or Benefits	508,100	543,100	343,100	543,100	343,100
Capital Outlay	256,000	263,500	266,000	263,500	266,000
Construction	10,000	220,000	155,000	220,000	155,000
TOTAL EXPENDITURES	9,834,000	10,121,000	10,123,300	9,989,600	9,965,900
EXPENDITURES BY FUND SOURCE					
Restricted Funds	4,207,800	3,998,500	4,028,500	3,867,100	3,965,700
Federal Funds	5,626,200	6,122,500	6,094,800	6,122,500	6,000,200
TOTAL EXPENDITURES	9,834,000	10,121,000	10,123,300	9,989,600	9,965,900

The Division of Abandoned Mine Lands is responsible for abandoned or unreclaimed land reclamation activities on previously surface-mined land or land used in connection with surface mining, under Title IV of Public Law 95-87, or KRS 350.

Federal funds for this program are provided from federal tax levies imposed under Public Law 95-87 on all coal mined since August 3, 1977. Approximately 150,000 acres of abandoned mine lands in Kentucky are eligible for eventual reclamation under Public Law 95-87. The Commonwealth must maintain an approved Abandoned Mine Land Reclamation program, or federal funding allocations for Kentucky reclamation projects will be reallocated to other coal-producing states.

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

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
SOURCE OF FUNDS					
Federal Funds					
Current Receipts	22,000,000	22,000,000	22,000,000	22,000,000	22,000,000
Total Federal Funds	22,000,000	22,000,000	22,000,000	22,000,000	22,000,000
TOTAL SOURCE OF FUNDS	22,000,000	22,000,000	22,000,000	22,000,000	22,000,000
EXPENDITURES BY CLASS					
Personnel Cost	250,000	220,000	250,000	220,000	250,000
Grants, Loans or Benefits	10,321,000	11,480,000	10,700,000	11,480,000	10,700,000
Construction	11,429,000	10,300,000	11,050,000	10,300,000	11,050,000
TOTAL EXPENDITURES	22,000,000	22,000,000	22,000,000	22,000,000	22,000,000
EXPENDITURES BY FUND SOURCE					
Federal Funds	22,000,000	22,000,000	22,000,000	22,000,000	22,000,000
TOTAL EXPENDITURES	22,000,000	22,000,000	22,000,000	22,000,000	22,000,000

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

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

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	258,200	286,000	287,000	260,500	276,300
Budget Reduction	-5,200				
Total General Fund	253,000	286,000	287,000	260,500	276,300
Restricted Funds					
Balance Forward	7,400	2,000		2,000	
Current Receipts	1,600				
Total Restricted Funds	9,000	2,000		2,000	
TOTAL SOURCE OF FUNDS	262,000	288,000	287,000	262,500	276,300
EXPENDITURES BY CLASS					
Personnel Cost	217,400	230,500	242,500	224,300	235,400
Operating Expenses	42,600	57,500	44,500	38,200	40,900
TOTAL EXPENDITURES	260,000	288,000	287,000	262,500	276,300
EXPENDITURES BY FUND SOURCE					
General Fund	253,000	286,000	287,000	260,500	276,300
Restricted Funds	7,000	2,000		2,000	
TOTAL EXPENDITURES	260,000	288,000	287,000	262,500	276,300

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

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

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	931,700	1,537,700	1,540,800	980,900	1,053,100
Budget Reduction	-18,600				
Total General Fund	913,100	1,537,700	1,540,800	980,900	1,053,100
Restricted Funds					
Balance Forward	444,100	313,900	276,400	313,900	276,400
Current Receipts	192,000	199,700	175,200	199,700	175,200
Non-Revenue Receipts	149,500	77,500	77,500	77,500	77,500
Total Restricted Funds	785,600	591,100	529,100	591,100	529,100
Federal Funds					
Current Receipts	26,600	26,600	26,600	26,600	26,600
Non-Revenue Receipts	-1,600	-1,600	-1,600	-1,600	-1,600
Total Federal Funds	25,000	25,000	25,000	25,000	25,000
TOTAL SOURCE OF FUNDS	1,723,700	2,153,800	2,094,900	1,597,000	1,607,200
EXPENDITURES BY CLASS					
Personnel Cost	1,076,000	1,376,600	1,441,700	1,094,500	1,145,100
Operating Expenses	254,400	314,000	313,000	196,100	201,700
Grants, Loans or Benefits	79,400	30,000	30,000	30,000	30,000
Capital Outlay		156,800	79,800		
TOTAL EXPENDITURES	1,409,800	1,877,400	1,864,500	1,320,600	1,376,800
EXPENDITURES BY FUND SOURCE					
General Fund	913,100	1,537,700	1,540,800	980,900	1,053,100
Restricted Funds	471,700	314,700	298,700	314,700	298,700
Federal Funds	25,000	25,000	25,000	25,000	25,000
TOTAL EXPENDITURES	1,409,800	1,877,400	1,864,500	1,320,600	1,376,800

The Kentucky Nature Preserves Commission, pursuant to KRS 146.410-146.530, has two mandated goals: to inventory the Commonwealth for its natural diversity, including its plants, animal life, biological communities, and areas of natural significance; and to protect these natural features by establishing a system of nature preserves.

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

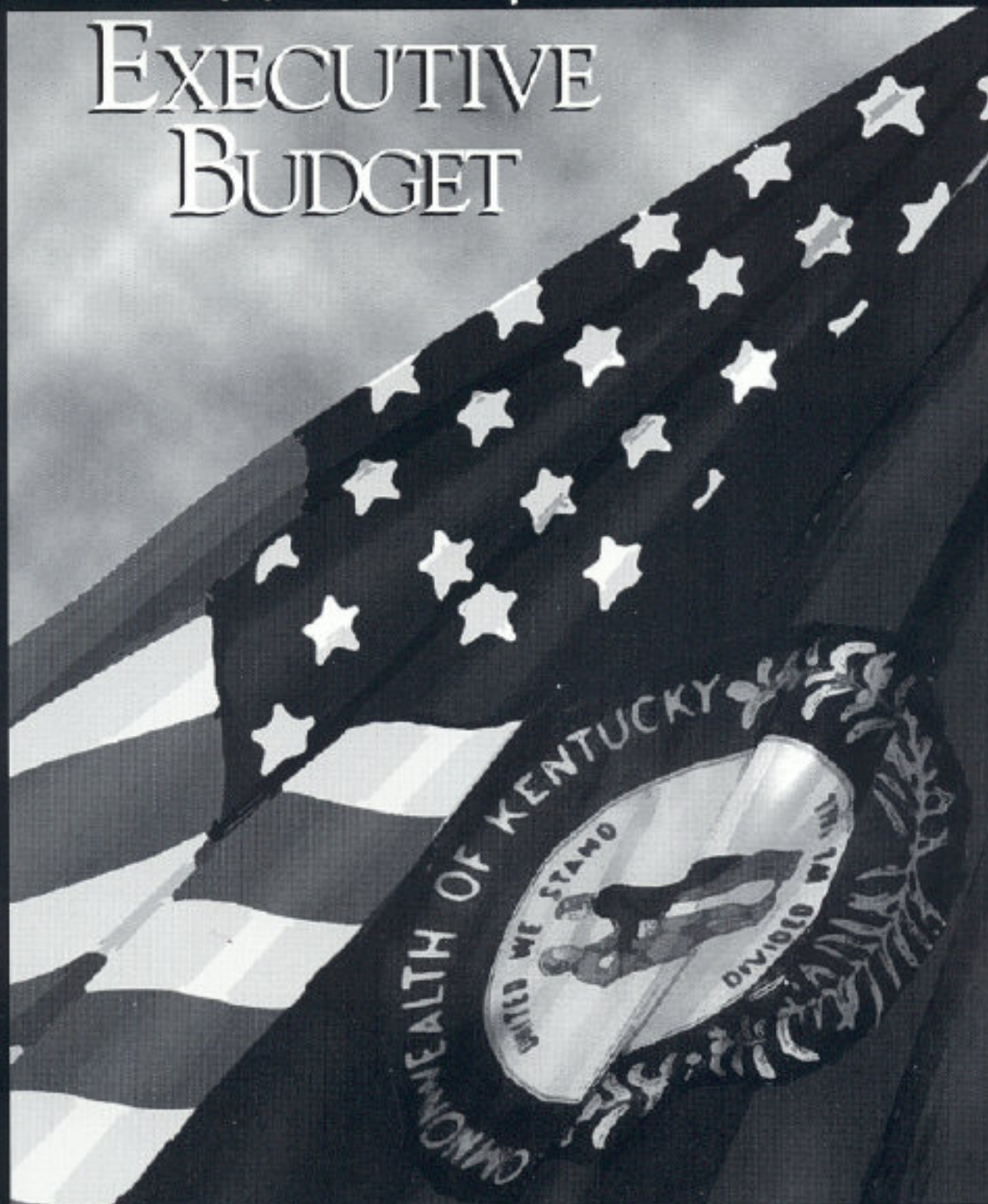
The Commission includes programmatic responsibilities relating to the Stewardship of Nature Preserves and the Biological Inventories relating to natural areas.



2002-2004

Personnel

EXECUTIVE BUDGET



	Personnel				
	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	3,531,200	3,484,000	12,181,300	3,345,100	3,345,100
Budget Reduction	-115,500				
Total General Fund	3,415,700	3,484,000	12,181,300	3,345,100	3,345,100
Restricted Funds					
Balance Forward	8,084,100	4,242,700	3,331,100	4,242,700	3,431,400
Current Receipts	28,067,600	33,468,700	34,902,100	33,157,700	34,696,500
Non-Revenue Receipts	118,600	5,620,300	13,820,700	1,705,500	1,732,300
Total Restricted Funds	36,270,300	43,331,700	52,053,900	39,105,900	39,860,200
TOTAL SOURCE OF FUNDS	39,686,000	46,815,700	64,235,200	42,451,000	43,205,300
EXPENDITURES BY CLASS					
Personnel Cost	31,109,300	36,828,000	48,554,800	32,726,900	34,723,400
Operating Expenses	4,314,000	6,534,700	13,755,400	6,170,800	6,505,100
Capital Outlay	20,000	121,900	100,100	121,900	100,100
TOTAL EXPENDITURES	35,443,300	43,484,600	62,410,300	39,019,600	41,328,600
EXPENDITURES BY FUND SOURCE					
General Fund	3,415,700	3,484,000	12,181,300	3,345,100	3,345,100
Restricted Funds	32,027,600	40,000,600	50,229,000	35,674,500	37,983,500
TOTAL EXPENDITURES	35,443,300	43,484,600	62,410,300	39,019,600	41,328,600
EXPENDITURES BY UNIT					
General Operations	13,801,100	20,904,400	38,509,300	16,567,100	17,568,300
Public Employees Deferred Compensation Authority	5,740,700	5,286,600	5,735,200	5,183,300	5,622,100
Workers' Compensation Benefits and Reserve	15,901,500	17,293,600	18,165,800	17,269,200	18,138,200
TOTAL EXPENDITURES	35,443,300	43,484,600	62,410,300	39,019,600	41,328,600

The Personnel Cabinet, established under KRS 18A.015, provides human resources management for Kentucky state government agencies.

The General Operations appropriation unit includes all of the Personnel Cabinet except for the Kentucky Public Employees Deferred Compensation Authority and the Commonwealth's self-insured Workers' Compensation program.

The Office of the Secretary provides policy and management support to the offices and departments of the Cabinet, promulgates administrative regulations, and advises the Personnel Board on matters pertaining to the classified service. The Office conducts investigations on all matters relating to personnel statutes and regulations.

The Office of Administrative and Legal Services responsibilities include overseeing internal operations, providing all legal services, and managing the Commonwealth's affirmative action plan. The Office includes the Cabinet's General Counsel, Administrative Services Branch, the State Equal Employment Opportunity Coordinator, and information systems management staff. The Executive Director of the Office is the Chief Information Officer (CIO) for the Cabinet.

The Office of Public Employee Health Insurance manages health insurance coverage for state employees, local boards of education, local health departments, and other public and quasi-public agencies. It manages the Commonwealth Choice Section 125 benefit program for state employees and provides administrative support for the Group Health Insurance Board under KRS 18A.226 and 18A.227.

The Department for Employee Relations includes two divisions, Employee Benefits and Communications and Recognition. The Department administers the Kentucky Employee Assistance Program, which provides assistance to troubled employees, life insurance benefits for state employees, the employee suggestion system, the Commonwealth Communique newsletter, a mediation program to help resolve employment problems, the state safety program, and the self-insured Workers' Compensation program. The Workers' Compensation program provides benefits to workers injured on the job and manages a return-to-work program. The program provides coverage for state employees, most regional universities, volunteer firemen, volunteer ambulance personnel, and various local government entities.

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

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

Policy

The provisions of KRS 18A.355(1) and any other statute with respect to salary increments are suspended during the 2002 - 2004 biennium. The Governor's recommendation provides funding for a 2.7% annual cost of living adjustment.

The Governor's recommendation provides additional restricted fund support of \$1,434,100 in fiscal year 2003 and \$709,500 in fiscal year 2004 for Health Insurance Reconciliation. The funding authorizes the Office of Public Employee Health Insurance to interface the health insurance database with the payroll database and hire 4 additional staff to reconcile health insurance premiums and enrollment.

The Governor's recommendation provides additional restricted fund support of \$215,700 in fiscal year 2003 and \$214,500 in fiscal year 2004 for U.S. Health Insurance Portability and Accountability Act, (HIPAA). Funding for the federal mandate is necessary to: 1) standardize electronic data interchange of patient health information with financial information; 2) develop unique health identifiers for individuals, employers, health plans, and healthcare providers; and 3) establish standards for privacy and security of medical records.

The Governor's recommendation provides additional restricted fund support of \$750,000 in fiscal year 2004 for On-Line Health Insurance Enrollment. The funding will support the development of an on-line enrollment system that will allow public employees to enroll in the state sponsored health insurance program.

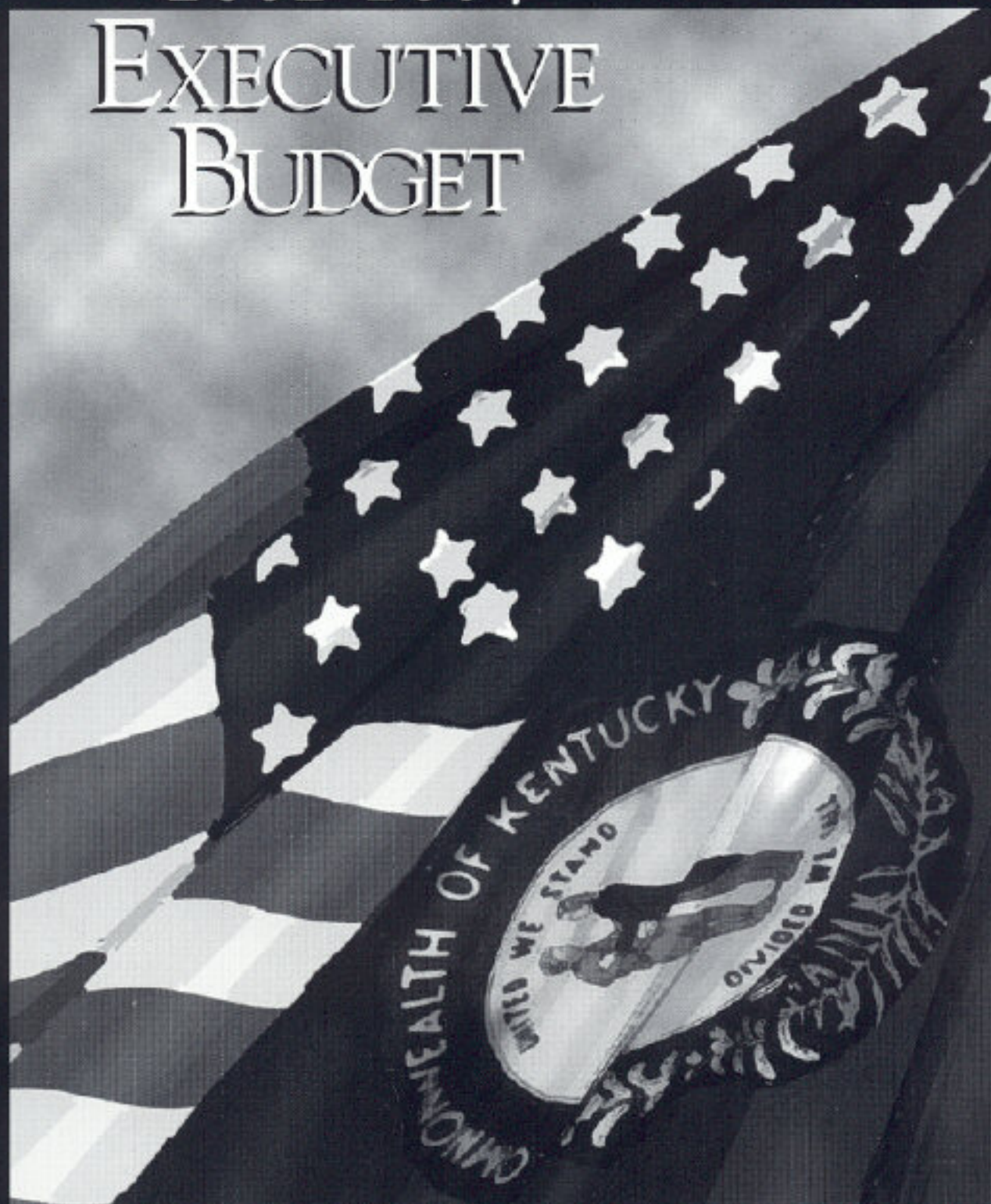
The Governor's recommendation provides additional restricted fund support of \$235,500 in fiscal year 2003 and \$368,400 in fiscal year 2004 for the Deferred Compensation 403(b) Plan and IRA. The funding will provide the support for the Deferred Compensation Authority to take advantage of the U.S. Economic Growth and Tax Relief Reconciliation Act of 2001. The funding authorizes the Authority to hire four additional staff in preparation of new clients coming into the system.



*Postsecondary
Education*

2002-2004

EXECUTIVE BUDGET



Postsecondary Education

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	1,134,911,300	1,208,942,100	1,316,491,300	1,134,260,700	1,211,102,000
Tobacco Settlement - I	7,339,500	6,580,000	6,580,000	7,030,000	6,205,000
Continuing Appropriation - Gen'l Fund	7,153,000	5,964,900		7,916,700	
Continuing Appropriation - Tobacco Settlement	1,094,100				
Budget Reduction	-41,131,200				
Other	9,120,000				
Total General Fund	1,118,486,700	1,221,487,000	1,323,071,300	1,149,207,400	1,217,307,000
Restricted Funds					
Balance Forward	2,272,000	34,100		103,100	1,311,500
Current Receipts	1,631,239,700	1,724,638,400	1,793,770,700	1,710,351,200	1,757,901,700
Non-Revenue Receipts	45,534,300	42,364,900	41,804,100	74,266,800	84,977,600
Total Restricted Funds	1,679,046,000	1,767,037,400	1,835,574,800	1,784,721,100	1,844,190,800
Federal Funds					
Balance Forward	200				
Current Receipts	392,264,500	398,549,500	415,147,300	398,549,500	415,147,300
Total Federal Funds	392,264,700	398,549,500	415,147,300	398,549,500	415,147,300
TOTAL SOURCE OF FUNDS	3,189,797,400	3,387,073,900	3,573,793,400	3,332,478,000	3,476,645,100
EXPENDITURES BY CLASS					
Personnel Cost	1,743,965,600	1,814,515,900	1,876,251,100	1,795,249,800	1,843,028,500
Operating Expenses	775,109,100	835,888,300	857,933,300	795,078,100	797,123,100
Grants, Loans or Benefits	475,471,600	544,395,500	631,705,200	556,204,200	640,760,100
Debt Service	80,426,000	84,677,900	97,618,800	80,286,100	89,384,200
Capital Outlay	106,805,300	107,596,300	110,285,000	104,348,300	106,349,200
TOTAL EXPENDITURES	3,181,777,600	3,387,073,900	3,573,793,400	3,331,166,500	3,476,645,100
EXPENDITURES BY FUND SOURCE					
General Fund	1,110,570,000	1,221,487,000	1,323,071,300	1,149,207,400	1,217,307,000
Restricted Funds	1,678,942,900	1,767,037,400	1,835,574,800	1,783,409,600	1,844,190,800
Federal Funds	392,264,700	398,549,500	415,147,300	398,549,500	415,147,300
TOTAL EXPENDITURES	3,181,777,600	3,387,073,900	3,573,793,400	3,331,166,500	3,476,645,100
EXPENDITURES BY UNIT					
Council on Postsecondary Education	122,016,700	123,467,800	182,616,900	118,246,800	171,862,700
Kentucky Higher Education Assistance Authority	112,357,000	129,197,000	156,109,400	138,598,300	165,715,400
Eastern Kentucky University	191,397,700	205,963,400	216,606,000	201,064,800	207,720,600
Kentucky State University	48,315,600	51,945,000	53,866,500	51,110,000	52,592,100
Morehead State University	131,787,100	138,275,300	145,531,300	135,611,400	141,059,100
Murray State University	124,751,900	134,287,200	140,290,500	131,068,800	134,832,400
Northern Kentucky University	110,479,900	123,462,300	130,425,200	119,591,400	123,193,900
University of Kentucky	1,279,647,300	1,312,249,500	1,335,302,400	1,298,089,800	1,314,438,700
University of Louisville	510,139,300	529,157,800	543,577,200	519,731,600	529,852,500
Western Kentucky University	172,564,100	189,926,000	201,257,100	182,708,500	188,469,500
Kentucky Community and Technical College System	378,321,000	449,142,600	468,210,900	435,345,100	446,908,200
TOTAL EXPENDITURES	3,181,777,600	3,387,073,900	3,573,793,400	3,331,166,500	3,476,645,100

**Postsecondary Education
Council on Postsecondary Education**

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	99,858,400	110,313,100	169,462,200	101,354,300	157,227,300
Tobacco Settlement - I	6,080,000	6,080,000	6,080,000	6,280,000	5,455,000
Continuing Appropriation - Gen'l Fund	2,000,000				
Budget Reduction	-1,417,600				
Other	4,000,000				
Total General Fund	110,520,800	116,393,100	175,542,200	107,634,300	162,682,300
Restricted Funds					
Balance Forward	126,400				1,311,500
Current Receipts	130,000	130,000	130,000	130,000	130,000
Non-Revenue Receipts	6,207,800	3,783,500	3,783,500	8,632,800	4,577,700
Total Restricted Funds	6,464,200	3,913,500	3,913,500	8,762,800	6,019,200
Federal Funds					
Balance Forward	200				
Current Receipts	5,031,500	3,161,200	3,161,200	3,161,200	3,161,200
Total Federal Funds	5,031,700	3,161,200	3,161,200	3,161,200	3,161,200
TOTAL SOURCE OF FUNDS	122,016,700	123,467,800	182,616,900	119,558,300	171,862,700
EXPENDITURES BY CLASS					
Personnel Cost	5,797,800	12,151,400	12,344,000	5,766,900	5,880,500
Operating Expenses	6,657,000	7,256,200	7,256,200	6,617,100	6,559,800
Grants, Loans or Benefits	109,413,900	102,112,200	145,541,700	105,714,800	145,798,400
Debt Service		1,500,000	17,027,000		13,476,000
Capital Outlay	148,000	448,000	448,000	148,000	148,000
TOTAL EXPENDITURES	122,016,700	123,467,800	182,616,900	118,246,800	171,862,700
EXPENDITURES BY FUND SOURCE					
General Fund	110,520,800	116,393,100	175,542,200	107,634,300	162,682,300
Restricted Funds	6,464,200	3,913,500	3,913,500	7,451,300	6,019,200
Federal Funds	5,031,700	3,161,200	3,161,200	3,161,200	3,161,200
TOTAL EXPENDITURES	122,016,700	123,467,800	182,616,900	118,246,800	171,862,700
EXPENDITURES BY UNIT					
Agency Operations	4,313,200	4,478,900	4,564,500	4,263,700	4,313,200
Pass Through Programs	15,317,200	10,800,300	11,043,600	10,645,600	10,889,200
Federal Programs	5,031,700	3,161,200	3,161,200	3,161,200	3,161,200
Kentucky Virtual University	6,901,000	7,865,600	7,962,600	6,875,400	6,875,400
Strategic Investment & Incentive Funding Program	90,453,600	97,161,800	155,885,000	93,300,900	146,623,700
TOTAL EXPENDITURES	122,016,700	123,467,800	182,616,900	118,246,800	171,862,700

The Council on Postsecondary Education serves as the representative agency in matters of postsecondary education and in this role brings a statewide perspective to postsecondary education issues and planning. The council has the responsibility both for guiding the system and serving as an advocate for postsecondary education as a part of the total education enterprise. The primary focus of the council is the coordination of an effective system of postsecondary education meeting the current and future educational needs of the Commonwealth.

The 1997 First Extraordinary Session of the General Assembly resulted in elimination of the old Council on Higher Education and in its replacement by the Council on Postsecondary Education. The new Council has fewer members in total but added a faculty representative. The new Council's powers are broader with new authority to address unnecessary program duplication, to eliminate academic programs, and to require institutions to refine mission statements and strategic plans so as to conform to a new strategic agenda. House Bill 1, the primary reform bill for postsecondary education, set out six goals for the postsecondary education system. The six goals, codified in KRS 164.003(2) are summarized below:

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

The Council is the liaison between postsecondary education and other segments of the education community. This role is particularly important in relation to other state agencies relating to elementary and secondary education and those directly impacting postsecondary education. The creation of the P-16 council, a joint effort of the council and the Kentucky Board of Education, is a concerted effort to identify common issues between the two systems and to further identify solutions.

The statutory responsibilities set forth in KRS Chapter 164 primarily involve: determining the needs of postsecondary education in the Commonwealth; developing and implementing a strategic agenda and strategic implementation plan (the Action Agenda) designed to achieve the legislatively mandated goals for postsecondary education; coordinating the development and management of a Kentucky Virtual University; deregulating, where possible, the policies and procedures of the Council; reviewing, modifying, approving and eliminating academic programs; reviewing and recommending funding for the public institutions; administering the strategic investment and incentive funding program; approving and recommending capital projects; maintaining a statewide system of accountability; and, licensing private degree-granting and proprietary baccalaureate degree-granting institutions. The Council also is the representative agency of the Commonwealth in postsecondary education matters not specifically delegated by statute to any of the public institutions and for interstate compacts and agreements.

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

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	4,320,000	4,278,900	4,364,500	4,063,700	4,113,200
Budget Reduction	-206,800				
Total General Fund	4,113,200	4,278,900	4,364,500	4,063,700	4,113,200
Restricted Funds					
Balance Forward	100,800				
Non-Revenue Receipts	99,200	200,000	200,000	200,000	200,000
Total Restricted Funds	200,000	200,000	200,000	200,000	200,000
TOTAL SOURCE OF FUNDS	4,313,200	4,478,900	4,564,500	4,263,700	4,313,200
EXPENDITURES BY CLASS					
Personnel Cost	3,459,700	3,543,600	3,629,200	3,410,200	3,459,700
Operating Expenses	766,500	848,300	848,300	766,500	766,500
Capital Outlay	87,000	87,000	87,000	87,000	87,000
TOTAL EXPENDITURES	4,313,200	4,478,900	4,564,500	4,263,700	4,313,200
EXPENDITURES BY FUND SOURCE					
General Fund	4,113,200	4,278,900	4,364,500	4,063,700	4,113,200
Restricted Funds	200,000	200,000	200,000	200,000	200,000
TOTAL EXPENDITURES	4,313,200	4,478,900	4,564,500	4,263,700	4,313,200

The Agency Operations program contains the operating activities of the Council and its staff except for those of the Kentucky Virtual University, the Virtual Library and federal programs. The Agency Operations budget includes funding for operating activities in support of development and implementation of the strategic agenda and action plan, academic program review, capital and operating finances, and implementation of the Strategic Investment and Incentive Funding Program.

The Council consists of six primary program units: Administration and Communications; Academic Affairs; Adult Education and Literacy; Economic Initiatives; Finance; the Kentucky Virtual University and the Kentucky Virtual Library; and Information, Technology and Operations. Staff support and operations for all of these units except for the Kentucky Virtual University and the Kentucky Virtual Library are contained in the Agency Operations program.

The Administration and Communications unit consists of the president of CPE and the staff reporting directly to the president responsible for governmental and legislative services, press relations, legal services, and equal opportunity planning.

The Academic Affairs unit includes activities related to approval, modification, disapproval, or discontinuance of academic programs, extended campus activities, academic course inventory, admission standards, accountability, statewide strategic planning, early childhood literacy, baccalaureate degree transfer, academic common market, the Kentucky Excellence in Education Scholarship (KEES), and licensure of independent colleges and universities. The Academic Affairs unit administers the faculty development and action agenda funding and coordinates with the P-16 council.

The Adult Education and Literacy program is a shared responsibility with the Workforce Development Cabinet's Department for Adult Education and Literacy. The council administers the Adult Education and Literacy Trust Fund program and coordinates the policy development for statewide adult education.

The Finance unit is responsible for developing funding approaches for the institutions, the analysis of postsecondary education financial information, the review and recommendation of capital construction projects, tuition setting, reciprocity agreements, and the administration of the Strategic Investment and Incentive Funding Program.

The Economic Initiatives unit responsibilities include oversight of the Science and Technology Trust Fund and coordinating the Council's role in the state's economic development initiatives.

Information, Technology and Operations includes those activities related to the collection and analysis of student data collected through a comprehensive database, support and maintenance of the agency's computing needs, coordination of statewide technology efforts, and the business functions of the Council.

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

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	9,415,400	10,800,300	11,043,600	10,357,800	10,595,000
Continuing Appropriation - Gen'l Fund	2,000,000				
Budget Reduction	-271,300				
Other	1,648,000				
Total General Fund	12,792,100	10,800,300	11,043,600	10,357,800	10,595,000
Restricted Funds					
Non-Revenue Receipts	2,525,100			287,800	294,200
Total Restricted Funds	2,525,100			287,800	294,200
TOTAL SOURCE OF FUNDS	15,317,200	10,800,300	11,043,600	10,645,600	10,889,200
EXPENDITURES BY CLASS					
Operating Expenses	1,615,000	1,648,000	1,648,000	1,615,000	1,615,000
Grants, Loans or Benefits	13,702,200	9,152,300	9,395,600	9,030,600	9,274,200
TOTAL EXPENDITURES	15,317,200	10,800,300	11,043,600	10,645,600	10,889,200
EXPENDITURES BY FUND SOURCE					
General Fund	12,792,100	10,800,300	11,043,600	10,357,800	10,595,000
Restricted Funds	2,525,100			287,800	294,200
TOTAL EXPENDITURES	15,317,200	10,800,300	11,043,600	10,645,600	10,889,200
EXPENDITURES BY UNIT					
Contract Spaces	2,525,100	2,675,300	2,912,500	2,675,300	2,912,500
Consortia	60,600	61,800	61,800	60,600	60,600
Professional Education Preparation Program	438,600	447,600	447,600	438,600	438,600
Telecommunications Consortia	188,300	196,100	196,100	188,300	188,300
Minority Student College Prep Program	231,700	332,500	337,200	332,500	337,500
EPSCoR Program	4,521,600				
State Autism Training Center	229,300	234,000	234,000	229,300	229,300
Kentucky Rural Development Center	735,000	750,000	750,000	735,000	735,000
Early Reading Incentive Grant	4,116,000	4,200,000	4,200,000	4,116,000	4,116,000
SREB Doctoral Scholars Program	68,000	255,000	256,400	255,000	256,400
Collaborative Center for Literacy Development	588,000				
Ky Postsecondary Education Network	1,615,000	1,648,000	1,648,000	1,615,000	1,615,000
TOTAL EXPENDITURES	15,317,200	10,800,300	11,043,600	10,645,600	10,889,200

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

The **Contract Spaces Program** provides students with access to veterinary medicine and optometry programs through contracts administered by the Southern Regional Education Board (SREB) and Indiana University. In veterinary medicine, Kentucky contracts for 36 entering spaces at Auburn University (34) and Tuskegee Institute (2). In optometry, Kentucky contracts for 14 entering spaces are provided at the Southern College of Optometry (8), the University of Alabama (3), and Indiana University (3). Contract fees guarantee a fixed number of spaces in these academic programs for qualified Kentucky residents. Enrolled students are required to pay only the equivalent of the in-state tuition at the host institution. Students are supported for four years. To reserve these spaces and to help defray cost, the Commonwealth pays a contract fee per space to each participating institution. These contracts are the primary sources of enrollment opportunities for Kentucky students and for trained individuals to meet workforce needs in these professional areas.

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

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

The **Professional Education Preparation Program (PEPP)** was established in 1980 pursuant to KRS 164.028 through 164.0282. The program prepares students and prospective students from rural and inner-city areas medically underserved to gain admission to and graduate from medical or dental school. The students are encouraged to establish a medical practice in underserved areas of the state. All funds appropriated to the Council for the primary PEPP program are allocated to the University of Kentucky and the University of Louisville to conduct: pre-freshman workshops, undergraduate workshops; student assessment conferences, and MCAT/DAT test assistance with tutors, tutoring, and summer job placement. The PEPP Program includes the Pikeville College of Osteopathic Medicine, the University of Kentucky, and the University of Louisville.

The **Telecommunications Consortium (ETV)** was established in 1978 with funding provided through the budget of the Council. Programming and any needed staff services are provided by Kentucky Educational Television (KET) through a Memorandum of Agreement with the Council. The Consortium provides college credit course via KET's open broadcast television capability. Generally, 25 courses are broadcast each academic year. Both undergraduate and graduate courses are offered. Students may enroll by mail and view courses in their home.

The **Governor's Minority Student College Preparation Program** was established in fiscal year 1987 to: provide academic enrichment activities for middle and junior high school students; encourage them to stay in school and to enter college; make young African-American students aware of the benefits and value of college and make them more likely to consider college as an achievable option; and to prepare these students to be successful in college-level work. The program places emphasis on early intervention in an attempt to overcome problems at the high school level that tend to reduce the pool of minorities interested in attending and prepared to do well in college. Approximately 1,000 middle and high-school students will be enrolled in this program each year.

The **Kentucky State Autism Training Center** contracts with the University of Louisville to provide coordinated services for training individuals involved in delivering services to those diagnosed with autism or autistic related disorders.

The **Kentucky Rural Development Center** operates in Somerset, Kentucky. The Center provides technical assistance to business and governmental entities in networking and video conferencing.

The **Early Reading Incentive Grant (ERIG)** program was established by the 1998 General Assembly, codified as KRS 158.792.

The program is designed to fund local school literacy activities in the early school grades, first through third. The funds appropriated to the Council are provided to the Department of Education to fund a variety of research-based models to determine which, if any, of the models are successful. An Early Reading Incentive Grant Advisory Committee assists the Department of Education with the selection of sites.

Currently, the Kentucky Department of Education is entering the third round of competitive local school grant proposals. To date, over 164 projects have been approved involving 221 local schools. The grants directly affect 23,413 school children with an indirect impact on 32,807 students.

The **Southern Regional Education Board (SREB) Doctoral Scholars Program** is part of a national effort to support and encourage minority students to pursue doctoral degrees. The program seeks to increase the number of minority faculty members employed as college faculty by increasing the pool of minority candidates. Students are provided scholarships and other financial support to attend institutions throughout the southern region and the Midwest.

Upon selection to the program, the scholar is expected to devote full-time attention to the completion of the academic requirements, and is the scholar is also expected to attend and participate in the annual Doctoral Scholars Program/Compact for Faculty Diversity Institute.

According to the SREB, as of October 2001, the program had over 300 scholars enrolled throughout the south. By August 2001 over 100 scholars had completed their Ph.D. and 14 had withdrawn. The retention rate for the program is over 90 percent after almost ten years of operation national data show that only 50 percent of all Ph.D. students complete the degree and only 37 percent of minorities finish. Of the 25 Kentucky scholars who enrolled over the ten-year period, one had withdrawn, two have transferred to programs in other states, and the rest are on schedule to complete. This is a retention rate of 96 percent. By August 2001, ten Kentucky scholars had completed all requirements for the Ph.D. Currently Kentucky enrolls 15 in the program.

The **Kentucky Postsecondary Education Network** is part of the Kentucky Information Highway. It is a specific set of network services made available to Kentucky public postsecondary education institutions. The authority for creation of a technology standard (network protocol) is KRS 164.800.

The revised Kentucky Information Highway, including the Kentucky Postsecondary Education Network was established in January 1999. The council supports the cost of the network-the lease of bandwidth and the cost of Internet Provider Services-from the base appropriation. All institutions currently participate in the KIH with the council as the financial broker.

The Postsecondary Education Technology Advisory Committee (PETAC) includes representatives from the public and private postsecondary education community, and, from the Governor's Office for Technology, the Council, the Kentucky Department of Education, and the Educational Television Authority. Changes in the network are coordinated through that body.

Policy

Funding for the Minority Student College Preparation program in the amount of \$100,800 in fiscal year 2002-03 and \$105,800 in fiscal year 2003-04 has been added to the base budget to enable the program to continue at its existing level. The source of this funding above the base budget is from Restricted Funds transferred from the interest income earned by the Strategic Investment and Incentive Funding Program trust funds, notwithstanding KRS 164.7911-164.7925.

Funding for the SREB Doctoral Scholars program in the amount of \$187,000 in fiscal year 2002-03 and \$188,400 in fiscal year 2003-04 has been added to the base budget to enable the program to continue at its existing level. The source of this funding above the base budget is from Restricted Funds transferred from the interest income earned by the Strategic Investment and Incentive Funding Program trust funds, notwithstanding KRS 164.7911-164.7925.

The funding for the Collaborative Center for Literacy Development has been transferred to the base budget of the University of Kentucky.

**Postsecondary Education
Council on Postsecondary Education
Federal Programs**

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
SOURCE OF FUNDS					
Federal Funds					
Balance Forward	200				
Current Receipts	5,031,500	3,161,200	3,161,200	3,161,200	3,161,200
Total Federal Funds	5,031,700	3,161,200	3,161,200	3,161,200	3,161,200
TOTAL SOURCE OF FUNDS	5,031,700	3,161,200	3,161,200	3,161,200	3,161,200
EXPENDITURES BY CLASS					
Personnel Cost	277,600	287,100	297,100	281,900	288,700
Operating Expenses	133,200	133,200	133,200	133,200	133,200
Grants, Loans or Benefits	4,620,900	2,740,900	2,730,900	2,746,100	2,739,300
TOTAL EXPENDITURES	5,031,700	3,161,200	3,161,200	3,161,200	3,161,200
EXPENDITURES BY FUND SOURCE					
Federal Funds	5,031,700	3,161,200	3,161,200	3,161,200	3,161,200
TOTAL EXPENDITURES	5,031,700	3,161,200	3,161,200	3,161,200	3,161,200

The Council on Postsecondary Education administers two federal grant programs: the Eisenhower Professional Development Program and the GEAR UP program.

The Eisenhower Professional Development Program is part of the federal Improving America's Schools Act of 1994. The Eisenhower Program has specific responsibility for initiating and supporting activities designed to improve teaching and learning through sustained and intensive high-quality professional development activities in mathematics, science, and other core curriculum areas. During its first sixteen years, the Council on Postsecondary Education allocated over \$10 million to colleges and universities in support of activities designed to improve mathematics and science instruction in Kentucky's elementary and secondary schools.

GEAR UP is a federal initiative that encourages young people to stay in school, study hard and take the right courses to go to college. The program provides a range of services to low-income students by supporting new or expanded activities that strengthen schools. GEAR UP grants are awarded to states as well as partnerships comprising schools, postsecondary institutions and non-school partners. In Kentucky, there are seven GEAR UP partnerships. GEAR UP state grants stress early intervention and provide scholarships.

The Commonwealth of Kentucky received its GEAR UP state grant in September 2000. The Council's goal is to increase the number of low-income students who enroll in and graduate from postsecondary institutions. GEAR UP Kentucky is a project of the Council on Postsecondary Education and the state Department of Education consisting of 34 schools, 24 colleges and universities, and technical and community colleges. GEAR UP Kentucky also includes non-school partners. The Council administers the grant.

**Postsecondary Education
Council on Postsecondary Education
Kentucky Virtual University**

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	6,405,000	5,652,100	5,749,100	4,661,900	4,661,900
Budget Reduction	-95,100				
Other	-1,648,000				
Total General Fund	4,661,900	5,652,100	5,749,100	4,661,900	4,661,900
Restricted Funds					
Balance Forward	25,600				
Current Receipts	130,000	130,000	130,000	130,000	130,000
Non-Revenue Receipts	2,083,500	2,083,500	2,083,500	2,083,500	2,083,500
Total Restricted Funds	2,239,100	2,213,500	2,213,500	2,213,500	2,213,500
TOTAL SOURCE OF FUNDS	6,901,000	7,865,600	7,962,600	6,875,400	6,875,400
EXPENDITURES BY CLASS					
Personnel Cost	2,060,500	2,240,700	2,337,700	2,074,800	2,132,100
Operating Expenses	4,142,300	4,626,700	4,626,700	4,102,400	4,045,100
Grants, Loans or Benefits	637,200	637,200	637,200	637,200	637,200
Capital Outlay	61,000	361,000	361,000	61,000	61,000
TOTAL EXPENDITURES	6,901,000	7,865,600	7,962,600	6,875,400	6,875,400
EXPENDITURES BY FUND SOURCE					
General Fund	4,661,900	5,652,100	5,749,100	4,661,900	4,661,900
Restricted Funds	2,239,100	2,213,500	2,213,500	2,213,500	2,213,500
TOTAL EXPENDITURES	6,901,000	7,865,600	7,962,600	6,875,400	6,875,400

The Kentucky Virtual University (KYVU) was created with the passage of the Kentucky Postsecondary Education Improvement Act of 1997 and is codified as KRS 164.800. The Kentucky Virtual University also includes the Kentucky Virtual Library (KYVL). Both the virtual university and virtual library play a critical role in achieving the goals for 2020 to establish a postsecondary education system that is accessible, efficient, and responsive to the needs of Kentucky's citizens and employers.

The mission of the KYVU is to be a learner-centered, technology-based system designed to meet the educational needs of Kentucky citizens and employers. The KYVU provides a one-stop shop for quality college credit and professional development programs through a single point of access to statewide student, library, and academic support services.

College credit courses are offered through KYVU from all 8 Kentucky public universities and the Kentucky Community and Technical College System. Currently, one Kentucky private college (Sullivan University) and one out-of-state university (University of Baltimore) also offer college credit degree programs through KYVU. KYVU enrollment has increased from its opening in the Fall of 1999 with 235 students to over 5,500 students in Fall 2001. KYVU offers 12 professional development programs and over 60 courses. A learner can log on to KYVU and fill out one application, pay one application fee, and have that application sent to all of the Kentucky colleges and universities.

Other services offered by KYVU include a call center with expanded hours, 24/7 technical help desk, online tutoring, and access to the Kentucky Virtual Library.

The Kentucky Virtual Library levels the playing field for access to information to all citizens across the Commonwealth. KYVL is a consortium of public and private postsecondary institutions, all public libraries in Kentucky, all public school districts in Kentucky, and some special libraries throughout the state. Through this joint effort, the statewide purchase of multiple electronic databases has saved taxpayers over \$20 million from the cost for each library to purchase them separately. These databases are available to every citizen in the state either through their local public library, local school district, or postsecondary institution.

In addition to the electronic databases, KYVL offers citizens online access to library catalogs, government information, digitized Kentucky special collections, and a self-paced tutorial on how to use the library and research information. Reference librarians can help with special requests or general information either by phone or by e-mail. KYVL also coordinates the statewide courier service delivery of library materials.

Both the KYVU and KYVL are deeply committed to the Adult Education initiative coordinated through the Council on Postsecondary Education and the Cabinet for Workforce Development, Department for Adult Education and Literacy. KYVU is assisting in putting developmental and workforce training curriculum online for use by the adult literacy centers and citizens and employers across the state. KYVL has created an online resource database for adult education providers to assist in their instruction and professional development. KYVU has received funding from the Workforce Development Cabinet, Department for Adult Education and Literacy to help KYVU and KYVL gear up for this critical partnership.

**Postsecondary Education
Council on Postsecondary Education
Strategic Investment and Incentive Funding Prog**

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	79,718,000	89,581,800	148,305,000	82,270,900	137,857,200
Tobacco Settlement - I	6,080,000	6,080,000	6,080,000	6,280,000	5,455,000
Budget Reduction	-844,400				
Other	4,000,000				
Total General Fund	88,953,600	95,661,800	154,385,000	88,550,900	143,312,200
Restricted Funds					
Balance Forward					1,311,500
Non-Revenue Receipts	1,500,000	1,500,000	1,500,000	6,061,500	2,000,000
Total Restricted Funds	1,500,000	1,500,000	1,500,000	6,061,500	3,311,500
TOTAL SOURCE OF FUNDS	90,453,600	97,161,800	155,885,000	94,612,400	146,623,700
EXPENDITURES BY CLASS					
Personnel Cost		6,080,000	6,080,000		
Grants, Loans or Benefits	90,453,600	89,581,800	132,778,000	93,300,900	133,147,700
Debt Service		1,500,000	17,027,000		13,476,000
TOTAL EXPENDITURES	90,453,600	97,161,800	155,885,000	93,300,900	146,623,700
EXPENDITURES BY FUND SOURCE					
General Fund	88,953,600	95,661,800	154,385,000	88,550,900	143,312,200
Restricted Funds	1,500,000	1,500,000	1,500,000	4,750,000	3,311,500
TOTAL EXPENDITURES	90,453,600	97,161,800	155,885,000	93,300,900	146,623,700
EXPENDITURES BY UNIT					
Research Challenge Trust Fund	7,697,000	7,330,000	17,310,000	6,280,000	16,685,000
Regional University Excellence Trust Fund	12,593,000	250,000	2,246,000		2,246,000
Technology Initiative Trust Fund	3,656,000	2,800,000	3,800,000	1,300,000	1,300,000
Physical Facilities Trust Fund			3,551,000		
Postsecondary Workforce Development Trust Fund	9,310,000	2,000,000	2,000,000		
Student Financial Aid and Advancement Trust Fund	41,500,000	58,826,100	74,722,300	63,181,300	79,230,100
Adult Education and Literacy Funding Program	11,532,600	11,768,000	11,768,000	11,768,000	11,768,000
Science and Technology Funding Program	4,165,000	12,876,200	12,876,200	10,771,600	10,771,600
Teacher Quality Trust Fund			4,000,000		
Enrollment Growth & Retention Funding Program		1,311,500	23,611,500		24,623,000
TOTAL EXPENDITURES	90,453,600	97,161,800	155,885,000	93,300,900	146,623,700

The **Strategic Investment and Incentive Funding Program** was created in the Kentucky Postsecondary Education Improvement Act of 1997 (HB 1), codified as KRS 164.7911. This program consists of appropriations for six Strategic Investment and Incentive Trust Funds (a Research Challenge Trust Fund; a Regional University Excellence Trust Fund; a Technology Initiative Trust Fund; a Physical Facilities Trust Fund; a Postsecondary Workforce Development Trust Fund; and a Student Financial Aid and Advancement Trust Fund) and appropriations for three Strategic Investment and Incentive Funding Programs (an Adult Education and Literacy Funding Program; a Science and Technology Funding Program; and an Enrollment Growth and Retention Funding Program). These appropriations are made to the Council, which is responsible for establishing criteria and distributing these funds to postsecondary institutions in a manner that will allow the Commonwealth to reach the six goals established in KRS 164.003(2).

Funding for the Strategic Investment and Incentive Funding Program is detailed in the table below. Funding for debt service in the amount of \$11,230,000 in fiscal year 2004 is included in the Research Challenge Trust Fund to support \$100 million in bonds for the Endowment Match Program. Funding for debt service in the amount of \$2,246,000 in fiscal year 2004 is included in the Regional University Excellence Trust Fund to support \$20 million in bonds for the Endowment Match Program.

	<u>FY 2003</u>	<u>FY 2004</u>
Research Challenge Trust Fund		
Endowment Match Program *	100,000,000	
Lung Cancer Research – Phase I Tobacco Settlement Funding	6,280,000	5,455,000
Total Research Challenge Trust Fund	<u>106,280,000</u>	<u>5,455,000</u>

* \$100 million in Bond funds appropriated in the Capital Projects budget. Debt service in the amount of \$11,230,000 General Funds is appropriated in the Operating budget for the Research Challenge Trust Fund in fiscal year 2003-04.

Regional University Excellence Trust Fund		
Endowment Match Program *	20,000,000	

* \$20 million in Bond funds appropriated in the Capital Projects budget. Debt service in the amount of \$2,246,000 General Funds is appropriated in the Operating budget for the Regional University Excellence Trust Fund in fiscal year 2003-04.

Technology Initiative Trust Fund	1,300,000	1,300,000
Student Financial Aid and Advancement Trust Fund – KEES Merit Scholarships	63,181,300	79,230,100
Adult Education and Literacy Funding Program	11,768,000	11,768,000
Science and Technology Funding Program		
Rural Innovation	1,000,000	1,000,000
Research and Development Vouchers	3,000,000	3,000,000
Commercialization	750,000	750,000
Regional Technology Corporations/ICC Satellites	500,000	500,000
EPSCoR/Science and Engineering Foundation	4,521,600	4,521,600
Knowledge Based Economy Academic Programs	1,000,000	1,000,000
Total Science and Technology Trust Fund	<u>10,771,600</u>	<u>10,771,600</u>
Enrollment Growth and Retention Funding Program		24,623,000
TOTAL FUNDING PROGRAM APPROPRIATIONS	<u>213,300,900</u>	<u>133,147,700</u>

Research Challenge Trust Fund

This Trust Fund includes \$100 million in a Capital Projects Budget appropriation from Bond funds in fiscal year 2003 with the associated General Fund debt service of \$11,230,000 in the Operating Budget appropriation for the Research Challenge Trust Fund in fiscal year 2004.

1. Endowment Match Program. The Endowment Match Program of the Research Challenge Trust Fund will receive \$100 million dollars in the first year of the biennium through a Capital Projects Budget appropriation. The endowment funds will require a dollar-for-dollar match by the institutions resulting in a total of \$200 million for endowment activities. The University of Kentucky will be eligible to match \$66.7 million and the University of Louisville will be eligible to match \$33.3 million.
2. Lung Cancer Research Program. Funding from the Tobacco Settlement – Phase I is appropriated to this program in the amount of \$6,280,000 in fiscal year 2003 and \$5,455,000 in fiscal year 2004. Notwithstanding the provisions of KRS 164.7917(1)(b) and (c), the guidelines regarding matching requirements and distribution of funding to the University of Kentucky and the University of Louisville for lung cancer research projects will be made pursuant to the provisions of KRS 164.476.

Regional University Excellence Trust Fund

Endowment Match Program. The Endowment Match Program of the Regional University Excellence Trust Fund will receive \$20 million in the first year of the biennium through a Capital Projects Budget appropriation. The endowment funds will require a dollar-for-dollar match by the institutions resulting in a total of \$40 million for the endowment activities. The \$20 million will be divided into two \$10 million pools: a primary pool and a secondary pool. Each pool will be initially allocated to the comprehensive universities as prescribed by KRS 164.7919(1)(b). The primary pool remains in the Trust Fund until matched. The secondary pool will be assigned to the specific institutions until June 30, 2004. Notwithstanding KRS 164.7919(1)(b), if the secondary pool is not matched by June 30, 2004, other eligible comprehensive universities may submit matching requests for the funds.

Technology Initiatives Trust Fund

Funding in the amount of \$1.3 million in each year of the biennium is provided for the following subsidiary programs of the Technology Initiatives Trust Fund:

1. Network Infrastructure. \$1,200,000 is provided each fiscal year for the communications network infrastructure used by the Kentucky Commonwealth Virtual University, the Kentucky Commonwealth Virtual Library, and the institutions. This network infrastructure provides bandwidth for all postsecondary education institutions for data transmission, telecommunications and Internet access, and provides connectivity to every public university and community or technical college in the Kentucky postsecondary education system. The Governor's Office for Technology coordinates and manages the network infrastructure, while the Council on Postsecondary Education serves as the fiscal agent for the network. The \$1.2 million appropriated for this purpose pays for line charges and management of the network.
2. Faculty Development. \$100,000 is provided each fiscal year for the Council on Postsecondary Education, in collaboration with one or more institutions, to sponsor statewide initiatives. These initiatives serve an agenda setting function, drawing attention to important dimensions of faculty development linked to system goals.

Physical Facilities Trust Fund

Debt service funding from the 2000-2002 budget, in the amount of \$21.7 million in fiscal year 2001-02 has been moved to the base budget of the Finance and Administration Cabinet.

Student Financial Aid and Advancement Trust Fund

Funding in the amount of \$63,181,300 in fiscal year 2003 and \$79,230,100 in fiscal year 2004 is provided to expand and fully fund the Kentucky Excellence in Education Scholarship (KEES) Program based on the forecasted needs of the program. Included in the fiscal year 2003 appropriation is \$750,000 in interest income earned since the inception of the Trust Fund in fiscal year 1999 from the Student Financial Aid and Advancement Trust Fund, to be applied to the KEES Program, notwithstanding KRS 164.7927. The amount of General Fund recommended for the KEES Program exceeds the requirement of KRS 154A .130, by \$12.7 million in fiscal year 2003 and by \$16.2 million in fiscal year 2004, that requires that 32 percent of net Lottery proceeds in fiscal year 2002-03 and 40 percent in fiscal year 2004 be devoted to the KEES Program.

Adult Education and Literacy Funding Program

Funding in the amount of \$11,768,000 each fiscal year of the biennium is provided to carry out the Adult Education Action Agenda adopted by the Council on Postsecondary Education. Notwithstanding the provisions of KRS 45.229, any unexpended balance of funds appropriated for the Adult Education and Literacy Funding Program shall not lapse and shall be carried forward into the next fiscal year.

The funds will be used to support:

- Increase base funding for enrollment growth;
- Fund family literacy initiatives in every county;
- Reward county programs that meet or exceed performance goals with funds that support program offerings;
- Provide on-line instruction and testing for adult students and resources for teachers through the Kentucky Virtual University and the Kentucky Virtual Library;
- Stimulate partnerships among local, regional and state agencies through the economic development and workforce training matching program;
- Increase the number of adult learners who gain or upgrade job skills using the statewide competency-based workplace skill certification model;
- Provide tuition discounts for college to full-time employees who complete a GED program within one year;
- Strengthen the statewide accountability system that emphasizes learner performance;
- Target GED completers to enroll in postsecondary education;
- Provide better training for adult education instructors through the Kentucky Adult Education Academy, and the Kentucky Institute for Family Literacy;
- The Collaborative Center for Literacy Development;
- Provide affordable and accessible basic skills education at the workplace; and
- Increase the college-going rate of adult learners.

Science and Technology Funding Program

The funding for the Science and Technology Funding Program supports the programs established by the Kentucky Innovation Act, enacted by the 2000 General Assembly, and codified as KRS 164.6011 through 164.6043. Funding in the amount of \$1,000,000 is provided in each year of the biennium for the Rural Innovation Fund to enable small, rural Kentucky-based firms to undertake research and development and entrepreneurial activities in partnership with postsecondary institutions in the Commonwealth, notwithstanding the provisions of KRS 164.6027. Funding in the amount of \$3,000,000 is provided each year of the biennium for the Research and Development Voucher program to provide vouchers to small and medium-size Kentucky-based companies that undertake research and development work in partnership with universities in the Commonwealth. Funding in the amount of \$750,000 is provided each year of the biennium for the Commercialization fund to provide development funds for promising technologies developed through the research and development work undertaken at the universities in the Commonwealth. Funding in the amount of \$500,000 is provided each year of the biennium for the Regional Technology Corporation/Satellite Innovation and Commercialization Centers program to provide Kentucky entrepreneurs, faculty, and scientists with business-building services and links to venture capital, notwithstanding KRS 164.6043. Notwithstanding the provisions of KRS 45.229, any unexpended balance of funds appropriated for the Science and Technology Funding Program shall not lapse and shall be carried forward into the next fiscal year. Notwithstanding the provisions of KRS 164.6019, 164.6027, and 164.6035, the appropriations to the Science and Technology Funding Program shall comply with the provisions of KRS 42.500(12).

The Science and Technology Funding Program includes funding for the **Experimental Program to Stimulate Competitive Research (EPSCoR)**. EPSCoR is a highly collaborative and successful federal research and development program initiated by the National Science Foundation in 1978. It leverages state matching funds to bring additional federal research dollars to Kentucky. EPSCoR has been responsible for bringing over \$36 million in federal research dollars to Kentucky since 1985. The return on the state's investment in this program equals \$2.50 of federal funding for every dollar of state funds invested in EPSCoR.

The Science and Technology Funding Program includes funding for the Science and Engineering Foundation administered by the Kentucky Science and Technology Corporation. The Science and Engineering Foundation, expanding on the existing EPSCoR program and funding, is modeled in part after the National Science Foundation and makes investments in peer-reviewed science and engineering research, to accelerate the rate of research and development funds and work to increase the amount of federal and private sector funds for this work in Kentucky.

The EPSCoR/Science and Engineering Foundation programs are funded in the amount of \$4,521,600 in each year of the biennium. Notwithstanding KRS 164.7911 through 164.7925, interest income in the amount of \$2 million in fiscal year 2003 is appropriated to the Science and Technology Trust Fund for the EPSCoR/Science and Engineering Foundation programs. In fiscal year 2004, the \$4,521,600 consists entirely of General Fund appropriations.

Prior to the expenditure of the funds for EPSCoR/Science and Engineering Foundation programs, the plan for the use of these funds shall be approved by the Commissioner of the Office of New Economy within the Cabinet for Economic Development. The Council on Postsecondary Education will execute the necessary agreements to implement the plan upon approval by the Commissioner.

Notwithstanding KRS 164.7911 through 164.7925, Trust Fund interest income in the amount of \$1,000,000 is provided in the each year of the biennium to support **Knowledge-Based Economy Academic Programs**, engineering and information technology. The Council on Postsecondary Education directed the public universities and colleges to work together to design a statewide strategy to educate more engineers, to integrate engineering education more closely into the technology-driven New Economy, and to recruit more women and minorities into engineering. Western Kentucky University, Murray State University, the University of Louisville, and the University of Kentucky enrolled the first joint engineering classes in August 2001.

Information technology is one of the Office of the New Economy's priority areas. Increasingly, information technology is the catalyst for economic growth. Citizens with education and knowledge in the broad areas of information technology are critical to attract high-tech industries to the Commonwealth.

- Increases the number of engineers in Kentucky and keeps engineering students in the state.
- Integrates secondary and baccalaureate programs.
- Involves secondary schools, the Kentucky Community and Technical College System, the public universities, the independent colleges and universities, and the KYVU in recruiting and preparing engineers.
- Tailored to meet regional and statewide needs. All participating institutions will be involved in program development, delivery, and administration.
- Allows engineering students to complete all degree requirements at their home campus through resident instruction, courses delivered through the KYVU, and courses delivered by participating institutions through other distance delivery methods.
- Increases Kentuckians' ability to participate in and contribute to information and communication technology.
- Increases Kentucky's potential to deliver research and development in innovative, commercialized technologies.
- Builds and promotes networks of technology-driven and research-intensive industries.
- The program will support the four joint undergraduate engineering programs already established.

Notwithstanding KRS 164.7911 through 164.7925, interest income in the amount of \$1,000,000 in each fiscal year of the biennium is appropriated to the Science and Technology Trust Fund for the Knowledge-Based Economy Academic Programs.

Enrollment Growth and Retention Funding Program

The Enrollment Growth and Retention Funding Program is an extension of the Enrollment Growth and Retention Program that was funded in the 2000-2002 biennium from a portion of the Research Challenge Trust Fund, the Regional University Excellence Trust Fund, and the Postsecondary Workforce Development Trust Fund. The Enrollment Growth and Retention Funding Program supports increased enrollment and retention in Kentucky's postsecondary education institutions. The Council on Postsecondary Education, in conjunction with the institutions, established enrollment and retention targets that will be used in measuring progress toward educational attainment. These targets reflect the Council's 2001-2006 Action Agenda and Kentucky's Postsecondary Education reform initiatives to reach or exceed national averages of educational attainment by 2020. Expenditures are appropriated in the amount of \$24,623,000 in fiscal year 2004. This amount includes \$1,311,500 in base funding from fiscal year 2001-2002 unearned and unallocated Enrollment Growth and Retention Program funds from the Research Challenge Trust Fund, the Regional University Excellence Trust Fund, and the Postsecondary Workforce Development Trust Fund; and an additional \$23.3 million in General Funds in fiscal year 2004. The Enrollment Growth and Retention Program funding will be distributed based on guidelines to be approved by the Council on Postsecondary Education. The distributions of the Enrollment Growth and Retention funds may be used by the institutions in any way the institutions choose.

**Postsecondary Education
Kentucky Higher Education Assistance Authority**

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	49,379,500	51,007,100	63,480,200	45,860,000	66,828,300
Tobacco Settlement - I	1,259,500	500,000	500,000	750,000	750,000
Continuing Appropriation - Gen'l Fund	4,997,000	5,964,900		7,916,700	
Continuing Appropriation - Tobacco Settlement	1,094,100				
Budget Reduction	-1,094,100				
Other	5,120,000				
Total General Fund	60,756,000	57,472,000	63,980,200	54,526,700	67,578,300
Restricted Funds					
Balance Forward	2,145,600	34,100		103,100	
Current Receipts	17,394,700	32,340,400	53,324,100	18,053,200	17,455,100
Non-Revenue Receipts	39,326,500	38,581,400	38,020,600	65,146,200	79,897,500
Total Restricted Funds	58,866,800	70,955,900	91,344,700	83,302,500	97,352,600
Federal Funds					
Current Receipts	754,000	769,100	784,500	769,100	784,500
Total Federal Funds	754,000	769,100	784,500	769,100	784,500
TOTAL SOURCE OF FUNDS	120,376,800	129,197,000	156,109,400	138,598,300	165,715,400
EXPENDITURES BY CLASS					
Personnel Cost	13,145,700	12,498,500	13,154,900	13,398,500	13,154,900
Operating Expenses	3,612,800	3,406,900	3,084,700	3,406,900	3,084,700
Grants, Loans or Benefits	94,835,200	112,527,100	139,110,200	121,028,400	148,716,200
Debt Service	763,300	764,500	759,600	764,500	759,600
TOTAL EXPENDITURES	112,357,000	129,197,000	156,109,400	138,598,300	165,715,400
EXPENDITURES BY FUND SOURCE					
General Fund	52,839,300	57,472,000	63,980,200	54,526,700	67,578,300
Restricted Funds	58,763,700	70,955,900	91,344,700	83,302,500	97,352,600
Federal Funds	754,000	769,100	784,500	769,100	784,500
TOTAL EXPENDITURES	112,357,000	129,197,000	156,109,400	138,598,300	165,715,400
EXPENDITURES BY UNIT					
General Administration and Support	17,479,800	16,631,500	16,964,100	17,531,500	16,964,100
College Access Program	34,448,300	35,383,200	42,839,400	35,486,300	43,539,400
Work Study Program	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Kentucky Tuition Grant	13,978,800	14,757,300	17,946,200	14,757,300	18,246,200
Teacher Scholarships	2,198,200	2,152,600	2,289,400	2,152,600	2,289,400
Ky National Guard Tuition	2,258,600	9,100		2,302,100	2,348,100
Osteopathic Medicine Scholarship	1,729,500	1,582,100	1,500,200	1,582,100	1,500,200
Ky Educational Excellence Scholarships	38,004,300	57,181,200	73,070,100	63,036,400	79,078,000
Early Childhood Dev Schol	1,259,500	500,000	500,000	750,000	750,000
TOTAL EXPENDITURES	112,357,000	129,197,000	156,109,400	138,598,300	165,715,400

The Kentucky Higher Education Assistance Authority's (KHEAA) mission is to improve the higher education opportunities of persons who are attending or planning to attend eligible institutions. The statewide objective is to expand the opportunities for persons to attend eligible postsecondary institutions by providing student financial aid which facilitates both access to and choice among public and independent institutions in keeping with each person's education and career objectives as provided under KRS 164.740-164.785.

Kentucky Higher Education Assistance Authority (KHEAA) is statutorily responsible for administration of state grant, work study, scholarship, and college savings programs for postsecondary students. The agency is the designated guarantor of insured student loans and disseminates postsecondary school and financial aid information. The agency provides administrative services at no cost to the Kentucky Department of Education for its Occupational/Physical Therapy Incentive program and to the Kentucky National Guard for its Tuition Assistance Program.

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

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

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

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

The Work-Study program allows students to work and earn funds to apply toward college expenses while gaining valuable career-related work experience.

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

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

The Early Childhood Development Scholarship program provides tuition assistance to Kentucky residents pursuing a credential, certificate, or degree in early childhood education. It was established to provide a seamless system to upgrade the professional development of child-care workers and trainers who do not have access to state or federal professional development funds.

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

Policy

Included in the above General Fund for CAP is \$34,363,600 in fiscal year 2003 and an additional \$8,140,800 is provided in fiscal year 2004 for a total of \$42,504,400 from General Fund Lottery revenues.

Included in the above Restricted Funds for CAP is an additional \$353,600 in Restricted Funds for fiscal year 2003.

Included in the above General Fund for KTG is \$14,727,300 in fiscal year 2003 and an additional \$3,488,900 General Fund totaling \$18,216,200 in fiscal year 2004 from General Fund Lottery revenues. Included in the above Restricted Funds for KTG is an additional \$30,000 in fiscal year 2003.

Included in the above General Fund for Teacher Scholarship Program is \$976,600 in fiscal year 2003 and an additional \$1,302,800 in fiscal year 2004 totaling \$2,279,400 from General Fund Lottery revenues, notwithstanding the provisions of KRS 154A.130(4).

Included in the above General Fund for the National Guard Tuition Assistance Program is an additional \$43,500 in fiscal year 2003 totaling \$2,302,100 and an additional \$46,000 in fiscal year 2004 for a total of \$2,348,100.

Included in the above General Fund for the Osteopathic Medicine Scholarships is an additional \$27,600 totaling \$1,407,100 in fiscal year 2003 and an additional \$73,100 totaling \$1,480,200 in fiscal year 2004.

Included in the above Restricted Funds appropriation for KEES is an additional \$25,032,100 in net Lottery revenues for fiscal year 2003 and an additional \$16,041,600 in fiscal year 2004. This will fund the projected eligible students and increase the maximum award from \$2,000 to \$2,500. KHEAA is authorized to use KEES Restricted Funds in the amount of \$742,800 in fiscal year 2003 and \$765,100 in fiscal year 2004 to administer the program.

Included in the General Fund appropriation of \$750,000 each year for Early Childhood Development Scholarships is \$38,400 in fiscal year 2003 and \$35,100 in fiscal year 2004 for administration of the program.

Included in the above Restricted Funds is an additional \$900,000 for fiscal year 2003. This request was submitted after the biennial budget request submission. This money will be used for Federal Family Education Loan Program (FFELP) default aversion activities. A pilot program will be developed to reduce default rates on FFELP loans and will be tested on historically black colleges and universities in the southeast. Once this pilot is tested, KHEAA will implement the program at all Kentucky public and private postsecondary institutions.

PROGRAMS FUNDED BY LOTTERY RECEIPTS

	<u>Lottery Statute FY 2003</u>		<u>Lottery Statute FY 2004</u>		<u>Governor's Recommendation General Fund Expenditures FY 2003</u>		<u>Governor's Recommendation General Fund Expenditures FY 2004</u>
Net Lottery Revenues	158,500,000		160,500,000				
Less: Collaborative Center for Literacy Development *	1,800,000		1,800,000		1,800,000		1,800,000
Less: Early Reading Incentive Fund *	<u>1,200,000</u>		<u>1,200,000</u>		<u>4,116,000</u>		<u>4,116,000</u>
Total-Literacy Development Programs	<u>3,000,000</u>		<u>3,000,000</u>		5,916,000		5,916,000
Total Net Lottery Revenues Remaining	155,500,000		157,500,000				
Kentucky Educational Excellence (Merit) Scholarship (KEES) *	32% 49,760,000	40%	63,000,000		62,431,300		79,230,100
Need Based Student Financial Aid: *	32% 49,760,000	40%	63,000,000		50,067,500		63,000,000
College Access Program					34,363,600		42,504,400
Kentucky Tuition Grant Program					14,727,300		18,216,200
Teacher Scholarships Program					976,600		2,279,400
Total	<u>102,520,000</u>		<u>129,000,000</u>		<u>118,414,800</u>		<u>148,146,100</u>

* Appropriation Requirements per KRS 154A.130(3)(4)

**Postsecondary Education
Eastern Kentucky University**

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	72,435,200	78,350,400	82,337,200	73,451,800	73,451,800
Budget Reduction	-2,502,000				
Total General Fund	69,933,200	78,350,400	82,337,200	73,451,800	73,451,800
Restricted Funds					
Current Receipts	79,116,100	83,158,600	87,603,100	83,158,600	87,603,100
Total Restricted Funds	79,116,100	83,158,600	87,603,100	83,158,600	87,603,100
Federal Funds					
Current Receipts	42,348,400	44,454,400	46,665,700	44,454,400	46,665,700
Total Federal Funds	42,348,400	44,454,400	46,665,700	44,454,400	46,665,700
TOTAL SOURCE OF FUNDS	191,397,700	205,963,400	216,606,000	201,064,800	207,720,600
EXPENDITURES BY CLASS					
Personnel Cost	117,583,300	124,241,400	130,010,900	122,724,400	126,656,700
Operating Expenses	41,045,100	46,753,000	48,611,200	44,520,300	44,311,400
Grants, Loans or Benefits	23,849,300	25,369,500	26,950,700	25,369,500	26,950,700
Debt Service	5,847,100	5,847,100	5,858,800	5,222,300	5,234,000
Capital Outlay	3,072,900	3,752,400	5,174,400	3,228,300	4,567,800
TOTAL EXPENDITURES	191,397,700	205,963,400	216,606,000	201,064,800	207,720,600
EXPENDITURES BY FUND SOURCE					
General Fund	69,933,200	78,350,400	82,337,200	73,451,800	73,451,800
Restricted Funds	79,116,100	83,158,600	87,603,100	83,158,600	87,603,100
Federal Funds	42,348,400	44,454,400	46,665,700	44,454,400	46,665,700
TOTAL EXPENDITURES	191,397,700	205,963,400	216,606,000	201,064,800	207,720,600
EXPENDITURES BY UNIT					
Instruction	58,276,000	64,278,900	67,057,000	62,028,800	63,013,600
Research	792,600	817,500	843,400	804,400	821,800
Public Service	30,680,600	32,134,000	33,657,600	32,081,900	33,575,000
Libraries	4,159,300	4,361,100	4,499,800	4,174,400	4,187,700
Academic Support	21,376,900	22,381,300	23,415,900	21,969,800	22,708,700
Student Services	9,632,900	10,451,200	10,850,500	10,114,800	10,252,900
Institutional Support	18,818,500	20,020,400	20,988,000	19,471,400	20,010,500
Operation and Maintenance of Plant	9,824,500	11,879,800	13,926,000	11,069,200	12,370,200
Scholarships and Fellowships	23,973,000	25,499,000	27,086,100	25,354,000	26,869,400
Mandatory Transfers	4,154,400	4,155,400	4,168,300	4,011,300	3,797,400
Auxilliary Enterprises	9,709,000	9,984,800	10,113,400	9,984,800	10,113,400
TOTAL EXPENDITURES	191,397,700	205,963,400	216,606,000	201,064,800	207,720,600

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

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

Each college, department, and support unit of the university has plans with a direct relationship to the three primary purposes of the institution.

Policy

The base budget of Eastern Kentucky University has been increased by the amount of fiscal year 2002 Strategic Investment and Incentive Trust Funds that were allocated from the Council on Postsecondary Education's General Fund appropriation.

**Postsecondary Education
Kentucky State University**

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	22,717,900	24,485,500	24,939,500	23,162,700	23,162,700
Budget Reduction	-456,100				
Total General Fund	22,261,800	24,485,500	24,939,500	23,162,700	23,162,700
Restricted Funds					
Current Receipts	14,566,900	15,959,100	17,196,600	15,959,100	17,196,600
Non-Revenue Receipts				487,800	502,400
Total Restricted Funds	14,566,900	15,959,100	17,196,600	16,446,900	17,699,000
Federal Funds					
Current Receipts	11,486,900	11,500,400	11,730,400	11,500,400	11,730,400
Total Federal Funds	11,486,900	11,500,400	11,730,400	11,500,400	11,730,400
TOTAL SOURCE OF FUNDS	48,315,600	51,945,000	53,866,500	51,110,000	52,592,100
EXPENDITURES BY CLASS					
Personnel Cost	30,338,900	32,665,000	33,987,800	32,665,000	33,987,800
Operating Expenses	8,998,100	10,399,100	10,808,200	9,306,200	9,282,100
Grants, Loans or Benefits	4,356,600	4,455,400	4,591,600	4,455,400	4,591,600
Debt Service	2,899,500	2,656,600	2,661,700	2,914,500	2,913,400
Capital Outlay	1,722,500	1,768,900	1,817,200	1,768,900	1,817,200
TOTAL EXPENDITURES	48,315,600	51,945,000	53,866,500	51,110,000	52,592,100
EXPENDITURES BY FUND SOURCE					
General Fund	22,261,800	24,485,500	24,939,500	23,162,700	23,162,700
Restricted Funds	14,566,900	15,959,100	17,196,600	16,446,900	17,699,000
Federal Funds	11,486,900	11,500,400	11,730,400	11,500,400	11,730,400
TOTAL EXPENDITURES	48,315,600	51,945,000	53,866,500	51,110,000	52,592,100
EXPENDITURES BY UNIT					
Instruction	12,273,000	13,992,000	14,626,000	13,496,700	13,882,900
Research	2,662,300	2,923,400	2,998,200	2,920,900	3,052,200
Public Service	2,816,400	3,053,800	3,128,000	3,053,800	3,128,000
Libraries	1,264,900	1,335,900	1,397,500	1,296,900	1,334,500
Academic Support	1,736,800	1,930,500	2,004,300	1,893,000	2,064,300
Student Services	4,521,800	4,956,100	5,171,500	4,826,200	4,961,600
Institutional Support	7,824,500	8,350,700	8,711,800	8,127,200	8,354,600
Operation and Maintenance of Plant	3,648,800	3,901,400	4,080,200	3,788,800	3,898,300
Scholarships and Fellowships	4,850,800	4,950,200	5,096,300	4,897,600	5,011,300
Mandatory Transfers	2,244,500	1,989,700	2,000,300	2,247,600	2,252,000
Auxilliary Enterprises	4,471,800	4,561,300	4,652,400	4,561,300	4,652,400
TOTAL EXPENDITURES	48,315,600	51,945,000	53,866,500	51,110,000	52,592,100

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

Student enrollment has stabilized at approximately 2,250. The student body is racially integrated, serving both white and black residential students and a significant number of commuting students representing the ethnic and geographic diversity of the Commonwealth.

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

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

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

Policy

The base budget of Kentucky State University has been increased by the amount of fiscal year 2002 Strategic Investment and Incentive Trust Funds that were allocated from the Council on Postsecondary Education's General Fund appropriation.

Included in the Restricted Funds appropriation for Kentucky State University is \$487,800 in fiscal year 2003 and \$502,400 in fiscal year 2004 to fully fund the non-federal matching requirement required under the provisions of the federal Agricultural Research, Extension, and Education Reform Act of 1998. This Act requires a fifty percent non-federal match for federal funds provided to 1890 land-grant colleges and universities for cooperative agricultural research and extension programs. Notwithstanding the provisions of KRS 164.7911 through 164.7925, interest income will be transferred to Kentucky State University by the Council on Postsecondary Education to fund this additional state match.

**Postsecondary Education
Morehead State University**

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	41,030,700	45,411,300	47,219,600	42,747,400	42,747,400
Budget Reduction	-870,400				
Total General Fund	40,160,300	45,411,300	47,219,600	42,747,400	42,747,400
Restricted Funds					
Current Receipts	45,976,100	46,293,500	47,104,600	46,293,500	47,104,600
Total Restricted Funds	45,976,100	46,293,500	47,104,600	46,293,500	47,104,600
Federal Funds					
Current Receipts	45,650,700	46,570,500	51,207,100	46,570,500	51,207,100
Total Federal Funds	45,650,700	46,570,500	51,207,100	46,570,500	51,207,100
TOTAL SOURCE OF FUNDS	131,787,100	138,275,300	145,531,300	135,611,400	141,059,100
EXPENDITURES BY CLASS					
Personnel Cost	56,722,800	59,989,800	61,839,600	58,968,100	59,812,300
Operating Expenses	29,614,200	28,566,600	28,929,800	26,924,400	26,484,900
Grants, Loans or Benefits	31,879,100	35,397,400	40,431,300	35,397,400	40,431,300
Debt Service	4,521,800	5,181,300	5,090,200	5,181,300	5,090,200
Capital Outlay	9,049,200	9,140,200	9,240,400	9,140,200	9,240,400
TOTAL EXPENDITURES	131,787,100	138,275,300	145,531,300	135,611,400	141,059,100
EXPENDITURES BY FUND SOURCE					
General Fund	40,160,300	45,411,300	47,219,600	42,747,400	42,747,400
Restricted Funds	45,976,100	46,293,500	47,104,600	46,293,500	47,104,600
Federal Funds	45,650,700	46,570,500	51,207,100	46,570,500	51,207,100
TOTAL EXPENDITURES	131,787,100	138,275,300	145,531,300	135,611,400	141,059,100
EXPENDITURES BY UNIT					
Instruction	36,584,500	38,706,600	39,561,600	37,616,500	37,968,500
Research	431,100	447,800	458,500	441,300	444,900
Public Service	9,472,800	7,062,700	6,991,300	6,915,100	6,925,000
Libraries	2,505,100	2,630,900	2,709,100	2,563,200	2,580,500
Academic Support	5,830,500	6,528,900	6,721,500	6,379,000	6,473,800
Student Services	8,832,900	9,188,500	9,381,500	8,998,700	9,058,200
Institutional Support	10,295,800	11,061,600	11,403,600	10,725,900	10,879,200
Operation and Maintenance of Plant	5,483,800	5,971,300	6,116,100	5,783,200	5,750,900
Scholarships and Fellowships	31,868,100	35,397,400	40,431,300	35,296,400	40,022,200
Mandatory Transfers	2,016,700	2,106,200	2,149,600	2,062,400	2,063,000
Non-Mandatory Transfers	5,600,100	5,816,200	5,957,600	5,710,900	5,748,900
Auxilliary Enterprises	12,865,700	13,357,200	13,649,600	13,118,800	13,144,000
TOTAL EXPENDITURES	131,787,100	138,275,300	145,531,300	135,611,400	141,059,100

Morehead State University's roots extend back to its days as a private normal school in the late-1800s. In 1922, the institution became a state normal school to train teachers. After several name changes and an expanded perspective on higher education, Morehead State University was granted university status in 1966 to provide undergraduate and selected master's and specialist programs for the citizens of northern and eastern Kentucky. Morehead State University has grown both in size and in the quality of its instructional, research, and public service programs and activities.

Morehead State University's mission is expressed in seven statements of ideals which accent the intellectual, creative, ethical, and technical development of students; the discovery and integration of knowledge; the development of leadership qualities, the utilization of past achievements and values to respond to the challenges of the future; and a commitment to excellence and integrity.

The University's accreditation was reaffirmed in 1990 by the Southern Association of Colleges and Schools and programs in veterinary technology, social work, radiologic technology, teacher education, nursing, and music are accredited through individual professional agencies.

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

Policy

The base budget of Morehead State University has been increased by the amount of fiscal year 2002 Strategic Incentive and Incentive Trust Funds that have been allocated from the Council on Postsecondary Education's General Fund appropriation.

**Postsecondary Education
Murray State University**

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	50,737,100	54,887,800	57,127,500	51,669,400	51,669,400
Budget Reduction	-1,100,300				
Total General Fund	49,636,800	54,887,800	57,127,500	51,669,400	51,669,400
Restricted Funds					
Current Receipts	64,236,900	68,752,700	72,256,200	68,752,700	72,256,200
Total Restricted Funds	64,236,900	68,752,700	72,256,200	68,752,700	72,256,200
Federal Funds					
Current Receipts	10,878,200	10,646,700	10,906,800	10,646,700	10,906,800
Total Federal Funds	10,878,200	10,646,700	10,906,800	10,646,700	10,906,800
TOTAL SOURCE OF FUNDS	124,751,900	134,287,200	140,290,500	131,068,800	134,832,400
EXPENDITURES BY CLASS					
Personnel Cost	73,405,700	77,083,600	80,943,000	76,315,900	79,575,800
Operating Expenses	27,315,000	28,639,800	28,962,600	26,439,100	25,321,700
Grants, Loans or Benefits	16,881,000	19,529,500	20,455,900	19,529,500	20,455,900
Debt Service	3,115,600	4,455,600	5,229,300	4,455,600	5,229,300
Capital Outlay	4,034,600	4,578,700	4,699,700	4,328,700	4,249,700
TOTAL EXPENDITURES	124,751,900	134,287,200	140,290,500	131,068,800	134,832,400
EXPENDITURES BY FUND SOURCE					
General Fund	49,636,800	54,887,800	57,127,500	51,669,400	51,669,400
Restricted Funds	64,236,900	68,752,700	72,256,200	68,752,700	72,256,200
Federal Funds	10,878,200	10,646,700	10,906,800	10,646,700	10,906,800
TOTAL EXPENDITURES	124,751,900	134,287,200	140,290,500	131,068,800	134,832,400
EXPENDITURES BY UNIT					
Instruction	43,401,600	45,800,600	48,072,100	44,465,500	45,781,800
Research	2,177,400	2,364,400	2,493,900	2,320,200	2,366,500
Public Service	4,922,200	5,264,400	5,522,600	5,167,100	5,226,300
Libraries	2,653,700	2,821,500	2,953,500	2,768,900	2,807,700
Academic Support	4,818,200	5,114,900	5,359,800	5,020,300	5,075,300
Student Services	8,486,600	9,250,600	9,662,900	8,853,700	8,933,300
Institutional Support	10,696,200	11,444,900	12,116,100	10,986,000	11,824,000
Operation and Maintenance of Plant	11,870,600	12,709,300	13,303,700	12,475,800	13,155,900
Scholarships and Fellowships	16,881,000	19,529,500	20,455,900	19,173,100	17,752,100
Mandatory Transfers	3,773,300	4,460,400	5,234,100	4,357,300	5,734,700
Non-Mandatory Transfers	985,100	1,182,000	1,182,000	1,136,200	2,240,900
Auxilliary Enterprises	14,086,000	14,344,700	13,933,900	14,344,700	13,933,900
TOTAL EXPENDITURES	124,751,900	134,287,200	140,290,500	131,068,800	134,832,400

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

Murray State offers programs at the associate, baccalaureate, master's, and specialist levels; the non-degree professional and technical programs; the joint master's degree program in social work with the University of Louisville; the joint doctoral programs with the University of Kentucky, the University of Louisville, the University of Memphis, and the University of Reading in Great Britain; and with the cooperative program with Eastern Kentucky University, Trover Clinic and Madisonville Community College to bring a full occupational therapy program to West Kentucky.

Sixty-five degree programs have achieved accreditation from 16 national professional organizations. Degrees are conferred through the six colleges: Business and Public Affairs, Education, Fine Arts and Communication, Humanistic Studies, Industry and Technology, and Science.

Through its academic and research programs which focus on Kentucky Lake, the Center of Excellence in Ecosystems provides unique opportunities for water science research and education, and serves as a national model for quality instruction, applied research and service to economic development.

Through the Center for Continuing Education and Academic Outreach, Murray State University provides access to learning for adults in the region who are placebound or have other special needs. The Paducah Extended-Campus Center was expanded in 1998 with the acquisition of the Crisp Regional Higher Education Center in Paducah. The university now offers over 60 courses each semester in Paducah. Additional courses are offered at off-campus in Henderson, Madisonville, Princeton and Ft. Campbell.

Murray State University also serves the West Kentucky region through the Breathitt Veterinary Center, the West Kentucky Small Business Development Center, the National Aeronautics and Space Administration (NASA) Teacher Resource Center, Wrather West Kentucky Museum, and WKMS-FM, an award winning National Public Radio affiliate radio station. The university acquired WQTV, a low-power commercial television station, which serves as a working laboratory for students in the Center for Telecommunications Systems Management and the Department of Journalism and Mass Communications.

Policy

The base budget of Murray State University has been increased by the amount of fiscal year 2002 Strategic Incentive and Incentive Trust Funds that have been allocated from the Council on Postsecondary Education's General Fund appropriation.

**Postsecondary Education
Northern Kentucky University**

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	44,613,400	49,859,900	53,220,300	45,989,000	45,989,000
Budget Reduction	-924,100				
Total General Fund	43,689,300	49,859,900	53,220,300	45,989,000	45,989,000
Restricted Funds					
Current Receipts	60,372,300	66,180,400	69,535,800	66,180,400	69,535,800
Total Restricted Funds	60,372,300	66,180,400	69,535,800	66,180,400	69,535,800
Federal Funds					
Current Receipts	6,418,300	7,422,000	7,669,100	7,422,000	7,669,100
Total Federal Funds	6,418,300	7,422,000	7,669,100	7,422,000	7,669,100
TOTAL SOURCE OF FUNDS	110,479,900	123,462,300	130,425,200	119,591,400	123,193,900
EXPENDITURES BY CLASS					
Personnel Cost	67,939,400	73,874,100	78,736,600	73,162,300	76,894,800
Operating Expenses	19,071,000	22,217,700	22,798,600	20,224,400	19,403,500
Grants, Loans or Benefits	14,143,200	16,026,300	16,962,000	16,026,300	16,703,500
Debt Service	5,043,000	5,019,600	5,033,300	5,019,600	5,033,300
Capital Outlay	4,283,300	6,324,600	6,894,700	5,158,800	5,158,800
TOTAL EXPENDITURES	110,479,900	123,462,300	130,425,200	119,591,400	123,193,900
EXPENDITURES BY FUND SOURCE					
General Fund	43,689,300	49,859,900	53,220,300	45,989,000	45,989,000
Restricted Funds	60,372,300	66,180,400	69,535,800	66,180,400	69,535,800
Federal Funds	6,418,300	7,422,000	7,669,100	7,422,000	7,669,100
TOTAL EXPENDITURES	110,479,900	123,462,300	130,425,200	119,591,400	123,193,900
EXPENDITURES BY UNIT					
Instruction	40,568,500	46,632,300	50,391,800	44,132,500	45,530,300
Research	296,100	323,100	327,600	321,000	321,600
Public Service	3,488,300	4,585,800	4,743,200	4,385,800	4,486,200
Libraries	8,207,500	8,806,200	9,218,400	8,494,100	8,744,400
Academic Support	4,231,200	4,548,100	4,730,500	4,488,800	4,606,300
Student Services	7,983,600	8,687,800	9,099,100	8,381,700	8,638,600
Institutional Support	13,112,000	14,169,600	14,782,600	13,985,800	14,342,200
Operation and Maintenance of Plant	8,704,500	9,977,300	10,420,300	9,851,000	10,098,900
Scholarships and Fellowships	13,180,100	15,006,400	15,942,100	14,923,800	15,817,400
Mandatory Transfers	5,339,900	5,316,500	5,330,200	5,242,300	5,209,200
Non-Mandatory Transfers	1,767,400	1,772,900	1,777,100	1,748,300	1,736,500
Auxilliary Enterprises	3,600,800	3,636,300	3,662,300	3,636,300	3,662,300
TOTAL EXPENDITURES	110,479,900	123,462,300	130,425,200	119,591,400	123,193,900

In 1976, Northern Kentucky State College was renamed Northern Kentucky University under KRS 164.290. The programs of study offered by the university are those of a multipurpose state institution. There are 62 undergraduate degree programs offered in the arts and sciences, in business, and in professional studies areas. Master's degrees in accountancy, computer science, teaching, education, business administration, science, information systems, public administration, nursing, technology as well as a juris doctor degree. The NKU Graduate Center, created in response to NKU's special mission of exploring experimental methods of delivering education, offers degree programs in community nutrition (with Eastern Kentucky University), library science (with UK), nursing (with UK), and social work (with UK).

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

In 1981, the Commonwealth of Kentucky and the state of Ohio entered into a reciprocal tuition agreement at the graduate and first-professional degree levels. The agreement permits citizens of northern Kentucky and Cincinnati to attend either NKU or the University of Cincinnati at resident tuition rates. In 1991, a reciprocity agreement was developed to include selected undergraduate programs at the University of Cincinnati, Cincinnati Technical College, and NKU. Approximately 700 students from Northern Kentucky are taking advantage of over 200 programs now available to them. Additionally, NKU began to participate in 1997 in a reciprocal tuition agreement with Indiana.

Policy

The base budget of Northern Kentucky University has been increased by the amount of fiscal year 2002 Strategic Investment and Incentive Trust Funds that have been allocated from the Council on Postsecondary Education's General Fund appropriation.

**Postsecondary Education
University of Kentucky**

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	322,210,600	327,290,800	333,994,800	313,131,100	313,131,100
Budget Reduction	-18,297,400				
Total General Fund	303,913,200	327,290,800	333,994,800	313,131,100	313,131,100
Restricted Funds					
Current Receipts	851,363,500	858,765,100	873,254,500	858,765,100	873,254,500
Total Restricted Funds	851,363,500	858,765,100	873,254,500	858,765,100	873,254,500
Federal Funds					
Current Receipts	124,370,600	126,193,600	128,053,100	126,193,600	128,053,100
Total Federal Funds	124,370,600	126,193,600	128,053,100	126,193,600	128,053,100
TOTAL SOURCE OF FUNDS	1,279,647,300	1,312,249,500	1,335,302,400	1,298,089,800	1,314,438,700
EXPENDITURES BY CLASS					
Personnel Cost	722,837,900	738,958,400	755,035,100	738,129,300	753,670,000
Operating Expenses	425,412,600	441,978,400	450,044,800	428,647,800	430,546,200
Grants, Loans or Benefits	56,323,800	58,385,300	60,330,900	58,385,300	60,330,900
Debt Service	32,857,400	30,635,100	27,521,800	30,635,100	27,521,800
Capital Outlay	42,215,600	42,292,300	42,369,800	42,292,300	42,369,800
TOTAL EXPENDITURES	1,279,647,300	1,312,249,500	1,335,302,400	1,298,089,800	1,314,438,700
EXPENDITURES BY FUND SOURCE					
General Fund	303,913,200	327,290,800	333,994,800	313,131,100	313,131,100
Restricted Funds	851,363,500	858,765,100	873,254,500	858,765,100	873,254,500
Federal Funds	124,370,600	126,193,600	128,053,100	126,193,600	128,053,100
TOTAL EXPENDITURES	1,279,647,300	1,312,249,500	1,335,302,400	1,298,089,800	1,314,438,700
EXPENDITURES BY UNIT					
Instruction	263,724,700	272,018,000	277,459,200	264,355,900	266,355,900
Research	186,861,900	190,541,200	193,779,400	188,237,300	190,417,100
Public Service	161,932,200	166,017,900	168,988,100	165,096,700	167,039,600
Libraries	21,058,700	21,684,100	22,143,300	21,666,200	22,107,600
Academic Support	55,197,600	56,722,300	57,840,200	56,684,800	57,765,400
Student Services	19,363,000	19,940,300	20,358,500	19,898,200	20,274,600
Institutional Support	50,854,500	52,384,500	53,514,400	51,956,500	52,535,500
Operation and Maintenance of Plant	44,878,800	49,601,200	51,407,700	47,854,200	49,131,400
Scholarships and Fellowships	56,088,300	58,385,300	60,330,900	58,385,300	60,330,900
Mandatory Transfers	21,190,000	19,158,200	16,052,400	19,158,200	16,052,400
Auxilliary Enterprises	81,637,900	82,995,900	84,182,200	81,995,900	83,182,200
Hospitals	316,859,700	322,800,600	329,246,100	322,800,600	329,246,100
TOTAL EXPENDITURES	1,279,647,300	1,312,249,500	1,335,302,400	1,298,089,800	1,314,438,700

The University of Kentucky serves as the principal research and graduate degree granting institution in the Commonwealth. Kentucky Revised Statute (KRS) 164.125 authorizes the university to offer baccalaureate, professional, master's, specialist, doctoral, and postdoctoral programs and to conduct joint doctoral programs in cooperation with other institutions. The University was challenged by the Kentucky Postsecondary Education Improvement Act of 1997 to become a major comprehensive research institution, ranked nationally in the top twenty public universities.

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

The Lexington Community College is a part of the University of Kentucky. Funding for the Lexington Community College included in the recommended budget is as follows:

	<u>2002-2003</u>	<u>2003-2004</u>
General Fund	9,250,700	9,250,700
Restricted Funds	14,424,900	15,388,100
Federal Funds	5,923,500	5,923,500
Total Funds	<u>29,599,100</u>	<u>30,562,300</u>

Policy

The base budget of the University of Kentucky has been increased by the amount of fiscal year 2002 Strategic Investment and Incentive Trust Funds that have been allocated from the Council on Postsecondary Education's General Fund appropriations. The base budget of the University of Kentucky has also been increased by \$600,000 from the fiscal year 2002 appropriation for the Collaborative Center for Literacy Development within the Council on Postsecondary Education's budget. This brings the cumulative appropriations for the Collaborative Center for Literacy Development to \$1,800,000, in accordance with KRS 154A.130(3).

Based on an agreement among the University of Kentucky, the Kentucky Community and Technical College System (KCTCS), and the Council on Postsecondary Education staff, the funding responsibility for maintaining two buildings at the Paducah Community College, the Crisp Building Replacement and the Engineering Building, has been transferred from the University of Kentucky to KCTCS. Accordingly, General Funds in the amount of \$387,000 has been transferred from the base budget of the University of Kentucky to the base budget of KCTCS.

Funding in the amount of \$115,000 each year of the biennium is included to continue implementation of the recommendation of the Breast Cancer Task Force.

**Postsecondary Education
University of Louisville**

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	179,478,800	186,171,400	190,469,900	176,745,200	176,745,200
Continuing Appropriation - Gen'l Fund	156,000				
Budget Reduction	-7,073,600				
Total General Fund	172,561,200	186,171,400	190,469,900	176,745,200	176,745,200
Restricted Funds					
Current Receipts	289,397,900	293,652,300	302,317,400	293,652,300	302,317,400
Total Restricted Funds	289,397,900	293,652,300	302,317,400	293,652,300	302,317,400
Federal Funds					
Current Receipts	48,180,200	49,334,100	50,789,900	49,334,100	50,789,900
Total Federal Funds	48,180,200	49,334,100	50,789,900	49,334,100	50,789,900
TOTAL SOURCE OF FUNDS	510,139,300	529,157,800	543,577,200	519,731,600	529,852,500
EXPENDITURES BY CLASS					
Personnel Cost	327,921,900	337,995,200	347,646,700	335,569,400	343,951,400
Operating Expenses	116,859,200	122,387,300	126,279,100	117,947,800	120,596,400
Grants, Loans or Benefits	35,812,600	36,706,300	37,621,900	36,670,300	37,585,700
Debt Service	11,331,500	13,854,900	13,815,400	11,330,000	9,504,900
Capital Outlay	18,214,100	18,214,100	18,214,100	18,214,100	18,214,100
TOTAL EXPENDITURES	510,139,300	529,157,800	543,577,200	519,731,600	529,852,500
EXPENDITURES BY FUND SOURCE					
General Fund	172,561,200	186,171,400	190,469,900	176,745,200	176,745,200
Restricted Funds	289,397,900	293,652,300	302,317,400	293,652,300	302,317,400
Federal Funds	48,180,200	49,334,100	50,789,900	49,334,100	50,789,900
TOTAL EXPENDITURES	510,139,300	529,157,800	543,577,200	519,731,600	529,852,500
EXPENDITURES BY UNIT					
Instruction	115,490,300	119,892,700	123,287,600	117,903,300	120,134,800
Research	68,976,300	72,384,900	74,921,400	70,474,900	71,840,900
Public Service	79,010,700	81,505,500	83,538,300	80,842,300	82,406,900
Libraries	14,731,000	15,182,800	15,561,800	15,051,100	15,342,800
Academic Support	38,797,500	39,987,400	40,985,600	39,640,500	40,408,800
Student Services	10,813,100	11,216,200	11,494,400	11,047,900	11,262,000
Institutional Support	51,626,600	53,209,900	54,538,200	52,633,200	53,770,700
Operation and Maintenance of Plant	21,620,700	23,645,300	24,235,600	23,440,200	23,296,300
Scholarships and Fellowships	38,432,200	39,610,900	40,599,700	39,267,300	40,028,300
Mandatory Transfers	13,762,200	14,184,300	14,538,400	11,599,100	12,354,800
Auxilliary Enterprises	34,825,800	35,659,900	36,550,100	35,350,500	36,035,600
Hospitals	22,052,900	22,678,000	23,326,100	22,481,300	22,970,600
TOTAL EXPENDITURES	510,139,300	529,157,800	543,577,200	519,731,600	529,852,500

The University of Louisville (U of L) is a state supported urban university located in Kentucky's largest metropolitan area. It was a municipally supported institution for many decades prior to joining the state university system in 1970. The University of Louisville's mission continues the institution's historical emphasis on undergraduate and graduate education while placing a new emphasis on research.

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

The University of Louisville also fulfills a unique role as a metropolitan university. The University has three campuses. The 169 acre Belknap Campus is three miles from downtown Louisville and houses ten of the University's 13 colleges, schools, and divisions. The Health Sciences Center is situated in downtown Louisville's medical complex and houses the University's health-related programs and the University of Louisville Hospital. The 243 acre Shelby Campus located in eastern Jefferson County contains the National Crime Prevention Institute and the University Center for Continuing and Professional Education.

Policy

Included in the General Fund appropriation for the University of Louisville is \$17,052,900 in fiscal year 2003 and \$17,052,900 in fiscal year 2004 to fulfill the Commonwealth's contractual obligation relating to indigent care furnished through the Quality and Charity Care Trust Agreement.

The base budget of the University of Louisville has been increased by the amount of fiscal year 2002 Strategic Investment and Incentive Trust Funds that have been allocated from the Council on Postsecondary Education's General Fund appropriations. Funding in the amount of \$115,000 each year of the biennium is included to continue implementation of the Breast Cancer Task Force.

**Postsecondary Education
Western Kentucky University**

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	67,701,700	77,644,600	83,214,700	70,427,100	70,427,100
Budget Reduction	-1,435,900				
Total General Fund	66,265,800	77,644,600	83,214,700	70,427,100	70,427,100
Restricted Funds					
Current Receipts	78,654,300	81,837,400	85,598,400	81,837,400	85,598,400
Total Restricted Funds	78,654,300	81,837,400	85,598,400	81,837,400	85,598,400
Federal Funds					
Current Receipts	27,644,000	30,444,000	32,444,000	30,444,000	32,444,000
Total Federal Funds	27,644,000	30,444,000	32,444,000	30,444,000	32,444,000
TOTAL SOURCE OF FUNDS	172,564,100	189,926,000	201,257,100	182,708,500	188,469,500
EXPENDITURES BY CLASS					
Personnel Cost	103,629,500	111,169,600	117,578,300	108,845,400	112,897,900
Operating Expenses	34,271,800	38,897,300	41,567,000	34,004,000	33,459,800
Grants, Loans or Benefits	22,524,800	27,017,800	29,451,800	27,017,800	29,451,800
Debt Service	3,333,900	4,037,200	3,855,900	4,037,200	3,855,900
Capital Outlay	8,804,100	8,804,100	8,804,100	8,804,100	8,804,100
TOTAL EXPENDITURES	172,564,100	189,926,000	201,257,100	182,708,500	188,469,500
EXPENDITURES BY FUND SOURCE					
General Fund	66,265,800	77,644,600	83,214,700	70,427,100	70,427,100
Restricted Funds	78,654,300	81,837,400	85,598,400	81,837,400	85,598,400
Federal Funds	27,644,000	30,444,000	32,444,000	30,444,000	32,444,000
TOTAL EXPENDITURES	172,564,100	189,926,000	201,257,100	182,708,500	188,469,500
EXPENDITURES BY UNIT					
Instruction	59,635,600	66,153,500	72,171,300	61,354,500	62,992,600
Research	7,679,700	7,679,700	7,991,800	7,657,700	7,657,700
Public Service	16,067,500	16,995,700	16,909,200	16,901,900	16,901,900
Libraries	5,025,600	5,306,200	5,465,200	5,187,700	5,271,700
Academic Support	5,849,500	6,250,000	6,494,700	6,107,000	6,241,700
Student Services	14,760,700	15,750,800	16,173,700	15,400,200	15,583,100
Institutional Support	13,785,500	15,475,500	16,799,700	14,338,000	15,445,300
Operation and Maintenance of Plant	13,413,400	15,008,800	15,509,800	14,693,600	14,493,500
Scholarships and Fellowships	20,522,100	24,522,100	26,956,100	24,421,600	27,052,500
Mandatory Transfers	2,880,500	3,566,500	3,459,100	3,429,100	3,503,000
Auxilliary Enterprises	12,944,000	13,217,200	13,326,500	13,217,200	13,326,500
TOTAL EXPENDITURES	172,564,100	189,926,000	201,257,100	182,708,500	188,469,500

Western Kentucky University aspires to be the best comprehensive public institution in Kentucky, where students receive general and specialized postsecondary education at the undergraduate and graduate levels. As authorized by Kentucky Revised Statute 164.295, the University offers eighty (80) academic majors and seventy-three (73) academic minors. Nineteen (19) associate degree programs and six certificate programs are offered. Graduate Studies offers the following degrees: the master of arts, master of arts in education, master of business administration, master of science, master of public administration, master of health administration, and master of public health. Western also offers the specialist degree and Rank I and Rank II programs. Western offers a cooperative master's program in criminal justice with Eastern Kentucky University and joint-doctoral program with the University of Louisville.

A major goal of the university is to provide support for research and creative activities designed to expand knowledge and to solve problems facing the region, state, and nation. The University is committed to provide a Public Service Program to meet the needs of individuals, groups, and organizations which are not met through the traditional instructional and research programs. Western Kentucky University is building on its tradition of service to improve the quality of life in the state with an emphasis on south central Kentucky. The University focuses academic programs and outreach efforts on engaging the faculty, students, and staff with people, institutions, businesses, and industries to form partnerships promoting educational and economic vitality.

Policy

The base budget of Western Kentucky University has been increased by the amount of fiscal year 2002 Strategic Investment and Incentive Trust Funds that were allocated from the Council on Postsecondary Education's General Fund appropriation.

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

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	184,748,000	203,520,200	211,025,400	189,722,700	189,722,700
Budget Reduction	-5,959,700				
Total General Fund	178,788,300	203,520,200	211,025,400	189,722,700	189,722,700
Restricted Funds					
Current Receipts	130,031,000	177,568,900	185,450,000	177,568,900	185,450,000
Total Restricted Funds	130,031,000	177,568,900	185,450,000	177,568,900	185,450,000
Federal Funds					
Current Receipts	69,501,700	68,053,500	71,735,500	68,053,500	71,735,500
Total Federal Funds	69,501,700	68,053,500	71,735,500	68,053,500	71,735,500
TOTAL SOURCE OF FUNDS	378,321,000	449,142,600	468,210,900	435,345,100	446,908,200
EXPENDITURES BY CLASS					
Personnel Cost	224,642,700	233,888,900	244,974,200	229,704,600	236,546,400
Operating Expenses	62,252,300	85,386,000	89,591,100	77,040,100	78,072,600
Grants, Loans or Benefits	65,452,100	106,868,700	110,257,200	106,609,500	109,744,100
Debt Service	10,712,900	10,726,000	10,765,800	10,726,000	10,765,800
Capital Outlay	15,261,000	12,273,000	12,622,600	11,264,900	11,779,300
TOTAL EXPENDITURES	378,321,000	449,142,600	468,210,900	435,345,100	446,908,200
EXPENDITURES BY FUND SOURCE					
General Fund	178,788,300	203,520,200	211,025,400	189,722,700	189,722,700
Restricted Funds	130,031,000	177,568,900	185,450,000	177,568,900	185,450,000
Federal Funds	69,501,700	68,053,500	71,735,500	68,053,500	71,735,500
TOTAL EXPENDITURES	378,321,000	449,142,600	468,210,900	435,345,100	446,908,200
EXPENDITURES BY UNIT					
Instruction	146,600,900	156,850,700	163,959,600	149,576,300	153,194,200
Public Service	33,736,700	39,693,600	39,521,800	38,882,100	38,726,900
Libraries	5,457,800	5,839,500	6,015,900	5,623,700	5,669,900
Academic Support	20,082,000	21,288,200	22,353,100	20,494,300	21,057,400
Student Services	18,096,000	33,000,500	34,565,600	31,962,900	32,878,700
Institutional Support	42,431,700	59,571,700	62,284,100	57,298,000	58,587,500
Operation and Maintenance of Plant	22,085,100	36,901,300	38,825,600	35,663,200	36,356,300
Scholarships and Fellowships	65,128,000	67,294,700	70,907,100	67,142,200	70,659,200
Mandatory Transfers	10,712,900	10,726,000	10,765,800	10,726,000	10,765,800
Auxilliary Enterprises	13,989,900	17,976,400	19,012,300	17,976,400	19,012,300
TOTAL EXPENDITURES	378,321,000	449,142,600	468,210,900	435,345,100	446,908,200

The Postsecondary Education Improvement Act of 1997 created the Kentucky Community and Technical College System (KCTCS) with a mission “to be the primary provider of two-year transfer and technical programs, workforce training for existing and new businesses and industries, and remedial and continuing education to improve the quality of life and employability of the citizens of the Commonwealth of Kentucky.” The reform legislation recognizes that long-term commitment is critical if the Kentucky Community and Technical College System are to reach one of its goals to develop a “seamless, integrated system of postsecondary education that is strategically planned and adequately funded to enhance economic development and quality of life.”

The Kentucky Community and Technical College System is the new, ninth institution of postsecondary education in Kentucky. The System is composed of 16 community and technical college districts comprising 28 community and technical colleges plus several branch campuses and distance learning centers strategically located across the Commonwealth. The Kentucky Community and Technical College System’s enrollment in credit courses has increased from 45,988 in the fall of 1999 to 63,120 in the fall of 2001. Thirteen community colleges formerly under the jurisdiction of the University of Kentucky are part of the Kentucky Community and Technical College System. All of the postsecondary technical institutions formerly a part of Kentucky Tech in the Workforce Development Cabinet are part of the Kentucky Community and Technical College System. The Kentucky Community and Technical College System has been streamlining and improving service delivery including consolidation of programs and services at many of the colleges. The Kentucky Community and Technical College System is developing state-of-the-art technology infrastructure to improve the quality of instruction, enhance and expand professional development opportunities, increase access through distance learning, and streamline administrative functions.

Policy

The base budget of the Kentucky Community and Technical College System has been increased by the amount of fiscal year 2002 Strategic Investment and Incentive Trust Funds that have been allocated from the Council on Postsecondary Education’s General Fund appropriation. Included in the General Fund base budget of Kentucky Community and Technical College System each fiscal year is \$6 million for the Workforce Training Program, which was appropriated in fiscal year 2002 to the Postsecondary Workforce Development Trust Fund within the Council on Postsecondary Education. This \$6 million annual funding for the Workforce Training shall be used for worker training programs on a nonrecurring basis and shall not be used to establish permanent Kentucky Community and Technical College System program offerings.

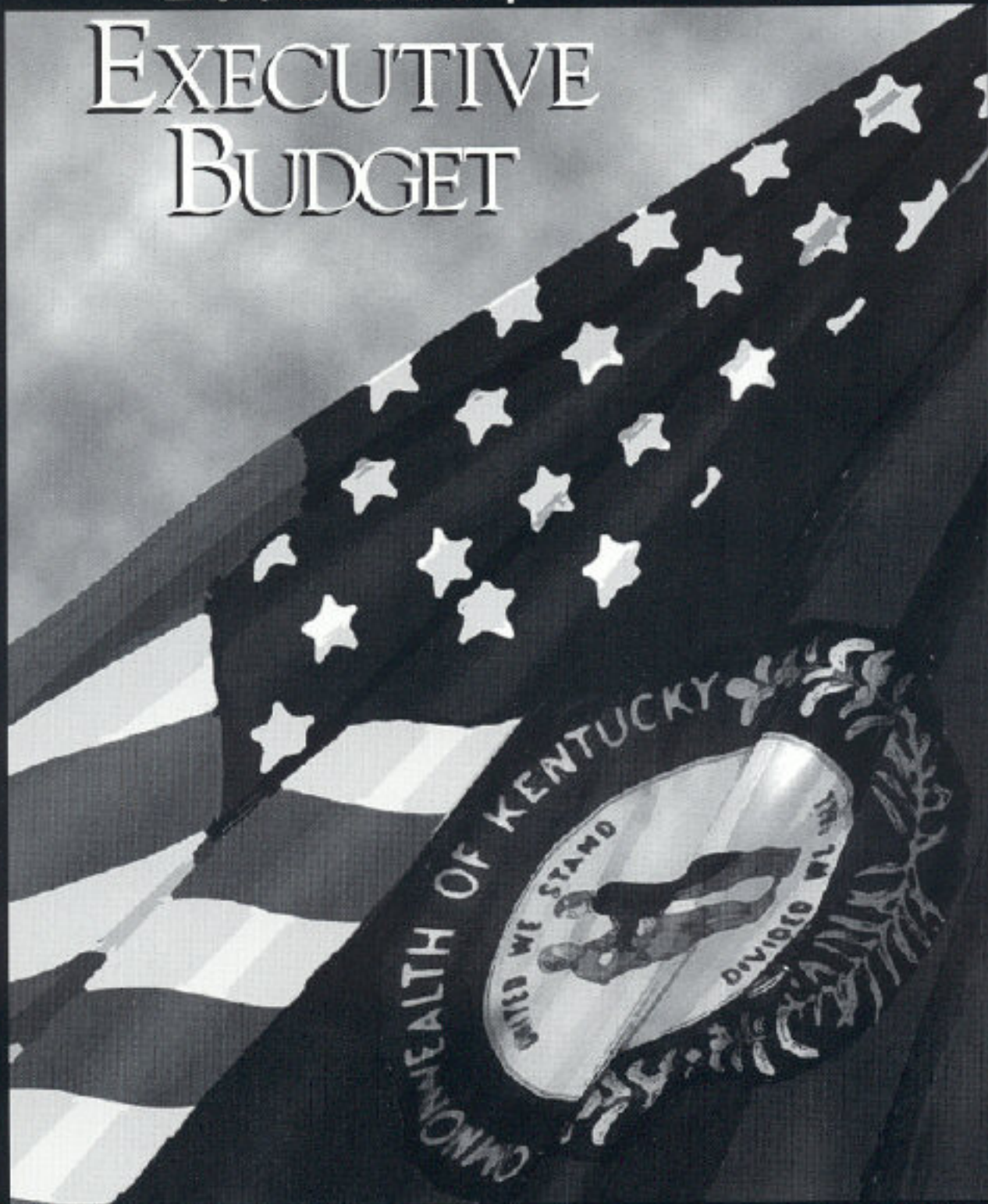
Based on an agreement among the Kentucky Community and Technical College System, the University of Kentucky, and the Council on Postsecondary Education staff, the funding responsibility for maintaining two buildings at the Paducah Community College, the Crisp Building Replacement and the Engineering Building, has been transferred from the University of Kentucky to the base budget of the Kentucky Community and Technical College System.



*Public
Protection
and
Regulation*

2002-2004

EXECUTIVE BUDGET



Public Protection and Regulation

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	52,503,500	59,065,700	64,479,600	48,736,300	52,953,700
Tobacco Settlement - I	18,780,000	22,000,000	16,855,900	19,405,200	16,855,900
Continuing Appropriation - Gen'l Fund	1,445,600				
Budget Reduction	-11,251,500				
Total General Fund	61,477,600	81,065,700	81,335,500	68,141,500	69,809,600
Restricted Funds					
Balance Forward	133,756,676	121,581,700	130,270,400	80,734,300	18,296,400
Current Receipts	62,281,200	67,881,100	70,437,600	63,571,700	64,352,900
Non-Revenue Receipts	-8,354,576	60,167,200	62,182,700	-16,741,500	33,936,200
Total Restricted Funds	187,683,300	249,630,000	262,890,700	127,564,500	116,585,500
Federal Funds					
Balance Forward	438,400	609,000	633,500	609,000	633,500
Current Receipts	2,741,627	2,742,800	2,829,200	2,742,800	2,793,000
Total Federal Funds	3,180,027	3,351,800	3,462,700	3,351,800	3,426,500
TOTAL SOURCE OF FUNDS	252,340,927	334,047,500	347,688,900	199,057,800	189,821,600
EXPENDITURES BY CLASS					
Personnel Cost	100,043,400	118,054,100	121,050,900	111,121,800	113,747,000
Operating Expenses	50,952,727	64,673,300	66,486,400	49,570,400	47,193,100
Grants, Loans or Benefits	18,076,700	18,271,200	17,801,800	17,290,700	17,164,700
Debt Service	589,000	589,000	589,000	589,000	589,000
Capital Outlay	1,335,800	1,556,000	1,360,000	1,556,000	1,360,000
TOTAL EXPENDITURES	170,997,627	203,143,600	207,288,100	180,127,900	180,053,800
EXPENDITURES BY FUND SOURCE					
General Fund	61,477,600	81,065,700	81,335,500	68,141,500	69,809,600
Restricted Funds	106,949,000	119,359,600	123,103,400	109,268,100	107,431,200
Federal Funds	2,571,027	2,718,300	2,849,200	2,718,300	2,813,000
TOTAL EXPENDITURES	170,997,627	203,143,600	207,288,100	180,127,900	180,053,800
EXPENDITURES BY UNIT					
Claims/Crime Victims' Compensation	3,145,700	3,783,400	4,215,600	3,720,900	4,152,000
Alcoholic Beverage Control	6,097,800	6,216,800	6,448,000	5,787,600	5,958,200
Financial Institutions	9,075,400	9,202,400	9,569,500	8,993,100	9,329,700
Insurance	30,757,700	45,204,100	41,474,500	42,257,100	41,018,000
Kentucky Racing Commission	15,175,000	14,199,900	14,170,500	14,225,400	14,187,300
Housing, Buildings and Construction	14,919,000	15,040,400	15,522,800	14,590,600	15,014,200
Mines and Minerals	12,438,100	12,728,000	12,954,600	12,174,500	12,356,600
Public Advocacy	28,159,900	33,605,900	38,389,200	28,219,300	29,852,200
Public Service Commission	12,504,127	11,811,700	12,048,300	11,811,700	12,048,300
Secretary	34,948,700	47,394,800	48,373,700	34,408,800	32,034,900
Tax Appeals	468,300	495,400	517,600	478,100	498,600
Charitable Gaming	3,307,900	3,460,800	3,603,800	3,460,800	3,603,800
TOTAL EXPENDITURES	170,997,627	203,143,600	207,288,100	180,127,900	180,053,800

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

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

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	622,700	694,500	735,500	635,000	657,300
Total General Fund	622,700	694,500	735,500	635,000	657,300
Restricted Funds					
Balance Forward	3,317,900	1,762,600	2,525,100	1,750,100	2,515,600
Current Receipts	2,237,500	2,282,300	2,327,900	2,282,300	2,327,900
Non-Revenue Receipts	-1,708,200	1,022,200	1,040,400	1,022,200	1,040,400
Total Restricted Funds	3,847,200	5,067,100	5,893,400	5,054,600	5,883,900
Federal Funds					
Balance Forward	19,500	190,100	265,200	190,100	265,200
Current Receipts	596,500	622,000	634,500	622,000	634,500
Total Federal Funds	616,000	812,100	899,700	812,100	899,700
TOTAL SOURCE OF FUNDS	5,085,900	6,573,700	7,528,600	6,501,700	7,440,900
EXPENDITURES BY CLASS					
Personnel Cost	1,150,400	1,236,100	1,287,500	1,173,600	1,223,900
Operating Expenses	1,995,300	2,547,300	2,928,100	2,547,300	2,928,100
TOTAL EXPENDITURES	3,145,700	3,783,400	4,215,600	3,720,900	4,152,000
EXPENDITURES BY FUND SOURCE					
General Fund	622,700	694,500	735,500	635,000	657,300
Restricted Funds	2,097,100	2,542,000	2,922,300	2,539,000	2,936,900
Federal Funds	425,900	546,900	557,800	546,900	557,800
TOTAL EXPENDITURES	3,145,700	3,783,400	4,215,600	3,720,900	4,152,000
EXPENDITURES BY UNIT					
Board of Claims	1,516,800	1,589,300	1,679,600	1,526,800	1,616,000
Crime Victims' Board	1,203,000	1,660,800	1,992,100	1,660,800	1,992,100
Crime Victims' Board Federal Grants	425,900	533,300	543,900	533,300	543,900
TOTAL EXPENDITURES	3,145,700	3,783,400	4,215,600	3,720,900	4,152,000

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

The Crime Victims' Compensation Board, established under KRS Chapter 346, is empowered to reimburse innocent crime victims up to \$25,000 for their medical expenses, lost wages that are not paid by any other source and funeral expenses up to \$5,000. The amount of time that a claimant has to submit a claim to the Board is five years.

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

**Public Protection and Regulation
Alcoholic Beverage Control**

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	1,441,800	1,720,600	1,755,000		1,413,000
Budget Reduction	-28,800				
Total General Fund	1,413,000	1,720,600	1,755,000		1,413,000
Restricted Funds					
Balance Forward	2,184,900	1,903,700	1,706,600	1,894,400	405,900
Current Receipts	4,086,200	4,125,700	4,164,500	4,125,700	4,164,500
Non-Revenue Receipts	232,700	173,400	176,900	173,400	176,900
Total Restricted Funds	6,503,800	6,202,800	6,048,000	6,193,500	4,747,300
Federal Funds					
Current Receipts	75,400				
Total Federal Funds	75,400				
TOTAL SOURCE OF FUNDS	7,992,200	7,923,400	7,803,000	6,193,500	6,160,300
EXPENDITURES BY CLASS					
Personnel Cost	4,829,700	4,935,100	5,191,800	4,505,900	4,702,000
Operating Expenses	1,174,600	1,188,200	1,162,700	1,188,200	1,162,700
Capital Outlay	93,500	93,500	93,500	93,500	93,500
TOTAL EXPENDITURES	6,097,800	6,216,800	6,448,000	5,787,600	5,958,200
EXPENDITURES BY FUND SOURCE					
General Fund	1,413,000	1,720,600	1,755,000		1,413,000
Restricted Funds	4,609,400	4,496,200	4,693,000	5,787,600	4,545,200
Federal Funds	75,400				
TOTAL EXPENDITURES	6,097,800	6,216,800	6,448,000	5,787,600	5,958,200
EXPENDITURES BY UNIT					
Administration, Enforcement, and License	5,736,900	6,165,600	6,430,500	5,736,400	5,940,700
Tobacco Enforcement	360,900	51,200	17,500	51,200	17,500
TOTAL EXPENDITURES	6,097,800	6,216,800	6,448,000	5,787,600	5,958,200

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

The Commissioner of the Department is its executive officer and serves as Chairman of the Alcoholic Beverage Control Board, which also includes the Administrators of the Malt Beverage and Distilled Spirits divisions. The Governor appoints all three. In exercising its quasi-judicial authority, the ABC Board may suspend, revoke, or cancel for cause, after hearing, any license issued relating to violation of alcoholic beverage laws. The ABC Board also conducts hearings for and appeals from an applicant whose license is refused by city or county administrators.

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

Through a Memorandum of Agreement, the Department receives restricted funds from the Kentucky Department of Agriculture to implement laws relating to the sale and use of tobacco products.

**Public Protection and Regulation
Financial Institutions**

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
SOURCE OF FUNDS					
Restricted Funds					
Balance Forward	5,118,376	3,246,000	3,160,200	3,246,000	2,369,500
Current Receipts	8,855,800	9,116,600	9,506,900	9,116,600	9,506,900
Non-Revenue Receipts	-1,652,776			-1,000,000	-2,000,000
Total Restricted Funds	12,321,400	12,362,600	12,667,100	11,362,600	9,876,400
TOTAL SOURCE OF FUNDS	12,321,400	12,362,600	12,667,100	11,362,600	9,876,400
EXPENDITURES BY CLASS					
Personnel Cost	7,355,900	6,939,900	7,278,600	6,730,600	7,038,800
Operating Expenses	1,523,600	1,624,400	1,647,700	1,624,400	1,647,700
Capital Outlay	195,900	638,100	643,200	638,100	643,200
TOTAL EXPENDITURES	9,075,400	9,202,400	9,569,500	8,993,100	9,329,700
EXPENDITURES BY FUND SOURCE					
Restricted Funds	9,075,400	9,202,400	9,569,500	8,993,100	9,329,700
TOTAL EXPENDITURES	9,075,400	9,202,400	9,569,500	8,993,100	9,329,700
EXPENDITURES BY UNIT					
Administrative Services	1,034,800	1,142,500	1,183,700	1,114,700	1,152,400
Financial Institutions	4,421,400	4,959,800	5,170,500	4,834,300	5,027,700
Commissioner	1,253,200	1,402,000	1,453,000	1,380,100	1,426,100
Securities	2,366,000	1,698,100	1,762,300	1,664,000	1,723,500
TOTAL EXPENDITURES	9,075,400	9,202,400	9,569,500	8,993,100	9,329,700

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

The Department is composed of the following units:

The Commissioner's Office is responsible for the overall management of the agency. The Ombudsman resolves complaints about Department licensees. The General Counsel's Office, which provides legal support to the agency, is an arm of the Commissioner's Office.

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

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

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

Policy

Notwithstanding KRS 287.485, the Department of Financial Institutions will transfer \$1,000,000 in fiscal year 2003, and \$2,000,000 in fiscal year 2004 to the General Fund.

**Public Protection and Regulation
Insurance**

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
SOURCE OF FUNDS					
General Fund					
Tobacco Settlement - I	18,780,000	22,000,000	16,855,900	19,405,200	16,855,900
Budget Reduction	-10,100,000				
Total General Fund	8,680,000	22,000,000	16,855,900	19,405,200	16,855,900
Restricted Funds					
Balance Forward	9,633,500	8,707,400	11,358,700	6,207,400	3,210,900
Current Receipts	20,909,900	22,303,800	23,819,000	22,303,800	23,819,000
Non-Revenue Receipts	-2,258,300	3,551,600	4,193,100	-2,448,400	-1,806,900
Total Restricted Funds	28,285,100	34,562,800	39,370,800	26,062,800	25,223,000
TOTAL SOURCE OF FUNDS	36,965,100	56,562,800	56,226,700	45,468,000	42,078,900
EXPENDITURES BY CLASS					
Personnel Cost	26,685,500	41,065,500	37,259,200	38,118,500	36,802,700
Operating Expenses	4,072,200	4,138,600	4,215,300	4,138,600	4,215,300
TOTAL EXPENDITURES	30,757,700	45,204,100	41,474,500	42,257,100	41,018,000
EXPENDITURES BY FUND SOURCE					
General Fund	8,680,000	22,000,000	16,855,900	19,405,200	16,855,900
Restricted Funds	22,077,700	23,204,100	24,618,600	22,851,900	24,162,100
TOTAL EXPENDITURES	30,757,700	45,204,100	41,474,500	42,257,100	41,018,000
EXPENDITURES BY UNIT					
General Operations	30,380,300	45,204,100	41,474,500	42,257,100	41,018,000
Health Purchasing Alliance	377,400				
TOTAL EXPENDITURES	30,757,700	45,204,100	41,474,500	42,257,100	41,018,000

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

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

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

The Health Insurance Policy and Managed Care Division regulates admitted insurance companies and HMOs. The Division approves policies, certificates, provider networks, quality improvement programs, and rate filings. It reviews promotional literature and activities for the protection of the public. The Division handles inquiries about Medicare and long-term care insurance.

The Life Insurance Division regulates insurance companies selling life and disability income products. It is responsible for conducting research on strategies related to financial services modernization. The Division reviews policies, certificates, and rate filings.

The Financial Standards and Examination Division is protecting consumers by ensuring the financial solvency of insurers authorized to do business in Kentucky. The Division is responsible for conducting financial examinations, financial analyses and providing administrative oversight of the insurance industry.

The Insurance Fraud Investigation Division is the Department's enforcement unit empowered to conduct criminal investigations of suspected fraudulent insurance acts. Insurance-related fraud may be committed by applicants for insurance, policyholders, third party claimants, agents, and providers of services who are paid by insurance.

The Agent Licensing Division makes certain that only knowledgeable and qualified insurance representatives sell insurance products to Kentucky consumers. The Division administers examinations, monitors continuing education courses, and licenses agents.

Created in 1997, the Consumer Protection and Education Division is the main link between the Department and the citizens of the Commonwealth. The division also administers the emergency response program, which provides on-site assistance to citizens or communities affected by insured disasters within the Commonwealth. An ombudsman provides additional assistance to consumers. The Market Conduct unit of Consumer Protection observes and analyzes the business practices of insurers.

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

The Division of the General Counsel provides legal services to all divisions of the Department, and conducts administrative hearings on matters ranging from rate filings to civil violations by agents and companies. It also assists with criminal prosecution of insurance fraud. The Local Government Premium Tax unit is a part of this division.

The Division of Administrative Services provides administrative and technical support to programmatic divisions of the Department.

Kentucky Access, Kentucky's high-risk health insurance pool, created by the 2000 General Assembly is a statewide health plan that offers health insurance to Kentuckians who have sufficient disposable income to afford health insurance premiums, but cannot obtain individual health insurance in the private market.

The program is funded from three revenue sources: premiums paid by policyholders, assessments of all health insurance carriers in the state, and an appropriation of the state's Master Settlement Agreement proceeds (Phase I Tobacco funds) from the Kentucky Health Care Improvement Fund.

Policy

Notwithstanding KRS 304.2-400, the Department of Insurance will transfer \$2,500,000 in fiscal year 2002, \$6,000,000 in fiscal year 2003, and \$6,000,000 in fiscal year 2004 to the General Fund.

Notwithstanding KRS 56.095; 56.150; 56.180, the Department of Insurance will transfer \$500,000 in fiscal year 2003, and \$500,000 in fiscal year 2004 from the Fire and Tornado Fund to the General Fund.

Notwithstanding KRS 304.17B -031, the Department of Insurance will transfer \$36,000,000 in fiscal year 2003 and \$13,000,000 in fiscal year 2004 from the Kentucky Access program.

The Governor's recommendation includes agency funds in the amount of \$125,700 in fiscal year 2003 and \$111,100 in fiscal year 2004 for the hiring of three additional staff in the Consumer Protection Division.

**Public Protection and Regulation
Kentucky Racing Commission**

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	422,800	1,047,400	1,173,500	522,800	522,800
Total General Fund	422,800	1,047,400	1,173,500	522,800	522,800
Restricted Funds					
Balance Forward	2,205,800	1,102,100	796,500	1,452,100	1,296,400
Current Receipts	3,558,500	3,111,900	3,165,100	3,811,900	3,865,100
Non-Revenue Receipts	10,440,000	9,735,000	9,550,000	9,735,000	9,550,000
Total Restricted Funds	16,204,300	13,949,000	13,511,600	14,999,000	14,711,500
TOTAL SOURCE OF FUNDS	16,627,100	14,996,400	14,685,100	15,521,800	15,234,300
EXPENDITURES BY CLASS					
Personnel Cost	1,895,700	1,902,900	2,000,700	1,928,400	2,017,500
Operating Expenses	1,011,800	791,800	780,300	791,800	780,300
Grants, Loans or Benefits	12,267,500	11,505,200	11,389,500	11,505,200	11,389,500
TOTAL EXPENDITURES	15,175,000	14,199,900	14,170,500	14,225,400	14,187,300
EXPENDITURES BY FUND SOURCE					
General Fund	422,800	1,047,400	1,173,500	522,800	522,800
Restricted Funds	14,752,200	13,152,500	12,997,000	13,702,600	13,664,500
TOTAL EXPENDITURES	15,175,000	14,199,900	14,170,500	14,225,400	14,187,300
EXPENDITURES BY UNIT					
Administration and Regulation	2,621,300	2,393,200	2,464,000	2,444,300	2,508,100
Equine Drug Research Fund	550,000	650,400	650,500	650,400	650,500
Thoroughbred Development Fund	9,500,000	8,750,000	8,600,000	8,750,000	8,600,000
Standardbred Development Fund	650,000	666,500	666,800	666,500	666,800
Standardbred Horsemen Fees	650,000	700,000	700,000	700,000	700,000
County Fair Purse Fund	345,000	393,800	388,600	393,800	388,600
Thoroughbred Breeders	400,000	280,000	320,000	280,000	320,000
Backside Improvement Comm	458,700	366,000	380,600	340,400	353,300
TOTAL EXPENDITURES	15,175,000	14,199,900	14,170,500	14,225,400	14,187,300

Under KRS 230, the Kentucky Racing Commission is responsible for the regulation of thoroughbred and harness horse racing and the fostering of thoroughbred and harness horse breeding within the Commonwealth. The Commission has the authority to prescribe rules, regulations, and conditions under which all legitimate thoroughbred, harness horse, Quarter Horse, Appaloosa, and Arabian racing and wagering may be conducted in the Commonwealth.

The Administration and Regulation of Racing is the administrative and oversight body of the Commission. The Division of Racing and Security oversees the state veterinarians and support staff. The security function supervises drug testing and interdiction on the track's backside. The Division of Licensing is responsible for licensing all individuals who participate in thoroughbred and harness racing.

The Equine Drug Research Council advises the Commission on research programs. One-tenth of one percent of the thoroughbred pari-mutuel handle supports the Council to this council.

The Thoroughbred Development Fund was created in 1978 to encourage breeders from other states to send their breeding stock to Kentucky to improve the caliber of breeding and racing stock in the Commonwealth. The program is funded by three-fourths of one percent of the total pari-mutuel handle.

The Standardbred Development Fund supports efforts to attract breeders from other states to send their breeding stock to Kentucky, to increase the number of owners in Kentucky, and to increase the number of horses bred in Kentucky. One percent of the pari-mutuel handle from the harness horse racing tracks is deposited in a revolving fund account for the Standardbred Development Fund.

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

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

The Thoroughbred Owners and Breeders Fund is used to fund capital improvements and promote off-track betting. It also supports marketing and promotion of the Kentucky thoroughbred industry.

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

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	3,804,000	3,880,100	3,957,700	1,764,100	2,726,600
Total General Fund	3,804,000	3,880,100	3,957,700	1,764,100	2,726,600
Restricted Funds					
Balance Forward	559,500	1,086,700	2,771,400	1,294,500	1,313,000
Current Receipts	11,850,000	12,845,000	13,095,000	12,845,000	13,095,000
Total Restricted Funds	12,409,500	13,931,700	15,866,400	14,139,500	14,408,000
TOTAL SOURCE OF FUNDS	16,213,500	17,811,800	19,824,100	15,903,600	17,134,600
EXPENDITURES BY CLASS					
Personnel Cost	11,604,300	11,996,400	12,498,100	11,546,600	11,989,500
Operating Expenses	3,292,100	2,919,000	3,024,700	2,919,000	3,024,700
Capital Outlay	22,600	125,000		125,000	
TOTAL EXPENDITURES	14,919,000	15,040,400	15,522,800	14,590,600	15,014,200
EXPENDITURES BY FUND SOURCE					
General Fund	3,804,000	3,880,100	3,957,700	1,764,100	2,726,600
Restricted Funds	11,115,000	11,160,300	11,565,100	12,826,500	12,287,600
TOTAL EXPENDITURES	14,919,000	15,040,400	15,522,800	14,590,600	15,014,200
EXPENDITURES BY UNIT					
General Administration and Management	1,082,600	1,528,700	1,604,700	1,453,500	1,521,100
Regulation of Minimum Safety Standards/Fire Prev	5,948,600	5,838,400	5,976,100	5,721,000	5,840,300
Plumbing	4,808,400	4,527,800	4,726,100	4,354,100	4,532,300
HVACC	894,700	807,900	810,800	741,300	739,300
Building Codes Enforcement	2,184,700	2,337,600	2,405,100	2,320,700	2,381,200
TOTAL EXPENDITURES	14,919,000	15,040,400	15,522,800	14,590,600	15,014,200

The Department of Housing, Buildings, and Construction was created under KRS 198B. Its purpose is to devise and enforce an effective building inspection program and to prevent fire and life-safety hazards. In this regard, the Board of Housing, Buildings, and Construction was established to adopt a uniform building code for Kentucky.

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

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

The Building Codes Enforcement program provides overall coordination and enforcement of the Kentucky Uniform Building Code and provides inspection, plan review, and technical services to the building community. The program is funded primarily from plan review fees.

The Plumbing Division, a fee-supported program, enforces the State Plumbing Law. Activities include inspection of plumbing systems in all buildings throughout the state, approval of plans in all types of public buildings, renewal of master and journeyman plumbers' licenses, assistance of the State Plumbing Code Committee in its review of the plumbing code regulations, and review and approval of new materials and techniques.

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

**Public Protection and Regulation
Mines and Minerals**

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	9,913,100	10,111,400	10,313,700	9,614,900	9,714,900
Total General Fund	9,913,100	10,111,400	10,313,700	9,614,900	9,714,900
Restricted Funds					
Balance Forward	936,600	546,500	377,000	348,300	235,800
Current Receipts	878,900	998,600	1,022,900	998,600	1,022,900
Non-Revenue Receipts	451,800	850,000	850,000	850,000	850,000
Total Restricted Funds	2,267,300	2,395,100	2,249,900	2,196,900	2,108,700
Federal Funds					
Current Receipts	606,000	598,500	598,500	598,500	598,500
Total Federal Funds	606,000	598,500	598,500	598,500	598,500
TOTAL SOURCE OF FUNDS	12,786,400	13,105,000	13,162,100	12,410,300	12,422,100
EXPENDITURES BY CLASS					
Personnel Cost	9,927,900	10,584,300	11,125,600	10,030,800	10,527,600
Operating Expenses	2,097,400	2,102,200	1,819,000	2,102,200	1,819,000
Capital Outlay	412,800	41,500	10,000	41,500	10,000
TOTAL EXPENDITURES	12,438,100	12,728,000	12,954,600	12,174,500	12,356,600
EXPENDITURES BY FUND SOURCE					
General Fund	9,913,100	10,111,400	10,313,700	9,614,900	9,714,900
Restricted Funds	1,919,000	2,018,100	2,042,400	1,961,100	2,043,200
Federal Funds	606,000	598,500	598,500	598,500	598,500
TOTAL EXPENDITURES	12,438,100	12,728,000	12,954,600	12,174,500	12,356,600
EXPENDITURES BY UNIT					
General Administration	1,453,300	1,554,400	1,572,700	1,511,600	1,527,100
Mine Safety	8,734,400	8,920,500	9,118,000	8,503,000	8,668,800
Explosives and Blasting	827,500	758,800	766,200	738,100	742,800
Oil and Gas Conservation	1,422,900	1,494,300	1,497,700	1,421,800	1,417,900
TOTAL EXPENDITURES	12,438,100	12,728,000	12,954,600	12,174,500	12,356,600

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

The Office of the Commissioner provides the executive policy and management guidance for the Department, produces an annual report, and conducts surveys for the Department's research and statistical needs. The Office has under its purview the Chief Mine Inspectors, Chief Accident Investigator, and Chief Electrical Inspector functions. Chief Mine Examiner candidates for mine foreman, mine instructor, and mine inspector certification are tested by this office. If found to be qualified the candidates are certified. The Chief Accident Investigator and the Chief Electrical Inspector provide a "proactive" approach to accident investigation and prevention and ensure that accident investigation techniques, electrical training and inspection techniques are standardized throughout the districts. Accident data is collected and analyzed, tracking type and cause, to prevent future re-occurrences. The Legal Counsel is also part of the Commissioner's office.

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

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

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

The Mine Safety Analysis Program encourages safe work habits of coal miners. KRS 351.241 authorizes the appointment of surface mine safety analysts to provide quality on-the-job, one-on-one safety training for surface miners.

The Miner Training, Education, and Certification Program is charged with the training, education and certification by the Mining Board of all underground and surface coal miners. The mine safety instructors provide general and technical safety training and education courses to mine personnel. Continued training ensures that the prescribed number of certified and qualified personnel for the mining industry is maintained. Program staff monitor mining classes, and mining instructors for subcontractors.

The Mine Licensing Program is responsible for the licensing of all underground and surface coal mines in the Commonwealth and the issuance of special permits for specific mining methods. It maintains records for all coal mines across the Commonwealth, issues special permits for specific mining methods including the use of diesel equipment, roof control, extended cuts, and mining near oil and gas wells, and issues permits for additional mine openings.

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

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

Policy

The Governor's budget recommendation assumes that the Department of Mines and Minerals will be supported by funds transferred from the Labor Cabinet in the amount of \$850,000 in each fiscal year.

**Public Protection and Regulation
Public Advocacy**

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	24,821,100	29,320,200	33,995,900	23,925,300	25,389,800
Budget Reduction	-754,300				
Total General Fund	24,066,800	29,320,200	33,995,900	23,925,300	25,389,800
Restricted Funds					
Balance Forward	312,500	312,500	312,500	312,500	304,200
Current Receipts	2,972,600	2,972,600	2,972,600	2,972,600	2,972,600
Total Restricted Funds	3,285,100	3,285,100	3,285,100	3,285,100	3,276,800
Federal Funds					
Balance Forward	147,300	147,300	96,700	147,300	96,700
Current Receipts	1,120,500	1,262,500	1,324,000	1,262,500	1,287,800
Total Federal Funds	1,267,800	1,409,800	1,420,700	1,409,800	1,384,500
TOTAL SOURCE OF FUNDS	28,619,700	34,015,100	38,701,700	28,620,200	30,051,100
EXPENDITURES BY CLASS					
Personnel Cost	18,677,500	20,956,400	25,130,900	18,759,800	20,287,900
Operating Expenses	3,673,200	5,883,500	6,846,000	3,674,000	3,789,100
Grants, Loans or Benefits	5,809,200	6,766,000	6,412,300	5,785,500	5,775,200
TOTAL EXPENDITURES	28,159,900	33,605,900	38,389,200	28,219,300	29,852,200
EXPENDITURES BY FUND SOURCE					
General Fund	24,066,800	29,320,200	33,995,900	23,925,300	25,389,800
Restricted Funds	2,972,600	2,972,600	2,972,600	2,980,900	3,077,900
Federal Funds	1,120,500	1,313,100	1,420,700	1,313,100	1,384,500
TOTAL EXPENDITURES	28,159,900	33,605,900	38,389,200	28,219,300	29,852,200
EXPENDITURES BY UNIT					
Office of the Public Advocate	904,200	1,168,500	1,191,700	985,200	1,035,000
Trial Services	24,422,600	28,636,400	32,872,700	24,393,900	25,864,300
Law Operations	1,228,500	1,983,100	2,389,200	1,287,100	1,332,900
Protection and Advocacy	1,604,600	1,817,900	1,935,600	1,553,100	1,620,000
TOTAL EXPENDITURES	28,159,900	33,605,900	38,389,200	28,219,300	29,852,200

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

The Operations Division provides budget, strategic planning, personnel, administrative, training, library services, research, and management support for the Department.

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

The Post-Trial Division provides mandated defender services for indigent persons after conviction. These services provide access to the courts at the appellate level.

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

Policy

The Governor's recommendation includes General Fund support in the amount of \$60,000 in each fiscal year for an additional attorney to cover the newly created (2001 General Assembly) 57th Circuit Court.

The Governor's recommendation includes General Fund support in the amount of \$697,200 in fiscal year 2004 to open new full-time public defender offices in Boone and Harrison Counties consistent with the Blue Ribbon Group recommendation.

**Public Protection and Regulation
Public Service Commission**

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	11,009,700	11,527,900	11,752,100	11,527,900	11,752,100
Continuing Appropriation - Gen'l Fund	1,445,600				
Budget Reduction	-368,400				
Total General Fund	12,086,900	11,527,900	11,752,100	11,527,900	11,752,100
Restricted Funds					
Balance Forward	18,600	18,600	18,600	18,600	18,600
Current Receipts	74,000	24,000	24,000	24,000	24,000
Total Restricted Funds	92,600	42,600	42,600	42,600	42,600
Federal Funds					
Balance Forward	271,600	271,600	271,600	271,600	271,600
Current Receipts	343,227	259,800	272,200	259,800	272,200
Total Federal Funds	614,827	531,400	543,800	531,400	543,800
TOTAL SOURCE OF FUNDS	12,794,327	12,101,900	12,338,500	12,101,900	12,338,500
EXPENDITURES BY CLASS					
Personnel Cost	8,054,600	8,581,700	8,999,400	8,581,700	8,999,400
Operating Expenses	3,819,527	2,623,000	2,441,600	2,623,000	2,441,600
Debt Service	589,000	589,000	589,000	589,000	589,000
Capital Outlay	41,000	18,000	18,300	18,000	18,300
TOTAL EXPENDITURES	12,504,127	11,811,700	12,048,300	11,811,700	12,048,300
EXPENDITURES BY FUND SOURCE					
General Fund	12,086,900	11,527,900	11,752,100	11,527,900	11,752,100
Restricted Funds	74,000	24,000	24,000	24,000	24,000
Federal Funds	343,227	259,800	272,200	259,800	272,200
TOTAL EXPENDITURES	12,504,127	11,811,700	12,048,300	11,811,700	12,048,300
EXPENDITURES BY UNIT					
Administrative Services	5,313,500	5,146,700	5,261,700	5,275,600	5,409,600
Financial Analysis	1,788,700	1,818,300	1,901,300	1,781,700	1,852,100
Engineering	1,649,500	1,433,200	1,486,400	1,433,200	1,486,400
National Pipeline Mapping System	258,827				
Secretary	1,789,300	1,807,700	1,767,100	1,766,700	1,719,900
Consumer Services	692,000	566,300	547,700	553,700	533,500
Research	520,900	519,900	539,500	497,100	519,300
Gas Pipeline Safety	491,400	519,600	544,600	503,700	527,500
TOTAL EXPENDITURES	12,504,127	11,811,700	12,048,300	11,811,700	12,048,300

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

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

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

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

The Commission is organized into the Divisions of Research, Consumer Services, Filings, and Engineering.

Policy

Included in the Governor's recommendation is funding in the amount of \$130,000 in each fiscal year for the Merchant Power Plant Inspection and Permitting program being performed by the Natural Resources and Environmental Protection Cabinet, Divisions of Air and Water.

The millage rate will be established based on the regular appropriation for the agency.

The Executive Budget includes funding in the amount of \$298,700 in fiscal year 2003 and \$311,800 in fiscal year 2004 for the newly created Energy Policy Advisory Board.

Public Protection and Regulation

Secretary

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
SOURCE OF FUNDS					
General Fund					
Regular Appropriation		268,200	278,600	268,200	278,600
Total General Fund		268,200	278,600	268,200	278,600
Restricted Funds					
Balance Forward	107,391,500	102,165,000	106,568,300	63,479,800	5,951,000
Current Receipts	4,156,800	6,694,900	6,929,200	1,685,500	144,500
Non-Revenue Receipts	-13,119,800	44,835,000	46,372,300	-25,073,700	26,125,800
Total Restricted Funds	98,428,500	153,694,900	159,869,800	40,091,600	32,221,300
TOTAL SOURCE OF FUNDS	98,428,500	153,963,100	160,148,400	40,359,800	32,499,900
EXPENDITURES BY CLASS					
Personnel Cost	6,715,800	6,541,100	6,800,400	6,448,500	6,698,000
Operating Expenses	27,697,900	40,273,800	41,038,300	27,380,400	24,801,900
Capital Outlay	535,000	579,900	535,000	579,900	535,000
TOTAL EXPENDITURES	34,948,700	47,394,800	48,373,700	34,408,800	32,034,900
EXPENDITURES BY FUND SOURCE					
General Fund		268,200	278,600	268,200	278,600
Restricted Funds	34,948,700	47,126,600	48,095,100	34,140,600	31,756,300
TOTAL EXPENDITURES	34,948,700	47,394,800	48,373,700	34,408,800	32,034,900
EXPENDITURES BY UNIT					
General Operations	2,342,700	2,397,700	2,476,700	2,305,100	2,374,300
Petroleum Storage Tank Environmental Assur. Fund	32,606,000	44,997,100	45,897,000	32,103,700	29,660,600
TOTAL EXPENDITURES	34,948,700	47,394,800	48,373,700	34,408,800	32,034,900

The Office of the Secretary serves the Governor as advisor and liaison for the overall direction and coordination of the eleven departments, boards, commissions, and funds under this Cabinet as outlined in KRS 12.265. The Secretary guides Cabinet agencies in policy and program implementation and is responsible for operating each agency in the most efficient and cost effective manner possible while maintaining a high quality of service to the public.

The Office of the Secretary is comprised of two appropriations units: General Operations and the Petroleum Storage Tank Environmental Assurance Fund. General Operations incorporates all other functions in the Office which include the Secretary's Office, the Office of General Counsel, and the Division of Administrative Services. Also included in general operations is the Mine Safety Review Commission.

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

KRS 351.1041 establishes the Mine Safety Review Commission to enforce sanctions against licensed premises and certified and non-certified personnel whose willful and repeated violations of mine safety laws place miners in imminent danger of serious injury or death. The Commission is charged with conducting hearings and issuing orders regarding licensees, coal operators, and other persons involved in the mining of coal in accordance with KRS 351.194.

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

With the exception of Mine Safety Review Commission, the Secretary's Office funds its operations with 100 percent restricted funds by assessing the agencies in the Cabinet an administrative fee.

Policy

Notwithstanding KRS 224.60 to KRS 224.60-155, the Petroleum Storage Tank Environment Assurance Fund will transfer \$71,000,000 in fiscal year 2003 and \$20,500,000 in fiscal year 2004 to the General Assembly.

Notwithstanding KRS 224.60-142, the registration time period shall be extended to July 15th 2004, for the owner of any petroleum underground storage tank containing motor fuels who can meet requirements for participation in the financial responsibility account as authorized in KRS 224.60-130(2)(c).

The Executive Budget includes General Fund support in the amount of \$268,200 in fiscal year 2003 and \$278,600 in fiscal year 2004 for the Mine Safety Review Commission.

Public Protection and Regulation**Tax Appeals**

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	468,300	495,400	517,600	478,100	498,600
Total General Fund	468,300	495,400	517,600	478,100	498,600
TOTAL SOURCE OF FUNDS	468,300	495,400	517,600	478,100	498,600
EXPENDITURES BY CLASS					
Personnel Cost	409,600	435,500	456,500	418,200	437,500
Operating Expenses	58,700	59,900	61,100	59,900	61,100
TOTAL EXPENDITURES	468,300	495,400	517,600	478,100	498,600
EXPENDITURES BY FUND SOURCE					
General Fund	468,300	495,400	517,600	478,100	498,600
TOTAL EXPENDITURES	468,300	495,400	517,600	478,100	498,600

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

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

**Public Protection and Regulation
Charitable Gaming**

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
SOURCE OF FUNDS					
Restricted Funds					
Balance Forward	2,077,500	730,600	675,500	730,600	675,500
Current Receipts	2,701,000	3,405,700	3,410,500	3,405,700	3,410,500
Non-Revenue Receipts	-740,000				
Total Restricted Funds	4,038,500	4,136,300	4,086,000	4,136,300	4,086,000
TOTAL SOURCE OF FUNDS	4,038,500	4,136,300	4,086,000	4,136,300	4,086,000
EXPENDITURES BY CLASS					
Personnel Cost	2,736,500	2,879,200	3,022,200	2,879,200	3,022,200
Operating Expenses	536,400	521,600	521,600	521,600	521,600
Capital Outlay	35,000	60,000	60,000	60,000	60,000
TOTAL EXPENDITURES	3,307,900	3,460,800	3,603,800	3,460,800	3,603,800
EXPENDITURES BY FUND SOURCE					
Restricted Funds	3,307,900	3,460,800	3,603,800	3,460,800	3,603,800
TOTAL EXPENDITURES	3,307,900	3,460,800	3,603,800	3,460,800	3,603,800

KRS Chapter 238 establishes the Department of Charitable Gaming within the Public Protection and Regulation Cabinet. The Department is charged with the licensure and regulation of charitable organizations conducting gaming in the Commonwealth of Kentucky.

The Office of the Commissioner tracks and mediates complaints. The Office of the General Council manages all the litigation and other legal activity associated with agency operations. The Division of Licensing and Compliance conducts inspections and issues licenses. The Division of Enforcement audits charitable gaming establishments.

Reported charitable gaming gross receipts surpassed \$576,000,000 in fiscal year 2000 and \$592,000,000 in fiscal year 2001.

Policy

The Governor's recommendation anticipates an increase of the Charitable Gaming Gross Receipts fee to .53 percent.