

2006-2008
**Executive
Budget**

Ernie Fletcher, Governor
Bradford L. Cowgill, State Budget Director



Volume I

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Executive Branch

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	7,994,729,800	9,478,396,500	10,234,179,300	8,409,665,700	8,798,699,800
Surplus Expenditure Plan	90,250,300				
Special Appropriation	428,000				
Current Year Appropriation	89,702,200	69,800	72,800		
Continuing Appropriation	50,313,500	128,477,000	127,976,700	126,303,400	122,182,700
Salary Compensation Fund		460,500	484,900		
Base Deduction	-32,984,600				
Mandated Allotments	12,425,000				
Other	28,122,400	3,949,600	3,949,600		
Total General Fund	8,232,986,600	9,611,353,400	10,366,663,300	8,535,969,100	8,920,882,500
Tobacco Settlement-Phase I					
Tobacco Settlement - I	108,600,000	91,678,200	91,807,700	88,800,000	94,000,000
Continuing Appropriation	30,664,100	12,310,000	9,508,700	12,305,200	9,508,700
Budget Reduction	-4,327,900				
Other	-43,900				
Total Tobacco Settlement-Phase I	134,892,300	103,988,200	101,316,400	101,105,200	103,508,700
Restricted Funds					
Balance Forward	481,735,884	256,801,085	244,436,085	180,653,500	122,475,100
Current Receipts	3,686,785,516	3,848,827,400	4,026,081,800	4,126,720,200	4,021,236,200
Non-Revenue Receipts	680,920,100	680,451,600	690,318,100	738,057,500	705,357,300
Fund Transfers	-141,955,700		50,000	-74,440,500	-35,013,200
Total Restricted Funds	4,707,485,800	4,786,080,085	4,960,885,985	4,970,990,700	4,814,055,400
Federal Funds					
Balance Forward	87,866,306	22,068,452	9,809,652	22,048,600	11,400,000
Current Receipts	7,165,866,863	7,095,748,400	7,324,488,000	6,959,702,900	7,128,218,000
Non-Revenue Receipts	215,581,409	217,170,900	217,259,400	216,608,800	216,662,100
Total Federal Funds	7,469,314,578	7,334,987,752	7,551,557,052	7,198,360,300	7,356,280,100
Road Fund					
Regular Appropriation	1,151,156,200	1,250,704,000	1,260,213,000	1,214,333,900	1,232,819,400
Surplus Expenditure Plan	28,578,100				
Current Year Appropriation	12,805,700				
Total Road Fund	1,192,540,000	1,250,704,000	1,260,213,000	1,214,333,900	1,232,819,400
Highway Bonds					
Balance Forward	232,141,599	367,619,400	379,769,400		
Current Receipts	80,410,901	23,290,000	14,170,000	75,000,000	
Non-Revenue Receipts	150,000,000	290,000,000			
Total Highway Bonds	462,552,500	680,909,400	393,939,400	75,000,000	
TOTAL SOURCE OF FUNDS	22,199,771,778	23,768,022,837	24,634,575,137	22,095,759,200	22,427,546,100
EXPENDITURES BY CLASS					
Personnel Cost	4,654,799,800	5,262,238,555	5,570,151,637	4,844,685,200	5,008,804,100
Operating Expenses	2,185,882,300	2,380,799,945	2,468,891,163	2,302,951,700	2,398,118,600
Grants, Loans or Benefits	12,366,273,200	13,198,111,300	13,874,044,150	12,497,576,500	12,925,731,500
Debt Service	646,477,600	747,397,100	846,934,500	739,233,200	779,770,900
Capital Outlay	176,734,800	178,085,900	176,201,900	171,942,300	167,622,200
Construction	1,750,938,100	1,246,666,100	1,224,368,800	1,273,803,800	930,133,700
TOTAL EXPENDITURES	21,781,105,800	23,013,298,900	24,160,592,150	21,830,192,700	22,210,181,000

EXPENDITURES BY FUND SOURCE

General Fund	8,041,680,300	9,500,137,900	10,255,953,800	8,413,786,400	8,801,867,600
Tobacco Settlement-Phase I	110,234,700	94,479,500	95,575,500	91,596,500	103,508,700
Restricted Funds	4,526,832,300	4,541,708,000	4,727,144,900	4,848,515,600	4,721,532,800
Federal Funds	7,447,266,000	7,325,382,900	7,549,448,350	7,186,960,300	7,350,452,500
Road Fund	1,192,540,000	1,250,704,000	1,260,213,000	1,214,333,900	1,232,819,400
Highway Bonds	462,552,500	301,140,000	272,498,200	75,000,000	

TOTAL EXPENDITURES

	21,781,105,800	23,013,552,300	24,160,833,750	21,830,192,700	22,210,181,000
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EXPENDITURES BY UNIT

General Government	942,078,300	1,209,643,900	1,308,738,100	919,816,300	936,149,200
Commerce	215,970,800	262,755,000	296,660,550	217,055,900	223,146,600
Economic Development	24,478,800	35,062,200	40,428,900	32,960,400	39,123,700
Department of Education	4,086,955,700	4,437,871,100	4,748,704,800	4,253,874,200	4,450,872,300
Education Cabinet	872,843,700	910,383,900	921,070,900	875,179,900	875,720,900
Environmental and Public Protection	616,292,200	646,726,600	658,698,800	622,225,700	630,469,700
Finance and Administration	567,549,200	650,496,000	679,216,100	629,936,300	641,358,100
Health and Family Services	6,606,934,400	6,868,526,200	7,151,695,700	6,567,409,300	6,755,485,100
Justice and Public Safety	751,664,600	968,327,800	1,014,781,400	800,910,500	823,768,800
Personnel	52,221,000	55,863,400	59,387,100	64,906,900	82,821,400
Postsecondary Education	4,312,963,800	4,682,700,200	4,994,686,500	4,539,289,400	4,767,351,700
Transportation	2,731,153,300	2,285,196,000	2,286,764,900	2,306,627,900	1,983,913,500

TOTAL EXPENDITURES

	21,781,105,800	23,013,552,300	24,160,833,750	21,830,192,700	22,210,181,000
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General Government

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General Government

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	500,525,900	817,226,100	920,193,200	539,831,000	553,592,600
Current Year Appropriation	3,101,000				
Continuing Appropriation	1,322,600				
Salary Compensation Fund	5,399,300	72,400	96,800		
Base Deduction	-3,442,900				
Mandated Allotments	12,425,000				
Other	22,497,400				
Total General Fund	541,828,300	817,298,500	920,290,000	539,831,000	553,592,600
Tobacco Settlement-Phase I					
Tobacco Settlement - I	24,541,300	27,260,100	27,260,100	21,469,800	23,065,100
Continuing Appropriation	17,557,700	12,305,200	9,508,700	12,305,200	9,508,700
Total Tobacco Settlement-Phase I	42,099,000	39,565,300	36,768,800	33,775,000	32,573,800
Restricted Funds					
Balance Forward	48,611,626	34,504,885	25,225,885	32,480,100	20,743,600
Current Receipts	80,045,763	89,648,300	94,314,600	84,531,300	85,702,100
Non-Revenue Receipts	35,042,711	35,968,900	38,133,000	34,626,400	37,264,600
Fund Transfers	-7,216,700		50,000	-1,300,000	-1,150,000
Total Restricted Funds	156,483,400	160,122,085	157,723,485	150,337,800	142,560,300
Federal Funds					
Balance Forward	40,050,569	15,716,900	5,691,500	15,805,600	5,762,200
Current Receipts	245,070,000	219,099,400	219,787,700	218,301,700	218,725,200
Non-Revenue Receipts	-3,564,591	-2,347,600	-2,311,500	-2,820,300	-2,813,500
Total Federal Funds	281,555,978	232,468,700	223,167,700	231,287,000	221,673,900
Road Fund					
Regular Appropriation	600,000	600,000	600,000	600,000	600,000
Total Road Fund	600,000	600,000	600,000	600,000	600,000
TOTAL SOURCE OF FUNDS	1,022,566,678	1,250,054,585	1,338,549,985	955,830,800	951,000,600
EXPENDITURES BY CLASS					
Personnel Cost	243,031,400	302,791,955	324,761,937	238,510,200	243,471,100
Operating Expenses	67,151,700	76,722,945	76,684,763	59,687,000	59,639,700
Grants, Loans or Benefits	534,160,800	701,147,500	768,264,800	504,824,100	513,830,700
Debt Service	92,212,700	118,160,600	132,978,100	108,267,900	114,865,600
Capital Outlay	1,092,000	2,536,900	1,894,700	907,100	842,100
Construction	4,429,700	8,020,000	3,900,000	7,620,000	3,500,000
TOTAL EXPENDITURES	942,078,300	1,209,379,900	1,308,484,300	919,816,300	936,149,200
EXPENDITURES BY FUND SOURCE					
General Fund	521,930,800	817,308,000	920,305,500	539,831,000	553,592,600
Tobacco Settlement-Phase I	29,793,800	30,056,600	31,027,900	24,266,300	32,573,800
Restricted Funds	124,003,300	134,902,100	133,700,000	129,594,200	127,786,900
Federal Funds	265,750,400	226,777,200	223,104,700	225,524,800	221,595,900
Road Fund	600,000	600,000	600,000	600,000	600,000
TOTAL EXPENDITURES	942,078,300	1,209,643,900	1,308,738,100	919,816,300	936,149,200

**General Government
Office of the Governor**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	9,355,100	10,914,100	11,269,800	9,502,700	9,502,700
Salary Compensation Fund	197,600				
Base Deduction	-60,000				
Total General Fund	9,492,700	10,914,100	11,269,800	9,502,700	9,502,700
Restricted Funds					
Balance Forward	723,900	54,100	46,000	48,500	46,000
Current Receipts	36,600				
Non-Revenue Receipts	388,200	388,200	388,200	385,700	382,800
Fund Transfers	-5,600				
Total Restricted Funds	1,143,100	442,300	434,200	434,200	428,800
TOTAL SOURCE OF FUNDS	10,635,800	11,356,400	11,704,000	9,936,900	9,931,500
EXPENDITURES BY CLASS					
Personnel Cost	7,138,200	7,847,700	8,200,700	6,678,200	6,680,200
Operating Expenses	1,550,000	1,563,600	1,563,600	1,513,600	1,511,600
Grants, Loans or Benefits	1,699,100	1,699,100	1,699,100	1,699,100	1,699,100
Capital Outlay	200,000	200,000	200,000		
TOTAL EXPENDITURES	10,587,300	11,310,400	11,663,400	9,890,900	9,890,900
EXPENDITURES BY FUND SOURCE					
General Fund	9,492,700	10,914,100	11,269,800	9,502,700	9,502,700
Restricted Funds	1,094,600	396,300	393,600	388,200	388,200
TOTAL EXPENDITURES	10,587,300	11,310,400	11,663,400	9,890,900	9,890,900
EXPENDITURES BY UNIT					
Governor	6,488,000	6,613,100	6,876,900	5,818,000	5,818,000
Governor's Office Expense Allowance	21,000	21,000	21,000	21,000	21,000
Lieutenant Governor	435,400	504,800	513,900	445,400	445,400
Lt. Governor's Expense Allowance	12,000	12,000	12,000	12,000	12,000
Secretary of the Cabinet	445,000	787,900	817,500	445,000	445,000
Kentucky Commission on Military Affairs	348,900	376,700	390,300	348,900	348,900
Office of Minority Empowerment	314,000	343,000	354,800	314,000	314,000
Washington DC Office	388,200	390,700	393,600	388,200	388,200
Faith Based Initiatives	150,000	278,000	285,500	150,000	150,000
Governor's Scholars	1,984,800	1,983,200	1,997,900	1,948,400	1,948,400
TOTAL EXPENDITURES	10,587,300	11,310,400	11,663,400	9,890,900	9,890,900

The Governor serves as the chief administrator of the Commonwealth and, in addition to other powers and duties, acts as Commander-in-Chief of all state military forces, makes appointments for vacancies to executive offices and memberships on boards and commissions authorized by statute, and has the power to grant pardons and commutations. As chief administrator of Kentucky, the Governor ensures that state government provides needed services to the citizens of the Commonwealth at minimum cost to the taxpayer.

The Lieutenant Governor is a constitutional officer elected jointly with the Governor. The Lieutenant Governor is to assume the duties and responsibilities of the Office of the Governor should the Governor be impeached or removed from Office, die,

fail to qualify, resign, or be unable to discharge the duties of that office. Additional duties of the Lieutenant Governor include serving on various boards and commissions, serving on Kentucky delegations to several interstate compact commissions, and appointing members to various boards.

The Secretary of the Executive Cabinet develops and implements the major program decisions for the Executive Branch of government. As part of these duties, the Secretary of the Cabinet oversees the administration of the various cabinets and agencies of state government and coordinates legislative policy for the Governor. This role promotes cooperation and coordination among all agencies and programs of state government.

The Military Affairs Commission (KRS 154.12-203) has been a part of the Office of the Governor since 1996. The commission serves in an advisory capacity to the Governor, the General Assembly, the Kentucky Congressional Delegation, and other appropriate government officials. This commission is designed to continue state support of the U.S. military's widespread presence in Kentucky and to recognize its contribution to the economy and well-being of the Commonwealth. Among the installations and operations eligible for support are: Fort Knox, Fort Campbell, Bluegrass Station in Lexington, National Guard and Reserve operations throughout the state, and Bluegrass Army Depot in Richmond.

The Office of Minority Empowerment was established within the Office of the Governor pursuant to Executive Order 2004-481. The 2005 Regular Session of the General Assembly permanently established the Office in KRS 12.023. The primary purpose of the Office is to help minorities realize full access to their government and the many programs offered so as to be more responsive to the needs of Kentucky's minority community. More specifically, the Office is charged with the responsibility of researching and participating in the development of policies affecting Kentucky's minority community in the areas of economic empowerment, health care, housing, education, government services, and the criminal justice system. The Office also will search for ways to maximize economic opportunities for minorities by reviewing the awarding of state contracts to minority businesses and reviewing job training and technical education initiatives so as to ensure and enhance the effectiveness of such programs. The persons served by this Office include, but are not limited to, minority individuals as defined and referenced in KRS 12.070, such as Native Americans, Alaskan Natives, African Americans, Hispanics, the disabled community, small-, minority-, and woman-owned businesses, and other underrepresented ethnic groups.

The Governor recommended and the 2005 General Assembly agreed that Kentucky reconstitute its Washington DC office to increase the state's presence in Washington and promote consistent communication with federal funding agencies and the Kentucky congressional delegation. The Kentucky Washington D.C. office is one of thirty-nine offices representing states or territories. The Washington D.C. office staff maintains an effective line of communication with the Governor's office and Kentucky agencies through daily updates of Congressional and federal activity, briefings on specific subject matter proposed in Congress or by the Administration, and continual updates of federal and non-federal grant opportunities. The Washington D.C. office staff also serves as Kentucky's liaison to the National Governors' Association (NGA), the Southern Governors' Association (SGA), and the Midwestern Governors' Association (MGA) and works with other states and Kentucky agencies to ensure that the Commonwealth's priorities are considered in the organizations' resolutions and legislative policies.

The 2005 Regular Session of the General Assembly created the Office for Faith-Based and Community Nonprofit Social Services in House Bill 383, placing it in the Governor's Office in the state's organizational structure. The program is established in statute by KRS 12.510. The Office will have lead responsibility in the Executive Branch to establish policies, priorities, and objectives for State Government's comprehensive effort to enlist, equip, enable, empower, and expand the work of faith-based and other community organizations to the extent permitted by law. The office is patterned closely with a similar effort at the federal government level begun in 2001. Since the establishment of the federal effort, many states have created similar offices or have created liaisons to perform similar functions.

The Governor's Scholars Program, formerly in the Education, Arts and Humanities Cabinet, was administratively attached to the Office of the Governor by the 2005 Session of the General Assembly through the passage of Senate Bill 134. The program is established in statute by KRS 158.796. The Governor's Scholars Program was created to motivate and empower our brightest young people—Kentucky's future leaders—to become effective citizens with a zeal for excellence and a mind for innovation. The Governor's Scholars Program (GSP) is a five-week, residential program for approximately 1,000 outstanding Kentucky students completing their junior year in high school. The program is held annually, free of charge for participants, on three Kentucky college campuses. Scholars from across the Commonwealth are competitively chosen from all accredited public and private schools.

Policy

Included in the Governor's recommended budget is a General Fund appropriation in the amount of \$30,000 in fiscal year 2006-2007 and \$30,000 in fiscal year 2007-2008 for the Lieutenant Governor's Office for an allowance of up to \$2,500 monthly, to include \$1,000 as a housing allowance and \$1,500 if additional duties are performed. The allowance was effective April 1, 2005.

General Government
Office of State Budget Director

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	4,323,800	5,054,500	5,279,000	4,433,400	4,433,400
Salary Compensation Fund	109,600				
Total General Fund	4,433,400	5,054,500	5,279,000	4,433,400	4,433,400
Restricted Funds					
Balance Forward	726,100	292,800	292,800	217,400	136,800
Current Receipts	3,700				
Fund Transfers	-75,400				
Total Restricted Funds	654,400	292,800	292,800	217,400	136,800
TOTAL SOURCE OF FUNDS	5,087,800	5,347,300	5,571,800	4,650,800	4,570,200
EXPENDITURES BY CLASS					
Personnel Cost	3,830,800	4,283,400	4,528,400	3,742,000	3,818,700
Operating Expenses	1,039,600	771,100	750,600	772,000	751,500
TOTAL EXPENDITURES	4,870,400	5,054,500	5,279,000	4,514,000	4,570,200
EXPENDITURES BY FUND SOURCE					
General Fund	4,433,400	5,054,500	5,279,000	4,433,400	4,433,400
Restricted Funds	437,000			80,600	136,800
TOTAL EXPENDITURES	4,870,400	5,054,500	5,279,000	4,514,000	4,570,200
EXPENDITURES BY UNIT					
Budget & Policy Analysis	3,739,400	3,803,400	3,975,000	3,367,600	3,413,200
Gov Office for Policy Research	471,000	528,700	553,000	477,700	482,200
Gov Office for Economic Analysis	660,000	722,400	751,000	668,700	674,800
TOTAL EXPENDITURES	4,870,400	5,054,500	5,279,000	4,514,000	4,570,200

The Office of the State Budget Director, created in KRS 11.068, includes the Governor's Office for Policy and Management (GOPM), the Governor's Office for Policy Research (GOPR), and the Governor's Office for Economic Analysis (GOEA). Under the direction of the State Budget Director, these Offices serve as staff to the Governor, the Governor's Chief of Staff, the Secretary of the Cabinet, and the Secretary of the Finance and Administration Cabinet.

The Governor's Office for Policy and Management (GOPM) prepares the Executive Budget, the Governor's overall financial plan for state government. The preparation of the budget includes the transmittal of information and necessary forms to state agencies, assisting those agencies in the preparation of their budget requests, analyzing the requests, and making recommendations to the Governor. Following enactment of the budget by the General Assembly, GOPM helps agencies implement the appropriations acts through their expenditures for program activities.

The Governor's Office for Policy Research (GOPR) performs research and analysis on public policy issues important to the Commonwealth.

The Governor's Office for Economic Analysis (GOEA) assists the State Budget Director and the Consensus Forecasting Group in providing timely, accurate estimates of General Fund and Road Fund receipts used to build and implement the budget. On October 15 of each odd-numbered year, a preliminary detailed estimate of revenues for the next two fiscal years is presented to the head of the budgeting agency for each branch of state government. In January following, a revised estimate is prepared and presented along with the Executive Budget recommendation to the General Assembly.

**General Government
State Planning Fund**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	125,000	500,000	500,000	500,000	500,000
Total General Fund	125,000	500,000	500,000	500,000	500,000
TOTAL SOURCE OF FUNDS	125,000	500,000	500,000	500,000	500,000
EXPENDITURES BY CLASS					
Grants, Loans or Benefits	125,000	500,000	500,000	500,000	500,000
TOTAL EXPENDITURES	125,000	500,000	500,000	500,000	500,000
EXPENDITURES BY FUND SOURCE					
General Fund	125,000	500,000	500,000	500,000	500,000
TOTAL EXPENDITURES	125,000	500,000	500,000	500,000	500,000

The State Planning Fund supports statewide planning projects designed to improve the delivery of government services. Under Chapter 147 of the Kentucky Revised Statutes, overall planning and development functions are responsibilities of the Governor's Cabinet. KRS 147.075 delegates these functions to a Cabinet committee, designated as the State Planning Committee, which fulfills these responsibilities through its management of the State Planning Fund. The State Planning Committee includes the Governor, representatives from the various program cabinets, and the State Budget Director. The Governor serves as the Chairman of the Committee and the State Budget Director serves as its Secretary. The Governor's Office for Policy and Management reviews proposed planning projects, makes recommendations for funding to the Governor and the other members of the State Planning Committee, and provides staff support to the Committee.

Policy

The Governor's recommended budget moves the grant (\$25,000) for the Bluegrass State Games previously budgeted from the State Planning Fund to the Commerce Cabinet's Office of Sports Authority.

The Governor's recommended budget includes an allocation from the State Planning Fund to conduct a comprehensive review of the Kentucky Employees Retirement System and the Kentucky Teachers' Retirement System. This study may include, but is not limited to, the long-term financial stability of the system, employer and employee contribution rates, investment performance, and allowable investment alternatives, statutory and contractual pension and medical benefit structures, and policies of the systems.

**General Government
Homeland Security**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	350,000	833,100	880,900	350,000	350,000
Total General Fund	350,000	833,100	880,900	350,000	350,000
Restricted Funds					
Balance Forward	451,400	451,385	451,385	100,000	100,000
Current Receipts	440,000	628,600	653,300	440,000	440,000
Fund Transfers	-351,400				
Total Restricted Funds	540,000	1,079,985	1,104,685	540,000	540,000
Federal Funds					
Current Receipts	40,000,000	40,414,500	40,481,100	40,000,000	40,000,000
Total Federal Funds	40,000,000	40,414,500	40,481,100	40,000,000	40,000,000
Road Fund					
Regular Appropriation	350,000	350,000	350,000	350,000	350,000
Total Road Fund	350,000	350,000	350,000	350,000	350,000
TOTAL SOURCE OF FUNDS	41,240,000	42,677,585	42,816,685	41,240,000	41,240,000
EXPENDITURES BY CLASS					
Personnel Cost	1,954,100	2,585,500	2,718,300	1,969,900	1,990,700
Operating Expenses	631,300	868,000	894,300	656,300	656,300
Grants, Loans or Benefits	38,554,600	38,772,700	38,752,700	38,513,800	38,493,000
TOTAL EXPENDITURES	41,140,000	42,226,200	42,365,300	41,140,000	41,140,000
EXPENDITURES BY FUND SOURCE					
General Fund	350,000	833,100	880,900	350,000	350,000
Restricted Funds	440,000	628,600	653,300	440,000	440,000
Federal Funds	40,000,000	40,414,500	40,481,100	40,000,000	40,000,000
Road Fund	350,000	350,000	350,000	350,000	350,000
TOTAL EXPENDITURES	41,140,000	42,226,200	42,365,300	41,140,000	41,140,000

Executive Order 2004-530 created the Office of Homeland Security within the Office of the Governor to coordinate efforts with public and private partners on issues affecting Homeland Security. Senate Bill 44 was introduced to ratify this Executive Order but it failed to pass the 2005 General Assembly. Another Executive Order was issued (2005-563) which also added the Commercial Mobile Radio Service Emergency Telecommunications Board (CMRS) to this Office from the Commonwealth Office of Technology.

The Kentucky Office of Homeland Security (KOHS) focuses on preparing Kentucky for manmade or natural disasters. Although its primary role is to serve as the state's administrative liaison with the U.S. Department of Homeland Security, KOHS has initiated a comprehensive prevention-focused homeland security strategy to ensure Kentucky's communities, first responders and families have the resources and information necessary to be prepared for disaster or attack.

The CMRS Board collects user fees monthly from subscribers of the approximately 30 wireless carriers providing wireless telephone service in Kentucky. These fees are used to fund technology upgrades at Kentucky's enhanced 911 centers and to enhance the networks operated by the carriers.

**General Government
Veterans' Affairs**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	15,458,800	25,121,200	28,032,400	14,977,200	15,972,900
Salary Compensation Fund	1,128,600				
Base Deduction	-7,600				
Total General Fund	16,579,800	25,121,200	28,032,400	14,977,200	15,972,900
Restricted Funds					
Balance Forward	2,455,600	1,770,800	1,433,300	1,554,700	479,600
Current Receipts	23,017,000	23,827,400	27,452,100	23,638,600	24,426,100
Fund Transfers	-1,756,100				
Total Restricted Funds	23,716,500	25,598,200	28,885,400	25,193,300	24,905,700
TOTAL SOURCE OF FUNDS	40,296,300	50,719,400	56,917,800	40,170,500	40,878,600
EXPENDITURES BY CLASS					
Personnel Cost	32,082,800	41,677,800	44,990,500	33,540,400	34,620,500
Operating Expenses	5,981,600	6,830,300	7,120,100	6,020,500	6,128,100
Grants, Loans or Benefits	117,500	217,500	217,500	100,000	100,000
Capital Outlay	30,000	570,000	262,500	30,000	30,000
Construction	529,700				
TOTAL EXPENDITURES	38,741,600	49,295,600	52,590,600	39,690,900	40,878,600
EXPENDITURES BY FUND SOURCE					
General Fund	16,579,800	25,130,700	28,047,900	14,977,200	15,972,900
Restricted Funds	22,161,800	24,164,900	24,542,700	24,713,700	24,905,700
TOTAL EXPENDITURES	38,741,600	49,295,600	52,590,600	39,690,900	40,878,600
EXPENDITURES BY UNIT					
Commissioner's Office, Field Serv's & Cemeteries	2,545,000	4,872,600	5,758,600	2,812,800	3,153,800
Kentucky Veterans' Centers	36,196,600	44,423,000	46,832,000	36,878,100	37,724,800
TOTAL EXPENDITURES	38,741,600	49,295,600	52,590,600	39,690,900	40,878,600

The Kentucky Department of Veterans' Affairs (KDVA), established by KRS 40.300, assists over 370,000 Kentucky veterans and their families in applying for federal, state, and local veteran's benefits. Services include: benefits counseling and claims processing regarding the existence or availability of educational, training, and retraining facilities; health, medical rehabilitation, and housing services and facilities; employment and reemployment services; and provisions of federal, state, and local laws affording rights, privileges, and benefits to eligible veterans and their dependents. These services are supported by a cooperative network of Veterans' Benefits Field Representatives, volunteers, and personal service contracts with major veterans' organizations.

Pursuant to KRS 40.325, the Office of Kentucky Veterans' Centers within the KDVA manages Kentucky's three state veterans' nursing homes, which serve the long-term nursing care needs of Kentucky's elderly veteran population, who are about 110,000 of Kentucky's veterans.

The Thomson-Hood Veterans' Center, located in Wilmore in Jessamine County, is a 300-bed long-term nursing care facility specifically for Kentucky's elderly veteran population. The Eastern and Western Kentucky Veterans Centers, located in Hazard (Perry County), and Hanson (Hopkins County), opened in 2002. Each is a 120-bed facility that includes in-house

physician care, nurse practitioners, 24-hour nursing staff, and staffing for a rehab therapy department, barbershop, library, gift shop, laundry facility, a dietary department, and an employee child care facility.

The KDVA is required by KRS 40.315 to establish and maintain Kentucky state veterans' cemeteries. The Kentucky Veterans' Cemetery-West consists of 73 acres and is located on Highway 41A south of Hopkinsville. The facility includes an administration building, a maintenance building with service area, committal facility, a columbarium, appropriate parking, road network, walking path and landscaping. Two new veterans' cemeteries are currently under construction: the Veterans' Cemetery-Central in Ft. Knox is expected to begin operations in late fiscal year 2007, and the Veterans' Cemetery-North near Williamstown is expected to begin operations in late fiscal year 2008.

The KDVA contracts with Volunteers of America to help support the operation of a Homeless Veterans' Transitional Shelter which opened for business in April 2005 on the Leestown Veterans Administration Hospital property in Lexington.

Policy

Included in the above General Fund appropriation is \$162,700 in fiscal year 2007 and \$495,800 in fiscal year 2008 for personnel and operating costs associated with the Veterans' Cemetery-Central in Ft. Knox and the Veterans' Cemetery-North in Williamstown.

Additional funding is provided in the capital budget to construct a new cemetery in Greenup County in Northeastern Kentucky.

General Government
Governor's Office of Agricultural Policy

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	1,000,000				
Total General Fund	1,000,000				
Tobacco Settlement-Phase I					
Tobacco Settlement - I	24,541,300	27,260,100	27,260,100	21,469,800	23,065,100
Continuing Appropriation	17,557,700	12,305,200	9,508,700	12,305,200	9,508,700
Total Tobacco Settlement-Phase I	42,099,000	39,565,300	36,768,800	33,775,000	32,573,800
Restricted Funds					
Balance Forward	625,700	613,100	354,600	613,100	324,400
Current Receipts	503,000	431,200	431,200	257,100	245,600
Total Restricted Funds	1,128,700	1,044,300	785,800	870,200	570,000
TOTAL SOURCE OF FUNDS	44,227,700	40,609,600	37,554,600	34,645,200	33,143,800
EXPENDITURES BY CLASS					
Personnel Cost	1,107,100	1,382,100	1,454,900	1,149,300	1,177,400
Operating Expenses	201,300	225,300	225,300	201,300	201,300
Grants, Loans or Benefits	30,001,000	29,138,900	30,048,900	23,461,500	31,765,100
TOTAL EXPENDITURES	31,309,400	30,746,300	31,729,100	24,812,100	33,143,800
EXPENDITURES BY FUND SOURCE					
General Fund	1,000,000				
Tobacco Settlement-Phase I	29,793,800	30,056,600	31,027,900	24,266,300	32,573,800
Restricted Funds	515,600	689,700	701,200	545,800	570,000
TOTAL EXPENDITURES	31,309,400	30,746,300	31,729,100	24,812,100	33,143,800

The Governor's Office of Agricultural Policy (GOAP) is the Governor's direct link to the Commonwealth's agricultural industry. The Kentucky Agricultural Development Board, the Kentucky Tobacco Settlement Trust Corporation, the Governor's Commission on Family Farms, the Kentucky Aquaculture Infrastructure Development Fund, the Kentucky Agricultural Resource Development Authority, the Governor's Tobacco Marketing and Export Advisory Council, and the Kentucky Agricultural Finance Corporation are staffed by the employees in this Office.

The Kentucky Agricultural Development Board, authorized in KRS 248.707, distributes funds received by the Commonwealth from the Tobacco Master Settlement Agreement (Phase I money). The Board invests in innovative proposals that increase net farm income and assists tobacco farmers and tobacco-impacted communities by stimulating markets, finding new ways to add value to existing products, and promoting diversification of Kentucky's agricultural economy.

The Agricultural Development Board has fifteen members, described in KRS 248.707(2). They are the Governor, Commissioner of Agriculture, Secretary of the Cabinet for Economic Development, and Director of the University of Kentucky Cooperative Extension Service, along with eleven members appointed by the Governor to staggered terms. Those appointees include representatives of the Kentucky Farm Bureau, the Kentucky Chamber of Commerce, an attorney, an agricultural lender, and seven active farmers.

Half of Kentucky's tobacco settlement receipts are allocated to the Agricultural Development Fund. That amount is further divided between a counties account, which receives 35 percent of the funds, and a state account that receives the remaining 65 percent. From the state account, the General Assembly has appropriated debt service for bonds to support farmland preservation and safe drinking water, water and sewer infrastructure projects, and funding for land conservation programs.

Thirty-five percent of funds received into the Agriculture Development Fund are allocated for projects on the county level. The specific funding level of a county is dependent upon its tobacco-production dependency in relation to other counties within the state as described in KRS 248.703(3). One hundred and eighteen of Kentucky's 120 counties receive a portion of the 35 percent county allocation. Each county has a council of local agriculture leaders who consider applications for grants from the county's share of funds and prioritizes them for the Agricultural Development Board, which has the final grant authority for each county's funds. The Board has developed several model programs in which counties may participate. Models have been developed for diversification of products, cattle genetics improvement, handling and storage facilities, fencing, forage improvement, and water resources. Funds are provided as matching grants.

In addition to Phase I, Kentucky tobacco farmers have received annual payments from the National Tobacco Grower Settlement Trust Agreement (Phase II). The Kentucky Tobacco Settlement Trust Corporation (KTSTC), also known as the Phase II Board is responsible for the creation of a distribution plan and list of eligible recipients for each year of the National Tobacco Growers Settlement Trust. The Grower's Settlement is an agreement reached between the four major cigarette manufacturers and tobacco-growing states to compensate tobacco growers and quota holders for anticipated losses in income due to the Master Settlement Agreement. Payments from the Grower's Settlement Trust Agreement were scheduled to continue through 2010. Since 1999, the KTSTC has certified over \$726 million in direct payments to Kentucky tobacco growers and quota holders. Approximately 163,000 individuals receive payments annually through the Phase II program. A total of 185,000 different individuals have received payment over the past four years. GOAP staff serves the KTSTC to carry out their duties including: management of the claim processing vendor contract, National Trustee relations, public information, publication development, and Board correspondence. Costs related to the administration of the program are reimbursed directly from the national trustee. The KADB does not have any mandated oversight or administrative management of the Phase II program.

On November 2, 2004, the tobacco companies participating in the Phase II agreement sent notice to the 14 grower states, requesting a full refund for the 2004 payments with a notice they would not make the final 2004 payment. In the 2005 Session, the General Assembly provided \$114 million, which included \$87 million in bond funds and \$27 million from Phase I statewide funds, to ensure Kentucky producers received a 2004 Phase II payment. In addition, the Burley Tobacco Growers Cooperative provided \$10 million to bring this total payment to Kentucky farmers to \$124 million.

As provided in the 2004-2006 budget, the bonds were issued and payments were made to Kentucky farmers in June 2005. On August 19, 2005, the North Carolina Supreme Court ruled that the tobacco companies were responsible for all of the 2004 Phase II payments. In October the trustee paid the disputed amount to the Kentucky Tobacco Settlement Trust Corporation, which in turn transferred the funds to the General Fund of the Commonwealth. As a result, the \$27,000,000 was returned to the Agriculture Development Fund, and the \$87 million in bonds will be devoted to other appropriated capital projects.

In addition to their work with Phase I and Phase II, the staff of GOAP assists the Governor's Commission on Family Farms and the Kentucky Agricultural Resource Development Authority (KARDA). The KARDA is created in KRS 11.170 as an organization of representatives from various commodity groups who inform and advise the Governor on issues related to the Kentucky's agricultural economy. The Commission on Family Farms was created by executive order in April 1998 to advise the Governor on issues related to farm families and rural communities. The staff of GOAP also assists with the Kentucky Agricultural Finance Corporation. The Kentucky Agricultural Finance Corporation is a *de jure* municipal corporation created in KRS 247.944 to provide access to capital for farmers and other agricultural enterprises. The Governor appoints all of the board members.

Policy

Included in the above appropriation of General Fund (Tobacco) is \$15,509,000 and \$16,419,000 respectively in each year of the biennium for the county portion of the Agriculture Development Fund.

The Governor's recommended budget provides the ability for counties that are allocated more than \$20,000 annually to devote up to four percent of the individual county allocation, not to exceed \$15,000 annually, to the county council for administrative costs.

General Government
Kentucky Infrastructure Authority

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation		2,979,100	9,825,500	2,343,500	2,840,100
Total General Fund		2,979,100	9,825,500	2,343,500	2,840,100
Restricted Funds					
Balance Forward	2,397,400	472,000		1,621,400	1,121,400
Non-Revenue Receipts	2,904,000	866,800	1,341,500	983,300	1,502,600
Total Restricted Funds	5,301,400	1,338,800	1,341,500	2,604,700	2,624,000
Federal Funds					
Balance Forward	567,800				
Current Receipts	52,771,200	53,197,600	53,208,600	53,172,600	53,172,600
Non-Revenue Receipts	-3,000,000	-3,000,000	-3,000,000	-3,000,000	-3,000,000
Total Federal Funds	50,339,000	50,197,600	50,208,600	50,172,600	50,172,600
TOTAL SOURCE OF FUNDS	55,640,400	54,515,500	61,375,600	55,120,800	55,636,700
EXPENDITURES BY CLASS					
Personnel Cost	2,278,400	3,102,900	3,165,000	2,691,800	2,705,700
Operating Expenses	285,700	382,600	382,600	307,600	307,600
Grants, Loans or Benefits	51,454,900	51,000,000	51,000,000	51,000,000	51,000,000
Debt Service			6,798,000		752,000
Capital Outlay		30,000	30,000		
TOTAL EXPENDITURES	54,019,000	54,515,500	61,375,600	53,999,400	54,765,300
EXPENDITURES BY FUND SOURCE					
General Fund		2,979,100	9,825,500	2,343,500	2,840,100
Restricted Funds	3,680,000	1,338,800	1,341,500	1,483,300	1,752,600
Federal Funds	50,339,000	50,197,600	50,208,600	50,172,600	50,172,600
TOTAL EXPENDITURES	54,019,000	54,515,500	61,375,600	53,999,400	54,765,300

The Kentucky Infrastructure Authority (KIA), pursuant to KRS Chapter 224A, creates and coordinates regional infrastructure planning to promote higher levels of technical, managerial, and financial capacity of water-based utilities. The agency is also charged with promoting economies of scale among and between utilities to benefit consumers. The authority is administratively attached to the Governor's Office for Local Development.

The agency is authorized to issue notes and bonds to provide infrastructure financing for governmental agencies and investor-owned private utilities. The provisions of KRS 224A.165 dictate certain limits on the amount of notes and bonds the Authority can have outstanding. The purpose of the loans is to assist in financing the construction of infrastructure projects. The Authority also provides grants and subsidized loan incentives.

The following provides a description of the Authority's programs:

Fund A - Wastewater Revolving Loan Program - Local wastewater treatment facilities that qualify under the U.S. Environmental Protection Agency (EPA) standards are financed through this program. Jointly administered by the KIA and the Natural Resources Department, loans are provided at below-market interest rates. The Commonwealth appropriates an amount equal to this fund's debt service to make its bond payments.

Fund B Revolving Loan/Grant Program - This fund finances infrastructure that will enhance economic development and job creation. Loans are made to governmental entities that are unable to wholly finance a project through other public grant or

loan programs, through commercial credit at reasonable rates, or from their own resources. The loans are offered at or below market interest rates for a term not to exceed 30 years. Grants are available, but are reserved for borrowers facing both a financial hardship and an extreme health hazard. The Commonwealth appropriates an amount equal to this fund's debt service to make its bond payments.

Fund B 2020 Program - This fund provides financing primarily for, but not limited to, water service projects. The fund promotes the merger and consolidation of systems, and encourages the increased financial, managerial, and technical capacity of systems to provide service.

Fund C - Governmental Agencies Program - This program provides local governmental agencies access to funding through the municipal bond market at better terms than could be obtained on an independent basis. Loans are available at terms for up to thirty years for any infrastructure owned by governmental entities in the Commonwealth. The loans may be used to fund totally a construction project or they can be used to supplement grants or cash contributions.

Fund F - Drinking Water Revolving Loan Fund - This fund was established to assist in financing local drinking water treatment and distribution facilities that qualify under EPA requirements. Projects must be recommended by the Kentucky Division of Water from the Project Priority List and must be financially feasible as determined by KIA staff. Loan funds are available on short terms for planning and preliminary design work.

Coal Development and Tobacco Development Funds - These funds were created by the 2003 Regular Session of the General Assembly to support various water and sewer projects in Coal Producing and Tobacco Producing Counties. Each fund was capitalized with \$54,765,000 in bonds by the 2003 session of the General Assembly. The Authority coordinates the process of implementation and provides project administration for the projects funded in these programs. The agency reports that approximately \$51 million remains to be disbursed to previously identified grant recipients in these programs.

Infrastructure for Economic Development Funds - These funds were created by the 2005 Regular Session of the General Assembly in the amount of \$80 million for coal producing counties and \$126 million for tobacco producing counties. The Authority coordinates the process of implementation and provides project administration for the projects funded in these programs. The agency reports that approximately \$200,000 has been disbursed in these programs.

Policy

Included in the General Fund appropriation is \$376,000 in fiscal year 2008 for initial debt service to support \$4,000,000 in bonds to match \$20,000,000 in Federal Funds for the Federally Assisted Wastewater Revolving Loan Fund program (Fund A).

Included in the General Fund appropriation is \$376,000 in fiscal year 2008 for initial debt service to support \$4,000,000 in bonds to match \$20,000,000 in Federal Funds for the Safe Drinking Water State Revolving Loan Fund program (Fund F).

The Governor's recommended budget includes General Fund appropriations in the amount of \$370,000 in fiscal year 2007 and \$311,700 in fiscal year 2008 from the Local Government Economic Development Fund to support services provide to coal producing counties by KIA.

**General Government
Military Affairs**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	11,017,300	24,558,700	21,961,200	11,177,700	11,177,700
Salary Compensation Fund	611,500				
Base Deduction	-2,264,000				
Mandated Allotments	10,500,000				
Total General Fund	19,864,800	24,558,700	21,961,200	11,177,700	11,177,700
Restricted Funds					
Balance Forward	2,407,299	2,166,800	2,166,800	1,705,800	1,193,800
Current Receipts	23,431,463	24,677,500	25,464,500	23,544,500	23,880,400
Non-Revenue Receipts	596,238	615,000	615,000	615,000	615,000
Fund Transfers	-300,000			-400,000	-300,000
Total Restricted Funds	26,135,000	27,459,300	28,246,300	25,465,300	25,389,200
Federal Funds					
Balance Forward	836,891				
Current Receipts	91,870,500	62,727,400	63,236,600	62,302,800	62,660,700
Non-Revenue Receipts	-836,891				
Total Federal Funds	91,870,500	62,727,400	63,236,600	62,302,800	62,660,700
TOTAL SOURCE OF FUNDS	137,870,300	114,745,400	113,444,100	98,945,800	99,227,600
EXPENDITURES BY CLASS					
Personnel Cost	27,604,400	30,830,655	32,696,337	26,743,200	26,798,800
Operating Expenses	21,289,800	21,924,345	21,998,463	19,951,000	19,991,200
Grants, Loans or Benefits	82,800,200	51,276,800	52,143,900	46,869,200	47,131,300
Debt Service	938,600	5,046,800	938,600	938,600	938,600
Capital Outlay	250,000	500,000	500,000	250,000	250,000
Construction	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000
TOTAL EXPENDITURES	135,883,000	112,578,600	111,277,300	97,752,000	98,109,900
EXPENDITURES BY FUND SOURCE					
General Fund	19,583,300	24,558,700	21,961,200	11,177,700	11,177,700
Restricted Funds	24,429,200	25,292,500	26,079,500	24,271,500	24,271,500
Federal Funds	91,870,500	62,727,400	63,236,600	62,302,800	62,660,700
TOTAL EXPENDITURES	135,883,000	112,578,600	111,277,300	97,752,000	98,109,900
EXPENDITURES BY UNIT					
Statutory State Operations	10,376,900	11,679,600	12,116,000	10,353,600	10,353,600
National Guard Operations	300,000	300,000	300,000	300,000	300,000
Emergency & Public Safety Operations	4,500,000				
Self-Sustaining Operations	21,548,600	22,539,900	23,179,900	21,628,600	21,628,600
Federal & Grant Operations	99,157,500	66,033,600	66,706,100	65,469,800	65,827,700
TOTAL EXPENDITURES	135,883,000	100,553,100	102,302,000	97,752,000	98,109,900

The Department of Military Affairs is responsible for all military matters and disaster and emergency service coordination in the Commonwealth. The Governor is constitutional Commander-in-Chief of the National Guard in the state, and appoints the Adjutant General. The Adjutant General commands the Kentucky National Guard and directs and coordinates all programs in the Department.

The Department has the responsibility for organizing, equipping, training, and housing units of the Kentucky National Guard. These units may be called to duty by the Governor in the event of civil strife or disorder, or the occurrence of natural or man-made disasters.

The Department consists of the following organizational units: Office of Management and Administration, which contains the Division of Administrative Services, Division of Facilities, Bluegrass Station Division, and Division of Air Transport; the Division of Emergency Management; the Kentucky Community Crisis Response Board; the Kentucky Guard Youth Challenge Division; the Office of the Chief of Staff for Federal Army Guard; the Office of Chief of Staff for Federal Air Guard; and the Kentucky Civil Air Patrol.

Policy

Included in the above General Fund appropriation is \$300,000 in both fiscal years 2007 and 2008 to continue Kentucky's efforts regarding the U.S. Department of Defense's Base Realignment and Closure process.

**General Government
Commission on Human Rights**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	1,904,300	3,232,800	3,310,500	1,840,900	1,859,100
Salary Compensation Fund	59,200				
Base Deduction	-163,100				
Total General Fund	1,800,400	3,232,800	3,310,500	1,840,900	1,859,100
Restricted Funds					
Balance Forward	700	100		100	
Current Receipts	1,000	1,600	1,600	1,600	1,600
Total Restricted Funds	1,700	1,700	1,600	1,700	1,600
Federal Funds					
Balance Forward	114,100	25,400		114,100	70,700
Current Receipts	339,000	425,800	425,800	250,000	250,000
Total Federal Funds	453,100	451,200	425,800	364,100	320,700
TOTAL SOURCE OF FUNDS	2,255,200	3,685,700	3,737,900	2,206,700	2,181,400
EXPENDITURES BY CLASS					
Personnel Cost	1,724,500	2,692,800	2,825,100	1,752,200	1,782,600
Operating Expenses	416,500	733,500	699,900	383,800	383,800
Capital Outlay		21,000			
TOTAL EXPENDITURES	2,141,000	3,447,300	3,525,000	2,136,000	2,166,400
EXPENDITURES BY FUND SOURCE					
General Fund	1,800,400	3,232,800	3,310,500	1,840,900	1,859,100
Restricted Funds	1,600	1,700	1,600	1,700	1,600
Federal Funds	339,000	451,200	425,800	293,400	305,700
TOTAL EXPENDITURES	2,141,000	3,685,700	3,737,900	2,136,000	2,166,400
EXPENDITURES BY UNIT					
General Administration and Support	754,800	1,122,600	1,107,000	744,500	753,700
Enforcement Branch	832,100	1,261,600	1,290,900	810,400	822,700
Research and Information	359,100	859,200	880,400	395,800	402,700
Legal Affairs	195,000	442,300	459,600	185,300	187,300
TOTAL EXPENDITURES	2,141,000	3,685,700	3,737,900	2,136,000	2,166,400

The Kentucky Commission on Human Rights, pursuant to KRS Chapter 344, investigates, litigates, and administratively decides complaints of discrimination in the areas of employment, public accommodation, housing, and credit based on race, religion, national origin, age, disability, sex, smoking in employment, and familial status for housing decisions. The Commission has four service units: General Administration and Support, Enforcement, Research and Information, and Legal Affairs.

General Administration and Support performs personnel and fiscal activities and serves as a liaison with the Governor's Office, legislators, and other agencies in state government. This unit is responsible for development of internal policy directives and legislative initiatives.

The Enforcement Branch consists of two sections: Employment/Public Accommodations and Housing. Employees assigned to these sections receive, investigate, and conciliate complaints of discrimination in the areas of employment, public accommodation, credit transactions, and housing.

The Research and Information Branch provides technical assistance and education to local citizen groups, employers, public accommodations staff, educational institutions, local human rights commissions, and government officials. The staff conducts seminars and workshops on sexual harassment, the Kentucky Civil Rights Act, cultural diversity, and the Americans with Disabilities Act.

The Legal Affairs Branch litigates discrimination cases before administrative hearing officers, provides legal advice to inquiries, sworn complaints, and file closures. The legal staff takes depositions of witnesses, prepares legal briefs and appeals, and serves as in-house counsel.

Policy

An additional \$177,700 in Federal Funds is provided in fiscal year 2006 for the Commission to continue its work under contracts with the Department of Housing and Urban Development and the Equal Employment Opportunity Commission.

**General Government
Commission on Women**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	263,200	394,300	413,800	266,200	266,200
Salary Compensation Fund	4,000				
Base Deduction	-1,000				
Total General Fund	266,200	394,300	413,800	266,200	266,200
Restricted Funds					
Balance Forward	51,000	30,400	22,400	39,000	19,400
Current Receipts		2,000	2,000	6,000	5,000
Fund Transfers	-1,800				
Total Restricted Funds	49,200	32,400	24,400	45,000	24,400
TOTAL SOURCE OF FUNDS	315,400	426,700	438,200	311,200	290,600
EXPENDITURES BY CLASS					
Personnel Cost	180,500	308,000	327,400	188,900	192,800
Operating Expenses	95,900	96,300	91,400	102,900	97,800
TOTAL EXPENDITURES	276,400	404,300	418,800	291,800	290,600
EXPENDITURES BY FUND SOURCE					
General Fund	266,200	394,300	413,800	266,200	266,200
Restricted Funds	10,200	10,000	5,000	25,600	24,400
TOTAL EXPENDITURES	276,400	404,300	418,800	291,800	290,600

The Commission on Women, authorized in KRS 344.510, promotes women's interests by advising state agencies, the Governor, the General Assembly, and the private sector. It supports research and discussion about issues of interest to women such as health care, employment, and families.

The Kentucky Commission on Women (KCW), authorized in KRS 344.510, promotes women's interests by advising state agencies, the Governor, the General Assembly, local governments, and the private sector on matters pertaining to women. It supports research and discussion about issues of interest to women and provides advisory assistance in the establishment of local volunteer community improvement programs. The KCW conducts programs, studies, seminars, conferences, and encourages state and local women's business, professional, and civic organizations to do likewise and educate the public to the problems of women and girls. In a collaborative effort, the KCW will continue to work with the federal and state governments in advancing programs relating to women and girls.

Policy

Restricted Funds in the amount of \$20,000 in fiscal year 2007 and \$20,000 in fiscal year 2008 are provided to assist the Commission in hosting the National Association of Commission on Women's Conference, held in conjunction with the bi-annual Kentucky's Economic Summit on Women, in Louisville, Kentucky, in September 2007.

General Government
Governor's Office for Local Development

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	13,770,400	20,590,300	20,951,300	11,973,500	12,593,400
Salary Compensation Fund	153,100				
Base Deduction	-851,200				
Total General Fund	13,072,300	20,590,300	20,951,300	11,973,500	12,593,400
Restricted Funds					
Balance Forward	1,245,800	317,800	317,800		
Current Receipts	606,400	1,561,300	1,561,300	1,561,300	1,561,300
Non-Revenue Receipts	1,724,300			224,300	224,300
Fund Transfers	-1,817,800				
Total Restricted Funds	1,758,700	1,879,100	1,879,100	1,785,600	1,785,600
Federal Funds					
Balance Forward	63,000	63,000	63,000	63,000	63,000
Current Receipts	52,430,800	55,564,200	55,564,200	55,564,200	55,564,200
Total Federal Funds	52,493,800	55,627,200	55,627,200	55,627,200	55,627,200
TOTAL SOURCE OF FUNDS	67,324,800	78,096,600	78,457,600	69,386,300	70,006,200
EXPENDITURES BY CLASS					
Personnel Cost	5,429,200	6,970,500	7,331,500	5,762,500	5,912,300
Operating Expenses	983,500	1,422,600	1,422,600	1,051,400	1,053,500
Grants, Loans or Benefits	60,849,100	66,522,700	66,522,700	62,509,400	62,509,400
Debt Service		2,800,000	2,800,000		468,000
TOTAL EXPENDITURES	67,261,800	77,715,800	78,076,800	69,323,300	69,943,200
EXPENDITURES BY FUND SOURCE					
General Fund	13,072,300	20,590,300	20,951,300	11,973,500	12,593,400
Restricted Funds	1,758,700	1,561,300	1,561,300	1,785,600	1,785,600
Federal Funds	52,430,800	55,564,200	55,564,200	55,564,200	55,564,200
TOTAL EXPENDITURES	67,261,800	77,715,800	78,076,800	69,323,300	69,943,200
EXPENDITURES BY UNIT					
Commissioner	2,359,000	2,717,700	2,778,700	2,386,800	2,404,600
Grants	58,936,800	65,291,600	65,377,100	60,631,400	60,652,700
Financial Management & Administration	1,865,700	2,093,900	2,179,400	1,907,200	1,934,900
Field Services	1,134,800	1,448,400	1,516,900	1,176,800	1,196,400
Legal Services	177,300	288,100	299,100	187,900	190,700
Renaissance Kentucky	2,170,700	2,780,900	2,791,400	2,157,500	2,160,000
Kentucky Community Development Office	617,500	3,095,200	3,134,200	875,700	1,403,900
TOTAL EXPENDITURES	67,261,800	77,715,800	78,076,800	69,323,300	69,943,200

The Governor's Office for Local Government (GOLD), pursuant to KRS 147A.002, is an independent agency attached to the Office of the Governor. The agency was reorganized and renamed by Executive Order 05-564. GOLD serves as the liaison between the Governor and local units of government. It coordinates and resolves local government problems. The Department administers grants-in-aid, and serves as the cognizant state agency for Kentucky's fifteen Area Development Districts. These responsibilities are carried out through the Commissioner's Office and four primary administrative units.

The Commissioner's Office formulates policy that governs programs administered by the Department. The General

Counsel for the Department is housed within this budgetary unit. The office also serves as a liaison with state and federal agencies that deal with each of the Kentucky's 120 counties, 435 cities, 1400 special districts and the 15 Area Development Districts. The Trover Grant which brings University of Louisville medical students to the Western Kentucky Coal Fields for a portion of their residency is administered by the Commissioner's Office. The Knott County Arts and Crafts and the Richmond Arts Center Grants are housed in this administrative unit.

The Division of Grants administers the Community Development Block Grant Program for small cities, Economic Growth Grant, the Land and Water Conservation Fund, the Kentucky Recreational Trails Program and State Grants appropriated by the General Assembly. Moreover, the Division develops and conducts training programs for local governments across the Commonwealth in conjunction with other governmental agencies, associations and the Area Development Districts. It maintains the Commonwealth's Clearinghouse for all federal grants and administers the Joint Funding Agreement and Appalachian Regional Commission grants.

The Flood Control Program also is administered by the Grants Division. In partnership with federal and local agencies, the matching program lessens flood damage losses by providing structural and nonstructural assistance to Kentucky communities. The Fund ensures that matching funds required by the U.S. Army Corp of Engineers, Federal Emergency Management Agency (FEMA), and Natural Resources Conservation Service (NRCS) are available for vital projects. The program provides matching dollars for federal grants for straight sewage pipe removal projects funded by the Personal Responsibility in a Desirable Environment (PRIDE) program.

The Office of Renaissance Kentucky serves as the lead state agency for the administration of the Renaissance Kentucky Cities Program. Its mission is to revitalize downtowns by renewing pride in downtown centers, attracting new businesses and jobs, promoting tourism and encouraging cultural growth. Moreover, Renaissance Kentucky encourages the development of attractive housing in downtown centers. The program brings together public and private resources, expertise and incentives to take a comprehensive approach in solving problems of transportation, housing, water and sewer systems, business development and service delivery in cities.

The Field Services Office makes state government more accessible to Kentuckians by stationing community representatives in seven regional centers across the Commonwealth. Field service representatives answer citizens' questions, resolve problems, conduct research and help develop local grant applications.

The Division of Financial Management and Administrative Services perform agency administrative functions. It has responsibility for personnel administration, payroll, purchasing, library management, accounting, and budgeting for the entire agency. The Division provides information technology support for the Department and to local government units. Its statutory duties include: the calculation of maximum compensation for elected officials; the dissemination, collection and compilation of uniform financial information from all cities, counties and special taxing districts; the establishment of the standard chart of accounts; and the collection of annual audits and financial statements from all municipalities. This Division provides technical assistance and funding to the Chase Municipal Law Center. This administrative unit also provides technical assistance on local fiscal matters.

The Kentucky Community Development Office (KCDO) promotes economic development in Kentucky's localities. KCDO is responsible for financial management, accounting, and fund allocation and reporting of both the Local Economic Development Grant Fund (LGEDF) and Local Government Economic Assistance Grant Fund programs. The agency also reviews and approves LGEDF statutory grant applications. KCDO oversees those projects, and others authorized by the General Assembly through the budget. KCDO also administers the Kentucky Community Economic Development Growth Grant Program. This grant program assists counties, cities, special districts, or local school districts fund projects that improve the economic vitality of the community.

Policy

The Governor's budget recommendation provides an allocation from the General Fund in the amount of \$250,000 in each year of the biennium for the River Park Center in Owensboro.

Included in the recommended budget is an allocation from the General Fund in the amount of \$100,000 in each year of the biennium for the Richmond Arts Center.

Included in the enacted budget is an allocation from the General Fund in the amount of \$1,000,000 in each year of the biennium for the Trover Clinic Grant in Madisonville. These General Fund dollars are derived from coal severance revenues.

The Governor's recommended budget provides an allocation from the General Fund in the amount of \$95,500 in each year of the biennium for the Chase Municipal Law Center.

Included in the budget recommendation is an allocation from the General Fund in the amount of \$2 million in each year of the biennium to support Renaissance Kentucky Cities grants.

The Governor's recommended budget includes \$669,700 in fiscal year 2007 and \$728,000 in fiscal year 2008 to administer Local Government Economic Development Fund (LGEDF) single county grants. These funds are derived from the LGEDF program.

Included within the General Fund appropriation in fiscal year 2008 is \$468,000 for debt service to support Bond Funds in the amount of \$5 million for the Community Economic Development Growth program.

General Government Special Funds

The Special Funds program includes: the Local Government Economic Assistance Fund (LGEAF), the Local Government Economic Development Fund (LGEDF), and the Area Development Fund. Under KRS 42.4585 and KRS 42.4582, quarterly transfers from coal severance tax revenues for these two programs are made after the annual \$19 million severance tax allocation is credited to the Workers' Compensation Funding Commission and funds are set aside for the Osteopathic Medicine Scholarship under a formula prescribed by KRS 164.7891.

Policy

Notwithstanding KRS 342.122(1)(c), no General Fund appropriation is provided to the Kentucky Workers' Compensation Funding Commission in fiscal year 2007 and fiscal year 2008.

The application of the Osteopathic Medicine Scholarship funding formula provides an estimated \$1,024,300 in each fiscal year of the biennium.

In accordance with KRS 42.485, the continuing appropriation amount from fiscal year 2006 to fiscal year 2007 and fiscal year 2007 to fiscal year 2008 will equal the cash balance in the LGEDF and LGEAF accounts at the close of the preceding fiscal year.

Since payments from the LGEAF and LGEDF to local governments are made on a quarterly basis after collection of the taxes, fiscal year 2007 allocations include one quarterly payment from the last three months of fiscal year 2006 collections and three payments from collections made during the first nine months of fiscal year 2007. This process continues in fiscal year 2008 with that year including a payment from the last three months of fiscal year 2007 collections and three payments from the collections made during first nine months of fiscal year 2008.

The amounts reflected above for the LGEAF and the LGEDF are calculated using December 2005 consensus revenue estimates and the enacted rate and transfer policy (see chart on following page).

**Severance Tax Dedicated Programs 2006-2008 Biennium
Using December 2005 Consensus Forecast**

	Revised FY 2006	Recommended FY 2007	Recommended FY 2008
	<small>Includes 2 Quarters of Actual Data</small>		
Coal Severance Tax*	208,757,400	210,928,100	211,644,900
Less: Workers' Comp Set Aside (to General Fund)	-19,000,000	-19,000,000	-19,000,000
Less: Osteopathic Medicine Scholarship Program (KRS 164.7891)	-1,318,500	-1,024,300	-1,024,300
Less: Trover Clinic Grant	-1,000,000	-1,000,000	-1,000,000
Total coal severance tax resources to be distributed	187,438,900	189,903,800	190,620,600

Other Severance Tax Resources

Other Severance Taxes*			
Minerals Severance	15,170,700	16,200,000	15,300,000
Natural Gas Severance	26,894,000	26,200,000	25,300,000
Oil Production	5,965,700	5,700,000	5,400,000
Total other severance revenue to be distributed	48,030,400	48,100,000	46,000,000

Local Government Economic Assistance Fund (LGEAF) Grand Total			
Other severance revenue (50% of revenues)	24,015,200	24,050,000	23,000,000
Coal Severance (15% of Revenues)	28,115,800	28,485,600	28,593,100
Total LGEAF to be distributed to localities	52,131,000	52,535,600	51,593,100

Local Government Economic Development Fund			
<i>Funding set asides listed below can only be spent in coal producing counties</i>			
Coal severance (35% of amounts remaining to be distributed)	65,603,600	66,466,300	66,717,200
Less: Read to Achieve (Education)	-4,000,000	-8,000,000	-8,000,000
Less: School Facilities Debt Service (SFCC)	-4,617,900	-4,617,900	-4,617,900
Less: Tourism Marketing (Commerce)	-1,000,000		
Less: Drug Courts (Office of Drug Control Policy)	-1,000,000	-1,000,000	-1,000,000
Less: Flood Control Matching Program/State-Owned Dam Repair Pool for Coal Counties (GOLD & EPPC)	-1,500,000	-800,000	-800,000
Less: High-Tech Construction/Investment Pool (Econ. Dev)	-3,500,000		
Less: LGEDF Project Administration (GOLD and KIA)	-1,039,700	-1,039,700	-1,039,700
Less: Debt Service on Bonds for Coal County Development Fund-2003 Session of the General Assembly (KIA)	-4,091,900	-4,091,900	-4,091,900
Less: Need-Based Scholarship Fund (KHEAA)		-5,000,000	-5,000,000
Less: Mining Engineering Scholarship Program (UK)		-200,000	-200,000
Total LGEDF to be Distributed to Counties	44,854,100	41,716,800	41,967,700
Total LGEDF Single County Allocation	29,904,200	27,812,600	27,979,900

Local Government Economic Development Multi-County Fund			
Multi-County Allocation (33% of LGEDF County Distribution)	14,949,900	13,904,200	13,987,800
Balance Forward	15,354,000	24,078,900	13,533,100
Total Multi-County Resources	30,303,900	37,983,100	27,520,900
Less: Debt Service on Bonds for Infrastructure Economic Development Fund-2005 Session of the General Assembly (KIA)	-3,725,000	-7,450,000	-7,450,000
Less: Drug Courts (Office of Drug Control Policy)	-1,000,000	-1,000,000	-1,000,000
Less: Operation Unite (Office of Drug Control Policy)	-1,500,000	-1,500,000	-1,500,000
Less: Flood Control Matching Program/State-Owned Dam Repair Pool for Coal Counties (GOLD & EPPC)		-700,000	-700,000
Less: Tourism Marketing (Commerce)		-1,000,000	-1,000,000
Less: Energy R & D (Commerce)		-3,500,000	-3,500,000
Less: School Technology (Education)		-5,000,000	-5,000,000
Less: Elk Herd Viewing Project (Fish and Wildlife)			-3,000,000
Less: Clean Water Act Section 404 State Primacy Program (EPPC)		-300,000	-300,000
Less: Multi-County Statutory Uses (Economic Development)		-4,000,000	-3,000,000
Balance To Be Carried Forward	24,078,900	13,533,100	1,070,900

*Revenue numbers account for quarter lag

**General Government
Local Government Economic Assistance Fund**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	41,977,900	49,236,800	46,821,800	52,535,600	51,593,100
Other	10,153,100				
Total General Fund	52,131,000	49,236,800	46,821,800	52,535,600	51,593,100
TOTAL SOURCE OF FUNDS	52,131,000	49,236,800	46,821,800	52,535,600	51,593,100
EXPENDITURES BY CLASS					
Grants, Loans or Benefits	52,131,000	49,236,800	46,821,800	52,535,600	51,593,100
TOTAL EXPENDITURES	52,131,000	49,236,800	46,821,800	52,535,600	51,593,100
EXPENDITURES BY FUND SOURCE					
General Fund	52,131,000	49,236,800	46,821,800	52,535,600	51,593,100
TOTAL EXPENDITURES	52,131,000	49,236,800	46,821,800	52,535,600	51,593,100

The Local Government Economic Assistance Fund (LGEAF) (KRS 42.450-42.495), created by the 1980 Regular Session of the General Assembly, is a revenue sharing program that returns a portion of the coal and minerals severance taxes to local governments in areas where the minerals were extracted. These funds are used by those communities to strengthen and “to improve the environment for new industry and to improve the quality of life of the residents”. Counties that are involved in the production of coal or minerals such as natural gas, oil, and stone and cities within those counties are eligible to receive LGEAF payments. Likewise, counties and their cities affected by the transportation of coal are eligible to receive a portion of the returned severance taxes.

The LGEAF coal severance tax program currently returns funds to an estimated 67 counties and approximately 279 cities at the end of each fiscal quarter. Kentucky law provides that an amount equal to 15 percent of the taxes collected annually on the sale and processing of coal minus funds to support the Workers Compensation Funding Commission and the Osteopathic Medicine Scholarship program be transferred to the LGEAF for subsequent allocation and distributed to the localities. Quarterly allocations are made to localities according to such criteria as population, income, the amount and distance coal is transported over local areas, and taxes collected from the county.

The LGEAF minerals severance tax program currently returns funds to 99 counties and approximately 359 cities at the end of each fiscal quarter. Kentucky law provides that an amount equal to 50 percent of the taxes collected annually on the sale and processing of minerals, exclusive of coal, is transferred into the LGEAF for subsequent allocation and distribution to local governments. Quarterly payments to counties are determined by the amounts of mineral taxes paid. Distribution to cities is based on relative population.

Policy

Notwithstanding KRS 42.4585, the quarterly calculation and transfer of the funds to the LGEAF shall be made only after each quarterly installment of the annual appropriation of \$1,000,000 in each fiscal year of the biennium has been credited to the Trover Clinic Grant within the Governor’s Office for Local Development.

General Government
Local Government Economic Development Fund

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	32,509,800	42,158,000	37,561,000	41,716,800	41,967,700
Other	12,344,300				
Total General Fund	44,854,100	42,158,000	37,561,000	41,716,800	41,967,700
TOTAL SOURCE OF FUNDS	44,854,100	42,158,000	37,561,000	41,716,800	41,967,700
EXPENDITURES BY CLASS					
Grants, Loans or Benefits	44,854,100	42,158,000	37,561,000	41,716,800	41,967,700
TOTAL EXPENDITURES	44,854,100	42,158,000	37,561,000	41,716,800	41,967,700
EXPENDITURES BY FUND SOURCE					
General Fund	44,854,100	42,158,000	37,561,000	41,716,800	41,967,700
TOTAL EXPENDITURES	44,854,100	42,158,000	37,561,000	41,716,800	41,967,700
EXPENDITURES BY UNIT					
Economic Development Fund	44,854,100	42,158,000	37,561,000	41,716,800	41,967,700
TOTAL EXPENDITURES	44,854,100	42,158,000	37,561,000	41,716,800	41,967,700

The Local Government Economic Development Fund (LGEDF) in KRS 42.458-42.495 is a revenue-sharing program that was created by the 1992 Kentucky General Assembly to provide coal producing counties with the means to diversify their economies. The governing statute mandates that 35 percent of coal severance tax revenue be returned to coal producing counties. Two-thirds of the funds are distributed to individual county accounts using a formula based on coal severance taxes paid from the county, surplus labor rate, relative mining earnings, and relative mining employment. One-third of the dollars are reserved for the Multi-County Fund for joint projects. Kentucky law limits the use of the LGEDF to industrial park development projects, regional parks and job development incentive grants made to individual firms. Currently, 39 of the 45 original counties receive coal severance allocations.

The Governor's Office for Local Development (GOLD) is responsible for LGEDF financial management, accounting, and fund allocation and reporting. It also reviews and approves LGEDF grant applications. GOLD oversees those projects, and others authorized by the General Assembly through the budget. The Cabinet for Economic Development reviews and approves the LGEDF multi-county fund grant applications. It oversees those projects as well as other projects authorized by the General Assembly through the budget.

Policy

The Governor's recommended budget includes support for the Read to Achieve Program in the Department of Education by allocating \$8 million each year from the LGEDF before funds are distributed to localities. The recommended budget continues to provide funding for debt service on School Facilities Construction Commission bonds in the amount of \$4,617,900 each fiscal year of the biennium from the LGEDF before funds are distributed to localities. These bonds were approved by the 2003 Session of the General Assembly.

The Governor's recommended budget includes \$1 million in each fiscal year of the biennium for the Drug Courts program from the LGEDF before funds are distributed to localities. The Cabinet for Economic Development is authorized to transfer an additional \$1 million each fiscal year from the LGEDF Multi-County Fund to the Office of Drug Control Policy to support this effort. These funds will be expended for drug courts serving coal-producing counties only.

Included in the recommended budget is funding to provide local match dollars for the Flood Control Matching-State Dam Repair program in the amount of \$800,000 in each year of the biennium from the LGEDF before distribution to localities. The Cabinet for Economic Development is authorized to transfer an additional \$700,000 each fiscal year from the LGEDF Multi-County Fund to the Fund as well. These funds may be used to provide local match dollars for the federal flood control

program and the Personal Responsibility in Desirable Environment (PRIDE) program. These funds also may be directed to repair state-owned dams in coal producing counties.

The Governor's recommended budget continues the practice of providing support for services provided to coal producing counties by GOLD by allocating \$1,039,700 in each fiscal year of the biennium to GOLD administrative units.

The budget recommendation includes funding for debt service in the amount of \$4,091,900 in each fiscal year of the biennium to fund Coal County Development Fund (water and sewer projects) authorized by the 2003 Regular Session of the General Assembly.

Included in the recommended budget is \$5 million in each fiscal year of the biennium from the LGEDF before funds are distributed to localities for the Need-Based Scholarship Program administered by the Kentucky Higher Education Assistance Authority. Only students from coal producing counties will be eligible for these scholarships.

The budget recommendation allocates \$200,000 each year of the biennium from the LGEDF before funds are distributed to the localities for a Mining Engineering Scholarship Program at the University of Kentucky. Only students from coal producing counties will be eligible for these scholarships.

The Governor's recommended budget authorizes the Cabinet for Economic Development to transfer \$7,450,000 from the LGEDF Multi-County fund to the General Fund to pay for debt service the Infrastructure Economic Development Fund for Coal Producing Counties funded by the 2005 Regular Session of the General Assembly.

The budget recommendation authorizes the Cabinet for Economic Development to transfer \$1.5 million in each fiscal year of the biennium from the LGEDF Multi-County Fund to the Office of Drug Control Policy Cabinet to support Operation Unite in coal producing counties.

The Governor's recommended budget authorizes the Cabinet for Economic Development to transfer \$1 million in each fiscal year of the biennium from the LGEDF Multi-County Fund to the Commerce Cabinet to support the Tourism Marketing Program in coal producing counties.

The budget recommendation authorizes the Cabinet for Economic Development to transfer \$3.5 million in each fiscal year of the biennium from the LGEDF Multi-County Fund to the Commerce Cabinet to support the Energy R & D Program in coal producing counties. Projects must be targeted solely to Kentucky's LGEDF eligible counties.

The Governor's recommended budget authorizes the Cabinet for Economic Development to transfer \$5 million in each fiscal year of the biennium from the LGEDF Multi-County Fund to the Kentucky Department of Education to support the School Technology Program in coal producing counties.

The Governor's recommended budget authorizes the Cabinet for Economic Development to transfer \$3 million in fiscal year 2008 from the LGEDF Multi-County Fund to the Department of Fish and Wildlife Resources to fund the Wildlife/Elk Herd Interpretive Center capital project.

The budget recommendation authorizes the Cabinet for Economic Development to transfer \$300,000 in each year of the biennium to the Environmental and Public Protection Cabinet to fund the Clean Water Act Section 404 permitting activities. These funds will only be made available should the state assume primacy over the program.

Notwithstanding KRS 42.4588(2), LGEDF allocations to each coal-producing county, above the amounts specified through the line item appropriations by the General Assembly, may be used to support the nonrecurring investments in public health and safety, economic development, public infrastructure, information technology development and access, and public water and wastewater development. This requires the concurrence of both the respective fiscal court and the Governor's Office for Local Development or the Kentucky Infrastructure Authority, as appropriate.

Notwithstanding KRS 42.4588(2), LGEDF, Multi-County Fund allocations may be used to support the nonrecurring investments in public health and safety, economic development, public infrastructure, information technology development and access, and public water and wastewater development.

Notwithstanding KRS 42.4582, the quarterly calculation and transfer of funds to the LGEDF shall be made only after each quarterly installment of the annual appropriation of \$1,000,000 in each fiscal year has been credited to the Trover Clinic Grant with the Governor's Office for Local Development.

**General Government
Area Development Fund**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	809,700	850,200	850,200	809,700	809,700
Total General Fund	809,700	850,200	850,200	809,700	809,700
TOTAL SOURCE OF FUNDS	809,700	850,200	850,200	809,700	809,700
EXPENDITURES BY CLASS					
Grants, Loans or Benefits	809,700	850,200	850,200	809,700	809,700
TOTAL EXPENDITURES	809,700	850,200	850,200	809,700	809,700
EXPENDITURES BY FUND SOURCE					
General Fund	809,700	850,200	850,200	809,700	809,700
TOTAL EXPENDITURES	809,700	850,200	850,200	809,700	809,700

The Area Development Fund is a revenue sharing program that was created by the 1976 Regular Session of the General Assembly to fund industrial development projects in communities within each of the 15 Area Development Districts. Kentucky law provides that 4.4 percent of the coal severance tax revenues are to be allocated to a project pool administered by the Governor's Office for Local Development (GOLD). The Area Development Districts rank and recommend to the Commissioner of GOLD the projects that they consider to be eligible for funding.

Policy

Notwithstanding KRS 42.350, the enacted budget allocates \$809,700 from the General Fund to the Area Development Fund in each year of the biennium.

**General Government
Executive Branch Ethics Commission**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	351,500	501,200	502,300	435,000	444,000
Current Year Appropriation	62,400				
Salary Compensation Fund	9,100	43,200	67,600		
Total General Fund	423,000	544,400	569,900	435,000	444,000
Restricted Funds					
Balance Forward	100				
Current Receipts	2,300	28,300	29,500	1,500	1,500
Total Restricted Funds	2,400	28,300	29,500	1,500	1,500
TOTAL SOURCE OF FUNDS	425,400	572,700	599,400	436,500	445,500
EXPENDITURES BY CLASS					
Personnel Cost	382,600	523,600	550,600	392,500	399,000
Operating Expenses	42,800	49,100	48,800	44,000	46,500
TOTAL EXPENDITURES	425,400	572,700	599,400	436,500	445,500
EXPENDITURES BY FUND SOURCE					
General Fund	423,000	544,400	569,900	435,000	444,000
Restricted Funds	2,400	28,300	29,500	1,500	1,500
TOTAL EXPENDITURES	425,400	572,700	599,400	436,500	445,500

In accordance with KRS 11A, the Executive Branch Ethics Commission is responsible for reviewing the personal financial interests of the constitutional officers and management personnel in state government in order to prevent conflicts of interest. Additionally, the Commission issues advisory opinions with regard to ethical conduct, investigates possible violations and enforces the Code, and provides a registration mechanism for executive agency lobbyists.

Policy

The Executive Budget provides a current year (FY 2006) General Fund appropriation totaling \$62,400 above the base budget to support the agency's operations and additional caseload. In fiscal year 2007 and fiscal year 2008, additional General Fund appropriations of \$74,400 and \$83,400, respectively, are provided above the fiscal year 2006 base budget to support agency operations.

**General Government
Secretary of State**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	2,224,000	2,956,100	3,100,500	2,299,300	2,298,100
Salary Compensation Fund	84,300				
Total General Fund	2,308,300	2,956,100	3,100,500	2,299,300	2,298,100
Restricted Funds					
Balance Forward	502,100	399,200	1,262,900	49,200	
Current Receipts	1,700,000	1,700,000	1,800,000	1,700,000	1,800,000
Fund Transfers	-1,350,000			-900,000	-900,000
Total Restricted Funds	852,100	2,099,200	3,062,900	849,200	900,000
TOTAL SOURCE OF FUNDS	3,160,400	5,055,300	6,163,400	3,148,500	3,198,100
EXPENDITURES BY CLASS					
Personnel Cost	2,285,900	2,986,600	3,147,500	2,378,400	2,428,000
Operating Expenses	825,300	805,800	805,900	770,100	770,100
TOTAL EXPENDITURES	3,111,200	3,792,400	3,953,400	3,148,500	3,198,100
EXPENDITURES BY FUND SOURCE					
General Fund	2,308,300	2,956,100	3,100,500	2,299,300	2,298,100
Restricted Funds	802,900	836,300	852,900	849,200	900,000
TOTAL EXPENDITURES	3,111,200	3,792,400	3,953,400	3,148,500	3,198,100
EXPENDITURES BY UNIT					
General Administration	1,573,000	1,989,100	2,089,300	1,593,200	1,615,800
General Operations	982,600	1,076,000	1,120,200	989,500	1,014,500
Limited Liability Companies	511,600	683,300	699,900	521,800	523,800
Restoration of Land Grant Books	44,000	44,000	44,000	44,000	44,000
TOTAL EXPENDITURES	3,111,200	3,792,400	3,953,400	3,148,500	3,198,100

The Secretary of State is the constitutional officer entrusted with filing, maintaining, and preserving the important documents and records of the Commonwealth. The Secretary also keeps the Seal of the Commonwealth and affixes it to all communications and commissions issued in the name of the state. The Office of the Secretary of State consists of one appropriation unit with three functions: General Administration, General Operations and Kentucky Business Law, and Restoration of Land Grant Books.

General Administration is responsible for executive policy and management functions for the entire office. It prepares and records official documents for the Governor, administers Kentucky's notary public law, issues commissions, pardons, commutations, extraditions, processes service of summonses, and implements election laws of the Commonwealth.

General Operations and Kentucky Business Law is responsible for the registration and incorporation of businesses, both domestic and foreign, profit and non-profit, including the administration of documents of merger, dissolution, and name changes. It also accepts and processes filings for limited liability companies and registered limited liability partnerships. These companies and partnerships must also file articles of organization with the Secretary of State as well as amendments, mergers and dissolutions.

Restoration of Land Grant Books preserves Kentucky land grant records and fulfills daily inquiries and requests for copies of those records. It files city annexations and incorporations, state deeds, and new land patents, and provides the public with certified copies of land surveys, grants, and military warrants. The restoration process consists of indexing, de-acidifying, laminating, and bonding, thus safely preserving Kentucky's original land grants.

Policy

Notwithstanding KRS 14.140, Restricted Funds appropriations shall not lapse and shall be used for continuation of current activities in the Office of the Secretary of State.

Notwithstanding KRS 14.140, \$350,000 in fiscal year 2006, \$900,000 in fiscal year 2007, and \$900,000 in fiscal year 2008 shall be transferred to the General Fund.

**General Government
Board of Elections**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	3,046,400	4,773,700	4,616,100	4,878,500	4,861,900
Continuing Appropriation	1,100,000				
Salary Compensation Fund	30,700				
Total General Fund	4,177,100	4,773,700	4,616,100	4,878,500	4,861,900
Restricted Funds					
Balance Forward	9,200	52,100	55,000	52,100	34,500
Current Receipts	100,000	60,000	80,000	60,000	60,000
Total Restricted Funds	109,200	112,100	135,000	112,100	94,500
Federal Funds					
Balance Forward	38,428,500	15,628,500	5,628,500	15,628,500	5,628,500
Total Federal Funds	38,428,500	15,628,500	5,628,500	15,628,500	5,628,500
TOTAL SOURCE OF FUNDS	42,714,800	20,514,300	10,379,600	20,619,100	10,584,900
EXPENDITURES BY CLASS					
Personnel Cost	930,700	1,115,400	1,177,500	961,400	950,900
Operating Expenses	724,000	808,900	808,000	713,800	713,800
Grants, Loans or Benefits	25,379,500	12,906,500	8,316,200	13,280,900	8,919,600
TOTAL EXPENDITURES	27,034,200	14,830,800	10,301,700	14,956,100	10,584,300
EXPENDITURES BY FUND SOURCE					
General Fund	4,177,100	4,773,700	4,616,100	4,878,500	4,861,900
Restricted Funds	57,100	57,100	57,100	77,600	93,900
Federal Funds	22,800,000	10,000,000	5,628,500	10,000,000	5,628,500
TOTAL EXPENDITURES	27,034,200	14,830,800	10,301,700	14,956,100	10,584,300
EXPENDITURES BY UNIT					
General Administration and Support	1,654,700	1,924,300	1,985,500	1,675,200	1,664,700
State Share of County Election Expenses		980,800	905,800	1,881,500	1,811,600
State Share of Voter Registration Expenses	1,479,500	1,399,400	1,485,600	1,399,400	1,479,500
Election Fund	23,900,000	10,526,300	5,924,800	10,000,000	5,628,500
TOTAL EXPENDITURES	27,034,200	14,830,800	10,301,700	14,956,100	10,584,300

The State Board of Elections administers the election laws of the state (KRS Chapters 116, 117, 118, 118A, 119, and 120) and supervises the registration and purgation of voters. The Board is responsible for canvassing returns, certifying successful candidates, maintaining the statewide list of registered voters, and paying local election officers.

The Board is chaired by the Secretary of State. Six other members are appointed by the Governor.

General Administration and Support

The General Administration and Support program objectives are to maintain an up-to-date computerized record of registered voters in the state, certify election results, produce precinct rosters, issue certification of nomination and election, train county clerks in election duties, and conduct a nonpartisan voter education program.

Kentucky leads the nation with the implementation of the National Voter Registration Act (Motor Voter) and the on-line voter registration system. The system provides for:

- On-line inquiry which enables the county clerks to view the registration and voting record of each current registrant.
- Daily file maintenance which allows the county clerk to enter new registrants, transfer a registrant, or make the proper registration change on a local level. Once entered, this information is electronically transmitted to the statewide central file at the State Board of Elections in Frankfort.
- Printing and distribution of precinct rosters and alphabetical rosters to the county clerks for use on Election Day. This process begins when the books are closed and all changes, additions, and deletions are made to the file. The primary election consists of approximately 500,000 documents and the general election consists of approximately 275,000 documents. Post election activities include giving credit to all voters who voted on Election Day. This data is scanned into the system allowing the agency to update the voter files, produce voter turnout reports, and prepare various other reports including vital data to candidates.

State Share of County Election Expenses

The State Share of County Election Expenses program pays all precincts the state's statutory share of county election expenses.

The state currently has 3,506 precincts with over 2.8 million registered voters. The number of precincts increases as registration totals increase and as reapportionment of county commissioner/magisterial districts and congressional and state redistricting occur.

State Share of Voter Registration Expenses

The State Board of Elections remits payment to the county clerk of the state amount of twenty-five cents (\$0.25) for registration of voters pursuant to KRS 116.145. There is a significant increase of newly registered voters in years that county and presidential candidates are on the ballot.

The State Board of Elections remits reimbursement to county clerks an amount not to exceed fifty cents (\$0.50) per registered voter in the county per year for the cost of employing office personnel necessary for the conduct of elections, including the registration and purgation of voters in the county pursuant to KRS 117.343 and KRS 116.112(7).

Election Fund

On October 29, 2002, President George W. Bush signed the Help America Vote Act (HAVA) into law. HAVA is a federal response to the irregularities in voting systems and processes seen in certain states during the 2000 Presidential election.

Kentucky continues to lead the nation in the implementation of the Help America Vote Act and in many cases, serves as a model for other states. The Act imposed new election requirements on states and called for the upgrade of voting machines to be in compliance by January 1, 2006.

The State Board of Elections is responsible for the administration and distribution of the \$37 million in federal funds awarded to Kentucky. As of December 2005, 77 counties have been reimbursed for implementing handicap accessible voting machines, in-house absentee voting machines, and optical scan absentee ballot systems. The remaining 43 counties will be reimbursed as they submit documentation of compliance for a total amount of eligible funds available for new voting equipment across the Commonwealth in the amount of \$20 million dollars. The balance of funding will be used to meet various other requirements such as a voting system audit trail, provisional voting, voter education, poll worker training, enhancement of the statewide voter registration system, handicap accessibility, and election administration technology for the counties.

Policy

Included in the General Fund appropriation is \$3,280,900 in fiscal year 2007 and \$3,291,100 in fiscal year 2008 to pay the state's share of county election expenses and the state's share of voter registration expenses. Any unexpended balance remaining at the close of each fiscal year shall lapse to the credit of the General Fund. Any amount that the state is required to pay in excess of the above amounts shall be deemed a Necessary Governmental Expense and shall be paid from the General Fund.

Notwithstanding KRS 117.345(2), the maximum state payment rate is increased this biennium from \$255 to \$300 for each precinct containing a voting machine. Any amount the state is required to pay in excess of the above amounts shall be deemed Necessary Governmental Expenses and shall be paid from the General Fund.

Costs associated with special elections and additional precincts created by redistricting or reapportionment shall be deemed Necessary Governmental Expenses and be paid from the General Fund.

The Help America Vote Act, Section 254 (7), requires the state to maintain the expenditures of the state for activities funded by the payment at a level that is not less than the level of such expenditures maintained by the state for the fiscal year ending prior to November 2000. Kentucky's maintenance of effort requirement is \$1,303,200. Any funding below this amount would result in loss of federal funds.

The Governor's recommended budget fully funds the five percent state match required for the \$37 million in federal dollars available to our state to implement the new mandates.

Notwithstanding KRS 45.229, any unexpended General Fund continuing appropriation to match HAVA federal funds shall not lapse and shall carry forward into the following fiscal year.

Any amount required to match federal funds for the Help America Vote Act shall be deemed necessary governmental expense and shall be paid from the General Fund.

**General Government
Registry of Election Finance**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	1,409,500	1,807,800	1,888,800	1,547,100	1,571,700
Salary Compensation Fund	37,800				
Total General Fund	1,447,300	1,807,800	1,888,800	1,547,100	1,571,700
Restricted Funds					
Balance Forward	11,300				
Current Receipts	2,000				
Total Restricted Funds	13,300				
TOTAL SOURCE OF FUNDS	1,460,600	1,807,800	1,888,800	1,547,100	1,571,700
EXPENDITURES BY CLASS					
Personnel Cost	1,063,300	1,427,100	1,508,400	1,166,400	1,191,300
Operating Expenses	397,300	380,700	380,400	380,700	380,400
TOTAL EXPENDITURES	1,460,600	1,807,800	1,888,800	1,547,100	1,571,700
EXPENDITURES BY FUND SOURCE					
General Fund	1,447,300	1,807,800	1,888,800	1,547,100	1,571,700
Restricted Funds	13,300				
TOTAL EXPENDITURES	1,460,600	1,807,800	1,888,800	1,547,100	1,571,700

The role of the Kentucky Registry of Election Finance is to assure the integrity of the Commonwealth's electoral process by making certain there is full public access to campaign financial data and financial disclosure reports, and by administering Kentucky's campaign finance laws.

The Registry ensures that information reports pertinent to election campaign financing are filed on a timely basis and reviews this information for completeness, accuracy, and compliance with campaign finance laws. The Registry's regulatory function includes tracking of candidate and committee election finance activities, audit functions, investigations, review of and response to requests for advisory opinions, and adjudication of administrative charges of violations of campaign finance laws.

Under KRS Chapter 121, Kentucky's campaign finance laws apply to all candidates for office, including local and statewide candidates, gubernatorial slates, judicial, statewide, legislative, city and county, and school board candidates, as well as political issues committees, permanent committees, state and local party executive committees, and caucus campaign committees.

The Registry also receives, compiles, and maintains Financial Disclosure Reports of elected officials and candidates for specified offices as provided in KRS Chapter 61.

The Registry annually fills an average of 2,500 requests from the public and media for copies of the reports it maintains. The Registry maintains an information retrieval system to make information accessible to the public and publishes a summary of election financial transactions in the form of an annual report.

Pursuant to KRS 121.170(5), the Registry receives copies of reports filed with the Federal Election Commission by federally registered out-of-state permanent committees that contribute to Kentucky candidates. These and the reports of other candidates and committees who are required to file with the Federal Election Commission may be viewed via a computer terminal and Internet access at the Registry's office in Frankfort pursuant to 2 U.S.C. Section 439(c).

House Bill 939, passed by the 2000 General Assembly and now codified in KRS 121, required the Registry to develop an Internet-based electronic filing system for candidates' campaign finance reports, and accompanying web-based searchable database. The legislation further required that filer software be provided at no cost to candidates. The Registry has implemented the electronic filing and disclosure system, and it has been operational and successfully received since January 2002.

**General Government
Attorney General**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	13,736,000	20,780,800	21,688,500	13,990,500	13,733,100
Salary Compensation Fund	354,200				
Total General Fund	14,090,200	20,780,800	21,688,500	13,990,500	13,733,100
Restricted Funds					
Balance Forward	3,831,400	1,807,800	1,051,900	1,286,600	562,700
Current Receipts	7,519,800	8,257,300	8,411,800	8,193,400	8,296,400
Fund Transfers	-521,200				
Total Restricted Funds	10,830,000	10,065,100	9,463,700	9,480,000	8,859,100
Federal Funds					
Balance Forward	11,300				
Current Receipts	2,270,000	2,452,100	2,546,600	2,437,000	2,531,500
Total Federal Funds	2,281,300	2,452,100	2,546,600	2,437,000	2,531,500
TOTAL SOURCE OF FUNDS	27,201,500	33,298,000	33,698,800	25,907,500	25,123,700
EXPENDITURES BY CLASS					
Personnel Cost	17,303,000	23,137,400	24,379,300	16,855,200	16,576,300
Operating Expenses	3,181,800	3,298,200	3,172,700	2,687,000	2,669,000
Grants, Loans or Benefits	5,430,100	5,765,500	5,841,200	5,802,600	5,878,400
Capital Outlay		45,000			
TOTAL EXPENDITURES	25,914,900	32,246,100	33,393,200	25,344,800	25,123,700
EXPENDITURES BY FUND SOURCE					
General Fund	14,090,200	20,780,800	21,688,500	13,990,500	13,733,100
Restricted Funds	9,543,400	9,013,200	9,158,100	8,917,300	8,859,100
Federal Funds	2,281,300	2,452,100	2,546,600	2,437,000	2,531,500
TOTAL EXPENDITURES	25,914,900	32,246,100	33,393,200	25,344,800	25,123,700
EXPENDITURES BY UNIT					
Administrative Services	3,058,000	3,953,900	4,128,500	2,988,100	2,964,700
Criminal Services	8,451,700	10,544,500	10,976,900	8,266,000	8,078,500
Advocacy Services	4,936,800	6,817,200	7,064,900	4,701,400	4,609,000
Civil Services	3,256,100	4,168,300	4,315,800	2,713,600	2,702,400
Uninsured Employers Fund	6,212,300	6,762,200	6,907,100	6,675,700	6,769,100
TOTAL EXPENDITURES	25,914,900	32,246,100	33,393,200	25,344,800	25,123,700

The Attorney General, as the Commonwealth's constitutional chief law enforcement officer, performs a range of legal, investigative, and administrative duties. The Office has 12 organizational units to support the mission of the office.

The Administrative Services Division's duties include: personnel, payroll, fiscal, budget, state and federal grants, and employee training. The Prosecutors Advisory Council Services Division's duties include: personnel, payroll, fiscal, budget, state and federal grants, and legal education related to the Unified Prosecutorial System, along with the maintenance of child sexual abuse caseload and statistics, and the responsibility for the Victim and Witness Protection program.

The Office of Criminal Appeals, as mandated by KRS 15.020, represents the Commonwealth in all state and federal criminal appeals in which the Commonwealth has an interest. The Medicaid Fraud and Abuse Control Division investigates

and prosecutes cases of Medicaid Provider fraud pursuant to KRS 194.500-900 and KRS 205, and further complaints of abuse, neglect, and exploitation of residents in Medicaid facilities. The Kentucky Bureau of Investigations investigates specialized, primarily white-collar criminal activity, identity theft, and computer crimes. The Special Prosecutions Division, pursuant to KRS 15.190-715, prosecutes complex criminal cases when local prosecutors need assistance or disqualification from the case, prosecutes thefts from the Commonwealth by employees or elected officials, and prosecutes election and ethics law violations.

The Office of Consumer Protection enforces the provisions of the Consumer Protection Act that prohibit unfair, false, misleading, and deceptive acts or practices in trade or commerce and provides educational services to the elderly. The Office of Rate Intervention is responsible for representing the interests of consumers before federal, state, and local rate-making and regulatory bodies in the areas of utilities and health care insurance. The Victim's Advocacy Division administers the victim's advocate program and provides support services to victims of crime. The Child Support Enforcement Commission, pursuant to KRS 15.290, advises the Governor, Health and Family Services Cabinet, and the Administrative Office of the Courts on child support enforcement issues and provides special investigations into child support evasion.

The Office of Civil and Environmental Law represents the state's boards and agencies, issues formal opinions, represents state officials, elected prosecutors, and the judiciary in legal proceedings, and intervenes in constitutional challenges to state statutes. The Office serves as the legal representative of the Uninsured Employer's Fund in all proceedings to enforce Workers' Compensation claims involving the Fund. The Administrative Hearings Division provides hearing officer services and mediation to state agencies.

The Uninsured Employer's Fund, pursuant to KRS 342.760, is responsible for payment of Workers' Compensation to employees when the employer does not have Workers' Compensation insurance.

**General Government
Unified Prosecutorial System**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	53,355,000	68,097,500	71,311,100	57,218,100	58,185,500
Salary Compensation Fund	1,624,600				
Total General Fund	54,979,600	68,097,500	71,311,100	57,218,100	58,185,500
Restricted Funds					
Balance Forward	452,100	310,400	190,100	310,400	163,400
Current Receipts	110,000	110,000	110,000	110,000	110,000
Total Restricted Funds	562,100	420,400	300,100	420,400	273,400
Federal Funds					
Balance Forward	7,178				
Current Receipts	385,400			472,700	502,000
Non-Revenue Receipts	272,300	652,400	688,500	179,700	186,500
Total Federal Funds	664,878	652,400	688,500	652,400	688,500
TOTAL SOURCE OF FUNDS	56,206,578	69,170,300	72,299,700	58,290,900	59,147,400
EXPENDITURES BY CLASS					
Personnel Cost	50,394,500	63,192,100	66,573,900	53,529,300	54,498,100
Operating Expenses	5,466,700	5,758,100	5,613,100	4,591,200	4,642,300
Grants, Loans or Benefits	35,000	30,000	30,000	7,000	7,000
TOTAL EXPENDITURES	55,896,200	68,980,200	72,217,000	58,127,500	59,147,400
EXPENDITURES BY FUND SOURCE					
General Fund	54,979,600	68,097,500	71,311,100	57,218,100	58,185,500
Restricted Funds	251,700	230,300	217,400	257,000	273,400
Federal Funds	664,900	652,400	688,500	652,400	688,500
TOTAL EXPENDITURES	55,896,200	68,980,200	72,217,000	58,127,500	59,147,400
EXPENDITURES BY UNIT					
Commonwealth's Attorneys	30,118,500	37,833,700	39,529,000	31,382,200	31,908,000
County Attorneys	25,777,700	31,146,500	32,688,000	26,745,300	27,239,400
TOTAL EXPENDITURES	55,896,200	68,980,200	72,217,000	58,127,500	59,147,400

The Unified Prosecutorial System, pursuant to KRS 15.700, was established January 1, 1978 to encourage cooperation among law enforcement officers and provide for the general supervision of criminal justice by the Attorney General as chief law enforcement officer and chief prosecutor of the Commonwealth. Its role is to maintain uniform and efficient enforcement of the criminal laws and administration of criminal justice throughout the Commonwealth.

The Unified Prosecutorial System is administered by the Prosecutors Advisory Council, which the Attorney General chairs. The Unified Prosecutorial System, comprised of the 57 Commonwealth's Attorneys and 120 County Attorneys, prosecutes criminal cases in Kentucky's circuit and district courts.

**General Government
Unified Prosecutorial System
Commonwealth's Attorneys**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	28,850,900	37,441,700	39,136,100	30,968,500	31,471,600
Salary Compensation Fund	767,100				
Total General Fund	29,618,000	37,441,700	39,136,100	30,968,500	31,471,600
Restricted Funds					
Balance Forward	411,200	283,900	171,600	283,900	149,900
Current Receipts	100,000	100,000	100,000	100,000	100,000
Total Restricted Funds	511,200	383,900	271,600	383,900	249,900
Federal Funds					
Balance Forward	878				
Non-Revenue Receipts	272,300	179,700	186,500	179,700	186,500
Total Federal Funds	273,178	179,700	186,500	179,700	186,500
TOTAL SOURCE OF FUNDS	30,402,378	38,005,300	39,594,200	31,532,100	31,908,000
EXPENDITURES BY CLASS					
Personnel Cost	26,388,700	33,790,900	35,603,400	27,832,100	28,321,800
Operating Expenses	3,694,800	4,012,800	3,895,600	3,543,100	3,579,200
Grants, Loans or Benefits	35,000	30,000	30,000	7,000	7,000
TOTAL EXPENDITURES	30,118,500	37,833,700	39,529,000	31,382,200	31,908,000
EXPENDITURES BY FUND SOURCE					
General Fund	29,618,000	37,441,700	39,136,100	30,968,500	31,471,600
Restricted Funds	227,300	212,300	206,400	234,000	249,900
Federal Funds	273,200	179,700	186,500	179,700	186,500
TOTAL EXPENDITURES	30,118,500	37,833,700	39,529,000	31,382,200	31,908,000

The Commonwealth's Attorneys program is made up of 57 elected Commonwealth's Attorneys and their staff, one for each circuit. As of January 1, 2006, 50 circuits have full-time Commonwealth's Attorneys, with the remaining being part-time. Commonwealth's Attorneys are responsible for all felony prosecutions, including those prosecutions in which the penalty of death may be imposed upon the defendant. The prosecution of each felony requires a thorough investigation that involves extensive research and trial preparation by the prosecutor. Witness interviews, grand jury presentations, motions (including post-conviction motions), conferences, plea-bargaining, case studies, continuing legal education and participation on multi-disciplinary teams are a part of each prosecutor's responsibility in representing the Commonwealth and citizens of Kentucky as the state's attorney.

Pursuant to KRS 15.725, the Commonwealth's Attorneys attend each circuit court held in the judicial circuit. The Commonwealth's Attorneys, except as provided by KRS 15.715, have the duty to prosecute all violations of the criminal and penal laws which are tried in the circuit court. In addition, the Commonwealth's Attorneys have the primary responsibility within the judicial circuit to present evidence to the grand jury concerning such violations.

In accordance with KRS 15.735, the Commonwealth's Attorneys serve as special prosecutors in cases where the regularly elected prosecutors have been disqualified.

**General Government
Unified Prosecutorial System
County Attorneys**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	24,504,100	30,655,800	32,175,000	26,249,600	26,713,900
Salary Compensation Fund	857,500				
Total General Fund	25,361,600	30,655,800	32,175,000	26,249,600	26,713,900
Restricted Funds					
Balance Forward	40,900	26,500	18,500	26,500	13,500
Current Receipts	10,000	10,000	10,000	10,000	10,000
Total Restricted Funds	50,900	36,500	28,500	36,500	23,500
Federal Funds					
Balance Forward	6,300				
Current Receipts	385,400			472,700	502,000
Non-Revenue Receipts		472,700	502,000		
Total Federal Funds	391,700	472,700	502,000	472,700	502,000
TOTAL SOURCE OF FUNDS	25,804,200	31,165,000	32,705,500	26,758,800	27,239,400
EXPENDITURES BY CLASS					
Personnel Cost	24,005,800	29,401,200	30,970,500	25,697,200	26,176,300
Operating Expenses	1,771,900	1,745,300	1,717,500	1,048,100	1,063,100
TOTAL EXPENDITURES	25,777,700	31,146,500	32,688,000	26,745,300	27,239,400
EXPENDITURES BY FUND SOURCE					
General Fund	25,361,600	30,655,800	32,175,000	26,249,600	26,713,900
Restricted Funds	24,400	18,000	11,000	23,000	23,500
Federal Funds	391,700	472,700	502,000	472,700	502,000
TOTAL EXPENDITURES	25,777,700	31,146,500	32,688,000	26,745,300	27,239,400

Pursuant to KRS 15.725(2), each County Attorney attends the district court in the respective county and prosecutes all violations of criminal and penal laws within the jurisdiction of that district court. In accordance with KRS 15.735, County Attorneys also serve as special prosecutors in cases where the elected prosecutors have been disqualified.

Criminal cases at the district level include felonies (until the case is transferred to circuit court), misdemeanors, juvenile cases, and traffic cases. Additionally, many counties have Family Court, Drug Court, and/or Truancy Court requiring representation from the Office of the County Attorney. The County Attorney receives numerous criminal complaints from local law enforcement and the general public and frequently mediates local complaints so many of the services provided may never appear on a court docket. County Attorneys are also required to participate on multi-disciplinary teams.

General Government

Treasury

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	1,941,600	2,567,900	2,676,300	2,171,300	2,210,400
Salary Compensation Fund	66,700				
Total General Fund	2,008,300	2,567,900	2,676,300	2,171,300	2,210,400
Restricted Funds					
Balance Forward	92,900				
Non-Revenue Receipts	793,300	902,100	936,900	744,500	753,100
Fund Transfers	-92,900				
Total Restricted Funds	793,300	902,100	936,900	744,500	753,100
Road Fund					
Regular Appropriation	250,000	250,000	250,000	250,000	250,000
Total Road Fund	250,000	250,000	250,000	250,000	250,000
TOTAL SOURCE OF FUNDS	3,051,600	3,720,000	3,863,200	3,165,800	3,213,500
EXPENDITURES BY CLASS					
Personnel Cost	2,176,900	2,808,800	2,952,000	2,361,600	2,409,300
Operating Expenses	874,700	911,200	911,200	804,200	804,200
TOTAL EXPENDITURES	3,051,600	3,720,000	3,863,200	3,165,800	3,213,500
EXPENDITURES BY FUND SOURCE					
General Fund	2,008,300	2,567,900	2,676,300	2,171,300	2,210,400
Restricted Funds	793,300	902,100	936,900	744,500	753,100
Road Fund	250,000	250,000	250,000	250,000	250,000
TOTAL EXPENDITURES	3,051,600	3,720,000	3,863,200	3,165,800	3,213,500
EXPENDITURES BY UNIT					
General Administration and Support	1,562,600	2,033,400	2,099,200	1,728,300	1,756,100
Disbursements and Accounting	695,700	784,500	827,100	693,000	704,300
Abandoned Property Administration	793,300	902,100	936,900	744,500	753,100
TOTAL EXPENDITURES	3,051,600	3,720,000	3,863,200	3,165,800	3,213,500

The Treasury Department is the central administrative agency responsible for the receipt and custody of all revenues collected by state government and for writing all checks and disbursing state funds, as outlined in KRS Chapter 41.

The State Treasurer, a constitutional officer as provided in Section 91 of the Kentucky Constitution, heads the Treasury Department. The Treasurer also serves on the Kentucky Lottery Board, the Kentucky Higher Education Assistance Board, as trustee of the Kentucky Teachers' Retirement System, and is Vice-Chair of the State Investment Commission. The Treasury Department reviews and records all investment transactions of the Commonwealth.

The General Administration and Support Division provides management support for Treasury including: fiscal control, personnel administration, and policy development and implementation. The Division issues over 10,000,000 checks and stubs each year, reconciles the various Commonwealth bank accounts, reconciles daily with the State Depository, administers and records court-ordered withholdings, and produces wire transfers for state government.

The Disbursements and Accounting Division receives all funds of the Commonwealth including fees, grants, taxes, federal funds, fees from officials in counties over 75,000 in population, and fees from various boards and commissions. This program also receives, balances, and deposits all withholdings and U. S. Savings Bond deductions from state agency payrolls.

A computer analysis is maintained on daily receipts and disbursements, which subsequently is submitted to the Finance and Administration Cabinet for accounting posting.

The Unclaimed Property Division is responsible for administering the provisions of KRS Chapter 393 related to escheats. This program receives unclaimed property reports from holders and potential holders of unclaimed property, collects unclaimed property, pursues the location and collection of the property, and attempts to locate the rightful property owner.

Policy

Restricted Fund resources are provided in accordance with KRS 393.250 for the administration of the Unclaimed Property program in the amount of \$744,500 in fiscal year 2007 and \$753,100 in fiscal year 2008. This action reflects the movement of available off-budget Restricted Funds to on-budget status to support ongoing activities of the Unclaimed Property program.

Road Fund money in the amount of \$250,000 each year of the biennium is included to support the central check writing system and other central administrative responsibilities of state government.

Increased personnel and operating costs included above reflect additional rent, janitorial, maintenance, and 24 hour, seven days per week security guard services associated with relocating from the Capitol Annex to non-state owned property.

The Governor's budget recommendation includes \$141,000 General Fund money each fiscal year for the lease purchase of two laser check printers.

Unclaimed Property receipts totaling \$14,063,400 in fiscal year 2007 and \$25,537,500 in fiscal year 2008 are included in the General Fund resources provided in the Governor's budget recommendation.

General Government

Agriculture

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	19,010,000	23,834,700	24,768,300	19,288,100	19,499,400
Continuing Appropriation	11,300				
Salary Compensation Fund	558,600				
Total General Fund	19,579,900	23,834,700	24,768,300	19,288,100	19,499,400
Restricted Funds					
Balance Forward	4,414,300	4,561,800	3,188,200	4,561,800	2,161,400
Current Receipts	2,751,300	4,114,100	4,166,400	2,859,300	2,775,600
Non-Revenue Receipts	1,984,900	283,500	157,800	157,000	157,000
Fund Transfers			50,000		50,000
Total Restricted Funds	9,150,500	8,959,400	7,562,400	7,578,100	5,144,000
Federal Funds					
Balance Forward	21,800				
Current Receipts	4,070,300	4,162,800	4,169,800	3,947,400	3,889,200
Total Federal Funds	4,092,100	4,162,800	4,169,800	3,947,400	3,889,200
TOTAL SOURCE OF FUNDS	32,822,500	36,956,900	36,500,500	30,813,600	28,532,600
EXPENDITURES BY CLASS					
Personnel Cost	16,572,800	21,078,800	22,233,700	17,962,900	18,317,800
Operating Expenses	4,460,700	5,304,900	5,113,600	4,305,300	4,131,700
Grants, Loans or Benefits	6,730,900	6,777,700	6,219,500	6,302,700	5,744,500
Capital Outlay	96,300	207,300	96,300	81,300	81,300
Construction	400,000	400,000	400,000		
TOTAL EXPENDITURES	28,260,700	33,768,700	34,063,100	28,652,200	28,275,300
EXPENDITURES BY FUND SOURCE					
General Fund	19,579,900	23,834,700	24,768,300	19,288,100	19,499,400
Restricted Funds	4,588,700	5,771,200	5,125,000	5,416,700	4,886,700
Federal Funds	4,092,100	4,162,800	4,169,800	3,947,400	3,889,200
TOTAL EXPENDITURES	28,260,700	33,768,700	34,063,100	28,652,200	28,275,300
EXPENDITURES BY UNIT					
Strategic Planning and Administration	3,738,200	4,313,000	4,483,500	3,765,800	3,802,600
Motor Fuel Inspection and Testing	200,000	218,700	228,100	204,300	207,900
Consumer and Environmental Programs	10,993,900	14,165,300	14,601,500	11,847,400	11,955,400
State Veterinarian	4,245,100	4,923,200	5,136,100	4,321,700	4,382,000
Animal Control	281,300	270,000	270,000	270,000	270,000
Universities	957,000	957,000	957,000	957,000	957,000
Rural Rehabilitation Fund	80,000				
Market Promotion and Protection	101,900	90,000	95,300	82,700	84,500
Mexico Office	100,000	100,000	100,000	100,000	100,000
Farmland Preservation	425,000	400,000	400,000		
Agriculture Marketing and Product Promotion	7,138,300	8,331,500	7,791,600	7,103,300	6,515,900
TOTAL EXPENDITURES	28,260,700	33,768,700	34,063,100	28,652,200	28,275,300

The Department of Agriculture, as defined in KRS Chapter 246, is headed by the Commissioner of Agriculture, a Constitutional Officer. The State Board of Agriculture, appointed by the Governor, acts as an advisory body to the elected Commissioner.

The Office of the Commissioner provides leadership and management for the Department, and includes the Division of Public Relations. The Office for Strategic Planning and Administration is responsible for personnel functions, budgeting, financial operation, and information technology systems.

The Office for Consumer and Environmental Protection directs programs which have a direct bearing on agricultural revenue. The Office conducts the hay grading program, certifies all sales made by solid weight or liquid volume, licenses egg wholesalers, and inspects amusement rides operating within the Commonwealth. Duties include the distribution of commodity foods to qualifying institutions and individuals on behalf of the United States Department of Agriculture. This Office is responsible for conducting various pest and noxious weed control programs, enforcing federal and state laws and regulations pertaining to the control of pesticide use and application, and liaison between the regulator and those being regulated.

The Office of State Veterinarian protects the livestock industry pursuant to KRS Chapter 257. The Office formulates and regulates disease policies and investigates disease outbreaks.

The Office for Agricultural Marketing and Product Promotion develops and manages programs which promote Kentucky-produced agricultural products, including grading and inspecting of specific products and commodities and reporting market news. Responsibilities of this Office include the research and development of new and expanded outlets for Kentucky's agricultural products, agricultural education, agritourism development, farm safety, administration of the Shows and Fairs Promotion Division, and farmland preservation.

Policy

The Governor's recommended budget includes \$478,500 in each year for the veterinary laboratories at the University of Kentucky and the Breathitt Veterinary Center at Murray State University for diagnostic laboratories, and \$25,000 in General Funds are provided each year for ultrasound testing of animals at the North American International Livestock Exposition.

The Budget of the Commonwealth authorizes the Department to operate and maintain a metrology laboratory that will be supported from fees established by administrative regulation.

Since forage quality analysis is crucial to livestock production in Kentucky, included in the capital budget recommendation is \$115,000 in fiscal year 2007 for replacement of a forage testing van. The mobile hay testing van allows the Department to meet the statutory requirements of the hay grading program which performs on-the-spot forage analysis for Kentucky farmers mandated by KRS 260.033.

Also included in the Governor's recommended capital budget is \$175,000 in fiscal year 2007 for the replacement of a large scale test truck. The Weights and Measures Branch of Agriculture's Division of Regulation and Inspection inspects scales to assure accuracy in weights and measures across the Commonwealth as authorized by KRS. 363.510-363.990 and KRS 261.000.

**General Government
Auditor of Public Accounts**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	5,530,800	9,113,700	10,576,600	5,829,900	5,828,300
Salary Compensation Fund	303,900				
Total General Fund	5,834,700	9,113,700	10,576,600	5,829,900	5,828,300
Restricted Funds					
Balance Forward	6,000				
Current Receipts	3,812,000	3,755,500	3,739,700	3,297,500	3,297,500
Total Restricted Funds	3,818,000	3,755,500	3,739,700	3,297,500	3,297,500
TOTAL SOURCE OF FUNDS	9,652,700	12,869,200	14,316,300	9,127,400	9,125,800
EXPENDITURES BY CLASS					
Personnel Cost	8,867,000	11,908,100	13,437,400	8,424,800	8,423,200
Operating Expenses	785,700	880,100	878,900	702,600	702,600
Capital Outlay		81,000			
TOTAL EXPENDITURES	9,652,700	12,869,200	14,316,300	9,127,400	9,125,800
EXPENDITURES BY FUND SOURCE					
General Fund	5,834,700	9,113,700	10,576,600	5,829,900	5,828,300
Restricted Funds	3,818,000	3,755,500	3,739,700	3,297,500	3,297,500
TOTAL EXPENDITURES	9,652,700	12,869,200	14,316,300	9,127,400	9,125,800
EXPENDITURES BY UNIT					
Administration	1,447,100	1,789,500	1,806,300	1,460,300	1,460,300
Examination and Information Technology	1,236,400	1,757,500	1,914,600	1,169,200	1,169,200
Financial Audit	6,269,500	8,411,500	9,564,200	5,869,700	5,868,100
Performance Audit	699,700	910,700	1,031,200	628,200	628,200
TOTAL EXPENDITURES	9,652,700	12,869,200	14,316,300	9,127,400	9,125,800

The Auditor of Public Accounts is the constitutional officer responsible for auditing all state agencies and county governments, pursuant to KRS Chapter 43. Statutory responsibility requires the Auditor's Office to examine the state general accounts, the accounts of all state agencies, all private and semi-private agencies receiving or handling state funds, and all state revenue collections. The Auditor must examine the management and control of all institutions and public works in which the state has financial interest or legal power.

The Auditor's Office is responsible for assisting state and local officials in establishing and maintaining proper accounting records, internal controls, and administrative controls over public funds. The Office responds to requests from public officials, the general public, the Legislative Research Commission, and the Governor's Office concerning financial and program matters, special audits, and investigations.

The Auditor of Public Accounts has four program areas: Administration, Division of Examination and Technology, Division of Financial Audit, and the Division of Performance Audit.

The Administration area includes the Office of the State Auditor, the Office of Legal and Records Services, and the Office of Planning and Management. All policy, budget, fiscal, legal, and personnel duties are performed within the Administration area. The development of audit procedures as well as internal and external training are the responsibility of the Administration area.

The Division of Examination and Information Technology is responsible for internal technology systems, data processing systems, special examinations of complaints, and security consultation and training.

The Division of Financial Audit is responsible for financial audits of state agency transactions, pursuant to KRS 43.050, and for county officials such as fiscal courts, sheriffs, county clerks, property valuation administrators, county attorneys, circuit clerks, and special districts per KRS 43.070. The Single Audit Act of 1984 as enacted by the United States Congress is also one of the responsibilities for the Auditor of Public Accounts.

The Division of Performance Audit conducts audits of public entities to increase the effectiveness and reduce the cost of the delivery of services.

**General Government
Personnel Board**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	583,500	871,500	904,200	651,500	657,500
Current Year Appropriation	38,600				
Salary Compensation Fund	8,500				
Total General Fund	630,600	871,500	904,200	651,500	657,500
Restricted Funds					
Balance Forward	3,500	5,000	6,500	5,000	6,500
Current Receipts	1,500	1,500	1,500	1,500	1,500
Total Restricted Funds	5,000	6,500	8,000	6,500	8,000
TOTAL SOURCE OF FUNDS	635,600	878,000	912,200	658,000	665,500
EXPENDITURES BY CLASS					
Personnel Cost	567,300	797,100	829,800	586,500	589,500
Operating Expenses	63,300	74,400	74,400	65,000	68,000
TOTAL EXPENDITURES	630,600	871,500	904,200	651,500	657,500
EXPENDITURES BY FUND SOURCE					
General Fund	630,600	871,500	904,200	651,500	657,500
TOTAL EXPENDITURES	630,600	871,500	904,200	651,500	657,500

Created by the 1982 General Assembly, the Personnel Board is composed of seven members. The Governor appoints five, and two are classified employees elected by their colleagues. The Board serves in a quasi-judicial capacity and assists the Personnel Cabinet in the development of administrative regulations pertaining to the classified service.

The Personnel Board administers the appeals process of applicants for classified positions and conducts hearings for any non-probationary employee who is dismissed, demoted, suspended, or otherwise penalized for cause.

Policy

House Bill 267 provided funding of \$40,000 in fiscal year 2006 to cover the costs of Personnel Board elections that are conducted every four years. The recommended budget provides an additional allocation of General Fund of \$38,600 in fiscal year 2006 for a total of \$78,600 above the fiscal year 2006 base budget.

General Fund of \$99,500 in fiscal year 2007 and \$105,500 in fiscal year is provided over the fiscal year 2006 base budget to defray costs related to increased caseloads.

**General Government
Kentucky Retirement Systems**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	11,951,700	19,958,100	25,293,100		
Total General Fund	11,951,700	19,958,100	25,293,100		
Restricted Funds					
Balance Forward	1,410,200				
Non-Revenue Receipts	19,789,800	23,901,900	25,206,100	22,107,300	23,268,300
Total Restricted Funds	21,200,000	23,901,900	25,206,100	22,107,300	23,268,300
TOTAL SOURCE OF FUNDS	33,151,700	43,860,000	50,499,200	22,107,300	23,268,300
EXPENDITURES BY CLASS					
Personnel Cost	29,508,800	40,077,000	46,695,200	18,597,100	19,737,100
Operating Expenses	3,359,000	3,235,200	3,256,200	3,235,200	3,256,200
Capital Outlay	283,900	547,800	547,800	275,000	275,000
TOTAL EXPENDITURES	33,151,700	43,860,000	50,499,200	22,107,300	23,268,300
EXPENDITURES BY FUND SOURCE					
General Fund	11,951,700	19,958,100	25,293,100		
Restricted Funds	21,200,000	23,901,900	25,206,100	22,107,300	23,268,300
TOTAL EXPENDITURES	33,151,700	43,860,000	50,499,200	22,107,300	23,268,300

Kentucky Retirement Systems administers three retirement systems which are qualified governmental defined benefit plans under Section 401(a) of the Internal Revenue Code: Kentucky Employees Retirement System (state employees, universities, health departments, certain boards) governed by KRS 61.510-61.705; County Employees Retirement System (employees of cities, counties, local government entities, and classified employees of school boards) governed by KRS 78.510-78.852; and State Police Retirement System (uniformed officers of Kentucky State Police) governed by KRS 16.505-16.652. Medical insurance benefits are governed by KRS 61.701-61.702. The systems were established in the 1950's to provide a pension that, when coupled with Social Security, would provide the career employee with sufficient income to maintain his or her pre-retirement standard of living.

Kentucky Retirement Systems is administered by a nine-member board of trustees consisting of the Secretary of the Personnel Cabinet, three members appointed by the Governor, and five members elected by employees and retirees of the three retirement systems. The Board is responsible for the collection and investment of contributions. Members of the Board are considered fiduciaries and are required to administer the funds in the sole interest of the members and beneficiaries of the systems. The Board is required to invest the funds under the "prudent person" rule. Investments are diversified among common stocks, government and private bonds, real estate and cash equivalents. An annual audit is performed.

Employers contribute a percentage of gross payroll recommended by the actuarial valuation. However, the General Assembly may adopt a rate that varies from the actuarial valuation. Employees contribute at a fixed rate set in the statutes. The assets of the system are considered trust funds. All expenses are paid from the trust.

Policy

Restricted Funds providing for the operations of the Kentucky Retirement Systems in the Executive Budget are transferred from trust funds held by the System for the benefit of members and beneficiaries. The trust funds include investment

earnings, employee contributions, and employer contributions from agencies supported by the General Fund, the Road Fund, Federal Funds, and Restricted Funds.

The Executive Budget provides a current year Restricted Fund appropriation totaling \$1,235,000 to support the on-going operations of the agency.

The agency has requested a direct General Fund subsidy in the next biennium to support the dependent subsidy of the Commonwealth's self-insured health insurance program. The budget recommendation incorporates the increase in the recommended employer contribution rates for the next two years.

General Government
Occupational & Professional Boards & Commissions

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
Restricted Funds					
Balance Forward	20,142,300	16,717,000	14,013,100	15,735,200	13,934,600
Current Receipts	14,245,300	17,332,800	17,248,000	17,141,800	17,079,900
Fund Transfers	-562,000				
Total Restricted Funds	33,825,600	34,049,800	31,261,100	32,877,000	31,014,500
TOTAL SOURCE OF FUNDS	33,825,600	34,049,800	31,261,100	32,877,000	31,014,500
EXPENDITURES BY CLASS					
Personnel Cost	12,621,200	14,377,400	14,862,900	13,262,600	13,486,300
Operating Expenses	4,697,300	4,812,400	4,785,100	4,957,600	4,901,500
Grants, Loans or Benefits	712,000	662,200	662,200	612,200	612,200
Capital Outlay	59,900	165,000	85,000	110,000	70,000
TOTAL EXPENDITURES	18,090,400	20,017,000	20,395,200	18,942,400	19,070,000
EXPENDITURES BY FUND SOURCE					
Restricted Funds	18,090,400	20,042,600	20,436,100	18,942,400	19,070,000
TOTAL EXPENDITURES	18,090,400	20,042,600	20,436,100	18,942,400	19,070,000
EXPENDITURES BY UNIT					
Accountancy	604,000	631,500	645,800	617,600	619,200
Certification of Alcohol and Drug Counselors	67,200	67,200	67,200	67,200	67,200
Architects	294,600	317,700	328,100	356,600	362,800
Certification for Professional Art Therapists	11,400	11,400	11,400	11,400	11,400
Auctioneers	397,300	426,600	441,600	405,500	412,700
Barbering	236,600	250,000	250,000	247,400	249,400
Chiropractic Examiners	200,500	219,600	226,200	203,900	211,100
Dentistry	618,200	693,400	693,400	639,800	641,800
Licensure & Cert. for Dietitians & Nutritionists	77,500	77,500	77,500	77,500	77,500
Embalmers and Funeral Directors	249,100	271,500	271,500	259,400	262,800
Licensure for Prof. Engineers and Land Surveyors	1,379,400	1,529,900	1,582,000	1,398,400	1,411,400
Certification of Fee-Based Pastoral Counselors	3,500	3,500	3,500	3,500	3,500
Registration for Professional Geologists	135,000	135,000	135,000	135,000	135,000
Hairdressers and Cosmetologists	998,500	1,124,000	1,163,100	1,043,000	1,074,100
Specialists in Hearing Instruments	55,200	55,200	55,200	55,200	55,200
Interpreters for the Deaf and Hard of Hearing	31,000	31,000	31,000	31,000	31,000
Examiners & Registration of Landscape Architects	44,300	53,800	54,000	53,000	53,200
Licensure of Marriage and Family Therapists	83,200	83,200	83,200	83,200	83,200
Medical Licensure	2,119,900	2,409,100	2,452,300	2,408,200	2,427,400
Licensure for Massage Therapy	62,800	72,800	72,800	62,800	62,800
Nursing	4,874,200	5,132,300	5,275,300	4,656,900	4,760,600
Licensure for Nursing Home Administrators	76,200	76,200	76,200	76,200	76,200
Licensure for Occupational Therapy	86,000	86,000	86,000	86,000	86,000
Ophthalmic Dispensers	62,900	62,900	62,900	62,900	62,900
Optometric Examiners	156,900	159,600	164,200	167,200	166,400
Pharmacy	930,700	1,009,200	1,053,200	1,037,200	1,045,000

Physical Therapy	264,700	284,900	291,900	264,700	264,700
Podiatry	21,700	23,000	23,800	21,700	21,700
Private Investigators	64,200	64,200	64,200	64,200	64,200
Licensed Professional Counselors	56,200	56,200	56,200	56,200	56,200
Proprietary Education	164,300	184,300	184,300	164,300	164,300
Examiners of Psychology	176,100	176,100	176,100	176,100	176,100
Real Estate Appraisers	589,000	623,700	634,200	602,700	604,200
Real Estate Commission	2,299,400	3,022,300	3,025,000	2,744,300	2,666,600
Respiratory Care	123,600	132,700	132,700	127,100	127,100
Social Work	145,300	145,300	145,300	145,300	145,300
Speech-Language Pathology and Audiology	92,000	102,000	102,000	92,000	92,000
Veterinary Examiners	237,800	237,800	237,800	237,800	237,800
TOTAL EXPENDITURES	18,090,400	20,042,600	20,436,100	18,942,400	19,070,000

The 39 occupational and professional licensing and regulatory Boards and Commissions were created to safeguard the life, health, safety, and welfare of the people of the Commonwealth who avail themselves of the services licensed or regulated by the Boards. Appointed by the Governor, board members represent both industry and consumer interests.

The general objectives of the Boards and Commissions are: to examine and license all qualified applicants; to enforce the ethical, legal, and professional standards and regulations of the Boards; to ensure compliance with licensure requirements; and to administer the programs of the Boards in an efficient manner. The Boards operate solely from agency receipts.

**General Government
Board of Emergency Medical Services**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	2,391,600	2,573,600	2,641,700	2,393,700	2,373,800
Salary Compensation Fund	29,200	29,200	29,200		
Base Deduction	-36,000				
Total General Fund	2,384,800	2,602,800	2,670,900	2,393,700	2,373,800
Restricted Funds					
Balance Forward	458,700	33,500	33,500	131,000	76,200
Current Receipts	346,500	346,500	346,500	346,500	346,500
Fund Transfers	-382,500				
Total Restricted Funds	422,700	380,000	380,000	477,500	422,700
Federal Funds					
Current Receipts	932,800	155,000	155,000	155,000	155,000
Total Federal Funds	932,800	155,000	155,000	155,000	155,000
TOTAL SOURCE OF FUNDS	3,740,300	3,137,800	3,205,900	3,026,200	2,951,500
EXPENDITURES BY CLASS					
Personnel Cost	1,116,700	1,270,100	1,338,200	1,151,000	1,152,500
Operating Expenses	1,132,600	385,400	385,400	374,000	374,000
Grants, Loans or Benefits	1,335,000	1,448,800	1,448,800	1,425,000	1,425,000
Capital Outlay	25,000				
TOTAL EXPENDITURES	3,609,300	3,104,300	3,172,400	2,950,000	2,951,500
EXPENDITURES BY FUND SOURCE					
General Fund	2,384,800	2,602,800	2,670,900	2,393,700	2,373,800
Restricted Funds	291,700	346,500	346,500	401,300	422,700
Federal Funds	932,800	155,000	155,000	155,000	155,000
TOTAL EXPENDITURES	3,609,300	3,104,300	3,172,400	2,950,000	2,951,500

The Kentucky Board of Emergency Medical Services (KBEMS), pursuant to KRS 311A.015, administers and regulates the functions of the state's emergency medical services (EMS) system with respect to all first responders, emergency medical technicians, paramedics, ambulance services, and training institutions for emergency personnel.

The Board licenses Paramedics, Emergency Medical Technicians, First Responders, and ambulance services. Field staff inspect all EMS providers and fire/rescue services throughout the state to ensure compliance with state regulatory statutes. The Board provides administrative and technical support for the Emergency Medical Service community by administering grant monies and providing consultative services.

Policy

The Governor's recommended budget provides Restricted Fund resources of \$90,000 in each fiscal year for grants to local Emergency Medical Service providers to purchase technology for data collection and transmittal to the Board's central database in accordance with KRS 311A.190.

The Governor's recommended budget provides Restricted Fund resources of \$80,000 in each fiscal year of the biennium for a cooperative agreement with the Department of Homeland Security, the Office of Bioterrorism, and the University of Louisville to contract with and hire a full-time state medical director. The goals of this effort are to develop and implement statewide

practices and pre-position emergency response resources in preparation for disasters both natural and man-made; to develop specialized emergency medical services disaster response training in conjunction with the Office of Homeland Security; and to assist in the development of a statewide data collection system.

**General Government
Kentucky River Authority**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	369,500	413,200	427,000	368,200	348,800
Salary Compensation Fund	17,500				
Base Deduction	-60,000				
Total General Fund	327,000	413,200	427,000	368,200	348,800
Restricted Funds					
Balance Forward	4,441,100	4,448,800	339,600	4,448,800	382,900
Current Receipts	1,415,900	2,812,700	2,815,200	1,370,700	1,373,200
Total Restricted Funds	5,857,000	7,261,500	3,154,800	5,819,500	1,756,100
TOTAL SOURCE OF FUNDS	6,184,000	7,674,700	3,581,800	6,187,700	2,104,900
EXPENDITURES BY CLASS					
Personnel Cost	702,200	837,300	876,900	657,500	668,500
Operating Expenses	174,800	193,700	193,500	145,200	146,000
Grants, Loans or Benefits	340,000	350,000	350,000	350,000	350,000
Debt Service		1,297,000	1,297,000		
Capital Outlay	18,200	37,100	37,100	32,100	7,100
Construction	500,000	4,620,000	500,000	4,620,000	500,000
TOTAL EXPENDITURES	1,735,200	7,335,100	3,254,500	5,804,800	1,671,600
EXPENDITURES BY FUND SOURCE					
General Fund	327,000	413,200	427,000	368,200	348,800
Restricted Funds	1,408,200	6,921,900	2,827,500	5,436,600	1,322,800
TOTAL EXPENDITURES	1,735,200	7,335,100	3,254,500	5,804,800	1,671,600
EXPENDITURES BY UNIT					
Kentucky River Authority	1,390,000	6,914,800	2,820,400	5,429,500	1,315,700
Locks and Dams Program	345,200	420,300	434,100	375,300	355,900
TOTAL EXPENDITURES	1,735,200	7,335,100	3,254,500	5,804,800	1,671,600

The mission of the Kentucky River Authority is to protect the quality and sufficiency of the water supply in the Kentucky River Basin. The people and businesses in 42 counties depend on the River and its tributaries for clean drinking water, for commercial and industrial uses, and for the generation of electricity. The water supply is maintained in a series of pools behind 14 dams that were originally constructed by the Army Corps of Engineers beginning about 1880. Some of those dams also contain working locks that allow commercial and recreational boat traffic to move up and down the River. The Authority collects a water withdrawal fee from each water utility and business user in the watershed that supports its maintenance and monitoring activities. In addition, a second fee is collected from users who withdraw water from the main stem of the River. Those funds support the lock and dam renovation and reconstruction projects the Authority undertakes from time to time. The Authority also receives a small General Fund appropriation to staff the four operating locks during the summer, when there is considerable recreational activity on the River.

The Authority is created in KRS 151.705 as a public corporation and independent state agency. While administratively attached to the Finance and Administration Cabinet, the Authority is governed by a board that consists of the Secretary of Finance and Administration, the Secretary of Environmental and Public Protection and ten members appointed by the Governor. Those ten include a mayor and a county judge-executive from jurisdictions within the Kentucky River Basin, an engineer and a water quality expert. The board appoints an executive director and other staff necessary to carry out the responsibilities of the Authority.

The Authority is in the process of acquiring title to all of the locks and dams from the Army Corps of Engineers. The Authority currently owns the locks, dams, and some surrounding property at Dam 6 in Woodford County and Dam 10 in Madison County. Deeds for the transfer of the property at the other dams have been drafted and are expected to be executed before the end of the fiscal year.

Policy

Restricted Funds in the amount of \$4,620,000 in fiscal year 2007 and \$500,000 in fiscal year 2008 are transferred to capital projects described in Part II, Capital.

General Government
School Facilities Construction Commission

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	111,142,400	109,304,100	121,447,200	107,589,000	112,973,500
Salary Compensation Fund	10,600				
Total General Fund	111,153,000	109,304,100	121,447,200	107,589,000	112,973,500
TOTAL SOURCE OF FUNDS	111,153,000	109,304,100	121,447,200	107,589,000	112,973,500
EXPENDITURES BY CLASS					
Personnel Cost	235,400	259,400	274,700	235,700	242,500
Operating Expenses	27,500	27,900	28,000	24,000	24,000
Debt Service	91,274,100	109,016,800	121,144,500	107,329,300	112,707,000
TOTAL EXPENDITURES	91,537,000	109,304,100	121,447,200	107,589,000	112,973,500
EXPENDITURES BY FUND SOURCE					
General Fund	91,537,000	109,304,100	121,447,200	107,589,000	112,973,500
TOTAL EXPENDITURES	91,537,000	109,304,100	121,447,200	107,589,000	112,973,500
EXPENDITURES BY UNIT					
School Facilities Construction Commission	91,483,300	109,245,400	121,384,800	107,535,400	112,917,700
Education Technology	53,700	58,700	62,400	53,600	55,800
TOTAL EXPENDITURES	91,537,000	109,304,100	121,447,200	107,589,000	112,973,500

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

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

Since the inception of the School Facilities Construction Commission, nearly \$3 billion in bonds have been sold for school construction.

Policy

The Governor's budget recommendation includes additional debt service necessary to fulfill commitments made by previous sessions of the General Assembly in authorizing additional bonded indebtedness and related offers of assistance to local school districts.

The Executive Budget includes \$1,688,000 in fiscal year 2006-2007 and \$8,438,000 in fiscal year 2007-2008 for debt service for an additional \$100,000,000 in bonds.

The Governor's recommended budget fulfills the commitment made by the 2005 Regular Session of the General Assembly for \$91,536,000 in bonded indebtedness to support construction and renovation projects on behalf of "Category 5" (poorest condition) school buildings.

The Governor's recommended budget also authorizes \$100,000,000 in new offers of assistance during the 2006-2008 biennium in anticipation of debt service availability during the 2008-2010 biennium. No bonded indebtedness based on the new offers is to be incurred during the 2006-2008 biennium.

**General Government
Teachers' Retirement System**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	130,799,600	341,831,600	419,276,600	157,326,100	163,323,100
Total General Fund	130,799,600	341,831,600	419,276,600	157,326,100	163,323,100
Restricted Funds					
Balance Forward	1,751,527				
Non-Revenue Receipts	6,861,973	9,011,400	9,487,500	9,409,300	10,361,500
Total Restricted Funds	8,613,500	9,011,400	9,487,500	9,409,300	10,361,500
TOTAL SOURCE OF FUNDS	139,413,100	350,843,000	428,764,100	166,735,400	173,684,600
EXPENDITURES BY CLASS					
Personnel Cost	7,188,100	7,529,400	7,900,800	7,983,900	8,936,100
Operating Expenses	1,296,700	1,349,300	1,450,700	1,296,700	1,296,700
Grants, Loans or Benefits	130,799,600	341,831,600	419,276,600	157,326,100	163,323,100
Capital Outlay	128,700	132,700	136,000	128,700	128,700
TOTAL EXPENDITURES	139,413,100	350,843,000	428,764,100	166,735,400	173,684,600
EXPENDITURES BY FUND SOURCE					
General Fund	130,799,600	341,831,600	419,276,600	157,326,100	163,323,100
Restricted Funds	8,613,500	9,011,400	9,487,500	9,409,300	10,361,500
TOTAL EXPENDITURES	139,413,100	350,843,000	428,764,100	166,735,400	173,684,600

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

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

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

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

The employer match for Department of Education, the Cabinet for Workforce Development, and university employees is budgeted

within the Department, the Cabinet, and the affected universities and is then transferred to the Teachers' Retirement System.

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

Policy

The Executive Budget includes sufficient General Fund support to meet the amortized cost of previously enacted cost-of-living adjustments (COLAs) and other benefit improvements for system members.

The enacted budget includes \$4,293,800 in fiscal year 2007 and \$9,211,000 in fiscal year 2008 in General Fund support for initial payments on the amortized cost of increased retirement allowances for those recipients retiring during the 2006-2008 biennium who are eligible to add accrued sick leave to their final year of service.

The Governor's budget recommendation includes \$4,312,800 in fiscal year 2007 and \$7,865,100 in fiscal year 2008 to provide a targeted ad hoc COLA effective July 1, 2006, to those retirees who, due to the passage of time, have seen their benefits most negatively affected by increases in the Consumer Price Index. The targeted COLA will be in addition to the automatic annual 1.5 percent COLA provided all retirees by the retirement system.

The Executive Budget includes \$13,325,100 in fiscal year 2007 and \$13,325,100 in fiscal year 2008 in continuing payments for the amortized cost of medical insurance outlays during the 2004-2006 biennium.

The Governor's budget recommendation also includes \$8,793,000 in fiscal year 2007 to pay in cash \$8,793,000 of the fiscal year 2007 health insurance benefit costs rather than amortizing all of the fiscal year 2007 costs. In fiscal year 2008 \$14,133,200 is provided for the cost of the State Medical Insurance Stabilization Contribution based on projected need during the 2006-2008 biennium. It represents the amortization of the fiscal year 2007 health insurance benefit costs that were not already financed in fiscal year 2007 and assumes that the fiscal year 2008 health insurance benefit costs will also be amortized.

Also included in the Governor's budget recommendation is \$10,091,100 in fiscal year 2007 and \$9,116,400 in fiscal year 2008 for the cost of the medical insurance subsidy as established in HB 1 enacted by the October 2004 Extraordinary Session of the General Assembly. Finally, the Governor's budget recommendation includes \$50,000 in both fiscal year 2007 and fiscal year 2008 for a subsidy for retired members over age 65 who insure their spouses under age 65 through the state health insurance plan. These amounts were also established in HB 1 enacted during the October 2004 Extraordinary Session.

**General Government
Judgements**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation		10,000,000	10,000,000		
Current Year Appropriation	3,000,000				
Continuing Appropriation	211,300				
Mandated Allotments	200,000				
Total General Fund	3,411,300	10,000,000	10,000,000		
TOTAL SOURCE OF FUNDS	3,411,300	10,000,000	10,000,000		
EXPENDITURES BY CLASS					
Operating Expenses	3,411,300	10,000,000	10,000,000		
TOTAL EXPENDITURES	3,411,300	10,000,000	10,000,000		
EXPENDITURES BY FUND SOURCE					
General Fund	3,411,300	10,000,000	10,000,000		
TOTAL EXPENDITURES	3,411,300	10,000,000	10,000,000		

The fiscal year 2005-2006 appropriation includes contingent liabilities and judgments identified by the Office of the Controller in the Finance and Administration Cabinet. The timing of payments of judgments is dependent on many factors beyond the control of the Commonwealth. Therefore, it is essential that any funds remaining at the end of fiscal year 2006 and fiscal year 2007 shall not lapse but be allowed to continue into subsequent fiscal years. Should any other Appropriations Not Otherwise Classified account have an insufficient appropriation in fiscal biennium 2006-2008, any unneeded funds in this account may be used before any allocations are made from either the General Fund Surplus or the Budget Reserve Trust Fund. Any additional judgments or contingent liabilities for fiscal biennium 2006-2008, beyond the amount recommended, will be paid from the General Fund Surplus Account (unappropriated surplus) or the Budget Reserve Trust Fund, if necessary.

General Government
Appropriations Not Otherwise Classified

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	9,817,500	11,417,500	11,417,500	11,417,500	11,417,500
Mandated Allotments	1,725,000				
Total General Fund	11,542,500	11,417,500	11,417,500	11,417,500	11,417,500
TOTAL SOURCE OF FUNDS	11,542,500	11,417,500	11,417,500	11,417,500	11,417,500
EXPENDITURES BY CLASS					
Personnel Cost	7,785,000	7,785,000	7,785,000	7,785,000	7,785,000
Operating Expenses	3,755,000	3,630,000	3,630,000	3,630,000	3,630,000
Grants, Loans or Benefits	2,500	2,500	2,500	2,500	2,500
TOTAL EXPENDITURES	11,542,500	11,417,500	11,417,500	11,417,500	11,417,500
EXPENDITURES BY FUND SOURCE					
General Fund	11,542,500	11,417,500	11,417,500	11,417,500	11,417,500
TOTAL EXPENDITURES	11,542,500	11,417,500	11,417,500	11,417,500	11,417,500
EXPENDITURES BY UNIT					
Attorney General Expense	225,000	225,000	225,000	225,000	225,000
Board of Claims Award	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Guardian Ad Litem	7,500,000	7,500,000	7,500,000	7,500,000	7,500,000
Prior Year Claims	400,000	400,000	400,000	400,000	400,000
Unredeemed Checks Refunded	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000
Involuntary Commitments-ICF/MR	60,000	60,000	60,000	60,000	60,000
Frankfort In Lieu of Taxes	195,000	195,000	195,000	195,000	195,000
Frankfort Cemetery	2,500	2,500	2,500	2,500	2,500
Police Ofcrs. & Firefighters Life Insurance	375,000	250,000	250,000	250,000	250,000
Med Malpractice Liability Ins Reimb	185,000	185,000	185,000	185,000	185,000
Blanket Employee Bonds	100,000	100,000	100,000	100,000	100,000
TOTAL EXPENDITURES	11,542,500	11,417,500	11,417,500	11,417,500	11,417,500

Appropriations Not Otherwise Classified (ANOC) are appropriations not related to particular programs. Each item within this category has been given program status so that expenditures can be budgeted and accounted for separately. It includes such items as Attorney General expenses for defending employees of the Commonwealth and prior year claims for legal obligations of the Commonwealth. Any expenditure for costs of items included within this classification over the amounts appropriated is to be paid from the General Fund Surplus account or the Budget Reserve Trust Fund as a Necessary Government Expense.

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Commerce

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Commerce

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	54,799,600	94,514,600	126,080,400	54,857,100	59,037,000
Current Year Appropriation		69,800	72,800		
Continuing Appropriation	99,100				
Salary Compensation Fund	2,461,100				
Base Deduction	-1,135,800				
Reorganization Adjustments	181,400				
Total General Fund	56,405,400	94,584,400	126,153,200	54,857,100	59,037,000
Restricted Funds					
Balance Forward	42,001,800	39,986,900	34,908,500	38,880,100	36,941,500
Current Receipts	149,965,800	157,882,300	163,703,400	154,443,400	161,320,800
Non-Revenue Receipts	-8,654,600	-10,671,700	-12,570,200	-10,285,600	-13,787,400
Fund Transfers	-1,315,800				
Total Restricted Funds	181,997,200	187,197,500	186,041,700	183,037,900	184,474,900
Federal Funds					
Balance Forward	4,705,600	3,487,152	2,336,352	3,559,400	3,379,100
Current Receipts	15,302,100	14,730,800	14,480,600	14,573,900	14,307,500
Total Federal Funds	20,007,700	18,217,952	16,816,952	18,133,300	17,686,600
TOTAL SOURCE OF FUNDS	258,410,300	299,999,852	329,011,852	256,028,300	261,198,500
EXPENDITURES BY CLASS					
Personnel Cost	122,950,400	140,862,600	147,962,800	125,036,600	128,119,800
Operating Expenses	59,484,600	64,115,100	64,720,300	59,469,300	59,491,200
Grants, Loans or Benefits	26,048,500	32,771,700	32,751,650	24,918,600	24,901,900
Debt Service	4,012,900	22,474,100	48,634,200	4,322,100	8,626,400
Capital Outlay	2,714,400	2,531,500	2,591,600	1,961,100	2,007,300
Construction	760,000				
TOTAL EXPENDITURES	215,970,800	262,755,000	296,660,550	215,707,700	223,146,600
EXPENDITURES BY FUND SOURCE					
General Fund	56,405,400	94,584,400	126,153,200	54,857,100	59,037,000
Restricted Funds	143,117,100	152,289,000	154,719,200	146,096,400	149,829,700
Federal Funds	16,448,300	15,881,600	15,788,150	14,754,200	14,279,900
TOTAL EXPENDITURES	215,970,800	262,755,000	296,660,550	215,707,700	223,146,600
EXPENDITURES BY UNIT					
Secretary	3,923,600	4,426,700	4,607,500	4,094,300	4,135,900
Artisans Center	2,202,200	2,974,500	3,066,400	2,325,200	2,349,600
Energy Policy	10,866,200	11,338,800	11,405,400	10,124,300	10,124,300
Tourism	16,030,600	17,267,700	24,492,000	15,830,500	16,376,500
Parks	82,035,900	91,805,500	110,676,100	83,011,100	85,158,000
Horse Park Commission	7,687,200	9,338,100	13,375,500	7,947,500	11,124,700
State Fair Board	36,567,300	56,842,300	57,763,300	37,455,400	38,333,700
Fish and Wildlife Resources	39,305,700	43,043,600	44,897,000	38,842,400	39,908,100
Historical Society	7,890,600	13,730,900	13,789,400	7,667,300	7,223,100
Arts Council	5,343,400	6,691,100	6,744,850	5,257,000	5,242,200
Heritage Council	2,394,100	3,165,800	3,183,400	2,038,300	2,056,100
Kentucky Center for the Arts	1,724,000	2,130,000	2,659,700	1,114,400	1,114,400
TOTAL EXPENDITURES	215,970,800	262,755,000	296,660,550	215,707,700	223,146,600

Executive Order 2003-064, ratified by the 2005 Regular Session of the General Assembly, created the Commerce Cabinet by combining the former Tourism Development Cabinet and elements of the Education, Arts and Humanities Cabinet. The Commerce Cabinet's mission (KRS 148.522) is to capitalize on the natural assets of the Commonwealth and draw from resources in business development, tourism, outdoor attractions, arts, and cultural heritage. Through unified efforts of its agencies, the Cabinet will continually strive to improve the quality of life of the people of Kentucky by creating new wealth and generating jobs. The Cabinet estimates tourism spending in excess of \$8.8 billion annually, making tourism Kentucky's third-largest industry. The tourism industry, Kentucky's second-largest private employer, provides employment for approximately 163,000 Kentuckians. In addition, tourism related industries and businesses generate approximately \$917 million of state and local tax revenues in the Commonwealth.

Executive Order 2003-064 transferred the following entities from the Education, Arts, and Humanities Cabinet to the Commerce Cabinet:

- The Kentucky Arts Council
- The Kentucky Historical Society
- The Kentucky Center for the Arts
- The Kentucky Craft Marketing program
- The Governor's School for the Arts
- The Kentucky African-American Heritage Commission
- The Kentucky Heritage Council
- The Kentucky Humanities Council

Executive Order 2003-064 also transferred the following entities from the Governor's Office to the Commerce Cabinet:

- The Kentucky Coal Council and the Office of Coal Marketing and Export
- The Commission on Small Business Advocacy

Subsequent to the original reorganization, Executive Order 2004-723 transferred the following entities from the Finance and Administration Cabinet to the Commerce Cabinet:

- Capital Plaza Operations
- Creative Services

Each of the above Executive Orders was ratified in the 2005 Regular Session of the General Assembly by Senate Bill 40. Within Senate Bill 40, the Commission on Small Business Advocacy was transferred to the Economic Development Cabinet. Also added by Senate Bill 40 and attached to the Office of the Secretary's appropriation unit was the Office of Energy Policy. The old Division of Energy within the Environmental and Public Protection Cabinet was transferred to this new office by Senate Bill 41. In addition, Senate Bill 65 created the Kentucky Sports Authority and attached it to the Office of the Secretary's appropriation unit.

**Commerce
Secretary**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	2,533,000	3,270,400	3,423,400	3,048,100	3,073,000
Current Year Appropriation		69,800	72,800		
Continuing Appropriation	99,100				
Salary Compensation Fund	124,300				
Reorganization Adjustments	181,400				
Total General Fund	2,937,800	3,340,200	3,496,200	3,048,100	3,073,000
Restricted Funds					
Balance Forward	645,300	595,800	495,600	405,100	324,000
Current Receipts	936,300	986,300	1,011,300	965,100	967,100
Fund Transfers	-190,700				
Total Restricted Funds	1,390,900	1,582,100	1,506,900	1,370,200	1,291,100
TOTAL SOURCE OF FUNDS	4,328,700	4,922,300	5,003,100	4,418,300	4,364,100
EXPENDITURES BY CLASS					
Personnel Cost	2,943,000	3,591,000	3,781,800	3,134,000	3,187,500
Operating Expenses	591,900	477,000	477,000	613,400	613,400
Grants, Loans or Benefits	335,000	281,400	281,400	335,000	335,000
Capital Outlay	53,700	77,300	67,300	11,900	
TOTAL EXPENDITURES	3,923,600	4,426,700	4,607,500	4,094,300	4,135,900
EXPENDITURES BY FUND SOURCE					
General Fund	2,937,800	3,340,200	3,496,200	3,048,100	3,073,000
Restricted Funds	985,800	1,086,500	1,111,300	1,046,200	1,062,900
TOTAL EXPENDITURES	3,923,600	4,426,700	4,607,500	4,094,300	4,135,900
EXPENDITURES BY UNIT					
Executive Policy and Management	2,265,000	2,556,600	2,659,400	2,375,300	2,400,200
Capital Plaza Operations	685,800	774,400	799,200	754,200	766,100
Creative Services	972,800	1,095,700	1,148,900	964,800	969,600
TOTAL EXPENDITURES	3,923,600	4,426,700	4,607,500	4,094,300	4,135,900

Executive Order 2003-064, which was ratified by the 2005 Regular Session of the General Assembly, created the Commerce Cabinet by combining the former Tourism Development Cabinet and elements of the Education, Arts and Humanities Cabinet. The Office of the Secretary of the Commerce Cabinet coordinates the various agencies within the Cabinet.

The Executive Policy and Management unit directs planning and management of the agencies within the Cabinet. This program develops plans to assure orderly growth and improved management, recommends executive actions and legislative measures, and evaluates agency budget requests.

Policy

The 2005 General Assembly took the following actions:

- Added by Senate Bill 40 and attached to the Office of the Secretary's appropriation unit was the Office of Energy Policy. The old Division of Energy within the Environmental and Public Protection Cabinet was transferred to this new Office by Senate

Bill 41. The Office of Energy Policy is being recommended as a separate appropriation unit in fiscal biennium 2006-2008.

- Added by Senate Bill 40 and attached to the Office of the Secretary's appropriation unit was the Office of Energy Policy. The old Division of Energy within the Environmental and Public Protection Cabinet was transferred to this new Office by Senate Bill 41. The Office of Energy Policy is being recommended as a separate appropriation unit in fiscal biennium 2006-2008.
- Senate Bill 65 created the Kentucky Sports Authority and attached it to the Office of the Secretary's appropriation unit. Although this was attached to the Office of the Secretary, the funding was provided by the Department of Tourism. The Commerce Cabinet is expected to present housekeeping legislation to resolve the discrepancy.
- The Creative Services and the Capital Plaza Operations programs were transferred from the Finance and Administration Cabinet to the Commerce Cabinet, Office of the Secretary, by Senate Bill 40.
- The Commission on Small Business Advocacy was transferred from the Governor's Office to the Commerce Cabinet's Office of the Secretary by Executive Order 2003-064. Subsequent to the Executive Order, this Office was transferred to the Economic Development Cabinet by Senate Bill 40.

The Governor's recommended budget includes \$330,000 in each year of the biennium for outdoor drama grants.

Executive order 2005-576 moved grants to the Mountain Arts Center, the Blue Apple Players, and the Martin Luther King Commission from the Education Cabinet to the Commerce Cabinet, Office of the Secretary.

**Commerce
Artisans Center**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	183,800	445,300	530,500	156,200	156,200
Salary Compensation Fund	35,700				
Base Deduction	-63,300				
Total General Fund	156,200	445,300	530,500	156,200	156,200
Restricted Funds					
Balance Forward	323,300	323,300	323,300	276,100	220,300
Current Receipts	1,908,800	2,439,200	2,445,900	2,023,200	2,083,900
Non-Revenue Receipts	90,000	90,000	90,000	90,000	90,000
Total Restricted Funds	2,322,100	2,852,500	2,859,200	2,389,300	2,394,200
TOTAL SOURCE OF FUNDS	2,478,300	3,297,800	3,389,700	2,545,500	2,550,400
EXPENDITURES BY CLASS					
Personnel Cost	985,800	1,453,600	1,525,000	1,108,800	1,133,200
Operating Expenses	1,216,400	1,520,900	1,541,400	1,216,400	1,216,400
TOTAL EXPENDITURES	2,202,200	2,974,500	3,066,400	2,325,200	2,349,600
EXPENDITURES BY FUND SOURCE					
General Fund	156,200	445,300	530,500	156,200	156,200
Restricted Funds	2,046,000	2,529,200	2,535,900	2,169,000	2,193,400
TOTAL EXPENDITURES	2,202,200	2,974,500	3,066,400	2,325,200	2,349,600

The Kentucky Artisans Center at Berea is an icon for Kentucky's nationally known arts and crafts products and serves as a gateway for travelers to quality Kentucky arts, crafts, music, and other artisan products and authentic heritage experiences. The Center also provides exemplary hospitality and rest stop services.

The Kentucky Artisan's Center Gateway Authority (KRS 148.560-569) was created to direct operations of the Center and is attached to the Commerce Cabinet for administrative purposes.

**Commerce
Energy Policy**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	2,341,500	2,681,700	2,748,300	2,341,500	2,341,500
Total General Fund	2,341,500	2,681,700	2,748,300	2,341,500	2,341,500
Restricted Funds					
Balance Forward	1,183,500	1,183,500	1,183,500		
Current Receipts	5,511,000	6,228,000	6,228,000	5,400,000	5,400,000
Fund Transfers	-506,300				
Total Restricted Funds	6,188,200	7,411,500	7,411,500	5,400,000	5,400,000
Federal Funds					
Current Receipts	2,336,500	2,429,100	2,429,100	2,382,800	2,382,800
Total Federal Funds	2,336,500	2,429,100	2,429,100	2,382,800	2,382,800
TOTAL SOURCE OF FUNDS	10,866,200	12,522,300	12,588,900	10,124,300	10,124,300
EXPENDITURES BY CLASS					
Personnel Cost	1,008,000	1,322,900	1,389,500	1,030,800	1,049,600
Operating Expenses	445,500	541,500	541,500	445,500	445,500
Grants, Loans or Benefits	9,412,700	9,474,400	9,474,400	8,648,000	8,629,200
TOTAL EXPENDITURES	10,866,200	11,338,800	11,405,400	10,124,300	10,124,300
EXPENDITURES BY FUND SOURCE					
General Fund	2,341,500	2,681,700	2,748,300	2,341,500	2,341,500
Restricted Funds	6,188,200	6,228,000	6,228,000	5,400,000	5,400,000
Federal Funds	2,336,500	2,429,100	2,429,100	2,382,800	2,382,800
TOTAL EXPENDITURES	10,866,200	11,338,800	11,405,400	10,124,300	10,124,300

The Kentucky Office of Energy Policy was established in 2005 by the Governor and the General Assembly to benefit the citizens of the Commonwealth by addressing key recommendations made in the Commonwealth's Comprehensive Energy Strategy.

The office supports energy-related research and development that will benefit Kentuckians by helping to maintain Kentucky's low-cost energy, develop Kentucky's energy resources responsibly, and preserve Kentucky's environmental quality.

To fulfill its objectives, the Office of Energy Policy has initiated five programs to provide financial support to Kentucky's public universities and industry for energy-related research, development, and demonstration. These programs include Applied Energy, Clean Coal, FutureGen, University Research Matching Funds, and University Research and Development Seed Grants.

The Office supports the Kentucky Coal Council. The Council consists of 14 members and its functions are defined in KRS 154.12-252. The duties of the Council include, but are not limited to, promotion of Kentucky coal through development of market information, coordination of ongoing research and marketing programs relating to coal production, transportation, and consumption, identification of national and international market developments relating to coal, and advising coal operators and other industries seeking to enter or expand domestic or export markets. This office receives \$400,000 from the property tax on unmined coal for the benefit of the Council that is to be used for the purpose of public education of coal-related issues.

The Office is funded with eight different federal grants totaling \$2.2 million dollars. The two largest of these are the Energy Efficiency in State Government Buildings (\$979,200 annually) and the State Energy Program (\$726,000 annually).

Policy

Included in the Governor's recommended budget is \$3.5 million in Restricted Funds in each year of fiscal biennium 2006-2008 for research grants. These funds will originate from the Local Government Economic Development Fund Multi-county Fund (coal severance tax).

Included in the Governor's recommended budget is a transfer of \$400,000 in Federal Funds in fiscal year 2006-2007 from the Energy Efficiency in State Government Buildings federal grant to the Chiller Pool capital project in the Cabinet for Health and Family Services.

**Commerce
Tourism**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	8,606,200	9,267,700	16,492,000	7,130,500	7,176,500
Salary Compensation Fund	117,100				
Base Deduction	-692,700				
Total General Fund	8,030,600	9,267,700	16,492,000	7,130,500	7,176,500
Restricted Funds					
Balance Forward	204,000	204,000	204,000		
Current Receipts	8,000,000	8,000,000	8,000,000	7,700,000	8,200,000
Non-Revenue Receipts				1,000,000	1,000,000
Fund Transfers	-204,000				
Total Restricted Funds	8,000,000	8,204,000	8,204,000	8,700,000	9,200,000
TOTAL SOURCE OF FUNDS	16,030,600	17,471,700	24,696,000	15,830,500	16,376,500
EXPENDITURES BY CLASS					
Personnel Cost	5,640,300	6,890,600	7,130,800	5,723,100	5,788,300
Operating Expenses	1,211,700	1,035,000	1,035,100	1,211,700	1,211,800
Grants, Loans or Benefits	9,178,600	9,342,100	9,342,100	8,895,700	9,376,400
Debt Service			6,984,000		
TOTAL EXPENDITURES	16,030,600	17,267,700	24,492,000	15,830,500	16,376,500
EXPENDITURES BY FUND SOURCE					
General Fund	8,030,600	9,267,700	16,492,000	7,130,500	7,176,500
Restricted Funds	8,000,000	8,000,000	8,000,000	8,700,000	9,200,000
TOTAL EXPENDITURES	16,030,600	17,267,700	24,492,000	15,830,500	16,376,500
EXPENDITURES BY UNIT					
Executive Policy and Management	752,700	1,066,200	1,111,700	855,900	866,900
Tourism Services	1,787,500	2,177,700	2,281,400	1,740,500	1,772,400
Marketing and Advertising	4,052,700	4,487,500	4,564,500	4,052,700	4,052,700
Sports Authority	437,700	536,300	7,534,400	481,400	484,500
Marketing/Development Coal Counties	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Convention/Meeting	8,000,000	8,000,000	8,000,000	7,700,000	8,200,000
TOTAL EXPENDITURES	16,030,600	17,267,700	24,492,000	15,830,500	16,376,500

The Department of Tourism was created to promote, develop, and provide support services for the tourism industry within the Commonwealth.

The Executive Policy and Management program establishes the policies and goals; coordinates the overall planning, management, and direction for the agency; and provides for the efficient administration of the Department and its programs.

The Tourism Services Division operates welcome centers in Florence, Franklin, Grayson, Hopkinsville, Paducah, Simpsonville, Shepherdsville, and Williamsburg; generates sales revenue to Kentucky's tourism industry through trade show participation and pursuit of group, commercial, and individual markets; and disseminates tourism information to tourists and potential visitors via a telephone system, direct mail, and the welcome centers. The goal of the Tourism Services Division is to conduct a comprehensive travel promotion campaign and to serve Kentucky's private sector tourism industry. This program also markets and promotes Kentucky to the film industry to attract television and feature movie productions to the state.

The Marketing and Advertising Division develops and coordinates state tourism advertising and tourism media placement; coordinates and produces tourism brochures and sales promotion materials; assists non-profit private sector groups with advertising and promotion costs through matching funds and cooperative advertising programs; develops and maintains the department's website (www.kentuckytourism.com); and develops and maintains a marketing and research data base on Kentucky's tourism industry. The goal of this program is to develop, coordinate, and maintain a comprehensive advertising campaign to promote Kentucky as a tourism destination.

House Bill 272 of the 2005 General Assembly established a one percent transient room tax and dedicated the revenue from that tax to a new fund titled The Tourism, Meeting, and Convention Marketing Fund. The Tourism, Meeting, and Convention Marketing Fund shall be used for the sole purpose of marketing and promoting tourism in the Commonwealth including expenditures to market and promote events and venues related to meetings, conventions, trade shows, cultural activities, historical sites, recreation, entertainment, natural phenomena, areas of scenic beauty, craft marketing, and any other economic activity that brings tourists and visitors to the Commonwealth. This new fund shall not support expenditures on capital construction projects.

The Kentucky Sports Authority is established pursuant to KRS 148.590. Its primary responsibility is to recruit, promote, assist, place, and develop sporting events, facilities, and programs in the Commonwealth, with the ultimate goal of developing commerce, the economy, job opportunities, and revenue streams. The Kentucky Sports Authority has been very successful with recruiting events like Dew Action Sports, Bassmaster Tournaments, and the National Senior games to the Commonwealth. The authority has also been very involved with the proposed development of a new multi-purpose arena in Louisville.

Policy

The Governor's recommended budget includes \$1,000,000 in Restricted Funds in both fiscal year 2006-2007 and fiscal year 2007-2008 for tourism marketing and development on behalf of coal producing counties. The money originates from the calculations for the Local Government Economic Development Fund, Multi-county Fund.

**Commerce
Parks**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	26,206,700	35,610,000	54,417,300	27,978,400	28,822,400
Salary Compensation Fund	1,962,800				
Total General Fund	28,169,500	35,610,000	54,417,300	27,978,400	28,822,400
Restricted Funds					
Balance Forward	774,800	251,800	286,400	876,700	144,500
Current Receipts	53,742,900	56,488,100	57,869,900	54,672,400	56,645,500
Non-Revenue Receipts	-350,600	-258,000	-1,576,500	-371,900	-393,700
Total Restricted Funds	54,167,100	56,481,900	56,579,800	55,177,200	56,396,300
Federal Funds					
Current Receipts	576,000				
Total Federal Funds	576,000				
TOTAL SOURCE OF FUNDS	82,912,600	92,091,900	110,997,100	83,155,600	85,218,700
EXPENDITURES BY CLASS					
Personnel Cost	52,287,400	59,763,800	62,866,000	53,851,900	55,058,500
Operating Expenses	28,900,500	31,220,800	31,569,900	28,887,200	28,983,500
Grants, Loans or Benefits	191,100	300,000	300,000	191,100	191,100
Debt Service			15,419,300		844,000
Capital Outlay	656,900	520,900	520,900	80,900	80,900
TOTAL EXPENDITURES	82,035,900	91,805,500	110,676,100	83,011,100	85,158,000
EXPENDITURES BY FUND SOURCE					
General Fund	28,169,500	35,610,000	54,417,300	27,978,400	28,822,400
Restricted Funds	53,290,400	56,195,500	56,258,800	55,032,700	56,335,600
Federal Funds	576,000				
TOTAL EXPENDITURES	82,035,900	91,805,500	110,676,100	83,011,100	85,158,000
EXPENDITURES BY UNIT					
General Administration and Support	10,494,300	12,110,500	12,541,300	10,128,600	10,403,800
Resort Parks	53,651,600	60,979,500	63,305,200	54,575,100	55,360,000
Recreation Parks and Historic Sites	15,844,000	16,183,500	16,813,100	16,209,500	16,428,300
Cafeterias	1,854,900	2,232,000	2,297,200	1,906,800	1,930,800
Debt Service			15,419,300		844,000
Breaks Interstate Park	191,100	300,000	300,000	191,100	191,100
TOTAL EXPENDITURES	82,035,900	91,805,500	110,676,100	83,011,100	85,158,000

The Department of Parks administers and operates the Kentucky State Park System under the authority of KRS Chapter 148. The Department strives to provide quality recreational facilities and to preserve and protect historically significant sites and natural phenomena in the Commonwealth of Kentucky.

The activities of the Department include the operation and maintenance of 17 resort parks, 24 recreational parks, 11 historic sites, one interstate park, and the three cafeterias in Frankfort.

Policy

Notwithstanding the provisions of KRS 148.800-810 or any other statute or provision of law to the contrary, the Governor's recommended budget permits the use of the Park Capital Maintenance and Renovation Fund for any ongoing cost of the Department of Parks. Specifically, \$1,238,000 in fiscal year 2006-2007 and \$1,238,000 in fiscal year 2007-2008 is included from this fund to support the ongoing operations of the State's park system. Should these amounts prove to be insufficient to support the continuation of other recommended programs of the Department, this account is available as an authorized source of funds to be used for any unanticipated Restricted Funds revenue shortfall and/or unanticipated expenditure upon approval of the State Budget Director and reporting to the Interim Joint Appropriations and Revenue Committee.

Included in the Governor's recommended budget is \$746,000 in General Funds in fiscal year 2008 for debt service on the Parks Renovation Pool project. Also included is \$98,000 General Funds in fiscal year 2008 for debt service for a convention center at E. P. Tom Sawyer state park. This debt service will support \$1 million in bonds to match a private donation of \$1 million.

**Commerce
Parks
General Administration and Support**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	9,911,000	12,045,100	12,475,900	10,063,200	10,338,400
Total General Fund	9,911,000	12,045,100	12,475,900	10,063,200	10,338,400
Restricted Funds					
Balance Forward	5,600	109,900	144,500	109,900	44,500
Current Receipts	7,300				
Non-Revenue Receipts	104,300	100,000	100,000		20,900
Total Restricted Funds	117,200	209,900	244,500	109,900	65,400
Federal Funds					
Current Receipts	576,000				
Total Federal Funds	576,000				
TOTAL SOURCE OF FUNDS	10,604,200	12,255,000	12,720,400	10,173,100	10,403,800
EXPENDITURES BY CLASS					
Personnel Cost	7,757,100	8,852,400	9,280,000	7,980,700	8,159,600
Operating Expenses	2,161,200	2,918,100	2,921,300	2,147,900	2,244,200
Capital Outlay	576,000	340,000	340,000		
TOTAL EXPENDITURES	10,494,300	12,110,500	12,541,300	10,128,600	10,403,800
EXPENDITURES BY FUND SOURCE					
General Fund	9,911,000	12,045,100	12,475,900	10,063,200	10,338,400
Restricted Funds	7,300	65,400	65,400	65,400	65,400
Federal Funds	576,000				
TOTAL EXPENDITURES	10,494,300	12,110,500	12,541,300	10,128,600	10,403,800

The General Administration and Support program provides an organizational and administrative system which ensures that the park system's 52 operations are maintained and operated in an efficient manner.

Policy

Notwithstanding the provisions of KRS 148.800-810 or any other statute or provision of law to the contrary, the enacted budget includes the use of the Park Capital Maintenance and Renovation Fund for any ongoing cost of the Department of Parks.

**Commerce
Parks
Resort Parks**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	8,983,400	15,768,900	18,094,600	10,755,100	10,755,100
Salary Compensation Fund	1,962,800				
Total General Fund	10,946,200	15,768,900	18,094,600	10,755,100	10,755,100
Restricted Funds					
Balance Forward	542,200	100,000	100,000	429,300	100,000
Current Receipts	43,428,800	45,383,300	46,701,800	44,210,500	46,025,700
Non-Revenue Receipts	-836,300	-172,700	-1,491,200	-719,800	-1,460,100
Total Restricted Funds	43,134,700	45,310,600	45,310,600	43,920,000	44,665,600
TOTAL SOURCE OF FUNDS	54,080,900	61,079,500	63,405,200	54,675,100	55,420,700
EXPENDITURES BY CLASS					
Personnel Cost	32,865,600	38,620,300	40,642,300	33,789,100	34,574,000
Operating Expenses	20,705,100	22,278,300	22,582,000	20,705,100	20,705,100
Capital Outlay	80,900	80,900	80,900	80,900	80,900
TOTAL EXPENDITURES	53,651,600	60,979,500	63,305,200	54,575,100	55,360,000
EXPENDITURES BY FUND SOURCE					
General Fund	10,946,200	15,768,900	18,094,600	10,755,100	10,755,100
Restricted Funds	42,705,400	45,210,600	45,210,600	43,820,000	44,604,900
TOTAL EXPENDITURES	53,651,600	60,979,500	63,305,200	54,575,100	55,360,000

The Resort Parks program encourages tourism and economic development in Kentucky by providing excellent overnight accommodations, quality food service, and recreational activities for visitors at the 17 resort parks. The resort parks and their locations are:

Barren River Resort Park - Barren County	Kenlake Resort Park - Marshall County
Blue Licks Battlefield State Park – Robertson County	Kentucky Dam Village Resort - Marshall County
Buckhorn Lake Resort Park - Perry County	Lake Barkley Resort Park - Trigg County
Carter Caves Resort Park - Carter County	Lake Cumberland Resort Park - Russell County
Cumberland Falls Resort Park - Whitley County	Natural Bridge Resort Park - Powell County
Dale Hollow Resort Park - Cumberland and Clinton Counties	Pennyrile Forest Resort Park - Christian County
General Butler Resort Park - Carroll County	Pine Mountain Resort Park - Bell County
Greenbo Lake Resort Park - Greenup County	Rough River Resort Park - Grayson County
Jenny Wiley Resort Park - Floyd County	

The Department estimates that in fiscal year 2006, the resort parks will provide overnight accommodations for 620,000 guests and serve 1.6 million meals.

Policy

Notwithstanding the provisions of KRS 148.800-810 or any other statute or provision of law to the contrary, the Governor's recommended budget permits the use of the Park Capital Maintenance and Renovation Fund for any ongoing cost of the Department of Parks.

**Commerce
Parks
Recreation Parks and Historic Sites**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	6,971,000	7,141,800	7,771,400	6,778,600	6,479,400
Total General Fund	6,971,000	7,141,800	7,771,400	6,778,600	6,479,400
Restricted Funds					
Balance Forward	207,200	21,900	21,900	332,100	
Current Receipts	8,616,500	9,227,000	9,227,000	8,771,600	8,929,500
Non-Revenue Receipts	381,400	-185,300	-185,300	327,200	1,019,400
Total Restricted Funds	9,205,100	9,063,600	9,063,600	9,430,900	9,948,900
TOTAL SOURCE OF FUNDS	16,176,100	16,205,400	16,835,000	16,209,500	16,428,300
EXPENDITURES BY CLASS					
Personnel Cost	10,764,100	11,109,800	11,697,200	11,129,600	11,348,400
Operating Expenses	5,079,900	5,013,700	5,055,900	5,079,900	5,079,900
Capital Outlay		60,000	60,000		
TOTAL EXPENDITURES	15,844,000	16,183,500	16,813,100	16,209,500	16,428,300
EXPENDITURES BY FUND SOURCE					
General Fund	6,971,000	7,141,800	7,771,400	6,778,600	6,479,400
Restricted Funds	8,873,000	9,041,700	9,041,700	9,430,900	9,948,900
TOTAL EXPENDITURES	15,844,000	16,183,500	16,813,100	16,209,500	16,428,300

The Recreation Parks and Historic Sites program encourages tourism and economic development in Kentucky by providing modern recreational and camping facilities and preserving significant scenic and historic landmarks, as well as operating museums and shrines. In fiscal year 2006, the camping areas are expected to attract approximately 300,000 visitors and museums are expected to host 305,000 visitors.

Recreation Park Facilities

Ben Hawes State Park - Daviess County	Kingdom Come State Park - Harlan County
Big Bone Lick State Park - Boone County	Lake Malone State Park - Muhlenberg County
Carr Creek State Park - Knott County	Levi Jackson Wilderness Road State Park - Laurel County
Columbus-Belmont Battlefield State Park - Hickman County	Lincoln Homestead State Park - Washington County
E. P. "Tom" Sawyer State Park - Jefferson County	Mineral Mound State Park - Lyon County
Fish Trap Lake State Park - Pike County	My Old Kentucky Home State Park - Nelson County
Fort Boonesborough State Park - Madison County	Nolin Lake State Park - Edmonson County
General Burnside State Park - Pulaski County	Old Fort Harrod State Park - Mercer County
Grayson Lake State Park - Elliott and Carter Counties	Paintsville Lake State Park - Johnson County
Green River Lake State Park - Taylor County	Pine Mountain Trail State Park - Harlan & Bell Counties
John James Audubon State Park - Henderson County	Taylorsville Lake State Park - Spencer County
Kincaid Lake State Park - Pendleton County	Yatesville Lake State Park - Lawrence County

Historic Sites

Boone Station - Fayette County	Old Mulkey Meeting House State Shrine - Monroe County
Constitution Square State Shrine - Boyle County	Perryville Battlefield State Shrine - Boyle County

Dr. Thomas Walker State Shrine - Knox County
Isaac Shelby State Shrine - Lincoln County
Jefferson Davis Monument State Shrine - Todd County

Waveland State Shrine - Fayette County
White Hall State Shrine - Madison County
Wickliffe Mounds State Historic Site - Ballard County
William Whitley House State Shrine - Lincoln County

Policy

Notwithstanding the provisions of KRS 148.800-810 or any other statute or provision of law to the contrary, the Governor's recommended budget permits the use of the Park Capital Maintenance and Renovation Fund for any ongoing cost of the Department of Parks.

**Commerce
Parks
Cafeterias**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	150,200	354,200	356,100	190,400	214,400
Total General Fund	150,200	354,200	356,100	190,400	214,400
Restricted Funds					
Balance Forward	19,800	20,000	20,000	5,400	
Current Receipts	1,690,300	1,877,800	1,941,100	1,690,300	1,690,300
Non-Revenue Receipts				20,700	26,100
Total Restricted Funds	1,710,100	1,897,800	1,961,100	1,716,400	1,716,400
TOTAL SOURCE OF FUNDS	1,860,300	2,252,000	2,317,200	1,906,800	1,930,800
EXPENDITURES BY CLASS					
Personnel Cost	900,600	1,181,300	1,246,500	952,500	976,500
Operating Expenses	954,300	1,010,700	1,010,700	954,300	954,300
Capital Outlay		40,000	40,000		
TOTAL EXPENDITURES	1,854,900	2,232,000	2,297,200	1,906,800	1,930,800
EXPENDITURES BY FUND SOURCE					
General Fund	150,200	354,200	356,100	190,400	214,400
Restricted Funds	1,704,700	1,877,800	1,941,100	1,716,400	1,716,400
TOTAL EXPENDITURES	1,854,900	2,232,000	2,297,200	1,906,800	1,930,800

The Cafeteria program provides food service in the Capitol Annex, Transportation building, and the Health and Family Services building for members of the General Assembly, state employees, and visitors to the state offices in Frankfort. The cafeterias also provide catering service for special local events. The cafeterias generated sales of approximately \$1,136,000 in fiscal year 2004-2005.

**Commerce
Parks
Debt Service**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation			15,419,300		844,000
Total General Fund			15,419,300		844,000
TOTAL SOURCE OF FUNDS			15,419,300		844,000
EXPENDITURES BY CLASS					
Debt Service			15,419,300		844,000
TOTAL EXPENDITURES			15,419,300		844,000
EXPENDITURES BY FUND SOURCE					
General Fund			15,419,300		844,000
TOTAL EXPENDITURES			15,419,300		844,000

All currently authorized General Fund debt service costs are budgeted in the Finance and Administration Cabinet in the 2006-2008 biennium.

Policy

Included in the Governor's recommended budget is \$746,000 in General Funds in fiscal year 2008 for debt service on the Parks Renovation Pool project. Also included is \$98,000 General Funds in fiscal year 2008 for debt service for a convention center at E. P. Tom Sawyer state park. This debt service will support \$1 million in bonds to match a private donation of \$1 million.

**Commerce
Parks
Breaks Interstate Park**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	191,100	300,000	300,000	191,100	191,100
Total General Fund	191,100	300,000	300,000	191,100	191,100
TOTAL SOURCE OF FUNDS	191,100	300,000	300,000	191,100	191,100
EXPENDITURES BY CLASS					
Grants, Loans or Benefits	191,100	300,000	300,000	191,100	191,100
TOTAL EXPENDITURES	191,100	300,000	300,000	191,100	191,100
EXPENDITURES BY FUND SOURCE					
General Fund	191,100	300,000	300,000	191,100	191,100
TOTAL EXPENDITURES	191,100	300,000	300,000	191,100	191,100

The Breaks Interstate Park, created by KRS 148.220 in 1954 by joint action of the Kentucky and Virginia legislatures, is governed by the Breaks Interstate Park Commission. The Commission is composed of three members from each state appointed by their respective governors. Kentucky provides financial support for the park in the form of a grant to the Commission.

The park, which contains 4,500 acres of woodlands, mountains, and the largest canyon east of the Mississippi River, attracts approximately 380,000 visitors each year. Breaks Interstate Park provides recreation for the people of Kentucky and Virginia in an area where recreational opportunities are limited.

**Commerce
Horse Park Commission**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	1,621,200	3,272,100	7,309,500	1,708,200	4,878,200
Total General Fund	1,621,200	3,272,100	7,309,500	1,708,200	4,878,200
Restricted Funds					
Balance Forward	394,600	394,600	394,600	353,800	180,500
Current Receipts	6,556,200	6,449,700	6,449,700	6,449,700	6,449,700
Non-Revenue Receipts	-490,200	-383,700	-383,700	-383,700	-383,700
Fund Transfers	-40,800				
Total Restricted Funds	6,419,800	6,460,600	6,460,600	6,419,800	6,246,500
TOTAL SOURCE OF FUNDS	8,041,000	9,732,700	13,770,100	8,128,000	11,124,700
EXPENDITURES BY CLASS					
Personnel Cost	4,622,900	5,608,000	5,896,500	4,776,000	4,783,200
Operating Expenses	3,034,400	3,635,200	3,613,100	3,141,600	3,068,600
Debt Service			3,759,000		3,243,000
Capital Outlay	29,900	94,900	106,900	29,900	29,900
TOTAL EXPENDITURES	7,687,200	9,338,100	13,375,500	7,947,500	11,124,700
EXPENDITURES BY FUND SOURCE					
General Fund	1,621,200	3,272,100	7,309,500	1,708,200	4,878,200
Restricted Funds	6,066,000	6,066,000	6,066,000	6,239,300	6,246,500
TOTAL EXPENDITURES	7,687,200	9,338,100	13,375,500	7,947,500	11,124,700

The Kentucky Horse Park (KRS 148.250) is comprised of 1,224 acres on which are situated over 110 structures, 34 miles of fencing and 260 campsites. Horse Park programs consist primarily of four main functions:

Equine Theme Park-The central area of the park contains tourist activities that include the Visitor Information Center, International Museum of the Horse, gift shop, restaurant, Parade of Breeds and Hall of Champions shows, horseback riding, horse drawn tours, and other activities. Approximately 160,000 people visit annually generating \$3.5 million in revenue.

Events-The Horse Park is the host venue for both equine and non-equine special events. Horse shows are central to the mission of the park and comprise the majority of special event activities. Sixty annual equine events utilize 21 pole barns (1,086 stalls), a 1,200 seat covered arena, show office complex, six hunter-jumper rings, four dressage rings, a 7,800-yard cross country course, steeplechase course, and other ancillary structures. In 2004, horse events attracted approximately 384,000 people and \$1.3 million in revenue. The park also hosts non-equine events that include soccer, high school cross country, dog shows, "Old Kentucky Nights" evening programs, "Southern Lights" holiday lights show, and many other events.

Campground-The popular campground is made up of 260 campsites with water/electric hookups, grocery store, two bathhouses, pool, tennis courts, playground, and covered pavilion. Each year 102,000 people camp at the Horse Park, generating more than \$1,115,000 in direct income annually.

National Horse Center-Another area of remarkable growth has been the National Horse Center (NHC), a collection of the nation's and the state's leading equestrian organizations. The NHC now includes 24 distinct organizations contained in nine office buildings. The NHC has solidified the Horse Park's key role in making Kentucky truly the "Horse Capital of the World."

Policy

The Governor's recommended budget includes \$3,243,000 in General Fund in fiscal year 2007-2008 for debt service for the construction of a new indoor arena. This arena was an essential element in Kentucky being awarded the World Equestrian Games in 2010.

The Governor's recommended budget also includes \$87,000 in General Fund in fiscal year 2006-2007 and \$14,000 in General Fund in fiscal year 2007-2008 for increased travel expenses associated with the Kentucky Horse Park being awarded the World Equestrian Games in 2010.

The Governor's recommended budget also includes \$2.3 million in Road Fund in the Transportation Cabinet's capital budget for new roads and road repair at the Kentucky Horse Park in preparation for the World Equestrian Games in 2010. It is anticipated that another \$2 million will be needed next biennium.

**Commerce
State Fair Board**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	396,800	18,423,800	18,423,800	396,800	511,800
Total General Fund	396,800	18,423,800	18,423,800	396,800	511,800
Restricted Funds					
Balance Forward	2,038,200	1,745,000	862,400	1,745,000	1,722,300
Current Receipts	37,915,100	38,535,900	41,163,300	38,535,900	41,163,300
Non-Revenue Receipts	-1,803,800	-1,000,000	-1,000,000	-1,500,000	-4,400,000
Fund Transfers	-234,000				
Total Restricted Funds	37,915,500	39,280,900	41,025,700	38,780,900	38,485,600
TOTAL SOURCE OF FUNDS	38,312,300	57,704,700	59,449,500	39,177,700	38,997,400
EXPENDITURES BY CLASS					
Personnel Cost	19,244,700	21,187,900	22,032,600	19,953,000	20,535,500
Operating Expenses	11,439,700	11,435,800	11,454,800	11,435,800	11,454,800
Grants, Loans or Benefits	1,620,000	1,610,000	1,611,400	1,610,000	1,611,400
Debt Service	4,012,900	22,474,100	22,471,900	4,322,100	4,539,400
Capital Outlay	250,000	134,500	192,600	134,500	192,600
TOTAL EXPENDITURES	36,567,300	56,842,300	57,763,300	37,455,400	38,333,700
EXPENDITURES BY FUND SOURCE					
General Fund	396,800	18,423,800	18,423,800	396,800	511,800
Restricted Funds	36,170,500	38,418,500	39,339,500	37,058,600	37,821,900
TOTAL EXPENDITURES	36,567,300	56,842,300	57,763,300	37,455,400	38,333,700
EXPENDITURES BY UNIT					
Kentucky Fair and Exposition Center	27,904,800	29,445,600	30,196,600	28,443,900	28,983,300
Kentucky International Convention Center	4,649,600	4,922,600	5,094,800	4,689,400	4,811,000
Debt Service	4,012,900	22,474,100	22,471,900	4,322,100	4,539,400
TOTAL EXPENDITURES	36,567,300	56,842,300	57,763,300	37,455,400	38,333,700

The Kentucky State Fair Board authorized in KRS 247 is composed of 15 members: the Governor, the Commissioner of Agriculture, the Dean of the College of Agriculture at the University of Kentucky, and 12 members, all which are appointed by the Governor. Five of the 12 members appointed by the Governor are selected from nominations by the Kentucky Association of Fairs and Horse Shows, the Kentucky Livestock Improvement Association, the Kentucky State National Farmers Organization, the American Saddle Horse Breeders Association, and the Kentucky Farm Bureau Federation. The Board manages and administers the funds, buildings, grounds, and equipment of the Kentucky Fair and Exposition Center and the Kentucky International Convention Center in Louisville. A president is appointed by the Board to manage the centers.

Policy

The Governor's recommended budget includes \$115,000 in General Fund in fiscal year 2007-2008 for debt service for the Pavilion Roof project.

**Commerce
State Fair Board
Kentucky Fair and Exposition Center**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	396,800	396,800	396,800	396,800	396,800
Total General Fund	396,800	396,800	396,800	396,800	396,800
Restricted Funds					
Balance Forward	1,426,200	1,706,600	269,800	1,706,600	896,500
Current Receipts	33,039,100	32,759,100	34,680,600	32,759,100	34,680,600
Non-Revenue Receipts	-5,250,700	-5,147,100	-5,144,900	-5,522,100	-6,524,400
Total Restricted Funds	29,214,600	29,318,600	29,805,500	28,943,600	29,052,700
TOTAL SOURCE OF FUNDS	29,611,400	29,715,400	30,202,300	29,340,400	29,449,500
EXPENDITURES BY CLASS					
Personnel Cost	16,383,600	17,967,100	18,642,200	16,965,400	17,428,900
Operating Expenses	9,796,200	9,756,700	9,773,100	9,756,700	9,773,100
Grants, Loans or Benefits	1,565,000	1,610,000	1,611,400	1,610,000	1,611,400
Capital Outlay	160,000	111,800	169,900	111,800	169,900
TOTAL EXPENDITURES	27,904,800	29,445,600	30,196,600	28,443,900	28,983,300
EXPENDITURES BY FUND SOURCE					
General Fund	396,800	396,800	396,800	396,800	396,800
Restricted Funds	27,508,000	29,048,800	29,799,800	28,047,100	28,586,500
TOTAL EXPENDITURES	27,904,800	29,445,600	30,196,600	28,443,900	28,983,300

The Kentucky Fair and Exposition Center provides facilities and services for conventions, trade shows, agricultural activities, athletic events, concerts, and cultural and commercial productions year-round. At this site, the State Fair Board produces its three major expositions during the year: the Kentucky State Fair, the National Farm Machinery Show, and the North American International Livestock Exposition.

The Kentucky Fair and Exposition Center is a completely air-conditioned complex that includes one million square feet of exhibit and meeting space at ground level. It includes the 19,000-seat Freedom Hall Coliseum, identical East and West Exhibit Halls, East and West Exposition Wings, the South Wing Exposition Facility and Conference Center, a smaller exposition pavilion, a 600-seat amphitheater, a 5,000-seat Livestock and Horse Show Arena, and a 37,000-seat stadium. Also serving the Kentucky Fair and Exposition Center are the adjacent Executive Inn East, Executive Inn West, Executive Bowl, and the Kentucky Kingdom Amusement Park, all of which are long-term lessees of the State Fair Board. An expansion of the South Wing, approved by the 2003 General Assembly recently opened.

Policy

The Governor's recommended budget includes \$396,800 from the General Fund each year of the biennium for the North American International Livestock Exposition program.

**Commerce
State Fair Board
Kentucky International Convention Center**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
Restricted Funds					
Balance Forward	612,000	38,400	592,600	38,400	825,800
Current Receipts	4,876,000	5,776,800	6,482,700	5,776,800	6,482,700
Non-Revenue Receipts	-800,000	-300,000	-300,000	-300,000	-2,300,000
Total Restricted Funds	4,688,000	5,515,200	6,775,300	5,515,200	5,008,500
TOTAL SOURCE OF FUNDS	4,688,000	5,515,200	6,775,300	5,515,200	5,008,500
EXPENDITURES BY CLASS					
Personnel Cost	2,861,100	3,220,800	3,390,400	2,987,600	3,106,600
Operating Expenses	1,643,500	1,679,100	1,681,700	1,679,100	1,681,700
Grants, Loans or Benefits	55,000				
Capital Outlay	90,000	22,700	22,700	22,700	22,700
TOTAL EXPENDITURES	4,649,600	4,922,600	5,094,800	4,689,400	4,811,000
EXPENDITURES BY FUND SOURCE					
Restricted Funds	4,649,600	4,922,600	5,094,800	4,689,400	4,811,000
TOTAL EXPENDITURES	4,649,600	4,922,600	5,094,800	4,689,400	4,811,000

The Kentucky International Convention Center provides facilities and services for intermediate-sized conventions, trade shows, association events, concerts, and cultural and commercial productions year-round. This facility is an integral and interdependent part of the overall redevelopment of downtown Louisville by both government and private enterprises.

The Center includes approximately 200,000 square feet of exhibit space, a 30,000 square foot ballroom, and nearly 70,000 square feet of meeting space along both sides of Third Street. The exhibit and meeting areas are linked by public concourses spanning Third Street.

The Center is served by the Hyatt and Cowger Parking Garages, which provide 1,300 enclosed parking spaces, and by the Hyatt Regency Hotel, which is a long-term lessee of the Board. The Cowger Garage also includes commercial space which is leased on a long-term basis.

**Commerce
State Fair Board
Debt Service**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation		18,027,000	18,027,000		115,000
Total General Fund		18,027,000	18,027,000		115,000
Restricted Funds					
Non-Revenue Receipts	4,246,900	4,447,100	4,444,900	4,322,100	4,424,400
Fund Transfers	-234,000				
Total Restricted Funds	4,012,900	4,447,100	4,444,900	4,322,100	4,424,400
TOTAL SOURCE OF FUNDS	4,012,900	22,474,100	22,471,900	4,322,100	4,539,400
EXPENDITURES BY CLASS					
Debt Service	4,012,900	22,474,100	22,471,900	4,322,100	4,539,400
TOTAL EXPENDITURES	4,012,900	22,474,100	22,471,900	4,322,100	4,539,400
EXPENDITURES BY FUND SOURCE					
General Fund		18,027,000	18,027,000		115,000
Restricted Funds	4,012,900	4,447,100	4,444,900	4,322,100	4,424,400
TOTAL EXPENDITURES	4,012,900	22,474,100	22,471,900	4,322,100	4,539,400

The Debt Service program is responsible for the annual debt service payments on Fair Board bonds issued by the State Property and Buildings Commission.

Restricted funds in the amount of \$4,322,100 in fiscal year 2007 and \$4,424,400 in fiscal year 2008 are included for State Property and Building Commission Projects 81 and 86 debt service payments. Projects 81 and 86 provided funding for an expansion of South Wing C and East Wing Hall.

All previously authorized General Fund debt service costs are budgeted in the Finance and Administration Cabinet in the 2006-2008 biennium.

Policy

The Governor's recommended budget includes \$115,000 in General Fund in fiscal year 2007-2008 for debt service for the Pavilion Roof project.

Commerce
Fish and Wildlife Resources

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
Restricted Funds					
Balance Forward	35,951,500	34,943,900	30,872,800	34,943,900	34,058,600
Current Receipts	33,534,100	37,013,200	38,709,100	37,013,200	38,709,100
Non-Revenue Receipts	-6,100,000	-9,120,000	-9,700,000	-9,120,000	-9,700,000
Total Restricted Funds	63,385,600	62,837,100	59,881,900	62,837,100	63,067,700
Federal Funds					
Balance Forward	4,475,600	3,449,900	2,317,200	3,449,900	3,332,600
Current Receipts	9,838,300	9,946,600	10,172,000	9,946,600	10,172,000
Total Federal Funds	14,313,900	13,396,500	12,489,200	13,396,500	13,504,600
TOTAL SOURCE OF FUNDS	77,699,500	76,233,600	72,371,100	76,233,600	76,572,300
EXPENDITURES BY CLASS					
Personnel Cost	29,982,600	33,326,000	35,168,300	29,124,800	30,179,400
Operating Expenses	7,191,700	7,606,200	7,617,300	7,606,200	7,617,300
Grants, Loans or Benefits	407,500	407,500	407,500	407,500	407,500
Capital Outlay	1,723,900	1,703,900	1,703,900	1,703,900	1,703,900
TOTAL EXPENDITURES	39,305,700	43,043,600	44,897,000	38,842,400	39,908,100
EXPENDITURES BY FUND SOURCE					
Restricted Funds	28,441,700	31,964,300	33,436,600	28,778,500	29,810,000
Federal Funds	10,864,000	11,079,300	11,460,400	10,063,900	10,098,100
TOTAL EXPENDITURES	39,305,700	43,043,600	44,897,000	38,842,400	39,908,100
EXPENDITURES BY UNIT					
Administration and Support	5,251,200	5,981,300	6,250,000	4,796,200	5,237,500
Wildlife Management	10,219,000	11,298,900	11,740,000	10,632,400	10,798,800
Fisheries Management	6,157,900	6,729,000	7,005,000	6,329,500	6,446,700
Information and Education	5,660,000	6,228,200	6,485,800	5,532,500	5,612,000
Law Enforcement	12,017,600	12,806,200	13,416,200	11,551,800	11,813,100
TOTAL EXPENDITURES	39,305,700	43,043,600	44,897,000	38,842,400	39,908,100

The Department of Fish and Wildlife Resources, established by KRS Chapter 150, is responsible for the protection and improvement of fish and wildlife resources in Kentucky. The Department is headed by a Commissioner appointed by the Fish and Wildlife Commission. The Commission, which is responsible for Department policy, is a nine member bipartisan body appointed by the Governor from a list of candidates provided by sportsmen's organizations in each of nine districts.

Financial support of the Department is derived from the sale of hunting and fishing licenses, federal grants, interest income, fines and penalties assessed by the courts for violation of game and fish laws, and numerous other miscellaneous receipts.

Currently, the Department owns approximately 120,000 acres of land in Kentucky which are used to further its program activities. This acreage includes the State Game Farm, 80 major wildlife management areas, two warm water hatcheries, and three summer camps. An additional 712,355 acres of land and water are under lease or license by the Department for wildlife management activities. The Daniel Boone National Forest provides an additional 600,000 acres of land for public use.

The Department consists of 5 program areas: Administration and Support, Wildlife Management, Fisheries Management, Information and Education, and Law Enforcement.

Three separate Divisions are included in the Administration and Support program area. The Division of Administration and Support manages the day-to-day operations of the Department including maintaining accounting records, ensuring proper purchasing and inventory procedures are followed, and administering hunting and fishing license sales and revenue collections. The Public Affairs Division facilitates public involvement in departmental policy and regulations. The Engineering Division provides the labor and technical engineering services required for the Department's small construction projects. Duties include building small bridges, buildings, boat ramps, and roads. In addition, Engineering is responsible for surveying all property owned or being purchased by the Department.

The Wildlife Management program manages, develops, and maintains statewide game and non-game populations consistent with habitat capacity on state owned lands, licensed wildlife management areas, and privately owned lands. Additionally, Wildlife Management conducts statewide surveys to determine the relative abundance of game and non-game wildlife, formulates hunting regulations based upon biological data and recreational demands, restores viable native wildlife species by restocking in suitable habitat, and evaluates the impact of land, water resource, and other construction projects on wildlife resources. Technical guidance is provided to private landowners for improvement of wildlife habitat conditions. A fish and wildlife electronic information system is being developed for use by state agencies that include geographic information such as land types, vegetation conditions, and wildlife populations.

The Fisheries Management program manages Kentucky's fishery resources to provide optimum fishing opportunities for anglers through research, surveys, fish stocking, regulation, and technical biological guidance. Fishery biologists manage and develop fish populations and their associated habitats in major impoundments, streams, rivers, and 100,000 acres of small lakes and ponds. In addition, technical guidance is provided to private pond owners. Research biologists provide support to management through evaluation of stocking and regulatory practices.

The Information and Education program teaches Kentuckians to safely enjoy the recreational opportunities provided by Fish and Wildlife Resources and to create an appreciation and understanding of the need to conserve these resources.

The Law Enforcement program enforces fish, wildlife, and boating laws. Officers assist other federal, state, and local agencies in enforcement of all criminal laws in the Commonwealth. Officers also provide assistance to the public during times of natural disasters such as floods, forest fires, and severe winter weather.

**Commerce
Historical Society**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	6,041,800	11,993,600	12,536,300	6,762,800	6,013,500
Salary Compensation Fund	140,100				
Base Deduction	-180,800				
Total General Fund	6,001,100	11,993,600	12,536,300	6,762,800	6,013,500
Restricted Funds					
Balance Forward	261,900	133,400	157,100	71,200	49,100
Current Receipts	593,800	756,800	784,500	738,800	770,500
Fund Transfers	-120,000				
Total Restricted Funds	735,700	890,200	941,600	810,000	819,600
Federal Funds					
Balance Forward	3,600	3,600		3,600	
Current Receipts	1,225,000	1,000,600	516,800	890,000	390,000
Total Federal Funds	1,228,600	1,004,200	516,800	893,600	390,000
TOTAL SOURCE OF FUNDS	7,965,400	13,888,000	13,994,700	8,466,400	7,223,100
EXPENDITURES BY CLASS					
Personnel Cost	3,754,300	4,589,700	4,867,400	3,780,900	3,825,800
Operating Expenses	3,190,900	3,999,800	4,305,000	3,026,400	2,997,300
Grants, Loans or Benefits	945,400	5,141,400	4,617,000	1,610,000	400,000
TOTAL EXPENDITURES	7,890,600	13,730,900	13,789,400	8,417,300	7,223,100
EXPENDITURES BY FUND SOURCE					
General Fund	6,001,100	11,993,600	12,536,300	6,762,800	6,013,500
Restricted Funds	664,500	733,100	736,300	760,900	819,600
Federal Funds	1,225,000	1,004,200	516,800	893,600	390,000
TOTAL EXPENDITURES	7,890,600	13,730,900	13,789,400	8,417,300	7,223,100
EXPENDITURES BY UNIT					
Oral History and Educational Outreach	1,671,600	6,361,900	6,208,600	2,205,700	977,300
Research and Publications	164,500	207,800	207,800	163,800	163,800
Museums	190,100	362,800	371,400	202,100	202,300
Administration	5,864,400	6,798,400	7,001,600	5,845,700	5,879,700
TOTAL EXPENDITURES	7,890,600	13,730,900	13,789,400	8,417,300	7,223,100

The Kentucky Historical Society (KHS) engages people in the exploration of the Commonwealth's diverse heritage. Through comprehensive and innovative services, interpretive programs, and stewardship, it provides connections to the past, perspective on the present, and inspiration for the future. Among the agency's significant accomplishments during the current biennium are:

- National accreditation by the American Association of Museums (KHS is one of only five Kentucky institutions to possess this status),
- Public launching of the Society's Digital Collections Catalog which allows researchers remote Internet-based access to the Society's collections, and

- Creation of the Civil Rights Movement in Kentucky on-line database which provides access to thousands of hours of oral history and video documentation.

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

Since 1999, the Society and its three facilities - the Thomas D. Clark Center for Kentucky History (the "History Center"), the Old State Capitol, and the Kentucky Military History Museum - have hosted over 1,000,000 visitors. Approximately 30,000 students who visit in organized school groups tour the Society's museums annually. The agency offers access to research collections through on-line databases and an electronic library catalog.

The Administration Division provides overall agency direction, planning, and management. It has two branches: Institutional Advancement (IA) and Support Services. Institutional Advancement raises private sector support for projects and services that do not receive state support. Units within the IA Branch include: development, special events, membership, gift shop, facilities rental, marketing/public relations, and website management. Support Services Branch includes technology, personnel, telecommunications, facilities management, and fiscal operations.

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

The Museum Division operates the History Center's museum (a 20,000 square-foot permanent exhibition and a 4,000 square-foot temporary exhibition gallery), the Old State Capitol, and the Kentucky Military History Museum. Six sub-units compose the Museum Division: education, visitor services, traveling exhibitions, exhibit design, artifact collections, and military history.

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

Policy

Included in the Executive Budget is \$750,000 General Fund support in fiscal year 2007 to provide a grant for the Abraham Lincoln Bicentennial Commission. The Commission is working cooperatively with the United States Abraham Lincoln Bicentennial Commission and the Tri-State Lincoln Task Force to commemorate Kentucky's role in the life of President Lincoln through various local and regional planning, historic site infrastructure and interpretation, and quality educational activities.

**Commerce
Arts Council**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	4,210,900	5,458,300	5,532,100	4,668,400	4,049,500
Salary Compensation Fund	48,300				
Base Deduction	-132,500				
Total General Fund	4,126,700	5,458,300	5,532,100	4,668,400	4,049,500
Restricted Funds					
Balance Forward	188,600	211,600	128,800	141,700	109,800
Current Receipts	412,000	450,000	534,800	410,000	424,800
Fund Transfers	-20,000				
Total Restricted Funds	580,600	661,600	663,600	551,700	534,600
Federal Funds					
Balance Forward	226,400	33,652	19,152	105,900	46,500
Current Receipts	657,300	685,500	693,700	685,500	693,700
Total Federal Funds	883,700	719,152	712,852	791,400	740,200
TOTAL SOURCE OF FUNDS	5,591,000	6,839,052	6,908,552	6,011,500	5,324,300
EXPENDITURES BY CLASS					
Personnel Cost	1,113,500	1,363,700	1,437,500	1,057,500	1,063,800
Operating Expenses	806,700	908,200	908,200	780,300	779,200
Grants, Loans or Benefits	3,423,200	4,419,200	4,399,150	4,017,400	3,399,200
TOTAL EXPENDITURES	5,343,400	6,691,100	6,744,850	5,855,200	5,242,200
EXPENDITURES BY FUND SOURCE					
General Fund	4,126,700	5,458,300	5,532,100	4,668,400	4,049,500
Restricted Funds	438,900	532,800	499,900	441,900	452,700
Federal Funds	777,800	700,000	712,850	744,900	740,000
TOTAL EXPENDITURES	5,343,400	6,691,100	6,744,850	5,855,200	5,242,200
EXPENDITURES BY UNIT					
Arts Council	4,532,600	5,749,200	5,773,650	5,043,900	4,423,000
Craft Marketing	810,800	941,900	971,200	811,300	819,200
TOTAL EXPENDITURES	5,343,400	6,691,100	6,744,850	5,855,200	5,242,200

The Kentucky Arts Council is authorized under KRS 153.210-235. The Council develops and promotes a state policy of support for the arts in Kentucky.

The Kentucky Arts Council supports, through grants and technical assistance, Kentucky arts organizations, schools, non-profit community organizations, local arts councils, local government agencies, individual artists, and craftspersons. These organizations and individuals contribute significantly to the economy, education, and quality of life in Kentucky. The Council also oversees at the local level the services necessary to implement the Kentucky Arts Council mission and plan, the Kentucky Education Reform Act, and Kentucky's Strategic Plan for Economic Development.

The Council's major programs are: Arts and Cultural Organizational Support, Community Arts Development, Arts in Education, Craft Marketing, Individual Artists Recognition and Support, Folk and Traditional Arts Support, Arts Directories, and Honor programs.

Policy

The Governor's recommended budget includes \$600,000 General Fund in fiscal year 2007 to provide a grant for the support of the Partnership of Creative Economies in order to stabilize the cornerstone arts organizations of Kentucky. Through a public-private partnership, the Partnership of Creative Economies enables the security and progress of the Metro Louisville arts and cultural institutions, artists, art and educational organizations.

**Commerce
Heritage Council**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	933,700	1,961,700	2,007,500	900,000	900,000
Salary Compensation Fund	32,800				
Base Deduction	-66,500				
Total General Fund	900,000	1,961,700	2,007,500	900,000	900,000
Restricted Funds					
Balance Forward	36,100			66,600	132,400
Current Receipts	855,600	535,100	506,900	535,100	506,900
Total Restricted Funds	891,700	535,100	506,900	601,700	639,300
Federal Funds					
Current Receipts	669,000	669,000	669,000	669,000	669,000
Total Federal Funds	669,000	669,000	669,000	669,000	669,000
TOTAL SOURCE OF FUNDS	2,460,700	3,165,800	3,183,400	2,170,700	2,208,300
EXPENDITURES BY CLASS					
Personnel Cost	1,314,200	1,633,700	1,729,000	1,364,100	1,383,300
Operating Expenses	958,900	688,400	610,700	608,500	607,100
Grants, Loans or Benefits	121,000	843,700	843,700	65,700	65,700
TOTAL EXPENDITURES	2,394,100	3,165,800	3,183,400	2,038,300	2,056,100
EXPENDITURES BY FUND SOURCE					
General Fund	900,000	1,961,700	2,007,500	900,000	900,000
Restricted Funds	825,100	535,100	506,900	469,300	487,100
Federal Funds	669,000	669,000	669,000	669,000	669,000
TOTAL EXPENDITURES	2,394,100	3,165,800	3,183,400	2,038,300	2,056,100

The Kentucky Heritage Council, the State Historic Preservation Office, administers a comprehensive state historic preservation program including site identification and evaluation, site development and site protection.

The Council administers national historic preservation activities in Kentucky, distributes Federal Funds, offers services on all aspects of historic preservation and provides technical assistance to local governments, the public, and other agencies.

Major program activities include the survey of statewide historic sites, nominating sites to the National Register of Historic Places, administering the Kentucky Main Street program in partnership with Renaissance on Main, overseeing federal and state investment tax credit programs, and a Restoration Grants program.

Attached to the Heritage Council for administration and programmatic services are the African American Heritage Commission, Native American Heritage Commission, Military Heritage Commission, and the Kentucky Historic Preservation Review Board. The Kentucky Heritage Council is administered in accordance with KRS 171.380.

Policy

Included in the above Restricted Fund appropriation is \$20,000 in fiscal years 2006 and 2007 for the planning and implementation of the 2006 Kentucky Historic Preservation Conference held in northern Kentucky.

Additional Restricted Fund resources of \$250,000 in fiscal year 2006 are designated for the coordination of a feasibility study and restoration plans and specifications for the National Register-Eligible, West Prestonsburg Concrete Arch Bridge funded through a memorandum of agreement with the Kentucky Transportation Cabinet.

Commerce
Kentucky Center for the Arts

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	1,724,000	2,130,000	2,659,700	1,114,400	1,114,400
Total General Fund	1,724,000	2,130,000	2,659,700	1,114,400	1,114,400
TOTAL SOURCE OF FUNDS	1,724,000	2,130,000	2,659,700	1,114,400	1,114,400
EXPENDITURES BY CLASS					
Personnel Cost	53,700	131,700	138,400	131,700	131,700
Operating Expenses	496,300	1,046,300	1,046,300	496,300	496,300
Grants, Loans or Benefits	414,000	952,000	1,475,000	486,400	486,400
Construction	760,000				
TOTAL EXPENDITURES	1,724,000	2,130,000	2,659,700	1,114,400	1,114,400
EXPENDITURES BY FUND SOURCE					
General Fund	1,724,000	2,130,000	2,659,700	1,114,400	1,114,400
TOTAL EXPENDITURES	1,724,000	2,130,000	2,659,700	1,114,400	1,114,400
EXPENDITURES BY UNIT					
Kentucky Center for the Arts	1,310,000	1,328,000	1,384,700	628,000	628,000
Governor's School for the Arts	414,000	802,000	1,275,000	486,400	486,400
TOTAL EXPENDITURES	1,724,000	2,130,000	2,659,700	1,114,400	1,114,400

Kentucky Center for the Arts ("The Kentucky Center") is the Commonwealth's premier performing arts center. Over 400,000 people attend events at The Kentucky Center each year. It is the performance home of the state's largest orchestra, opera, ballet, Broadway and children's theatre productions. Governor's School for the Arts is a division of The Kentucky Center that serves student artists from across the Commonwealth.

The Kentucky Center houses three theaters: the 2,479-seat Robert S. Whitney Hall, the 619-seat Moritz von Bomhard Theater, and the 139-seat Boyd Martin Experimental Theater. The facility features a multi-tiered lobby, rehearsal halls, a 190-seat restaurant and spaces for social and business events. All areas of the facility are accessible to those with physical disabilities, and nationally award-winning services for patrons who are hearing or visually disabled are available during performances.

The Governor's School for the Arts addresses the needs of an underserved population – the state's artistically gifted and talented young people – and supports the Kentucky Education Reform Act's mission to recognize the widest possible range of learning styles and capabilities. Many of its students come from rural areas of Kentucky where specialized arts instruction is not available. The Kentucky Center provides a wide range of other nationally recognized educational programs including professional development for teachers, partnerships with schools and community centers, and opportunities for artists to work in classrooms. In addition to these programs, The Kentucky Center's management also provides consulting services throughout the state.

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Economic Development

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Economic Development

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	19,779,100	29,565,500	34,845,200	24,641,700	31,737,100
Continuing Appropriation	7,702,000	7,200,300	6,700,000	7,200,300	3,123,600
Salary Compensation Fund	255,100				
Base Deduction	-813,100				
Total General Fund	26,923,100	36,765,800	41,545,200	31,842,000	34,860,700
Restricted Funds					
Balance Forward	2,334,400	520,700		520,700	
Current Receipts	1,737,600	3,086,100	3,517,000	2,331,700	2,696,300
Non-Revenue Receipts	1,249,300	1,234,200	1,411,300	1,234,200	1,411,300
Fund Transfers	-200,000				
Total Restricted Funds	5,121,300	4,841,000	4,928,300	4,086,600	4,107,600
Federal Funds					
Balance Forward	16,800	16,800	16,800	16,800	16,800
Current Receipts	155,400	155,400	155,400	155,400	155,400
Total Federal Funds	172,200	172,200	172,200	172,200	172,200
TOTAL SOURCE OF FUNDS	32,216,600	41,779,000	46,645,700	36,100,800	39,140,500
EXPENDITURES BY CLASS					
Personnel Cost	10,501,300	13,637,000	14,233,100	10,880,000	11,020,800
Operating Expenses	2,017,700	4,425,200	4,445,800	1,854,600	1,854,600
Grants, Loans or Benefits	11,725,800	17,000,000	21,750,000	20,225,800	23,266,300
Debt Service	234,000				2,982,000
TOTAL EXPENDITURES	24,478,800	35,062,200	40,428,900	32,960,400	39,123,700
EXPENDITURES BY FUND SOURCE					
General Fund	19,722,800	30,065,800	35,345,200	28,718,400	34,860,700
Restricted Funds	4,600,600	4,841,000	4,928,300	4,086,600	4,107,600
Federal Funds	155,400	155,400	155,400	155,400	155,400
TOTAL EXPENDITURES	24,478,800	35,062,200	40,428,900	32,960,400	39,123,700
EXPENDITURES BY UNIT					
Secretary	13,112,400	19,960,500	24,965,100	17,959,000	24,065,200
New Business Development	2,261,600	3,395,200	3,465,100	2,112,200	2,124,500
Financial Incentives	5,548,700	6,626,700	6,749,200	9,066,300	9,065,200
Existing Business Development	3,556,100	5,079,800	5,249,500	3,822,900	3,868,800
TOTAL EXPENDITURES	24,478,800	35,062,200	40,428,900	32,960,400	39,123,700

The Cabinet for Economic Development is governed by the Kentucky Economic Development Partnership, pursuant to KRS 154.

The Partnership board has 11 voting members and two non-voting members. The 11 voting members are the Governor, who is chairman, the Secretary of the Finance and Administration Cabinet, the Secretary of the Environmental and Public Protection Cabinet, and eight private sector members representing all facets of the economic development community, who are appointed by the Governor. The Secretary of the Cabinet for Economic Development (nominated by the Economic Development Partnership and appointed by the Governor) and the Secretary of Commerce Cabinet serve as non-voting members.

The Partnership's strategic plan states that its mission is to "create more and higher quality opportunities for all Kentuckians by building an expanding sustainable economy."

To accomplish the Partnership mission, the Cabinet has adopted four goals:

- Manage Cabinet resources more efficiently and effectively
- Reduce unemployment and increase *per capita* income
- Create a globally-competitive business environment
- Manage resources to maximize return on investment

The budgetary resources for the Cabinet are organized in four appropriation units: Office of the Secretary, New Business Development, Financial Incentives, and Existing Business Development. The Department for Commercialization and Innovation's budget is a part of the Office of the Secretary.

**Economic Development
Secretary**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	11,262,100	18,620,500	23,625,100	16,619,000	22,725,200
Salary Compensation Fund	111,300				
Base Deduction	-205,800				
Total General Fund	11,167,600	18,620,500	23,625,100	16,619,000	22,725,200
Restricted Funds					
Balance Forward	1,178,100	343,600		343,600	
Current Receipts	505,500	796,400	1,140,000	796,400	1,140,000
Non-Revenue Receipts	804,800	200,000	200,000	200,000	200,000
Fund Transfers	-200,000				
Total Restricted Funds	2,288,400	1,340,000	1,340,000	1,340,000	1,340,000
TOTAL SOURCE OF FUNDS	13,456,000	19,960,500	24,965,100	17,959,000	24,065,200
EXPENDITURES BY CLASS					
Personnel Cost	3,820,600	5,078,000	5,311,100	4,001,200	4,056,400
Operating Expenses	882,000	1,432,500	1,454,000	782,000	782,000
Grants, Loans or Benefits	8,175,800	13,450,000	18,200,000	13,175,800	17,175,800
Debt Service	234,000				2,051,000
TOTAL EXPENDITURES	13,112,400	19,960,500	24,965,100	17,959,000	24,065,200
EXPENDITURES BY FUND SOURCE					
General Fund	11,167,600	18,620,500	23,625,100	16,619,000	22,725,200
Restricted Funds	1,944,800	1,340,000	1,340,000	1,340,000	1,340,000
TOTAL EXPENDITURES	13,112,400	19,960,500	24,965,100	17,959,000	24,065,200
EXPENDITURES BY UNIT					
Executive Policy & Management	2,629,600	2,305,500	2,369,600	2,846,700	2,859,600
Commercialization & Innovation	8,107,300	14,782,400	19,588,000	12,675,700	18,732,100
Research and Information Technology	1,464,800	1,851,400	1,951,000	1,523,800	1,550,000
Administration and Support	910,700	1,021,200	1,056,500	912,800	923,500
TOTAL EXPENDITURES	13,112,400	19,960,500	24,965,100	17,959,000	24,065,200

The Secretary's Office provides management of the programs and entities within the Cabinet under the direction of the Kentucky Economic Development Partnership Board. Staff and administrative functions within the Office include communication and marketing services, general counsel, legislative initiatives and special projects.

The Office of Research and Information Technology provides Cabinet-wide support in the areas of information technology, research services and strategic planning support. The staff in this division maintain current data on available industrial sites and buildings in the state; compile data on taxes, transportation, education, labor force availability and industrial services; and provide general economic and demographic statistics for all Kentucky communities.

The Office of Administrative Services provides accounting, budgeting, procurement, and personnel services for all of the agencies within the Cabinet.

The Department for Commercialization and Innovation (DCI) is within the Office of the Secretary. This Department is created by KRS 154.12-278 with the mission to implement the Kentucky Innovation Act passed by the 2000 General Assembly, which mandates creation of the infrastructure necessary to support knowledge-based and technology-driven firms in the Commonwealth of Kentucky. Such New Economy businesses need pure research from universities and other institutions,

laboratory and technology resources, a workforce with current scientific and technical skills, and high-speed communications capability. Just as the industrial firms of the manufacturing economy tended to locate near steel mills and electricity generators, these new firms tend to grow in clusters around their necessary resources. The Department uses grants, loans, training and information to make available those raw materials of the New Economy, and provides assistance to existing and start-up firms in bringing their knowledge-based products to commercial viability. The Commissioner of DCI works closely with the state universities, the Council on Postsecondary Education, and the Governor's Office for Agricultural Policy, among others, to build a thriving entrepreneurial climate in Kentucky.

The Commissioner of DCI and the Kentucky Economic Development Finance Authority administer the high tech construction and high tech investment pools, as prescribed in KRS 154.12-278. In 2005, these efforts included providing a grant for \$750,000 to MetaCyte Business Lab, a biotechnology incubator, to help create new biotech companies and to hire the management and marketing expertise needed by these start-up firms. Over one million dollars was provided to the Center for Pharmaceutical Science & Technology at the University of Kentucky. CPST is building a new, 20,000 square foot pharmaceutical clinical-supplies manufacturing facility, which will also bring in high-skill, high-wage jobs.

Policy

On April 27, 2005, the Kentucky Economic Development Partnership Board adopted resolution 05-03, changing the name of the Department for Innovation and Commercialization for a Knowledge Based Economy to the Department for Commercialization and Innovation (DCI).

The Executive Budget includes General Fund support in each fiscal year for the ideaFestival. An additional General Fund appropriation of \$2,051,000 in fiscal year 2008 is for debt service on \$20,000,000 in bonds for the high tech construction and high tech investments pools.

In the Department for Commercialization and Innovation, General Fund appropriations of \$8 million in fiscal year 2007 and \$12 million in fiscal year 2008 are provided for several new initiatives:

The Kentucky **Life Sciences Commercialization Program** will address one of the key recommendations from the Governor's Life Sciences/Biosciences Consortium Report in 2005. That recommendation called for enhancing Kentucky's current statewide biotechnology commercialization program to more adequately address the needs of the Life Sciences disciplines. Existing biotechnology commercialization efforts will be expanded.

	<u>Fiscal Year 2007</u>	<u>Fiscal Year 2008</u>
	\$ 5,000,000	\$ 5,000,000

A **Small Business Innovation Research Incentive Program** will encourage small businesses to explore their technological potential and maximize profit from commercialization. DCI will match all Phase 1 and Phase 2 Federal awards received by Kentucky businesses. This would include matching awards of up to \$100,000 to support Phase 1 exploration of the technical merit or feasibility of an idea or technology. Phase 2 Federal awards, which support full-scale research and development, can be up to \$750,000, and would be matched by the Commonwealth up to the first \$500,000.

Phase 1	\$ 2,050,000	\$ 2,000,000
Phase 2	-0-	4,300,000

A **Strategic Analysis of Technologies** will reevaluate Kentucky's top science and technology assets and capabilities (other than the biosciences) as identified in the 2002 Strategic Plan. This will ensure commercialization and innovation initiatives are aligned with the Commonwealth's technological resources.

	\$ 200,000	-0-
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A **Statewide Science and Technology Assets Database** will be developed that catalogs all science assets and capabilities statewide. The comprehensive, searchable database will be available for use by businesses in Kentucky and other states to facilitate existing and new business relationships between companies.

	\$ 300,000	\$ 250,000
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The Department will conduct a statewide **Life Sciences and Biotechnology Assessment** that includes a fast-start technology commercialization and innovation strategy and biosciences assets database to be included in the database mentioned above. The assessment will focus on life sciences and biotechnology to help develop specialized insight into the Commonwealth's biotechnology industry to facilitate building internal competencies, identifying growth opportunities, and

implementing strategies to overcome challenges in the innovative life sciences sector.

<u>Fiscal Year 2007</u>	<u>Fiscal Year 2008</u>
\$ 150,000	\$ 150,000

The Department will develop a statewide **Nanoscience Analysis and Strategic Plan** and implement a fast-start technology commercialization and innovation strategy. The analysis would be similar to the assessment described above for life sciences and biotechnology, but would focus on nanoscience. Since nanoscience is a “cross-cutting” technology that involves virtually every other area of science, the analysis and plan would also look at related areas of information technology and communications, environmental and energy technology, and materials science and advanced manufacturing.

\$ 150,000	\$ 150,000
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A **Statewide Business Plan Competition and Awards** program will encourage entrepreneurship and develop new high-growth ventures in the Commonwealth. The winner will receive a cash award of up to \$100,000.

\$ 150,000	\$ 150,000
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The Governor’s recommended budget includes \$420,800 in General Fund support in each fiscal year for the Louisville Waterfront Development Corporation.

**Economic Development
New Business Development**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	1,812,300	2,648,200	2,718,100	1,365,200	1,377,500
Salary Compensation Fund	20,600				
Base Deduction	-151,300				
Total General Fund	1,681,600	2,648,200	2,718,100	1,365,200	1,377,500
Restricted Funds					
Balance Forward	757,100	177,100		177,100	
Non-Revenue Receipts		569,900	747,000	569,900	747,000
Total Restricted Funds	757,100	747,000	747,000	747,000	747,000
TOTAL SOURCE OF FUNDS	2,438,700	3,395,200	3,465,100	2,112,200	2,124,500
EXPENDITURES BY CLASS					
Personnel Cost	1,795,000	2,052,000	2,122,500	1,645,600	1,657,900
Operating Expenses	466,600	1,343,200	1,342,600	466,600	466,600
TOTAL EXPENDITURES	2,261,600	3,395,200	3,465,100	2,112,200	2,124,500
EXPENDITURES BY FUND SOURCE					
General Fund	1,681,600	2,648,200	2,718,100	1,365,200	1,377,500
Restricted Funds	580,000	747,000	747,000	747,000	747,000
TOTAL EXPENDITURES	2,261,600	3,395,200	3,465,100	2,112,200	2,124,500

The Department for New Business Development is responsible for recruiting businesses to locate new facilities in Kentucky. This task includes targeting and contacting specific industries and businesses outside of Kentucky; meeting and corresponding with business representatives; and coordinating site location referrals and visits. The Department coordinates the exchange of information concerning financing, workforce availability and training assistance, and regulatory requirements.

The Department has representatives in two international offices in Tokyo, Japan and Brussels, Belgium. Contractual agents in these offices assist in the recruitment of international companies to the Commonwealth.

Policy

On April 27, 2005, the Kentucky Economic Development Partnership Board adopted resolution 05-02 which dissolved the Department of Regional Development in the Cabinet for Economic Development and transferred the existing personnel and remaining duties related to administration of the multi-county coal fund to the Department for New Business Development.

**Economic Development
Financial Incentives**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	3,327,600	3,582,400	3,617,900	3,200,000	4,131,000
Continuing Appropriation	7,702,000	7,200,300	6,700,000	7,200,300	3,123,600
Salary Compensation Fund	32,400				
Base Deduction	-41,200				
Total General Fund	11,020,800	10,782,700	10,317,900	10,400,300	7,254,600
Restricted Funds					
Balance Forward	264,300				
Current Receipts	1,232,100	2,289,700	2,377,000	1,535,300	1,556,300
Non-Revenue Receipts	231,800	254,300	254,300	254,300	254,300
Total Restricted Funds	1,728,200	2,544,000	2,631,300	1,789,600	1,810,600
TOTAL SOURCE OF FUNDS	12,749,000	13,326,700	12,949,200	12,189,900	9,065,200
EXPENDITURES BY CLASS					
Personnel Cost	1,923,800	2,804,500	2,927,300	1,941,400	1,968,800
Operating Expenses	124,900	322,200	321,900	124,900	124,900
Grants, Loans or Benefits	3,500,000	3,500,000	3,500,000	7,000,000	6,040,500
Debt Service					931,000
TOTAL EXPENDITURES	5,548,700	6,626,700	6,749,200	9,066,300	9,065,200
EXPENDITURES BY FUND SOURCE					
General Fund	3,820,500	4,082,700	4,117,900	7,276,700	7,254,600
Restricted Funds	1,728,200	2,544,000	2,631,300	1,789,600	1,810,600
TOTAL EXPENDITURES	5,548,700	6,626,700	6,749,200	9,066,300	9,065,200
EXPENDITURES BY UNIT					
Financial Incentives	1,473,900	2,289,700	2,377,000	1,535,300	2,487,300
Bluegrass State Skills	4,074,800	4,337,000	4,372,200	7,531,000	6,577,900
TOTAL EXPENDITURES	5,548,700	6,626,700	6,749,200	9,066,300	9,065,200

The Department of Financial Incentives coordinates all of the financial assistance programs and tax credits available to businesses locating and expanding in Kentucky.

Staff in the Department administer the decisions of the Kentucky Economic Development Finance Authority (KEDFA). KEDFA encourages economic development, business expansion, and job creation by providing loans and grants for building new plants; expanding existing facilities; and recruiting and training Kentuckians for new and better-paying jobs. Members of KEDFA include six private citizens appointed by the Kentucky Economic Development Partnership Board, and the Secretary of the Finance and Administration Cabinet who is an *ex officio* appointee. The repayable and forgivable loans, grants and credits that KEDFA provides are authorized in the statutes to address a variety of economic situations such as chronic high levels of unemployment; lack of job skills in the available workforce; and lack of adequate physical, communications, and transportation infrastructure. Some of the programs are available to firms statewide, while others are targeted to areas that meet specific needs criteria.

- Small Business Loan Program (KRS 154.12-330)
- The Economic Development Bond Program (KRS 154.12-100)
- The Direct Loan Program (KRS 154.20-030)
- The Kentucky Investment Fund Act (KRS 154.20-256)
- The Kentucky Rural Economic Development Act (KRS 154.22)

- The Kentucky Economic Opportunity Zone Act (KRS 154.45-010)
- The Kentucky Economic Preference (Enterprise) Zone Act (KRS 154.45-010)
- The Kentucky Jobs Development Act (KRS 154.24-010)
- The Kentucky Industrial Revitalization Act (KRS 154.26)
- The Kentucky Industrial Development Act (KRS 154.28)
- The Kentucky Reinvestment Act (HB 510, 2003 session)
- Tax Increment Financing (KRS 65.6971 and KRS 65.6972)
- New Economy Grants (KRS 154.12-278)
- Industrial Revenue Bonds (issued or reviewed under the authority of KRS 103.210)

Bluegrass State Skills Corporation (BSSC) is an independent, *de jure* corporation, created in KRS 154.12-204 through 154.12-208 and attached for administrative purposes to the Cabinet for Economic Development. The Corporation stimulates economic development by funding the cost of training employees and upgrading their skills. Individual firms and business consortia that want to upgrade the training of their workers can apply for cost reimbursement from BSSC. In addition to underwriting the cost of training, BSSC works with the Department for Workforce Investment and the Kentucky Community and Technical College System to develop curricula and provide teachers to meet the specific needs of a firm and its employees.

The Economic Development Bond program as authorized in KRS 154.12-100 uses bond proceeds to leverage private investment to promote the overall economic development of the Commonwealth. This includes the development of public projects such as industrial parks, river ports, and tourism facilities.

Policy

General Fund appropriations for the Bluegrass State Skills Corporation's grants shall not lapse to the credit of the General Fund surplus, but shall continue forward from each fiscal year to the next fiscal year to the extent that any balance is unexpended.

The Executive Budget includes a General Fund appropriation of \$931,000 in fiscal year 2008 for debt service on \$10,000,000 in bonds for the economic development pool.

**Economic Development
Existing Business Development**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	3,377,100	4,714,400	4,884,100	3,457,500	3,503,400
Salary Compensation Fund	90,800				
Base Deduction	-414,800				
Total General Fund	3,053,100	4,714,400	4,884,100	3,457,500	3,503,400
Restricted Funds					
Balance Forward	134,900				
Non-Revenue Receipts	212,700	210,000	210,000	210,000	210,000
Total Restricted Funds	347,600	210,000	210,000	210,000	210,000
Federal Funds					
Balance Forward	16,800	16,800	16,800	16,800	16,800
Current Receipts	155,400	155,400	155,400	155,400	155,400
Total Federal Funds	172,200	172,200	172,200	172,200	172,200
TOTAL SOURCE OF FUNDS	3,572,900	5,096,600	5,266,300	3,839,700	3,885,600
EXPENDITURES BY CLASS					
Personnel Cost	2,961,900	3,702,500	3,872,200	3,291,800	3,337,700
Operating Expenses	544,200	1,327,300	1,327,300	481,100	481,100
Grants, Loans or Benefits	50,000	50,000	50,000	50,000	50,000
TOTAL EXPENDITURES	3,556,100	5,079,800	5,249,500	3,822,900	3,868,800
EXPENDITURES BY FUND SOURCE					
General Fund	3,053,100	4,714,400	4,884,100	3,457,500	3,503,400
Restricted Funds	347,600	210,000	210,000	210,000	210,000
Federal Funds	155,400	155,400	155,400	155,400	155,400
TOTAL EXPENDITURES	3,556,100	5,079,800	5,249,500	3,822,900	3,868,800
EXPENDITURES BY UNIT					
Small Business Advocacy	221,600	767,800	782,500	295,600	300,700
Executive Policy & Management	436,000	531,200	555,500	443,500	450,400
Small Business Services	1,002,300	1,199,300	1,245,900	1,038,600	1,049,900
Regional Offices	1,102,100	1,245,000	1,307,000	1,105,200	1,122,500
International Trade	794,100	1,336,500	1,358,600	940,000	945,300
TOTAL EXPENDITURES	3,556,100	5,079,800	5,249,500	3,822,900	3,868,800

The Department of Existing Business Development is responsible for the retention and expansion of existing businesses. It seeks to expand Kentucky's entrepreneurial capacity and to help communities realize their economic potential. The Department includes the Division of Small Business Services, the regional development offices and the Division of International Trade.

The Small Business Services Division promotes small business development through three entrepreneurial support programs:

- Business Information Clearinghouse serves as a centralized information source on business regulations; assists new and expanding businesses to secure licenses and permits; and acts as a referral service for government financial and management assistance programs.

- Kentucky Procurement Assistance provides technical assistance to businesses competing for federal and state government contracts.
- Small and Minority Business serves as a resource center for business owners/managers and establishes educational programs to address the needs of minority enterprises.

The regional economic development offices foster the retention and expansion of Kentucky's manufacturing and value-added business base. The Division has offices in Madisonville, Frankfort and Prestonsburg. Staff in these offices offer a statewide industry visitation program to help Kentucky's business and industry improve their competitive positions and to access state incentive programs. Regional staff also assist communities and local economic development groups to improve their business infrastructure and to develop industrial sites.

The International Trade Division enables Kentucky companies to become more competitive in global markets. The division emphasizes trade awareness and education. Staff provide assistance to Kentucky companies on trade-related issues and participate in trade missions. The division demonstrates how local economic development groups might develop trade assistance programs.

- The Kentucky Agricultural and Commercial Trade Office located in Guadalajara, Mexico, promotes exports of Kentucky manufactured goods, services, and agricultural products throughout Mexico. This office is funded and operated cooperatively by the Cabinet for Economic Development and the Kentucky Department of Agriculture.
- The Kentucky South America Trade Office located in Santiago, Chile, assists Kentucky companies in large and important markets throughout South America. The Chile Free Trade Agreement offers Kentucky export sectors improved market access and streamlined custom services to fast-growing Chilean markets.
- The Department expects to open a trade office in China during the fourth quarter of fiscal year 2006.

Policy

On June 17, 2005, Executive Order 2005-571 dissolved the Commission on Small Business Advocacy, created in KRS 11.200 and 11.202, in the Commerce Cabinet and recreated the Commission in the Cabinet for Economic Development. Commerce Cabinet General Fund appropriations for fiscal year 2006 were transferred to the Department of Existing Business Development to support the staff and operations of the Commission.

The Governor's recommended budget includes an additional \$100,000 each year to support the new China trade office. Increased support of \$50,000 each year is provided for the South America Trade Office. The funds are needed to compensate for changes in currency exchange rates and to allow staff in the Santiago office to travel to Kentucky at least once each year.

The Executive Budget includes \$150,000 each year to support a business development professional in Louisville who will work with aspiring minority entrepreneurs to build successful proprietorships. The Kentucky Economic Development Finance Authority shall make available \$300,000 in fiscal year 2008 for micro-business loans in the Small and Minority Business entrepreneurship program.



Department of Education



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Department of Education

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	3,391,551,100	3,743,109,100	4,054,031,800	3,555,007,600	3,752,161,200
Continuing Appropriation	7,051,700				
Salary Compensation Fund	1,335,000				
Base Deduction	-4,313,300				
Total General Fund	3,395,624,500	3,743,109,100	4,054,031,800	3,555,007,600	3,752,161,200
Tobacco Settlement-Phase I					
Tobacco Settlement - I	1,888,400	1,923,100	1,946,800	1,388,400	1,508,400
Continuing Appropriation	248,900				
Total Tobacco Settlement-Phase I	2,137,300	1,923,100	1,946,800	1,388,400	1,508,400
Restricted Funds					
Balance Forward	1,503,000				
Current Receipts	3,440,400	4,873,400	4,894,600	4,831,300	4,831,300
Non-Revenue Receipts		83,300	46,300	5,000,000	5,000,000
Total Restricted Funds	4,943,400	4,956,700	4,940,900	9,831,300	9,831,300
Federal Funds					
Balance Forward	1,921,800	341,600		341,600	
Current Receipts	462,887,000	464,593,000	464,765,700	464,447,100	464,447,100
Non-Revenue Receipts	222,783,300	222,947,600	223,019,600	222,858,200	222,924,300
Total Federal Funds	687,592,100	687,882,200	687,785,300	687,646,900	687,371,400
TOTAL SOURCE OF FUNDS	4,090,297,300	4,437,871,100	4,748,704,800	4,253,874,200	4,450,872,300
EXPENDITURES BY CLASS					
Personnel Cost	61,900,800	68,925,100	71,596,300	62,609,900	63,411,700
Operating Expenses	18,671,200	44,296,000	43,917,700	24,646,600	34,589,300
Grants, Loans or Benefits	4,006,383,700	4,324,660,600	4,633,203,000	4,166,617,700	4,347,670,300
Debt Service					5,201,000
TOTAL EXPENDITURES	4,086,955,700	4,437,881,700	4,748,717,000	4,253,874,200	4,450,872,300
EXPENDITURES BY FUND SOURCE					
General Fund	3,392,624,500	3,743,109,100	4,054,031,800	3,555,007,600	3,752,161,200
Tobacco Settlement-Phase I	2,137,300	1,923,100	1,946,800	1,388,400	1,508,400
Restricted Funds	4,943,400	4,956,700	4,940,900	9,831,300	9,831,300
Federal Funds	687,250,500	687,882,200	687,785,300	687,646,900	687,371,400
TOTAL EXPENDITURES	4,086,955,700	4,437,871,100	4,748,704,800	4,253,874,200	4,450,872,300
EXPENDITURES BY UNIT					
Executive Policy and Management	654,300	755,600	788,100	672,000	679,800
Operations and Support Services	42,232,200	69,355,300	69,970,500	52,863,400	68,315,300
Learning and Results Services	1,449,176,500	1,543,715,900	1,616,974,300	1,519,903,400	1,566,059,500
Support Education Excellence in Kentucky (SEEK)	2,594,892,700	2,824,044,300	3,060,971,900	2,680,435,400	2,815,817,700
TOTAL EXPENDITURES	4,086,955,700	4,437,871,100	4,748,704,800	4,253,874,200	4,450,872,300

In enacting the Kentucky Education Reform Act (KERA), the 1990 General Assembly provided for a reconstituted Department of Education to implement KERA along with existing programs. In accordance with KRS 156.148, the Department of Education is headed by a Commissioner of Education appointed by the Kentucky Board of Education.

**Department of Education
Executive Policy and Management**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	687,900	755,600	788,100	672,000	679,800
Salary Compensation Fund	20,600				
Base Deduction	-54,200				
Total General Fund	654,300	755,600	788,100	672,000	679,800
TOTAL SOURCE OF FUNDS	654,300	755,600	788,100	672,000	679,800
EXPENDITURES BY CLASS					
Personnel Cost	527,800	597,200	629,700	536,900	544,700
Operating Expenses	126,500	158,400	158,400	135,100	135,100
TOTAL EXPENDITURES	654,300	755,600	788,100	672,000	679,800
EXPENDITURES BY FUND SOURCE					
General Fund	654,300	755,600	788,100	672,000	679,800
TOTAL EXPENDITURES	654,300	755,600	788,100	672,000	679,800
EXPENDITURES BY UNIT					
Commissioner	556,100	657,400	689,900	565,200	573,000
Kentucky Board of Education	98,200	98,200	98,200	106,800	106,800
TOTAL EXPENDITURES	654,300	755,600	788,100	672,000	679,800

The Department of Education's Executive Policy and Management function consists of the Commissioner of Education and the Kentucky Board of Education.

The 1990 General Assembly, as part of the Kentucky Education Reform Act (KERA), provided in KRS 156.148 for the appointment of a Commissioner of Education by the Kentucky Board of Education to serve as the chief state school officer.

As part of the same legislation, the General Assembly, in KRS 156.029, created an 11 member Kentucky Board of Education. Board members are appointed by the Governor and confirmed by the Senate and the House of Representatives. Seven members are selected from the state's seven Supreme Court districts and four are appointed from the state at large. Board members serve four-year staggered terms. The Executive Director of the Council on Postsecondary Education serves as an ex officio non-voting board member. Overall policy regarding public elementary and secondary education in Kentucky is set by the Kentucky Board of Education within the legal framework established by the General Assembly.

The Commissioner of Education's qualifications and compensation are set by the Kentucky Board of Education. The Commissioner serves at the pleasure of the Board. The Commissioner is responsible for carrying out all duties assigned by the legislature, for executing education policy as directed by the State Board, and directing the work of all persons employed by the Department of Education.

**Department of Education
Operations and Support Services**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	34,200,300	58,492,000	59,123,000	37,125,500	52,577,400
Salary Compensation Fund	258,500				
Base Deduction	-76,600				
Total General Fund	34,382,200	58,492,000	59,123,000	37,125,500	52,577,400
Restricted Funds					
Balance Forward	345,200				
Current Receipts	1,977,000	2,252,200	2,273,400	2,210,100	2,210,100
Non-Revenue Receipts		83,300	46,300	5,000,000	5,000,000
Total Restricted Funds	2,322,200	2,335,500	2,319,700	7,210,100	7,210,100
Federal Funds					
Balance Forward	110,700				
Current Receipts	8,417,100	8,527,800	8,527,800	8,527,800	8,527,800
Total Federal Funds	8,527,800	8,527,800	8,527,800	8,527,800	8,527,800
TOTAL SOURCE OF FUNDS	45,232,200	69,355,300	69,970,500	52,863,400	68,315,300
EXPENDITURES BY CLASS					
Personnel Cost	9,750,300	11,824,900	12,478,400	10,088,100	10,337,400
Operating Expenses	4,254,100	29,313,200	29,276,500	9,547,500	19,549,100
Grants, Loans or Benefits	28,227,800	28,227,800	28,227,800	33,227,800	33,227,800
Debt Service					5,201,000
TOTAL EXPENDITURES	42,232,200	69,365,900	69,982,700	52,863,400	68,315,300
EXPENDITURES BY FUND SOURCE					
General Fund	31,382,200	58,492,000	59,123,000	37,125,500	52,577,400
Restricted Funds	2,322,200	2,335,500	2,319,700	7,210,100	7,210,100
Federal Funds	8,527,800	8,527,800	8,527,800	8,527,800	8,527,800
TOTAL EXPENDITURES	42,232,200	69,355,300	69,970,500	52,863,400	68,315,300
EXPENDITURES BY UNIT					
Deputy Commissioner	231,100	251,400	264,500	241,200	243,100
Internal Administration and Support	9,088,600	10,788,600	11,173,200	14,577,300	29,952,200
Education Technology	30,357,100	55,635,000	55,763,700	35,565,000	35,612,600
Legal and Legislative Services	686,000	721,400	749,700	690,100	695,000
Communications	1,869,400	1,958,900	2,019,400	1,789,800	1,812,400
TOTAL EXPENDITURES	42,232,200	69,355,300	69,970,500	52,863,400	68,315,300

The Operations and Support Services program area consists of the Office of Internal Administration; Office of Education Technology; Office of Legal and Legislative Services; and Office of Communications.

**Department of Education
Operations and Support Services
Deputy Commissioner**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	122,900	251,400	264,500	241,200	243,100
Salary Compensation Fund	117,000				
Base Deduction	-8,800				
Total General Fund	231,100	251,400	264,500	241,200	243,100
TOTAL SOURCE OF FUNDS	231,100	251,400	264,500	241,200	243,100
EXPENDITURES BY CLASS					
Personnel Cost	212,000	232,300	245,400	222,100	224,000
Operating Expenses	19,100	19,100	19,100	19,100	19,100
TOTAL EXPENDITURES	231,100	251,400	264,500	241,200	243,100
EXPENDITURES BY FUND SOURCE					
General Fund	231,100	251,400	264,500	241,200	243,100
TOTAL EXPENDITURES	231,100	251,400	264,500	241,200	243,100

The Deputy Commissioner and associated support staff provide policy and administrative direction for the Operations and Support Services program area. The Deputy Commissioner reports directly to the Commissioner of Education.

**Department of Education
Operations and Support Services
Internal Administration and Support**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	9,950,000	8,672,900	9,033,400	12,547,100	27,922,000
Salary Compensation Fund	114,300				
Base Deduction	-2,700				
Total General Fund	10,061,600	8,672,900	9,033,400	12,547,100	27,922,000
Restricted Funds					
Balance Forward	219,500				
Current Receipts	1,807,500	2,072,300	2,093,500	2,030,200	2,030,200
Non-Revenue Receipts		43,400	46,300		
Total Restricted Funds	2,027,000	2,115,700	2,139,800	2,030,200	2,030,200
TOTAL SOURCE OF FUNDS	12,088,600	10,788,600	11,173,200	14,577,300	29,952,200
EXPENDITURES BY CLASS					
Personnel Cost	5,466,300	7,157,700	7,540,700	5,661,600	5,833,900
Operating Expenses	3,622,300	3,641,500	3,644,700	8,915,700	18,917,300
Debt Service					5,201,000
TOTAL EXPENDITURES	9,088,600	10,799,200	11,185,400	14,577,300	29,952,200
EXPENDITURES BY FUND SOURCE					
General Fund	7,061,600	8,672,900	9,033,400	12,547,100	27,922,000
Restricted Funds	2,027,000	2,115,700	2,139,800	2,030,200	2,030,200
TOTAL EXPENDITURES	9,088,600	10,788,600	11,173,200	14,577,300	29,952,200
EXPENDITURES BY UNIT					
Associate Commissioner	504,600	590,400	613,700	5,809,500	15,813,100
Budgets	694,300	828,900	874,100	756,300	5,967,900
Financial and Materials Management	3,233,700	4,058,300	4,119,100	3,241,300	3,249,500
Teachers' Retirement Match	2,607,800	3,046,800	3,218,100	2,705,600	2,840,900
Administrative Services	1,268,300	1,392,100	1,431,300	1,288,300	1,296,100
Human Resources	587,400	666,300	701,800	595,100	602,300
Project Management	192,500	205,800	215,100	181,200	182,400
TOTAL EXPENDITURES	9,088,600	10,788,600	11,173,200	14,577,300	29,952,200

The Office of Internal Administration and Support consists of the following divisions: Budgets; Financial and Materials Management; Administrative Services; Human Resources; and Project Management.

The Division of Budgets supervises all aspects of budget creation, both annual and biennial, budget analysis and forecasting, expenditure authorizations, personnel approvals, and allotment and appropriation adjustments and increases. The division serves as agency liaison with the Office of State Budget Director and Legislative Research Commission budget staff.

The Division of Financial and Materials Management supervises all expenditure and accounting transactions, purchasing and document preparation, and pre-audit functions. The division serves as liaison with the Auditor of Public Accounts and the Finance and Administration Cabinet and also is the primary department authority for MARS training and implementation.

The Division of Administrative Services is responsible for: insurance, leasing, management of leased property, inventory, telecommunications equipment, copiers, mail, office and furniture moves, receiving and distribution of equipment and

materials, printing, and processing of documents to archives. The division is also responsible for capital project planning, budgeting and administration.

The Division of Human Resources provides personnel and payroll services to department staff. These services include initiation of master agreements with local education agencies as well as administration of the state merit system, Family Medical Leave Act, Workers' Compensation, sick leave sharing, tuition assistance, employee training, Fair Labor Standards Act, Americans With Disabilities Act and all other related employment laws and regulations.

The Division of Project Management advises and assists department leadership in the most efficient and effective means of deploying information technology resources to meet the strategic priorities of the Kentucky Board of Education, Department of Education, and local districts and schools.

Policy

The Governor's budget recommendation includes \$5,201,000 in fiscal year 2008 for debt service in support of three education information technology capital projects. The first project is a \$6.25 million Knowledge Management Portal that will assist educators, students and parents by connecting curriculum, instruction, and assessment with other data generated by schools and the Kentucky Department of Education.

The second project - On-Line Assessment - will cost \$15 million and will provide a platform for on-line student assessment with quick reporting of scores. The project will also introduce diagnostic assessments administered at the classroom level and also the capacity for end-of-course assessments.

The third project is a \$16.1 million P-16 Education Information Technology Integration initiative. The Department of Education, the Education Cabinet, the Council on Postsecondary Education (CPE), and the Education Professional Standards Board (EPSB), have developed an unprecedented joint P-16 Education Information Technology Integration Initiative. This project will accomplish what no single organization can accomplish alone. This initiative has several interrelated components: a Kentucky Education Network (KEN), to provide a faster and higher volume transfer of data and electronic resources to schools connecting local school districts, universities and colleges, and other education agencies together in a single network; the establishment of a learning systems repository accessible electronically to share instructional content modules across all education agencies; a seamless P-16 data repository that allows comprehensive education information to be shared among agencies to better inform policy and decision making; a common course management system; and a unified structure for all virtual education entities.

The Governor's budget recommendation also includes \$5.3 million in fiscal year 2007 and \$15.3 million in fiscal year 2008 within the Deputy Commissioner's office for operational support for the three capital information technology projects.

**Department of Education
Operations and Support Services
Education Technology**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	21,814,100	47,060,000	47,188,700	21,990,000	22,037,600
Salary Compensation Fund	27,200				
Base Deduction	-59,200				
Total General Fund	21,782,100	47,060,000	47,188,700	21,990,000	22,037,600
Restricted Funds					
Balance Forward	8,700				
Current Receipts	66,300	75,000	75,000	75,000	75,000
Non-Revenue Receipts				5,000,000	5,000,000
Total Restricted Funds	75,000	75,000	75,000	5,075,000	5,075,000
Federal Funds					
Balance Forward	104,300				
Current Receipts	8,395,700	8,500,000	8,500,000	8,500,000	8,500,000
Total Federal Funds	8,500,000	8,500,000	8,500,000	8,500,000	8,500,000
TOTAL SOURCE OF FUNDS	30,357,100	55,635,000	55,763,700	35,565,000	35,612,600
EXPENDITURES BY CLASS					
Personnel Cost	1,919,400	2,197,300	2,326,000	2,127,300	2,174,900
Operating Expenses	437,700	25,437,700	25,437,700	437,700	437,700
Grants, Loans or Benefits	28,000,000	28,000,000	28,000,000	33,000,000	33,000,000
TOTAL EXPENDITURES	30,357,100	55,635,000	55,763,700	35,565,000	35,612,600
EXPENDITURES BY FUND SOURCE					
General Fund	21,782,100	47,060,000	47,188,700	21,990,000	22,037,600
Restricted Funds	75,000	75,000	75,000	5,075,000	5,075,000
Federal Funds	8,500,000	8,500,000	8,500,000	8,500,000	8,500,000
TOTAL EXPENDITURES	30,357,100	55,635,000	55,763,700	35,565,000	35,612,600
EXPENDITURES BY UNIT					
Associate Commissioner	8,781,700	8,811,200	8,827,700	13,960,200	13,953,100
Engineering Management	810,100	931,900	974,900	828,700	840,700
Operations and Services	1,265,300	1,391,900	1,461,100	1,276,100	1,318,800
Education Technology (KETS)	19,500,000	44,500,000	44,500,000	19,500,000	19,500,000
TOTAL EXPENDITURES	30,357,100	55,635,000	55,763,700	35,565,000	35,612,600

The Office of Education Technology provides policy and budget planning, liaison services, administration and quality assurance for the Kentucky Education Technology System (KETS). The Office is responsible for KETS shared services for 700,000 direct customers, 1,400 schools, 176 local school districts and the Kentucky Department of Education. The Office consists of two divisions – Engineering and Management, and Operations and Services.

Policy

The Governor's recommended budget includes \$5,000,000 in fiscal year 2007 and \$5,000,000 in fiscal year 2008 in increased funding for Kentucky's program of education technology. These funds are to be used to enhance the availability and use of education technology for students in coal-producing counties and school districts.

**Department of Education
Operations and Support Services
Legal and Legislative Services**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	686,000	721,400	749,700	690,100	695,000
Total General Fund	686,000	721,400	749,700	690,100	695,000
TOTAL SOURCE OF FUNDS	686,000	721,400	749,700	690,100	695,000
EXPENDITURES BY CLASS					
Personnel Cost	466,000	501,400	529,700	470,100	475,000
Operating Expenses	20,000	20,000	20,000	20,000	20,000
Grants, Loans or Benefits	200,000	200,000	200,000	200,000	200,000
TOTAL EXPENDITURES	686,000	721,400	749,700	690,100	695,000
EXPENDITURES BY FUND SOURCE					
General Fund	686,000	721,400	749,700	690,100	695,000
TOTAL EXPENDITURES	686,000	721,400	749,700	690,100	695,000
EXPENDITURES BY UNIT					
Associate Commissioner	486,000	521,400	549,700	490,100	495,000
Management Assistance Program	200,000	200,000	200,000	200,000	200,000
TOTAL EXPENDITURES	686,000	721,400	749,700	690,100	695,000

The Office of Legal and Legislative Services provides in-house counsel and advice for the Commissioner of Education, all offices of the Department of Education, and the Kentucky Board of Education. The office provides legal representation for the Department of Education and Kentucky Board of Education before administrative agencies and courts of law. It provides informal legal advice to local school districts and members of the general public. The office serves as the Kentucky Department of Education's liaison with the General Assembly.

The Office of Legal and Legislative Services also houses the Management Assistance Program. KRS 158.785 requires the Kentucky Department of Education to conduct a management audit of the governance and administration of a school district when a review of data or other information, including site investigations, indicates the presence of serious deficiencies in district management of an instructional or operational nature. The Commissioner of Education determines whether a comprehensive management audit is warranted. Such an audit examines a district's planning, operational support, fiscal management, personnel administration and instructional management. If the deficiencies documented are serious enough, the Commissioner recommends to the Kentucky Board of Education that the district be declared "state-assisted" or "state-managed." Districts so designated must develop and implement an improvement plan subject to Kentucky Board of Education Approval.

**Department of Education
Operations and Support Services
Communications**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	1,627,300	1,786,300	1,886,700	1,657,100	1,679,700
Base Deduction	-5,900				
Total General Fund	1,621,400	1,786,300	1,886,700	1,657,100	1,679,700
Restricted Funds					
Balance Forward	117,000				
Current Receipts	103,200	104,900	104,900	104,900	104,900
Non-Revenue Receipts		39,900			
Total Restricted Funds	220,200	144,800	104,900	104,900	104,900
Federal Funds					
Balance Forward	6,400				
Current Receipts	21,400	27,800	27,800	27,800	27,800
Total Federal Funds	27,800	27,800	27,800	27,800	27,800
TOTAL SOURCE OF FUNDS	1,869,400	1,958,900	2,019,400	1,789,800	1,812,400
EXPENDITURES BY CLASS					
Personnel Cost	1,686,600	1,736,200	1,836,600	1,607,000	1,629,600
Operating Expenses	155,000	194,900	155,000	155,000	155,000
Grants, Loans or Benefits	27,800	27,800	27,800	27,800	27,800
TOTAL EXPENDITURES	1,869,400	1,958,900	2,019,400	1,789,800	1,812,400
EXPENDITURES BY FUND SOURCE					
General Fund	1,621,400	1,786,300	1,886,700	1,657,100	1,679,700
Restricted Funds	220,200	144,800	104,900	104,900	104,900
Federal Funds	27,800	27,800	27,800	27,800	27,800
TOTAL EXPENDITURES	1,869,400	1,958,900	2,019,400	1,789,800	1,812,400
EXPENDITURES BY UNIT					
Associate Commissioner	801,100	783,300	778,300	694,100	700,300
Publications/Web Services	677,400	746,700	787,800	698,400	709,400
Video/Multimedia Services	390,900	428,900	453,300	397,300	402,700
TOTAL EXPENDITURES	1,869,400	1,958,900	2,019,400	1,789,800	1,812,400

The Office of Communications consists of two divisions: Publications and Web Services and Video and Multimedia Services. The Office is responsible for print, broadcast, Internet and other electronic information programs for educators, legislators, the education community and the general public. The Office is also responsible for media services for professional development, news media relations for the Commissioner and the Department of Education, awards and recognition activities, event planning and school visits and statewide tours by the Commissioner.

**Department of Education
Learning and Results Services**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	761,770,200	859,817,200	933,148,800	836,774,700	883,086,300
Continuing Appropriation	7,051,700				
Salary Compensation Fund	1,055,900				
Base Deduction	-4,182,500				
Total General Fund	765,695,300	859,817,200	933,148,800	836,774,700	883,086,300
Tobacco Settlement-Phase I					
Tobacco Settlement - I	1,888,400	1,923,100	1,946,800	1,388,400	1,508,400
Continuing Appropriation	248,900				
Total Tobacco Settlement-Phase I	2,137,300	1,923,100	1,946,800	1,388,400	1,508,400
Restricted Funds					
Balance Forward	1,157,800				
Current Receipts	1,463,400	2,621,200	2,621,200	2,621,200	2,621,200
Total Restricted Funds	2,621,200	2,621,200	2,621,200	2,621,200	2,621,200
Federal Funds					
Balance Forward	1,811,100	341,600		341,600	
Current Receipts	454,469,900	456,065,200	456,237,900	455,919,300	455,919,300
Non-Revenue Receipts	222,783,300	222,947,600	223,019,600	222,858,200	222,924,300
Total Federal Funds	679,064,300	679,354,400	679,257,500	679,119,100	678,843,600
TOTAL SOURCE OF FUNDS	1,449,518,100	1,543,715,900	1,616,974,300	1,519,903,400	1,566,059,500
EXPENDITURES BY CLASS					
Personnel Cost	51,622,700	56,503,000	58,488,200	51,984,900	52,529,600
Operating Expenses	14,290,600	14,824,400	14,482,800	14,964,000	14,905,100
Grants, Loans or Benefits	1,383,263,200	1,472,388,500	1,544,003,300	1,452,954,500	1,498,624,800
TOTAL EXPENDITURES	1,449,176,500	1,543,715,900	1,616,974,300	1,519,903,400	1,566,059,500
EXPENDITURES BY FUND SOURCE					
General Fund	765,695,300	859,817,200	933,148,800	836,774,700	883,086,300
Tobacco Settlement-Phase I	2,137,300	1,923,100	1,946,800	1,388,400	1,508,400
Restricted Funds	2,621,200	2,621,200	2,621,200	2,621,200	2,621,200
Federal Funds	678,722,700	679,354,400	679,257,500	679,119,100	678,843,600
TOTAL EXPENDITURES	1,449,176,500	1,543,715,900	1,616,974,300	1,519,903,400	1,566,059,500
EXPENDITURES BY UNIT					
Deputy Commissioner	16,393,000	16,751,000	16,421,900	16,735,700	16,396,700
Special Instructional Services	439,493,000	444,443,400	445,567,400	440,820,300	441,388,100
Leadership and School Improvement	80,807,000	85,816,300	86,013,500	80,600,200	80,661,600
Assessment and Accountability	20,680,900	20,995,600	21,096,600	20,697,200	20,719,500
Teaching and Learning	171,398,900	192,391,600	192,651,500	191,854,800	192,419,200
District Support Services	720,403,700	783,318,000	855,223,400	769,195,200	814,474,400
TOTAL EXPENDITURES	1,449,176,500	1,543,715,900	1,616,974,300	1,519,903,400	1,566,059,500

The Learning and Results Services program area consists of the following offices: Special Instructional Services; Leadership and School Improvement; Assessment and Accountability; Teaching and Learning; and District Support Services.

Policy

The Governor's budget recommendation continues the policy established during the 2002-2004 biennium of designating five programs - Extended School Services, Preschool, Professional Development, Safe Schools, and Textbooks "Flexible Focus Funds". This permits local school districts to use discretion in the allocation of these funds while still addressing the governing statutes and serving the needs of the target populations.

**Department of Education
Learning and Results Services
Deputy Commissioner**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	15,478,400	15,579,100	15,591,600	15,563,800	15,566,400
Salary Compensation Fund	369,000				
Base Deduction	-284,700				
Total General Fund	15,562,700	15,579,100	15,591,600	15,563,800	15,566,400
Restricted Funds					
Balance Forward	265,100				
Current Receipts	330,700	595,800	595,800	595,800	595,800
Total Restricted Funds	595,800	595,800	595,800	595,800	595,800
Federal Funds					
Balance Forward	576,100	341,600		341,600	
Current Receipts		234,500	234,500	234,500	234,500
Total Federal Funds	576,100	576,100	234,500	576,100	234,500
TOTAL SOURCE OF FUNDS	16,734,600	16,751,000	16,421,900	16,735,700	16,396,700
EXPENDITURES BY CLASS					
Personnel Cost	461,800	478,200	490,700	462,900	465,500
Operating Expenses	528,500	870,100	528,500	870,100	528,500
Grants, Loans or Benefits	15,402,700	15,402,700	15,402,700	15,402,700	15,402,700
TOTAL EXPENDITURES	16,393,000	16,751,000	16,421,900	16,735,700	16,396,700
EXPENDITURES BY FUND SOURCE					
General Fund	15,562,700	15,579,100	15,591,600	15,563,800	15,566,400
Restricted Funds	595,800	595,800	595,800	595,800	595,800
Federal Funds	234,500	576,100	234,500	576,100	234,500
TOTAL EXPENDITURES	16,393,000	16,751,000	16,421,900	16,735,700	16,396,700
EXPENDITURES BY UNIT					
Deputy Commissioner	328,000	344,400	356,900	329,100	331,700
National Center Education Statistics Project	234,500	576,100	234,500	576,100	234,500
Staff Development	15,034,700	15,034,700	15,034,700	15,034,700	15,034,700
Statewide Teacher Recruitment	200,000	200,000	200,000	200,000	200,000
KEES Project	177,800	177,800	177,800	177,800	177,800
CCSSO/SAELP	418,000	418,000	418,000	418,000	418,000
TOTAL EXPENDITURES	16,393,000	16,751,000	16,421,900	16,735,700	16,396,700

The Deputy Commissioner and associated support staff provide policy and administrative direction for the Learning Support Services major program area. The Deputy Commissioner reports directly to the Commissioner of Education and has responsibility for the following offices: Special Instructional Services; Leadership and School Improvement; Assessment and Accountability; Teaching and Learning; and District Support Services.

**Department of Education
Learning and Results Services
Special Instructional Services**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	26,955,500	31,660,400	32,614,400	28,266,000	28,833,800
Base Deduction	-16,800				
Total General Fund	26,938,700	31,660,400	32,614,400	28,266,000	28,833,800
Restricted Funds					
Balance Forward	585,500				
Current Receipts	585,900	1,171,400	1,171,400	1,171,400	1,171,400
Total Restricted Funds	1,171,400	1,171,400	1,171,400	1,171,400	1,171,400
Federal Funds					
Balance Forward	969,200				
Current Receipts	410,413,700	411,522,200	411,686,300	411,382,900	411,382,900
Non-Revenue Receipts		89,400	95,300		
Total Federal Funds	411,382,900	411,611,600	411,781,600	411,382,900	411,382,900
TOTAL SOURCE OF FUNDS	439,493,000	444,443,400	445,567,400	440,820,300	441,388,100
EXPENDITURES BY CLASS					
Personnel Cost	18,415,700	20,935,800	22,059,800	18,896,500	19,181,600
Operating Expenses	4,741,200	4,808,000	4,808,000	4,947,600	5,230,300
Grants, Loans or Benefits	416,336,100	418,699,600	418,699,600	416,976,200	416,976,200
TOTAL EXPENDITURES	439,493,000	444,443,400	445,567,400	440,820,300	441,388,100
EXPENDITURES BY FUND SOURCE					
General Fund	26,938,700	31,660,400	32,614,400	28,266,000	28,833,800
Restricted Funds	1,171,400	1,171,400	1,171,400	1,171,400	1,171,400
Federal Funds	411,382,900	411,611,600	411,781,600	411,382,900	411,382,900
TOTAL EXPENDITURES	439,493,000	444,443,400	445,567,400	440,820,300	441,388,100
EXPENDITURES BY UNIT					
Associate Commissioner	414,500	528,600	554,300	417,800	424,200
Exceptional Children Services	161,937,200	162,102,800	162,196,200	161,937,500	161,938,500
Career and Technical Education	20,602,900	23,177,500	23,271,600	21,308,900	21,352,600
Federal Program and Instructional Equity	241,416,300	241,484,400	241,563,000	241,416,300	241,416,300
Kentucky School for the Blind	6,231,300	6,981,700	7,315,100	6,491,400	6,707,100
Kentucky School for the Deaf	8,890,800	10,168,400	10,667,200	9,248,400	9,549,400
TOTAL EXPENDITURES	439,493,000	444,443,400	445,567,400	440,820,300	441,388,100

The Office of Special Instructional Services as established by KRS 156.010 contains five divisions: Exceptional Children Services; Career and Technical Education; Federal Programs and Instructional Equity; the Kentucky School for the Blind; and the Kentucky School for the Deaf.

**Department of Education
Learning and Results Services
Special Instructional Services
Associate Commissioner**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	431,300	528,600	554,300	417,800	424,200
Base Deduction	-16,800				
Total General Fund	414,500	528,600	554,300	417,800	424,200
TOTAL SOURCE OF FUNDS	414,500	528,600	554,300	417,800	424,200
EXPENDITURES BY CLASS					
Personnel Cost	406,300	453,600	479,300	342,800	349,200
Operating Expenses	8,200	75,000	75,000	75,000	75,000
TOTAL EXPENDITURES	414,500	528,600	554,300	417,800	424,200
EXPENDITURES BY FUND SOURCE					
General Fund	414,500	528,600	554,300	417,800	424,200
TOTAL EXPENDITURES	414,500	528,600	554,300	417,800	424,200

The Associate Commissioner for the Office of Special Instructional Services is responsible for five divisions: Exceptional Children Services; Career and Technical Education; Federal Programs and Instructional Equity; the Kentucky School for the Blind; and the Kentucky School for the Deaf. The Associate Commissioner reports to the Commissioner of Education through the Deputy Commissioner for Learning and Results Services.

**Department of Education
Learning and Results Services
Special Instructional Services
Exceptional Children Services**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	153,200	158,200	160,200	153,500	154,500
Total General Fund	153,200	158,200	160,200	153,500	154,500
Restricted Funds					
Balance Forward	27,900				
Current Receipts	29,900	57,800	57,800	57,800	57,800
Total Restricted Funds	57,800	57,800	57,800	57,800	57,800
Federal Funds					
Balance Forward	160,500				
Current Receipts	161,565,700	161,797,400	161,882,900	161,726,200	161,726,200
Non-Revenue Receipts		89,400	95,300		
Total Federal Funds	161,726,200	161,886,800	161,978,200	161,726,200	161,726,200
TOTAL SOURCE OF FUNDS	161,937,200	162,102,800	162,196,200	161,937,500	161,938,500
EXPENDITURES BY CLASS					
Personnel Cost	1,481,500	1,666,500	1,759,900	1,501,200	1,502,200
Operating Expenses	1,896,400	1,896,400	1,896,400	1,896,400	1,896,400
Grants, Loans or Benefits	158,559,300	158,539,900	158,539,900	158,539,900	158,539,900
TOTAL EXPENDITURES	161,937,200	162,102,800	162,196,200	161,937,500	161,938,500
EXPENDITURES BY FUND SOURCE					
General Fund	153,200	158,200	160,200	153,500	154,500
Restricted Funds	57,800	57,800	57,800	57,800	57,800
Federal Funds	161,726,200	161,886,800	161,978,200	161,726,200	161,726,200
TOTAL EXPENDITURES	161,937,200	162,102,800	162,196,200	161,937,500	161,938,500
EXPENDITURES BY UNIT					
Exceptional Children Services	161,819,800	161,985,400	162,078,800	161,820,100	161,821,100
Special Education Mentors	117,400	117,400	117,400	117,400	117,400
TOTAL EXPENDITURES	161,937,200	162,102,800	162,196,200	161,937,500	161,938,500

Under provisions of KRS 156.010 and KRS 157.220, the Division of Exceptional Children Services oversees education programs for children and youth with disabilities and administers Kentucky programs associated with the federal Individuals with Disabilities Education Act.

The Division provides technical assistance to local school districts in the development and implementation of special education programs. The division engages in implementation and oversight activities in the following program areas:

Special Education Mentors -- Mentors work in schools and districts where special education programs are not in compliance with state or federal requirements. Mentors assist in creating and implementing improvement plans and work to increase the effectiveness of staff and relevant entities.

Preschool Special Education - Federal funds are provided under the Individuals With Disabilities Education Act (IDEA) to help states meet the extra cost of providing a free and appropriate public education to children ages three through five with an educational disability. The bulk of these funds flow directly to local school districts for their preschool special education programs. A portion of the funds goes to five early childhood training centers to assist districts in implementing their special education preschool programs. A final portion of the funds is retained by the Kentucky Department of Education for administrative activities of Kentucky's preschool special education programs.

Special Education Program Improvement - State Improvement Grants are awarded under the Individuals With Disabilities Education Act. Kentucky's improvement grant sets specific numerical goals to be attained over a five year period relative to school completion rates, qualified special education personnel, use of technology in teaching children with disabilities, effective early intervention services and successful transition to preschool programs.

Individuals With Disabilities Education - Federal IDEA funds are provided to help meet the extra cost of providing disabled students a free and appropriate public education beyond preschool. The bulk of these funds, as with preschool, flow directly to local school districts. A portion goes to fund eleven special education cooperatives to assist districts and a small amount is retained by the Kentucky Department of Education for administrative purposes.

**Department of Education
Learning and Results Services
Special Instructional Services
Career and Technical Education**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	11,544,100	14,118,700	14,212,800	12,250,100	12,293,800
Total General Fund	11,544,100	14,118,700	14,212,800	12,250,100	12,293,800
Restricted Funds					
Balance Forward	341,800				
Current Receipts	458,600	800,400	800,400	800,400	800,400
Total Restricted Funds	800,400	800,400	800,400	800,400	800,400
Federal Funds					
Balance Forward	211,700				
Current Receipts	8,046,700	8,258,400	8,258,400	8,258,400	8,258,400
Total Federal Funds	8,258,400	8,258,400	8,258,400	8,258,400	8,258,400
TOTAL SOURCE OF FUNDS	20,602,900	23,177,500	23,271,600	21,308,900	21,352,600
EXPENDITURES BY CLASS					
Personnel Cost	1,815,900	1,988,500	2,082,600	1,843,300	1,887,000
Operating Expenses	543,200	543,200	543,200	543,200	543,200
Grants, Loans or Benefits	18,243,800	20,645,800	20,645,800	18,922,400	18,922,400
TOTAL EXPENDITURES	20,602,900	23,177,500	23,271,600	21,308,900	21,352,600
EXPENDITURES BY FUND SOURCE					
General Fund	11,544,100	14,118,700	14,212,800	12,250,100	12,293,800
Restricted Funds	800,400	800,400	800,400	800,400	800,400
Federal Funds	8,258,400	8,258,400	8,258,400	8,258,400	8,258,400
TOTAL EXPENDITURES	20,602,900	23,177,500	23,271,600	21,308,900	21,352,600
EXPENDITURES BY UNIT					
Career and Technical Education	19,852,900	22,427,500	22,521,600	20,558,900	20,602,600
JAG	750,000	750,000	750,000	750,000	750,000
TOTAL EXPENDITURES	20,602,900	23,177,500	23,271,600	21,308,900	21,352,600

The Division of Secondary Vocational Education provides technical assistance, consultative services, staff development and program monitoring to secondary vocational education programs in local school districts and area vocational education centers.

The Carl D. Perkins Vocational and Applied Technology Education Act provides federal vocational educational funds to local school districts offering approved secondary vocational education programs. The Division of Secondary Vocational Education administers these funds according to guidelines prescribed in Public Law 98-254.

Funding is provided to districts operating a local vocational school or vocational department within a school to help cover the administrative and operational costs of providing the vocational programs.

The Future Farmers of American (FFA) Camp facility at Hardinsburg provides leadership development to vocational organizations in the summer months. Participants generally spend three to five days at FFA Camp and receive intensive leadership training.

Policy

The Governor's budget recommendation includes \$700,000 in fiscal year 2007 and \$700,000 in fiscal year 2008 for operating support for new vocational/technical facilities in the Jessamine and Johnson Counties school districts.

Department of Education Learning and Results Services Special Instructional Services Federal Program and Instructional Equity					
	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
Restricted Funds					
Balance Forward	13,400				
Current Receipts	4,600	18,000	18,000	18,000	18,000
Total Restricted Funds	18,000	18,000	18,000	18,000	18,000
Federal Funds					
Balance Forward	597,000				
Current Receipts	240,801,300	241,466,400	241,545,000	241,398,300	241,398,300
Total Federal Funds	241,398,300	241,466,400	241,545,000	241,398,300	241,398,300
TOTAL SOURCE OF FUNDS	241,416,300	241,484,400	241,563,000	241,416,300	241,416,300
EXPENDITURES BY CLASS					
Personnel Cost	1,265,300	1,352,500	1,431,100	1,284,400	1,284,400
Operating Expenses	618,000	618,000	618,000	618,000	618,000
Grants, Loans or Benefits	239,533,000	239,513,900	239,513,900	239,513,900	239,513,900
TOTAL EXPENDITURES	241,416,300	241,484,400	241,563,000	241,416,300	241,416,300
EXPENDITURES BY FUND SOURCE					
Restricted Funds	18,000	18,000	18,000	18,000	18,000
Federal Funds	241,398,300	241,466,400	241,545,000	241,398,300	241,398,300
TOTAL EXPENDITURES	241,416,300	241,484,400	241,563,000	241,416,300	241,416,300
EXPENDITURES BY UNIT					
Title I	193,626,400	193,694,500	193,773,100	193,626,400	193,626,400
Title VI	7,000,800	7,000,800	7,000,800	7,000,800	7,000,800
Other Federal Programs	40,789,100	40,789,100	40,789,100	40,789,100	40,789,100
TOTAL EXPENDITURES	241,416,300	241,484,400	241,563,000	241,416,300	241,416,300

The Division of Federal Program Resources administers many of the Department of Education's federal grant programs.

The Chapter I program provides remedial and supplementary educational services to disadvantaged students who meet at least one of the following criteria: educationally deprived; migrant; neglected or delinquent; handicapped and currently or formerly institutionalized; or confined in a correctional facility.

Chapter II of the Education Consolidation and Improvement Act of 1981 identifies six purposes for which funds must be targeted: programs for at-risk students; programs to acquire and use instructional materials; innovative programs for school-wide improvements, including effective schools programs; professional development programs; programs to enhance personal excellence of students and student achievement; and other innovative projects to enhance the educational climate of the school. These funds are provided to local educational agencies and participating private non-profit schools by a formula established in the federal law.

Other grant programs administered by this division include: Drug-Free Schools and Communities program and the Foreign Language Assistance program.

**Department of Education
Learning and Results Services
Special Instructional Services
Kentucky School for the Blind**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	6,181,300	6,931,700	7,265,100	6,441,400	6,657,100
Total General Fund	6,181,300	6,931,700	7,265,100	6,441,400	6,657,100
Restricted Funds					
Balance Forward	11,000				
Current Receipts	39,000	50,000	50,000	50,000	50,000
Total Restricted Funds	50,000	50,000	50,000	50,000	50,000
TOTAL SOURCE OF FUNDS	6,231,300	6,981,700	7,315,100	6,491,400	6,707,100
EXPENDITURES BY CLASS					
Personnel Cost	5,562,600	6,313,000	6,646,400	5,761,900	5,859,300
Operating Expenses	668,700	668,700	668,700	729,500	847,800
TOTAL EXPENDITURES	6,231,300	6,981,700	7,315,100	6,491,400	6,707,100
EXPENDITURES BY FUND SOURCE					
General Fund	6,181,300	6,931,700	7,265,100	6,441,400	6,657,100
Restricted Funds	50,000	50,000	50,000	50,000	50,000
TOTAL EXPENDITURES	6,231,300	6,981,700	7,315,100	6,491,400	6,707,100

The four subprograms of the Kentucky School for the Blind are Instruction, Residential, Operational Support and Outreach. These subprograms work together to provide instructional and residential programs for students of the School. All four subprograms involve both direct services to students and related services that are necessary to accomplish the direct services.

Instruction and Related Services includes supervision, teaching, supplies, equipment, and clerical services, all of which are needed for the regular instruction of the students enrolled at the Kentucky School for the Blind. Tools utilized are Braille, large print, electronic aids, and other special aids and methods for teaching basic academic skills, vocational skills, self-care skills, orientation and mobility, music, physical education, athletics, and counseling.

Residential Services include those services which are needed to provide housing, daily living skills, and leisure time activities for students who reside at the Kentucky School for the Blind. This subprogram also deals with transportation arrangements when residential students go home on weekends and at the end of the school year.

Operational Support includes administration, business management, food service, housekeeping, utilities and other operating expenses, maintenance of buildings and grounds, and health care. The positions of Superintendent and Coordinator of Instruction and Related Services are included in this subprogram.

The Outreach program provides consultative, technical and evaluative support to local school districts relating to education of students who are blind or visually impaired.

Federal Support includes funds to support federally mandated services. Funds received under Chapter I of the Education Consolidation and Improvement Act are used to provide services in the areas of speech therapy and basic skill instruction. Federal funds are also used to provide instruction and residential services for deaf-blind children.

Policy

The recommended budget provides additional General Fund support of \$260,100 in fiscal year 2007 and \$475,800 in fiscal year 2008 over fiscal year 2006 enacted levels.

**Department of Education
Learning and Results Services
Special Instructional Services
Kentucky School for the Deaf**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	8,645,600	9,923,200	10,422,000	9,003,200	9,304,200
Total General Fund	8,645,600	9,923,200	10,422,000	9,003,200	9,304,200
Restricted Funds					
Balance Forward	191,400				
Current Receipts	53,800	245,200	245,200	245,200	245,200
Total Restricted Funds	245,200	245,200	245,200	245,200	245,200
TOTAL SOURCE OF FUNDS	8,890,800	10,168,400	10,667,200	9,248,400	9,549,400
EXPENDITURES BY CLASS					
Personnel Cost	7,884,100	9,161,700	9,660,500	8,162,900	8,299,500
Operating Expenses	1,006,700	1,006,700	1,006,700	1,085,500	1,249,900
TOTAL EXPENDITURES	8,890,800	10,168,400	10,667,200	9,248,400	9,549,400
EXPENDITURES BY FUND SOURCE					
General Fund	8,645,600	9,923,200	10,422,000	9,003,200	9,304,200
Restricted Funds	245,200	245,200	245,200	245,200	245,200
TOTAL EXPENDITURES	8,890,800	10,168,400	10,667,200	9,248,400	9,549,400

The Kentucky School for the Deaf (KSD) provides educational services to deaf children who cannot be served by local school districts. The School's educational program consists of appropriate classroom instruction, life skills, physical education, and vocational training. Students receive instruction in accordance with their Individual Education Plan that emphasizes language and communication skills development.

Students at the Kentucky School for the Deaf are housed in campus dormitories supervised by houseparents. The students receive practical living skill instruction in personal safety, hygiene, and independent living skills.

The Kentucky School for the Deaf also supports an outreach program which provides consultative, technical, and evaluative support to local school districts on how to provide effective educational services to deaf children attending school in a local district. The KSD is designated the Statewide Educational Resource Center on Deafness.

Policy

The recommended budget provides additional General Fund support of \$357,600 in fiscal year 2007 and \$658,600 in fiscal year 2008 over fiscal year 2006 enacted levels.

**Department of Education
Learning and Results Services
Leadership and School Improvement**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	65,133,400	70,142,400	70,339,600	64,926,300	64,987,700
Base Deduction	-300				
Total General Fund	65,133,100	70,142,400	70,339,600	64,926,300	64,987,700
Restricted Funds					
Balance Forward	1,900				
Current Receipts	18,100	20,000	20,000	20,000	20,000
Total Restricted Funds	20,000	20,000	20,000	20,000	20,000
Federal Funds					
Balance Forward	53,100				
Current Receipts	15,600,800	15,653,900	15,653,900	15,653,900	15,653,900
Total Federal Funds	15,653,900	15,653,900	15,653,900	15,653,900	15,653,900
TOTAL SOURCE OF FUNDS	80,807,000	85,816,300	86,013,500	80,600,200	80,661,600
EXPENDITURES BY CLASS					
Personnel Cost	7,366,400	7,875,400	8,072,600	7,159,300	7,220,700
Operating Expenses	1,447,300	1,447,600	1,447,600	1,447,600	1,447,600
Grants, Loans or Benefits	71,993,300	76,493,300	76,493,300	71,993,300	71,993,300
TOTAL EXPENDITURES	80,807,000	85,816,300	86,013,500	80,600,200	80,661,600
EXPENDITURES BY FUND SOURCE					
General Fund	65,133,100	70,142,400	70,339,600	64,926,300	64,987,700
Restricted Funds	20,000	20,000	20,000	20,000	20,000
Federal Funds	15,653,900	15,653,900	15,653,900	15,653,900	15,653,900
TOTAL EXPENDITURES	80,807,000	85,816,300	86,013,500	80,600,200	80,661,600
EXPENDITURES BY UNIT					
Associate Commissioner	456,400	485,900	512,000	458,600	462,800
Leadership and Instructional Support	70,162,600	74,875,800	74,949,400	70,173,400	70,189,300
Scholastic Assistance	7,689,700	7,816,500	7,881,000	7,455,700	7,491,200
Educator Quality and Diversity	2,498,300	2,638,100	2,671,100	2,512,500	2,518,300
TOTAL EXPENDITURES	80,807,000	85,816,300	86,013,500	80,600,200	80,661,600

The Office of Leadership and School Improvement consists of the following Divisions: Leadership and Instructional Support; Scholastic Assistance; and Educator Quality and Diversity.

**Department of Education
Learning and Results Services
Leadership and School Improvement
Associate Commissioner**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	456,400	485,900	512,000	458,600	462,800
Total General Fund	456,400	485,900	512,000	458,600	462,800
TOTAL SOURCE OF FUNDS	456,400	485,900	512,000	458,600	462,800
EXPENDITURES BY CLASS					
Personnel Cost	437,100	466,600	492,700	439,300	443,500
Operating Expenses	19,300	19,300	19,300	19,300	19,300
TOTAL EXPENDITURES	456,400	485,900	512,000	458,600	462,800
EXPENDITURES BY FUND SOURCE					
General Fund	456,400	485,900	512,000	458,600	462,800
TOTAL EXPENDITURES	456,400	485,900	512,000	458,600	462,800

The Associate Commissioner for the Office of Leadership and School Improvement reports to the Learning Support Services Deputy Commissioner. The Associate Commissioner is responsible for administering and overseeing the following divisions: Leadership and Instructional Support; Scholastic Assistance; and Educator Quality and Diversity.

**Department of Education
Learning and Results Services
Leadership and School Improvement
Leadership and Instructional Support**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	54,843,500	59,556,400	59,630,000	54,854,000	54,869,900
Base Deduction	-300				
Total General Fund	54,843,200	59,556,400	59,630,000	54,854,000	54,869,900
Restricted Funds					
Balance Forward	1,900				
Current Receipts	13,100	15,000	15,000	15,000	15,000
Total Restricted Funds	15,000	15,000	15,000	15,000	15,000
Federal Funds					
Balance Forward	53,100				
Current Receipts	15,251,300	15,304,400	15,304,400	15,304,400	15,304,400
Total Federal Funds	15,304,400	15,304,400	15,304,400	15,304,400	15,304,400
TOTAL SOURCE OF FUNDS	70,162,600	74,875,800	74,949,400	70,173,400	70,189,300
EXPENDITURES BY CLASS					
Personnel Cost	1,062,400	1,275,300	1,348,900	1,072,900	1,088,800
Operating Expenses	107,600	107,900	107,900	107,900	107,900
Grants, Loans or Benefits	68,992,600	73,492,600	73,492,600	68,992,600	68,992,600
TOTAL EXPENDITURES	70,162,600	74,875,800	74,949,400	70,173,400	70,189,300
EXPENDITURES BY FUND SOURCE					
General Fund	54,843,200	59,556,400	59,630,000	54,854,000	54,869,900
Restricted Funds	15,000	15,000	15,000	15,000	15,000
Federal Funds	15,304,400	15,304,400	15,304,400	15,304,400	15,304,400
TOTAL EXPENDITURES	70,162,600	74,875,800	74,949,400	70,173,400	70,189,300
EXPENDITURES BY UNIT					
Leadership and Instructional Support	657,700	828,000	872,100	665,100	674,200
Testing & Assessment-Superintendent Training	15,000	15,000	15,000	15,000	15,000
Family Resource and Youth Services Centers	51,917,400	56,421,900	56,422,000	51,917,100	51,917,000
Community Education	1,800,000	1,800,000	1,800,000	1,800,000	1,800,000
National Community Service/21st Century	15,304,400	15,304,400	15,304,400	15,304,400	15,304,400
Community Support for Students & Families	468,100	506,500	535,900	471,800	478,700
TOTAL EXPENDITURES	70,162,600	74,875,800	74,949,400	70,173,400	70,189,300

The Division of Leadership and Instructional Support provides and monitors required training opportunities for superintendents working in their first year of service; provides technical assistance for approval of the certified personnel evaluation plans for each local school district; provides required opportunities for school administrators and others to be trained in the process of effective evaluation of certified personnel; collects and approves all proposals of training opportunities to provide required leadership training for school administrators; develops and implements training programs for principals; provides initial and continuing training for school-based councils; and collects and analyzes data relative to each of the above initiatives.

**Department of Education
Learning and Results Services
Leadership and School Improvement
Scholastic Assistance**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	7,645,200	7,772,000	7,836,500	7,411,200	7,446,700
Total General Fund	7,645,200	7,772,000	7,836,500	7,411,200	7,446,700
Federal Funds					
Current Receipts	44,500	44,500	44,500	44,500	44,500
Total Federal Funds	44,500	44,500	44,500	44,500	44,500
TOTAL SOURCE OF FUNDS	7,689,700	7,816,500	7,881,000	7,455,700	7,491,200
EXPENDITURES BY CLASS					
Personnel Cost	5,451,900	5,578,700	5,643,200	5,217,900	5,253,400
Operating Expenses	923,800	923,800	923,800	923,800	923,800
Grants, Loans or Benefits	1,314,000	1,314,000	1,314,000	1,314,000	1,314,000
TOTAL EXPENDITURES	7,689,700	7,816,500	7,881,000	7,455,700	7,491,200
EXPENDITURES BY FUND SOURCE					
General Fund	7,645,200	7,772,000	7,836,500	7,411,200	7,446,700
Federal Funds	44,500	44,500	44,500	44,500	44,500
TOTAL EXPENDITURES	7,689,700	7,816,500	7,881,000	7,455,700	7,491,200
EXPENDITURES BY UNIT					
Scholastic Assistance	550,400	643,000	678,800	282,200	289,000
Commonwealth School Improvement	1,539,300	1,548,600	1,552,400	1,548,600	1,552,400
Highly Skilled Educators	5,600,000	5,624,900	5,649,800	5,624,900	5,649,800
TOTAL EXPENDITURES	7,689,700	7,816,500	7,881,000	7,455,700	7,491,200

The Division of School Improvement administers the Kentucky Highly Skilled Educators program and assists those schools identified by the CATS assessment and the Kentucky Board of Education as low-performing schools. Part of such assistance is provided via the Commonwealth School Improvement Fund; funds are provided schools to assist in developing and implementing strategies to raise a school's performance level.

**Department of Education
Learning and Results Services
Leadership and School Improvement
Educator Quality and Diversity**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	2,188,300	2,328,100	2,361,100	2,202,500	2,208,300
Total General Fund	2,188,300	2,328,100	2,361,100	2,202,500	2,208,300
Restricted Funds					
Current Receipts	5,000	5,000	5,000	5,000	5,000
Total Restricted Funds	5,000	5,000	5,000	5,000	5,000
Federal Funds					
Current Receipts	305,000	305,000	305,000	305,000	305,000
Total Federal Funds	305,000	305,000	305,000	305,000	305,000
TOTAL SOURCE OF FUNDS	2,498,300	2,638,100	2,671,100	2,512,500	2,518,300
EXPENDITURES BY CLASS					
Personnel Cost	415,000	554,800	587,800	429,200	435,000
Operating Expenses	396,600	396,600	396,600	396,600	396,600
Grants, Loans or Benefits	1,686,700	1,686,700	1,686,700	1,686,700	1,686,700
TOTAL EXPENDITURES	2,498,300	2,638,100	2,671,100	2,512,500	2,518,300
EXPENDITURES BY FUND SOURCE					
General Fund	2,188,300	2,328,100	2,361,100	2,202,500	2,208,300
Restricted Funds	5,000	5,000	5,000	5,000	5,000
Federal Funds	305,000	305,000	305,000	305,000	305,000
TOTAL EXPENDITURES	2,498,300	2,638,100	2,671,100	2,512,500	2,518,300

The Division of Educator Quality and Diversity works to identify and recruit persons to teach in Kentucky's public schools and also to address the gap between minority students and the number of minority educators.

The division assists local school districts in organizing Future Educator (FEA) of America clubs to provide middle and high school students an opportunity to develop mentoring relationships with educators and to offer assistance to those interested in education as their college major. Kentucky currently has the most chartered FEA chapters in the nation.

The Minority Educator Recruitment and Retention scholarship program has helped increase the number of minorities enrolled in teacher education program grow from 25 to more than 300 since 1993.

The Administrative Leadership Institute provides a comprehensive fast-track program to train principals and school counselors and has produced approximately ninety minorities with principal certifications and is beginning to train and work to retain minorities as school counselors.

**Department of Education
Learning and Results Services
Assessment and Accountability**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	9,508,500	10,141,700	10,242,700	9,843,300	9,865,600
Salary Compensation Fund	318,500				
Total General Fund	9,827,000	10,141,700	10,242,700	9,843,300	9,865,600
Federal Funds					
Balance Forward	128,500				
Current Receipts	10,725,400	10,853,900	10,853,900	10,853,900	10,853,900
Total Federal Funds	10,853,900	10,853,900	10,853,900	10,853,900	10,853,900
TOTAL SOURCE OF FUNDS	20,680,900	20,995,600	21,096,600	20,697,200	20,719,500
EXPENDITURES BY CLASS					
Personnel Cost	16,299,800	16,614,500	16,715,500	16,316,100	16,338,400
Operating Expenses	3,923,600	3,923,600	3,923,600	3,923,600	3,923,600
Grants, Loans or Benefits	457,500	457,500	457,500	457,500	457,500
TOTAL EXPENDITURES	20,680,900	20,995,600	21,096,600	20,697,200	20,719,500
EXPENDITURES BY FUND SOURCE					
General Fund	9,827,000	10,141,700	10,242,700	9,843,300	9,865,600
Federal Funds	10,853,900	10,853,900	10,853,900	10,853,900	10,853,900
TOTAL EXPENDITURES	20,680,900	20,995,600	21,096,600	20,697,200	20,719,500
EXPENDITURES BY UNIT					
Associate Commissioner	360,100	446,000	471,500	362,600	367,700
Assessment Implementation	7,225,000	7,351,200	7,396,000	7,231,400	7,241,100
Assessment Support	13,095,800	13,198,400	13,229,100	13,103,200	13,110,700
TOTAL EXPENDITURES	20,680,900	20,995,600	21,096,600	20,697,200	20,719,500

The Office of Assessment and Accountability is responsible for developing and implementing the Commonwealth Accountability Testing System (CATS) established in KRS 158.645. The test is the primary means of gauging progress by schools and districts toward the goal of proficiency by 2014 based on standards established by the Kentucky Board of Education. The Office consists of the Division of Assessment Implementation and the Division of Assessment Support.

**Department of Education
Learning and Results Services
Assessment and Accountability
Associate Commissioner**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	360,100	446,000	471,500	362,600	367,700
Total General Fund	360,100	446,000	471,500	362,600	367,700
TOTAL SOURCE OF FUNDS	360,100	446,000	471,500	362,600	367,700
EXPENDITURES BY CLASS					
Personnel Cost	343,100	429,000	454,500	345,600	350,700
Operating Expenses	17,000	17,000	17,000	17,000	17,000
TOTAL EXPENDITURES	360,100	446,000	471,500	362,600	367,700
EXPENDITURES BY FUND SOURCE					
General Fund	360,100	446,000	471,500	362,600	367,700
TOTAL EXPENDITURES	360,100	446,000	471,500	362,600	367,700

The Associate Commissioner is responsible for monitoring the work of the Division of Assessment Implementation and the Division of Assessment Support and reports to the Deputy Commissioner for Learning Support Services.

**Department of Education
Learning and Results Services
Assessment and Accountability
Assessment Implementation**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	7,129,100	7,351,200	7,396,000	7,231,400	7,241,100
Salary Compensation Fund	95,900				
Total General Fund	7,225,000	7,351,200	7,396,000	7,231,400	7,241,100
TOTAL SOURCE OF FUNDS	7,225,000	7,351,200	7,396,000	7,231,400	7,241,100
EXPENDITURES BY CLASS					
Personnel Cost	7,196,600	7,322,800	7,367,600	7,203,000	7,212,700
Operating Expenses	28,400	28,400	28,400	28,400	28,400
TOTAL EXPENDITURES	7,225,000	7,351,200	7,396,000	7,231,400	7,241,100
EXPENDITURES BY FUND SOURCE					
General Fund	7,225,000	7,351,200	7,396,000	7,231,400	7,241,100
TOTAL EXPENDITURES	7,225,000	7,351,200	7,396,000	7,231,400	7,241,100
EXPENDITURES BY UNIT					
Assessment Implementation	656,300	782,500	827,300	662,700	672,400
Commonwealth Accountability Testing System(CATS)	6,568,700	6,568,700	6,568,700	6,568,700	6,568,700
TOTAL EXPENDITURES	7,225,000	7,351,200	7,396,000	7,231,400	7,241,100

The Division of Assessment Implementation operates the Commonwealth Accountability Testing System (CATS) and coordinates the logistics of the assessment program at the district level. This involves managing and generating data necessary to report assessment results on which accountability performance judgments must be based. The Division determines procedures for administering the test. It distributes the test materials to local districts and collects them for grading. The Division also helps district administrators make effective use of the assessment results.

**Department of Education
Learning and Results Services
Assessment and Accountability
Assessment Support**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	2,019,300	2,344,500	2,375,200	2,249,300	2,256,800
Salary Compensation Fund	222,600				
Total General Fund	2,241,900	2,344,500	2,375,200	2,249,300	2,256,800
Federal Funds					
Balance Forward	128,500				
Current Receipts	10,725,400	10,853,900	10,853,900	10,853,900	10,853,900
Total Federal Funds	10,853,900	10,853,900	10,853,900	10,853,900	10,853,900
TOTAL SOURCE OF FUNDS	13,095,800	13,198,400	13,229,100	13,103,200	13,110,700
EXPENDITURES BY CLASS					
Personnel Cost	8,760,100	8,862,700	8,893,400	8,767,500	8,775,000
Operating Expenses	3,878,200	3,878,200	3,878,200	3,878,200	3,878,200
Grants, Loans or Benefits	457,500	457,500	457,500	457,500	457,500
TOTAL EXPENDITURES	13,095,800	13,198,400	13,229,100	13,103,200	13,110,700
EXPENDITURES BY FUND SOURCE					
General Fund	2,241,900	2,344,500	2,375,200	2,249,300	2,256,800
Federal Funds	10,853,900	10,853,900	10,853,900	10,853,900	10,853,900
TOTAL EXPENDITURES	13,095,800	13,198,400	13,229,100	13,103,200	13,110,700
EXPENDITURES BY UNIT					
Assessment Support	441,400	544,000	574,700	448,800	456,300
Longitudinal Assessment	850,000	850,000	850,000	850,000	850,000
Assessment Documentation	300,000	300,000	300,000	300,000	300,000
Alternate Portfolio	257,500	257,500	257,500	257,500	257,500
Report Cards	393,000	393,000	393,000	393,000	393,000
State Assessment	10,853,900	10,853,900	10,853,900	10,853,900	10,853,900
TOTAL EXPENDITURES	13,095,800	13,198,400	13,229,100	13,103,200	13,110,700

The purpose of the Division of Assessment Support is to gather information to establish the validity of the Commonwealth Assessment and Testing Program (CATS). Validation studies include:

- The consistency of student results across multiple measures.
- The potential for all scores to yield fair, consistent, and accurate student performance level and school accountability decisions.

The Division also reviews the accuracy of scores assigned to students and schools as well as accuracy of the testing materials.

**Department of Education
Learning and Results Services
Teaching and Learning**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	118,966,900	147,234,000	147,461,600	147,238,500	147,682,900
Continuing Appropriation	7,051,700				
Salary Compensation Fund	44,900				
Base Deduction	-29,800				
Total General Fund	126,033,700	147,234,000	147,461,600	147,238,500	147,682,900
Tobacco Settlement-Phase I					
Tobacco Settlement - I	1,888,400	1,923,100	1,946,800	1,388,400	1,508,400
Continuing Appropriation	248,900				
Total Tobacco Settlement-Phase I	2,137,300	1,923,100	1,946,800	1,388,400	1,508,400
Restricted Funds					
Balance Forward	258,000				
Current Receipts	466,000	724,000	724,000	724,000	724,000
Total Restricted Funds	724,000	724,000	724,000	724,000	724,000
Federal Funds					
Balance Forward	77,800				
Current Receipts	17,730,000	17,800,700	17,809,300	17,794,100	17,794,100
Non-Revenue Receipts	24,696,100	24,709,800	24,709,800	24,709,800	24,709,800
Total Federal Funds	42,503,900	42,510,500	42,519,100	42,503,900	42,503,900
TOTAL SOURCE OF FUNDS	171,398,900	192,391,600	192,651,500	191,854,800	192,419,200
EXPENDITURES BY CLASS					
Personnel Cost	4,256,500	4,930,500	5,190,400	4,066,500	4,129,300
Operating Expenses	2,671,500	2,640,300	2,640,300	2,640,300	2,640,300
Grants, Loans or Benefits	164,470,900	184,820,800	184,820,800	185,148,000	185,649,600
TOTAL EXPENDITURES	171,398,900	192,391,600	192,651,500	191,854,800	192,419,200
EXPENDITURES BY FUND SOURCE					
General Fund	126,033,700	147,234,000	147,461,600	147,238,500	147,682,900
Tobacco Settlement-Phase I	2,137,300	1,923,100	1,946,800	1,388,400	1,508,400
Restricted Funds	724,000	724,000	724,000	724,000	724,000
Federal Funds	42,503,900	42,510,500	42,519,100	42,503,900	42,503,900
TOTAL EXPENDITURES	171,398,900	192,391,600	192,651,500	191,854,800	192,419,200
EXPENDITURES BY UNIT					
Associate Commissioner	514,200	623,200	658,300	516,800	524,100
Elementary Arts and Humanities	484,400	484,400	484,400	484,400	484,400
Math Achievement	3,900,000	3,900,000	3,900,000	3,900,000	3,900,000
Save the Children	250,000	250,000	250,000	250,000	250,000
Leadership and Mentoring Fund	381,500	381,500	381,500	381,500	381,500
Teacher Academies	1,600,000	1,600,000	1,600,000	1,600,000	1,600,000
Reading First	24,709,800	24,709,800	24,709,800	24,709,800	24,709,800
Middle School Achievement Center	387,500	387,500	387,500	387,500	387,500
Curriculum Development	9,352,300	9,904,200	10,008,600	9,366,800	9,388,800
Secondary and Virtual Learning	2,113,100	2,243,200	2,290,900	2,115,800	2,135,500
Dropout Prevention	782,800	782,800	782,800	782,800	782,800
Professional Growth Fund	4,518,900	3,925,300	3,925,300	3,925,300	3,925,300
Extended Learning Services	119,810,800	140,809,100	140,848,000	140,856,700	140,868,800
Early Childhood Development	2,593,600	2,390,600	2,424,400	2,577,400	3,080,700
TOTAL EXPENDITURES	171,398,900	192,391,600	192,651,500	191,854,800	192,419,200

The Office of Teaching and Learning consists of the Divisions of Curriculum Development, Secondary and Virtual Learning, and Early Childhood Development. This Office is also responsible for development of items for the Kentucky Core Content Test, and providing curriculum materials to local educators as they develop teaching plans and implement the Kentucky Core Content Test.

**Department of Education
Learning and Results Services
Teaching and Learning
Associate Commissioner**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	486,500	623,200	658,300	516,800	524,100
Salary Compensation Fund	27,700				
Total General Fund	514,200	623,200	658,300	516,800	524,100
TOTAL SOURCE OF FUNDS	514,200	623,200	658,300	516,800	524,100
EXPENDITURES BY CLASS					
Personnel Cost	498,000	597,300	632,400	490,900	498,200
Operating Expenses	16,200	25,900	25,900	25,900	25,900
TOTAL EXPENDITURES	514,200	623,200	658,300	516,800	524,100
EXPENDITURES BY FUND SOURCE					
General Fund	514,200	623,200	658,300	516,800	524,100
TOTAL EXPENDITURES	514,200	623,200	658,300	516,800	524,100

The Associate Commissioner of the Office of Teaching and Learning oversees the activities of the Divisions of Curriculum, Secondary and Virtual Learning, and Early Childhood Development. The Associate Commissioner also oversees and provides leadership to many of the individual programs critical to schools' ability to reach proficiency by 2014.

**Department of Education
Learning and Results Services
Teaching and Learning
Elementary Arts and Humanities**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	484,400	484,400	484,400	484,400	484,400
Total General Fund	484,400	484,400	484,400	484,400	484,400
TOTAL SOURCE OF FUNDS	484,400	484,400	484,400	484,400	484,400
EXPENDITURES BY CLASS					
Grants, Loans or Benefits	484,400	484,400	484,400	484,400	484,400
TOTAL EXPENDITURES	484,400	484,400	484,400	484,400	484,400
EXPENDITURES BY FUND SOURCE					
General Fund	484,400	484,400	484,400	484,400	484,400
TOTAL EXPENDITURES	484,400	484,400	484,400	484,400	484,400

The 2003 Regular Session of the General Assembly instituted a program promoting integration of the arts and foreign languages as a means of strengthening the overall learning environment in the elementary school program.

**Department of Education
Learning and Results Services
Teaching and Learning
Math Achievement**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	3,900,000	3,900,000	3,900,000	3,900,000	3,900,000
Total General Fund	3,900,000	3,900,000	3,900,000	3,900,000	3,900,000
TOTAL SOURCE OF FUNDS	3,900,000	3,900,000	3,900,000	3,900,000	3,900,000
EXPENDITURES BY CLASS					
Personnel Cost	42,500	42,500	42,500	42,500	42,500
Operating Expenses	97,500	97,500	97,500	97,500	97,500
Grants, Loans or Benefits	3,760,000	3,760,000	3,760,000	3,760,000	3,760,000
TOTAL EXPENDITURES	3,900,000	3,900,000	3,900,000	3,900,000	3,900,000
EXPENDITURES BY FUND SOURCE					
General Fund	3,900,000	3,900,000	3,900,000	3,900,000	3,900,000
TOTAL EXPENDITURES	3,900,000	3,900,000	3,900,000	3,900,000	3,900,000

The Mathematics Achievement Fund was created by the 2005 Regular Session of the General Assembly (KRS 158.840 – 158.844) to provide developmentally appropriate diagnostic assessment and intervention services to P-12 students to help them reach proficiency in math. The fund enables training of teachers in diagnostic assessment and intervention skills needed to assist students struggling with math. The fund provides two-year renewable grants to local school districts for this purpose. To qualify, a district must employ standards-based and research-based math instructional practices; use intervention and support services to supplement and not replace regular classroom instruction; and provide intervention services to primary program and other students at risk of mathematics failure based on ongoing assessments of their needs.

**Department of Education
Learning and Results Services
Teaching and Learning
Save the Children**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	250,000	250,000	250,000	250,000	250,000
Total General Fund	250,000	250,000	250,000	250,000	250,000
TOTAL SOURCE OF FUNDS	250,000	250,000	250,000	250,000	250,000
EXPENDITURES BY CLASS					
Grants, Loans or Benefits	250,000	250,000	250,000	250,000	250,000
TOTAL EXPENDITURES	250,000	250,000	250,000	250,000	250,000
EXPENDITURES BY FUND SOURCE					
General Fund	250,000	250,000	250,000	250,000	250,000
TOTAL EXPENDITURES	250,000	250,000	250,000	250,000	250,000

The Kentucky Rural Literacy Initiative is a public/private partnership initiated by the Save the Children organization.

Save the Children selects schools and partners across the nation to implement structured after-school and summer literacy programs. In Kentucky, with state funding beginning in the 2005-06 school year, program sites have been established at elementary schools in Clay, Knott, Letcher, McCreary, Owsley, and Whitley counties. Save the Children works directly with Family Resource and Youth Service Centers and the Kentucky Department of Education.

Evaluation results from earlier programs have shown statistically significant gains in children's reading levels.

**Department of Education
Learning and Results Services
Teaching and Learning
Leadership and Mentoring Fund**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	381,500	381,500	381,500	381,500	381,500
Total General Fund	381,500	381,500	381,500	381,500	381,500
TOTAL SOURCE OF FUNDS	381,500	381,500	381,500	381,500	381,500
EXPENDITURES BY CLASS					
Grants, Loans or Benefits	381,500	381,500	381,500	381,500	381,500
TOTAL EXPENDITURES	381,500	381,500	381,500	381,500	381,500
EXPENDITURES BY FUND SOURCE					
General Fund	381,500	381,500	381,500	381,500	381,500
TOTAL EXPENDITURES	381,500	381,500	381,500	381,500	381,500

Under the provisions of KRS 157.390, the Professional Development Leadership and Mentor Fund provides competitive grants to pay teachers and administrators to develop and implement an action plan for improving the reading and math performance of students. Grants are awarded by a committee of reading and math experts and provide reading and math mentors and coaches in qualifying districts and schools.

**Department of Education
Learning and Results Services
Teaching and Learning
Teacher Academies**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	1,600,000	1,600,000	1,600,000	1,600,000	1,600,000
Total General Fund	1,600,000	1,600,000	1,600,000	1,600,000	1,600,000
TOTAL SOURCE OF FUNDS	1,600,000	1,600,000	1,600,000	1,600,000	1,600,000
EXPENDITURES BY CLASS					
Personnel Cost	61,700	61,700	61,700	61,700	61,700
Operating Expenses	11,200	11,200	11,200	11,200	11,200
Grants, Loans or Benefits	1,527,100	1,527,100	1,527,100	1,527,100	1,527,100
TOTAL EXPENDITURES	1,600,000	1,600,000	1,600,000	1,600,000	1,600,000
EXPENDITURES BY FUND SOURCE					
General Fund	1,600,000	1,600,000	1,600,000	1,600,000	1,600,000
TOTAL EXPENDITURES	1,600,000	1,600,000	1,600,000	1,600,000	1,600,000

Teacher Academies provide intensive, content-based professional development to teachers, particularly teachers who are teaching core discipline courses for which they do not have a college major or minor. Academies are operated in collaboration with postsecondary and community educational partners. The academy experience includes a pre-academy day in which teachers identify topics of study, the five-day academy, and two follow-up days during the school year.

The focus of the Teacher Academies is informed by data from the CATS assessment as well as evaluative data from previous academies. Teachers work through a unit of study and adapt it for their specific content and grade level and then employ it in their classrooms and bring examples of student work to follow-up sessions for refinement of the units. The units are then made accessible via the Internet for use by other teachers.

**Department of Education
Learning and Results Services
Teaching and Learning
Reading First**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
Federal Funds					
Balance Forward	13,700				
Non-Revenue Receipts	24,696,100	24,709,800	24,709,800	24,709,800	24,709,800
Total Federal Funds	24,709,800	24,709,800	24,709,800	24,709,800	24,709,800
TOTAL SOURCE OF FUNDS	24,709,800	24,709,800	24,709,800	24,709,800	24,709,800
EXPENDITURES BY CLASS					
Personnel Cost	200,000	200,000	200,000	200,000	200,000
Operating Expenses	800,000	800,000	800,000	800,000	800,000
Grants, Loans or Benefits	23,709,800	23,709,800	23,709,800	23,709,800	23,709,800
TOTAL EXPENDITURES	24,709,800	24,709,800	24,709,800	24,709,800	24,709,800
EXPENDITURES BY FUND SOURCE					
Federal Funds	24,709,800	24,709,800	24,709,800	24,709,800	24,709,800
TOTAL EXPENDITURES	24,709,800	24,709,800	24,709,800	24,709,800	24,709,800

Reading First is a federal initiative contained within the No Child Left Behind Act. The program's goal is to have every child reading at grade level by the time of entry to the fourth grade. In April 2003, Kentucky was awarded a six-year grant of approximately \$89 million.

The Department of Education is overseeing implementation of Kentucky's Reading First grant. Ten Reading First coaches and eleven regional Literacy Specialists have assisted the department through a partnership with Kentucky's public universities and the Collaborative Center for Literacy Development. Local schools and school districts have been provided technical assistance on the requirements of Reading First and information about research-based reading intervention programs, assessments to diagnose reading progress, and professional development. Seventy four schools in 42 local school districts are in the second year of implementing Reading First in Kentucky.

**Department of Education
Learning and Results Services
Teaching and Learning
Middle School Achievement Center**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	387,500	387,500	387,500	387,500	387,500
Total General Fund	387,500	387,500	387,500	387,500	387,500
TOTAL SOURCE OF FUNDS	387,500	387,500	387,500	387,500	387,500
EXPENDITURES BY CLASS					
Grants, Loans or Benefits	387,500	387,500	387,500	387,500	387,500
TOTAL EXPENDITURES	387,500	387,500	387,500	387,500	387,500
EXPENDITURES BY FUND SOURCE					
General Fund	387,500	387,500	387,500	387,500	387,500
TOTAL EXPENDITURES	387,500	387,500	387,500	387,500	387,500

The purpose of the statewide collaborative Center for Middle School Academic Achievement is to improve the content knowledge and instructional practices of middle level teachers through the coordination of professional development, technical assistance and dissemination of knowledge and practices leading to more effective teaching in the middle grades.

The Center has four goals:

- 1) Collaboration – facilitating the Kentucky Forum to Accelerate Middle Grades Reform. The Forum involves teachers, teacher educators, principals, professional organizations, the Council on Postsecondary Education and the Education Professional Standards Board.
- 2) Recruitment and Retention – working with student organizations and the Higher Education Network to recruit and support middle school teachers for Kentucky's schools.
- 3) Support Higher Education – building a network of middle level higher education instructors based on a foundation established through the Middle Level Symposium for pre-service and new teachers held every other year.
- 4) Research – creating a report on the state of middle schools in Kentucky and providing mini-grants for research projects based on middle grades.

**Department of Education
Learning and Results Services
Teaching and Learning
Curriculum Development**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	9,382,100	9,904,200	10,008,600	9,366,800	9,388,800
Base Deduction	-29,800				
Total General Fund	9,352,300	9,904,200	10,008,600	9,366,800	9,388,800
TOTAL SOURCE OF FUNDS	9,352,300	9,904,200	10,008,600	9,366,800	9,388,800
EXPENDITURES BY CLASS					
Personnel Cost	1,330,200	1,752,300	1,856,700	1,214,900	1,236,900
Operating Expenses	210,700	340,500	340,500	340,500	340,500
Grants, Loans or Benefits	7,811,400	7,811,400	7,811,400	7,811,400	7,811,400
TOTAL EXPENDITURES	9,352,300	9,904,200	10,008,600	9,366,800	9,388,800
EXPENDITURES BY FUND SOURCE					
General Fund	9,352,300	9,904,200	10,008,600	9,366,800	9,388,800
TOTAL EXPENDITURES	9,352,300	9,904,200	10,008,600	9,366,800	9,388,800
EXPENDITURES BY UNIT					
Curriculum Development	1,486,700	2,038,600	2,143,000	1,501,200	1,523,200
Gifted and Talented	7,121,500	7,121,500	7,121,500	7,121,500	7,121,500
Gifted and Talented Advisory Council	48,700	48,700	48,700	48,700	48,700
Commonwealth Institute for Teachers	85,100	85,100	85,100	85,100	85,100
Writing Program	610,300	610,300	610,300	610,300	610,300
TOTAL EXPENDITURES	9,352,300	9,904,200	10,008,600	9,366,800	9,388,800

The Kentucky Education Reform Act of 1990 directed development of a curriculum framework by the Department of Education to assist educators in moving toward the learning goals established by the act. Since that time, the Division of Curriculum Development has participated in developing all major documents used by teachers and schools in organizing their curricula. Technical assistance resources and professional development is provided to schools and districts to improve student achievement by utilization of research-based instructional practices.

Curriculum Development deploys content consultants to work with local districts, schools and teachers with a focus on the goal of all students reaching proficiency by 2014.

Resources have been developed in support of the goals of the No Child Left Behind Act, particularly in the areas of reading and mathematics achievement in grades three through eight. The division also contains staff with responsibility for Reading First, the K-3 cornerstone of No Child Left Behind.

**Department of Education
Learning and Results Services
Teaching and Learning
Secondary and Virtual Learning**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	1,521,900	1,669,200	1,716,900	1,541,800	1,561,500
Salary Compensation Fund	17,200				
Total General Fund	1,539,100	1,669,200	1,716,900	1,541,800	1,561,500
Restricted Funds					
Balance Forward	258,000				
Current Receipts	316,000	574,000	574,000	574,000	574,000
Total Restricted Funds	574,000	574,000	574,000	574,000	574,000
TOTAL SOURCE OF FUNDS	2,113,100	2,243,200	2,290,900	2,115,800	2,135,500
EXPENDITURES BY CLASS					
Personnel Cost	752,100	803,000	850,700	675,600	695,300
Operating Expenses	669,000	748,200	748,200	748,200	748,200
Grants, Loans or Benefits	692,000	692,000	692,000	692,000	692,000
TOTAL EXPENDITURES	2,113,100	2,243,200	2,290,900	2,115,800	2,135,500
EXPENDITURES BY FUND SOURCE					
General Fund	1,539,100	1,669,200	1,716,900	1,541,800	1,561,500
Restricted Funds	574,000	574,000	574,000	574,000	574,000
TOTAL EXPENDITURES	2,113,100	2,243,200	2,290,900	2,115,800	2,135,500

The Kentucky Virtual High School (KVHS) works with local school districts in offering a wider range of courses to meet student needs. The availability of KVHS courses on the Internet provides opportunities for students to take courses not taught in their schools due to teacher shortages, too few interested students, lack of a qualified instructor, or irresolvable schedule conflicts. Kentucky Virtual High School courses are available to homebound students, students making up failed credits, and students in alternative education settings.

The Kentucky Virtual Advanced Placement Academy assists high schools in offering a core curriculum of Advanced Placement, International Baccalaureate, dual credit and dual enrollment courses so all students have the opportunity to earn college credit while still in high school.

Kentucky Virtual High School teachers are certified in their content areas and all KVHS courses meet state curriculum standards. When a student completes a course, KVHS sends a final numeric score to the principal of the student's local school. The local school grants the credit and posts the grade according to district and school policy.

The facilities of the KVHS are also used to offer online professional development to educators.

**Department of Education
Learning and Results Services
Teaching and Learning
Dropout Prevention**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	782,800	782,800	782,800	782,800	782,800
Total General Fund	782,800	782,800	782,800	782,800	782,800
TOTAL SOURCE OF FUNDS	782,800	782,800	782,800	782,800	782,800
EXPENDITURES BY CLASS					
Operating Expenses	61,900	61,900	61,900	61,900	61,900
Grants, Loans or Benefits	720,900	720,900	720,900	720,900	720,900
TOTAL EXPENDITURES	782,800	782,800	782,800	782,800	782,800
EXPENDITURES BY FUND SOURCE					
General Fund	782,800	782,800	782,800	782,800	782,800
TOTAL EXPENDITURES	782,800	782,800	782,800	782,800	782,800

Dropout prevention funds are awarded based on the basis of competitive grants by local school districts. The current focus is on research-based programs that offer the most support to students at risk of dropping out of school. The current grant application process emphasizes programs that focus on a given number of students based on criteria identifying the most important needs of each student and providing individualized attention to the student's personal and emotional situation as well as his or her academic status.

Thirteen local school districts and 54 schools serving 280 students are receiving dropout prevention grants during fiscal year 2006.

**Department of Education
Learning and Results Services
Teaching and Learning
Professional Growth Fund**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	3,925,300	3,925,300	3,925,300	3,925,300	3,925,300
Continuing Appropriation	593,600				
Total General Fund	4,518,900	3,925,300	3,925,300	3,925,300	3,925,300
TOTAL SOURCE OF FUNDS	4,518,900	3,925,300	3,925,300	3,925,300	3,925,300
EXPENDITURES BY CLASS					
Grants, Loans or Benefits	4,518,900	3,925,300	3,925,300	3,925,300	3,925,300
TOTAL EXPENDITURES	4,518,900	3,925,300	3,925,300	3,925,300	3,925,300
EXPENDITURES BY FUND SOURCE					
General Fund	4,518,900	3,925,300	3,925,300	3,925,300	3,925,300
TOTAL EXPENDITURES	4,518,900	3,925,300	3,925,300	3,925,300	3,925,300

The Teachers' Professional Growth Fund provides teachers with opportunities for high quality professional development in content knowledge and teaching methodologies in the core disciplines of mathematics, science, language arts and social studies.

**Department of Education
Learning and Results Services
Teaching and Learning
Extended Learning Services**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	95,736,800	123,188,700	123,222,900	123,240,800	123,252,900
Continuing Appropriation	6,458,100				
Total General Fund	102,194,900	123,188,700	123,222,900	123,240,800	123,252,900
Federal Funds					
Balance Forward	64,100				
Current Receipts	17,551,800	17,620,400	17,625,100	17,615,900	17,615,900
Total Federal Funds	17,615,900	17,620,400	17,625,100	17,615,900	17,615,900
TOTAL SOURCE OF FUNDS	119,810,800	140,809,100	140,848,000	140,856,700	140,868,800
EXPENDITURES BY CLASS					
Personnel Cost	858,200	907,900	946,800	860,100	872,200
Operating Expenses	265,200	265,200	265,200	265,200	265,200
Grants, Loans or Benefits	118,687,400	139,636,000	139,636,000	139,731,400	139,731,400
TOTAL EXPENDITURES	119,810,800	140,809,100	140,848,000	140,856,700	140,868,800
EXPENDITURES BY FUND SOURCE					
General Fund	102,194,900	123,188,700	123,222,900	123,240,800	123,252,900
Federal Funds	17,615,900	17,620,400	17,625,100	17,615,900	17,615,900
TOTAL EXPENDITURES	119,810,800	140,809,100	140,848,000	140,856,700	140,868,800
EXPENDITURES BY UNIT					
Extended Learning Services	32,206,100	32,232,400	32,250,100	32,206,700	32,210,900
Early Childhood Education	63,006,400	90,436,500	90,457,700	86,509,800	86,517,700
Evenstart	4,640,200	4,640,200	4,640,200	4,640,200	4,640,200
Bilingual Education	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000
Read to Achieve	17,558,100	11,100,000	11,100,000	15,100,000	15,100,000
Every 1 Reads	500,000	500,000	500,000	500,000	500,000
TOTAL EXPENDITURES	119,810,800	140,809,100	140,848,000	140,856,700	140,868,800

The Kentucky Education Reform Act of 1990, via KRS 158.070, established Extended School Services (ESS) for struggling learners who need additional instructional time and assistance to achieve their learning goals. The program offers instructional time outside regular school hours and takes many forms, including after-school and before-school instruction, evening sessions, Saturday learning activities, summer programs and intersessions in year-round schools. After-school programs and summer programs are the most popular schedules provided by the schools.

The ESS program serves K-12 students in all 176 school districts and approximately 1,300 public schools. Students are referred for a wide range of subjects including reading, mathematics (basic, algebra, calculus, and geometry), science, social studies, vocational/practical living, arts and humanities, writing and language arts. Many students receive ESS assistance in more than one subject area. The majority of students are referred to ESS for reading, mathematics, writing and science.

The Kentucky Education Reform Act also established a comprehensive preschool program for two groups of children: four-year-old children whose families meet free lunch income guidelines and three and four year old children with developmental delays or other disabilities. School districts must assure that services are available for these children through a program operated by the district or by contract or collaborative agreement with another agency. Services include: a developmentally appropriate half-day preschool class; transportation; complementary parent education; nutrition; health and developmental screening; and coordination of health and social services.

Policy

The Governor's budget recommendation increases funding for the Preschool program by \$23,502,300 in fiscal year 2007 and maintains that funding level in fiscal year 2008. This increase will enable an expansion of eligibility to children from families with incomes up to 150 percent of the federal poverty level compared to the current level of 130 percent of poverty. This increase in funding will also provide financial relief to those local school districts which have been augmenting state preschool funding with local monies.

The Executive Budget also includes increased General Fund support in the amount of \$4 million in both fiscal year 2007 and fiscal year 2008 of the biennium for the Read to Achieve program. These Read to Achieve funds, in combination with existing Early Reading Incentive Grant General Fund monies as well as Reading First grants, are deployed to strengthen Kentucky's capacity to have all students reading at grade level or above by the time they enter fourth grade. The Read to Achieve approach provides schools with flexibility in the choice of proven research-based reading programs. Early assessment of students' reading levels is utilized along with early intervention for struggling readers. Teachers receive training in research-based strategies to better teach each child to read.

**Department of Education
Learning and Results Services
Teaching and Learning
Early Childhood Development**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	128,100	137,200	143,400	860,800	1,244,100
Total General Fund	128,100	137,200	143,400	860,800	1,244,100
Tobacco Settlement-Phase I					
Tobacco Settlement - I	1,888,400	1,923,100	1,946,800	1,388,400	1,508,400
Continuing Appropriation	248,900				
Total Tobacco Settlement-Phase I	2,137,300	1,923,100	1,946,800	1,388,400	1,508,400
Restricted Funds					
Current Receipts	150,000	150,000	150,000	150,000	150,000
Total Restricted Funds	150,000	150,000	150,000	150,000	150,000
Federal Funds					
Current Receipts	178,200	180,300	184,200	178,200	178,200
Total Federal Funds	178,200	180,300	184,200	178,200	178,200
TOTAL SOURCE OF FUNDS	2,593,600	2,390,600	2,424,400	2,577,400	3,080,700
EXPENDITURES BY CLASS					
Personnel Cost	513,800	565,800	599,600	520,800	522,500
Operating Expenses	539,800	289,900	289,900	289,900	289,900
Grants, Loans or Benefits	1,540,000	1,534,900	1,534,900	1,766,700	2,268,300
TOTAL EXPENDITURES	2,593,600	2,390,600	2,424,400	2,577,400	3,080,700
EXPENDITURES BY FUND SOURCE					
General Fund	128,100	137,200	143,400	860,800	1,244,100
Tobacco Settlement-Phase I	2,137,300	1,923,100	1,946,800	1,388,400	1,508,400
Restricted Funds	150,000	150,000	150,000	150,000	150,000
Federal Funds	178,200	180,300	184,200	178,200	178,200
TOTAL EXPENDITURES	2,593,600	2,390,600	2,424,400	2,577,400	3,080,700

The 2000 Regular Session of the General Assembly established the Office of Early Childhood Development within the Office of the Governor. In June 2005, Executive Order 05-576 reconstituted this entity as the Division of Early Childhood Education within the Department of Education.

The Division of Early Childhood Development coordinates development and continuing activities of Community Early Childhood Councils. The councils work toward implementation of the Kentucky's long-range strategic plan for early childhood development on the local level. The councils build upon existing resources, foster public-private partnerships and otherwise work within their communities toward such goals as the availability of high quality, accessible and affordable early childhood care and education options. The Early Childhood Division provides technical assistance, monitoring and evaluation of outcomes of the local partnerships and link funding to their effectiveness.

Working with other stakeholders, the Division of Early Childhood Development has assisted in implementing a number of programs within agencies across state government aimed at the needs of young children. Some of the results include more than 1,000 early childhood professionals attending college as well as more than 10,000 families participating in the HANDS voluntary home visiting program leading to the delivery of fewer low birth weight babies.

Policy

Additional funds of \$250,000 in fiscal year 2007 and \$750,000 in fiscal year 2008 are provided for "Ready, Set, Success." Ready, Set, Success is a grant program that encourages collaboration among multiple local agencies and organizations to coordinate local resources and efforts in order to meet the unique needs of young children so they are ready to succeed when they enter school.

**Department of Education
Learning and Results Services
District Support Services**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	525,727,500	585,059,600	656,898,900	570,936,800	616,149,900
Salary Compensation Fund	323,500				
Base Deduction	-3,850,900				
Total General Fund	522,200,100	585,059,600	656,898,900	570,936,800	616,149,900
Restricted Funds					
Balance Forward	47,300				
Current Receipts	62,700	110,000	110,000	110,000	110,000
Total Restricted Funds	110,000	110,000	110,000	110,000	110,000
Federal Funds					
Balance Forward	6,400				
Non-Revenue Receipts	198,087,200	198,148,400	198,214,500	198,148,400	198,214,500
Total Federal Funds	198,093,600	198,148,400	198,214,500	198,148,400	198,214,500
TOTAL SOURCE OF FUNDS	720,403,700	783,318,000	855,223,400	769,195,200	814,474,400
EXPENDITURES BY CLASS					
Personnel Cost	4,822,500	5,668,600	5,959,200	5,083,600	5,194,100
Operating Expenses	978,500	1,134,800	1,134,800	1,134,800	1,134,800
Grants, Loans or Benefits	714,602,700	776,514,600	848,129,400	762,976,800	808,145,500
TOTAL EXPENDITURES	720,403,700	783,318,000	855,223,400	769,195,200	814,474,400
EXPENDITURES BY FUND SOURCE					
General Fund	522,200,100	585,059,600	656,898,900	570,936,800	616,149,900
Restricted Funds	110,000	110,000	110,000	110,000	110,000
Federal Funds	198,093,600	198,148,400	198,214,500	198,148,400	198,214,500
TOTAL EXPENDITURES	720,403,700	783,318,000	855,223,400	769,195,200	814,474,400
EXPENDITURES BY UNIT					
Associate Commissioner	511,000	543,100	572,600	510,500	515,700
Audit and Transportation	505,047,200	567,213,400	638,909,900	553,421,400	598,605,800
Facilities Management	1,083,100	1,117,800	1,154,000	1,084,200	1,092,000
School Finance	1,437,600	1,696,700	1,739,200	1,485,900	1,493,100
Safe Schools	10,128,300	10,128,300	10,128,300	10,128,300	10,128,300
Nutrition and Health Services	201,567,400	201,931,100	201,997,200	201,931,100	201,997,200
Data Policy Management	629,100	687,600	722,200	633,800	642,300
TOTAL EXPENDITURES	720,403,700	783,318,000	855,223,400	769,195,200	814,474,400

The Office of District Support Services provides administrative and technical assistance on behalf of local school districts throughout the state and consists of the following divisions and functions: Audit and Transportation; Facilities Management; School Finance; Safe Schools; Nutrition and Health Services; and Data Policy Management.

**Department of Education
Learning and Results Services
District Support Services
Associate Commissioner**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	397,100	543,100	572,600	510,500	515,700
Salary Compensation Fund	113,900				
Total General Fund	511,000	543,100	572,600	510,500	515,700
TOTAL SOURCE OF FUNDS	511,000	543,100	572,600	510,500	515,700
EXPENDITURES BY CLASS					
Personnel Cost	486,000	518,100	547,600	485,500	490,700
Operating Expenses	25,000	25,000	25,000	25,000	25,000
TOTAL EXPENDITURES	511,000	543,100	572,600	510,500	515,700
EXPENDITURES BY FUND SOURCE					
General Fund	511,000	543,100	572,600	510,500	515,700
TOTAL EXPENDITURES	511,000	543,100	572,600	510,500	515,700
EXPENDITURES BY UNIT					
Associate Commissioner	511,000	543,100	572,600	510,500	515,700
TOTAL EXPENDITURES	511,000	543,100	572,600	510,500	515,700

The Associate Commissioner for District Support Services reports to the Commissioner of Education through the Deputy Commissioner for Learning Results Services. The Associate Commissioner is responsible for directing the work of the following divisions and functions: Audit and Transportation; Facilities Management; School Finance; Safe Schools; School and Community Nutrition; and Data Policy Management.

**Department of Education
Learning and Results Services
District Support Services
Audit and Transportation**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	508,791,200	567,213,400	638,909,900	553,421,400	598,605,800
Salary Compensation Fund	1,400				
Base Deduction	-3,745,400				
Total General Fund	505,047,200	567,213,400	638,909,900	553,421,400	598,605,800
TOTAL SOURCE OF FUNDS	505,047,200	567,213,400	638,909,900	553,421,400	598,605,800
EXPENDITURES BY CLASS					
Personnel Cost	1,112,400	1,385,200	1,466,900	1,131,000	1,146,700
Operating Expenses	63,200	63,200	63,200	63,200	63,200
Grants, Loans or Benefits	503,871,600	565,765,000	637,379,800	552,227,200	597,395,900
TOTAL EXPENDITURES	505,047,200	567,213,400	638,909,900	553,421,400	598,605,800
EXPENDITURES BY FUND SOURCE					
General Fund	505,047,200	567,213,400	638,909,900	553,421,400	598,605,800
TOTAL EXPENDITURES	505,047,200	567,213,400	638,909,900	553,421,400	598,605,800
EXPENDITURES BY UNIT					
Audit and Transportation	1,175,600	1,448,400	1,530,100	1,194,200	1,209,900
Education of State Agency Children	10,462,100	10,462,100	10,462,100	10,462,100	10,462,100
Textbooks	21,700,100	21,700,100	21,700,100	21,700,100	21,700,100
Local District Life Insurance	2,168,600	3,914,000	3,914,000	2,257,000	2,378,700
Local District Health Insurance	469,540,800	529,688,800	601,303,600	517,808,000	562,855,000
TOTAL EXPENDITURES	505,047,200	567,213,400	638,909,900	553,421,400	598,605,800

The Division of Audit and Transportation provides financial and technical administrative support for local school districts to ensure the efficient and effective use of resources. The division is comprised of two branches- Audit and Transportation Services.

The Audit Branch supports and audits all aspects of pupil attendance. Pupil attendance numbers are used for the distribution of much of the state and federal funds received by school districts. Attendance audits are conducted on approximately twenty five percent of local school districts annually. Besides providing a verification tool, audits are important in providing guidance to districts on procedures to ensure accurate student attendance data. This branch also utilizes financial audits of local school districts to ensure that districts are appropriately managing their finances. The Audit Branch works with the Personnel Cabinet and local districts in providing district employees with state life and health insurance.

The Pupil Transportation Branch provides technical and administrative assistance to local school districts pertaining to the safe and efficient transportation of approximately 390,000 pupils riding approximately 9,600 buses statewide. The branch provides training for bus drivers. The transportation branch also maintains a school bus inventory, school bus accident reports, a register of all state-certified public school bus drivers and inspection records.

Policy

The Governor's budget recommendation continues funding for the Education of State Agency Children Program in the amount of \$10,462,100 each year of the 2006-08 biennium.

The budget recommendation continues funding for the Textbooks Program in the amount of \$21,700,100 each year of the 2006-08 biennium.

The Executive Budget provides funding for the Local District Life Insurance Program of \$2,257,000 in fiscal year 2007 and \$2,378,700 in fiscal year 2008.

The Governor's budget recommendation includes funding for the Local District Health Insurance Program of \$517,808,000 in fiscal year 2007 and \$562,855,000 in fiscal year 2008.

**Department of Education
Learning and Results Services
District Support Services
Facilities Management**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	442,800	623,800	660,000	590,200	598,000
Salary Compensation Fund	146,300				
Total General Fund	589,100	623,800	660,000	590,200	598,000
Federal Funds					
Non-Revenue Receipts	494,000	494,000	494,000	494,000	494,000
Total Federal Funds	494,000	494,000	494,000	494,000	494,000
TOTAL SOURCE OF FUNDS	1,083,100	1,117,800	1,154,000	1,084,200	1,092,000
EXPENDITURES BY CLASS					
Personnel Cost	570,800	605,500	641,700	571,900	579,700
Operating Expenses	18,300	18,300	18,300	18,300	18,300
Grants, Loans or Benefits	494,000	494,000	494,000	494,000	494,000
TOTAL EXPENDITURES	1,083,100	1,117,800	1,154,000	1,084,200	1,092,000
EXPENDITURES BY FUND SOURCE					
General Fund	589,100	623,800	660,000	590,200	598,000
Federal Funds	494,000	494,000	494,000	494,000	494,000
TOTAL EXPENDITURES	1,083,100	1,117,800	1,154,000	1,084,200	1,092,000

The Division of Facilities Management reviews, oversees, and approves all new buildings and additions and alterations to existing public school buildings. This division also provides guidance in preparing each local district's facility plan and assists in updating and amending district plans. The Division of Facilities Management compiles information as to local school district construction needs each biennium for use by the School Facilities Construction Commission.

**Department of Education
Learning and Results Services
District Support Services
School Finance**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	1,433,100	1,586,700	1,629,200	1,375,900	1,383,100
Base Deduction	-105,500				
Total General Fund	1,327,600	1,586,700	1,629,200	1,375,900	1,383,100
Restricted Funds					
Balance Forward	47,300				
Current Receipts	62,700	110,000	110,000	110,000	110,000
Total Restricted Funds	110,000	110,000	110,000	110,000	110,000
TOTAL SOURCE OF FUNDS	1,437,600	1,696,700	1,739,200	1,485,900	1,493,100
EXPENDITURES BY CLASS					
Personnel Cost	651,100	753,900	796,400	543,100	550,300
Operating Expenses	170,000	326,300	326,300	326,300	326,300
Grants, Loans or Benefits	616,500	616,500	616,500	616,500	616,500
TOTAL EXPENDITURES	1,437,600	1,696,700	1,739,200	1,485,900	1,493,100
EXPENDITURES BY FUND SOURCE					
General Fund	1,327,600	1,586,700	1,629,200	1,375,900	1,383,100
Restricted Funds	110,000	110,000	110,000	110,000	110,000
TOTAL EXPENDITURES	1,437,600	1,696,700	1,739,200	1,485,900	1,493,100
EXPENDITURES BY UNIT					
School Finance	821,100	1,080,200	1,122,700	869,400	876,600
Blind and Deaf Student Travel	616,500	616,500	616,500	616,500	616,500
TOTAL EXPENDITURES	1,437,600	1,696,700	1,739,200	1,485,900	1,493,100

The Division of Finance's objectives include: the provision of technical assistance to 176 local school districts on matters of budgeting, accounting, reporting and composing salary schedules; distribution of state SEEK funds to local districts; providing guidance in planning the financing of local school building construction and providing other financial management and accounting assistance.

The Division of Pupil Transportation provides technical assistance as well as regulatory and coordinating services to local school districts to facilitate the safe and efficient transporting of pupils to and from school. The Division sets forth the procedures for centralized purchasing of school buses through established price contract agreements. The Division trains instructors, bus inspectors, and drivers. Funding for trips home by students residing at the Kentucky School for the Blind and the Kentucky School for the Deaf is budgeted within this division.

**Department of Education
Learning and Results Services
District Support Services
Safe Schools**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	10,128,300	10,128,300	10,128,300	10,128,300	10,128,300
Total General Fund	10,128,300	10,128,300	10,128,300	10,128,300	10,128,300
TOTAL SOURCE OF FUNDS	10,128,300	10,128,300	10,128,300	10,128,300	10,128,300
EXPENDITURES BY CLASS					
Grants, Loans or Benefits	10,128,300	10,128,300	10,128,300	10,128,300	10,128,300
TOTAL EXPENDITURES	10,128,300	10,128,300	10,128,300	10,128,300	10,128,300
EXPENDITURES BY FUND SOURCE					
General Fund	10,128,300	10,128,300	10,128,300	10,128,300	10,128,300
TOTAL EXPENDITURES	10,128,300	10,128,300	10,128,300	10,128,300	10,128,300

In 1998, the General Assembly, in enacting KRS 158.440-158.446, recognized that state and local resources are needed to expand capacities for research, effective programming, and program evaluation directed toward safety and discipline in Kentucky's schools. The Safe Schools program provides funding to local school districts to support substance abuse and violence reduction programming. Like initiatives at the federal level, this program seeks to prevent violence in and around schools, and supports programs that prevent the illegal use of alcohol, tobacco and drugs through a school and community-based effort.

The Center for School Safety, in collaboration with the Department of Education, distributes funds to local school districts, with an emphasis on community-based programs, intensive academic intervention programs, programs utilizing school resource officers, and training programs for certified and classified staff, students, parents, and community members.

**Department of Education
Learning and Results Services
District Support Services
Nutrition and Health Services**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	3,967,800	4,276,700	4,276,700	4,276,700	4,276,700
Total General Fund	3,967,800	4,276,700	4,276,700	4,276,700	4,276,700
Federal Funds					
Balance Forward	6,400				
Non-Revenue Receipts	197,593,200	197,654,400	197,720,500	197,654,400	197,720,500
Total Federal Funds	197,599,600	197,654,400	197,720,500	197,654,400	197,720,500
TOTAL SOURCE OF FUNDS	201,567,400	201,931,100	201,997,200	201,931,100	201,997,200
EXPENDITURES BY CLASS					
Personnel Cost	1,475,100	1,820,300	1,886,400	1,820,300	1,886,400
Operating Expenses	600,000	600,000	600,000	600,000	600,000
Grants, Loans or Benefits	199,492,300	199,510,800	199,510,800	199,510,800	199,510,800
TOTAL EXPENDITURES	201,567,400	201,931,100	201,997,200	201,931,100	201,997,200
EXPENDITURES BY FUND SOURCE					
General Fund	3,967,800	4,276,700	4,276,700	4,276,700	4,276,700
Federal Funds	197,599,600	197,654,400	197,720,500	197,654,400	197,720,500
TOTAL EXPENDITURES	201,567,400	201,931,100	201,997,200	201,931,100	201,997,200

The Division of School and Community Nutrition oversees the administration of the following National School Lunch Act and Child Nutrition Act programs in local school districts and other eligible agencies: National School Lunch program; School Breakfast program; Special Milk program; Child Care Food program; Summer Food Service program; and the Nutrition Education and Training program. Approximately 1,600 Kentucky schools (public and non-public) participate in one or more of these programs.

**Department of Education
Learning and Results Services
District Support Services
Data Policy Management**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	567,200	687,600	722,200	633,800	642,300
Salary Compensation Fund	61,900				
Total General Fund	629,100	687,600	722,200	633,800	642,300
TOTAL SOURCE OF FUNDS	629,100	687,600	722,200	633,800	642,300
EXPENDITURES BY CLASS					
Personnel Cost	527,100	585,600	620,200	531,800	540,300
Operating Expenses	102,000	102,000	102,000	102,000	102,000
TOTAL EXPENDITURES	629,100	687,600	722,200	633,800	642,300
EXPENDITURES BY FUND SOURCE					
General Fund	629,100	687,600	722,200	633,800	642,300
TOTAL EXPENDITURES	629,100	687,600	722,200	633,800	642,300

The Division of Data Policy Management develops and maintains organization and consistency of data collected and disseminated by the Kentucky Department of Education. Staff of the division works with various Department of Education, Council for Postsecondary Education, and Professional Standards Board program areas in analyzing data and determining requirements for data entered in the department's enterprise data system. The goal is a useful and unified collection of P-16 data that can be accessed by schools, school districts, researchers and others for analysis and informed-decision making. Staff of the division develops standards for data quality and provides technical assistance and training to staff in various education program areas to ensure data that is timely, complete and accurate. Assistance is also provided schools and districts that are the original source of much data.

Department of Education
Support Education Excellence in Kentucky (SEEK)

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	2,594,892,700	2,824,044,300	3,060,971,900	2,680,435,400	2,815,817,700
Total General Fund	2,594,892,700	2,824,044,300	3,060,971,900	2,680,435,400	2,815,817,700
TOTAL SOURCE OF FUNDS	2,594,892,700	2,824,044,300	3,060,971,900	2,680,435,400	2,815,817,700
EXPENDITURES BY CLASS					
Grants, Loans or Benefits	2,594,892,700	2,824,044,300	3,060,971,900	2,680,435,400	2,815,817,700
TOTAL EXPENDITURES	2,594,892,700	2,824,044,300	3,060,971,900	2,680,435,400	2,815,817,700
EXPENDITURES BY FUND SOURCE					
General Fund	2,594,892,700	2,824,044,300	3,060,971,900	2,680,435,400	2,815,817,700
TOTAL EXPENDITURES	2,594,892,700	2,824,044,300	3,060,971,900	2,680,435,400	2,815,817,700
EXPENDITURES BY UNIT					
Base Funding	1,825,126,600	2,005,460,600	2,211,310,600	1,876,354,400	1,983,909,200
Pupil Transportation	211,953,500	239,953,500	249,953,500	211,953,500	211,953,500
Equalized Facilities	78,475,900	78,475,900	78,475,900	86,846,900	81,632,800
Tier I Equalization	145,649,300	145,649,300	145,649,300	157,502,200	156,029,800
Enhanced Professional Compensation					17,682,700
National Board Certification Salary Supplement	1,858,000	1,858,000	1,858,000	1,858,000	1,858,000
School Facilities Matching Grant	225,000	225,000	225,000		
State-Run Vocational Schools Reimbursement	21,952,600	23,934,200	25,234,800	23,053,800	23,561,000
Vocational Education Transportation	2,416,900	2,416,900	2,416,900	2,416,900	2,416,900
Local District Teachers' Retirement Match	307,234,900	326,070,900	345,847,900	320,449,700	336,773,800
TOTAL EXPENDITURES	2,594,892,700	2,824,044,300	3,060,971,900	2,680,435,400	2,815,817,700

The 1990 General Assembly, responding to the Kentucky Supreme Court's 1989 mandate to equalize funding for schoolchildren regardless of economic circumstances or place of birth, created a mechanism for distributing state support to local school districts. The Support Education Excellence in Kentucky (SEEK) program replaced the Minimum Foundation Program as well as the Power Equalization program.

DEPARTMENT OF EDUCATION
Support Education Excellence in Kentucky

The 1990 General Assembly, responding to the Kentucky Supreme Court's 1989 mandate to equalize funding for public school pupils regardless of economic circumstances or place of birth, created a new mechanism for distributing state support to local school districts. The Support Education Excellence in Kentucky (SEEK) program replaced the Minimum Foundation and Power Equalization programs.

Under the SEEK funding formula, the state sets a fixed base guarantee amount per student in average daily attendance. The guarantee amount to the right, as well as all other numbers in this example, are budgeted fiscal year 2006 figures.

BASE PER PUPIL GUARANTEE

\$3,445	X	579,643 Pupils In Average Daily Attendance	=	\$1,996.9 Million
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The amount of revenue per pupil guaranteed by SEEK is then adjusted upward for each local school district to reflect a set of factors that affect the cost of providing services to pupils.

+

AT-RISK ADJUSTMENT

\$3,445 X 15% = \$517	X	283,333 Pupils	=	\$146.4 Million
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An adjustment, 15% of the base per pupil guarantee, is made to reflect the higher than average costs associated with educating economically deprived ("at-risk") students. "At-Risk" is operationally defined as federal free lunch program eligible. The 15% adjustment is added to the base per pupil guarantee amount for such pupils.

+

EXCEPTIONAL CHILDREN ADJUSTMENT

SEVERE (\$3,445 X 2.35 Weight = \$8,096 Adjustment)	MODERATE (\$3,445 X 1.17 Weight = \$4,031 Adjustment)	MILD (\$3,445 X 0.24 Weight = \$827 Adjustment)
X	X	X
15,404 Pupils	55,596 Pupils	22,928 Pupils
+	+	=
\$367.8 Million		

The per pupil guarantee is also increased for exceptional children by a series of weights designed to reflect the additional costs of providing services to such pupils. The costs associated with educating exceptional children are based on a count of pupils with different disabilities, a state-determined exceptional pupil-teacher ratio for each disability or service, and a resulting per pupil cost.

An adjustment is made for the cost of educating pupils taught at home or in a hospital during the period of their illness or convalescence. Such pupils generate additional funds amounting to the base per pupil guarantee minus one hundred dollars (normally dedicated to capital outlay).

$$\begin{array}{c}
 + \\
 \text{HOME AND HOSPITAL ADJUSTMENT} \\
 \boxed{\$3,445 - \$100 = \$3,345} \times \boxed{1,750 \text{ Pupils}} = \boxed{\$5.9 \text{ Million}}
 \end{array}$$

The 2005 Regular Session of the General Assembly, via HB 267 (Executive Branch Appropriations Act), established a new weight based on limited English proficiency (LEP). Based on the higher costs associated with educating LEP students, the new weight was established at 7.5% of the base per pupil guarantee. The LEP weight took effect in FY 2006.

$$\begin{array}{c}
 + \\
 \text{LIMITED ENGLISH PROFICIENCY ADJUSTMENT} \\
 \boxed{\$3,445 \times 7.5\% = \$258} \times \boxed{10,837 \text{ Pupils}} = \boxed{\$2.8 \text{ Million}}
 \end{array}$$

The base per pupil guarantee is supplemented by the costs determined under the pupil transportation calculation procedures. Pupil transportation calculated costs are based on the number of pupils transported, the geographic characteristics of a given school district and the distribution of pupils along the most efficient routes. (The FY 2006 transportation budget amount was capped; the actual calculation yielded a higher amount.)

$$\begin{array}{c}
 + \\
 \text{PUPIL TRANSPORTATION} \\
 \boxed{\text{Number of Students Transported Relative To Geographic Distribution of Students}} = \boxed{\$212 \text{ Million}}
 \end{array}$$

The base per pupil guarantee, as adjusted for at-risk, exceptional, home & hospital, and limited English proficient pupils, as well as for transportation costs becomes the total calculated per pupil base SEEK cost.

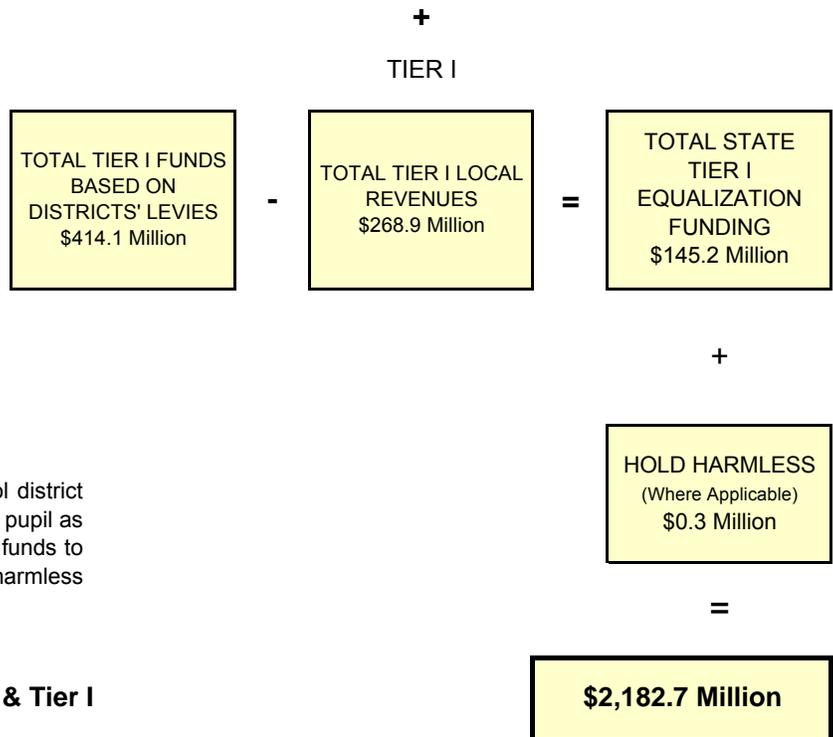
$$\begin{array}{c}
 = \\
 \begin{array}{l}
 \text{Base Per Pupil Guarantee} \\
 + \\
 \text{At-Risk Adjustment} \\
 + \\
 \text{Exceptional Children Adjustment} \\
 + \\
 \text{Home/Hospital Adjustment} \\
 + \\
 \text{LEP Adjustment} \\
 + \\
 \text{Transportation}
 \end{array}
 = \boxed{\text{TOTAL CALCULATED BASE PER PUPIL SEEK COST}} = \boxed{\$2,731.6 \text{ Million}}
 \end{array}$$

Equalization of per pupil revenues among local school districts under the SEEK program begins with a requirement that every local school district levy a minimum equivalent tax rate of 30 cents per hundred dollars of assessed valuation. This tax level may be attained via local property taxes, available alternative taxes (occupational, utility or income) or any combination of such taxes. The yield from this tax effort serves as a deduction against the revenues guaranteed by the state under SEEK. Every district is guaranteed that its minimum tax levy will produce the same dollars per student regardless of the district's property tax base. This results in the state providing a greater proportion of per pupil revenues in those districts with lower property wealth per pupil.

$$\begin{array}{c}
 - \\
 \text{REQUIRED LOCAL EFFORT} \\
 \boxed{\$231.6 \text{ Billion Local School Districts' Assessed Property}} \times \boxed{\text{Required Minimum Tax Levy 30 Cents Per \$100 Assessed Property}} = \boxed{\$694.8 \text{ Million Required Local Effort}} \\
 = \\
 \boxed{\$2,036.8 \text{ Million State Portion of Basic SEEK Cost}}
 \end{array}$$

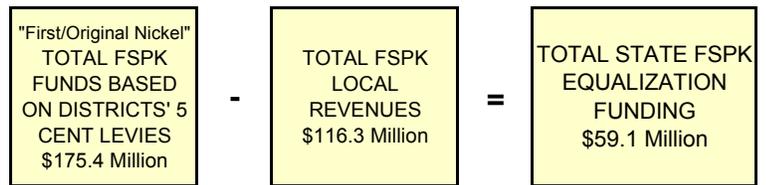
All local school districts have the option to impose taxes sufficient to generate revenues up to 15 percent over those generated under base SEEK. Districts with assessed property per pupil less than 150 percent of the statewide average (projected at \$587,000 for the 2004-2006 biennium) receive funds from the state sufficient to garner revenues from these additional taxes equal to those generated if their per pupil property wealth was indeed 150 percent of the statewide average. In other words, the state guarantees an additional local levy will produce the same revenue in property-poor districts as would be produced in richer districts. The local tax levied under this provision is not subject to voter recall.

After completion of the preceding calculations, any school district failing to receive at least as much state SEEK funding per pupil as it received in fiscal year 1992 is provided additional state funds to sustain that funding level, referred to as SEEK's hold-harmless provision.



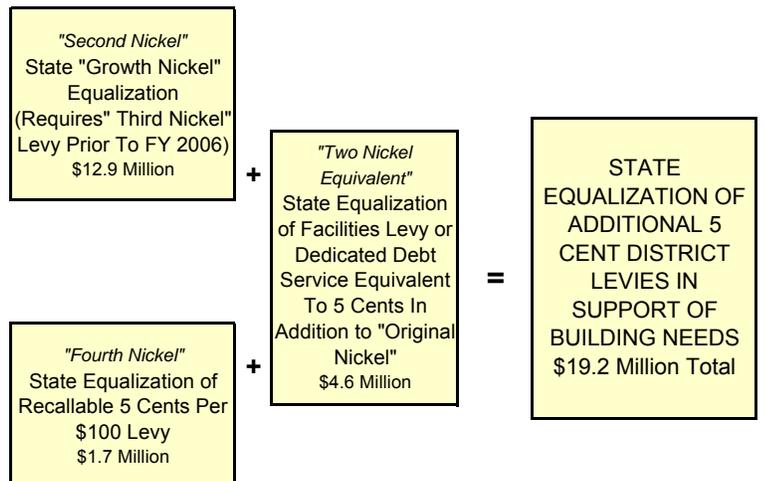
Total State Per Pupil Funding - Base SEEK & Tier I

The SEEK program also includes an equalized facilities support component (Facilities Support Program of Kentucky or FSPK) for the purpose of providing a supplemental funding source for each local school district for construction and renovation projects and related debt service outlays. To participate, a district must levy a minimum equivalent tax rate of 5 cents per one hundred dollars of assessed valuation. Revenues generated by this tax must be dedicated to financing capital projects or debt service on construction bonds. Such revenue, like that under the Tier I component, is equalized at 150 percent of the statewide average per pupil property assessment.



EQUALIZED FACILITIES SUPPORT

There are additional avenues for school districts to raise revenues for building and renovation purposes. Districts experiencing substantial student growth may levy an additional 5 cents per one hundred dollars of assessed valuation tax not subject to voter recall. If a district also levies another 5 cent tax - subject to voter recall - prior to fiscal year 2005, the original 5 cent "growth" levy qualifies for state equalization at 150 percent of the statewide average per pupil property assessment. All districts, regardless of growth, may levy - subject to voter recall - an additional 5 cents per one hundred dollars of assessed valuation tax for facilities purposes that is also eligible for state equalization. Finally, school districts committing the equivalent of 5 cents per one hundred dollars of assessed valuation in addition to the 5 cent levy required for participation in the Facilities Support Program of Kentucky are eligible for state equalization of the 5 cent equivalent at 150 percent of the statewide average per pupil property assessment.



Policy

The Governor's budget recommendation includes funding to increase the base SEEK per pupil guarantee amount to \$3,505 in fiscal year 2007 and to \$3,669 in fiscal year 2008. This represents a 1.7% increase in fiscal year 2007 compared to fiscal year 2006 and an additional 4.7% increase in fiscal year 2008 compared to fiscal year 2007.

The Executive Budget provides funding to accommodate actual average daily attendance of 587,132 and total local school district assessed property valuation of \$243.1 billion in fiscal year 2007. In fiscal year 2008, the budget provides funding to accommodate projected average daily attendance of 591,302 and projects total local school district assessed property valuation of \$257.2 billion. Projected numbers represent a consensus reached by the Kentucky Department of Education and the Office of State Budget Director.

The Governor's budget recommendation maintains funding for the pupil transportation program at the fiscal year 2006 level of \$211,953,500 in both fiscal year 2007 and fiscal year 2008.

The Executive Budget includes \$157,502,200 in fiscal year 2007 to provide Tier I funding to eligible local school districts to equalize local revenues raised under this SEEK component at a level of \$637,000 of assessed property valuation per student (150 percent of the projected statewide average per pupil during the 2006-2008 biennium). The budget provides \$156,029,800 in fiscal year 2006 for Tier I.

Also included in the Governor's budget recommendation is "hold harmless" funding - \$326,500 in fiscal year 2007 and \$350,200 in fiscal year 2008 - to provide every school district with at least the same level of SEEK funding per pupil during the 2006-2008 biennium as was provided in fiscal year 1992.

The Executive Budget provides funding for the Facilities Support Program of Kentucky (FSPK) in the amounts of \$67,749,100 in fiscal year 2007 and \$63,970,600 in fiscal year 2008 to provide equalization funding for local district revenues raised by the 5 cent per one hundred dollars of assessed valuation levy required for participation in FSPK. As with Tier I, local revenues will be equalized at a level of \$637,000 of assessed property valuation per student in both fiscal year 2007 and fiscal year 2008.

An additional \$12,177,600 in fiscal year 2007 and \$11,134,200 in fiscal year 2008 is provided to equalize revenues raised by local school districts that have levied an additional 5 cents per one hundred dollars of assessed valuation for building needs associated with enrollment growth. To qualify, a district must have also levied an additional 5 cents ("3rd nickel") per hundred dollars of assessed valuation designated for facilities before or during fiscal year 2005 and must meet "growth district" criteria (at least a three percent increase amounting to a minimum of 150 additional pupils during the previous five year period).

The Governor's proposed budget includes \$2,302,600 in funding in fiscal year 2007 and \$2,076,400 in fiscal year 2008 for state equalization of a fourth five cent levy. This levy is not dependent on student growth but must be dedicated to a school district's facilities needs. Finally, the proposed budget includes \$4,617,600 in fiscal year 2007 and \$4,451,600 in fiscal year 2008 for state equalization in cases where, no later than February 2005, districts have levied at least a ten cent equivalent tax rate (the initial 5 cent rate required by FSPK plus 5 additional cents) or have debt service or other funds committed to facilities which, combined with the initial FSPK required 5 cent rate, are equivalent to the ten cent rate. Districts eligible for "growth district" equalization are not eligible for this equalization.

The Executive Budget includes \$23,053,800 in fiscal year 2007 and \$23,561,000 in fiscal year 2008 to reimburse state-operated vocational facilities for the costs of providing course offerings to students from local school districts. \$750,000 of the preceding amounts in both fiscal year 2007 and fiscal year 2008 is for operating costs associated with new area technology centers in Butler, Pulaski and Warren counties. Funding for vocational education transportation is maintained at the fiscal year 2006 level of \$2,416,900.

The Governor's budget recommendation includes funding - \$320,449,700 in fiscal year 2007 and \$336,773,800 in fiscal year 2008 - for the Teachers' Retirement employer match on behalf of local school districts.

The Executive Budget continues funding - \$1,858,000 in both fiscal year 2007 and fiscal year 2008 - for salary supplements of \$2,000 annually for teachers achieving and maintaining certification by the National Board for Professional Teaching Standards.

The Governor's budget recommendation includes funding for the purpose of a two percent pay increase for all local school district employees in fiscal year 2007 and an additional two percent increase for all local school district employees in fiscal year 2008. The recommendation also includes funding for the cost of an additional professional development day targeted to classroom teachers in fiscal year 2007 and an additional two instructional days in fiscal year 2008. Funding of \$20,000,000 is included in fiscal year 2008 for an Enhanced Professional Compensation initiative. These funds will be distributed on a per pupil basis to school districts which have submitted a plan 1) developed with technical assistance by a postsecondary education institution, 2) that will address needs identified in a scholastic audit, 3) is approved by the Commissioner of Education.

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Education Cabinet

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Education Cabinet

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	86,216,400	108,784,800	115,168,100	86,179,300	86,404,900
Continuing Appropriation	631,500				
Salary Compensation Fund	2,641,800	388,100	388,100		
Base Deduction	-1,477,400				
Reorganization Adjustments	-181,400				
Total General Fund	87,830,900	109,172,900	115,556,200	86,179,300	86,404,900
Restricted Funds					
Balance Forward	4,518,600	3,837,800	2,457,900	3,741,500	2,804,600
Current Receipts	13,680,800	15,253,500	16,381,900	13,700,700	13,689,100
Non-Revenue Receipts	25,132,300	24,411,300	24,523,900	24,111,300	24,223,900
Fund Transfers	-647,300			-75,000	-89,600
Total Restricted Funds	42,684,400	43,502,600	43,363,700	41,478,500	40,628,000
Federal Funds					
Balance Forward	846,200	75,100	75,100	404,000	1,042,700
Current Receipts	746,993,400	760,166,300	763,846,900	750,965,400	751,289,600
Non-Revenue Receipts	134,300				
Total Federal Funds	747,973,900	760,241,400	763,922,000	751,369,400	752,332,300
TOTAL SOURCE OF FUNDS	878,489,200	912,916,900	922,841,900	879,027,200	879,365,200
EXPENDITURES BY CLASS					
Personnel Cost	141,942,400	167,534,600	176,098,100	149,641,000	151,397,900
Operating Expenses	39,882,500	43,590,300	42,195,700	39,512,800	39,001,600
Grants, Loans or Benefits	689,516,600	697,035,700	698,835,300	684,477,800	683,869,600
Debt Service			2,290,000		
Capital Outlay	1,502,200	2,223,300	1,651,800	1,548,300	1,451,800
TOTAL EXPENDITURES	872,843,700	910,383,900	921,070,900	875,179,900	875,720,900
EXPENDITURES BY FUND SOURCE					
General Fund	86,330,900	109,172,900	115,556,200	86,179,300	86,404,900
Restricted Funds	38,942,900	41,044,700	41,667,800	38,673,900	38,872,500
Federal Funds	747,569,900	760,166,300	763,846,900	750,326,700	750,443,500
TOTAL EXPENDITURES	872,843,700	910,383,900	921,070,900	875,179,900	875,720,900
EXPENDITURES BY UNIT					
General Administration and Program Support	8,637,400	10,770,900	12,491,400	9,008,600	9,117,600
Deaf and Hard of Hearing	1,102,500	1,431,200	1,483,400	1,277,400	1,290,000
Kentucky Educational Television	15,904,800	18,755,700	20,914,800	16,460,800	16,657,100
Environmental Education Council	1,061,800	320,000	327,300	192,800	194,400
Libraries and Archives	17,178,000	26,962,800	29,135,000	17,546,900	17,694,300
Office for the Blind	12,418,100	13,058,300	13,438,200	12,640,000	12,775,700
Employment and Training	672,353,200	682,896,100	685,352,200	675,218,400	675,371,200
Career and Technical Education	65,912,900	70,321,900	71,289,700	65,359,100	65,253,200
Vocational Rehabilitation	61,952,500	64,046,200	65,064,900	61,351,100	61,209,900
Educational Professional Standards Board	16,322,500	21,820,800	21,574,000	16,124,800	16,157,500
TOTAL EXPENDITURES	872,843,700	910,383,900	921,070,900	875,179,900	875,720,900

The Education Cabinet was created by Executive Order 2005-576, effective June 16, 2005, combining several departments and offices from the former Education, Arts and Humanities Cabinet and the former Workforce Development Cabinet.

The following agencies comprise the Education Cabinet:

- Department of Education
- Department for Libraries and Archives
- Kentucky Educational Television
- Kentucky Commission on the Deaf and Hard of Hearing
- Kentucky Center for School Safety
- Department for Workforce Investment
- Council on Postsecondary Education
- Education Professional Standards Board
- Environmental Education Council

**Education Cabinet
General Administration and Program Support**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	2,324,800	3,550,000	5,799,800	2,425,200	2,425,200
Salary Compensation Fund	281,800				
Base Deduction	-100,000				
Reorganization Adjustments	-181,400				
Total General Fund	2,325,200	3,550,000	5,799,800	2,425,200	2,425,200
Restricted Funds					
Balance Forward	1,053,100	1,049,700	353,900	1,097,600	664,300
Current Receipts	1,000	1,000	1,000	1,000	1,000
Non-Revenue Receipts	6,218,700	6,334,100	6,446,700	6,034,100	6,146,700
Fund Transfers	-53,000			-75,000	-89,600
Total Restricted Funds	7,219,800	7,384,800	6,801,600	7,057,700	6,722,400
Federal Funds					
Current Receipts	190,000	190,000	190,000	190,000	190,000
Total Federal Funds	190,000	190,000	190,000	190,000	190,000
TOTAL SOURCE OF FUNDS	9,735,000	11,124,800	12,791,400	9,672,900	9,337,600
EXPENDITURES BY CLASS					
Personnel Cost	6,834,300	8,117,500	8,504,600	7,086,800	7,200,500
Operating Expenses	1,510,300	1,661,200	1,644,600	1,604,600	1,599,900
Grants, Loans or Benefits	250,600	950,000	2,300,000	275,000	275,000
Capital Outlay	42,200	42,200	42,200	42,200	42,200
TOTAL EXPENDITURES	8,637,400	10,770,900	12,491,400	9,008,600	9,117,600
EXPENDITURES BY FUND SOURCE					
General Fund	2,325,200	3,550,000	5,799,800	2,425,200	2,425,200
Restricted Funds	6,122,200	7,030,900	6,501,600	6,393,400	6,502,400
Federal Funds	190,000	190,000	190,000	190,000	190,000
TOTAL EXPENDITURES	8,637,400	10,770,900	12,491,400	9,008,600	9,117,600

The Education Cabinet was created by Executive Order 2005-576, signed on June 20, 2005, combining several departments and offices from the former Education, Arts and Humanities Cabinet and the former Workforce Development Cabinet.

General Administration and Program Support provides the central coordination and direction for the overall planning, management and oversight of the agencies within the Cabinet. The program is responsible for the provision of specialized support of Cabinet activities including: policy and budget development and personnel transactions; legal services including legislative and regulatory development and oversight; a communications strategy with the public, business, and industry; economic analysis and research; accounting, purchasing, facilities management, and computer services; and administrative support services.

The program includes the following units:

The Office of the Secretary provides strategic direction and leadership to establish the focus for policy development, implementation, and program priorities. The Office coordinates Cabinet activities among its departments and agencies to ensure continuous improvement in administration and efficient service to the citizens of the Commonwealth. The Secretary serves as the Chief Executive Officer of the Cabinet and is an advisor to the Governor and the General Assembly.

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

Policy

Included in the above General Fund appropriation is \$225,200 in each fiscal year of the biennium to support the East Kentucky Science Center.

In fiscal year 2006, Restricted Funds in the amount of \$53,000 shall be transferred to the credit of the General Fund. In fiscal year 2007 and fiscal year 2008, Restricted Funds in the amount of \$75,000 and \$89,600 respectively shall be transferred to the credit of the General Fund.

**Education Cabinet
Deaf and Hard of Hearing**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	821,100	974,200	1,026,400	920,400	933,000
Salary Compensation Fund	28,400				
Base Deduction	-4,000				
Total General Fund	845,500	974,200	1,026,400	920,400	933,000
Restricted Funds					
Balance Forward	23,700				
Current Receipts	233,300	457,000	457,000	357,000	357,000
Total Restricted Funds	257,000	457,000	457,000	357,000	357,000
TOTAL SOURCE OF FUNDS	1,102,500	1,431,200	1,483,400	1,277,400	1,290,000
EXPENDITURES BY CLASS					
Personnel Cost	772,500	922,200	980,200	804,200	822,600
Operating Expenses	330,000	509,000	503,200	473,200	467,400
TOTAL EXPENDITURES	1,102,500	1,431,200	1,483,400	1,277,400	1,290,000
EXPENDITURES BY FUND SOURCE					
General Fund	845,500	974,200	1,026,400	920,400	933,000
Restricted Funds	257,000	457,000	457,000	357,000	357,000
TOTAL EXPENDITURES	1,102,500	1,431,200	1,483,400	1,277,400	1,290,000

In accordance with KRS 163.510, the Commission on the Deaf and Hard of Hearing advises the Governor and the General Assembly concerning policies and programs to enhance the quality and coordination of services for deaf and hard of hearing individuals in both the public and private sectors. The Commission oversees the provision of interpreter services to deaf and hard of hearing individuals. The Commission identifies and evaluates public and private entities that provide services to deaf and hard of hearing residents of Kentucky for information, referral, and advocacy services. The Commission administers a Telecommunication Devices for the Deaf (TDD) Distribution Program which provides specialized telecommunications equipment to qualified deaf, hard of hearing, and speech-impaired residents of Kentucky. The Commission assists local, state, and federal governments and public and private agencies in the development of programs for the deaf and hard of hearing. The Commission reviews legislative programs relating to services for deaf and hard of hearing persons and conducts studies of conditions affecting the health and welfare of the deaf and hard of hearing.

Policy

Included in the above General Fund appropriation is an additional \$100,000 in fiscal year 2007 and \$100,000 in fiscal year 2008 to be used for operating the TDD Distribution Program as established by KRS 163.525.

Additional Restricted Funds of \$100,000 are provided in fiscal year 2007 and \$100,000 in fiscal year 2008 to assist in the operation of the TDD Distribution Program pursuant to KRS 278.548.

Additional Restricted Funds of \$5,000 are provided in fiscal year 2006 for expenses associated with interpreter services for state agencies.

**Education Cabinet
Kentucky Educational Television**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	14,145,200	16,628,000	18,751,000	14,694,500	14,909,100
Salary Compensation Fund	388,100	388,100	388,100		
Base Deduction	-325,000				
Total General Fund	14,208,300	17,016,100	19,139,100	14,694,500	14,909,100
Restricted Funds					
Balance Forward				79,200	52,500
Current Receipts	1,075,700	1,039,600	1,075,700	1,039,600	1,075,700
Total Restricted Funds	1,075,700	1,039,600	1,075,700	1,118,800	1,128,200
Federal Funds					
Current Receipts	700,000	700,000	700,000	700,000	700,000
Total Federal Funds	700,000	700,000	700,000	700,000	700,000
TOTAL SOURCE OF FUNDS	15,984,000	18,755,700	20,914,800	16,513,300	16,737,300
EXPENDITURES BY CLASS					
Personnel Cost	9,584,200	11,627,200	12,310,300	10,145,400	10,341,700
Operating Expenses	4,960,900	5,768,800	5,781,800	4,955,700	4,955,700
Grants, Loans or Benefits	459,700	459,700	459,700	459,700	459,700
Debt Service			1,463,000		
Capital Outlay	900,000	900,000	900,000	900,000	900,000
TOTAL EXPENDITURES	15,904,800	18,755,700	20,914,800	16,460,800	16,657,100
EXPENDITURES BY FUND SOURCE					
General Fund	14,208,300	17,016,100	19,139,100	14,694,500	14,909,100
Restricted Funds	996,500	1,039,600	1,075,700	1,066,300	1,048,000
Federal Funds	700,000	700,000	700,000	700,000	700,000
TOTAL EXPENDITURES	15,904,800	18,755,700	20,914,800	16,460,800	16,657,100
EXPENDITURES BY UNIT					
General Administration and Support	2,349,900	2,686,200	2,793,300	2,427,700	2,450,300
Broadcasting and Education	9,632,400	11,789,700	13,701,800	9,981,200	10,109,300
Engineering	3,922,500	4,279,800	4,419,700	4,051,900	4,097,500
TOTAL EXPENDITURES	15,904,800	18,755,700	20,914,800	16,460,800	16,657,100

As required by KRS 168, the Kentucky Authority for Educational Television produces and transmits educational programming for students in public schools, state supported institutions of higher education, and others desiring broadcast programs and services. KET is divided into three program areas: General Administration and Support, Engineering, and Broadcasting and Education. KET operates a statewide network of 16 digital transmitters, 16 analog transmitters and three translators. KET currently distributes as many as six channels of content across the Commonwealth by means of its digital transmitter network with educational and informational services for the schools and students listed previously and for the general public with digital data services for Public Health, Emergency Management, law enforcement, the Transportation Cabinet, and others as needs are identified.

**Education Cabinet
Kentucky Educational Television
General Administration and Support**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	2,404,600	2,686,200	2,793,300	2,427,700	2,450,300
Base Deduction	-54,700				
Total General Fund	2,349,900	2,686,200	2,793,300	2,427,700	2,450,300
TOTAL SOURCE OF FUNDS	2,349,900	2,686,200	2,793,300	2,427,700	2,450,300
EXPENDITURES BY CLASS					
Personnel Cost	1,522,000	1,785,800	1,879,900	1,572,400	1,595,000
Operating Expenses	827,900	900,400	913,400	855,300	855,300
TOTAL EXPENDITURES	2,349,900	2,686,200	2,793,300	2,427,700	2,450,300
EXPENDITURES BY FUND SOURCE					
General Fund	2,349,900	2,686,200	2,793,300	2,427,700	2,450,300
TOTAL EXPENDITURES	2,349,900	2,686,200	2,793,300	2,427,700	2,450,300

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

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

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

The unit recognizes that coordination of efforts with other agencies, organizations and institutions is essential to effective service. It works to insure complementing, productive, non-duplicative efforts with groups such as the Kentucky Department of Education, the Commonwealth Office of Technology, Workforce Development, colleges and universities including the Kentucky Community and Technical College System and the Council on Postsecondary Education, and all public schools and school districts throughout the state.

The General Administration and Support Unit also conducts activities which lead to constructive recommendations on current practice and future directions of telecommunications for the Commonwealth. Technologies that the agency currently exploits or will shortly include are broadcast (analog and digital), microwave transmission, two-way audio and video conferencing through the Kentucky Telelinking Network, the Internet and Internet 2, KPEN (The Kentucky Post-secondary Educational Network), digital data-casting through its new digital broadcast network and of course, more traditional technologies such as CD, DVD and video tape.

**Education Cabinet
Kentucky Educational Television
Broadcasting and Education**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	8,825,000	10,748,100	12,624,100	9,327,700	9,447,400
Salary Compensation Fund	388,100	388,100	388,100		
Base Deduction	-270,300				
Total General Fund	8,942,800	11,136,200	13,012,200	9,327,700	9,447,400
Restricted Funds					
Current Receipts	689,600	653,500	689,600	653,500	689,600
Total Restricted Funds	689,600	653,500	689,600	653,500	689,600
TOTAL SOURCE OF FUNDS	9,632,400	11,789,700	13,701,800	9,981,200	10,137,000
EXPENDITURES BY CLASS					
Personnel Cost	6,062,400	7,530,000	7,979,100	6,489,500	6,617,600
Operating Expenses	2,910,300	3,600,000	3,600,000	2,832,000	2,832,000
Grants, Loans or Benefits	459,700	459,700	459,700	459,700	459,700
Debt Service			1,463,000		
Capital Outlay	200,000	200,000	200,000	200,000	200,000
TOTAL EXPENDITURES	9,632,400	11,789,700	13,701,800	9,981,200	10,109,300
EXPENDITURES BY FUND SOURCE					
General Fund	8,942,800	11,136,200	13,012,200	9,327,700	9,447,400
Restricted Funds	689,600	653,500	689,600	653,500	661,900
TOTAL EXPENDITURES	9,632,400	11,789,700	13,701,800	9,981,200	10,109,300

The Broadcasting and Education Unit acquires and produces programs and related support material which will most effectively carry out the mission and policies set by the Kentucky Authority for Educational Television. This process includes soliciting feedback from appropriate audiences and seeking input from agencies and groups such as the Kentucky Department of Education and the Higher Education Telecommunications Consortium. The unit daily assembles up to 6 channels of television programming (KET1 and KET2 for public and general informational programming, KET3 and KET4 for the students and teachers of Kentucky, and KET5 and KET6 which carry the activities of the Kentucky General Assembly when in session or in committee as well as occasional special feeds for the State Department of Education, Kentucky Community and Technical College System or other partners as needed).

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

A state-wide, regional support staff of instructional and technical specialists provide training, information and help to users with technical issues. This service is provided freely to educational institutions and to citizens in their homes and in the workplace.

The operations staff maintains and operates network master control, studio and remote facilities. Now with the initial phases of digital broadcasting complete, this staff is faced with the challenge of operating and maintaining both analog and digital transmission systems until the analog spectrum is returned by law to the federal government by the end of 2006 or later.

**Education Cabinet
Kentucky Educational Television
Engineering**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	2,915,600	3,193,700	3,333,600	2,939,100	3,011,400
Total General Fund	2,915,600	3,193,700	3,333,600	2,939,100	3,011,400
Restricted Funds					
Balance Forward				79,200	52,500
Current Receipts	386,100	386,100	386,100	386,100	386,100
Total Restricted Funds	386,100	386,100	386,100	465,300	438,600
Federal Funds					
Current Receipts	700,000	700,000	700,000	700,000	700,000
Total Federal Funds	700,000	700,000	700,000	700,000	700,000
TOTAL SOURCE OF FUNDS	4,001,700	4,279,800	4,419,700	4,104,400	4,150,000
EXPENDITURES BY CLASS					
Personnel Cost	1,999,800	2,311,400	2,451,300	2,083,500	2,129,100
Operating Expenses	1,222,700	1,268,400	1,268,400	1,268,400	1,268,400
Capital Outlay	700,000	700,000	700,000	700,000	700,000
TOTAL EXPENDITURES	3,922,500	4,279,800	4,419,700	4,051,900	4,097,500
EXPENDITURES BY FUND SOURCE					
General Fund	2,915,600	3,193,700	3,333,600	2,939,100	3,011,400
Restricted Funds	306,900	386,100	386,100	412,800	386,100
Federal Funds	700,000	700,000	700,000	700,000	700,000
TOTAL EXPENDITURES	3,922,500	4,279,800	4,419,700	4,051,900	4,097,500

Kentucky Education Television's (KET) Engineering Service unit oversees the delivery of KET programs and other services. It operates and maintains a land-based broadcast network of 16 analog and 16 digital transmitters and 3 translators capable of delivering multiple channels of content and data into all parts of the state. This network is the largest public television network in the United States, second in the world to NHK (Japan Broadcasting Corporation). The Engineering Service Unit operates all technical equipment to specifications mandated by the Federal Communications Commission.

This unit is currently exploring and developing new digital data services through its new transmitter network and in partnership with the Cabinet for Health and Family Services, the Transportation Cabinet, Emergency Management, law enforcement, and other agencies to enhance the state's preparedness for disasters on the local, state and national levels and to provide data transmission services where data services are otherwise not available or marginal.

Engineering continues to develop new uses of technologies that can extend the capacity of KET's staff and financial resources. It works to interface KET's technical capabilities with other appropriate technical systems in Kentucky and elsewhere, further extending the variety, reach, accessibility and versatility of KET services to the Commonwealth.

**Education Cabinet
Environmental Education Council**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation		132,800	140,100		
Total General Fund		132,800	140,100		
Restricted Funds					
Balance Forward	108,000	51,000	32,000	50,800	26,200
Current Receipts	18,200	18,200	18,200	18,200	18,200
Non-Revenue Receipts	986,400	150,000	150,000	150,000	150,000
Total Restricted Funds	1,112,600	219,200	200,200	219,000	194,400
TOTAL SOURCE OF FUNDS	1,112,600	352,000	340,300	219,000	194,400
EXPENDITURES BY CLASS					
Personnel Cost	212,000	132,800	140,100	130,900	132,300
Operating Expenses	31,400	31,400	31,400	31,400	31,400
Grants, Loans or Benefits	818,400	155,800	155,800	30,500	30,700
TOTAL EXPENDITURES	1,061,800	320,000	327,300	192,800	194,400
EXPENDITURES BY FUND SOURCE					
General Fund		132,800	140,100		
Restricted Funds	1,061,800	187,200	187,200	192,800	194,400
TOTAL EXPENDITURES	1,061,800	320,000	327,300	192,800	194,400

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

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

Policy

Included in the above Restricted Funds appropriation is \$874,400 of Kentucky Pride bond interest in fiscal year 2006 as a one-time receipt. These funds shall be used for the execution of the Environmental Master Plan pursuant to KRS 224.43-505(2)(b). Up to seven percent of the interest receipts may be used for actual administrative costs associated with implementing the provisions of the Plan.

**Education Cabinet
Libraries and Archives**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	13,300,000	22,541,700	24,596,600	13,705,000	13,814,300
Salary Compensation Fund	275,000				
Base Deduction	-127,900				
Total General Fund	13,447,100	22,541,700	24,596,600	13,705,000	13,814,300
Restricted Funds					
Balance Forward	427,400	103,200	184,100	572,600	651,700
Current Receipts	1,573,100	2,020,100	2,097,000	1,532,500	1,538,100
Total Restricted Funds	2,000,500	2,123,300	2,281,100	2,105,100	2,189,800
Federal Funds					
Balance Forward	43,100			76,300	115,300
Current Receipts	2,336,200	2,481,900	2,527,900	2,427,500	2,461,000
Total Federal Funds	2,379,300	2,481,900	2,527,900	2,503,800	2,576,300
TOTAL SOURCE OF FUNDS	17,826,900	27,146,900	29,405,600	18,313,900	18,580,400
EXPENDITURES BY CLASS					
Personnel Cost	6,694,700	8,505,400	9,003,800	7,042,300	7,189,700
Operating Expenses	3,628,400	3,841,400	3,763,200	3,649,700	3,649,700
Grants, Loans or Benefits	6,814,900	14,251,000	15,301,000	6,814,900	6,814,900
Debt Service			827,000		
Capital Outlay	40,000	365,000	240,000	40,000	40,000
TOTAL EXPENDITURES	17,178,000	26,962,800	29,135,000	17,546,900	17,694,300
EXPENDITURES BY FUND SOURCE					
General Fund	13,447,100	22,541,700	24,596,600	13,705,000	13,814,300
Restricted Funds	1,427,900	1,939,200	2,010,500	1,453,400	1,469,900
Federal Funds	2,303,000	2,481,900	2,527,900	2,388,500	2,410,100
TOTAL EXPENDITURES	17,178,000	26,962,800	29,135,000	17,546,900	17,694,300
EXPENDITURES BY UNIT					
Libraries and Archives	10,313,600	12,512,300	13,684,500	10,682,500	10,829,900
Direct Local Aid	6,864,400	14,450,500	15,450,500	6,864,400	6,864,400
TOTAL EXPENDITURES	17,178,000	26,962,800	29,135,000	17,546,900	17,694,300

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

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

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

**Education Cabinet
Libraries and Archives
Libraries and Archives**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	6,868,600	8,524,200	9,579,100	7,273,600	7,382,900
Salary Compensation Fund	275,000				
Base Deduction	-127,900				
Total General Fund	7,015,700	8,524,200	9,579,100	7,273,600	7,382,900
Restricted Funds					
Balance Forward	425,000	101,300	182,700	570,700	650,300
Current Receipts	1,564,600	2,011,600	2,088,500	1,524,000	1,529,600
Total Restricted Funds	1,989,600	2,112,900	2,271,200	2,094,700	2,179,900
Federal Funds					
Balance Forward	43,100			76,300	115,300
Current Receipts	1,912,200	2,057,900	2,103,900	2,003,500	2,037,000
Total Federal Funds	1,955,300	2,057,900	2,103,900	2,079,800	2,152,300
TOTAL SOURCE OF FUNDS	10,960,600	12,695,000	13,954,200	11,448,100	11,715,100
EXPENDITURES BY CLASS					
Personnel Cost	6,694,700	8,505,400	9,003,800	7,042,300	7,189,700
Operating Expenses	3,501,900	3,714,900	3,636,700	3,523,200	3,523,200
Grants, Loans or Benefits	77,000	127,000	177,000	77,000	77,000
Debt Service			827,000		
Capital Outlay	40,000	165,000	40,000	40,000	40,000
TOTAL EXPENDITURES	10,313,600	12,512,300	13,684,500	10,682,500	10,829,900
EXPENDITURES BY FUND SOURCE					
General Fund	7,015,700	8,524,200	9,579,100	7,273,600	7,382,900
Restricted Funds	1,418,900	1,930,200	2,001,500	1,444,400	1,460,900
Federal Funds	1,879,000	2,057,900	2,103,900	1,964,500	1,986,100
TOTAL EXPENDITURES	10,313,600	12,512,300	13,684,500	10,682,500	10,829,900
EXPENDITURES BY UNIT					
Administrative Services	3,277,200	3,595,400	3,613,900	3,323,200	3,352,600
Field Services	2,001,100	2,478,200	2,655,400	2,138,000	2,178,100
State Library Services	2,063,100	2,334,700	2,423,500	2,125,700	2,153,500
Public Records	2,972,200	4,104,000	4,991,700	3,095,600	3,145,700
TOTAL EXPENDITURES	10,313,600	12,512,300	13,684,500	10,682,500	10,829,900

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

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

The Department serves both governmental agencies and the public directly through local public libraries.

The Department serves several distinct customer populations including the general public, the blind and physically disabled, institutionalized persons, state government personnel, state and local public agencies, and researchers needing historic public records.

**Education Cabinet
Libraries and Archives
Libraries and Archives
Administrative Services**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	2,602,700	2,876,100	2,875,600	2,613,700	2,621,500
Salary Compensation Fund	40,600				
Base Deduction	-5,500				
Total General Fund	2,637,800	2,876,100	2,875,600	2,613,700	2,621,500
Restricted Funds					
Balance Forward	2,200				
Total Restricted Funds	2,200				
Federal Funds					
Balance Forward	21,000			23,400	33,200
Current Receipts	639,600	719,300	738,300	719,300	738,300
Total Federal Funds	660,600	719,300	738,300	742,700	771,500
TOTAL SOURCE OF FUNDS	3,300,600	3,595,400	3,613,900	3,356,400	3,393,000
EXPENDITURES BY CLASS					
Personnel Cost	1,467,300	1,683,900	1,780,600	1,513,300	1,542,700
Operating Expenses	1,759,900	1,861,500	1,783,300	1,759,900	1,759,900
Grants, Loans or Benefits	10,000	10,000	10,000	10,000	10,000
Capital Outlay	40,000	40,000	40,000	40,000	40,000
TOTAL EXPENDITURES	3,277,200	3,595,400	3,613,900	3,323,200	3,352,600
EXPENDITURES BY FUND SOURCE					
General Fund	2,637,800	2,876,100	2,875,600	2,613,700	2,621,500
Restricted Funds	2,200				
Federal Funds	637,200	719,300	738,300	709,500	731,100
TOTAL EXPENDITURES	3,277,200	3,595,400	3,613,900	3,323,200	3,352,600

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

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

**Education Cabinet
Libraries and Archives
Libraries and Archives
Field Services**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	1,543,400	1,952,000	2,114,700	1,641,000	1,681,100
Salary Compensation Fund	57,500				
Base Deduction	-41,800				
Total General Fund	1,559,100	1,952,000	2,114,700	1,641,000	1,681,100
Restricted Funds					
Balance Forward	47,600	11,700	8,300	11,700	8,300
Current Receipts	10,500	11,600	12,800	11,600	12,800
Total Restricted Funds	58,100	23,300	21,100	23,300	21,100
Federal Funds					
Balance Forward	4,600			41,500	70,700
Current Receipts	432,500	511,200	525,700	511,200	525,700
Total Federal Funds	437,100	511,200	525,700	552,700	596,400
TOTAL SOURCE OF FUNDS	2,054,300	2,486,500	2,661,500	2,217,000	2,298,600
EXPENDITURES BY CLASS					
Personnel Cost	1,740,500	2,158,800	2,286,000	1,856,100	1,896,200
Operating Expenses	193,600	202,400	202,400	214,900	214,900
Grants, Loans or Benefits	67,000	117,000	167,000	67,000	67,000
TOTAL EXPENDITURES	2,001,100	2,478,200	2,655,400	2,138,000	2,178,100
EXPENDITURES BY FUND SOURCE					
General Fund	1,559,100	1,952,000	2,114,700	1,641,000	1,681,100
Restricted Funds	46,400	15,000	15,000	15,000	15,000
Federal Funds	395,600	511,200	525,700	482,000	482,000
TOTAL EXPENDITURES	2,001,100	2,478,200	2,655,400	2,138,000	2,178,100

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

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

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

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

**Education Cabinet
Libraries and Archives
Libraries and Archives
State Library Services**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	1,278,100	1,571,600	1,651,200	1,410,900	1,438,700
Salary Compensation Fund	78,300				
Base Deduction	-80,600				
Total General Fund	1,275,800	1,571,600	1,651,200	1,410,900	1,438,700
Restricted Funds					
Current Receipts	300	300	300	300	300
Total Restricted Funds	300	300	300	300	300
Federal Funds					
Balance Forward	17,400			7,800	7,800
Current Receipts	777,400	762,800	772,000	714,500	714,500
Total Federal Funds	794,800	762,800	772,000	722,300	722,300
TOTAL SOURCE OF FUNDS	2,070,900	2,334,700	2,423,500	2,133,500	2,161,300
EXPENDITURES BY CLASS					
Personnel Cost	1,172,800	1,441,800	1,530,600	1,235,400	1,263,200
Operating Expenses	890,300	892,900	892,900	890,300	890,300
TOTAL EXPENDITURES	2,063,100	2,334,700	2,423,500	2,125,700	2,153,500
EXPENDITURES BY FUND SOURCE					
General Fund	1,275,800	1,571,600	1,651,200	1,410,900	1,438,700
Restricted Funds	300	300	300	300	300
Federal Funds	787,000	762,800	772,000	714,500	714,500
TOTAL EXPENDITURES	2,063,100	2,334,700	2,423,500	2,125,700	2,153,500

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

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

The Public Services Branch is committed to providing resources, research, consultation, and assistance to state agencies and public libraries through use of a variety of information formats including the Internet. The State Library partners with the Office for Employee and Organizational Development (OEOD) and the Kentucky Employee Assistance Program (KEAP) to provide supplementary information resources for those agencies' clients through the Library's web site.

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

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

**Education Cabinet
Libraries and Archives
Libraries and Archives
Public Records**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	1,444,400	2,124,500	2,937,600	1,608,000	1,641,600
Salary Compensation Fund	98,600				
Total General Fund	1,543,000	2,124,500	2,937,600	1,608,000	1,641,600
Restricted Funds					
Balance Forward	375,200	89,600	174,400	559,000	642,000
Current Receipts	1,553,800	1,999,700	2,075,400	1,512,100	1,516,500
Total Restricted Funds	1,929,000	2,089,300	2,249,800	2,071,100	2,158,500
Federal Funds					
Balance Forward	100			3,600	3,600
Current Receipts	62,700	64,600	67,900	58,500	58,500
Total Federal Funds	62,800	64,600	67,900	62,100	62,100
TOTAL SOURCE OF FUNDS	3,534,800	4,278,400	5,255,300	3,741,200	3,862,200
EXPENDITURES BY CLASS					
Personnel Cost	2,314,100	3,220,900	3,406,600	2,437,500	2,487,600
Operating Expenses	658,100	758,100	758,100	658,100	658,100
Debt Service			827,000		
Capital Outlay		125,000			
TOTAL EXPENDITURES	2,972,200	4,104,000	4,991,700	3,095,600	3,145,700
EXPENDITURES BY FUND SOURCE					
General Fund	1,543,000	2,124,500	2,937,600	1,608,000	1,641,600
Restricted Funds	1,370,000	1,914,900	1,986,200	1,429,100	1,445,600
Federal Funds	59,200	64,600	67,900	58,500	58,500
TOTAL EXPENDITURES	2,972,200	4,104,000	4,991,700	3,095,600	3,145,700

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

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

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

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

The Technology Analysis and Support Branch provides support to agencies on archival and records management

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

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

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

**Education Cabinet
Libraries and Archives
Direct Local Aid**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	6,431,400	14,017,500	15,017,500	6,431,400	6,431,400
Total General Fund	6,431,400	14,017,500	15,017,500	6,431,400	6,431,400
Restricted Funds					
Balance Forward	2,400	1,900	1,400	1,900	1,400
Current Receipts	8,500	8,500	8,500	8,500	8,500
Total Restricted Funds	10,900	10,400	9,900	10,400	9,900
Federal Funds					
Current Receipts	424,000	424,000	424,000	424,000	424,000
Total Federal Funds	424,000	424,000	424,000	424,000	424,000
TOTAL SOURCE OF FUNDS	6,866,300	14,451,900	15,451,400	6,865,800	6,865,300
EXPENDITURES BY CLASS					
Operating Expenses	126,500	126,500	126,500	126,500	126,500
Grants, Loans or Benefits	6,737,900	14,124,000	15,124,000	6,737,900	6,737,900
Capital Outlay		200,000	200,000		
TOTAL EXPENDITURES	6,864,400	14,450,500	15,450,500	6,864,400	6,864,400
EXPENDITURES BY FUND SOURCE					
General Fund	6,431,400	14,017,500	15,017,500	6,431,400	6,431,400
Restricted Funds	9,000	9,000	9,000	9,000	9,000
Federal Funds	424,000	424,000	424,000	424,000	424,000
TOTAL EXPENDITURES	6,864,400	14,450,500	15,450,500	6,864,400	6,864,400
EXPENDITURES BY UNIT					
Field Services	5,864,500	13,139,500	14,139,500	5,864,500	5,864,500
State Library Services	519,900	631,000	631,000	519,900	519,900
Public Records	480,000	680,000	680,000	480,000	480,000
TOTAL EXPENDITURES	6,864,400	14,450,500	15,450,500	6,864,400	6,864,400

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

- Federal grants are provided for continuing education, training, and demonstration projects.
- State aid provides cash grants to all counties with legally established public libraries. The grant funds may be used for the following purposes: purchase, upgrade, and maintenance of technology resources; purchase of library materials and equipment; maintenance and operation of bookmobiles and extension programs; staff and trustee training and compensation; building maintenance; debt service; resource-sharing; program development; and certain other local library needs and services.
- The Bookmobile program furnishes and replaces bookmobiles used by Kentucky's public libraries. The bookmobiles provide informational and educational resources to those who cannot physically reach a public library. Bookmobiles make regular stops at schools, daycare centers, and after-school centers. Services are also provided to the elderly and homebound individuals. Funds are also provided for maintenance and repair of existing bookmobiles. Services are provided as funds are available.
- Construction grants are available through a competitive application process to assist with retiring debt associated with the construction or repair of library facilities.

- Institution grants are given to two local libraries to administer library service in three state prisons. The Danville Library works with the Northpoint Training Center, and the Oldham County Public Library works with the Kentucky State Reformatory and the Kentucky Correctional Institution for Women.
- Kentucky Talking Book Library grants are given to assist in the delivery of services directly to blind and physically disabled library patrons.
- Local Records grants provide funds to assist local governments with the protection and preservation of public records, and the improvement of local government records management programs.

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

Policy

Included in the above General Fund appropriation is \$4,000,000 in each fiscal year of the biennium to award per capita grants. Notwithstanding KRS 171.201, the allotment of General Fund dollars distributed to each local library district shall not be less than received in fiscal year 2004.

**Education Cabinet
Office for the Blind**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	1,306,300	1,338,400	1,338,400	1,335,300	1,343,200
Salary Compensation Fund	32,100				
Base Deduction	-30,700				
Total General Fund	1,307,700	1,338,400	1,338,400	1,335,300	1,343,200
Restricted Funds					
Balance Forward	707,000	886,300	630,800	885,200	673,300
Current Receipts	2,150,200	1,721,600	1,571,600	1,743,400	1,593,400
Total Restricted Funds	2,857,200	2,607,900	2,202,400	2,628,600	2,266,700
Federal Funds					
Balance Forward	45,200				393,400
Current Receipts	9,093,200	9,742,800	10,122,700	9,742,800	10,122,700
Total Federal Funds	9,138,400	9,742,800	10,122,700	9,742,800	10,516,100
TOTAL SOURCE OF FUNDS	13,303,300	13,689,100	13,663,500	13,706,700	14,126,000
EXPENDITURES BY CLASS					
Personnel Cost	5,781,100	7,080,300	7,460,300	6,662,000	6,797,800
Operating Expenses	1,320,800	1,320,800	1,320,800	1,320,800	1,320,800
Grants, Loans or Benefits	5,316,200	4,657,200	4,657,100	4,657,200	4,657,100
TOTAL EXPENDITURES	12,418,100	13,058,300	13,438,200	12,640,000	12,775,700
EXPENDITURES BY FUND SOURCE					
General Fund	1,307,700	1,338,400	1,338,400	1,335,300	1,343,200
Restricted Funds	1,972,000	1,977,100	1,977,100	1,955,300	1,955,300
Federal Funds	9,138,400	9,742,800	10,122,700	9,349,400	9,477,200
TOTAL EXPENDITURES	12,418,100	13,058,300	13,438,200	12,640,000	12,775,700
EXPENDITURES BY UNIT					
General Blind Services	10,189,500	10,705,000	11,006,800	10,432,700	10,546,600
Business Enterprise Program	1,048,900	1,126,500	1,163,600	1,065,300	1,076,300
Center for Independent Living	739,500	794,500	826,500	723,900	732,400
Assistive Technology Service	440,200	432,300	441,300	418,100	420,400
TOTAL EXPENDITURES	12,418,100	13,058,300	13,438,200	12,640,000	12,775,700

Pursuant to KRS 163.470, the Office for the Blind provides services to assist individuals with severe visual disabilities in preparing for and obtaining employment. The Office provides services to approximately 1,500 individuals with severe visual impairments so that they can receive the education and specialized training services needed to become independent and self-sufficient in the workplace.

Since its creation 20 years ago, the Office has provided for the vocational rehabilitation of blind and visually impaired Kentuckians. Office staff perform vocational counseling, evaluation, physical and mental restoration, vocational and higher education training, assistive technology training, adaptive devices, orientation and mobility training, and job placement services. The Office accomplishes this mission through the following avenues:

- The Office has 11 field offices that provide direct vocational rehabilitation services to individuals with severe visual impairments.

- The Charles McDowell Comprehensive Rehabilitation Center for the Blind is a facility in Louisville that provides training in vocational preparation, personal adjustment services, independent living skills, orientation and mobility skills, Braille, assistive technology, career assessment, vocational planning, work adjustment, and work experience.
- In Lexington and Paducah, the Office operates two volunteer recording units that provide audio-recorded materials statewide for blind and visually impaired individuals.
- The Business Enterprise Program trains blind individuals for self-employment at vending facilities located statewide.
- The Independent Living Program provides training to blind and visually impaired individuals in areas that will enable them to live and function independently.

Pursuant to KRS 163.470(11) and the federal Randolph-Sheppard Act, the Division of Business Enterprises Program (BEP) establishes vending facilities on state, federal, and other property to provide remunerative employment for licensed visually impaired merchants. This program provides management services and training to visually impaired individuals, identifies and develops new sites suitable for vending facilities, and repairs and replaces equipment in existing vending facilities.

The Office for the Blind receives a commission based upon the percentage of gross sales from vending operations located in all interstate highway rest areas. The visually impaired merchants contribute five percent of their net income to the Office. The funds received from the interstate vending contract are utilized exclusively in the Business Enterprise Program.

Pursuant to KRS 163.470 and Title VII of the Rehabilitation Act, independent living specialists provide short-term, individualized instruction for individuals who are blind so they may be able to function independently. Services include information, counseling, and skills training in activities of daily living. Mobility training, assistive devices, referrals to community resources in housing and transportation, and information on services offered by other agencies are provided. The service population consists mainly of individuals who are elderly or unable to work due to the severity of disabilities. The population of the Independent Living program makes up two-thirds of the blind population in the state.

The Office employs independent living specialists who are located throughout the state. The average caseload for an independent living specialist is currently 150 new cases annually. These specialists make home visits and provide specially-adapted aids and appliances such as Braille and talking watches, controls on stoves, writing guides, phone dials, and canes. They provide limited instruction in household tasks such as cooking, keeping time, and learning in the home. The specialists also work with families to educate them about blindness and how to promote independent living.

The Kentucky Assistive Technology Service (KATS) Network is a federally funded project operating within the Office for the Blind. KATS is a statewide collaborative system of consumer-oriented organizations that help to provide assistive technologies.

**Education Cabinet
Employment and Training**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation		398,300	410,900		
Total General Fund		398,300	410,900		
Restricted Funds					
Current Receipts	3,015,000	3,000,000	3,000,000	3,000,000	3,000,000
Total Restricted Funds	3,015,000	3,000,000	3,000,000	3,000,000	3,000,000
Federal Funds					
Balance Forward	201,800				
Current Receipts	669,136,400	679,497,800	681,941,300	672,218,400	672,371,200
Total Federal Funds	669,338,200	679,497,800	681,941,300	672,218,400	672,371,200
TOTAL SOURCE OF FUNDS	672,353,200	682,896,100	685,352,200	675,218,400	675,371,200
EXPENDITURES BY CLASS					
Personnel Cost	44,706,900	55,520,900	57,922,100	48,153,900	48,251,800
Operating Expenses	11,397,300	11,140,700	11,195,600	10,830,000	10,884,900
Grants, Loans or Benefits	616,249,000	616,234,500	616,234,500	616,234,500	616,234,500
TOTAL EXPENDITURES	672,353,200	682,896,100	685,352,200	675,218,400	675,371,200
EXPENDITURES BY FUND SOURCE					
General Fund		398,300	410,900		
Restricted Funds	3,015,000	3,000,000	3,000,000	3,000,000	3,000,000
Federal Funds	669,338,200	679,497,800	681,941,300	672,218,400	672,371,200
TOTAL EXPENDITURES	672,353,200	682,896,100	685,352,200	675,218,400	675,371,200
EXPENDITURES BY UNIT					
Employer and Placement Services	22,824,900	25,778,500	26,584,600	23,682,600	23,728,100
Unemployment Insurance	582,411,900	589,319,300	590,725,200	584,210,800	584,306,500
Special Programs	4,071,300	4,400,300	4,560,100	4,098,000	4,100,200
Workforce Investment Act	63,045,100	63,398,000	63,482,300	63,227,000	63,236,400
TOTAL EXPENDITURES	672,353,200	682,896,100	685,352,200	675,218,400	675,371,200

The Office of Employment and Training (OET) administers federally-funded programs that provide employment related services to the citizens of Kentucky. OET provides a wide array of high quality, professional services to employers and job seekers which result in economic stability for the individual and further the economic well-being of the Commonwealth. These services include employment counseling, testing, assessment, job search assistance, and placement services to all citizens, as well as training programs for dislocated workers and other individuals who are economically disadvantaged.

The majority of the programs in the Office are funded by federal grants, with the principle revenue source derived from the Unemployment Insurance (UI) program. The federal government, through the employer-paid Federal Unemployment Tax Act (FUTA), provides the Office's operating and capital funding for the two programs.

The Office also receives funds to administer several smaller programs that are related to UI and Employment Services, including: Veterans' Employment and Training Services, Labor Market Information, Alien Labor Certification, Agricultural Wage Surveys, Alien Farmworker Housing Inspections, and Temporary Assistance for Needy Families (TANF). OET administers training programs under the Trade Adjustment Assistance program, Title I of the Workforce Investment Act, and the North American Free Trade Agreement (NAFTA)-Transitional Adjustment Assistance and the NAFTA-Transitional Readjustment

Allowances programs. These programs are designed to provide temporary income maintenance through UI to individuals who are unemployed through no fault of their own, and to assist the unemployed, underemployed, and persons who wish to change occupations in finding suitable employment. Additional benefits include the reduction of public burden through the early placement of welfare recipients and UI claimants.

The Department is also responsible for assessing and collecting taxes from employers to distribute benefits to those who qualify for unemployment compensation.

Policy

Notwithstanding KRS 341.835, funds in an amount up to \$3,000,000 from the Unemployment Insurance Penalty and Interest Account in the Unemployment Compensation Administration Fund shall be used during each fiscal year by the Office of Employment and Training to operate employment, training, and unemployment insurance programs.

In addition to supplementing the Unemployment Insurance Trust Fund, Federal Funds made available to Kentucky as a result of Reed Act distributions under Section 903(d) of the Social Security Act, as amended, may be used for the administration of the unemployment compensation law and the public employment offices for costs allowable under the Unemployment Insurance and Wagner-Peyser Programs in fiscal years 2006, 2007, and 2008 upon prior approval by the Office of State Budget Director.

**Education Cabinet
Employment and Training
Employer and Placement Services**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
Restricted Funds					
Current Receipts	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000
Total Restricted Funds	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000
Federal Funds					
Current Receipts	19,824,900	22,778,500	23,584,600	20,682,600	20,728,100
Total Federal Funds	19,824,900	22,778,500	23,584,600	20,682,600	20,728,100
TOTAL SOURCE OF FUNDS	22,824,900	25,778,500	26,584,600	23,682,600	23,728,100
EXPENDITURES BY CLASS					
Personnel Cost	14,884,700	17,707,600	18,513,700	15,660,000	15,705,500
Operating Expenses	3,361,600	3,492,300	3,492,300	3,444,000	3,444,000
Grants, Loans or Benefits	4,578,600	4,578,600	4,578,600	4,578,600	4,578,600
TOTAL EXPENDITURES	22,824,900	25,778,500	26,584,600	23,682,600	23,728,100
EXPENDITURES BY FUND SOURCE					
Restricted Funds	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000
Federal Funds	19,824,900	22,778,500	23,584,600	20,682,600	20,728,100
TOTAL EXPENDITURES	22,824,900	25,778,500	26,584,600	23,682,600	23,728,100
EXPENDITURES BY UNIT					
Job Placement Services	13,758,000	15,947,900	16,519,500	14,305,700	14,332,700
Special Employment Services	7,336,300	7,887,600	8,032,000	7,604,600	7,620,900
Employment Information Support	1,730,600	1,943,000	2,033,100	1,772,300	1,774,500
TOTAL EXPENDITURES	22,824,900	25,778,500	26,584,600	23,682,600	23,728,100

There are two objectives of the Employer and Placement Services program. The first is to assist individuals who are unemployed, underemployed, or simply seeking to change their employment situation. The second is to assist employers in obtaining qualified workers to fill job openings as quickly as possible. This program provides counseling, employment testing, job development, referral, and placement.

Policy

Notwithstanding KRS 341.835, the Governor's recommended budget provides that the Office of Employment and Training may use funds from the Unemployment Insurance Penalty and Interest Account in the Unemployment Compensation Administration Fund during each fiscal year of the biennium for employment and training programs. Reed Act funds may be used for employment and training programs subject to prior approval of the State Budget Director and the provisions of KRS 48.630.

**Education Cabinet
Employment and Training
Unemployment Insurance**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation		398,300	410,900		
Total General Fund		398,300	410,900		
Federal Funds					
Balance Forward	201,800				
Current Receipts	582,210,100	588,921,000	590,314,300	584,210,800	584,306,500
Total Federal Funds	582,411,900	588,921,000	590,314,300	584,210,800	584,306,500
TOTAL SOURCE OF FUNDS	582,411,900	589,319,300	590,725,200	584,210,800	584,306,500
EXPENDITURES BY CLASS					
Personnel Cost	25,520,000	32,727,900	34,078,900	27,868,600	27,909,400
Operating Expenses	6,891,900	6,591,400	6,646,300	6,342,200	6,397,100
Grants, Loans or Benefits	550,000,000	550,000,000	550,000,000	550,000,000	550,000,000
TOTAL EXPENDITURES	582,411,900	589,319,300	590,725,200	584,210,800	584,306,500
EXPENDITURES BY FUND SOURCE					
General Fund		398,300	410,900		
Federal Funds	582,411,900	588,921,000	590,314,300	584,210,800	584,306,500
TOTAL EXPENDITURES	582,411,900	589,319,300	590,725,200	584,210,800	584,306,500
EXPENDITURES BY UNIT					
Unemployment Insurance Administration	32,411,900	39,319,300	40,725,200	34,210,800	34,306,500
Unemployment Insurance Benefits	550,000,000	550,000,000	550,000,000	550,000,000	550,000,000
TOTAL EXPENDITURES	582,411,900	589,319,300	590,725,200	584,210,800	584,306,500

The purpose of the Unemployment Insurance (UI) program is to provide temporary financial assistance to workers who become unemployed through no fault of their own, in the form of regular UI benefit payments in an amount determined by the claimant's wage history. Regular UI benefits are funded entirely through payment of the state unemployment taxes by employers within the state determined liable under KRS Chapter 341 based upon the size and duration of payroll.

Within the Office of Employment and Training, the Division of Unemployment Insurance supports the claims activities initiated in the local offices of the Division of Field Services. In the central office, the Benefit Branch ensures and accounts for the proper payment of regular UI and federal program benefits, including the determination of chargeability to a specific employer for the cost of each regular UI claim. In cases where benefits have been drawn in error, the branch pursues restitution and, if fraud is involved, pursues prosecution of the claimant. The Benefits Branch also operates an interstate claims "local office" to serve claimants covered under Kentucky law but filing from other states.

In addition to regular UI benefits, the program also administers payment of federal benefits to unemployed federal employees and discharged military personnel, those affected by changes in international trade, those affected financially in federal disaster areas, and those covered under the Extended Unemployment Compensation program. With the exception of partial payment from state UI funds in the case of some extended benefits, these programs are financed by employer federal unemployment tax collected by the Internal Revenue Service.

The administrative component of the UI program provides benefit payments based on earnings in a specific transaction period. Revenues for this program are derived from a federal unemployment tax on employers' payrolls.

KRS Chapter 341 provides the statutory authority and structure for the operation of the UI program in Kentucky. With regard to most particulars involving worker coverage, benefit entitlement, and employer liability, KRS Chapter 341 conforms to federal unemployment law derived from the Social Security Act of 1935. This state and federal statutory conformity is required in order for Kentucky employers to receive a credit against federal unemployment tax based on state tax payments, and in order for the agency to receive federal administrative funding.

Policy

The Governor's recommended budget provides that the Office of Employment and Training may use funds from the Unemployment Insurance Penalty and Interest Account in the Unemployment Compensation Administration Fund during each fiscal year of the biennium for unemployment administration purposes. Reed Act funds may be used for unemployment insurance administration subject to prior approval by the State Budget Director and the provisions of KRS 48.630.

**Education Cabinet
Employment and Training
Special Programs**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
Restricted Funds					
Current Receipts	15,000				
Total Restricted Funds	15,000				
Federal Funds					
Current Receipts	4,056,300	4,400,300	4,560,100	4,098,000	4,100,200
Total Federal Funds	4,056,300	4,400,300	4,560,100	4,098,000	4,100,200
TOTAL SOURCE OF FUNDS	4,071,300	4,400,300	4,560,100	4,098,000	4,100,200
EXPENDITURES BY CLASS					
Personnel Cost	2,882,100	3,305,500	3,465,300	3,008,800	3,011,000
Operating Expenses	799,200	704,800	704,800	699,200	699,200
Grants, Loans or Benefits	390,000	390,000	390,000	390,000	390,000
TOTAL EXPENDITURES	4,071,300	4,400,300	4,560,100	4,098,000	4,100,200
EXPENDITURES BY FUND SOURCE					
Restricted Funds	15,000				
Federal Funds	4,056,300	4,400,300	4,560,100	4,098,000	4,100,200
TOTAL EXPENDITURES	4,071,300	4,400,300	4,560,100	4,098,000	4,100,200

The Special Projects Program covers three contractual programs offered by the Office of Employment and Training.

Dislocated worker services, under Title I of the Workforce Investment Act, are funded through 11 workforce investment areas across the state. In two areas, the administrative entity has contracted with the Department to provide a full range of applicant services to dislocated workers.

The National Reserve Grant, funded by the U.S. Department of Labor, enables the Office of Employment and Training to provide services to dislocated workers from the garment industry whose jobs were impacted by foreign trade. Under this grant, the agency provides assessment, counseling, testing, brokers for retraining, and job placement assistance to eligible dislocated workers.

Under contract with the Cabinet for Health and Family Services (CHFS), the Office of Employment and Training has implemented a strategy and program to help adult Kentuckians make the transition from welfare dependency to long term self-sufficiency. The Office performs an employment assessment on each participant referred by CHFS, Department for Community-Based Services, to determine needs and skills. An "Employability Development Plan" is created for each participant that includes an employment goal and a series of activities necessary to reach that goal, including high school and equivalency programs, basic and remedial education, work readiness activities, and job skills training.

**Education Cabinet
Employment and Training
Workforce Investment Act**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
Federal Funds					
Current Receipts	63,045,100	63,398,000	63,482,300	63,227,000	63,236,400
Total Federal Funds	63,045,100	63,398,000	63,482,300	63,227,000	63,236,400
TOTAL SOURCE OF FUNDS	63,045,100	63,398,000	63,482,300	63,227,000	63,236,400
EXPENDITURES BY CLASS					
Personnel Cost	1,420,100	1,779,900	1,864,200	1,616,500	1,625,900
Operating Expenses	344,600	352,200	352,200	344,600	344,600
Grants, Loans or Benefits	61,280,400	61,265,900	61,265,900	61,265,900	61,265,900
TOTAL EXPENDITURES	63,045,100	63,398,000	63,482,300	63,227,000	63,236,400
EXPENDITURES BY FUND SOURCE					
Federal Funds	63,045,100	63,398,000	63,482,300	63,227,000	63,236,400
TOTAL EXPENDITURES	63,045,100	63,398,000	63,482,300	63,227,000	63,236,400

On July 1, 1999, Kentucky implemented the Workforce Investment Act (WIA) to consolidate, coordinate, and improve employment, training, literacy, and vocational rehabilitation programs. Passed by Congress on August 7, 1998 (Public Law 105-220), this reform includes streamlining services through a one-stop service delivery system, empowering individuals through information and access to training resources through individual training accounts, providing universal access to core services, increasing accountability for results, ensuring a strong role for local boards and the private sector in the workforce investment system, facilitating state and local flexibility, and improving youth services.

The Workforce Investment Act specifies three funding streams to the states and local areas: adults, dislocated workers, and youth.

Most services for adults and dislocated workers are provided through the "one-stop" system, and most customers use individual training accounts to determine which training programs and training providers best fit their needs. The Act authorizes "core" services available to all adults (with no eligibility requirements), and "intensive" services for unemployed individuals who are not able to find jobs through core services alone. In some cases, intensive services are available to employed workers who need more help to find or keep a job.

Youth are prepared for postsecondary educational opportunities or employment. Programs link academic and occupational learning. Programs include tutoring, study skills training, and instruction leading to completion of secondary school (including drop-out prevention); alternative school services; mentoring by appropriate adults; paid and unpaid work experience (i.e. internships and job shadowing); occupational skills training; leadership development; and appropriate supportive services.

The Commonwealth of Kentucky has applied for and received WIA Section 503 Incentive Grants. These grants are awarded to states that have exceeded performance levels for WIA Title I programs, WIA Title II Adult Education and Family Literacy programs and Carl D. Perkins Vocational and Technical Education Act programs. These funds are used to carry out any one or more innovative programs under Titles I or II of WIA or the Carl D. Perkins Vocational and Technical Education Act, regardless of which Act is the source of the incentive funds.

Education Cabinet
Career and Technical Education

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	31,398,700	33,491,700	33,374,000	30,005,200	29,844,300
Salary Compensation Fund	1,394,700				
Base Deduction	-617,000				
Total General Fund	32,176,400	33,491,700	33,374,000	30,005,200	29,844,300
Restricted Funds					
Balance Forward	1,567,600	1,129,600	645,600	449,000	416,700
Current Receipts	1,605,300	3,192,900	4,356,200	2,205,900	2,300,500
Non-Revenue Receipts	17,927,200	17,927,200	17,927,200	17,927,200	17,927,200
Fund Transfers	-594,300				
Total Restricted Funds	20,505,800	22,249,700	22,929,000	20,582,100	20,644,400
Federal Funds					
Balance Forward					32,200
Current Receipts	15,179,700	15,226,100	15,266,600	15,220,700	15,254,700
Total Federal Funds	15,179,700	15,226,100	15,266,600	15,220,700	15,286,900
TOTAL SOURCE OF FUNDS	67,861,900	70,967,500	71,569,600	65,808,000	65,775,600
EXPENDITURES BY CLASS					
Personnel Cost	38,092,900	42,806,500	45,182,700	39,320,500	39,895,500
Operating Expenses	10,893,900	12,006,100	11,044,200	10,861,700	10,282,700
Grants, Loans or Benefits	16,466,100	14,653,200	14,653,200	14,670,800	14,665,400
Capital Outlay	460,000	856,100	409,600	506,100	409,600
TOTAL EXPENDITURES	65,912,900	70,321,900	71,289,700	65,359,100	65,253,200
EXPENDITURES BY FUND SOURCE					
General Fund	30,676,400	33,491,700	33,374,000	30,005,200	29,844,300
Restricted Funds	20,056,800	21,604,100	22,649,100	20,165,400	20,220,400
Federal Funds	15,179,700	15,226,100	15,266,600	15,188,500	15,188,500
TOTAL EXPENDITURES	65,912,900	70,321,900	71,289,700	65,359,100	65,253,200
EXPENDITURES BY UNIT					
School Support and Administration	49,923,800	54,131,400	55,008,100	49,228,000	49,104,600
Equipment	1,537,500	1,537,500	1,537,500	1,537,500	1,537,500
Contract Services	879,500	1,039,900	1,097,000	1,012,700	1,030,200
Federal Programs	13,545,600	13,586,600	13,620,600	13,554,400	13,554,400
Tech Ed Personnel Committee	26,500	26,500	26,500	26,500	26,500
TOTAL EXPENDITURES	65,912,900	70,321,900	71,289,700	65,359,100	65,253,200

The Office of Career and Technical Education has two major statewide roles: the management and operation of 53 area technology centers serving high school students and workers in business and industry, and serving as the sole state agency for Federal Funds through the Carl D. Perkins Vocational and Applied Technology Education Act of 1998 (Public Law 105-332).

The Office of Career and Technical Education provides occupational-specific education and training for Kentucky's citizens

in order to develop a skilled and versatile workforce. The main responsibility is providing education and technical training to youth and incumbent workers that match the needs of Kentucky business and industry. Skill training is directed at high school students who go directly to work after leaving high school, while creating an avenue for continued education.

Area technology centers are located throughout the Commonwealth in small- to medium-sized counties. These schools are uniquely positioned to serve business and industry in close cooperation with the Kentucky Community and Technical College System. This provides cost-effective measures for training needs of business and industry, and assists in local economic development initiatives. Area Technology Centers are not only vital in the overall scheme of Kentucky's efforts to better prepare secondary technical students for postsecondary education or employment, but also provide an additional avenue to skill upgrades by incumbent workers in the local businesses and industries.

The 53 Area Technology Centers provide continuing and customized technical education programs on an as-needed basis. This system serves business and industry, as well as adults in the community seeking to enhance their employment opportunities. Area Technology Centers provide opportunities in areas of the Commonwealth where continuing education is not available at a postsecondary institution.

Demand for training programs from business and industry may range from continuing education in computer applications to customized training programs such as robotics.

Training programs are also designed to meet the increasing demands of various state and local regulatory certification requirements. Examples include additional programs in water handling, blood and air borne pathogens, and heating and cooling systems.

The Office coordinates the state plan for the Carl D. Perkins Vocational and Technical Education Act of 1998 (P. L. 105 332) and implements the provisions related to the distribution of Federal Funds. Other functions include: reviewing and approving local plans; monitoring and evaluating program effectiveness, monitoring and auditing the expenditure of Federal Funds, implementing and reevaluating the statewide system of accountability, coordinating the development of the annual performance report, assuring compliance with all applicable Federal laws, and providing technical assistance. The Office serves as the liaison to occupational programs and related services in the community and technical colleges, the universities, and the Department of Education. Programs of leadership and professional development are coordinated and monitored for program effectiveness. An automated student information system, with selected characteristics for technical programs, is used in evaluating the effective preparation of students for continued education, employment, and service in the military. This automated system is a major factor in the accountability requirements of the Act. In addition, the operation and refinement of the methods of administration are components of the ongoing program evaluation.

The Perkins Act includes two major components: the Basic Grant and Tech Prep. The Basic Grant funds are for program improvement. Tech Prep funds are earmarked for the development of programs that combine at least two years of secondary education with at least two years of postsecondary education in a technical course of study leading to employment or further education. Tech Prep uses work-based and worksite learning where appropriate and available. The Office of Career and Technical Education provides statewide direction, leadership, and supervision for this initiative.

Policy

General Fund appropriations of \$1,500,000 in fiscal year 2006 were provided in House Bill 267 to support the facility upgrade of the Butler County Area Vocational Center. This line item was vetoed by Governor Fletcher and sustained by the General Assembly, as House Bill 350 provided sufficient funds for this project. Therefore, \$1,500,000 of the General Fund appropriation will lapse at the end of fiscal year 2006.

Included in the above General Fund appropriation is \$1,645,100 in fiscal year 2007 and \$1,092,300 in fiscal year 2008 for new program operations at Pulaski, Warren, and Butler County Area Technology Centers and high need/high demand programs at Hancock and Kenton County schools. In addition, the above Restricted Fund appropriation includes \$600,000 in each fiscal year 2007 and 2008 transferred from the Department of Education's General Fund SEEK appropriation for support of the on-going operational costs for Pulaski, Warren, and Butler County Area Technology Centers and state-operated technical programs at Hancock and Kenton County schools.

**Education Cabinet
Vocational Rehabilitation**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	12,608,300	13,426,000	13,677,300	12,764,900	12,807,000
Salary Compensation Fund	167,400				
Base Deduction	-68,700				
Total General Fund	12,707,000	13,426,000	13,677,300	12,764,900	12,807,000
Restricted Funds					
Balance Forward	24,700	10,900	4,400		
Current Receipts	2,879,400	2,673,500	2,675,600	2,673,500	2,675,600
Total Restricted Funds	2,904,100	2,684,400	2,680,000	2,673,500	2,675,600
Federal Funds					
Balance Forward	481,000			252,600	426,700
Current Receipts	45,978,700	47,940,200	48,707,600	46,086,800	45,810,800
Non-Revenue Receipts	134,300				
Total Federal Funds	46,594,000	47,940,200	48,707,600	46,339,400	46,237,500
TOTAL SOURCE OF FUNDS	62,205,100	64,050,600	65,064,900	61,777,800	61,720,100
EXPENDITURES BY CLASS					
Personnel Cost	25,845,300	29,004,700	30,623,700	26,737,000	27,175,300
Operating Expenses	4,719,500	4,748,300	4,748,300	4,695,700	4,719,100
Grants, Loans or Benefits	31,327,700	30,233,200	29,632,900	29,858,400	29,255,500
Capital Outlay	60,000	60,000	60,000	60,000	60,000
TOTAL EXPENDITURES	61,952,500	64,046,200	65,064,900	61,351,100	61,209,900
EXPENDITURES BY FUND SOURCE					
General Fund	12,707,000	13,426,000	13,677,300	12,764,900	12,807,000
Restricted Funds	2,904,100	2,680,000	2,680,000	2,673,500	2,675,600
Federal Funds	46,341,400	47,940,200	48,707,600	45,912,700	45,727,300
TOTAL EXPENDITURES	61,952,500	64,046,200	65,064,900	61,351,100	61,209,900
EXPENDITURES BY UNIT					
Carl D. Perkins Comprehensive Rehab Center	8,101,600	8,714,200	9,091,400	8,704,100	8,878,000
Program Services	52,573,100	53,961,000	54,546,200	51,352,200	51,039,600
Executive Director	1,277,800	1,371,000	1,427,300	1,294,800	1,292,300
TOTAL EXPENDITURES	61,952,500	64,046,200	65,064,900	61,351,100	61,209,900

The Office of Vocational Rehabilitation provides for and improves the vocational rehabilitation of citizens with physical and mental disabilities. The Office helps eligible persons with disabilities achieve suitable employment.

The Office uses vocational assessments, counseling and guidance services to match workers with disabilities to labor market needs. Job preparation activities include on-the-job training and vocational and classroom instruction. Job development and placement services assist the individual in obtaining and maintaining suitable employment. Transition activities support a move from the classroom to the workplace. Rehabilitation technology adapts the physical environment at work or home to meet employment needs. Follow-up services ensure that employment is progressing satisfactorily.

The Office also provides services for employers. The Office prepares job-qualified applicants, conducts job analyses, recommends job modifications, and conducts disability awareness programs. Other services include disability awareness

training programs and affirmative action planning and services to employees with disability related problems. As a result, employers experience risk reduction, save resources spent on training new hires, and increase cash flow through access to tax incentives.

The Rehabilitation Act of 1973 authorizes and provides federal funding for state vocational rehabilitation programs. KRS 151B.180-210 complies with all provisions of the Act. The Code of Federal Regulations (CFR Chapter 34) and Title 781 of the Kentucky Administrative Regulations establish functions of the program. The Office also complies with relevant sections of the Kentucky Department of Education's administrative regulations.

Program Planning and Development provides administrative and staff functions to enhance equitable, efficient service delivery to eligible individuals with disabilities. The Division has statewide responsibility for program planning, program evaluation, policy development, human resource development, job development and placement, and development of new and innovative programs. The Division also provides staff support to the Statewide Advisory Council for Vocational Rehabilitation and the Statewide Independent Living Council. Federal regulations require an approved State Plan for Vocational Rehabilitation Services under Title I of the Rehabilitation Act as a condition for receiving Federal Funds. State plans, administrative regulations and policy development are housed in Planning and Development. Strategic, long-range planning addresses the economic and public policy needs of the identified 346,000 Kentuckians of working age with disabilities who are unemployed, as well as the more than 60,000 children with severe disabilities who will soon enter the vocational rehabilitation service delivery system.

The Carl D. Perkins Comprehensive Rehabilitation Center (CDPCRC) at Thelma, Kentucky, is a multi-disciplinary residential rehabilitation facility located in Johnson County. The proportion of disabled individuals in the population of Kentucky is highest in southeast Kentucky. Although the majority of referrals to the CDPCRC come from the eastern part of Kentucky, staff of the Center regularly provide services to consumers from the entire Commonwealth.

The CDPCRC operates five major programs: Vocational Evaluation; Work Adjustment; Vocational Training; Physical Restoration/Outpatient Medical Rehabilitation; and Brain Injury Community Re-entry. All programs meet state of the art standards for program quality as documented by the Commission on Accreditation of Rehabilitation Facilities (CARF). CARF is the nationally recognized accreditation authority for organizations serving consumers with disabilities. CARF standards require that accredited facilities provide consumers with timely, quality services that meet the needs of each individual. Center staff utilize CARF accreditation as a marketing tool to obtain new referrals for all programs. The Center's Outpatient Program is Comprehensive Outpatient Rehabilitation Facility (CORF) licensed.

Within these five programs, the following professional services are available: comprehensive vocational assessment, vocational training, physical therapy, occupational therapy, speech therapy, nursing services, physician services, adjustment services, psychological and psychiatric services, adult therapeutic recreation, vocational rehabilitation counseling, social services, assistive technology, transportation, and administrative services. A wide range of educational programs and services including developmental math, reading, and GED test preparation and the External Diploma Program are also available. The CDPCRC offers individualized placement services through Preparing Adults for Competitive Employment (PACE) and an Employment Relations Specialist.

The Program Services unit provides direct vocational rehabilitation services to eligible individuals who have physical or mental disabilities to enable them to achieve suitable employment. Program Services is responsible for the actual intake and client service delivery efforts of the Office and performs certain administration functions.

The Division implements the federal Rehabilitation Act of 1973 and must make available services appropriate to the needs of individuals with disabilities. The services enumerated in the Rehabilitation Act include: evaluation of vocational rehabilitation potential; counseling and guidance; physical and mental restoration services; vocational and other training services; maintenance; transportation; services to family members; interpreter services and note-taking services for persons who are deaf; reader services and note-taking services for persons who are blind; assistive technology and devices; personal assistance services; recruitment and training services; placement; post-employment services; occupational licenses, equipment, initial stock, and supplies; and other goods and services needed for employment.

The Administrative Management Division provides all administrative, technical, and budget related services for the Office and is responsive to the needs of the direct service delivery program staff. Responsibilities include budgeting, purchasing, financial reporting, and federal grant accounting. The Division oversees the implementation and administration of the automated case management system and coordinates the development of application programs. Staff in the Division are also responsible for records retention and maintenance of the Office's inventory records.

The Division coordinates the recouping of program income through the Social Security Administration (SSA). This is coordinated with the SSA for reimbursement of paid vocational rehabilitation services for individuals receiving Supplemental Security Income (SSI)/disability benefits. The Division negotiates on behalf of the Office and certain community rehabilitation programs for the purchase of facility and community-based competitive employment outcomes and vocational evaluations. The staff then monitors the success of purchased services.

Education Cabinet
Education Professional Standards Board

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	10,312,000	16,303,700	16,053,600	10,328,800	10,328,800
Continuing Appropriation	631,500				
Salary Compensation Fund	74,300				
Base Deduction	-204,100				
Total General Fund	10,813,700	16,303,700	16,053,600	10,328,800	10,328,800
Restricted Funds					
Balance Forward	607,100	607,100	607,100	607,100	319,900
Current Receipts	1,129,600	1,129,600	1,129,600	1,129,600	1,129,600
Total Restricted Funds	1,736,700	1,736,700	1,736,700	1,736,700	1,449,500
Federal Funds					
Balance Forward	75,100	75,100	75,100	75,100	75,100
Current Receipts	4,379,200	4,387,500	4,390,800	4,379,200	4,379,200
Total Federal Funds	4,454,300	4,462,600	4,465,900	4,454,300	4,454,300
TOTAL SOURCE OF FUNDS	17,004,700	22,503,000	22,256,200	16,519,800	16,232,600
EXPENDITURES BY CLASS					
Personnel Cost	3,418,500	3,817,100	3,970,300	3,558,000	3,590,700
Operating Expenses	1,090,000	2,562,600	2,162,600	1,090,000	1,090,000
Grants, Loans or Benefits	11,814,000	15,441,100	15,441,100	11,476,800	11,476,800
TOTAL EXPENDITURES	16,322,500	21,820,800	21,574,000	16,124,800	16,157,500
EXPENDITURES BY FUND SOURCE					
General Fund	10,813,700	16,303,700	16,053,600	10,328,800	10,328,800
Restricted Funds	1,129,600	1,129,600	1,129,600	1,416,800	1,449,500
Federal Funds	4,379,200	4,387,500	4,390,800	4,379,200	4,379,200
TOTAL EXPENDITURES	16,322,500	21,820,800	21,574,000	16,124,800	16,157,500

Authorized in KRS 161.028, the Education Professional Standards Board (EPSB) is a 17-member body appointed by the Governor to oversee teacher and administrator preparation, internship, and certification.

The EPSB is responsible for issuing, suspending, and revoking of certificates for Kentucky's 45,000 P-12 professional educators, and ensures via an annual review that all professional positions in the state's 176 public school districts are appropriately staffed. It is responsible for developing (in cooperation with the Kentucky Department of Education and the Council On Postsecondary Education) a statewide data system for the collection, interpretation, and dissemination of data relative to the quality of educator preparation, supply, demand, and effectiveness. The board establishes performance-based standards for teacher/administrator preparation and induction, and for the accreditation of the 27 preparation programs at Kentucky's public and independent colleges and universities. It oversees the teacher/administrator assessments and the related Title II reporting, and annually publishes the Kentucky Educator Preparation Program Report Card. It administers the Continuing Education Option, in which teachers can use professional development to renew certification and move up in rank; the National Board Certification incentive programs; the supervising teacher stipend program; and alternative routes to certification, including the Troops to Teachers program.

The EPSB annually provides support to approximately 3,000 teacher interns, 300 principal interns, 2,600 supervising teachers, and 400 prospective National Board-certified teachers.

Policy

The enacted budget uses Restricted Fund balances to help support certification activities. This use is consistent with and authorized by KRS 161.028.

Included in the above General Fund appropriation is up to \$800,000 in fiscal year 2007 and up to \$800,000 in fiscal year 2008 to support financial incentives for teachers who are pursuing National Board for Professional Teaching Standards certification.

No funds are provided for the Kentucky Principal Internship Program.

Notwithstanding KRS 45.229, any unexpended balance of the General Fund appropriation in fiscal year 2006 or fiscal year 2007 shall not lapse but shall continue into the following fiscal year. These funds shall be used for the Kentucky Teacher Internship program.

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Environmental and Public Protection

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Environmental and Public Protection

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	87,876,400	142,199,700	148,356,100	98,598,800	109,547,500
Continuing Appropriation	2,261,700	2,261,600	2,261,600	88,000	44,000
Salary Compensation Fund	4,020,000				
Base Deduction	-10,131,000				
Total General Fund	84,027,100	144,461,300	150,617,700	98,686,800	109,591,500
Tobacco Settlement-Phase I					
Tobacco Settlement - I	25,751,700	9,000,000	9,000,000	18,692,700	20,496,000
Continuing Appropriation	5,966,900				
Budget Reduction	-1,769,100				
Total Tobacco Settlement-Phase I	29,949,500	9,000,000	9,000,000	18,692,700	20,496,000
Restricted Funds					
Balance Forward	128,449,300	109,601,000	125,145,700	54,010,600	28,973,500
Current Receipts	216,222,000	194,819,600	196,067,700	198,872,100	204,782,300
Non-Revenue Receipts	234,056,100	222,904,900	225,895,500	278,077,000	238,858,200
Fund Transfers	-94,864,700			-71,859,800	-30,822,600
Total Restricted Funds	483,862,700	527,325,500	547,108,900	459,099,900	441,791,400
Federal Funds					
Balance Forward	723,700	342,200	342,200	453,200	434,300
Current Receipts	76,040,200	80,084,700	81,346,300	78,234,200	79,116,000
Non-Revenue Receipts	-3,759,200	-3,489,300	-3,537,500	-3,489,300	-3,537,500
Total Federal Funds	73,004,700	76,937,600	78,151,000	75,198,100	76,012,800
TOTAL SOURCE OF FUNDS	670,844,000	757,724,400	784,877,600	651,677,500	647,891,700
EXPENDITURES BY CLASS					
Personnel Cost	210,482,500	257,321,600	269,832,100	226,175,200	230,172,000
Operating Expenses	190,835,200	200,620,300	201,774,000	204,792,600	203,925,100
Grants, Loans or Benefits	181,713,100	166,429,600	165,353,300	167,684,100	174,545,200
Debt Service	589,000	589,000	589,000	589,000	4,068,000
Capital Outlay	21,895,100	7,666,100	7,050,400	10,484,800	5,759,400
Construction	10,777,300	14,100,000	14,100,000	12,500,000	12,000,000
TOTAL EXPENDITURES	616,292,200	646,726,600	658,698,800	622,225,700	630,469,700
EXPENDITURES BY FUND SOURCE					
General Fund	83,939,100	158,951,400	165,107,800	98,642,800	109,591,700
Tobacco Settlement-Phase I	29,949,500	9,000,000	9,000,000	18,692,700	20,496,000
Restricted Funds	429,852,100	402,179,800	406,782,200	430,126,400	424,806,500
Federal Funds	72,551,500	76,595,400	77,808,800	74,763,800	75,575,500
TOTAL EXPENDITURES	616,292,200	646,726,600	658,698,800	622,225,700	630,469,700
EXPENDITURES BY UNIT					
General Administration and Program Support	16,776,700	20,678,100	21,757,400	17,492,200	17,787,000
Environmental Protection	120,938,100	119,368,000	122,458,800	114,434,000	113,271,900
Natural Resources	107,481,700	116,687,700	119,451,700	101,168,800	102,956,900
Environmental Quality Commission	142,000	278,500	289,600	266,600	263,800
Kentucky Nature Preserves Commission	1,511,100	1,870,200	1,950,900	1,525,400	1,549,300
Public Protection	112,279,300	129,942,600	132,870,200	125,617,900	134,355,500
Labor	128,244,900	125,154,500	125,930,000	122,783,400	123,440,900
Occupational Safety and Health Review Commission	560,500	645,200	696,400	500,600	510,900
Workers' Compensation Board	922,200	1,028,300	1,077,900	937,900	949,500

Workers' Compensation Funding Commission	127,237,200	130,826,700	131,963,000	137,298,200	135,181,600
Mine Safety Review Commission	198,500	246,800	252,900	200,700	202,400
TOTAL EXPENDITURES	616,292,200	646,726,600	658,698,800	622,225,700	630,469,700

Pursuant to KRS 224.10-100, the Environmental and Public Protection Cabinet is charged with the protection and preservation of land, air and water resources; supervision and regulation of industries providing services to the citizens of the Commonwealth; and the administration of rules for the state concerning employer-employee relationships. The Cabinet has four departments: Environmental Protection, Natural Resources, Labor, and Public Protection.

A Secretary appointed by the Governor heads the Cabinet. The Secretary is responsible for environmental leadership, monitoring environmental trends and shaping a vision for Kentucky's environmental future. The Secretary enforces statutes and regulations ensuring the integrity of supervised industries and the safety of employees through oversight activities relating to wages and hours, occupational safety and employee health, child labor, apprenticeship, and workers' compensation.

The Mine Safety Review Commission is part of the Environmental and Public Protection Cabinet under supervision of the Secretary. 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.

**Environmental and Public Protection
General Administration and Program Support**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	10,174,500	12,337,400	12,911,700	9,252,100	9,041,400
Salary Compensation Fund	409,500				
Base Deduction	-1,187,500				
Total General Fund	9,396,500	12,337,400	12,911,700	9,252,100	9,041,400
Restricted Funds					
Balance Forward	654,600	316,900	113,800	316,900	113,800
Current Receipts	17,100	4,000	4,000	4,000	4,000
Non-Revenue Receipts	5,556,800	6,551,700	7,064,300	6,501,100	7,015,200
Total Restricted Funds	6,228,500	6,872,600	7,182,100	6,822,000	7,133,000
Federal Funds					
Current Receipts	1,539,100	1,657,400	1,743,200	1,607,400	1,692,200
Non-Revenue Receipts	-70,500	-75,500	-79,500	-75,500	-79,500
Total Federal Funds	1,468,600	1,581,900	1,663,700	1,531,900	1,612,700
TOTAL SOURCE OF FUNDS	17,093,600	20,791,900	21,757,500	17,606,000	17,787,100
EXPENDITURES BY CLASS					
Personnel Cost	14,825,000	18,594,000	19,668,300	15,582,700	15,879,500
Operating Expenses	1,938,700	2,062,100	2,067,100	1,896,500	1,894,500
Capital Outlay	13,000	22,000	22,000	13,000	13,000
TOTAL EXPENDITURES	16,776,700	20,678,100	21,757,400	17,492,200	17,787,000
EXPENDITURES BY FUND SOURCE					
General Fund	9,396,500	12,337,400	12,911,700	9,252,100	9,041,400
Restricted Funds	5,911,600	6,758,800	7,182,000	6,708,200	7,132,900
Federal Funds	1,468,600	1,581,900	1,663,700	1,531,900	1,612,700
TOTAL EXPENDITURES	16,776,700	20,678,100	21,757,400	17,492,200	17,787,000
EXPENDITURES BY UNIT					
Secretary's Office	993,600	1,078,000	1,110,900	1,008,300	1,017,400
Inspector General	758,700	978,600	1,030,000	802,000	814,800
Administrative and Information Services	724,700	827,900	869,100	744,700	754,800
Budget and Internal Audit	531,000	713,100	771,100	609,400	640,400
Fiscal Management	1,103,800	1,334,300	1,407,600	1,161,100	1,182,400
Human Resources Management	1,231,900	1,450,200	1,530,200	1,260,400	1,282,400
Information Services	1,467,800	2,029,200	2,120,600	1,515,800	1,538,000
Administrative Hearings	755,200	881,400	926,900	787,200	799,300
Legal Services	8,361,200	10,296,500	10,842,600	8,709,100	8,848,000
Legislative and Intergovernmental Affairs	264,300	302,700	319,500	269,700	273,900
Regulatory Affairs	172,100	219,900	232,300	196,100	199,500
Communication and Public Outreach	412,400	566,300	596,600	428,400	436,100
TOTAL EXPENDITURES	16,776,700	20,678,100	21,757,400	17,492,200	17,787,000

General Administration and Program Support provides the Cabinet agencies with the centralized, professional resources necessary to carry out their mission.

Policy

Restricted Funds in the amount of \$257,100 in fiscal year 2007 and \$263,800 in fiscal year 2008 are provided to the Environmental Quality Commission through the Office of Communication and Public Outreach.

Environmental and Public Protection

Environmental Protection

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	23,593,500	40,980,100	43,165,800	25,611,800	26,118,000
Salary Compensation Fund	1,336,100				
Base Deduction	-1,419,100				
Total General Fund	23,510,500	40,980,100	43,165,800	25,611,800	26,118,000
Restricted Funds					
Balance Forward	9,640,600	5,918,700	3,940,000	4,551,400	2,008,400
Current Receipts	12,690,000	11,915,700	12,424,500	15,040,500	15,443,800
Non-Revenue Receipts	32,598,300	15,656,200	15,705,700	41,026,800	17,786,100
Fund Transfers				-18,000,000	
Total Restricted Funds	54,928,900	33,490,600	32,070,200	42,618,700	35,238,300
Federal Funds					
Balance Forward	325,600				
Current Receipts	19,761,600	21,221,300	21,517,400	20,865,400	21,065,200
Non-Revenue Receipts	-2,106,500	-1,818,000	-1,827,600	-1,818,000	-1,827,600
Total Federal Funds	17,980,700	19,403,300	19,689,800	19,047,400	19,237,600
TOTAL SOURCE OF FUNDS	96,420,100	93,874,000	94,925,800	87,277,900	80,593,900
EXPENDITURES BY CLASS					
Personnel Cost	46,541,800	61,375,300	64,428,500	52,803,500	53,058,000
Operating Expenses	7,536,300	8,304,300	8,245,600	7,529,600	7,511,200
Grants, Loans or Benefits	18,153,800	14,200,600	14,207,300	16,300,600	16,307,300
Capital Outlay	19,104,500	3,953,800	3,838,700	8,135,800	3,638,700
Construction	532,300	2,100,000	2,100,000	500,000	
TOTAL EXPENDITURES	91,868,700	89,934,000	92,820,100	85,269,500	80,515,200
EXPENDITURES BY FUND SOURCE					
General Fund	23,510,500	40,980,100	43,165,800	25,611,800	26,118,000
Restricted Funds	50,377,500	29,550,600	29,964,500	40,610,300	35,159,600
Federal Funds	17,980,700	19,403,300	19,689,800	19,047,400	19,237,600
TOTAL EXPENDITURES	91,868,700	89,934,000	92,820,100	85,269,500	80,515,200
EXPENDITURES BY UNIT					
Commissioner	1,901,000	2,311,400	2,424,900	1,960,100	2,003,900
Water	21,193,300	27,538,200	28,697,200	24,392,200	24,297,500
Waste Management	48,166,500	35,294,200	35,637,900	36,859,700	32,135,700
Air Quality	13,747,100	16,083,000	16,950,800	14,758,300	15,136,400
Environmental Services	3,929,300	4,542,200	4,764,200	3,888,100	3,985,700
Maxey Flats	481,000	544,600	567,000	993,800	500,300
Enforcement	1,445,000	2,245,600	2,367,800	1,493,200	1,537,100
Compliance Assistance	1,005,500	1,374,800	1,410,300	924,100	918,600
TOTAL EXPENDITURES	91,868,700	89,934,000	92,820,100	85,269,500	80,515,200

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

oversees environmental enforcement and compliance assistance operations for four program areas: Water, Air Quality, Waste Management, and Environmental Services. The Department also is responsible for the Maxey Flats low-level nuclear waste disposal site.

**Environmental and Public Protection
Environmental Protection
Commissioner**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	1,587,500	1,989,400	2,083,800	1,638,100	1,662,100
Salary Compensation Fund	74,600				
Base Deduction	-187,400				
Total General Fund	1,474,700	1,989,400	2,083,800	1,638,100	1,662,100
Restricted Funds					
Balance Forward	83,500	4,100	4,200	4,100	4,200
Current Receipts	400	400	400	400	400
Non-Revenue Receipts	346,500	321,700	341,000	321,700	341,000
Total Restricted Funds	430,400	326,200	345,600	326,200	345,600
Federal Funds					
Balance Forward	187,800				
Non-Revenue Receipts	-187,800				
Total Federal Funds					
TOTAL SOURCE OF FUNDS	1,905,100	2,315,600	2,429,400	1,964,300	2,007,700
EXPENDITURES BY CLASS					
Personnel Cost	1,678,400	2,043,000	2,161,100	1,736,300	1,780,100
Operating Expenses	222,600	268,400	263,800	223,800	223,800
TOTAL EXPENDITURES	1,901,000	2,311,400	2,424,900	1,960,100	2,003,900
EXPENDITURES BY FUND SOURCE					
General Fund	1,474,700	1,989,400	2,083,800	1,638,100	1,662,100
Restricted Funds	426,300	322,000	341,100	322,000	341,800
TOTAL EXPENDITURES	1,901,000	2,311,400	2,424,900	1,960,100	2,003,900

The Office of the Commissioner, pursuant to KRS 224.10-020(1), provides leadership, policy direction, and management for the Department for Environmental Protection.

Environmental and Public Protection

Environmental Protection

Water

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	10,157,700	15,178,300	16,189,300	11,650,100	11,965,300
Salary Compensation Fund	539,000				
Base Deduction	-464,400				
Total General Fund	10,232,300	15,178,300	16,189,300	11,650,100	11,965,300
Restricted Funds					
Balance Forward	712,600	114,300	60,600	114,300	60,600
Current Receipts	537,400	598,800	598,800	560,300	558,300
Non-Revenue Receipts	625,000	654,100	652,300	1,204,200	652,300
Total Restricted Funds	1,875,000	1,367,200	1,311,700	1,878,800	1,271,200
Federal Funds					
Current Receipts	9,825,300	11,697,800	11,845,800	11,568,400	11,710,600
Non-Revenue Receipts	-625,000	-644,500	-644,500	-644,500	-644,500
Total Federal Funds	9,200,300	11,053,300	11,201,300	10,923,900	11,066,100
TOTAL SOURCE OF FUNDS	21,307,600	27,598,800	28,702,300	24,452,800	24,302,600
EXPENDITURES BY CLASS					
Personnel Cost	16,536,300	22,442,300	23,698,800	19,680,200	19,647,400
Operating Expenses	2,042,300	2,298,200	2,250,700	2,114,300	2,102,400
Grants, Loans or Benefits	2,589,700	2,547,700	2,547,700	2,547,700	2,547,700
Capital Outlay	25,000	250,000	200,000	50,000	
TOTAL EXPENDITURES	21,193,300	27,538,200	28,697,200	24,392,200	24,297,500
EXPENDITURES BY FUND SOURCE					
General Fund	10,232,300	15,178,300	16,189,300	11,650,100	11,965,300
Restricted Funds	1,760,700	1,306,600	1,306,600	1,818,200	1,266,100
Federal Funds	9,200,300	11,053,300	11,201,300	10,923,900	11,066,100
TOTAL EXPENDITURES	21,193,300	27,538,200	28,697,200	24,392,200	24,297,500

The Division of Water, pursuant to KRS Chapters 146, 149, 151, 200, 223, 224, 224A, 261, 350.029, 350.275 and federal law including PL 92-500 (the Clean Water Act) and 92-523 (the Safe Drinking Water Act), is responsible for administering programs for: ensuring a safe drinking water supply; water quality maintenance; water storage overflow prevention; water improvements construction safety; groundwater protection; wastewater treatment and sewer line construction; and water conservation, promotion, regulation, and development.

The Division administers programs relating to groundwater protection plans, Total Maximum Daily Load (TMDL) Plans, the Non-Point Source (NPS) 319(h) Grant program, watershed management, dam safety inspections, Clean Water and Drinking Water State Revolving Loan programs, Kentucky Pollution Discharge Elimination System (KPDES) permitting, on-site sewage inspections, confined animal feeding operations compliance, logging operations, and Forestry Conservation Act compliance.

Policy

The Governor's recommended budget provides Restricted Funds of \$550,100 in fiscal year 2007 to be used for activities

relating to the pursuit of state primacy of the Clean Water Act Section 404 Permitting program. The funds may also be used for initial operating costs associated with the program. Should the state assume primacy of the 404 Permitting program, the Cabinet shall procure the necessary funds to administer the program, by establishing fees and by procuring federal and private grants. Notwithstanding KRS 42.4588, the Cabinet shall use Local Government Economic Development Multi-County funds for permitting activities associated with coal mining activity.

The Governor's recommended budget includes Federal Funds of \$514,500 in fiscal year 2007 and \$475,900 in fiscal year 2008 to expand the state capacity development program. This program ensures that public water systems have the technical, managerial, and financial ability to meet state and federal drinking water requirements.

The Governor's recommended budget provides Federal Funds of \$110,100 in fiscal year 2007 and \$109,700 in fiscal year 2008 to expand the Division's Resource Planning and Program Support Branch. The additional positions will help the state meet federal Environmental Protection Agency (EPA) grant reporting and management requirements, including processing contracts and checking for billing errors.

Environmental and Public Protection
Environmental Protection
Waste Management

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	5,542,800	15,200,400	15,888,500	5,917,100	6,049,900
Salary Compensation Fund	309,300				
Base Deduction	-165,800				
Total General Fund	5,686,300	15,200,400	15,888,500	5,917,100	6,049,900
Restricted Funds					
Balance Forward	4,594,300	2,538,000	1,837,300	1,170,700	447,800
Current Receipts	2,974,000	1,165,500	1,160,500	4,659,600	4,713,700
Non-Revenue Receipts	30,675,600	13,693,500	13,690,600	39,026,000	16,387,100
Fund Transfers				-18,000,000	
Total Restricted Funds	38,243,900	17,397,000	16,688,400	26,856,300	21,548,600
Federal Funds					
Balance Forward	137,800				
Current Receipts	6,111,900	5,284,100	5,287,200	5,284,100	5,287,200
Non-Revenue Receipts	-842,700	-750,000	-750,000	-750,000	-750,000
Total Federal Funds	5,407,000	4,534,100	4,537,200	4,534,100	4,537,200
TOTAL SOURCE OF FUNDS	49,337,200	37,131,500	37,114,100	37,307,500	32,135,700
EXPENDITURES BY CLASS					
Personnel Cost	13,172,100	17,335,500	17,941,700	14,742,200	14,664,300
Operating Expenses	2,154,400	2,306,800	2,293,300	2,083,600	2,068,500
Grants, Loans or Benefits	14,802,900	10,802,900	10,802,900	12,902,900	12,902,900
Capital Outlay	17,504,800	2,749,000	2,500,000	7,131,000	2,500,000
Construction	532,300	2,100,000	2,100,000		
TOTAL EXPENDITURES	48,166,500	35,294,200	35,637,900	36,859,700	32,135,700
EXPENDITURES BY FUND SOURCE					
General Fund	5,686,300	15,200,400	15,888,500	5,917,100	6,049,900
Restricted Funds	37,073,200	15,559,700	15,212,200	26,408,500	21,548,600
Federal Funds	5,407,000	4,534,100	4,537,200	4,534,100	4,537,200
TOTAL EXPENDITURES	48,166,500	35,294,200	35,637,900	36,859,700	32,135,700

The Division of Waste Management, pursuant to KRS 224, administers programs that regulate the generation, transportation, storage, treatment, and disposal of all hazardous and solid wastes in the state. 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 at abandoned hazardous waste disposal sites, and citizen education concerning waste management issues. The Division also administers the Voluntary Environmental Remediation Act and the Certified Clean Counties initiative.

Pursuant to KRS 224.43-505, the Division also manages the Kentucky Pride Fund, which encourages proper solid waste management in Kentucky through waste reduction, recycling, proper closure of abandoned landfills, education, proper collection and disposal of solid waste, elimination of illegal open dumps, and abatement of litter.

Policy

Notwithstanding 224.43-505, Restricted Funds in the amount of \$18,000,000 shall be transferred from the Kentucky Pride

Fund in fiscal year 2007. This represents the cash balance of several years of accumulated tipping fees through June 30, 2005. Due to the requirement for the Department to expend Kentucky Pride bond funds by September 30, 2006 to avoid IRS penalties, the agency has been unable to expend the tipping fees. The annually recurring tipping fee revenue stream for fiscal years 2006, 2007, and 2008 will remain intact for ongoing program operations.

The Governor's recommended budget provides Restricted Funds in the amount of \$18,339,300 in fiscal year 2007 and \$13,705,400 in fiscal year 2008 for the Kentucky Pride Program.

The Governor's recommended budget provides Restricted Funds in the amount of \$2,400,000 in fiscal year 2007 and \$2,400,000 in fiscal year 2008 for the Division of Waste Management, Hazardous Waste Management program.

The Governor's recommended budget provides Restricted Funds in the amount of \$2,700,000 in fiscal year 2007 and \$2,700,000 in fiscal year 2008 for the Division of Waste Management, Waste Tire Cleanup program.

The Governor's recommended budget provides Restricted Funds in the amount of \$407,500 in each fiscal year of the biennium for the Division of Waste Management, Underground Storage Tank program.

The Governor's recommended budget provides Federal Funds in the amount of \$69,300 in fiscal year 2007 and \$72,400 in fiscal year 2008 to establish and maintain a registry of brownfields environmental covenants pursuant to KRS 224.80-210.

Notwithstanding KRS 224.43-320, no funds are provided in the above appropriations for the assignment of full-time inspectors to each municipal solid waste landfill operating in the Commonwealth.

Cash held in escrow for the A.L. Taylor Waste Site has been moved to an off-budget account for administrative and budgetary purposes and is not included in the above Restricted Fund appropriations.

Environmental and Public Protection

Environmental Protection

Air Quality

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	1,510,400	1,866,300	1,944,400	1,453,900	1,408,600
Salary Compensation Fund	56,700				
Base Deduction	-101,200				
Total General Fund	1,465,900	1,866,300	1,944,400	1,453,900	1,408,600
Restricted Funds					
Balance Forward	3,571,500	3,004,500	1,866,700	3,004,500	1,316,600
Current Receipts	9,016,000	9,971,000	10,473,000	9,640,200	9,979,600
Non-Revenue Receipts	230,000	230,000	230,000	-675,100	-238,200
Total Restricted Funds	12,817,500	13,205,500	12,569,700	11,969,600	11,058,000
Federal Funds					
Current Receipts	2,698,200	3,107,900	3,216,800	2,881,400	2,899,800
Non-Revenue Receipts	-230,000	-230,000	-230,000	-230,000	-230,000
Total Federal Funds	2,468,200	2,877,900	2,986,800	2,651,400	2,669,800
TOTAL SOURCE OF FUNDS	16,751,600	17,949,700	17,500,900	16,074,900	15,136,400
EXPENDITURES BY CLASS					
Personnel Cost	10,286,300	12,789,200	13,475,700	11,673,400	11,906,300
Operating Expenses	1,456,900	1,664,400	1,701,100	1,455,500	1,456,100
Grants, Loans or Benefits	649,200	734,600	755,300	734,600	755,300
Capital Outlay	1,354,700	894,800	1,018,700	894,800	1,018,700
TOTAL EXPENDITURES	13,747,100	16,083,000	16,950,800	14,758,300	15,136,400
EXPENDITURES BY FUND SOURCE					
General Fund	1,465,900	1,866,300	1,944,400	1,453,900	1,408,600
Restricted Funds	9,813,000	11,338,800	12,019,600	10,653,000	11,058,000
Federal Funds	2,468,200	2,877,900	2,986,800	2,651,400	2,669,800
TOTAL EXPENDITURES	13,747,100	16,083,000	16,950,800	14,758,300	15,136,400

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 224.10-100. The Division accomplishes its mission by operating a comprehensive program of air quality monitoring; planning, construction, and operation permitting; and source inspections and enforcement to ensure compliance with air pollution laws and regulations.

The 1990 Clean Air Act Amendments imposed new permitting requirements to protect air quality. 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 have continued authorization, the fee will be collected by the U.S. Environmental Protection Agency to fund a federal permitting program.

Policy

Notwithstanding KRS 224.20-050(4) and KRS 224.20-730, Restricted Funds in the amount of \$550,100 shall be transferred in fiscal year 2007 to the Division of Water to be used for activities relating to the pursuit of state primacy of the Clean Water Act Section 404 Permitting program. The funds may also be used for the initial operating costs associated with the program.

Environmental and Public Protection
Environmental Protection
Environmental Services

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	3,470,900	4,123,200	4,306,800	3,477,100	3,520,300
Salary Compensation Fund	65,500				
Base Deduction	-271,200				
Total General Fund	3,265,200	4,123,200	4,306,800	3,477,100	3,520,300
Restricted Funds					
Balance Forward	292,400	38,600	35,600	38,600	43,600
Current Receipts	20,700	20,700	20,700	20,700	20,700
Non-Revenue Receipts	228,600	234,300	240,100	234,300	240,100
Total Restricted Funds	541,700	293,600	296,400	293,600	304,400
Federal Funds					
Current Receipts	177,100	177,100	177,100	177,100	177,100
Non-Revenue Receipts	-16,100	-16,100	-16,100	-16,100	-16,100
Total Federal Funds	161,000	161,000	161,000	161,000	161,000
TOTAL SOURCE OF FUNDS	3,967,900	4,577,800	4,764,200	3,931,700	3,985,700
EXPENDITURES BY CLASS					
Personnel Cost	2,450,100	3,179,100	3,367,200	2,563,200	2,614,800
Operating Expenses	1,248,600	1,289,100	1,277,000	1,250,900	1,250,900
Grants, Loans or Benefits	10,600	14,000		14,000	
Capital Outlay	220,000	60,000	120,000	60,000	120,000
TOTAL EXPENDITURES	3,929,300	4,542,200	4,764,200	3,888,100	3,985,700
EXPENDITURES BY FUND SOURCE					
General Fund	3,265,200	4,123,200	4,306,800	3,477,100	3,520,300
Restricted Funds	503,100	258,000	296,400	250,000	304,400
Federal Funds	161,000	161,000	161,000	161,000	161,000
TOTAL EXPENDITURES	3,929,300	4,542,200	4,764,200	3,888,100	3,985,700

The Division of Environmental Services, pursuant to KRS 224.10-100(7), provides the necessary laboratory services for characterizing, evaluating, and documenting the nature and extent of environmental pollutants in the Commonwealth. The Division's services support the regulatory, permitting, and enforcement efforts for air, water, and waste management activities, in addition to the investigation of spills and other environmental emergencies. The Division also certifies chemistry laboratories that test drinking water in Kentucky.

Environmental and Public Protection
Environmental Protection
Maxey Flats

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	485,100	544,600	567,000	493,800	500,300
Salary Compensation Fund	17,000				
Base Deduction	-21,100				
Total General Fund	481,000	544,600	567,000	493,800	500,300
Restricted Funds					
Non-Revenue Receipts				500,000	
Total Restricted Funds				500,000	
TOTAL SOURCE OF FUNDS	481,000	544,600	567,000	993,800	500,300
EXPENDITURES BY CLASS					
Personnel Cost	350,300	399,200	421,600	363,100	369,600
Operating Expenses	72,200	86,900	86,900	72,200	72,200
Grants, Loans or Benefits	58,500	58,500	58,500	58,500	58,500
Construction				500,000	
TOTAL EXPENDITURES	481,000	544,600	567,000	993,800	500,300
EXPENDITURES BY FUND SOURCE					
General Fund	481,000	544,600	567,000	493,800	500,300
Restricted Funds				500,000	
TOTAL EXPENDITURES	481,000	544,600	567,000	993,800	500,300

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, and is responsible for long-term monitoring and maintenance activities of the site in perpetuity.

Policy

The Governor's recommended budget provides Restricted Funds of \$500,000 in fiscal year 2007 for the Deep Well Monitoring capital project. The deep wells project will determine if waste has or could migrate beyond site boundaries.

**Environmental and Public Protection
Environmental Protection
Enforcement**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	561,100	1,734,100	1,842,200	981,700	1,011,500
Salary Compensation Fund	240,000				
Base Deduction	-34,700				
Total General Fund	766,400	1,734,100	1,842,200	981,700	1,011,500
Restricted Funds					
Non-Revenue Receipts	272,800	245,900	260,000	245,900	260,000
Total Restricted Funds	272,800	245,900	260,000	245,900	260,000
Federal Funds					
Current Receipts	511,400	302,300	302,300	302,300	302,300
Non-Revenue Receipts	-105,600	-36,700	-36,700	-36,700	-36,700
Total Federal Funds	405,800	265,600	265,600	265,600	265,600
TOTAL SOURCE OF FUNDS	1,445,000	2,245,600	2,367,800	1,493,200	1,537,100
EXPENDITURES BY CLASS					
Personnel Cost	1,298,000	2,075,100	2,203,600	1,356,800	1,392,700
Operating Expenses	147,000	170,500	164,200	136,400	144,400
TOTAL EXPENDITURES	1,445,000	2,245,600	2,367,800	1,493,200	1,537,100
EXPENDITURES BY FUND SOURCE					
General Fund	766,400	1,734,100	1,842,200	981,700	1,011,500
Restricted Funds	272,800	245,900	260,000	245,900	260,000
Federal Funds	405,800	265,600	265,600	265,600	265,600
TOTAL EXPENDITURES	1,445,000	2,245,600	2,367,800	1,493,200	1,537,100

The Division of Enforcement, pursuant to KRS 224.10-050, is responsible for effective and timely enforcement of Kentucky's environmental laws pertaining to air, waste and water. The Division carries out enforcement actions against corporations and individuals who are out of compliance with environmental law and/or regulations.

**Environmental and Public Protection
Environmental Protection
Compliance Assistance**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	278,000	343,800	343,800		
Salary Compensation Fund	34,000				
Base Deduction	-173,300				
Total General Fund	138,700	343,800	343,800		
Restricted Funds					
Balance Forward	386,300	219,200	135,600	219,200	135,600
Current Receipts	141,500	159,300	171,100	159,300	171,100
Non-Revenue Receipts	219,800	276,700	291,700	169,800	143,800
Total Restricted Funds	747,600	655,200	598,400	548,300	450,500
Federal Funds					
Current Receipts	437,700	652,100	688,200	652,100	688,200
Non-Revenue Receipts	-99,300	-140,700	-150,300	-140,700	-150,300
Total Federal Funds	338,400	511,400	537,900	511,400	537,900
TOTAL SOURCE OF FUNDS	1,224,700	1,510,400	1,480,100	1,059,700	988,400
EXPENDITURES BY CLASS					
Personnel Cost	770,300	1,111,900	1,158,800	688,300	682,800
Operating Expenses	192,300	220,000	208,600	192,900	192,900
Grants, Loans or Benefits	42,900	42,900	42,900	42,900	42,900
TOTAL EXPENDITURES	1,005,500	1,374,800	1,410,300	924,100	918,600
EXPENDITURES BY FUND SOURCE					
General Fund	138,700	343,800	343,800		
Restricted Funds	528,400	519,600	528,600	412,700	380,700
Federal Funds	338,400	511,400	537,900	511,400	537,900
TOTAL EXPENDITURES	1,005,500	1,374,800	1,410,300	924,100	918,600

The Division of Compliance Assistance supports the Cabinet's environmental mission by: facilitating Brownfield redevelopment, certifying environmental professionals, enabling compliance assistance, and encouraging environmental leadership.

Environmental and Public Protection

Natural Resources

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	14,298,600	21,589,700	22,600,900	14,895,300	14,895,700
Salary Compensation Fund	597,100				
Base Deduction	-915,500				
Total General Fund	13,980,200	21,589,700	22,600,900	14,895,300	14,895,700
Tobacco Settlement-Phase I					
Tobacco Settlement - I	9,000,000	9,000,000	9,000,000	5,000,000	6,000,000
Continuing Appropriation	5,966,900				
Budget Reduction	-630,000				
Total Tobacco Settlement-Phase I	14,336,900	9,000,000	9,000,000	5,000,000	6,000,000
Restricted Funds					
Balance Forward	3,705,000	2,899,300	1,421,200	3,327,600	1,467,700
Current Receipts	2,649,200	2,733,100	2,733,100	2,733,100	2,733,100
Non-Revenue Receipts	3,480,300	1,658,600	1,820,100	1,111,300	1,768,300
Fund Transfers	-247,900				
Total Restricted Funds	9,586,600	7,291,000	5,974,400	7,172,000	5,969,100
Federal Funds					
Current Receipts	9,319,500	9,620,200	9,620,400	9,286,400	9,281,900
Non-Revenue Receipts	-153,200	-152,300	-152,500	-152,300	-152,500
Total Federal Funds	9,166,300	9,467,900	9,467,900	9,134,100	9,129,400
TOTAL SOURCE OF FUNDS	47,070,000	47,348,600	47,043,200	36,201,400	35,994,200
EXPENDITURES BY CLASS					
Personnel Cost	15,072,500	18,136,700	19,186,900	15,733,800	16,097,600
Operating Expenses	3,685,500	4,236,900	4,247,400	3,760,800	3,755,600
Grants, Loans or Benefits	23,965,700	21,910,600	21,792,500	14,539,100	15,358,400
Capital Outlay	1,018,700	1,643,200	1,667,000	700,000	700,000
TOTAL EXPENDITURES	43,742,400	45,927,400	46,893,800	34,733,700	35,911,600
EXPENDITURES BY FUND SOURCE					
General Fund	13,980,200	21,589,700	22,600,900	14,895,300	14,895,700
Tobacco Settlement-Phase I	14,336,900	9,000,000	9,000,000	5,000,000	6,000,000
Restricted Funds	6,259,000	5,869,800	5,825,000	5,704,300	5,886,500
Federal Funds	9,166,300	9,467,900	9,467,900	9,134,100	9,129,400
TOTAL EXPENDITURES	43,742,400	45,927,400	46,893,800	34,733,700	35,911,600
EXPENDITURES BY UNIT					
Commissioner	384,300	424,000	441,600	384,300	384,700
Forestry	17,754,200	22,193,800	22,978,600	17,834,400	18,083,300
Forest Fire Suppression	240,000	240,000	240,000	240,000	240,000
Technical and Administrative Support	1,109,300	1,403,700	1,468,000	1,298,600	1,323,000
Conservation	22,548,600	19,515,800	19,517,000	13,172,600	14,047,600
Oil and Gas	1,706,000	2,150,100	2,248,600	1,803,800	1,833,000
TOTAL EXPENDITURES	43,742,400	45,927,400	46,893,800	34,733,700	35,911,600

The Department for Natural Resources' mission is to preserve, protect, and enhance the Commonwealth's natural land resources.

**Environmental and Public Protection
Natural Resources
Commissioner**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	378,500	424,000	441,600	384,300	384,700
Salary Compensation Fund	6,200				
Base Deduction	-400				
Total General Fund	384,300	424,000	441,600	384,300	384,700
TOTAL SOURCE OF FUNDS	384,300	424,000	441,600	384,300	384,700
EXPENDITURES BY CLASS					
Personnel Cost	285,400	323,200	340,800	288,700	293,100
Operating Expenses	98,900	100,800	100,800	95,600	91,600
TOTAL EXPENDITURES	384,300	424,000	441,600	384,300	384,700
EXPENDITURES BY FUND SOURCE					
General Fund	384,300	424,000	441,600	384,300	384,700
TOTAL EXPENDITURES	384,300	424,000	441,600	384,300	384,700

The Office of the Commissioner provides leadership, policy direction and management for the Department for Natural Resources. The Office also provides administrative oversight for the Kentucky Heritage Land Conservation Fund Board, the Biodiversity Council, and the Forestry Best Management Practices Board.

Environmental and Public Protection

Natural Resources

Forestry

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	9,970,600	14,384,100	15,142,300	10,426,400	10,426,400
Salary Compensation Fund	455,800				
Base Deduction	-550,000				
Total General Fund	9,876,400	14,384,100	15,142,300	10,426,400	10,426,400
Restricted Funds					
Balance Forward	1,187,800	1,287,600	731,800	1,660,300	704,600
Current Receipts	1,188,000	1,351,500	1,351,500	1,351,500	1,351,500
Non-Revenue Receipts	2,005,900	196,500	196,500	-303,500	196,500
Fund Transfers	-247,900				
Total Restricted Funds	4,133,800	2,835,600	2,279,800	2,708,300	2,252,600
Federal Funds					
Current Receipts	5,550,800	5,852,400	5,852,400	5,550,800	5,550,800
Non-Revenue Receipts	-146,500	-146,500	-146,500	-146,500	-146,500
Total Federal Funds	5,404,300	5,705,900	5,705,900	5,404,300	5,404,300
TOTAL SOURCE OF FUNDS	19,414,500	22,925,600	23,128,000	18,539,000	18,083,300
EXPENDITURES BY CLASS					
Personnel Cost	10,778,000	12,919,800	13,696,100	11,132,600	11,383,700
Operating Expenses	2,841,000	3,290,300	3,299,900	2,877,800	2,875,600
Grants, Loans or Benefits	3,124,000	4,395,500	4,372,200	3,124,000	3,124,000
Capital Outlay	1,011,200	1,588,200	1,610,400	700,000	700,000
TOTAL EXPENDITURES	17,754,200	22,193,800	22,978,600	17,834,400	18,083,300
EXPENDITURES BY FUND SOURCE					
General Fund	9,876,400	14,384,100	15,142,300	10,426,400	10,426,400
Restricted Funds	2,473,500	2,103,800	2,130,400	2,003,700	2,252,600
Federal Funds	5,404,300	5,705,900	5,705,900	5,404,300	5,404,300
TOTAL EXPENDITURES	17,754,200	22,193,800	22,978,600	17,834,400	18,083,300

The Division of Forestry provides technical assistance on sound forest management practices to private woodland owners; acquires new state forest land and reforests idle or unproductive land. The Division protects the Commonwealth's 11.9 million acres of forest resources from forest fires, disease, and insects.

Policy

Notwithstanding KRS 149.280(2) and KRS 149.670, in fiscal year 2006 the Division of Forestry shall transfer \$247,900 in Restricted Funds to the credit of the General Fund.

Notwithstanding KRS 149.280(2) and KRS 149.670, in fiscal year 2007 the Division of Forestry shall transfer \$500,000 in Restricted Funds to the Department for Environmental Protection, Division of Maxey Flats for the Deep Well Monitoring System capital project.

**Environmental and Public Protection
Natural Resources
Forest Fire Suppression**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	240,000	240,000	240,000	240,000	240,000
Total General Fund	240,000	240,000	240,000	240,000	240,000
TOTAL SOURCE OF FUNDS	240,000	240,000	240,000	240,000	240,000
EXPENDITURES BY CLASS					
Personnel Cost	240,000	240,000	240,000	240,000	240,000
TOTAL EXPENDITURES	240,000	240,000	240,000	240,000	240,000
EXPENDITURES BY FUND SOURCE					
General Fund	240,000	240,000	240,000	240,000	240,000
TOTAL EXPENDITURES	240,000	240,000	240,000	240,000	240,000

The Division of Forestry, pursuant to KRS 149.010, provides for organized fire protection. Nine Division of Forestry districts perform wildland fire detection, suppression and law enforcement activities. The Division supplements its fire suppression capacity by training and equipping rural fire departments. The Division also uses Department of Corrections crews and Kentucky National Guard personnel and equipment during fire emergencies.

Policy

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

**Environmental and Public Protection
Natural Resources
Technical and Administrative Support**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	257,800	350,000	400,400	290,900	290,900
Salary Compensation Fund	33,100				
Base Deduction	-128,200				
Total General Fund	162,700	350,000	400,400	290,900	290,900
Restricted Funds					
Balance Forward	254,500	147,400		165,000	16,300
Non-Revenue Receipts	857,100	906,300	1,067,600	859,000	1,015,800
Total Restricted Funds	1,111,600	1,053,700	1,067,600	1,024,000	1,032,100
TOTAL SOURCE OF FUNDS	1,274,300	1,403,700	1,468,000	1,314,900	1,323,000
EXPENDITURES BY CLASS					
Personnel Cost	933,900	1,213,100	1,276,500	1,121,400	1,144,800
Operating Expenses	175,400	190,600	191,500	177,200	178,200
TOTAL EXPENDITURES	1,109,300	1,403,700	1,468,000	1,298,600	1,323,000
EXPENDITURES BY FUND SOURCE					
General Fund	162,700	350,000	400,400	290,900	290,900
Restricted Funds	946,600	1,053,700	1,067,600	1,007,700	1,032,100
TOTAL EXPENDITURES	1,109,300	1,403,700	1,468,000	1,298,600	1,323,000

The Office of Technical and Administrative Support, pursuant to KRS 224.10-020, provides both administrative and technical support to all divisions and programs in the Department for Natural Resources. The Office is responsible for the development, coordination and implementation of all administrative processes within the Department including fiscal affairs, human resources, property management, purchasing, state and federal program administration. The Office also provides technical expertise to develop and implement state and federal regulations relating to surface mining, abandoned mine lands, oil and gas conservation, mine safety, forestry and conservation. The Office also coordinates information technology processes and applications within the Department in accordance with cabinet, state and federal guidelines. The Kentucky Heritage Land Conservation Fund is attached to and administered by the Office pursuant to KRS 146.570.

**Environmental and Public Protection
Natural Resources
Conservation**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	2,440,100	4,849,300	4,940,600	2,504,200	2,504,200
Salary Compensation Fund	64,100				
Base Deduction	-85,900				
Total General Fund	2,418,300	4,849,300	4,940,600	2,504,200	2,504,200
Tobacco Settlement-Phase I					
Tobacco Settlement - I	9,000,000	9,000,000	9,000,000	5,000,000	6,000,000
Continuing Appropriation	5,966,900				
Budget Reduction	-630,000				
Total Tobacco Settlement-Phase I	14,336,900	9,000,000	9,000,000	5,000,000	6,000,000
Restricted Funds					
Balance Forward	1,948,600	1,253,100	581,400	1,291,100	585,300
Current Receipts	756,600	677,000	677,000	677,000	677,000
Non-Revenue Receipts	617,300	555,800	556,000	555,800	556,000
Total Restricted Funds	3,322,500	2,485,900	1,814,400	2,523,900	1,818,300
Federal Funds					
Current Receipts	3,768,700	3,767,800	3,768,000	3,735,600	3,731,100
Non-Revenue Receipts	-6,700	-5,800	-6,000	-5,800	-6,000
Total Federal Funds	3,762,000	3,762,000	3,762,000	3,729,800	3,725,100
TOTAL SOURCE OF FUNDS	23,839,700	20,097,200	19,517,000	13,757,900	14,047,600
EXPENDITURES BY CLASS					
Personnel Cost	1,479,200	1,769,400	1,865,400	1,528,400	1,584,100
Operating Expenses	227,700	231,300	231,300	229,100	229,100
Grants, Loans or Benefits	20,841,700	17,515,100	17,420,300	11,415,100	12,234,400
TOTAL EXPENDITURES	22,548,600	19,515,800	19,517,000	13,172,600	14,047,600
EXPENDITURES BY FUND SOURCE					
General Fund	2,418,300	4,849,300	4,940,600	2,504,200	2,504,200
Tobacco Settlement-Phase I	14,336,900	9,000,000	9,000,000	5,000,000	6,000,000
Restricted Funds	2,031,400	1,904,500	1,814,400	1,938,600	1,818,300
Federal Funds	3,762,000	3,762,000	3,762,000	3,729,800	3,725,100
TOTAL EXPENDITURES	22,548,600	19,515,800	19,517,000	13,172,600	14,047,600

The Division of Conservation provides 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. The Division also develops educational activities; provides 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 also administers the Soil Conservation Technical Assistance program.

Policy

Phase I Tobacco Settlement Funds of \$5,000,000 in fiscal year 2007 and \$6,000,000 in fiscal year 2008 are provided for the state share of the Environmental Stewardship Program.

**Environmental and Public Protection
Natural Resources
Oil and Gas**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	1,011,600	1,342,300	1,436,000	1,049,500	1,049,500
Salary Compensation Fund	37,900				
Base Deduction	-151,000				
Total General Fund	898,500	1,342,300	1,436,000	1,049,500	1,049,500
Restricted Funds					
Balance Forward	314,100	211,200	108,000	211,200	161,500
Current Receipts	704,600	704,600	704,600	704,600	704,600
Total Restricted Funds	1,018,700	915,800	812,600	915,800	866,100
TOTAL SOURCE OF FUNDS	1,917,200	2,258,100	2,248,600	1,965,300	1,915,600
EXPENDITURES BY CLASS					
Personnel Cost	1,356,000	1,671,200	1,768,100	1,422,700	1,451,900
Operating Expenses	342,500	423,900	423,900	381,100	381,100
Capital Outlay	7,500	55,000	56,600		
TOTAL EXPENDITURES	1,706,000	2,150,100	2,248,600	1,803,800	1,833,000
EXPENDITURES BY FUND SOURCE					
General Fund	898,500	1,342,300	1,436,000	1,049,500	1,049,500
Restricted Funds	807,500	807,800	812,600	754,300	783,500
TOTAL EXPENDITURES	1,706,000	2,150,100	2,248,600	1,803,800	1,833,000

The Division of Oil and Gas, pursuant to KRS Chapter 353, is responsible for the conservation of oil and gas resources of the Commonwealth and for the protection of correlative rights of mineral owners. The Division's mission is 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 Division is also charged with the collection of geological data obtained from the drilling of oil and gas wells for deposit in the Kentucky Geological Survey whose records are for public use. The Division also plugs abandoned wells.

**Environmental and Public Protection
Mine Reclamation and Enforcement**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	10,295,000	11,692,500	12,322,100	10,651,900	10,828,200
Salary Compensation Fund	179,000				
Base Deduction	-812,400				
Total General Fund	9,661,600	11,692,500	12,322,100	10,651,900	10,828,200
Restricted Funds					
Balance Forward	32,871,600	30,301,300	27,846,800	1,261,000	610,100
Current Receipts	161,000	1,814,200	1,956,400	161,200	161,400
Non-Revenue Receipts	-27,275,100	208,300	128,600	3,115,800	2,834,500
Total Restricted Funds	5,757,500	32,323,800	29,931,800	4,538,000	3,606,000
Federal Funds					
Current Receipts	17,875,400	20,349,400	21,298,700	19,332,800	19,931,400
Non-Revenue Receipts	-995,900	-1,018,400	-1,059,900	-1,018,400	-1,059,900
Total Federal Funds	16,879,500	19,331,000	20,238,800	18,314,400	18,871,500
TOTAL SOURCE OF FUNDS	32,298,600	63,347,300	62,492,700	33,504,300	33,305,700
EXPENDITURES BY CLASS					
Personnel Cost	24,458,300	28,638,700	29,984,300	26,285,900	26,677,300
Operating Expenses	3,497,400	3,689,900	3,689,900	3,518,900	3,518,900
Grants, Loans or Benefits	1,849,400	1,961,900	1,997,000	1,961,900	1,997,000
Capital Outlay	1,232,500	1,210,000	1,190,700	1,127,500	1,112,500
TOTAL EXPENDITURES	31,037,600	35,500,500	36,861,900	32,894,200	33,305,700
EXPENDITURES BY FUND SOURCE					
General Fund	9,661,600	11,692,500	12,322,100	10,651,900	10,828,200
Restricted Funds	4,496,500	4,477,000	4,301,000	3,927,900	3,606,000
Federal Funds	16,879,500	19,331,000	20,238,800	18,314,400	18,871,500
TOTAL EXPENDITURES	31,037,600	35,500,500	36,861,900	32,894,200	33,305,700
EXPENDITURES BY UNIT					
Permits	8,191,400	9,824,900	10,200,000	9,150,500	9,263,900
Bond Pool Fund	108,100	149,600	131,200	138,800	115,500
Mine Reclamation and Enforcement	12,615,400	14,798,700	15,474,500	13,380,300	13,585,000
Abandoned Mine Lands	9,811,700	10,416,300	10,745,300	9,913,600	10,030,400
Bond Pool Reclamation Fund	311,000	311,000	310,900	311,000	310,900
TOTAL EXPENDITURES	31,037,600	35,500,500	36,861,900	32,894,200	33,305,700

The mission of the Division of Mine Reclamation and Enforcement, pursuant to KRS 350, is to protect the public and minimize the environmental effects of surface mining and the surface effects of underground mining.

**Environmental and Public Protection
Mine Reclamation and Enforcement**

Permits

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	4,112,800	4,445,700	4,604,600	4,108,500	4,136,500
Salary Compensation Fund	67,300				
Base Deduction	-341,600				
Total General Fund	3,838,500	4,445,700	4,604,600	4,108,500	4,136,500
Restricted Funds					
Balance Forward	226,500	6,100		6,100	
Current Receipts	13,000	13,000	13,000	13,000	13,000
Non-Revenue Receipts	-149,000	-19,100	-13,000	-19,100	-13,000
Total Restricted Funds	90,500				
Federal Funds					
Current Receipts	4,507,100	5,611,000	5,838,700	5,273,800	5,370,700
Non-Revenue Receipts	-238,600	-231,800	-243,300	-231,800	-243,300
Total Federal Funds	4,268,500	5,379,200	5,595,400	5,042,000	5,127,400
TOTAL SOURCE OF FUNDS	8,197,500	9,824,900	10,200,000	9,150,500	9,263,900
EXPENDITURES BY CLASS					
Personnel Cost	6,556,300	8,130,500	8,504,600	7,517,100	7,629,500
Operating Expenses	857,100	925,400	925,400	864,400	864,400
Grants, Loans or Benefits	708,000	709,000	710,000	709,000	710,000
Capital Outlay	70,000	60,000	60,000	60,000	60,000
TOTAL EXPENDITURES	8,191,400	9,824,900	10,200,000	9,150,500	9,263,900
EXPENDITURES BY FUND SOURCE					
General Fund	3,838,500	4,445,700	4,604,600	4,108,500	4,136,500
Restricted Funds	84,400				
Federal Funds	4,268,500	5,379,200	5,595,400	5,042,000	5,127,400
TOTAL EXPENDITURES	8,191,400	9,824,900	10,200,000	9,150,500	9,263,900

The Division of Permits, pursuant to KRS 350 and 405 KAR 8:010, reviews all surface mining permit applications in accordance with the Kentucky law and federal Surface Mining Control and Reclamation Act. The Division, pursuant to KRS 350.450, administers the federal Small Operator Assistance Program (SOAP) and; pursuant to KRS 350.610, the Lands Unsuitable for Mining program. The Division, pursuant to KRS 350.060(13) and 405 KAR Chapter 5, also reviews underground mining applications to determine the surface effects of such operations.

Policy

Included in the above General Fund appropriation is \$675,000 in each fiscal year of the biennium for the return of permit and acreage fees under KRS 350.139. Any required expenditure for this purpose in excess of this amount in either fiscal year is appropriated to the Department as a necessary government expense or through a current year appropriation.

**Environmental and Public Protection
Mine Reclamation and Enforcement
Mine Reclamation and Enforcement**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	6,182,200	7,246,800	7,717,500	6,543,400	6,691,700
Salary Compensation Fund	111,700				
Base Deduction	-470,800				
Total General Fund	5,823,100	7,246,800	7,717,500	6,543,400	6,691,700
Restricted Funds					
Balance Forward	611,800	616,000	275,900	616,000	311,500
Current Receipts	134,800	134,800	134,800	134,800	134,800
Non-Revenue Receipts	211,000	-133,600	-237,400	-133,600	-237,400
Total Restricted Funds	957,600	617,200	173,300	617,200	208,900
Federal Funds					
Current Receipts	6,861,700	7,636,200	8,021,300	6,956,800	7,122,000
Non-Revenue Receipts	-411,000	-425,600	-437,600	-425,600	-437,600
Total Federal Funds	6,450,700	7,210,600	7,583,700	6,531,200	6,684,400
TOTAL SOURCE OF FUNDS	13,231,400	15,074,600	15,474,500	13,691,800	13,585,000
EXPENDITURES BY CLASS					
Personnel Cost	9,644,400	11,746,000	12,426,000	10,520,100	10,724,700
Operating Expenses	1,785,000	1,904,200	1,904,200	1,794,200	1,794,200
Grants, Loans or Benefits	308,500	308,500	308,600	308,500	308,600
Capital Outlay	877,500	840,000	835,700	757,500	757,500
TOTAL EXPENDITURES	12,615,400	14,798,700	15,474,500	13,380,300	13,585,000
EXPENDITURES BY FUND SOURCE					
General Fund	5,823,100	7,246,800	7,717,500	6,543,400	6,691,700
Restricted Funds	341,600	341,300	173,300	305,700	208,900
Federal Funds	6,450,700	7,210,600	7,583,700	6,531,200	6,684,400
TOTAL EXPENDITURES	12,615,400	14,798,700	15,474,500	13,380,300	13,585,000

The Division of Mine Reclamation and Enforcement, pursuant to KRS 350, develops policies and procedures for reclamation and enforcement programs in coal and non-coal minerals. The Division reviews permit applications for non-coal mineral operations pursuant to KRS 350.028 and 405 KAR 5:032. The Division conducts inspection programs to carry out these policies and procedures in accordance with applicable federal and state statutes.

Policy

In each fiscal year of the biennium, resources are provided to address needs related to non-coal activities, including limestone, sand, and gravel quarries.

**Environmental and Public Protection
Mine Reclamation and Enforcement
Abandoned Mine Lands**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
Restricted Funds					
Balance Forward	13,900,900	11,206,500	8,638,800	217,000	87,700
Current Receipts	13,200	746,400	746,600	13,400	13,600
Non-Revenue Receipts	-10,045,700	361,000	379,000	3,029,700	2,869,400
Total Restricted Funds	3,868,400	12,313,900	9,764,400	3,260,100	2,970,700
Federal Funds					
Current Receipts	6,506,600	7,102,200	7,438,700	7,102,200	7,438,700
Non-Revenue Receipts	-346,300	-361,000	-379,000	-361,000	-379,000
Total Federal Funds	6,160,300	6,741,200	7,059,700	6,741,200	7,059,700
TOTAL SOURCE OF FUNDS	10,028,700	19,055,100	16,824,100	10,001,300	10,030,400
EXPENDITURES BY CLASS					
Personnel Cost	7,842,000	8,306,100	8,616,100	7,803,400	7,901,200
Operating Expenses	851,800	855,800	855,800	855,800	855,800
Grants, Loans or Benefits	832,900	944,400	978,400	944,400	978,400
Capital Outlay	285,000	310,000	295,000	310,000	295,000
TOTAL EXPENDITURES	9,811,700	10,416,300	10,745,300	9,913,600	10,030,400
EXPENDITURES BY FUND SOURCE					
Restricted Funds	3,651,400	3,675,100	3,685,600	3,172,400	2,970,700
Federal Funds	6,160,300	6,741,200	7,059,700	6,741,200	7,059,700
TOTAL EXPENDITURES	9,811,700	10,416,300	10,745,300	9,913,600	10,030,400

The Division of Abandoned Mine Lands administers 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 and/or KRS 350.550 to KRS 350.597.

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 reclamation. All state and partial federal project contracts are administered by this agency.

Policy

Forfeited bonds and associated income held in escrow, pursuant to KRS 350.139, have been moved to an off-budget interest-bearing account for administrative and budgetary purposes and are not included in the above restricted fund appropriation.

**Environmental and Public Protection
Mine Reclamation and Enforcement
Bond Pool Fund**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
Restricted Funds					
Balance Forward	17,699,500	18,050,800	18,721,200		
Current Receipts		920,000	1,062,000		
Non-Revenue Receipts	-17,591,400	-100,000	-100,000	138,800	115,500
Total Restricted Funds	108,100	18,870,800	19,683,200	138,800	115,500
TOTAL SOURCE OF FUNDS	108,100	18,870,800	19,683,200	138,800	115,500
EXPENDITURES BY CLASS					
Personnel Cost	104,600	145,100	126,700	134,300	111,000
Operating Expenses	3,500	4,500	4,500	4,500	4,500
TOTAL EXPENDITURES	108,100	149,600	131,200	138,800	115,500
EXPENDITURES BY FUND SOURCE					
Restricted Funds	108,100	149,600	131,200	138,800	115,500
TOTAL EXPENDITURES	108,100	149,600	131,200	138,800	115,500

The Bond Pool Fund, pursuant to KRS 350.700, provides an alternative bonding source for permittees of a surface coal mining operations in Kentucky. Program participants must meet the criteria set forth in KRS 350.720 and 405 KAR 10:200. A seven-member Bond Pool Commission, pursuant to KRS 350.705, reviews and approves applications for bonding under the Bond Pool Fund.

Policy

Cash held in escrow for the Bond Pool Fund, pursuant to KRS 350.700(3), has been moved to an off-budget interest-bearing account for administrative and budgetary purposes and is not included in the above restricted fund appropriation.

**Environmental and Public Protection
 Mine Reclamation and Enforcement
 Bond Pool Reclamation Fund**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
Restricted Funds					
Balance Forward	432,900	421,900	210,900	421,900	210,900
Non-Revenue Receipts	300,000	100,000	100,000	100,000	100,000
Total Restricted Funds	732,900	521,900	310,900	521,900	310,900
TOTAL SOURCE OF FUNDS	732,900	521,900	310,900	521,900	310,900
EXPENDITURES BY CLASS					
Personnel Cost	311,000	311,000	310,900	311,000	310,900
TOTAL EXPENDITURES	311,000	311,000	310,900	311,000	310,900
EXPENDITURES BY FUND SOURCE					
Restricted Funds	311,000	311,000	310,900	311,000	310,900
TOTAL EXPENDITURES	311,000	311,000	310,900	311,000	310,900

The Abandoned Mine Lands Bond Pool Reclamation Fund, pursuant to KRS 350.595, provides additional moneys necessary to reclaim permitted mine areas. In the event that an entire bond is not needed to complete the required reclamation on a permit, the remaining balance is deposited into the Fund.

**Environmental and Public Protection
Abandoned Mine Land Reclamation Projects**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
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					
Grants, Loans or Benefits	12,300,000	10,500,000	10,500,000	10,500,000	10,500,000
Construction	9,700,000	11,500,000	11,500,000	11,500,000	11,500,000
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 Natural Resources receives 100 percent federal funding for the reclamation of certain 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, federal funds allocated for reclamation projects within Kentucky may be reallocated to other coal-producing states. The Department reclaims abandoned mine sites through a priority ranking system based on human health and safety considerations.

**Environmental and Public Protection
Environmental Quality Commission**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	150,000	278,500	289,600		
Salary Compensation Fund	4,200				
Base Deduction	-111,200				
Total General Fund	43,000	278,500	289,600		
Restricted Funds					
Balance Forward	21,900			9,500	
Non-Revenue Receipts	86,600			257,100	263,800
Total Restricted Funds	108,500			266,600	263,800
TOTAL SOURCE OF FUNDS	151,500	278,500	289,600	266,600	263,800
EXPENDITURES BY CLASS					
Personnel Cost	109,800	238,700	252,600	228,300	231,500
Operating Expenses	32,200	39,800	37,000	38,300	32,300
TOTAL EXPENDITURES	142,000	278,500	289,600	266,600	263,800
EXPENDITURES BY FUND SOURCE					
General Fund	43,000	278,500	289,600		
Restricted Funds	99,000			266,600	263,800
TOTAL EXPENDITURES	142,000	278,500	289,600	266,600	263,800

Pursuant to KRS 224.01-100 to 224.01-115, the Environmental Quality Commission is an independent citizen board with seven members representing various interests and geographic areas of the state. The Commission advises the Governor and the Environmental and Public 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.

The Environmental Quality Commission is administratively attached to the Environmental and Public Protection Cabinet's Office of the Secretary. The Secretary, with the approval of the Commissioners of the Environmental Quality Commission, may employ a director and other necessary Commission staff who shall serve at the pleasure of the Commission and the Secretary.

Policy

Restricted Funds of \$257,100 in fiscal year 2007 and \$263,800 in fiscal year 2008 are provided through the Office of Communications and Public Outreach.

**Environmental and Public Protection
Kentucky Nature Preserves Commission**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	1,049,300	1,402,100	1,482,800	1,091,500	1,091,500
Salary Compensation Fund	42,200				
Base Deduction	-83,900				
Total General Fund	1,007,600	1,402,100	1,482,800	1,091,500	1,091,500
Restricted Funds					
Balance Forward	714,200	635,500	483,000	635,500	517,200
Current Receipts	193,500	179,700	179,700	179,700	179,700
Non-Revenue Receipts	80,900	80,900	80,900	80,900	80,900
Total Restricted Funds	988,600	896,100	743,600	896,100	777,800
Federal Funds					
Current Receipts	155,400	60,000	60,000	60,000	60,000
Non-Revenue Receipts	-5,000	-5,000	-5,000	-5,000	-5,000
Total Federal Funds	150,400	55,000	55,000	55,000	55,000
TOTAL SOURCE OF FUNDS	2,146,600	2,353,200	2,281,400	2,042,600	1,924,300
EXPENDITURES BY CLASS					
Personnel Cost	1,211,500	1,465,000	1,545,700	1,249,800	1,273,700
Operating Expenses	218,600	309,200	309,200	217,300	217,300
Grants, Loans or Benefits	36,000	32,000	32,000	32,000	32,000
Capital Outlay		64,000	64,000	26,300	26,300
Construction	45,000				
TOTAL EXPENDITURES	1,511,100	1,870,200	1,950,900	1,525,400	1,549,300
EXPENDITURES BY FUND SOURCE					
General Fund	1,007,600	1,402,100	1,482,800	1,091,500	1,091,500
Restricted Funds	353,100	413,100	413,100	378,900	402,800
Federal Funds	150,400	55,000	55,000	55,000	55,000
TOTAL EXPENDITURES	1,511,100	1,870,200	1,950,900	1,525,400	1,549,300

Pursuant to KRS 146.410-146.530, the Kentucky State Nature Preserves Commission's mission is two-fold: 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. Pursuant to KRS 224.10-022, the Commission is attached to the Environmental and Public Protection Cabinet's Office of the Secretary.

Acquisition and management funds for the agency are derived through a tax refund check-off system under KRS 141.450-141.480, through gifts, grants, devises and bequests pursuant to KRS 146.465 and through allocations from the Kentucky Heritage Land Conservation Fund pursuant to KRS 146.570. 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.

**Environmental and Public Protection
Public Protection Commissioner**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
Restricted Funds					
Balance Forward	279,800			56,300	42,900
Non-Revenue Receipts	1,233,100	1,579,400	1,622,100	1,350,300	1,336,600
Fund Transfers	-400,000			-175,000	-150,000
Total Restricted Funds	1,112,900	1,579,400	1,622,100	1,231,600	1,229,500
TOTAL SOURCE OF FUNDS	1,112,900	1,579,400	1,622,100	1,231,600	1,229,500
EXPENDITURES BY CLASS					
Personnel Cost	745,900	1,057,200	1,113,600	811,400	824,600
Operating Expenses	310,700	477,200	483,500	342,300	343,800
Capital Outlay		45,000	25,000	35,000	25,000
TOTAL EXPENDITURES	1,056,600	1,579,400	1,622,100	1,188,700	1,193,400
EXPENDITURES BY FUND SOURCE					
Restricted Funds	1,056,600	1,579,400	1,622,100	1,188,700	1,193,400
TOTAL EXPENDITURES	1,056,600	1,579,400	1,622,100	1,188,700	1,193,400

The Commissioner's Office provides the coordination and direction for planning and management of the agencies within and attached to the Public Protection Department. The Commissioner guides Departmental 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 businesses, trades, and professionals it licenses and regulates, as well as the general public.

**Environmental and Public Protection
Boxing and Wrestling Authority**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
Restricted Funds					
Balance Forward	85,100	59,800	34,500	59,800	34,500
Current Receipts	74,700	74,700	74,700	74,700	74,700
Total Restricted Funds	159,800	134,500	109,200	134,500	109,200
TOTAL SOURCE OF FUNDS	159,800	134,500	109,200	134,500	109,200
EXPENDITURES BY CLASS					
Personnel Cost	62,900	92,800	92,800	92,800	92,800
Operating Expenses	37,100	7,200	7,200	7,200	7,200
TOTAL EXPENDITURES	100,000	100,000	100,000	100,000	100,000
EXPENDITURES BY FUND SOURCE					
Restricted Funds	100,000	100,000	100,000	100,000	100,000
TOTAL EXPENDITURES	100,000	100,000	100,000	100,000	100,000

The Boxing and Wrestling Authority, pursuant to KRS Chapter 229, is sole authority over professional boxing and wrestling in Kentucky. The five-member board directs, manages and controls all professional boxing, sparring, and wrestling matches or exhibitions. Moreover, the authority has jurisdiction over all licenses to hold boxing, sparring, or wrestling matches or exhibitions for prizes or purses or where an admission fee is received and over all licenses and all persons who participate in the boxing, sparring or wrestling matches, or exhibitions. The Authority licenses contestants, wrestlers or boxers, judges, managers, physicians, referees, timekeepers, and trainers. The Authority is an independent agency that is attached to the Department for Public Protection for administrative purposes only.

**Environmental and Public Protection
Petroleum Storage Tank Environmental Assurance Fund**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation					3,479,000
Total General Fund					3,479,000
Restricted Funds					
Balance Forward	23,005,500	5,529,800	21,842,000		
Current Receipts	1,061,800	245,000	545,000	1,061,800	1,061,800
Non-Revenue Receipts	69,100,000	45,501,200	45,941,200	70,100,000	45,780,000
Fund Transfers	-64,097,900			-41,997,300	-17,564,100
Total Restricted Funds	29,069,400	51,276,000	68,328,200	29,164,500	29,277,700
TOTAL SOURCE OF FUNDS	29,069,400	51,276,000	68,328,200	29,164,500	32,756,700
EXPENDITURES BY CLASS					
Personnel Cost	3,215,700	3,589,800	3,793,900	3,317,600	3,430,400
Operating Expenses	25,353,700	25,344,200	25,344,800	25,346,900	25,347,300
Debt Service					3,479,000
Construction	500,000	500,000	500,000	500,000	500,000
TOTAL EXPENDITURES	29,069,400	29,434,000	29,638,700	29,164,500	32,756,700
EXPENDITURES BY FUND SOURCE					
General Fund					3,479,000
Restricted Funds	29,069,400	29,434,000	29,638,700	29,164,500	29,277,700
TOTAL EXPENDITURES	29,069,400	29,434,000	29,638,700	29,164,500	32,756,700

The Petroleum Storage Tank Environmental Assurance Fund (PSTEAF), pursuant to KRS Chapter 224.60, assists owners and operators of underground storage tanks to meet federal environmental mandates and provides reimbursement for eligible clean-up costs and third party damages in the event of a release into the environment. Pursuant to KRS 224.60-130, the Fund is managed by the Department for Environmental Protection, Division of Waste Management.

Policy

Notwithstanding KRS 224.60-140 to KRS 224.60-155, the PSTEAF shall transfer \$626,500 in fiscal year 2006, \$41,997,300 in fiscal year 2007 and \$17,564,100 in fiscal year 2008 to the General Fund.

Included within the General Fund appropriation in fiscal year 2008 is \$3,479,000 for debt service to support bond funds in the amount of \$25 million. These bond funds are included within the operating budget in fiscal year 2007 as Restricted Funds and will be used to make PSTEAF claim payments.

**Environmental and Public Protection
Alcoholic Beverage Control**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	1,380,800	1,515,700	1,562,100	1,441,400	1,058,600
Salary Compensation Fund	60,600				
Total General Fund	1,441,400	1,515,700	1,562,100	1,441,400	1,058,600
Restricted Funds					
Balance Forward	1,772,400	2,193,100	2,109,000	30,600	39,200
Current Receipts	4,919,900	5,144,900	5,318,300	5,144,900	5,318,300
Non-Revenue Receipts	-120,700	-722,300	-730,400	-722,300	-730,400
Fund Transfers	-3,011,700			-836,200	-457,600
Total Restricted Funds	3,559,900	6,615,700	6,696,900	3,617,000	4,169,500
TOTAL SOURCE OF FUNDS	5,001,300	8,131,400	8,259,000	5,058,400	5,228,100
EXPENDITURES BY CLASS					
Personnel Cost	4,195,600	4,722,600	4,970,500	4,196,900	4,281,300
Operating Expenses	775,100	1,243,800	1,208,500	822,300	908,900
Capital Outlay		56,000			
TOTAL EXPENDITURES	4,970,700	6,022,400	6,179,000	5,019,200	5,190,200
EXPENDITURES BY FUND SOURCE					
General Fund	1,441,400	1,515,700	1,562,100	1,441,400	1,058,600
Restricted Funds	3,529,300	4,506,700	4,616,900	3,577,800	4,131,600
TOTAL EXPENDITURES	4,970,700	6,022,400	6,179,000	5,019,200	5,190,200
EXPENDITURES BY UNIT					
Administration, Enforcement and License	4,598,600	5,658,900	5,815,500	4,655,700	4,826,700
Tobacco Enforcement	372,100	363,500	363,500	363,500	363,500
TOTAL EXPENDITURES	4,970,700	6,022,400	6,179,000	5,019,200	5,190,200

The Office of Alcoholic Beverage Control (ABC), pursuant to KRS Chapters 241-244, enforces laws relating to the manufacture, sale, transportation, storage, and advertising of alcoholic beverages. The agency does not collect taxes.

The Executive Director of the Office serves as both the agency's administrative officer and the 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 Office has enforcement officers assigned throughout the state who conduct investigations, make regular inspections, and otherwise monitor compliance with ABC laws.

The Department implements laws relating to the sale and use of tobacco products.

Policy

Included in the above General Fund appropriation is \$258,600 in each year of the biennium to carry out the provisions of KRS 438.337 relating to regulation and enforcement of tobacco sales to minors.

Notwithstanding KRS 243.025(3), the Office of Alcoholic Beverage Control shall transfer Restricted Funds in the amounts of \$3,011,700 in fiscal year 2006; \$836,200 in fiscal year 2007 and \$457,600 in fiscal year 2008 to the General Fund.

**Environmental and Public Protection
Charitable Gaming**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
Restricted Funds					
Balance Forward	2,767,400	2,404,100	1,350,700	1,841,400	1,447,200
Current Receipts	3,106,800	3,079,600	3,079,600	3,079,600	3,079,600
Non-Revenue Receipts		-110,000	-135,000	-174,200	-200,900
Fund Transfers	-1,100,000				
Total Restricted Funds	4,774,200	5,373,700	4,295,300	4,746,800	4,325,900
TOTAL SOURCE OF FUNDS	4,774,200	5,373,700	4,295,300	4,746,800	4,325,900
EXPENDITURES BY CLASS					
Personnel Cost	2,392,500	3,160,900	3,342,600	2,576,700	2,620,300
Operating Expenses	540,300	862,100	862,100	722,900	722,900
TOTAL EXPENDITURES	2,932,800	4,023,000	4,204,700	3,299,600	3,343,200
EXPENDITURES BY FUND SOURCE					
Restricted Funds	2,932,800	4,023,000	4,204,700	3,299,600	3,343,200
TOTAL EXPENDITURES	2,932,800	4,023,000	4,204,700	3,299,600	3,343,200

The Office of Charitable Gaming, pursuant to KRS Chapter 238, is charged with the licensure and regulation of charitable organizations conducting gaming in the Commonwealth. The agency performs inspections, issues licenses, and conducts audits of charitable gaming establishments.

Policy

Notwithstanding KRS 238.570(2), the Office of Charitable Gaming shall transfer Restricted Funds in the amount of \$1,100,000 in fiscal year 2006 to the General Fund.

**Environmental and Public Protection
Board of Claims/Crime Victims' Compensation Board**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	813,000	911,200	930,900	848,000	848,000
Continuing Appropriation				88,000	44,000
Salary Compensation Fund	35,000				
Total General Fund	848,000	911,200	930,900	936,000	892,000
Restricted Funds					
Balance Forward	1,073,300	800,400	343,700	746,900	397,700
Current Receipts	1,806,100	1,770,000	1,770,000	1,770,000	1,770,000
Non-Revenue Receipts	-31,400	-45,000	-45,000		
Total Restricted Funds	2,848,000	2,525,400	2,068,700	2,516,900	2,167,700
Federal Funds					
Current Receipts	540,100	540,100	540,100	540,100	540,100
Total Federal Funds	540,100	540,100	540,100	540,100	540,100
TOTAL SOURCE OF FUNDS	4,236,100	3,976,700	3,539,700	3,993,000	3,599,800
EXPENDITURES BY CLASS					
Personnel Cost	1,051,200	1,231,000	1,291,500	1,123,900	1,140,900
Operating Expenses	2,131,000	2,202,000	2,048,200	2,183,400	2,044,600
Grants, Loans or Benefits	219,000	200,000	200,000	244,000	244,000
TOTAL EXPENDITURES	3,401,200	3,633,000	3,539,700	3,551,300	3,429,500
EXPENDITURES BY FUND SOURCE					
General Fund	760,000	911,200	930,900	892,000	892,000
Restricted Funds	2,101,100	2,181,700	2,068,700	2,119,200	1,997,400
Federal Funds	540,100	540,100	540,100	540,100	540,100
TOTAL EXPENDITURES	3,401,200	3,633,000	3,539,700	3,551,300	3,429,500
EXPENDITURES BY UNIT					
Board of Claims	1,180,500	1,378,300	1,423,800	1,252,600	1,269,600
Crime Victims' Board	1,485,800	1,538,800	1,400,000	1,538,800	1,400,000
Crime Victims' Board Federal Grants	515,900	515,900	515,900	515,900	515,900
Sexual Assault Examination Program	219,000	200,000	200,000	244,000	244,000
TOTAL EXPENDITURES	3,401,200	3,633,000	3,539,700	3,551,300	3,429,500

The Board of Claims, pursuant to KRS Chapter 44, is the only forum through which a citizen may sue the state for alleged negligence. Awards of less than \$1,000 are paid from funds of the state agency determined to be 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, pursuant to 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 Crime Victims' Compensation Board is funded through an allocation of 3.4 percent of the state court cost fees.

The agency is composed of the same five members appointed by the Governor. Both entities share staff services provided by the agency. The Board is an independent agency that is attached to the Department for Public Protection for administrative purposes only.

Policy

Notwithstanding KRS 45.229, the General Fund appropriation balance for fiscal year 2006 and fiscal year 2007 for the Crime Victims' Compensation Board shall not lapse and shall be carried forward. These funds are to be used for sexual assault forensic medical examinations.

**Environmental and Public Protection
Financial Institutions**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
Restricted Funds					
Balance Forward	4,543,500	6,861,600	6,343,400	1,500,000	1,083,000
Current Receipts	11,137,200	11,435,000	11,785,000	11,600,400	11,785,000
Non-Revenue Receipts	-604,900	-1,695,500	-1,806,200	-942,300	-963,900
Fund Transfers	-6,007,200			-1,851,300	-1,900,900
Total Restricted Funds	9,068,600	16,601,100	16,322,200	10,306,800	10,003,200
TOTAL SOURCE OF FUNDS	9,068,600	16,601,100	16,322,200	10,306,800	10,003,200
EXPENDITURES BY CLASS					
Personnel Cost	5,633,700	7,579,600	8,006,800	6,777,400	6,913,200
Operating Expenses	1,854,900	2,648,100	2,687,400	2,416,400	2,429,000
Capital Outlay	80,000	30,000		30,000	
TOTAL EXPENDITURES	7,568,600	10,257,700	10,694,200	9,223,800	9,342,200
EXPENDITURES BY FUND SOURCE					
Restricted Funds	7,568,600	10,257,700	10,694,200	9,223,800	9,342,200
TOTAL EXPENDITURES	7,568,600	10,257,700	10,694,200	9,223,800	9,342,200
EXPENDITURES BY UNIT					
Administrative Services	950,200	1,073,900	1,117,400	1,011,400	1,023,300
Financial Institutions	4,647,800	6,454,100	6,749,400	5,718,100	5,801,800
Executive Director	591,900	1,109,400	1,135,400	704,500	708,100
Securities	1,378,700	1,620,300	1,692,000	1,789,800	1,809,000
TOTAL EXPENDITURES	7,568,600	10,257,700	10,694,200	9,223,800	9,342,200

The Office of Financial Institutions, pursuant to KRS Chapter 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. An Executive Director appointed by the Governor heads the Office.

The Executive Director's Office is responsible for the overall management of the agency. The Ombudsman resolves complaints about Office licensees.

The Division of Administrative Services is comprised of three branches. The Technology branch 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 offices 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 allegations 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 Office of Financial Institutions shall transfer excess Restricted Funds of \$3,295,100 in fiscal year 2006; \$1,851,300 in fiscal year 2007 and \$1,900,900 in fiscal year 2008 to the General Fund.

**Environmental and Public Protection
Horse Racing Authority**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	509,700	649,300	737,200	509,700	509,700
Total General Fund	509,700	649,300	737,200	509,700	509,700
Restricted Funds					
Balance Forward	4,175,000	3,753,900	3,185,700	3,302,100	2,919,900
Current Receipts	3,787,000	3,787,000	3,787,000	3,787,000	3,787,000
Non-Revenue Receipts	23,844,900	23,765,600	23,716,800	23,765,600	23,716,800
Total Restricted Funds	31,806,900	31,306,500	30,689,500	30,854,700	30,423,700
TOTAL SOURCE OF FUNDS	32,316,600	31,955,800	31,426,700	31,364,400	30,933,400
EXPENDITURES BY CLASS					
Personnel Cost	2,419,200	2,546,100	2,578,800	2,221,700	2,086,700
Operating Expenses	1,622,100	1,538,500	1,516,800	1,537,300	1,515,600
Grants, Loans or Benefits	24,973,200	24,685,500	24,685,500	24,685,500	24,685,500
TOTAL EXPENDITURES	29,014,500	28,770,100	28,781,100	28,444,500	28,287,800
EXPENDITURES BY FUND SOURCE					
General Fund	509,700	649,300	737,200	509,700	509,700
Restricted Funds	28,504,800	28,120,800	28,043,900	27,934,800	27,778,100
TOTAL EXPENDITURES	29,014,500	28,770,100	28,781,100	28,444,500	28,287,800
EXPENDITURES BY UNIT					
Administration and Regulation of Racing	3,318,100	3,361,400	3,372,400	3,035,800	2,879,100
Equine Drug Research Fund	650,500	650,500	650,500	650,500	650,500
Thoroughbred Development Fund	8,186,100	8,186,100	8,186,100	8,186,100	8,186,100
Standardbred Development Fund	507,700	220,000	220,000	220,000	220,000
Standardbred Horsemen Fees	700,000	700,000	700,000	700,000	700,000
County Fair Purse Fund	204,000	204,000	204,000	204,000	204,000
Thoroughbred Owners and Breeders	282,700	282,700	282,700	282,700	282,700
Backside Improvement Commission	165,400	165,400	165,400	165,400	165,400
Ky Thoroughbred Breeder Incentive Fund	12,000,000	12,000,000	12,000,000	12,000,000	12,000,000
Ky Standardbred Breeder Incentive Fund	1,950,000	1,950,000	1,950,000	1,950,000	1,950,000
Ky Horse Breeders Incentive Fund	1,050,000	1,050,000	1,050,000	1,050,000	1,050,000
TOTAL EXPENDITURES	29,014,500	28,770,100	28,781,100	28,444,500	28,287,800

The Kentucky Horse Racing Authority, pursuant to KRS 230. 260, is responsible for the regulation of thoroughbred and harness horse racing and the fostering of thoroughbred and harness horse breeding within the Commonwealth. The Authority prescribes the rules, regulations, and conditions under which all thoroughbred, harness horse, quarter horse, Appaloosa, and Arabian racing and wagering may be conducted in the Commonwealth.

The Authority's charge is to:

- advance horse industry-related economic growth;
- strengthen ties between Kentucky's universities and the horse industry;
- ensure that Kentucky remains on the cutting-edge of equine research; and
- promote Kentucky's horse and tourism industry.

The Authority is an independent agency that is attached to the Department for Public Protection for administrative purposes only.

Administration and Regulation of Racing is the administrative and oversight body of the Authority. 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 Authority on research programs. One-tenth of one percent of the thoroughbred pari-mutuel handle supports the Council. Funds are used to support drug research and testing.

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.

The County Fair Purse Fund receives funding from uncashed pari-mutuel harness racing tickets and redistributes the funds in the form of purse supplements to county fairs.

The Backside Improvement Commission 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 receives six percent of the commissions at simulcast facilities to fund capital improvements and promote off-track betting. It also supports marketing and promotion of the Kentucky thoroughbred industry.

The Kentucky Thoroughbred Breeder, Standardbred, and Horse Breeders Funds provide rewards for breeders of horses bred and foaled in Kentucky. Incentive funds are derived from sales taxes paid on stallion stud fees.

Policy

The Governor's recommended budget for Administration and Regulation appropriates all available Restricted Funds. If the Authority determines that additional funding is needed it may raise fees and track assessments to underwrite the additional costs.

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

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	2,114,700	3,646,100	3,673,500	2,524,200	2,524,200
Salary Compensation Fund	409,500				
Base Deduction	-143,300				
Total General Fund	2,380,900	3,646,100	3,673,500	2,524,200	2,524,200
Restricted Funds					
Balance Forward	7,397,800	8,212,500	5,722,800	8,304,100	5,529,600
Current Receipts	14,040,600	14,040,600	14,040,600	13,343,400	13,345,000
Non-Revenue Receipts		-250,000	-260,000	-250,000	-260,000
Total Restricted Funds	21,438,400	22,003,100	19,503,400	21,397,500	18,614,600
Federal Funds					
Current Receipts	6,000				
Total Federal Funds	6,000				
TOTAL SOURCE OF FUNDS	23,825,300	25,649,200	23,176,900	23,921,700	21,138,800
EXPENDITURES BY CLASS					
Personnel Cost	12,470,500	16,071,100	16,990,500	15,236,600	15,525,300
Operating Expenses	3,050,700	3,855,300	3,724,500	3,155,500	3,157,800
TOTAL EXPENDITURES	15,521,200	19,926,400	20,715,000	18,392,100	18,683,100
EXPENDITURES BY FUND SOURCE					
General Fund	2,380,900	3,646,100	3,673,500	2,524,200	2,524,200
Restricted Funds	13,134,300	16,280,300	17,041,500	15,867,900	16,158,900
Federal Funds	6,000				
TOTAL EXPENDITURES	15,521,200	19,926,400	20,715,000	18,392,100	18,683,100
EXPENDITURES BY UNIT					
General Administration and Management	1,120,000	1,447,100	1,527,500	1,147,000	1,167,100
Regulation of Minimum Safety Standards/Fire Prev	6,423,400	7,991,200	8,316,900	7,228,100	7,482,300
WMD Fire Marshall Grant	6,000				
Plumbing	4,798,600	6,503,200	6,744,200	6,045,600	6,142,400
HVACC	802,100	1,005,500	1,036,900	1,264,500	1,135,000
Building Codes Enforcement	2,371,100	2,979,400	3,089,500	2,706,900	2,756,300
TOTAL EXPENDITURES	15,521,200	19,926,400	20,715,000	18,392,100	18,683,100

The Office of Housing, Buildings, and Construction, pursuant to KRS Chapter 198B, regulates all construction of buildings through enforcement of building and fire codes, including: elevators, boilers, manufactured housing, hazardous materials, and electrical and plumbing installation. The agency enforces a uniform building code for the Commonwealth with an effective building inspection program that prevents fire- and life-safety hazards. Formerly a department within the Cabinet for Public Protection, the agency was reorganized with the passage of Senate Bill 41 during the 2005 Regular Session of the General Assembly. It is now managed by the Department for Public Protection.

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 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 to the State Plumbing Code Committee in its review of the plumbing code regulations, and review and approval of new materials and techniques.

The Heating, Ventilation, and Air Conditioning (HVAC) program 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 program oversees the continuing education for HVAC Masters and Journeymen.

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.

Policy

Notwithstanding KRS 227A.050(1), KRS 227.620(5), KRS 198B.615, KRS 236.130(3), KRS 318.136, KRS 198B.095(2), KRS 198B.090(10), and KRS 198B.676(2), the Office of Housing, Buildings and Construction may expend Restricted Funds from within its budget to fund the programs it administers.

The Governor's Budget Recommendation funds 278 positions in Housing, Buildings and Construction. The chart below details the distribution of the positions funded based on funds available and the flexible use of funds to fund the programs administered by Housing, Building, and Construction.

2006-2008 HBC Recommended Personnel Cap	
Division	Cap
Administration	17
Minimum Safety Standards	114
Plumbing	90
HVACC	13
Building Code Enforcement	44
Total	278

Environmental and Public Protection

Insurance

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation				6,500,000	13,500,000
Total General Fund				6,500,000	13,500,000
Tobacco Settlement-Phase I					
Tobacco Settlement - I	16,751,700			13,692,700	14,496,000
Budget Reduction	-1,139,100				
Total Tobacco Settlement-Phase I	15,612,600			13,692,700	14,496,000
Restricted Funds					
Balance Forward	15,814,900	23,719,900	33,335,200	3,081,400	2,906,400
Current Receipts	29,947,200	32,446,900	34,942,800	31,188,000	33,445,100
Non-Revenue Receipts	-797,100	1,926,400	1,715,700	-319,200	-425,900
Fund Transfers	-20,000,000			-9,000,000	-10,750,000
Total Restricted Funds	24,965,000	58,093,200	69,993,700	24,950,200	25,175,600
TOTAL SOURCE OF FUNDS	40,577,600	58,093,200	69,993,700	45,142,900	53,171,600
EXPENDITURES BY CLASS					
Personnel Cost	33,817,700	37,708,800	38,476,100	32,013,600	32,985,200
Operating Expenses	3,678,500	3,800,900	3,868,000	3,722,900	3,761,000
Grants, Loans or Benefits				6,500,000	13,500,000
TOTAL EXPENDITURES	37,496,200	41,509,700	42,344,100	42,236,500	50,246,200
EXPENDITURES BY FUND SOURCE					
General Fund		16,751,700	16,751,700	6,500,000	13,500,000
Tobacco Settlement-Phase I	15,612,600			13,692,700	14,496,000
Restricted Funds	21,883,600	24,758,000	25,592,400	22,043,800	22,250,200
TOTAL EXPENDITURES	37,496,200	41,509,700	42,344,100	42,236,500	50,246,200
EXPENDITURES BY UNIT					
Executive Director	1,344,300	1,716,400	1,793,400	1,449,400	1,465,800
Small Business Insurance Subsidy				6,500,000	13,500,000
General Administration and Support	3,031,300	2,619,300	2,728,200	2,267,600	2,282,100
Property and Casualty	827,100	1,146,300	1,204,000	917,600	934,900
Life Insurance	742,100	958,500	999,600	764,000	781,700
Financial Standards and Examination	4,034,800	4,362,300	4,419,000	4,100,300	4,116,600
General Counsel	278,300	278,300	278,300	278,300	278,300
Agent Licensing	1,654,400	2,174,700	2,275,100	1,789,900	1,808,500
Consumer Protection	2,183,600	2,636,500	2,760,800	2,274,100	2,305,800
Insurance Fraud Investigation	1,200,600	1,467,300	1,541,000	1,321,900	1,353,800
Health Insurance Policy and Managed Care	2,289,600	2,792,600	2,920,100	2,469,500	2,499,100
Mine Subsidence Program	203,700	260,800	266,700	251,200	251,800
State Risk and Insurance Services	694,800	914,400	959,000	761,500	773,500
Kentucky Access Program	19,011,600	20,182,300	20,198,900	17,091,200	17,894,300
TOTAL EXPENDITURES	37,496,200	41,509,700	42,344,100	42,236,500	50,246,200

The Office of Insurance, pursuant to KRS Chapter 304, has the authority to license, supervise, and regulate insurance companies doing business in Kentucky.

The Executive Director is responsible for the overall policy, planning, direction, and management of all divisions within the Office. It is the responsibility of the director to oversee the manner in which the business of insurance is conducted in Kentucky. The director is charged with protecting the public interest, promoting viable markets, and assuring fair treatment of insurance consumers.

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 regulate admitted insurance companies and Health Maintenance Organizations (HMO). 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 protects 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 Office'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.

The Consumer Protection and Education Division is the main link between the Office 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 administer the State Fire and Tornado Insurance Fund pursuant to 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.

Kentucky Access, Kentucky's high-risk health insurance pool, was created by the 2000 General Assembly. It 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 Office of Insurance has the statutory responsibility to operate and administer the Kentucky Access program. The responsibility is met through a contractual relationship between the Office and a third party administrator. 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 304.2-300(4), KRS 304.2-400(2), and KRS 304.2-440(4), the Office of Insurance shall transfer Restricted Funds of \$8,659,700 in fiscal year 2006, \$9,000,000 in fiscal year 2007, and \$10,750,000 in fiscal year 2008 to the General Fund.

The Governor's recommended budget includes General Fund appropriations of \$6,500,000 in fiscal year 2007 and \$13,500,000 in fiscal year 2008 to fund a Small Business Health Insurance Subsidy pilot program. Eligible businesses can have no fewer than two but no more than 25 employees. Average salaries (excluding the owner) shall not exceed 200

percent of the federal poverty level. The employer cannot have provided health insurance benefits during the last 12 months or must have at least one member of the group identified as having a defined high-cost medical condition. Participating businesses will receive an immediate, fixed, monthly reimbursement of \$40-\$60 for each employee. The subsidy will decrease over four years.

**Environmental and Public Protection
Mine Safety Review Commission**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	230,500	246,800	252,900	200,700	202,400
Salary Compensation Fund	2,500				
Base Deduction	-34,500				
Total General Fund	198,500	246,800	252,900	200,700	202,400
Restricted Funds					
Balance Forward	500	500	500	500	500
Total Restricted Funds	500	500	500	500	500
TOTAL SOURCE OF FUNDS	199,000	247,300	253,400	201,200	202,900
EXPENDITURES BY CLASS					
Personnel Cost	171,700	189,700	195,800	173,400	175,100
Operating Expenses	26,800	57,100	57,100	27,300	27,300
TOTAL EXPENDITURES	198,500	246,800	252,900	200,700	202,400
EXPENDITURES BY FUND SOURCE					
General Fund	198,500	246,800	252,900	200,700	202,400
TOTAL EXPENDITURES	198,500	246,800	252,900	200,700	202,400

The Mine Safety Review Commission, pursuant to KRS Chapter 351, protects the health and safety of coal miners by insuring the enforcement of mine safety regulations. Its three members, appointed by the governor, conduct hearings on safety violations and impose penalties for serious violations. The Commission has the power to revoke or suspend a mine's license or an individual miner's certification and fine certified miners up to the equivalent of wages for ten working days for their first offense.

The Commission is an independent agency attached to the Cabinet for Environmental and Public Protection, Office of the Secretary, for administrative purposes only.

**Environmental and Public Protection
Mine Safety and Licensing**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	9,021,800	11,952,700	12,712,900	9,522,600	9,522,600
Salary Compensation Fund	500,800				
Base Deduction	-62,400				
Total General Fund	9,460,200	11,952,700	12,712,900	9,522,600	9,522,600
Restricted Funds					
Balance Forward	388,900	266,900	12,100	532,900	444,600
Current Receipts	373,900	373,900	373,900	373,800	373,800
Non-Revenue Receipts	31,100	23,100	16,000	975,100	968,000
Total Restricted Funds	793,900	663,900	402,000	1,881,800	1,786,400
Federal Funds					
Current Receipts	1,011,600	678,400	597,100	604,200	597,100
Non-Revenue Receipts	-31,100	-23,100	-16,000	-23,100	-16,000
Total Federal Funds	980,500	655,300	581,100	581,100	581,100
TOTAL SOURCE OF FUNDS	11,234,600	13,271,900	13,696,000	11,985,500	11,890,100
EXPENDITURES BY CLASS					
Personnel Cost	8,836,600	10,850,300	11,470,800	9,408,400	9,605,500
Operating Expenses	1,805,100	2,127,600	2,109,500	2,069,500	2,069,500
Grants, Loans or Benefits		18,000	18,000		
Capital Outlay	60,000	263,900	97,700	63,000	64,600
TOTAL EXPENDITURES	10,701,700	13,259,800	13,696,000	11,540,900	11,739,600
EXPENDITURES BY FUND SOURCE					
General Fund	9,460,200	11,952,700	12,712,900	9,522,600	9,522,600
Restricted Funds	261,000	651,800	402,000	1,437,200	1,635,900
Federal Funds	980,500	655,300	581,100	581,100	581,100
TOTAL EXPENDITURES	10,701,700	13,259,800	13,696,000	11,540,900	11,739,600
EXPENDITURES BY UNIT					
Administrative Support	498,600	605,700	631,700	562,100	570,000
Safety Inspection and Licensing	5,480,900	6,848,800	7,013,100	6,016,500	6,113,600
Explosives and Blasting	602,800	727,900	763,600	678,900	693,100
Investigation	522,200	721,700	758,000	569,400	579,100
Safety Analysis	3,597,200	4,355,700	4,529,600	3,714,000	3,783,800
TOTAL EXPENDITURES	10,701,700	13,259,800	13,696,000	11,540,900	11,739,600

The Office of Mine Safety and Licensing, pursuant to KRS Chapter 351, is responsible for the regulation of mining practices to prevent injuries and fatalities in underground, strip, and auger mines.

The Office trains, tests and licenses mine personnel. Its mine safety instructors provide general and technical safety training and education courses to mine personnel to maintain an adequate number of certified and qualified personnel for the mining industry. Moreover, the agency encourages safe work habits of coal miners by providing quality on-the-job, one-on-one safety training for surface miners.

The Office licenses all underground and surface coal mines in the Commonwealth. It 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. The agency inspects mines, regulates solid shooting (blasting) within the mines and investigates illegal mining operations.

The Office 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.

Policy

Agency funds from the Coal Workers Pneumoconiosis Fund in the amount of \$952,000 in each fiscal year of the biennium are included in the above appropriation.

**Environmental and Public Protection
Public Service Commission**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	11,409,800	12,517,000	13,053,200	12,624,800	13,006,000
Continuing Appropriation	2,261,700	2,261,600	2,261,600		
Salary Compensation Fund	158,800				
Base Deduction	-5,273,000				
Total General Fund	8,557,300	14,778,600	15,314,800	12,624,800	13,006,000
Restricted Funds					
Balance Forward	293,400	293,400	293,400	293,400	293,400
Current Receipts	1,024,000	850,000	850,000	850,000	850,000
Total Restricted Funds	1,317,400	1,143,400	1,143,400	1,143,400	1,143,400
Federal Funds					
Balance Forward	342,200	342,200	342,200	392,800	411,000
Current Receipts	257,300	254,200	265,700	234,200	244,400
Total Federal Funds	599,500	596,400	607,900	627,000	655,400
TOTAL SOURCE OF FUNDS	10,474,200	16,518,400	17,066,100	14,395,200	14,804,800
EXPENDITURES BY CLASS					
Personnel Cost	8,040,000	10,391,600	10,927,400	9,869,400	10,128,900
Operating Expenses	1,090,800	2,585,400	2,615,700	3,177,200	3,319,800
Debt Service	589,000	589,000	589,000	589,000	589,000
Capital Outlay	68,200	55,200	36,800	55,200	36,800
TOTAL EXPENDITURES	9,788,000	13,621,200	14,168,900	13,690,800	14,074,500
EXPENDITURES BY FUND SOURCE					
General Fund	8,557,300	12,517,000	13,053,200	12,624,800	13,006,200
Restricted Funds	1,024,000	850,000	850,000	850,000	850,000
Federal Funds	206,700	254,200	265,700	216,000	218,300
TOTAL EXPENDITURES	9,788,000	13,621,200	14,168,900	13,690,800	14,074,500
EXPENDITURES BY UNIT					
Commission Operations	4,127,600	6,361,100	6,544,200	7,028,000	7,257,200
Financial Analysis	1,868,600	2,334,200	2,465,400	2,113,100	2,169,500
Engineering	1,352,700	1,800,900	1,893,600	1,662,800	1,717,600
Division of Filings	1,568,600	2,037,200	2,131,400	1,875,400	1,905,900
Consumer Services	457,600	579,300	602,900	538,500	544,800
Gas Pipeline Safety	412,900	508,500	531,400	473,000	479,500
TOTAL EXPENDITURES	9,788,000	13,621,200	14,168,900	13,690,800	14,074,500

The Public Service Commission, pursuant to KRS Chapter 278, 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 three-member Commission performs its regulatory functions through written orders following adjudicative and rulemaking procedures outlined in statute. The Commission is an independent agency attached to the Department for Public Protection for administrative purposes only.

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 staff is organized into the Divisions of Consumer Services, Filings, Engineering, Financial Analysis and Gas Pipeline Safety.

Policy

Notwithstanding KRS 278.150(3), \$5,273,000 in fiscal year 2006 shall lapse to the credit of the General Fund.

Environmental and Public Protection

Tax Appeals

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	486,100	499,700	521,400	471,400	465,400
Salary Compensation Fund	13,000				
Base Deduction	-69,600				
Total General Fund	429,500	499,700	521,400	471,400	465,400
TOTAL SOURCE OF FUNDS	429,500	499,700	521,400	471,400	465,400
EXPENDITURES BY CLASS					
Personnel Cost	380,900	451,100	472,800	422,800	416,800
Operating Expenses	48,600	48,600	48,600	48,600	48,600
TOTAL EXPENDITURES	429,500	499,700	521,400	471,400	465,400
EXPENDITURES BY FUND SOURCE					
General Fund	429,500	499,700	521,400	471,400	465,400
TOTAL EXPENDITURES	429,500	499,700	521,400	471,400	465,400

The Board of Tax Appeals, pursuant to KRS Chapter 131, is an 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. The Board is an independent agency that is attached to the Department for Public Protection for administrative purposes only.

Environmental and Public Protection

Labor

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	2,349,100	2,980,900	3,139,100	2,453,400	2,456,800
Salary Compensation Fund	271,700				
Base Deduction	-18,600				
Total General Fund	2,602,200	2,980,900	3,139,100	2,453,400	2,456,800
Restricted Funds					
Balance Forward	9,244,600	4,000,000	4,000,000	6,465,300	7,097,800
Current Receipts	2,300,000	2,000,000	1,900,000	2,000,000	1,900,000
Non-Revenue Receipts	117,390,700	116,866,900	117,584,200	115,618,700	113,043,400
Total Restricted Funds	128,935,300	122,866,900	123,484,200	124,084,000	122,041,200
Federal Funds					
Balance Forward	55,900			60,400	23,300
Current Receipts	3,574,200	3,703,700	3,703,700	3,703,700	3,703,700
Non-Revenue Receipts	-397,000	-397,000	-397,000	-397,000	-397,000
Total Federal Funds	3,233,100	3,306,700	3,306,700	3,367,100	3,330,000
TOTAL SOURCE OF FUNDS	134,770,600	129,154,500	129,930,000	129,904,500	127,828,000
EXPENDITURES BY CLASS					
Personnel Cost	22,115,400	26,301,800	27,840,600	23,456,500	23,997,200
Operating Expenses	5,595,300	5,608,700	6,059,900	6,106,900	7,380,200
Grants, Loans or Benefits	100,216,000	92,921,000	91,921,000	92,921,000	91,921,000
Capital Outlay	318,200	323,000	108,500	299,000	142,500
TOTAL EXPENDITURES	128,244,900	125,154,500	125,930,000	122,783,400	123,440,900
EXPENDITURES BY FUND SOURCE					
General Fund	2,602,200	2,980,900	3,139,100	2,453,400	2,456,800
Restricted Funds	122,470,000	118,866,900	119,484,200	116,986,200	117,654,300
Federal Funds	3,172,700	3,306,700	3,306,700	3,343,800	3,329,800
TOTAL EXPENDITURES	128,244,900	125,154,500	125,930,000	122,783,400	123,440,900
EXPENDITURES BY UNIT					
Commissioner's Office & Administrative Services	3,733,200	4,176,900	4,371,700	3,875,500	4,016,500
Workplace Standards	104,416,000	97,763,100	97,017,400	97,668,700	96,898,100
Occupational Safety and Health	8,048,300	9,076,500	9,575,200	8,386,500	9,128,800
Workers' Claims	12,047,400	14,138,000	14,965,700	12,852,700	13,397,500
TOTAL EXPENDITURES	128,244,900	125,154,500	125,930,000	122,783,400	123,440,900

The Department of Labor, pursuant to KRS 336.015, consists of the Office of the Commissioner, the Office of Labor Management Relations and Mediation, the Office of Workplace Standards, and the Division of Administrative Services.

Attached administratively to the Department of Labor are the Kentucky Labor Management Council, the Kentucky Employees Insurance Association, the State Labor Relations Board, the Workers' Compensation Funding Commission, the Workers' Compensation Advisory Council, the Occupational Safety and Health Standards Board, the Prevailing Wage Review Board, the Apprenticeship and Training Council, the Employees Mutual Insurance Authority, the Workers Compensation Nominating Commission, and the Office of Workers Claims. The Kentucky Occupational Safety and Health Review Commission is an independent agency administered by an executive director.

Environmental and Public Protection

Labor

Commissioner's Office & Administrative Services

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
Restricted Funds					
Balance Forward	343,100			508,500	333,000
Non-Revenue Receipts	3,898,600	4,176,900	4,371,700	3,700,000	3,700,000
Total Restricted Funds	4,241,700	4,176,900	4,371,700	4,208,500	4,033,000
TOTAL SOURCE OF FUNDS	4,241,700	4,176,900	4,371,700	4,208,500	4,033,000
EXPENDITURES BY CLASS					
Personnel Cost	2,917,700	3,424,700	3,610,400	3,065,700	3,157,600
Operating Expenses	710,300	652,200	761,300	704,800	853,900
Capital Outlay	105,200	100,000		105,000	5,000
TOTAL EXPENDITURES	3,733,200	4,176,900	4,371,700	3,875,500	4,016,500
EXPENDITURES BY FUND SOURCE					
Restricted Funds	3,733,200	4,176,900	4,371,700	3,875,500	4,016,500
TOTAL EXPENDITURES	3,733,200	4,176,900	4,371,700	3,875,500	4,016,500

The organizational units under the direction of the Commissioner include the Office of Workplace Standards, the Office of Occupational Safety and Health, the Office of Labor Management Relations and Mediation, and the Division of Administrative Services. The Commissioner of Labor also oversees administrative duties of the Office of Workers Claims, with the Executive Director of the Office of Workers Claims being responsible for the daily programmatic activities.

Environmental and Public Protection

Labor

Workplace Standards

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	2,349,100	2,980,900	3,139,100	2,453,400	2,456,800
Salary Compensation Fund	271,700				
Base Deduction	-18,600				
Total General Fund	2,602,200	2,980,900	3,139,100	2,453,400	2,456,800
Restricted Funds					
Balance Forward	6,789,500	4,000,000	4,000,000	4,730,100	4,574,500
Current Receipts	2,300,000	2,000,000	1,900,000	2,000,000	1,900,000
Non-Revenue Receipts	97,454,400	92,782,200	91,978,300	93,059,700	91,985,700
Total Restricted Funds	106,543,900	98,782,200	97,878,300	99,789,800	98,460,200
TOTAL SOURCE OF FUNDS	109,146,100	101,763,100	101,017,400	102,243,200	100,917,000
EXPENDITURES BY CLASS					
Personnel Cost	3,587,100	4,299,400	4,548,300	4,150,600	4,274,900
Operating Expenses	828,900	758,700	764,100	813,100	918,200
Grants, Loans or Benefits	100,000,000	92,705,000	91,705,000	92,705,000	91,705,000
TOTAL EXPENDITURES	104,416,000	97,763,100	97,017,400	97,668,700	96,898,100
EXPENDITURES BY FUND SOURCE					
General Fund	2,602,200	2,980,900	3,139,100	2,453,400	2,456,800
Restricted Funds	101,813,800	94,782,200	93,878,300	95,215,300	94,441,300
TOTAL EXPENDITURES	104,416,000	97,763,100	97,017,400	97,668,700	96,898,100

The Office of Workplace Standards enforces all statutes set forth in KRS Chapters 336, 337, 339, 345, 207, and 342. The Office of Workplace Standards consists of the Division of Employment Standards, Apprenticeship and Training, and the Division of Workers' Compensation Funds.

Environmental and Public Protection

Labor

Occupational Safety and Health

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
Restricted Funds					
Balance Forward	618,900			653,200	1,041,400
Non-Revenue Receipts	4,909,900	5,769,800	6,268,500	5,430,900	5,107,700
Total Restricted Funds	5,528,800	5,769,800	6,268,500	6,084,100	6,149,100
Federal Funds					
Balance Forward	55,900			60,400	23,300
Current Receipts	3,574,200	3,703,700	3,703,700	3,703,700	3,703,700
Non-Revenue Receipts	-397,000	-397,000	-397,000	-397,000	-397,000
Total Federal Funds	3,233,100	3,306,700	3,306,700	3,367,100	3,330,000
TOTAL SOURCE OF FUNDS	8,761,900	9,076,500	9,575,200	9,451,200	9,479,100
EXPENDITURES BY CLASS					
Personnel Cost	5,875,300	6,864,700	7,262,400	6,104,000	6,204,900
Operating Expenses	1,839,000	1,809,800	1,988,300	1,909,500	2,570,400
Grants, Loans or Benefits	216,000	216,000	216,000	216,000	216,000
Capital Outlay	118,000	186,000	108,500	157,000	137,500
TOTAL EXPENDITURES	8,048,300	9,076,500	9,575,200	8,386,500	9,128,800
EXPENDITURES BY FUND SOURCE					
Restricted Funds	4,875,600	5,769,800	6,268,500	5,042,700	5,799,000
Federal Funds	3,172,700	3,306,700	3,306,700	3,343,800	3,329,800
TOTAL EXPENDITURES	8,048,300	9,076,500	9,575,200	8,386,500	9,128,800
EXPENDITURES BY UNIT					
OSH Executive Director	233,200	248,700	259,200	237,700	233,000
Compliance	3,997,300	4,467,100	4,755,700	4,108,400	4,330,700
Education and Training	3,817,800	4,360,700	4,560,300	4,040,400	4,565,100
TOTAL EXPENDITURES	8,048,300	9,076,500	9,575,200	8,386,500	9,128,800

The Office of Occupational Safety and Health oversees the provisions set forth in KRS Chapter 338. The Office of Occupational Safety and Health consists of the Office of Executive Director, the Division of Compliance, and the Division of Education and Training.

Environmental and Public Protection

Labor

Workers' Claims

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
Restricted Funds					
Balance Forward	1,493,100			573,500	1,148,900
Non-Revenue Receipts	11,127,800	14,138,000	14,965,700	13,428,100	12,250,000
Total Restricted Funds	12,620,900	14,138,000	14,965,700	14,001,600	13,398,900
TOTAL SOURCE OF FUNDS	12,620,900	14,138,000	14,965,700	14,001,600	13,398,900
EXPENDITURES BY CLASS					
Personnel Cost	9,735,300	11,713,000	12,419,500	10,136,200	10,359,800
Operating Expenses	2,217,100	2,388,000	2,546,200	2,679,500	3,037,700
Capital Outlay	95,000	37,000		37,000	
TOTAL EXPENDITURES	12,047,400	14,138,000	14,965,700	12,852,700	13,397,500
EXPENDITURES BY FUND SOURCE					
Restricted Funds	12,047,400	14,138,000	14,965,700	12,852,700	13,397,500
TOTAL EXPENDITURES	12,047,400	14,138,000	14,965,700	12,852,700	13,397,500

The Office of Workers' Claims has the overall authority and oversight responsibility for the operation of Kentucky's Workers' Compensation System as set forth under KRS Chapter 342.

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.

Since then, 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. Reforms were adopted 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. As a result of the 1994 statutory changes, the means of delivering industrial health care was altered, and efforts began to limit 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, significantly expanded the reform of the workers' compensation program. Adopted on December 12, 1996, this legislation emphasized administrative resolution of benefit disputes rather than adjudicative claims processing. The law also represented a marked shift toward more fiscal responsibility in the workers' compensation program and was intended to roll back the estimated cost of \$1 billion paid each year by the Commonwealth's employers to sustain the program. Because of this legislation, the program has been restored to its core purpose of promptly delivering wage replacement benefits and medical services to industrially injured workers in a non-adversarial manner.

Funding for 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.

**Environmental and Public Protection
Occupational Safety and Health Review Commission**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
Restricted Funds					
Balance Forward	61,600			1,100	10,900
Non-Revenue Receipts	500,000	645,200	696,400	510,400	539,600
Total Restricted Funds	561,600	645,200	696,400	511,500	550,500
TOTAL SOURCE OF FUNDS	561,600	645,200	696,400	511,500	550,500
EXPENDITURES BY CLASS					
Personnel Cost	508,700	582,800	629,500	438,500	444,300
Operating Expenses	51,800	62,400	66,900	62,100	66,600
TOTAL EXPENDITURES	560,500	645,200	696,400	500,600	510,900
EXPENDITURES BY FUND SOURCE					
Restricted Funds	560,500	645,200	696,400	500,600	510,900
TOTAL EXPENDITURES	560,500	645,200	696,400	500,600	510,900

The Kentucky Occupational Safety and Health Review Commission is an independent quasi-judicial administrative agency which hears and rules on appeals of citations, pursuant to KRS 338.071 and KRS 338.081, issued by the Division of Compliance in the Office of Occupational Safety and Health in the Labor Department.

The Review Commission receives and processes over 200 cases per year and holds hearings throughout the state. 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 Funds provided by assessments of the Workers Compensation Funding Commission. The Kentucky Occupational Safety and Health (KOSH) Review Commission is administered by an executive director.

**Environmental and Public Protection
Workers' Compensation Board**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
Restricted Funds					
Balance Forward	105,600				
Non-Revenue Receipts	816,600	1,028,300	1,077,900	937,900	949,500
Total Restricted Funds	922,200	1,028,300	1,077,900	937,900	949,500
TOTAL SOURCE OF FUNDS	922,200	1,028,300	1,077,900	937,900	949,500
EXPENDITURES BY CLASS					
Personnel Cost	793,500	912,500	962,800	822,500	834,800
Operating Expenses	128,700	115,800	115,100	115,400	114,700
TOTAL EXPENDITURES	922,200	1,028,300	1,077,900	937,900	949,500
EXPENDITURES BY FUND SOURCE					
Restricted Funds	922,200	1,028,300	1,077,900	937,900	949,500
TOTAL EXPENDITURES	922,200	1,028,300	1,077,900	937,900	949,500

The Kentucky Workers Compensation Board rules on appeals of decisions rendered by administrative law judges in the Kentucky Workers Claims and Compensation system pursuant to KRS 342.213 and KRS 342.285. The board consists of three members appointed by the Governor to four-year terms. These members must possess the qualifications of appeals court justices and are held to those same professional ethical standards of behavior and compensation. A decision from two of the three board members constitutes a decision of the board.

**Environmental and Public Protection
Workers' Compensation Funding Commission**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation		19,000,000	19,000,000		
Total General Fund		19,000,000	19,000,000		
Restricted Funds					
Balance Forward	9,832,100	11,433,400	12,767,900	17,692,900	2,008,700
Current Receipts	126,932,000	102,925,300	100,303,100	106,480,000	109,470,000
Non-Revenue Receipts	8,166,000	10,235,900	11,702,200	15,134,000	25,356,600
Total Restricted Funds	144,930,100	124,594,600	124,773,200	139,306,900	136,835,300
TOTAL SOURCE OF FUNDS	144,930,100	143,594,600	143,773,200	139,306,900	136,835,300
EXPENDITURES BY CLASS					
Personnel Cost	1,411,900	1,433,500	1,609,000	1,331,100	1,451,100
Operating Expenses	125,825,300	129,393,200	130,354,000	135,967,100	133,730,500
TOTAL EXPENDITURES	127,237,200	130,826,700	131,963,000	137,298,200	135,181,600
EXPENDITURES BY FUND SOURCE					
General Fund		19,000,000	19,000,000		
Restricted Funds	127,237,200	111,826,700	112,963,000	137,298,200	135,181,600
TOTAL EXPENDITURES	127,237,200	130,826,700	131,963,000	137,298,200	135,181,600
EXPENDITURES BY UNIT					
Workers' Compensation Funding Commission	1,712,400	1,790,400	1,971,500	1,634,000	1,756,600
Benefit Reserve	118,000,000	121,105,600	121,032,300	127,770,600	124,519,900
KCWP Fund	7,524,800	7,930,700	8,959,200	7,893,600	8,905,100
TOTAL EXPENDITURES	127,237,200	130,826,700	131,963,000	137,298,200	135,181,600

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

The Commission collects two separate assessments as required by KRS Chapter 342. One assessment is imposed on Kentucky workers' compensation premiums received by all insurance carriers and group self-insurers, and on a calculation-based premium equivalent for employers carrying their own risk. A second assessment is imposed on such premiums received from employers engaged in the severance or processing of coal. In addition to these assessments, House Bill 1 of the 1996 Extraordinary Session contained a provision beginning with fiscal year 1998, that the Revenue Department 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 Apprenticeship, Training and Employment Standards 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 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 that represent the amounts the Commission will transfer to the Labor Cabinet and the Uninsured Employers' Fund for those programs statutorily supported by assessments.

The Commission maintains a diverse financial long-term investment portfolio and has an agreement with the Office of Financial Management, within the Finance and Administration Cabinet, for short-term overnight investment advantages.

Policy

Notwithstanding KRS 342.122(1)(c), \$19,000,000 from the General Fund will not be appropriated to the Funding Commission in fiscal year 2007 or fiscal year 2008.

Notwithstanding KRS 342.122(1)(a), \$952,000 in Coal Workers' Pneumoconiosis Funds will support Mine Safety Training in fiscal year 2007 and \$952,000 in fiscal year 2008 in the Office of Mine Safety and Licensing in the Department of Public Protection.



Finance and Administration

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Finance and Administration

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	458,505,500	492,606,700	517,993,200	469,780,500	479,149,000
Special Appropriation	428,000				
Salary Compensation Fund	4,212,000				
Base Deduction	-3,533,800				
Total General Fund	459,611,700	492,606,700	517,993,200	469,780,500	479,149,000
Tobacco Settlement-Phase I					
Tobacco Settlement - I	20,846,200	18,017,600	18,022,400	18,017,700	18,022,400
Continuing Appropriation	2,019,100				
Budget Reduction	-11,900				
Total Tobacco Settlement-Phase I	22,853,400	18,017,600	18,022,400	18,017,700	18,022,400
Restricted Funds					
Balance Forward	19,600,000	16,109,000	16,107,200	14,060,500	11,997,100
Current Receipts	130,130,600	136,174,500	137,572,800	136,100,900	137,330,700
Non-Revenue Receipts	-4,900	6,300	6,300	392,700	361,200
Fund Transfers	-4,991,300				
Total Restricted Funds	144,734,400	152,289,800	153,686,300	150,554,100	149,689,000
Federal Funds					
Balance Forward	17,600	1,300		1,300	
Current Receipts	3,020,700	1,861,800	1,775,000	1,861,800	1,775,000
Total Federal Funds	3,038,300	1,863,100	1,775,000	1,863,100	1,775,000
Road Fund					
Regular Appropriation	4,331,000	1,826,000	1,826,000	1,718,000	1,718,000
Total Road Fund	4,331,000	1,826,000	1,826,000	1,718,000	1,718,000
TOTAL SOURCE OF FUNDS	634,568,800	666,603,200	693,302,900	641,933,400	650,353,400
EXPENDITURES BY CLASS					
Personnel Cost	149,802,800	181,217,100	191,501,900	155,434,500	158,038,800
Operating Expenses	104,397,400	102,306,800	103,127,700	104,755,000	106,872,000
Grants, Loans or Benefits	7,345,000	7,845,000	7,845,000	7,345,000	7,345,000
Debt Service	289,084,800	346,499,200	364,901,700	342,499,300	349,302,700
Capital Outlay	11,819,200	11,798,700	11,010,600	14,036,200	13,900,800
Construction	5,100,000	829,200	829,200	5,866,300	5,898,800
TOTAL EXPENDITURES	567,549,200	650,496,000	679,216,100	629,936,300	641,358,100
EXPENDITURES BY FUND SOURCE					
General Fund	419,006,300	492,606,700	517,993,200	469,780,500	479,149,000
Tobacco Settlement-Phase I	10,501,000	18,017,600	18,022,400	18,017,700	18,022,400
Restricted Funds	130,673,900	136,182,600	139,599,500	138,557,000	140,693,700
Federal Funds	3,037,000	1,863,100	1,775,000	1,863,100	1,775,000
Road Fund	4,331,000	1,826,000	1,826,000	1,718,000	1,718,000
TOTAL EXPENDITURES	567,549,200	650,496,000	679,216,100	629,936,300	641,358,100
EXPENDITURES BY UNIT					
General Administration	42,483,200	44,597,400	44,725,900	46,387,500	46,605,700
Controller	13,640,600	15,613,900	16,077,900	14,211,300	14,223,000
Debt Service	289,083,300	346,497,700	338,108,200	342,497,800	349,301,200
Facilities and Support Services	38,062,900	38,788,100	60,392,300	37,627,400	38,100,600
County Costs	20,606,500	20,631,500	20,631,500	21,131,500	22,431,500
Commonwealth Office of Technology	60,858,500	63,769,400	68,795,900	62,031,600	63,737,400
Revenue	67,534,900	79,414,900	87,098,700	69,960,500	70,870,000

Property Valuation Administrators	35,279,300	41,183,100	43,385,700	36,088,700	36,088,700
TOTAL EXPENDITURES	567,549,200	650,496,000	679,216,100	629,936,300	641,358,100

The Finance and Administration Cabinet is responsible for managing the financial resources of the Commonwealth and providing central administrative services to agencies of state and local government. The mission of the Finance and Administration Cabinet is to enable its customers to achieve their missions through leadership assistance in the delivery of quality services, effective administration, and sound financial management. The Cabinet provides leadership, coordination, and support to other state agencies to ensure accountability and integrity in the use of public resources. The Finance and Administration Cabinet constantly strives to conduct government business more effectively. Moreover, among the highest priorities of the Cabinet is providing the nine Cabinets and all other agencies of state government with the resources necessary to carry out their stated missions by equitable and efficient revenue collection.

The Cabinet's duties include construction of state facilities, property management, tax administration and collection, management of the Commonwealth's information technology systems, expenditure control, and state purchasing.

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

The Commonwealth Office of Technology (COT) provides leadership, policy direction, and technical support to all executive branch agencies of state government in the application of information technology and the delivery of information services. This broad statement of responsibility encompasses major information resource functions such as data center operations; voice, data, and video communications; application development; data and security administration; computer and data communications, hardware selection and installation; and related end-user and customer support services. The workload for COT is highly sensitive to agency programmatic shifts, particularly changes mandated by state and federal legislation.

Finance and Administration

General Administration

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	11,938,200	13,928,500	14,664,200	11,716,100	12,064,900
Salary Compensation Fund	377,500				
Base Deduction	-255,600				
Total General Fund	12,060,100	13,928,500	14,664,200	11,716,100	12,064,900
Restricted Funds					
Balance Forward	3,554,000	2,523,600	6,432,900	710,100	503,800
Current Receipts	29,890,200	33,876,200	33,896,200	33,876,200	33,896,200
Non-Revenue Receipts	-35,200	419,000	419,000	288,900	269,400
Fund Transfers	-2,558,800				
Total Restricted Funds	30,850,200	36,818,800	40,748,100	34,875,200	34,669,400
Road Fund					
Regular Appropriation	283,000	283,000	283,000	300,000	300,000
Total Road Fund	283,000	283,000	283,000	300,000	300,000
TOTAL SOURCE OF FUNDS	43,193,300	51,030,300	55,695,300	46,891,300	47,034,300
EXPENDITURES BY CLASS					
Personnel Cost	11,862,900	14,747,400	15,704,500	12,586,400	12,981,700
Operating Expenses	20,015,800	17,550,000	17,421,400	19,763,600	19,633,800
Grants, Loans or Benefits	2,500,000	2,500,000	2,500,000	2,000,000	2,000,000
Capital Outlay	8,104,500	9,800,000	9,100,000	12,037,500	11,990,200
TOTAL EXPENDITURES	42,483,200	44,597,400	44,725,900	46,387,500	46,605,700
EXPENDITURES BY FUND SOURCE					
General Fund	12,060,100	13,928,500	14,664,200	11,716,100	12,064,900
Restricted Funds	30,140,100	30,385,900	29,778,700	34,371,400	34,240,800
Road Fund	283,000	283,000	283,000	300,000	300,000
TOTAL EXPENDITURES	42,483,200	44,597,400	44,725,900	46,387,500	46,605,700
EXPENDITURES BY UNIT					
Secretary	4,053,800	4,585,000	4,637,600	3,623,700	3,642,700
Gubernatorial Transition			220,000		220,000
Office of General Counsel	3,793,500	4,630,300	4,831,200	3,976,900	4,027,900
Office of Administrative Services	3,885,100	4,553,500	4,774,400	3,989,800	4,051,800
Fleet Management	26,875,300	26,548,100	25,960,800	30,825,300	30,825,300
Occupations and Professions	726,200	1,101,100	995,100	1,008,600	874,300
Postal Services	3,149,300	3,179,400	3,306,800	2,963,200	2,963,700
TOTAL EXPENDITURES	42,483,200	44,597,400	44,725,900	46,387,500	46,605,700

The General Administration appropriation unit provides coordination and management of the Cabinet. It is comprised of the Office of the Secretary, Office of Public Information, Office of General Counsel, Office of Equal Employment Opportunity, Contract Compliance, and the Office of Administrative Services; including the divisions of Occupations and Professions and Postal Services.

The Office of the Secretary, which includes the Office of Public Information, develops executive policy and directs the overall management of the Commonwealth's property and financial assets. Office staff coordinates fiscal and personnel

administration for the Cabinet, reviews all internal reorganizations, prepares the Cabinet legislative package, and handles inquiries and issues that arise from the General Assembly, the news media, and the general public. The Secretary of Finance serves on numerous boards and commissions including the Kentucky Economic Development Partnership Board, the Kentucky Economic Development Finance Authority, the Kentucky Infrastructure Authority, the Kentucky Higher Education Assistance Authority, and the Kentucky Housing Corporation.

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

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

The Office of Administrative Services manages personnel, fiscal policy, and payroll functions for all units within the Finance and Administration Cabinet, the Governor's Office, the Executive Branch Ethics Commission, the School Facilities Construction Commission, and the Lieutenant Governor's Office. This unit prepares the Cabinet's budget and manages the Cabinet's personal property inventory. The Office has responsibility for the management and oversight of the Division of Occupations and Professions, the Division of Printing, and the Division of Postal Services.

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

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

The Division of Postal Services has recently consolidated from five locations into one mail management center which provides a more secure environment of the Commonwealth's mail. The Division provides messenger service to all state agencies and performs mail processing functions for over 125 state agencies. This division advises agencies about USPS rules, regulations, and services.

Policy

Included in the Governor's recommended budget is \$2,000,000 in fiscal year 2006-2007 and \$2,000,000 in fiscal year 2007-2008 from the General Fund for the Affordable Housing Trust Fund.

Executive Order 2005-1254 transferred the state's fleet management program from the Transportation Cabinet to the Finance Cabinet.

Executive Order 2005-562 transferred the Division of Printing from the General Administration appropriation unit to the Commonwealth Office of Technology appropriation unit.

**Finance and Administration
Controller**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	10,832,100	12,164,400	12,525,600	10,954,300	10,954,300
Salary Compensation Fund	216,300				
Base Deduction	-94,100				
Total General Fund	10,954,300	12,164,400	12,525,600	10,954,300	10,954,300
Restricted Funds					
Balance Forward	2,635,300	2,150,300	2,154,800	950,300	672,400
Current Receipts	1,671,000	2,323,700	2,328,700	1,875,300	1,886,800
Non-Revenue Receipts	30,300	130,300	130,300	103,800	91,800
Fund Transfers	-1,200,000				
Total Restricted Funds	3,136,600	4,604,300	4,613,800	2,929,400	2,651,000
Federal Funds					
Balance Forward	2,900				
Current Receipts	497,100	1,000,000	1,000,000	1,000,000	1,000,000
Total Federal Funds	500,000	1,000,000	1,000,000	1,000,000	1,000,000
TOTAL SOURCE OF FUNDS	14,590,900	17,768,700	18,139,400	14,883,700	14,605,300
EXPENDITURES BY CLASS					
Personnel Cost	7,140,500	8,616,800	9,080,800	7,214,200	7,225,900
Operating Expenses	5,998,600	5,995,600	5,995,600	5,995,600	5,995,600
Grants, Loans or Benefits	500,000	1,000,000	1,000,000	1,000,000	1,000,000
Debt Service	1,500	1,500	1,500	1,500	1,500
TOTAL EXPENDITURES	13,640,600	15,613,900	16,077,900	14,211,300	14,223,000
EXPENDITURES BY FUND SOURCE					
General Fund	10,954,300	12,164,400	12,525,600	10,954,300	10,954,300
Restricted Funds	2,186,300	2,449,500	2,552,300	2,257,000	2,268,700
Federal Funds	500,000	1,000,000	1,000,000	1,000,000	1,000,000
TOTAL EXPENDITURES	13,640,600	15,613,900	16,077,900	14,211,300	14,223,000
EXPENDITURES BY UNIT					
Controller	5,203,600	5,585,500	5,692,200	5,254,000	5,280,800
Local Government Services	1,111,400	1,345,400	1,410,700	1,125,500	1,046,100
Rural Empowerment Zone	500,000	1,000,000	1,000,000	1,000,000	1,000,000
Financial Management	3,502,800	3,739,500	3,830,300	3,573,500	3,585,200
Material & Procurement Services	1,726,800	1,978,800	2,077,100	1,689,800	1,716,700
Customer Resource Center	761,500	924,700	970,900	755,200	767,200
Policy and Audit	834,500	1,040,000	1,096,700	813,300	827,000
TOTAL EXPENDITURES	13,640,600	15,613,900	16,077,900	14,211,300	14,223,000

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

The Division of Local Government Services administers, for the benefit of state employees and political subdivisions within the Commonwealth, the Old Age and Survivors Insurance program under Section 218 of the federal Social Security Act. This program is responsible for ensuring that the social security obligations of the state and its political subdivisions are met. To fulfill this responsibility, the State Office for Social Security periodically visits each of the political subdivisions for a procedural, compliance, and fiscal audit pursuant to KRS 61.410 - 61.500. The Division also provides personnel, accounting, and other administrative services to counties through the County Costs, County Fees, and PVA programs.

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

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

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

The Office of the Customer Resource Center (CRC) operates a help desk to support nearly 5,000 users of the MARS system and is responsible for training Commonwealth employees on all MARS products. In addition, CRC is responsible for developing and analyzing reports to identify areas that need improvement.

The Office of Policy and Audit is responsible for assuring the reliability and integrity of information used to support management decision making, evaluating how state assets are safeguarded, providing risk and insurance management to the Cabinet, and appraising the economy and efficiency of resource use. Staff also ascertains whether the operations and programs are being implemented as planned, and performs special studies at the request of management.

Policy

Notwithstanding KRS 61.470(4), no money is appropriated for the Social Security Contingent Liability Fund established by KRS 61.470(4). Any expenditures that may be required by KRS 61.470(4) are hereby deemed a necessary governmental expense and shall be paid from the General Fund Surplus Account (KRS 48.700) if available or from any available balance in either the Judgments budget unit appropriation or the Budget Reserve Trust Fund Account (KRS 48.705), subject to the conditions and procedures provided in the Appropriations Act.

Finance and Administration

Debt Service

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	316,417,800	328,655,100	320,260,800	324,655,100	331,453,800
Special Appropriation	428,000				
Total General Fund	316,845,800	328,655,100	320,260,800	324,655,100	331,453,800
Tobacco Settlement-Phase I					
Tobacco Settlement - I	20,671,200	17,842,600	17,847,400	17,842,700	17,847,400
Continuing Appropriation	2,019,100				
Total Tobacco Settlement-Phase I	22,690,300	17,842,600	17,847,400	17,842,700	17,847,400
Road Fund					
Regular Appropriation	2,505,000				
Total Road Fund	2,505,000				
TOTAL SOURCE OF FUNDS	342,041,100	346,497,700	338,108,200	342,497,800	349,301,200
EXPENDITURES BY CLASS					
Debt Service	289,083,300	346,497,700	338,108,200	342,497,800	349,301,200
TOTAL EXPENDITURES	289,083,300	346,497,700	338,108,200	342,497,800	349,301,200
EXPENDITURES BY FUND SOURCE					
General Fund	276,240,400	328,655,100	320,260,800	324,655,100	331,453,800
Tobacco Settlement-Phase I	10,337,900	17,842,600	17,847,400	17,842,700	17,847,400
Road Fund	2,505,000				
TOTAL EXPENDITURES	289,083,300	346,497,700	338,108,200	342,497,800	349,301,200

Previously authorized State Property and Buildings Commission General Fund debt service for all agencies is consolidated in the Finance and Administration Cabinet. All new 2006-2008 State Property and Buildings Commission General Fund debt service (except that which directly affects the Finance and Administration Cabinet's programs) is reflected in budgets of the affected agencies.

The Governor's recommended budget includes General Fund debt service totaling \$15,193,000 in fiscal year 2007-2008 to support new Finance and Administration Cabinet capital projects.

**Finance and Administration
Facilities and Support Services**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	7,242,600	8,978,900	28,640,400	7,518,200	7,526,800
Salary Compensation Fund	622,200				
Total General Fund	7,864,800	8,978,900	28,640,400	7,518,200	7,526,800
Restricted Funds					
Balance Forward	3,683,700	3,163,700	2,388,700	2,015,100	940,100
Current Receipts	28,762,000	29,034,200	30,407,500	29,034,200	30,407,500
Fund Transfers	-232,500				
Total Restricted Funds	32,213,200	32,197,900	32,796,200	31,049,300	31,347,600
TOTAL SOURCE OF FUNDS	40,078,000	41,176,800	61,436,600	38,567,500	38,874,400
EXPENDITURES BY CLASS					
Personnel Cost	19,824,900	22,243,600	23,644,600	20,045,800	20,532,300
Operating Expenses	16,029,000	15,614,700	16,568,900	15,614,700	16,568,900
Debt Service			19,249,000		
Capital Outlay	509,000	466,900	466,900	466,900	466,900
Construction	1,700,000	462,900	462,900	1,500,000	532,500
TOTAL EXPENDITURES	38,062,900	38,788,100	60,392,300	37,627,400	38,100,600
EXPENDITURES BY FUND SOURCE					
General Fund	7,864,800	8,978,900	28,640,400	7,518,200	7,526,800
Restricted Funds	30,198,100	29,809,200	31,751,900	30,109,200	30,573,800
TOTAL EXPENDITURES	38,062,900	38,788,100	60,392,300	37,627,400	38,100,600
EXPENDITURES BY UNIT					
Commissioner's Office	355,400	382,200	19,648,200	346,600	348,900
Engineering and Contract Administration	4,681,500	5,436,300	5,701,800	4,856,500	4,856,500
Real Property	1,135,100	1,343,400	1,416,500	1,135,100	1,143,700
Historic Properties	514,900	547,200	561,900	516,900	521,600
Building and Mechanical Services	30,420,000	30,040,500	31,984,200	29,797,900	30,240,700
State Surplus Property	439,700	469,900	486,600	456,800	462,800
Federal Surplus Property	516,300	568,600	593,100	517,600	526,400
TOTAL EXPENDITURES	38,062,900	38,788,100	60,392,300	37,627,400	38,100,600

The Department for Facilities and Support Services consists of the Commissioner's Office and five offices/divisions: Engineering and Contract Administration; Historic Properties; Real Properties; Surplus Properties; and the Office of Building and Mechanical Services. The Department manages the State's facilities construction program, maintains Finance and Administration Cabinet buildings, provides management and oversight of state-owned historical buildings and sites, and provides real property acquisition, disposition, leasing, and inventory services.

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

The Division of Engineering and Contract Administration provides professional and technical engineering and architectural services to state agencies, reviews capital construction design documents, acts as a liaison between the Department and state agencies on new construction and major maintenance projects, and monitors construction and maintenance contracts for compliance with plans and specifications. Responsible for administering the procurement process for construction projects of the Commonwealth of Kentucky, excluding roads and bridges. Procurement procedures and practices are prescribed by the Kentucky Model

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

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

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

The Office of Building and Mechanical Services, which includes the Division of Building Services and the Division of Mechanical Services, as authorized by KRS 42.027, provides services for all Finance and Administration Cabinet-operated buildings and for the state agencies occupying those facilities.

In Frankfort, the Office is responsible for several buildings including the Capitol, New Capitol Annex, Old Capitol, Old Capitol Annex, Capital Plaza Complex, Human Resources Building, Executive Mansion, Old Governor's Mansion, New State Office Building, Library and Archives Building, Central Lab Facility, the Kentucky History Center and the new Transportation Cabinet building. The Office also service buildings at the London Regional and Madisonville state office complexes as well as the Spindletop Research Complex in Fayette County and offices in Ashland, Jackson, Louisville, Owensboro, and Richmond that were formerly owned and operated by Cabinet for Health and Family Services. Services provided include minor renovations; maintaining parking lots, sidewalks and ramps; janitorial and landscaping services; maintaining the heating, ventilating, and air conditioning systems; maintaining special equipment within the buildings as requested; roof repair; fire alarm and security systems; electrical systems; energy conservation; maintaining elevators and escalators; maintaining emergency power systems; and after-hours emergency services.

Additionally, the Office is responsible for developing plans and specifications for a wide variety of construction projects. After plans and specifications are complete and have been approved, the Office oversees the construction phase and provides contract administration.

Policy

The Governor's recommended budget assumes no increase in the rate charges for rent and utilities so they will remain at the fiscal year 2006 level throughout the biennium. The actual receipts reflected will be higher due to the increased square footage under management.

The Governor's recommended budget assumes the Commissioner's Office will be supported with Restricted Funds (3700) in the fiscal 2006-2008 biennium.

**Finance and Administration
County Costs**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	18,681,500	18,681,500	18,681,500	19,181,500	20,481,500
Total General Fund	18,681,500	18,681,500	18,681,500	19,181,500	20,481,500
Restricted Funds					
Balance Forward	204,000	156,000	83,000	156,000	83,000
Current Receipts	1,877,000	1,877,000	1,877,000	1,877,000	1,877,000
Total Restricted Funds	2,081,000	2,033,000	1,960,000	2,033,000	1,960,000
TOTAL SOURCE OF FUNDS	20,762,500	20,714,500	20,641,500	21,214,500	22,441,500
EXPENDITURES BY CLASS					
Personnel Cost	1,650,000	1,675,000	1,675,000	1,675,000	1,675,000
Operating Expenses	14,631,500	14,631,500	14,631,500	15,131,500	16,431,500
Grants, Loans or Benefits	4,325,000	4,325,000	4,325,000	4,325,000	4,325,000
TOTAL EXPENDITURES	20,606,500	20,631,500	20,631,500	21,131,500	22,431,500
EXPENDITURES BY FUND SOURCE					
General Fund	18,681,500	18,681,500	18,681,500	19,181,500	20,481,500
Restricted Funds	1,925,000	1,950,000	1,950,000	1,950,000	1,950,000
TOTAL EXPENDITURES	20,606,500	20,631,500	20,631,500	21,131,500	22,431,500
EXPENDITURES BY UNIT					
Public Defender Program	1,600,000	1,625,000	1,625,000	1,625,000	1,625,000
Witnesses	160,000	160,000	160,000	160,000	160,000
DUI Service Fees	1,425,000	1,425,000	1,425,000	1,425,000	1,425,000
Sheriffs Fees'	8,834,000	8,834,000	8,834,000	9,334,000	10,634,000
County Clerks (Make Tax Bills)	320,000	320,000	320,000	320,000	320,000
Board Of Assessment Appeals	60,000	60,000	60,000	60,000	60,000
Fugitive From Justice	1,200,000	1,200,000	1,200,000	1,200,000	1,200,000
Jury Fund	3,600,000	3,600,000	3,600,000	3,600,000	3,600,000
Sheriffs Expense Allowance	500,000	500,000	500,000	500,000	500,000
Premium On Sheriffs' Bonds	7,500	7,500	7,500	7,500	7,500
Access to Justice	2,900,000	2,900,000	2,900,000	2,900,000	2,900,000
TOTAL EXPENDITURES	20,606,500	20,631,500	20,631,500	21,131,500	22,431,500

The County Cost program pays local officials for the performance of functions required by state statutes. For example, a sheriff is paid by the state for services rendered to the state for enforcing state laws. This falls within the Criminal Prosecutions program. A witness in a state court trial is paid by the state for performing a function required by state statute. This is an example of the Miscellaneous Fee program. Payments under the County Costs program are statutorily mandated and are regarded as a necessary governmental expense.

Under KRS 27A.630, as amended by House Bill 163 in the 2003 session of the General Assembly, filing fees for civil actions include \$20 in Circuit Court and \$10 in District Court to support access to justice by indigent clients. The fees are paid to the General Fund, and the Finance and Administration Cabinet distributes them monthly to non-profit agencies designated by the Chief Justice in each judicial district to provide the legal services.

KRS 31.185 requires the fiscal court or legislative body of an urban county government, containing less than ten circuit judges, to annually appropriate twelve and one-half (\$.125) cents per capita, of the population of the county as determined by the

Council of Local Governments' most recent population statistics, to a special account to be administered by the Finance and Administration Cabinet. The funds, which shall not lapse, shall be used to pay all court orders (KRS 31.185) that have been entered into as a result of a needy defendant's motion for funding assistance. If the funds are depleted in any given year, any unpaid court orders will be paid as a judgment against the Commonwealth.

Policy

Funds required to pay county costs are appropriated and additional funds may be allotted from the General Fund Surplus Account (KRS 48.700) or the Budget Reserve Trust Fund Account (KRS 48.705) by the Secretary of the Finance and Administration Cabinet as a necessary governmental expense, subject to the conditions and procedures provided in the Appropriations Act.

The Governor's recommended budget includes additional General Funds in the amount of \$500,000 in fiscal year 2006-2007 and \$1,800,000 in fiscal year 2007-2008 to pay expected increases in claims from the county sheriff's. These claims will be for increased court security costs associated with the new or upgraded courthouses that are expected to be completed in the upcoming biennium. These courthouse projects were authorized by previous sessions of the General Assembly.

**Finance and Administration
Commonwealth Office of Technology**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation			3,143,000		
Total General Fund			3,143,000		
Restricted Funds					
Balance Forward	4,911,700	4,373,000	3,173,100	7,429,400	7,950,700
Current Receipts	60,714,200	62,124,400	62,124,400	61,689,800	61,514,800
Non-Revenue Receipts		-543,000	-543,000		
Total Restricted Funds	65,625,900	65,954,400	64,754,500	69,119,200	69,465,500
Federal Funds					
Balance Forward	14,700	1,300		1,300	
Current Receipts	2,523,600	861,800	775,000	861,800	775,000
Total Federal Funds	2,538,300	863,100	775,000	863,100	775,000
Road Fund					
Regular Appropriation	125,000	125,000	125,000		
Total Road Fund	125,000	125,000	125,000		
TOTAL SOURCE OF FUNDS	68,289,200	66,942,500	68,797,500	69,982,300	70,240,500
EXPENDITURES BY CLASS					
Personnel Cost	31,112,600	38,464,600	40,430,200	32,867,700	33,658,300
Operating Expenses	23,120,200	23,386,700	23,392,700	23,245,800	23,249,100
Grants, Loans or Benefits	20,000	20,000	20,000	20,000	20,000
Debt Service			3,143,000		
Capital Outlay	3,205,700	1,531,800	1,443,700	1,531,800	1,443,700
Construction	3,400,000	366,300	366,300	4,366,300	5,366,300
TOTAL EXPENDITURES	60,858,500	63,769,400	68,795,900	62,031,600	63,737,400
EXPENDITURES BY FUND SOURCE					
General Fund			3,143,000		
Restricted Funds	58,196,500	62,781,300	64,752,900	61,168,500	62,962,400
Federal Funds	2,537,000	863,100	775,000	863,100	775,000
Road Fund	125,000	125,000	125,000		
TOTAL EXPENDITURES	60,858,500	63,769,400	68,795,900	62,031,600	63,737,400
EXPENDITURES BY UNIT					
Commonwealth Office of Technology	4,897,100	3,376,100	6,471,400	3,170,600	3,098,900
Application Development	11,883,600	13,293,200	13,947,500	13,615,200	13,883,600
Infrastructure Services	41,932,100	44,511,000	45,678,800	43,212,500	44,682,000
Enterprise Policy and Project Management	2,145,700	2,589,100	2,698,200	2,033,300	2,072,900
TOTAL EXPENDITURES	60,858,500	63,769,400	68,795,900	62,031,600	63,737,400

The Commonwealth Office of Technology (COT) provides leadership, policy direction, and technical support to all executive branch agencies in the application of information technology and the delivery of information services. This broad statement of responsibility encompasses major information resource functions such as data center operations; voice, data, and video

communications; application development; data and security administration; computer hardware selection and installation; and related end-user and customer support services. The workload for COT is highly sensitive to agency programmatic shifts, particularly changes mandated by state and federal legislation.

The Commonwealth Office of Technology provides support for major management systems throughout state government.

- Automated Management and Administrative Reporting System (MARS)
- Kentucky Vehicle Registration and Information System (KVIS and AVIS)
- Department of Revenue's tax systems
- Driver's license system
- Uniform Payroll and Personnel System (UPPS)
- Kentucky State Police systems
- Education technology system
- Kentucky's Electronic Workplace for Employment Services (KEWES)

COT consists of four units for budgetary purposes: the Office of the Commissioner, Application Development, Infrastructure Services, and Enterprise Policy and Project Management.

The Commissioner is responsible for developing strategies and policies to promote the effective application of information technology within state government as a means of saving money, increasing efficiency and employee productivity, and improving services to the public, including electronic access to information of the Commonwealth.

The Office of Application Development analyzes, designs, develops and installs systems and applications for client agencies throughout state government. Support is provided for systems that drive mission-critical activities for the Commonwealth, including public assistance, public health and safety, collection of taxes, and financial and personnel management of state government. The Office provides consulting services and support in a broad range of technical environments including Windows NT, 2000, and XP; UNIX; and Z/OS using languages such as Java, VB, .NET, COBOL, SAS, and others.

The Office of Infrastructure Services operates the Commonwealth's enterprise computing and communications environment. This Office includes the daily operation of the Commonwealth Data Center, operation and maintenance of the Kentucky Information Highway, and all communication services, including data, voice, video and wireless. Other responsibilities include providing help desk assistance to end-users and ensuring the security of client information in the areas of electronic commerce and network computing. The Division of Printing provides agencies with hard copy access to information, especially for high volume, color, and wide-format documents, as well as print project planning, consulting and electronic forms design.

The Office of Enterprise Policy and Project Management is responsible for the statewide strategic information technology (IT) plan. Staff in this office assist state agencies in developing their own IT plans that conform with the policies and architecture standards determined by COT. Other responsibilities include enterprise capacity planning, testing, research and development.

The Kentucky Geospatial Board is attached to the Commonwealth Office of Technology for administrative purposes. The Board is charged with advising the Commissioner on issues relating to geographic information and geographic information systems (GIS). The Board recommends policies and procedures that assist state and local jurisdictions in developing, deploying, and leveraging geographic information resources and GIS technology for the purpose of improving public services.

The Commonwealth Office of Technology operates as an internal service fund agency with budgetary support derived through the application of a federally-approved cost allocation plan, which distributes costs to user agencies based upon utilization of services.

Policy

On June 16, 2005, Executive Order 2005-562 made significant changes in the structure and mission of the Commonwealth Office of Technology. The Telehealth Board was transferred from COT to the Cabinet for Health and Family Services. The Commercial Mobile Radio Service (CMRS) Board and the Office of 911 Coordinator were transferred to the Office of Homeland Security. The Division of Printing was transferred from the Office of Administrative Services in the Finance and Administration Cabinet to the Office of Infrastructure Services. The Geographic Information Advisory Council was abolished and the Kentucky Geospatial Board was created with all of the functions and powers of the Council.

The Executive Order directed COT to review the IT infrastructure for each executive branch agency and to consolidate operational control under COT when it is in the best interests of the Commonwealth to do so. Since the effective date of the

Executive Order, COT has entered into agreements with the Commerce Cabinet and the Governor's Office for Local Development (GOLD) to assume responsibility for providing all IT, communications, and printing services. Eleven personnel positions from Commerce and two from GOLD were transferred to COT. Consolidation of IT infrastructure functions from other Cabinets in COT will continue through the remainder of fiscal year 2006. It is the intent of COT for application development and programming functions to remain in the agencies that have them. The Office of Application Development will provide development services to agencies that request them, billing for those services at a competitive hourly rate.

During the summer of 2005, the Commonwealth Office of Technology conducted a detailed cost study of its various services and the rates at which those services are billed to agencies. The rate schedule was then realigned to more accurately reflect actual cost. Agencies were provided with estimates of their computer services and telephone costs for the next biennium based on 2005 usage patterns applied to the new rates. By consolidating infrastructure services and purchases of equipment and software licenses, COT expects to be able to provide most basic services for a lower rate than in previous years.

Finance and Administration

Revenue

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	62,860,700	72,525,200	80,202,000	63,986,000	64,898,400
Salary Compensation Fund	1,759,300				
Base Deduction	-3,184,100				
Total General Fund	61,435,900	72,525,200	80,202,000	63,986,000	64,898,400
Tobacco Settlement-Phase I					
Tobacco Settlement - I	175,000	175,000	175,000	175,000	175,000
Budget Reduction	-11,900				
Total Tobacco Settlement-Phase I	163,100	175,000	175,000	175,000	175,000
Restricted Funds					
Balance Forward	2,962,500	2,103,600	1,055,300	1,160,800	1,027,700
Current Receipts	3,716,200	4,248,400	4,248,400	4,248,400	4,248,400
Fund Transfers	-1,000,000				
Total Restricted Funds	5,678,700	6,352,000	5,303,700	5,409,200	5,276,100
Road Fund					
Regular Appropriation	1,418,000	1,418,000	1,418,000	1,418,000	1,418,000
Total Road Fund	1,418,000	1,418,000	1,418,000	1,418,000	1,418,000
TOTAL SOURCE OF FUNDS	68,695,700	80,470,200	87,098,700	70,988,200	71,767,500
EXPENDITURES BY CLASS					
Personnel Cost	43,364,600	54,718,700	58,013,200	45,388,700	46,308,900
Operating Expenses	24,170,300	24,696,200	24,685,500	24,571,800	24,561,100
Debt Service			4,400,000		
TOTAL EXPENDITURES	67,534,900	79,414,900	87,098,700	69,960,500	70,870,000
EXPENDITURES BY FUND SOURCE					
General Fund	61,435,900	72,525,200	80,202,000	63,986,000	64,898,400
Tobacco Settlement-Phase I	163,100	175,000	175,000	175,000	175,000
Restricted Funds	4,517,900	5,296,700	5,303,700	4,381,500	4,378,600
Road Fund	1,418,000	1,418,000	1,418,000	1,418,000	1,418,000
TOTAL EXPENDITURES	67,534,900	79,414,900	87,098,700	69,960,500	70,870,000
EXPENDITURES BY UNIT					
Commissioner's Office	22,690,400	23,330,700	28,059,800	22,678,000	22,704,300
Property Valuation	5,347,400	6,520,700	6,864,800	5,497,700	5,595,100
Field Operations	11,678,600	14,112,900	14,876,700	12,019,400	12,240,500
Income Taxation	5,110,700	6,792,500	7,182,800	5,650,900	5,767,100
Sales and Excise Taxes	5,263,400	6,380,300	6,651,100	5,395,500	5,473,000
Processing and Enforcement	17,444,400	22,277,800	23,463,500	18,719,000	19,090,000
TOTAL EXPENDITURES	67,534,900	79,414,900	87,098,700	69,960,500	70,870,000

The Department of Revenue is responsible for the thorough and equitable administration of all state revenue laws, and for the assessment and collection of 47 separate state taxes. The Department aims to ensure the taxpayer's voluntary compliance

with the revenue laws, to enforce such laws in those instances where necessary, and to supervise and assist county property valuation administrators in their implementation of the property tax laws.

The Commissioner's Office includes the Division of Legislative Services, the Division of Special Investigations, and the Office of the Taxpayer Ombudsman. Department-wide costs such as office rent, printing, postage, and information technology are budgeted in this unit.

The Office of Property Valuation monitors and evaluates the real property assessments produced by the 120 locally-elected Property Valuation Administrators (PVA). The division is charged with assessing the property of public service companies; collecting and distributing personal property taxes; and providing education, training, and technical support to the PVA's and sheriffs.

The Office of Field Operations has 10 regional taxpayer service centers located across the state and is responsible for field audits and providing taxpayer assistance.

The Office of Income Taxation administers individual and business income taxes, including employer withholding. The Office is responsible for technical tax research, compliance, taxpayer assistance, tax-specific training, and publications.

The Office of Sales and Excise Taxes administers sales and use taxes and miscellaneous excise taxes. The Office conducts technical tax research and is responsible for compliance, taxpayer assistance, training and publications.

The Office of Processing and Enforcement receives all tax receipts, returns, refunds, documents and correspondence; registers new businesses; and maintains appropriate storage, retrieval and management of tax records for the Commonwealth.

The 2005 General Assembly enacted HB 272, a comprehensive effort to modernize Kentucky's tax structure. Dozens of separate taxes, incentives, deductions, and credits were enacted, repealed or amended. Passage of the bill drastically increased the workload for the Department of Revenue. Nearly every computer system within the Department must be modified to give effect to the changes. New returns, schedules, instructions, administrative regulations and training materials for both tax practitioners and Department employees are required. Fortunately the provisions of the bill have staggered effective dates, allowing the Department to work with the Commonwealth Office of Technology to make the necessary program changes.

An additional system change took effect July 1, 2005 as a result of HB 163, enacted by the 2004 General Assembly. The bill required the Department of Revenue to begin collecting the utility gross receipts tax levied by the local school districts under KRS 160.613. The Department receives payments from utilities, including providers of cable television service, and distributes the funds to the school districts on a monthly basis. The Department is permitted to retain up to 1% of the receipts, not to exceed the actual cost of collections.

Policy

On October 16, 2005, by order of the Secretary, employees throughout the Finance and Administration Cabinet switched from a standard workweek of 37.5 hours to a 40-hour week.

Finance and Administration
Property Valuation Administrators

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	30,532,600	37,673,100	39,875,700	31,769,300	31,769,300
Salary Compensation Fund	1,236,700				
Total General Fund	31,769,300	37,673,100	39,875,700	31,769,300	31,769,300
Restricted Funds					
Balance Forward	1,648,800	1,638,800	819,400	1,638,800	819,400
Current Receipts	3,500,000	2,690,600	2,690,600	3,500,000	3,500,000
Total Restricted Funds	5,148,800	4,329,400	3,510,000	5,138,800	4,319,400
TOTAL SOURCE OF FUNDS	36,918,100	42,002,500	43,385,700	36,908,100	36,088,700
EXPENDITURES BY CLASS					
Personnel Cost	34,847,300	40,751,000	42,953,600	35,656,700	35,656,700
Operating Expenses	432,000	432,100	432,100	432,000	432,000
TOTAL EXPENDITURES	35,279,300	41,183,100	43,385,700	36,088,700	36,088,700
EXPENDITURES BY FUND SOURCE					
General Fund	31,769,300	37,673,100	39,875,700	31,769,300	31,769,300
Restricted Funds	3,510,000	3,510,000	3,510,000	4,319,400	4,319,400
TOTAL EXPENDITURES	35,279,300	41,183,100	43,385,700	36,088,700	36,088,700

Each of the state's 120 counties has a locally elected Property Valuation Administrator (PVA). The PVA and an appointed staff are responsible for locating, identifying, and assessing at fair market value all taxable real property (land and improvements), and tangible personal property in the county. Tax revenues generated by these assessments are used to fund services provided by the state, cities, counties, and school districts as well as special taxing districts such as fire departments, libraries, extension offices, and refuse disposal. Funding from the state, county, and city governments support the local Property Valuation Administrators' offices.

Policy

Notwithstanding KRS 132.590(3)(c), KRS 132.590(4), and KRS 132.597, Property Valuation Administrators may take necessary actions to manage expenditures within the budgeted amounts.

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Health and Family Services

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Health and Family Services

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	1,550,522,800	1,871,320,800	1,975,484,400	1,690,857,300	1,757,951,400
Current Year Appropriation	85,300,000				
Salary Compensation Fund	10,857,100				
Base Deduction	-850,400				
Total General Fund	1,645,829,500	1,871,320,800	1,975,484,400	1,690,857,300	1,757,951,400
Tobacco Settlement-Phase I					
Tobacco Settlement - I	27,028,400	27,028,400	27,028,400	22,183,400	23,393,500
Continuing Appropriation	2,828,000	4,800			
Budget Reduction	-2,027,200				
Other	-43,900				
Total Tobacco Settlement-Phase I	27,785,300	27,033,200	27,028,400	22,183,400	23,393,500
Restricted Funds					
Balance Forward	36,989,758	28,375,800	22,609,400	12,755,400	3,267,700
Current Receipts	498,490,853	493,653,200	493,169,200	495,028,400	499,876,400
Non-Revenue Receipts	327,576,289	326,665,100	332,711,300	325,542,300	337,500,500
Fund Transfers	-11,251,500			-542,800	-483,000
Total Restricted Funds	851,805,400	848,694,100	848,489,900	832,783,300	840,161,600
Federal Funds					
Balance Forward	36,528,937				
Current Receipts	4,057,740,663	4,144,027,300	4,310,124,600	4,024,792,800	4,133,889,800
Non-Revenue Receipts		60,200	88,800	60,200	88,800
Total Federal Funds	4,094,269,600	4,144,087,500	4,310,213,400	4,024,853,000	4,133,978,600
TOTAL SOURCE OF FUNDS	6,619,689,800	6,891,135,600	7,161,216,100	6,570,677,000	6,755,485,100
EXPENDITURES BY CLASS					
Personnel Cost	650,262,400	712,285,400	735,460,600	635,081,600	629,327,200
Operating Expenses	130,449,900	139,015,800	142,273,200	124,752,400	127,130,200
Grants, Loans or Benefits	5,826,026,800	6,017,029,700	6,273,766,600	5,807,380,000	5,998,200,400
Debt Service					632,000
Capital Outlay	195,300	195,300	195,300	195,300	195,300
TOTAL EXPENDITURES	6,606,934,400	6,868,526,200	7,151,695,700	6,567,409,300	6,755,485,100
EXPENDITURES BY FUND SOURCE					
General Fund	1,645,829,500	1,871,320,800	1,975,484,400	1,690,857,300	1,757,951,400
Tobacco Settlement-Phase I	27,785,300	27,033,200	27,028,400	22,183,400	23,393,500
Restricted Funds	839,050,000	826,084,700	838,969,500	829,515,600	840,161,600
Federal Funds	4,094,269,600	4,144,087,500	4,310,213,400	4,024,853,000	4,133,978,600
TOTAL EXPENDITURES	6,606,934,400	6,868,526,200	7,151,695,700	6,567,409,300	6,755,485,100
EXPENDITURES BY UNIT					
General Administration and Program Support	90,412,200	98,019,200	101,216,600	87,411,800	86,595,900
Comm for Children with Special Health Care Needs	16,979,800	18,415,600	18,983,800	17,222,600	17,421,400
Medicaid Services	4,700,052,800	4,799,718,000	5,012,656,300	4,620,763,600	4,765,633,400
Mental Health and Mental Retardation Services	415,185,100	466,493,700	488,279,400	435,630,000	446,633,600
Public Health	324,873,800	336,406,100	339,801,000	319,792,300	323,329,500
Health Policy	1,212,200	1,503,000	1,536,800	1,241,700	1,248,000
Human Support Services	55,730,700	67,132,500	68,668,400	57,120,800	57,661,200
Ombudsman	5,904,300	6,873,200	7,199,600	5,822,000	5,767,400

Disability Determination Services	44,758,000	49,449,800	51,040,700	49,449,800	51,040,700
Community Based Services	951,825,500	1,024,515,100	1,062,313,100	972,954,700	1,000,154,000
TOTAL EXPENDITURES	6,606,934,400	6,868,526,200	7,151,695,700	6,567,409,300	6,755,485,100

The Cabinet for Health and Family Services is the primary state agency responsible for leadership in protecting and promoting the health and well being of all Kentuckians through the delivery of quality health and human services. The following departments and/or offices comprise the Cabinet for Health and Family Services: Office of the Secretary, Office of Legislative and Public Affairs, Office of the Inspector General, Office of Legal Services, Office of the Ombudsman, Office of Health Policy, Department for Medicaid Services, Department for Mental Health/Mental Retardation Services, Department for Public Health, Department for Community Based Services, Department for Disability Determination Services, Department for Human Support Services, and the Commission for Children with Special Health Care Needs.

Health and Family Services
General Administration and Program Support

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	35,301,700	38,309,500	39,646,400	33,965,700	33,770,000
Salary Compensation Fund	586,200				
Total General Fund	35,887,900	38,309,500	39,646,400	33,965,700	33,770,000
Restricted Funds					
Balance Forward	5,334,300	6,173,000	4,239,600		
Current Receipts	9,333,600	9,337,900	9,350,000	9,333,600	9,333,600
Non-Revenue Receipts	2,060,900	2,060,900	2,060,900	2,071,800	2,083,900
Fund Transfers	-5,723,000				
Total Restricted Funds	11,005,800	17,571,800	15,650,500	11,405,400	11,417,500
Federal Funds					
Balance Forward	312,400				
Current Receipts	43,206,100	46,377,500	47,980,600	42,040,700	41,408,400
Total Federal Funds	43,518,500	46,377,500	47,980,600	42,040,700	41,408,400
TOTAL SOURCE OF FUNDS	90,412,200	102,258,800	103,277,500	87,411,800	86,595,900
EXPENDITURES BY CLASS					
Personnel Cost	57,167,300	64,630,700	67,836,900	56,314,300	55,058,400
Operating Expenses	33,244,900	33,388,500	33,379,700	31,097,500	31,097,500
Debt Service					440,000
TOTAL EXPENDITURES	90,412,200	98,019,200	101,216,600	87,411,800	86,595,900
EXPENDITURES BY FUND SOURCE					
General Fund	35,887,900	38,309,500	39,646,400	33,965,700	33,770,000
Restricted Funds	11,005,800	13,332,200	13,589,600	11,405,400	11,417,500
Federal Funds	43,518,500	46,377,500	47,980,600	42,040,700	41,408,400
TOTAL EXPENDITURES	90,412,200	98,019,200	101,216,600	87,411,800	86,595,900
EXPENDITURES BY UNIT					
Administrative Support	68,048,000	72,622,300	74,617,900	66,550,800	66,247,300
Inspector General	22,364,200	25,396,900	26,598,700	20,861,000	20,348,600
TOTAL EXPENDITURES	90,412,200	98,019,200	101,216,600	87,411,800	86,595,900

General Administration and Program Support consists of Administrative Support and the Office of the Inspector General.

The Administrative Support area includes the Office of the Secretary, the Office of Legal Services, the Office of Legislative and Public Affairs, the Office of Fiscal Services, the Office of Technology, the Office of Human Resource Management, and the Office of Contract Oversight. These offices provide policy, administrative, legal, financial, and personnel support services to the program areas of the Cabinet.

The Office of the Inspector General provides support to other programs in the Cabinet for Health and Family Services through the Division of Audits and Detection, the Division of Special Investigations, the Division of Regulated Child Care, the Division of Health Care Facilities and Services, and the Division of Fraud, Waste, and Abuse Identification and Prevention.

**Health and Family Services
General Administration and Program Support
Administrative Support**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	29,000,800	31,156,600	32,129,700	28,319,700	28,344,100
Salary Compensation Fund	376,400				
Total General Fund	29,377,200	31,156,600	32,129,700	28,319,700	28,344,100
Restricted Funds					
Balance Forward	2,395,700	3,021,100	2,096,800		
Current Receipts	7,561,100	7,561,100	7,561,100	7,561,100	7,561,100
Non-Revenue Receipts	1,321,100	1,321,100	1,321,100	1,321,100	1,321,100
Fund Transfers	-2,571,100				
Total Restricted Funds	8,706,800	11,903,300	10,979,000	8,882,200	8,882,200
Federal Funds					
Balance Forward	124,100				
Current Receipts	29,839,900	31,659,200	32,539,200	29,348,900	29,021,000
Total Federal Funds	29,964,000	31,659,200	32,539,200	29,348,900	29,021,000
TOTAL SOURCE OF FUNDS	68,048,000	74,719,100	75,647,900	66,550,800	66,247,300
EXPENDITURES BY CLASS					
Personnel Cost	37,609,500	42,056,400	44,060,800	37,444,900	36,701,400
Operating Expenses	30,438,500	30,565,900	30,557,100	29,105,900	29,105,900
Debt Service					440,000
TOTAL EXPENDITURES	68,048,000	72,622,300	74,617,900	66,550,800	66,247,300
EXPENDITURES BY FUND SOURCE					
General Fund	29,377,200	31,156,600	32,129,700	28,319,700	28,344,100
Restricted Funds	8,706,800	9,806,500	9,949,000	8,882,200	8,882,200
Federal Funds	29,964,000	31,659,200	32,539,200	29,348,900	29,021,000
TOTAL EXPENDITURES	68,048,000	72,622,300	74,617,900	66,550,800	66,247,300

Administrative Support provides funding for seven organizational units within the Cabinet for Health and Family Services including the Office of the Secretary, the Office of Legal Services, the Office of Legislative and Public Affairs, the Office of Fiscal Services, the Office of Technology, the Office of Human Resource Management, and the Office of Contract Oversight.

The Office of the Secretary provides oversight and leadership for the Cabinet and its programs.

The Office of Legal Services provides legal advice and assistance to all units of the Cabinet in any legal action in which it may be involved. This office provides legal representation for the Cabinet in federal courts, state courts, and before quasi-judicial and administrative bodies; administers all personal service contracts of the Cabinet for legal services; assists in drafting and reviewing legislation, regulations, statutes, and other legal documents and instruments; and provides the Secretary, Commissioners, and Directors in the Cabinet with the legal advice and representation necessary for them to properly administer the Cabinet's programs.

The Office of Legislative and Public Affairs is responsible for providing qualified administrative law judges/hearing officials to conduct administrative hearings related to Cabinet matters, overseeing and monitoring legislative activities, and representing the Cabinet in matters of public information, including media inquiries, open records requests, press releases, public relations, and internal communications.

The Office of Fiscal Affairs provides overall administrative support including designing, coordinating and documenting all activities related to budget; reporting and management analysis; providing and tracking accounting and payment services, including travel, for the Cabinet; filing required financial reports; responding to audits of the Cabinet's programs; providing maintenance and security of the accounting systems; monitoring all leased facilities of the Cabinet, including space design and utilization, insurance, on-site facility inspections, general maintenance and construction for the Cabinet's state-owned properties; preparation and maintenance of the Cabinet's Six-Year Capital Plan; coordinating, tracking and monitoring capital construction projects; and maintaining and reporting the inventory of physical assets including record retention.

The Office of Technology is responsible for providing strategic direction and oversight of technology resources for the Cabinet, including technical support services, system security, statewide system services, monitoring technology purchase requests and other technology-related services and initiatives. The Office is also responsible for maintaining high quality technology, managing and maintaining the Cabinet's network, installing and supporting voice communication systems, and supervising the development, operation, and security of the extensive statewide application systems that support direct delivery of statewide services.

The Office of Human Resource Management serves all Cabinet employees and programs and provides payroll and health benefits administration, equal employment opportunity compliance, and professional development and training activities. This Office serves as the Cabinet's appointing authority and performs all the duties, responsibilities and functions required to maintain an effective and efficient personnel management system in accordance with the Kentucky Revised Statutes, Kentucky Administrative Regulations and the policy guidelines of the Secretary of the Cabinet.

The Office of Contract Oversight is responsible for monitoring Cabinet contracts, overseeing the procurement process, providing technical support to Cabinet staff in procurement and contracting procedures, and ensuring compliance with statutes, regulations, policy, and procedures related to procurement and contracting.

Policy

General Fund money of \$440,000 is provided in fiscal year 2008 for debt service for the Safeguarding Children at Risk (TWIST Rewrite - Phase II) project also known as The Workers Information System (TWIST).

Restricted Fund resources of \$450,000 are provided in fiscal year 2006 for technology expenses associated with developing system interfaces required to transition to the new eMARS statewide accounting system on July 1, 2006.

**Health and Family Services
General Administration and Program Support
Inspector General**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	6,300,900	7,152,900	7,516,700	5,646,000	5,425,900
Salary Compensation Fund	209,800				
Total General Fund	6,510,700	7,152,900	7,516,700	5,646,000	5,425,900
Restricted Funds					
Balance Forward	2,938,600	3,151,900	2,142,800		
Current Receipts	1,772,500	1,776,800	1,788,900	1,772,500	1,772,500
Non-Revenue Receipts	739,800	739,800	739,800	750,700	762,800
Fund Transfers	-3,151,900				
Total Restricted Funds	2,299,000	5,668,500	4,671,500	2,523,200	2,535,300
Federal Funds					
Balance Forward	188,300				
Current Receipts	13,366,200	14,718,300	15,441,400	12,691,800	12,387,400
Total Federal Funds	13,554,500	14,718,300	15,441,400	12,691,800	12,387,400
TOTAL SOURCE OF FUNDS	22,364,200	27,539,700	27,629,600	20,861,000	20,348,600
EXPENDITURES BY CLASS					
Personnel Cost	19,557,800	22,574,300	23,776,100	18,869,400	18,357,000
Operating Expenses	2,806,400	2,822,600	2,822,600	1,991,600	1,991,600
TOTAL EXPENDITURES	22,364,200	25,396,900	26,598,700	20,861,000	20,348,600
EXPENDITURES BY FUND SOURCE					
General Fund	6,510,700	7,152,900	7,516,700	5,646,000	5,425,900
Restricted Funds	2,299,000	3,525,700	3,640,600	2,523,200	2,535,300
Federal Funds	13,554,500	14,718,300	15,441,400	12,691,800	12,387,400
TOTAL EXPENDITURES	22,364,200	25,396,900	26,598,700	20,861,000	20,348,600

The Office of the Inspector General has five divisions: the Division of Audits and Detection, the Division of Special Investigations, the Division of Regulated Child Care, the Division of Fraud, Waste and Abuse/Identification and Prevention, and the Division of Health Care Facilities and Services. The general authority for the Office of the Inspector General is codified within KRS 194A.030.

The Division of Audits and Detection (DOAD) examine Cabinet programs to assess contractor compliance with state and federal laws and regulations. In accordance with KRS 194A.030, the Division is responsible for the conduct of audits of programs within the Cabinet for Health and Family Services, their grantees and contractors. These include audits of nursing homes, home health agencies, Mental Health/Mental Retardation Boards, primary care centers, psychiatric hospitals, adult day care facilities, spouse abuse centers, child care centers, the Supports for Community Living Program, community action agencies, and child support programs. The DOAD also conducts preliminary investigations of alleged fraud and abuse, which are received over the Medicaid fraud hotline (mandated by KRS 205.8483 and 42 CFR 455) and other Medicaid fraud referrals. DOAD also acts as an independent appraisal function within the Cabinet to examine and evaluate its financial and management activities.

The Division of Special Investigations conducts investigations to detect fraud or abuse of any program by any client, or by any vendor of services with whom the Cabinet has contracted. It conducts special investigations requested by the Secretary, commissioners, or agency heads into matters related to the Cabinet and its programs. The Division notifies and

forwards any information relevant to possible criminal violations to the appropriate prosecuting authority. The Division operates a toll-free welfare and Medicaid fraud and abuse hotline, conducts investigations of Women, Infants, and Children (WIC) program vendors, and collects and reports data on assistance program fraud investigations by the Office of the Inspector General and the Office of the Attorney General.

The Division of Regulated Child Care is charged with the licensing of certified Family Day Care homes, licensed day care centers (Type I and II), child caring facilities, child-placing agencies, and private adoptive service agencies. This includes initial licensure surveys, yearly re-licensure surveys, and complaint surveys. The division also rates child care centers as part of the voluntary STARS for KIDS NOW quality initiative.

The Division of Fraud, Waste and Abuse/Identification and Prevention is responsible for planning, developing, and directing agency efforts to identify and prevent fraud, waste and abuse in the Medicaid program, and all other assistance programs administered by the Cabinet for Health and Family Services. The Division is responsible for Medicaid and health care provider, and Medicaid and welfare recipient, surveillance and utilization review, and notification on all issues of administrative compliance and enforcement, including recovery of funds. The Division is responsible for administering the enhanced KASPER (Kentucky All Schedule Prescription Enforcement Reporting) system by fully utilizing this database for all purposes under the law and maximizing the potential for this monitoring system. The Division is also responsible for specialized regulatory enforcement matters involving the dispensing of controlled substances in the Commonwealth, and policy analysis for recommendations to the respective programs within the Cabinet.

The Division of Health Care Facilities and Services conducts on-site inspections of all health facilities and services throughout the state (including over 2,600 laboratories) to determine compliance with state licensing standards and federal Medicare and Medicaid certification requirements. The Division also investigates allegations of abuse and neglect that may occur in a licensed health facility.

Policy

The Governor's budget recommendation includes Federal Fund and Restricted Fund resources totaling \$1.3 million in fiscal year 2007 and \$1.4 million in fiscal year 2008 to support 17 full-time positions for public assistance fraud investigations previously contracted through the Office of the Attorney General.

Health and Family Services
Commission for Children with Special Health Care Needs

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	5,490,500	6,795,800	6,785,700	5,835,400	5,917,000
Salary Compensation Fund	125,200				
Base Deduction	-123,800				
Total General Fund	5,491,900	6,795,800	6,785,700	5,835,400	5,917,000
Tobacco Settlement-Phase I					
Tobacco Settlement - I	455,000	455,000	455,000	312,100	352,000
Continuing Appropriation	48,700	4,800			
Budget Reduction	-109,000				
Other	-43,900				
Total Tobacco Settlement-Phase I	350,800	459,800	455,000	312,100	352,000
Restricted Funds					
Balance Forward	500				
Current Receipts	6,669,700	6,781,000	7,364,100	6,696,100	6,773,400
Fund Transfers	-500				
Total Restricted Funds	6,669,700	6,781,000	7,364,100	6,696,100	6,773,400
Federal Funds					
Balance Forward	257,500				
Current Receipts	4,209,900	4,379,000	4,379,000	4,379,000	4,379,000
Total Federal Funds	4,467,400	4,379,000	4,379,000	4,379,000	4,379,000
TOTAL SOURCE OF FUNDS	16,979,800	18,415,600	18,983,800	17,222,600	17,421,400
EXPENDITURES BY CLASS					
Personnel Cost	9,175,300	10,459,700	11,034,500	9,456,800	9,615,700
Operating Expenses	1,487,900	1,528,500	1,528,500	1,487,900	1,487,900
Grants, Loans or Benefits	6,316,600	6,427,400	6,420,800	6,277,900	6,317,800
TOTAL EXPENDITURES	16,979,800	18,415,600	18,983,800	17,222,600	17,421,400
EXPENDITURES BY FUND SOURCE					
General Fund	5,491,900	6,795,800	6,785,700	5,835,400	5,917,000
Tobacco Settlement-Phase I	350,800	459,800	455,000	312,100	352,000
Restricted Funds	6,669,700	6,781,000	7,364,100	6,696,100	6,773,400
Federal Funds	4,467,400	4,379,000	4,379,000	4,379,000	4,379,000
TOTAL EXPENDITURES	16,979,800	18,415,600	18,983,800	17,222,600	17,421,400

The Commission for Children with Special Health Care Needs has over 80 years experience in providing care for children with a variety of special needs. Through the years, the Commission has evolved from providing surgeries for “crippled children” to offering comprehensive medical care for children with a range of complex needs. A family-centered approach ensures that the family is valued as an integral part of the care plan and services are provided to assist the family in meeting children’s needs.

The Commission is charged with planning, developing, providing, and evaluating the public statewide system of care for children with special health care needs and providing early intervention services pursuant to:

- KRS 200.460 to 200.499: authorizes the Commission’s functions;
- 902 KAR 4:070: the Commission’s regulatory authority;

- KRS 200.550 and 200.560: authorizes the Hemophilia program;
- 911 KAR 1:080 SSI: Children's Support Services (SSI/CSS) mandated by the Maternal and Child Health Block Grant authorized at the federal level by Title V of the Social Security Act;
- 911 KAR 1:085: Universal Newborn Hearing Screening Grant Program.

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

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

The Commission has several ongoing initiatives. These include: the implementation of a Care Coordination and Quality Management Model for the agency's clinical programs, the CHAMPIONS Grant to increase parental involvement, Universal Newborn Hearing Screening, and other collaborations with community and statewide partners. The Commission also operates VISION, a vision examination program that is part of the Early Childhood Development program.

Health and Family Services

Medicaid Services

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	942,462,500	1,138,259,100	1,196,294,000	1,052,560,300	1,092,100,300
Current Year Appropriation	85,300,000				
Salary Compensation Fund	137,800				
Total General Fund	1,027,900,300	1,138,259,100	1,196,294,000	1,052,560,300	1,092,100,300
Restricted Funds					
Balance Forward	10,661,887	5,189,400	2,824,000	5,189,400	2,824,000
Current Receipts	94,931,176	76,931,100	76,646,000	76,931,100	76,646,000
Non-Revenue Receipts	322,739,237	318,179,000	322,415,100	318,179,000	322,415,100
Total Restricted Funds	428,332,300	400,299,500	401,885,100	400,299,500	401,885,100
Federal Funds					
Balance Forward	23,343,289				
Current Receipts	3,225,666,311	3,263,983,400	3,414,477,200	3,170,727,800	3,271,648,000
Total Federal Funds	3,249,009,600	3,263,983,400	3,414,477,200	3,170,727,800	3,271,648,000
TOTAL SOURCE OF FUNDS	4,705,242,200	4,802,542,000	5,012,656,300	4,623,587,600	4,765,633,400
EXPENDITURES BY CLASS					
Personnel Cost	103,185,700	81,583,500	70,517,600	77,438,500	64,340,000
Operating Expenses	2,358,900	1,280,600	1,274,500	1,280,600	1,274,500
Grants, Loans or Benefits	4,594,508,200	4,716,853,900	4,940,864,200	4,542,044,500	4,700,018,900
TOTAL EXPENDITURES	4,700,052,800	4,799,718,000	5,012,656,300	4,620,763,600	4,765,633,400
EXPENDITURES BY FUND SOURCE					
General Fund	1,027,900,300	1,138,259,100	1,196,294,000	1,052,560,300	1,092,100,300
Restricted Funds	423,142,900	397,475,500	401,885,100	397,475,500	401,885,100
Federal Funds	3,249,009,600	3,263,983,400	3,414,477,200	3,170,727,800	3,271,648,000
TOTAL EXPENDITURES	4,700,052,800	4,799,718,000	5,012,656,300	4,620,763,600	4,765,633,400
EXPENDITURES BY UNIT					
Medicaid Administration	130,956,300	113,047,900	102,278,700	108,902,900	96,101,100
Medicaid Benefits	4,569,096,500	4,686,670,100	4,910,377,600	4,511,860,700	4,669,532,300
TOTAL EXPENDITURES	4,700,052,800	4,799,718,000	5,012,656,300	4,620,763,600	4,765,633,400

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

The Medical Assistance program provides for comprehensive physical and behavioral health services by reimbursing providers for health care provided to medically indigent Kentuckians. Eligibility for services is determined by staff in county Department for Community Based Services offices. Individuals may automatically qualify for benefits if they are eligible for Supplemental Security Income benefits administered by the Social Security Administration.

K-CHIP provides for comprehensive physical and behavioral health services for uninsured children who are not eligible for Medicaid up to 200 percent of the federal poverty level.

**Health and Family Services
Medicaid Services
Medicaid Administration**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	17,067,000	40,113,600	39,693,400	37,882,400	36,441,700
Current Year Appropriation	17,198,900				
Salary Compensation Fund	137,800				
Total General Fund	34,403,700	40,113,600	39,693,400	37,882,400	36,441,700
Restricted Funds					
Non-Revenue Receipts	18,306,000	14,075,000	13,080,000	14,075,000	13,080,000
Total Restricted Funds	18,306,000	14,075,000	13,080,000	14,075,000	13,080,000
Federal Funds					
Balance Forward	1,995,272				
Current Receipts	76,251,328	58,859,300	49,505,300	56,945,500	46,579,400
Total Federal Funds	78,246,600	58,859,300	49,505,300	56,945,500	46,579,400
TOTAL SOURCE OF FUNDS	130,956,300	113,047,900	102,278,700	108,902,900	96,101,100
EXPENDITURES BY CLASS					
Personnel Cost	103,185,700	81,583,500	70,517,600	77,438,500	64,340,000
Operating Expenses	2,358,900	1,280,600	1,274,500	1,280,600	1,274,500
Grants, Loans or Benefits	25,411,700	30,183,800	30,486,600	30,183,800	30,486,600
TOTAL EXPENDITURES	130,956,300	113,047,900	102,278,700	108,902,900	96,101,100
EXPENDITURES BY FUND SOURCE					
General Fund	34,403,700	40,113,600	39,693,400	37,882,400	36,441,700
Restricted Funds	18,306,000	14,075,000	13,080,000	14,075,000	13,080,000
Federal Funds	78,246,600	58,859,300	49,505,300	56,945,500	46,579,400
TOTAL EXPENDITURES	130,956,300	113,047,900	102,278,700	108,902,900	96,101,100
EXPENDITURES BY UNIT					
Medical Assistance Administration	129,603,500	111,503,700	100,664,300	107,551,200	94,705,700
KCHIP Administration	1,352,800	1,544,200	1,614,400	1,351,700	1,395,400
TOTAL EXPENDITURES	130,956,300	113,047,900	102,278,700	108,902,900	96,101,100

Administrative functions of the Medicaid program and the Kentucky Children's Health Insurance program (KCHIP) include: determining applicant eligibility, formulating policy, processing claims, assuring appropriate utilization and collecting third party liabilities, overpayments and cost reimbursement settlements. Claims are paid through contracts with a fiscal agent and a pharmacy benefits administrator. The Medicaid program contracts for medical review of acute care admissions, level of care determinations for long-term care patients, and reviews of care for recipients in mental hospitals and psychiatric facilities. The Department for Community Based Services performs the eligibility determination function through contract.

The Department also administers KCHIP, the Kentucky Children's Health Insurance Program. This program provides health care services for uninsured children with family incomes below 200 percent of the federal poverty level but above the federal poverty level for the Medicaid Program.

Policy

The Governor's budget recommendation includes a current year General Fund appropriation of \$17,198,900 and a current year

Federal Fund appropriation of \$37,271,000 to enable the department to move forward with Medicaid modernization. An additional General Fund appropriation of \$20,677,600 and additional Federal Funds of \$24,863,700 are recommended for fiscal year 2007. For fiscal year 2008, the Governor's recommended budget includes an additional General Fund appropriation of \$19,236,900 and additional Federal Funds of \$15,471,800.

**Health and Family Services
Medicaid Services
Medicaid Benefits**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	925,395,500	1,098,145,500	1,156,600,600	1,014,677,900	1,055,658,600
Current Year Appropriation	68,101,100				
Total General Fund	993,496,600	1,098,145,500	1,156,600,600	1,014,677,900	1,055,658,600
Restricted Funds					
Balance Forward	10,661,887	5,189,400	2,824,000	5,189,400	2,824,000
Current Receipts	94,931,176	76,931,100	76,646,000	76,931,100	76,646,000
Non-Revenue Receipts	304,433,237	304,104,000	309,335,100	304,104,000	309,335,100
Total Restricted Funds	410,026,300	386,224,500	388,805,100	386,224,500	388,805,100
Federal Funds					
Balance Forward	21,348,017				
Current Receipts	3,149,414,983	3,205,124,100	3,364,971,900	3,113,782,300	3,225,068,600
Total Federal Funds	3,170,763,000	3,205,124,100	3,364,971,900	3,113,782,300	3,225,068,600
TOTAL SOURCE OF FUNDS	4,574,285,900	4,689,494,100	4,910,377,600	4,514,684,700	4,669,532,300
EXPENDITURES BY CLASS					
Grants, Loans or Benefits	4,569,096,500	4,686,670,100	4,910,377,600	4,511,860,700	4,669,532,300
TOTAL EXPENDITURES	4,569,096,500	4,686,670,100	4,910,377,600	4,511,860,700	4,669,532,300
EXPENDITURES BY FUND SOURCE					
General Fund	993,496,600	1,098,145,500	1,156,600,600	1,014,677,900	1,055,658,600
Restricted Funds	404,836,900	383,400,500	388,805,100	383,400,500	388,805,100
Federal Funds	3,170,763,000	3,205,124,100	3,364,971,900	3,113,782,300	3,225,068,600
TOTAL EXPENDITURES	4,569,096,500	4,686,670,100	4,910,377,600	4,511,860,700	4,669,532,300
EXPENDITURES BY UNIT					
Medicaid Benefits	4,468,137,200	4,581,901,900	4,802,143,500	4,407,092,500	4,561,298,200
KCHIP Benefits	100,959,300	104,768,200	108,234,100	104,768,200	108,234,100
TOTAL EXPENDITURES	4,569,096,500	4,686,670,100	4,910,377,600	4,511,860,700	4,669,532,300

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

Kentucky Medical Assistance Program (KMAP) Recipient Groups

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

Categorically Eligible: This group includes the following individuals: needy families with dependent children, foster care children, adults 65 years of age or older with income below eligibility criteria, the needy blind, and the needy permanently and totally disabled. Individuals in this group may receive grant money from Temporary Assistance to Needy Families (TANF), State Supplementation, or the Supplemental Security Income (SSI) programs. Any SSI or State Supplementation recipient as well as individuals who meet the technical and financial requirements of the Aid to Families with Dependent Children (AFDC) program as it existed on July 16, 1996, can qualify for Medicaid.

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

2005 Poverty Guidelines	
<u>Family Size</u>	<u>Monthly Income</u>
1	\$798
2	\$1,069
3	\$1,341
4	\$1,613
5	\$1,884
6	\$2,156
7	\$2,428
8	\$2,699

Although the aged, blind, and disabled (both categorically and medically needy) represent only 43 percent of the recipient population, they account for approximately 69 percent of expenditures. The recommended budget assumes average monthly Medicaid eligibles of 717,458 in fiscal year 2007 and 731,191 in fiscal year 2008, and 50,000 each year for KCHIP eligibles.

Projecting Benefits Cost

Several forecasting models were combined in the preparation of the Medicaid Benefits projections. Both the Office of State Budget Director (OSBD) and the Department for Medicaid Services (DMS) prepared service-by-service cash forecasts. These forecasts examine past trends in categorical spending to generate projections for future cash expenditures for each classification of medical service (the hypothesis is that the best predictor of future expenditures is past expenditures - adjusted for policy changes). In addition to the cash models, the DMS and the OSBD operate a more elaborate proprietary model developed by a third-party consulting firm, PriceWaterhouseCoopers (PWC). That model includes a separate forecast of eligibility for each class of Medicaid recipient: Aged, Blind, Disabled; TANF/SOBRA children (with and without Medicaid); TANF/SOBRA adults (with and without Medicare); categorical eligibility associated with foster care; and a residual category for all other eligibility categories. Eligibility is used to transform the expenditure data into a "cost per eligible" for seven bundles of Medicaid services.

Provider Taxes

Although the majority of the funds that the Commonwealth uses to match federal Medicaid dollars are derived from the General Fund, approximately 20 percent of the program's fiscal year 2007 and 2008 expenditure match will be secured from dedicated provider assessments. The assessments are levied on hospitals, home health agencies, alternative community services, long-term care facilities and Passport Managed Care organization. The Governor's recommended budget assumes continuation of the current level of provider tax collections to maintain existing reimbursement levels for hospitals.

Disproportionate Share Hospital (DSH) Payments

The Governor's recommended budget includes funding for Disproportionate Share Hospital (DSH) payments of \$197,196,650 in fiscal year 2006 and \$196,289,738 in fiscal year 2007 and 2008. Disproportionate Share Hospital payments to state mental hospitals are budgeted at approximately \$34,727,020 in fiscal year 2006 and \$34,567,310 in each year of the biennium. This budget includes match from the university teaching hospitals in order to access the portion of DSH funds for those facilities.

Passport Managed Care Plan

The Governor's recommended budget assumes that the Region Three Medicaid managed care partnership (Jefferson and surrounding counties) will continue to operate.

Benefit Match Rate

The Governor's recommended budget assumes a federal medical assistance percentage (FMAP) of 69.50 percent for state fiscal year 2007 and 69.58 percent for state fiscal year 2008. The federal Medicaid match rate assumed for KCHIP is 78.65 percent in fiscal year 2007 and 78.71 percent in fiscal year 2008.

Quality and Charity Care Trust Fund

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

Kentucky Children's Health Insurance Program (KCHIP)

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

The Governor's recommended budget funds KCHIP at a total of \$104,768,200 in fiscal year 2007 (50,000 children) and \$108,234,100 in fiscal year 2008 (50,000 children). The budget anticipates the continued spend-down of state funds from the "Kentucky Children's Health Insurance Program Trust Fund" as established in KRS 205.6478 and reallocated Federal Funds from other states unspent CHIP allocations. This would carry Kentucky's CHIP program through the 2006-2008 biennium. However, as other states' CHIP programs accelerate, there will be fewer funds available for reallocation in future periods, which could leave Kentucky's CHIP program seriously underfunded in future biennia.

Medicare Part D

The budget includes the projected impact of implementation of the Medicare Part D Pharmacy program which began January 1, 2006.

Policy

The Cabinet's budget request was based on the Medicaid program as it existed on September 30, 2005. Over the course of the upcoming biennium, the Governor's recommended budget presumes continued implementation of Medicaid Modernization, including approval of the Kentucky Health Choices Section 1115 Waiver, continued focus on disease management and appropriate provider practice and patient utilization as well as continued emphasis on prudent cash management practices. These additional cost containment features, some of which have recently been implemented through the administrative regulation process, are incorporated in the recommended budget.

The Governor's budget recommendation includes a current year General Fund appropriation of \$68,101,100, an additional Restricted Fund appropriation of \$5,021,900 and an additional Federal Fund appropriation of \$215,142,900. Additional General Fund of \$89,282,400 and additional Federal Funds of \$158,162,200 are recommended for fiscal year 2007. For fiscal year 2008, the Governor's recommended budget includes an additional General Fund appropriation of \$130,263,100 and additional Federal Fund appropriation of \$269,448,500.

The Governor's recommended budget provides additional funds totaling \$6,393,800 (100 slots) in fiscal year 2007 and \$19,249,900 (100 slots) in fiscal year 2008 for a total of 200 slots by the end of fiscal year 2008 to continue the rollout of the Supports for Community Living program.

The Governor's recommended budget continues to support the Breast and Cervical Cancer Treatment Waiver program.

Health and Family Services
Mental Health and Mental Retardation Services

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	166,163,700	214,237,600	234,827,500	182,957,800	191,361,100
Salary Compensation Fund	2,605,400				
Total General Fund	168,769,100	214,237,600	234,827,500	182,957,800	191,361,100
Tobacco Settlement-Phase I					
Tobacco Settlement - I	900,000	900,000	900,000	800,000	800,000
Total Tobacco Settlement-Phase I	900,000	900,000	900,000	800,000	800,000
Restricted Funds					
Balance Forward	1,209,096				
Current Receipts	190,999,752	192,946,000	194,737,900	195,829,500	199,033,800
Non-Revenue Receipts	10,504,652	11,758,900	11,781,000	11,742,500	11,756,700
Total Restricted Funds	202,713,500	204,704,900	206,518,900	207,572,000	210,790,500
Federal Funds					
Balance Forward	9,639				
Current Receipts	42,792,861	46,591,000	45,944,200	44,240,000	43,593,200
Non-Revenue Receipts		60,200	88,800	60,200	88,800
Total Federal Funds	42,802,500	46,651,200	46,033,000	44,300,200	43,682,000
TOTAL SOURCE OF FUNDS	415,185,100	466,493,700	488,279,400	435,630,000	446,633,600
EXPENDITURES BY CLASS					
Personnel Cost	156,719,600	184,336,000	195,976,700	162,804,400	166,850,200
Operating Expenses	26,719,400	29,777,300	32,199,800	26,769,900	29,112,000
Grants, Loans or Benefits	231,550,800	252,185,100	259,907,600	245,860,400	250,284,100
Debt Service					192,000
Capital Outlay	195,300	195,300	195,300	195,300	195,300
TOTAL EXPENDITURES	415,185,100	466,493,700	488,279,400	435,630,000	446,633,600
EXPENDITURES BY FUND SOURCE					
General Fund	168,769,100	214,237,600	234,827,500	182,957,800	191,361,100
Tobacco Settlement-Phase I	900,000	900,000	900,000	800,000	800,000
Restricted Funds	202,713,500	204,704,900	206,518,900	207,572,000	210,790,500
Federal Funds	42,802,500	46,651,200	46,033,000	44,300,200	43,682,000
TOTAL EXPENDITURES	415,185,100	466,493,700	488,279,400	435,630,000	446,633,600
EXPENDITURES BY UNIT					
Community Mental Health & Substance Abuse Svcs	113,766,400	120,587,900	121,495,900	114,988,400	114,454,200
Community Mental Retardation Services	29,252,100	37,909,000	43,870,200	36,588,800	41,764,300
General Mental Health/Mental Retardation Support	30,013,100	31,583,100	32,599,800	30,013,100	30,013,100
Residential Mental Health/Mental Retardation	242,153,500	276,413,700	290,313,500	254,039,700	260,402,000
TOTAL EXPENDITURES	415,185,100	466,493,700	488,279,400	435,630,000	446,633,600

The Department for Mental Health/Mental Retardation Services operates mental health, mental retardation, substance abuse, developmental disability, and brain injury programs. Services are provided in the community and in state-owned, state-operated, and contracted residential facilities. Over 1,400 inpatients are cared for daily in the facilities operated or contracted by the cabinet, and several thousand more are treated as outpatients in the community setting by the 14 Regional Mental Health and Mental Retardation Boards.

Health and Family Services
Mental Health and Mental Retardation Services
Community Mental Health & Substance Abuse Services

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	43,442,600	46,591,100	48,033,300	43,442,600	43,442,600
Total General Fund	43,442,600	46,591,100	48,033,300	43,442,600	43,442,600
Tobacco Settlement-Phase I					
Tobacco Settlement - I	900,000	900,000	900,000	800,000	800,000
Total Tobacco Settlement-Phase I	900,000	900,000	900,000	800,000	800,000
Restricted Funds					
Balance Forward	1,189,183				
Current Receipts	22,318,200	22,318,200	22,318,200	22,334,600	22,342,500
Non-Revenue Receipts	8,203,817	9,409,400	9,417,300	9,393,000	9,393,000
Total Restricted Funds	31,711,200	31,727,600	31,735,500	31,727,600	31,735,500
Federal Funds					
Balance Forward	1,369				
Current Receipts	37,711,231	41,369,200	40,827,100	39,018,200	38,476,100
Total Federal Funds	37,712,600	41,369,200	40,827,100	39,018,200	38,476,100
TOTAL SOURCE OF FUNDS	113,766,400	120,587,900	121,495,900	114,988,400	114,454,200
EXPENDITURES BY CLASS					
Personnel Cost	7,989,800	8,996,800	9,208,400	8,008,500	8,024,500
Operating Expenses	452,400	477,400	477,400	452,400	452,400
Grants, Loans or Benefits	105,324,200	111,113,700	111,810,100	106,527,500	105,977,300
TOTAL EXPENDITURES	113,766,400	120,587,900	121,495,900	114,988,400	114,454,200
EXPENDITURES BY FUND SOURCE					
General Fund	43,442,600	46,591,100	48,033,300	43,442,600	43,442,600
Tobacco Settlement-Phase I	900,000	900,000	900,000	800,000	800,000
Restricted Funds	31,711,200	31,727,600	31,735,500	31,727,600	31,735,500
Federal Funds	37,712,600	41,369,200	40,827,100	39,018,200	38,476,100
TOTAL EXPENDITURES	113,766,400	120,587,900	121,495,900	114,988,400	114,454,200
EXPENDITURES BY UNIT					
Community Alcohol and Drug Services	38,770,300	42,644,100	42,935,200	38,670,300	38,670,300
Community Mental Health Services	74,996,100	77,943,800	78,560,700	76,318,100	75,783,900
TOTAL EXPENDITURES	113,766,400	120,587,900	121,495,900	114,988,400	114,454,200

Community Mental Health Services

The Community Mental Health Services program provides services and support to Kentuckians with mental health problems in an effort to improve their ability to function in the community. The Department for Mental Health and Mental Retardation Services contracts with 14 regional Mental Health/Mental Retardation Boards that oversee the community mental health centers and other local entities. In addition, the Community Mental Health Services program has targeted funds to the most

vulnerable. These are:

- adults with severe mental illness (KRS 210, KRS 202A);
- children and youth with severe emotional disabilities (KRS 200.500 to KRS 200.509); and
- persons with acquired traumatic brain injury (KRS 211.470 to KRS 211.478).

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

State and federal funds are used to provide case management services, psychotropic medications, and housing and vocational support services for adults with severe mental illness. Funds are also provided for unique services that "wrap around" a child or adult who is at risk of psychiatric hospitalization. These funds are used to purchase goods and services that are individualized and can include peer mentoring, respite, and social skills training.

The Community Mental Health program assists in statewide mental health planning, monitors services, provides technical assistance and training, and procures and administers federal and other funds for the mental health community.

The mission of the Brain Injury Services Unit is to provide comprehensive services and support to persons with acquired brain injuries and their families. The Brain Injury Services Unit administers the programmatic aspects of the Medicaid Acquired Brain Injury Waiver Program and oversees the administration of the Traumatic Brain Injury Trust Fund. The trust fund receives a portion of fees imposed for violations of certain traffic laws and convictions for driving under the influence (DUI) violations.

Community Alcohol and Drug Services

The Community Alcohol and Drug Services Program provides quality treatment, prevention, and education services to citizens suffering from, or at-risk of, alcohol and drug addiction. Services are provided primarily through contracts with 14 regional Mental Health/Mental Retardation Boards that oversee the Community Mental Health Centers. These substance abuse prevention and treatment services are provided pursuant to KRS 222 (Alcohol and Drug Education, Treatment, and Rehabilitation). The receipts from alcohol intoxication fines are received pursuant to KRS 431.100. Other statutes under which the program operates include: KRS 189A (Driving Under the Influence assessment, education, and treatment) and KRS 218A.410 (Drug Forfeiture).

The Department contracts with community mental health centers and their subcontractors, schools, local government agencies, and other community-based organizations to provide services which include: community prevention programming (offered through 14 regional prevention centers); juvenile diversion programs; DUI assessment, education, and treatment programs; consultation with businesses on the development of a drug-free work place and employee assistance programs; social setting detoxification centers, residential treatment centers, outpatient treatment and case management services; and specialized treatment services for pregnant women, women with dependent children, adolescents, and intravenous drug users. In addition, opiate replacement therapy is available to opiate dependent persons who are at high risk for HIV/AIDS due to their intravenous drug use. Training, consultation and client evaluations are made available, within budget limitations, to criminal justice agencies and other agencies within the Cabinet for Health and Family Services for clients with alcohol and other drug problems.

Health and Family Services
Mental Health and Mental Retardation Services
Community Mental Retardation Services

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	23,373,700	31,393,900	36,979,600	25,513,700	27,273,700
Total General Fund	23,373,700	31,393,900	36,979,600	25,513,700	27,273,700
Restricted Funds					
Balance Forward	19,465				
Current Receipts	22,900	275,800	432,200	4,835,800	8,032,200
Non-Revenue Receipts	2,300,835	2,349,500	2,363,700	2,349,500	2,363,700
Total Restricted Funds	2,343,200	2,625,300	2,795,900	7,185,300	10,395,900
Federal Funds					
Balance Forward	2,470				
Current Receipts	3,532,730	3,829,600	4,005,900	3,829,600	4,005,900
Non-Revenue Receipts		60,200	88,800	60,200	88,800
Total Federal Funds	3,535,200	3,889,800	4,094,700	3,889,800	4,094,700
TOTAL SOURCE OF FUNDS	29,252,100	37,909,000	43,870,200	36,588,800	41,764,300
EXPENDITURES BY CLASS					
Personnel Cost	3,494,400	4,558,000	4,759,700	3,587,500	3,622,600
Operating Expenses	683,500	686,900	686,900	686,900	686,900
Grants, Loans or Benefits	25,074,200	32,664,100	38,423,600	32,314,400	37,454,800
TOTAL EXPENDITURES	29,252,100	37,909,000	43,870,200	36,588,800	41,764,300
EXPENDITURES BY FUND SOURCE					
General Fund	23,373,700	31,393,900	36,979,600	25,513,700	27,273,700
Restricted Funds	2,343,200	2,625,300	2,795,900	7,185,300	10,395,900
Federal Funds	3,535,200	3,889,800	4,094,700	3,889,800	4,094,700
TOTAL EXPENDITURES	29,252,100	37,909,000	43,870,200	36,588,800	41,764,300
EXPENDITURES BY UNIT					
Local Mental Retardation Services	27,789,400	36,392,900	42,328,800	35,084,500	40,240,300
Ky Developmental Disability Council	1,462,700	1,516,100	1,541,400	1,504,300	1,524,000
TOTAL EXPENDITURES	29,252,100	37,909,000	43,870,200	36,588,800	41,764,300

Community Mental Retardation Services provides support and services to individuals with mental retardation and other developmental disabilities to help them live well within the greater community. Services are provided through contracts with the 14 Community Mental Health/Mental Retardation Boards, and with for-profit and non-profit agencies which provide residential services, vocational training, and social support. Some of the residential services include support to family homes, group home placement, apartment living supervision, residence staffing, and help with other living arrangements. Individuals with disabilities have additional opportunities for self-determination through Supported Living grants, which help them to live as independently as possible in their homes and participate in the community to the fullest extent possible.

The Kentucky Council on Developmental Disabilities is administratively attached to Community Mental Retardation Services. The Council is made up of 26 members and includes consumers, parents, and local agency representatives appointed by the Governor (PL 106-402 and KRS 194.135). The Council promotes systems change, capacity building and advocacy for people with developmental disabilities. The Council on Developmental Disabilities represents the interests of approximately 122,000 Kentuckians who have developmental disabilities. The Council funds time-limited demonstration projects and engages in

outreach activities to assist individuals with developmental disabilities and their families.

Policy

The recommended budget includes additional General Fund of \$1,140,000 and Restricted Funds of \$4,560,000 in fiscal year 2007 and General Fund of \$1,900,000 and Restricted Funds of \$7,600,000 in fiscal year 2008 for crisis stabilization support services to individuals with mental retardation. These support services are critical to the successful community placement of individuals moving from a residential setting into the community.

Additional General Fund support of \$1,000,000 in fiscal year 2007 and \$2,000,000 in fiscal year 2008 is provided to enhance the Supported Living program.

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

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	29,870,900	31,440,900	32,457,600	29,870,900	29,870,900
Total General Fund	29,870,900	31,440,900	32,457,600	29,870,900	29,870,900
Restricted Funds					
Balance Forward	448				
Current Receipts	-448				
Total Restricted Funds					
Federal Funds					
Current Receipts	142,200	142,200	142,200	142,200	142,200
Total Federal Funds	142,200	142,200	142,200	142,200	142,200
TOTAL SOURCE OF FUNDS	30,013,100	31,583,100	32,599,800	30,013,100	30,013,100
EXPENDITURES BY CLASS					
Personnel Cost	2,626,000	3,323,000	3,513,400	2,664,700	2,665,000
Operating Expenses	638,400	752,100	756,400	638,400	638,100
Grants, Loans or Benefits	26,748,700	27,508,000	28,330,000	26,710,000	26,710,000
TOTAL EXPENDITURES	30,013,100	31,583,100	32,599,800	30,013,100	30,013,100
EXPENDITURES BY FUND SOURCE					
General Fund	29,870,900	31,440,900	32,457,600	29,870,900	29,870,900
Federal Funds	142,200	142,200	142,200	142,200	142,200
TOTAL EXPENDITURES	30,013,100	31,583,100	32,599,800	30,013,100	30,013,100

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

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

Health and Family Services
Mental Health and Mental Retardation Services
Residential Mental Health/Mental Retardation

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	69,476,500	104,811,700	117,357,000	84,130,600	90,773,900
Salary Compensation Fund	2,605,400				
Total General Fund	72,081,900	104,811,700	117,357,000	84,130,600	90,773,900
Restricted Funds					
Current Receipts	168,659,100	170,352,000	171,987,500	168,659,100	168,659,100
Total Restricted Funds	168,659,100	170,352,000	171,987,500	168,659,100	168,659,100
Federal Funds					
Balance Forward	5,800				
Current Receipts	1,406,700	1,250,000	969,000	1,250,000	969,000
Total Federal Funds	1,412,500	1,250,000	969,000	1,250,000	969,000
TOTAL SOURCE OF FUNDS	242,153,500	276,413,700	290,313,500	254,039,700	260,402,000
EXPENDITURES BY CLASS					
Personnel Cost	142,609,400	167,458,200	178,495,200	148,543,700	152,538,100
Operating Expenses	24,945,100	27,860,900	30,279,100	24,992,200	27,334,600
Grants, Loans or Benefits	74,403,700	80,899,300	81,343,900	80,308,500	80,142,000
Debt Service					192,000
Capital Outlay	195,300	195,300	195,300	195,300	195,300
TOTAL EXPENDITURES	242,153,500	276,413,700	290,313,500	254,039,700	260,402,000
EXPENDITURES BY FUND SOURCE					
General Fund	72,081,900	104,811,700	117,357,000	84,130,600	90,773,900
Restricted Funds	168,659,100	170,352,000	171,987,500	168,659,100	168,659,100
Federal Funds	1,412,500	1,250,000	969,000	1,250,000	969,000
TOTAL EXPENDITURES	242,153,500	276,413,700	290,313,500	254,039,700	260,402,000
EXPENDITURES BY UNIT					
Acute Care	109,316,400	126,562,000	133,433,600	120,352,500	126,521,300
Alternate Care	13,347,200	15,600,200	16,405,700	13,464,100	13,464,100
Mental Retardation	107,364,800	119,897,600	125,420,700	107,962,100	107,963,600
Alcohol	606,400	697,700	738,200	612,000	612,000
Forensic	11,518,700	13,656,200	14,315,300	11,649,000	11,649,000
TOTAL EXPENDITURES	242,153,500	276,413,700	290,313,500	254,039,700	260,210,000

Residential Mental Health/Mental Retardation Services provides residential services in the areas of psychiatric hospitalization, intermediate care for persons with mental retardation, nursing facility care, forensic psychiatry, and substance abuse. The Department provides care in this program to approximately 1,300 individuals each day.

Inpatient psychiatric services are provided for adults through three psychiatric hospitals: Eastern State Hospital in Lexington with an average daily census (ADC) of 174; Central State Hospital in Louisville with an ADC of 114; and Western State Hospital in Hopkinsville with an ADC of 137. The Hazard Psychiatric Facility, with an ADC of 82, provides acute inpatient psychiatric services through a contract with Appalachian Regional Healthcare, Inc. Eastern State Hospital is operated

under a management contract with Bluegrass Regional Mental Health/Mental Retardation Board, Inc.

Glasgow Nursing Facility with an ADC of 84 and Western State Nursing Facility with an ADC of 128 provide nursing facility services for adults with mental illness who are admitted from state psychiatric hospitals.

Seven facilities provide intermediate care for individuals with mental retardation who are unable to live unassisted in their communities: the Oakwood Community Center in Somerset with an ADC of 285; Outwood in Dawson Springs with an ADC of 69; Hazelwood in Louisville with an ADC of 150; Central State Intermediate Care Facility for the Mentally Retarded on the campus of Central State Hospital with an ADC of 41; Del Maria in Fern Creek with an ADC of 8; the Meadows in Mount Washington with an ADC of 8; and Windsong in Crestwood with an ADC of 8. Residents are assisted in self-care skills and appropriate social behavior and are provided specialized services to promote their personal growth.

Numerous initiatives are underway to improve the overall quality of service provided to the residents at the Oakwood Community Center. The cabinet has contracted with a healthcare vendor to operate the Oakwood Community Center. The vendor will make improvements in the care rendered at the facility and ensure the safety and welfare of clients at Oakwood as the Department continues to downsize the facility.

Volta House, a facility with an ADC of 26 on the campus of Western State Hospital in Hopkinsville, provides a 28-day inpatient program for individuals suffering from chronic or acute alcoholism.

Forensic psychiatric services are provided at the Kentucky Correctional Psychiatric Center within the Luther Lockett Correctional Complex in LaGrange (85 beds). Pretrial services are provided for persons with felony charges who are referred by district and circuit courts for evaluation of competency to stand trial. The correctional component serves post-convicted females in need of acute inpatient psychiatric treatment who are transferred from various institutions within the Department of Corrections.

Policy

The recommended budget includes additional General Fund of \$12,048,700 in fiscal year 2007 and \$18,500,000 in fiscal year 2008 to support increased census and inflationary growth for state-owned psychiatric hospitals and inflationary growth for intermediate care facilities for the mentally retarded.

Included in the above General Fund appropriation is \$192,000 in fiscal year 2008 for debt service for chiller and HVAC replacement at the Oakwood Community Center, an intermediate care facility for the mentally retarded located in Somerset.

Health and Family Services

Public Health

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	66,512,900	77,446,300	80,075,200	64,882,700	67,131,000
Salary Compensation Fund	414,200				
Base Deduction	-382,300				
Reorganization Adjustments	-597,900				
Total General Fund	65,946,900	77,446,300	80,075,200	64,882,700	67,131,000
Tobacco Settlement-Phase I					
Tobacco Settlement - I	17,373,000	17,373,000	17,373,000	14,000,900	14,721,100
Continuing Appropriation	2,651,900				
Budget Reduction	-877,200				
Total Tobacco Settlement-Phase I	19,147,700	17,373,000	17,373,000	14,000,900	14,721,100
Restricted Funds					
Balance Forward	5,649,175	5,126,200	4,619,700	703,900	338,900
Current Receipts	70,578,025	70,864,300	70,935,800	70,870,500	70,953,100
Non-Revenue Receipts	790,000	790,000	790,000	790,000	790,000
Fund Transfers	-5,015,800			-542,800	-483,000
Total Restricted Funds	72,001,400	76,780,500	76,345,500	71,821,600	71,599,000
Federal Funds					
Balance Forward	505,609				
Current Receipts	167,976,091	169,426,000	169,878,400	169,426,000	169,878,400
Total Federal Funds	168,481,700	169,426,000	169,878,400	169,426,000	169,878,400
TOTAL SOURCE OF FUNDS	325,577,700	341,025,800	343,672,100	320,131,200	323,329,500
EXPENDITURES BY CLASS					
Personnel Cost	41,472,100	45,609,900	47,113,400	41,195,300	41,304,400
Operating Expenses	18,084,000	19,094,800	19,078,000	18,199,700	18,217,300
Grants, Loans or Benefits	265,317,700	271,701,400	273,609,600	260,397,300	263,807,800
TOTAL EXPENDITURES	324,873,800	336,406,100	339,801,000	319,792,300	323,329,500
EXPENDITURES BY FUND SOURCE					
General Fund	65,946,900	77,446,300	80,075,200	64,882,700	67,131,000
Tobacco Settlement-Phase I	19,147,700	17,373,000	17,373,000	14,000,900	14,721,100
Restricted Funds	71,297,500	72,160,800	72,474,400	71,482,700	71,599,000
Federal Funds	168,481,700	169,426,000	169,878,400	169,426,000	169,878,400
TOTAL EXPENDITURES	324,873,800	336,406,100	339,801,000	319,792,300	323,329,500
EXPENDITURES BY UNIT					
General Health Support	47,806,500	58,144,100	60,313,000	46,989,400	49,415,000
Epidemiology and Health Planning	50,711,500	52,231,500	52,706,100	51,322,300	51,562,400
Adult and Child Health	209,386,000	208,131,100	208,459,900	204,421,800	205,273,300
Laboratory Services	6,686,300	6,980,400	7,119,500	6,684,400	6,680,500
Public Health Protection and Safety	10,283,500	10,919,000	11,202,500	10,374,400	10,398,300
TOTAL EXPENDITURES	324,873,800	336,406,100	339,801,000	319,792,300	323,329,500

The Department for Public Health as authorized by KRS 211.025 and 211.180 supervises and assists all local boards of health and departments in an effort to protect and improve the health of the citizens of the Commonwealth.

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

In fiscal year 2005, the Department for Public Health and public health departments of Kentucky reported the following accomplishments:

- Provided adult health preventive visits to 200,000 people
- Provided cancer related clinical visits (primarily breast and cervical cancer) to 23,113 people
- Provided 16,739 diabetes health promotion education activities to high-risk populations
- Provided family planning services to 110,239 people
- Provided maternity services to 52,119 women
- Provided 374,771 medical home health units/visits to 8,318 patients
- Provided 314,222 units/visits of Medicaid Home and Community Based Services to 2,818 people
- Provided children's preventive services to 455,000 children
- Enrolled 126,950 WIC participants (Women, Infants and Children program)
- Referred 530 infants with positive or inconclusive results from newborn screening for PKU, galactosemia, congenital hypothyroidism and sickle cell disorders to university diagnostic centers
- Performed genetic testing, counseling, and education for 1,420 families
- Provided 814,240 doses of vaccine to Kentuckians. Data recently released by the Centers for Disease Control and Prevention show that 84 percent of Kentucky's two-year-olds have received the required immunizations
- Immunized 449,676 persons
- Immunized 93 percent of kindergarten entrants adequately (51,668 children)
- Inspected 44,607 food establishments, 1,391 X-ray and other radiation-producing machines, 8,048 dairies, and performed 109,000 sanitation inspections
- Performed 838,525 laboratory tests
- Provided 512,737 copies of vital statistics records to the public
- Served 41,938 walk-in customers for vital statistics requests for information/certificates

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

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

**Health and Family Services
Public Health
General Health Support**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	17,152,500	27,369,100	29,513,600	16,214,400	18,615,600
Salary Compensation Fund	120,400				
Base Deduction	-190,700				
Total General Fund	17,082,200	27,369,100	29,513,600	16,214,400	18,615,600
Restricted Funds					
Balance Forward	1,442,598	1,570,300	1,754,700		
Current Receipts	27,802,002	27,909,400	27,933,800	27,909,400	27,933,800
Non-Revenue Receipts	1,440,000	1,440,000	1,440,000	1,440,000	1,440,000
Fund Transfers	-1,570,300			-184,400	-184,400
Total Restricted Funds	29,114,300	30,919,700	31,128,500	29,165,000	29,189,400
Federal Funds					
Balance Forward	131				
Current Receipts	1,609,869	1,610,000	1,610,000	1,610,000	1,610,000
Total Federal Funds	1,610,000	1,610,000	1,610,000	1,610,000	1,610,000
TOTAL SOURCE OF FUNDS	47,806,500	59,898,800	62,252,100	46,989,400	49,415,000
EXPENDITURES BY CLASS					
Personnel Cost	6,100,200	7,167,500	7,445,000	6,156,800	6,128,100
Operating Expenses	599,100	1,254,700	1,237,900	568,800	568,800
Grants, Loans or Benefits	41,107,200	49,721,900	51,630,100	40,263,800	42,718,100
TOTAL EXPENDITURES	47,806,500	58,144,100	60,313,000	46,989,400	49,415,000
EXPENDITURES BY FUND SOURCE					
General Fund	17,082,200	27,369,100	29,513,600	16,214,400	18,615,600
Restricted Funds	29,114,300	29,165,000	29,189,400	29,165,000	29,189,400
Federal Funds	1,610,000	1,610,000	1,610,000	1,610,000	1,610,000
TOTAL EXPENDITURES	47,806,500	58,144,100	60,313,000	46,989,400	49,415,000

General Health Support provides funding to two organizational units within the Department for Public Health: the Office of the Commissioner and the Division of Administration and Financial Management.

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

The Chief Nurse for Public Health, located in the Commissioner's Office, provides professional consultation, support, and technical assistance to the commissioner, executive staff, and state and local health departments including approximately 1,000 nurses practicing in local health departments. The Chief Nurse helps administer the nurse-managed employee health centers in Frankfort that provide direct care, blood pressure monitoring, flu shots, health education, and HIV/AIDS and CPR classes for state employees. The nurses' stations also arrange for first aid coverage for large scale state events.

The Division of Administration and Financial Management provides all resource support to the Department for Public Health. This includes the 381 Cabinet-level personnel and nearly 4,000 personnel represented by local health departments. The Division provides all budget and accounting support, payments, grant allocation, fee collection, procurement and contracting support. The Division develops the Department's biennial budget and oversees local health departments' fiscal planning and administrative management functions. It provides fiscal support to all 120 counties of the Commonwealth. The Division works in concert with the other divisions in the Department to plan, program, execute, manage, and report the financial activities of the Department and local health departments. The Division has orchestrated a statewide Public Health initiative to ensure Health Department compliance with the federal Health Insurance Portability and Accountability Act (HIPAA). As lead agency, the Division is responsible for planning and implementation of policy, procedural and technical changes to Department for Public Health and local health department operations as they relate to the privacy and confidentiality of patient identifiable information.

The Division is also responsible for overseeing the day-to-day operation of the 56 local health departments across the state. This responsibility includes training and staff development, personnel management, public health nursing, medical records and forms management, reporting of clinical and community-based services, operating the online local health network that tracks approximately 7.4 million services to 848,000 patients, policy interpretation, and the Local Board of Health nomination process. The Division is the primary liaison between the Department for Public Health and local health departments. In addition, the division is responsible for the coordination of training and education activities as prescribed by the federal Bioterrorism preparedness grant.

Policy

The recommended budget includes a General Fund appropriation of \$1,000,000 in fiscal year 2007 and \$1,500,000 in fiscal year 2008 to support the Governor's Council on Wellness and Physical Activity Initiative. This initiative will focus on encouraging Kentuckians to be more pro-active in assuming responsibility for their overall health. These funds will provide for development of a program permitting all Kentuckians to engage in health and fitness activities based on their current fitness levels and fitness goals. Using existing models and structure, the program will link to the President's Fitness Challenge, a program that has been in place on the national level for a number of years.

Health and Family Services
Public Health
Epidemiology and Health Planning

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	8,200,200	7,881,200	7,980,100	7,606,900	7,563,100
Salary Compensation Fund	70,200				
Base Deduction	-140,000				
Reorganization Adjustments	-597,900				
Total General Fund	7,532,500	7,881,200	7,980,100	7,606,900	7,563,100
Tobacco Settlement-Phase I					
Tobacco Settlement - I	2,000,000	2,000,000	2,000,000	1,750,000	1,750,000
Budget Reduction	-250,000				
Total Tobacco Settlement-Phase I	1,750,000	2,000,000	2,000,000	1,750,000	1,750,000
Restricted Funds					
Balance Forward	647,774	395,100	266,300		
Current Receipts	2,434,826	2,461,600	2,461,600	2,461,600	2,461,600
Fund Transfers	-916,600			-256,100	-210,400
Total Restricted Funds	2,166,000	2,856,700	2,727,900	2,205,500	2,251,200
Federal Funds					
Balance Forward	414,013				
Current Receipts	38,848,987	39,759,900	39,998,100	39,759,900	39,998,100
Total Federal Funds	39,263,000	39,759,900	39,998,100	39,759,900	39,998,100
TOTAL SOURCE OF FUNDS	50,711,500	52,497,800	52,706,100	51,322,300	51,562,400
EXPENDITURES BY CLASS					
Personnel Cost	19,266,600	20,502,000	20,976,600	18,770,700	18,859,300
Operating Expenses	11,227,500	11,597,500	11,597,500	11,393,500	11,411,100
Grants, Loans or Benefits	20,217,400	20,132,000	20,132,000	21,158,100	21,292,000
TOTAL EXPENDITURES	50,711,500	52,231,500	52,706,100	51,322,300	51,562,400
EXPENDITURES BY FUND SOURCE					
General Fund	7,532,500	7,881,200	7,980,100	7,606,900	7,563,100
Tobacco Settlement-Phase I	1,750,000	2,000,000	2,000,000	1,750,000	1,750,000
Restricted Funds	2,166,000	2,590,400	2,727,900	2,205,500	2,251,200
Federal Funds	39,263,000	39,759,900	39,998,100	39,759,900	39,998,100
TOTAL EXPENDITURES	50,711,500	52,231,500	52,706,100	51,322,300	51,562,400
EXPENDITURES BY UNIT					
Communicable Diseases	13,028,100	13,673,900	13,804,300	13,257,600	13,278,500
AIDS/HIV	11,149,300	11,248,200	11,297,000	11,173,100	11,205,100
Public Health Preparedness	22,352,400	22,579,200	22,686,400	22,579,200	22,686,400
Surveillance and Health Data	1,765,200	1,889,300	1,940,000	1,856,400	1,890,700
Vital	2,416,500	2,840,900	2,978,400	2,456,000	2,501,700
TOTAL EXPENDITURES	50,711,500	52,231,500	52,706,100	51,322,300	51,562,400

The mission of the Epidemiology and Health Planning program is to assess the occurrence of, and risk factors for, preventable and reportable diseases and injuries in the Commonwealth; to develop health policies related to the Division's and Department's objectives; to prepare for public health threats; to collect, safeguard and report vital event records;

and to assure the provision of some core public health services. To discharge these responsibilities, the Division conducts activities in five areas:

- 1 Communicable Disease, which includes immunizations, sexually transmitted diseases, tuberculosis (TB), and other communicable diseases;
- 2 HIV/AIDS, which includes prevention activities, services, and surveillance for HIV/AIDS;
- 3 Surveillance and Health Data, which includes reportable disease surveillance, emerging infections, health status and health risk factor studies, injury epidemiology, and the collection and analysis of data relating to community health systems planning and development;
- 4 Vital Statistics, which collects and preserves mandatory records of all vital events including births, deaths, marriages, and divorces; and
- 5 Public Health Preparedness, which includes the development, implementation, and exercising of statewide preparedness plans for biological threats, such as bioterrorism and naturally occurring disease outbreaks.

Epidemiology and Health Planning makes financial support and vaccines available to local health departments and other providers for the provision of more than one million immunizations each year (more, in years when outbreaks occur) to more than 400,000 persons. Immunization rates in schools, day care, health department clinics, and among the general child population are tracked. The tuberculosis control program reduces the number of cases and deaths due to tuberculosis by preventing non-infected individuals from becoming infected, keeping those infected without disease from progressing to disease, and by rendering infected individuals with disease non-infectious. Kentucky's TB case rate remains below the national average. Sexually transmitted disease and other communicable disease control assistance and consultation are provided across the Commonwealth as required.

Epidemiology and Health Planning is the designated State Center for Health Statistics. Health Data and Vital Statistics are responsible for the collection, analysis, and dissemination of health data from many sources to policy makers, health planners and consumers with the goal of developing policy that will improve the health of the population and ensure access to (and the benefit of) public health services to all Kentuckians. The maintenance of all vital records (birth, death, marriage and divorce certificates) and the response to all requests for vital statistics data are also carried out by this program.

Epidemiology and Health Planning is partially funded through federal preparedness and response to bioterrorism grants and has the responsibility of developing, coordinating and overseeing the public health response to bioterrorism. These funds are used to prepare the Commonwealth for disease outbreaks and other public health threats, increase the integration of local public health system assets, upgrade the State Laboratory to the capacity required by the Centers for Disease Control and Prevention, and provide hospitals across the state with funding to ensure preparedness for events attributable to bioterrorism.

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

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	33,441,200	33,813,400	33,954,100	33,259,200	33,202,400
Salary Compensation Fund	82,700				
Base Deduction	-16,400				
Total General Fund	33,507,500	33,813,400	33,954,100	33,259,200	33,202,400
Tobacco Settlement-Phase I					
Tobacco Settlement - I	15,373,000	15,373,000	15,373,000	12,250,900	12,971,100
Continuing Appropriation	2,651,900				
Budget Reduction	-627,200				
Total Tobacco Settlement-Phase I	17,397,700	15,373,000	15,373,000	12,250,900	12,971,100
Restricted Funds					
Balance Forward	2,880,612	2,531,900	2,215,700	533,900	250,700
Current Receipts	32,021,788	32,083,100	32,130,200	32,083,100	32,130,200
Fund Transfers	-2,070,000				
Total Restricted Funds	32,832,400	34,615,000	34,345,900	32,617,000	32,380,900
Federal Funds					
Balance Forward	171				
Current Receipts	126,182,129	126,545,400	126,718,900	126,545,400	126,718,900
Total Federal Funds	126,182,300	126,545,400	126,718,900	126,545,400	126,718,900
TOTAL SOURCE OF FUNDS	209,919,900	210,346,800	210,391,900	204,672,500	205,273,300
EXPENDITURES BY CLASS					
Personnel Cost	9,104,600	9,939,500	10,268,300	9,145,500	9,164,400
Operating Expenses	972,500	973,900	973,900	972,500	972,500
Grants, Loans or Benefits	199,308,900	197,217,700	197,217,700	194,303,800	195,136,400
TOTAL EXPENDITURES	209,386,000	208,131,100	208,459,900	204,421,800	205,273,300
EXPENDITURES BY FUND SOURCE					
General Fund	33,507,500	33,813,400	33,954,100	33,259,200	33,202,400
Tobacco Settlement-Phase I	17,397,700	15,373,000	15,373,000	12,250,900	12,971,100
Restricted Funds	32,298,500	32,399,300	32,413,900	32,366,300	32,380,900
Federal Funds	126,182,300	126,545,400	126,718,900	126,545,400	126,718,900
TOTAL EXPENDITURES	209,386,000	208,131,100	208,459,900	204,421,800	205,273,300
EXPENDITURES BY UNIT					
Maternal & Child Health	35,093,000	35,234,900	35,342,000	34,340,500	34,336,900
Early Childhood Development	31,896,800	29,998,600	30,026,900	28,421,100	29,025,900
Health Access	2,088,200	2,075,600	2,106,400	1,942,700	1,946,000
Chronic Diseases	9,079,500	9,342,700	9,384,600	8,811,300	8,973,300
First Steps	32,734,200	32,801,600	32,834,900	32,234,200	32,234,200
Nutrition	98,494,300	98,677,700	98,765,100	98,672,000	98,757,000
TOTAL EXPENDITURES	209,386,000	208,131,100	208,459,900	204,421,800	205,273,300

The Adult and Child Health Improvement program promotes and improves the health status of all Kentuckians through early childhood development programs, community based health education and prevention, preventive clinical care, nutrition counseling and food supplementation, and the promotion of an adequate network of primary care providers throughout the Commonwealth. Although improvements have been made in several areas, the overall health of Kentucky's citizens still ranks near the bottom nationally. In the absence of good preventive care, many health conditions worsen and become more expensive to treat. When preventive health is more widely promoted, wellness and lifestyle changes can become a more prevalent focus. As a result, health care costs can be reduced and quality of life can improve for all Kentuckians.

The Maternal and Child Health subprogram provides oversight to many of the services and activities which focus on mothers and children including family planning, folic acid supplements, prenatal/maternity services, well child care, lead poisoning prevention, injury prevention, teen pregnancy prevention, coordinated school health, and breast and cervical cancer screening. To enable children to reach their full potential, preventive care must be obtained in the formative years, 0-5 years of age, when the brain is programmed to develop.

The Early Childhood Development subprogram provides active leadership in achieving the health goals of the state's early childhood initiatives through Healthy Access Nurturing Development Services (HANDS), Healthy Start in Child Care, Early Childhood Mental Health and First Steps (Kentucky Early Intervention Services), which was transferred from the Commission on Children with Special Health Care Needs in fiscal year 2004. Other services in the subprogram include newborn metabolic screening case management, genetic screening, and the maintenance of the Kentucky birth surveillance registry. Approximately 21 percent of all children provided preventive health services are in need of further evaluation and treatment of a condition or problem that, when detected early, is less costly than if allowed to worsen. It has been estimated that every dollar spent on early intervention for children results in a cost avoidance of seven dollars. The future of Kentucky depends upon the healthy development of its youngest citizens.

The Chronic Disease subprogram focuses on community-based health promotion and education for adults and children as well as planning efforts aimed at finding local solutions to major health problems. Treatment for persons with chronic diseases makes up more than 60 percent of all medical care expenditures. Activities are directed primarily toward diabetes control, arthritis management, asthma management, cardiovascular health, physical activity, worksite wellness, and tobacco control and prevention. Preventive services are also focused on adults without a medical "home."

The Nutrition subprogram administers the federally funded Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) program that provide a monthly food prescription (package) as well as nutrition education to low-income pregnant and postpartum women, infants, and children at nutritional risk. Studies have shown that pregnant women who participate in WIC have fewer premature births, fewer low birth weight babies, and seek prenatal care earlier in the pregnancy. Nutritionists in local health departments provide medical nutrition therapy and follow-up nutrition care for children with special health care needs. Additionally, this subprogram provides oversight of a state nutrition and physical activity program to prevent obesity. Lifestyle changes such as regular exercise and a healthy diet can reduce the risk of cardiovascular diseases, diabetes, high blood pressure, and high cholesterol. Breastfeeding promotion is also an important component of this subprogram.

The Health Care Access subprogram focuses on primary care and provides dental services to the citizens of Kentucky. This subprogram administers federal grants and programs that relate to primary care such as the National Health Service Corps, Conrad State 30 J-1 Visa Waiver Program, and Appalachian Regional Commission partnership. Dental services are provided to reduce the number of decayed, missing, and filled teeth in the 18-and-under population as well as to reduce the prevalence of periodontal (gum) diseases and oral and pharyngeal cancers. Through KIDS Now, this subprogram has initiated a program to prevent early childhood caries (formerly called baby bottle tooth decay). Providing these services at \$10 per visit could save between \$5,000 and \$10,000 per child in restorative care and hospitalization if the disease progresses to its terminal state. Additionally, the subprogram houses the 1-800 hotline for the Kentucky Physicians' Care program. This program utilizes many of Kentucky's physicians, dentists, pharmacies, and several pharmaceutical companies to provide free health care and medications to uninsured individuals.

**Health and Family Services
Public Health
Laboratory Services**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	4,051,600	4,364,200	4,471,400	4,107,100	4,061,000
Salary Compensation Fund	82,700				
Total General Fund	4,134,300	4,364,200	4,471,400	4,107,100	4,061,000
Restricted Funds					
Balance Forward	309,600	199,300	115,600	131,800	87,000
Current Receipts	3,091,700	3,182,500	3,182,500	3,182,500	3,182,500
Non-Revenue Receipts	-650,000	-650,000	-650,000	-650,000	-650,000
Fund Transfers	-67,500				
Total Restricted Funds	2,683,800	2,731,800	2,648,100	2,664,300	2,619,500
TOTAL SOURCE OF FUNDS	6,818,100	7,096,000	7,119,500	6,771,400	6,680,500
EXPENDITURES BY CLASS					
Personnel Cost	2,316,600	2,633,300	2,772,400	2,337,300	2,333,400
Operating Expenses	4,361,100	4,338,500	4,338,500	4,338,500	4,338,500
Grants, Loans or Benefits	8,600	8,600	8,600	8,600	8,600
TOTAL EXPENDITURES	6,686,300	6,980,400	7,119,500	6,684,400	6,680,500
EXPENDITURES BY FUND SOURCE					
General Fund	4,134,300	4,364,200	4,471,400	4,107,100	4,061,000
Restricted Funds	2,552,000	2,616,200	2,648,100	2,577,300	2,619,500
TOTAL EXPENDITURES	6,686,300	6,980,400	7,119,500	6,684,400	6,680,500

The Laboratory Services Program provides essential examinations of clinical and environmental specimens required to support other state programs and local health department programs. The laboratory performs reference diagnostic testing not typically performed by private sector laboratories. Examples of testing performed by Laboratory Services are: testing for newborn heritable and genetic disorders, sexually transmitted diseases, tuberculosis, West Nile Virus, Severe Acute Respiratory Syndrome (SARS), rabies, influenza subtyping, bioterrorism and select agents; environmental samples for water fluoride levels; milk, food, and water for evidence of contamination; pesticide analyses; and occupational safety and health chemistry.

The State Laboratory is a certified high complexity laboratory, which requires it to meet the most stringent federal requirements for quality assurance, quality control, and personnel qualifications. The program is responsible for approximately 320 local health department sites licensed on multiple-site certificates under Clinical Laboratory Improvement Act. The program's staff provides technical direction, training sessions, on-site consultations, procedure manuals, forms for documentation, and other necessary tools.

Laboratory Services performs tests for patients in the Department for Mental Health and Mental Retardation Services' facilities, local health departments, hospitals, clinics, doctor's offices, and provides occupational health chemistry analysis for the Kentucky Occupational Safety and Health program (OSHA).

General Fund support is the primary source of funding for Laboratory Services. Other funds are received from federal grants, newborn screening fees and a cooperative agreement with OSHA.

Health and Family Services
Public Health
Public Health Protection and Safety

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	3,667,400	4,018,400	4,156,000	3,695,100	3,688,900
Salary Compensation Fund	58,200				
Base Deduction	-35,200				
Total General Fund	3,690,400	4,018,400	4,156,000	3,695,100	3,688,900
Restricted Funds					
Balance Forward	368,591	429,600	267,400	38,200	1,200
Current Receipts	5,227,709	5,227,700	5,227,700	5,233,900	5,245,000
Fund Transfers	-391,400			-102,300	-88,200
Total Restricted Funds	5,204,900	5,657,300	5,495,100	5,169,800	5,158,000
Federal Funds					
Balance Forward	91,294				
Current Receipts	1,335,106	1,510,700	1,551,400	1,510,700	1,551,400
Total Federal Funds	1,426,400	1,510,700	1,551,400	1,510,700	1,551,400
TOTAL SOURCE OF FUNDS	10,321,700	11,186,400	11,202,500	10,375,600	10,398,300
EXPENDITURES BY CLASS					
Personnel Cost	4,684,100	5,367,600	5,651,100	4,785,000	4,819,200
Operating Expenses	923,800	930,200	930,200	926,400	926,400
Grants, Loans or Benefits	4,675,600	4,621,200	4,621,200	4,663,000	4,652,700
TOTAL EXPENDITURES	10,283,500	10,919,000	11,202,500	10,374,400	10,398,300
EXPENDITURES BY FUND SOURCE					
General Fund	3,690,400	4,018,400	4,156,000	3,695,100	3,688,900
Restricted Funds	5,166,700	5,389,900	5,495,100	5,168,600	5,158,000
Federal Funds	1,426,400	1,510,700	1,551,400	1,510,700	1,551,400
TOTAL EXPENDITURES	10,283,500	10,919,000	11,202,500	10,374,400	10,398,300
EXPENDITURES BY UNIT					
Radiation	2,003,100	2,205,000	2,286,700	2,019,300	2,041,700
Milk	1,386,000	1,542,700	1,610,900	1,426,200	1,445,000
Food	4,218,200	4,279,800	4,327,800	4,157,400	4,110,700
Sanitation	2,250,100	2,409,100	2,467,900	2,298,600	2,305,500
Public Safety	426,100	482,400	509,200	472,900	495,400
TOTAL EXPENDITURES	10,283,500	10,919,000	11,202,500	10,374,400	10,398,300

The Public Health Protection and Safety program provides a variety of environmental services, from monitoring exposure to radiation to insuring sanitation of food, milk, and public facilities. This division provides consultation and guidance to some 300 local health department public health specialists/registered sanitarians, and provides regulatory oversight to many of Kentucky's businesses. The division mission statement is: promoting a healthier, safer public through prevention, education, communication and regulation.

The Radiation subprogram inspects and issues over 450 specific licenses to users of radioactive materials and registers and inspects over 200 users of radiation sources. The program monitors the transportation of radioactive waste, within and through the Commonwealth, and is mandated and equipped to respond to radiological emergencies 24 hours per day. The program registers and inspects 3,750 facilities with 8,429 X-Ray tubes, conducts reviews and inspects approximately 350

mammography facilities and shielding plans for facilities, and issues certificates and inspects approximately 5,800 operators of sources of radiation. The program monitors Paducah Gaseous Diffusion Plant and monitors nuclear waste disposal sites (such as Maxey Flats) along with the Environmental and Public Protection Cabinet.

The Milk Safety subprogram inspects dairy farms, dairy plants, transfer and hauler facilities and milk processors, conducting 8,000 inspections of 1,900 dairies annually. The program provides safety education to milk haulers, pasteurization equipment operators and other industry professionals. The program investigates complaints, responds to federal Food and Drug Administration notices regarding dairy recalls or events, and serves as a first responder for dairy industry events.

The Food Safety subprogram is responsible for overseeing Kentucky's multi-billion dollar food industry. The program trains local health department employees who inspect food service establishments, retail food stores, vending machine companies, tattoo studios, body piercing facilities, boarding homes, and bed and breakfast establishments. The program oversees food manufacturing and storage programs and the farmer's market program compliance. The program collects representative samples from the state's raw agricultural producers and fish markets to test for pesticide residues and other contaminants. The food safety program also oversees quarantines and the destruction of food, drugs and alcohol which have been contaminated by disasters such as floods.

The Sanitation subprogram establishes sanitary and safety standards for the construction and operation of public facilities including regulatory oversight for the sanitary operation of public pools, public restrooms, hotels/motels, state confinement facilities, schools, mobile home parks, day camps, and many other public facilities for 7,200 permitted facilities and 5,700 onsite installers. The program oversees construction of onsite sewage disposal systems for new homes not on city sewers and trains and certifies inspectors and operators. The program manages the state consumer product safety program and radon mitigation program. The program responds to public health complaints related to dog bites, septic systems, pool malfunctions, recreational lake health issues, and other environmental health issues. The program has approximately 115,000 reported activities annually and responds to over 20,000 nuisance control/complaints annually.

The Public Safety program conducts lead abatement activities, especially in areas occupied by children. The program investigates unsafe products and provides education on safety issues. The program also provides engineering oversight for all public pools in the Commonwealth, approving plans for all new construction, change and/or renovation. The program also provides the functional quality assurance process for monitoring trends and performance in environmental health programs.

**Health and Family Services
Health Policy**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	117,700	797,000	830,800	636,000	625,600
Salary Compensation Fund	8,600				
Base Deduction	-91,500				
Reorganization Adjustments	597,900				
Total General Fund	632,700	797,000	830,800	636,000	625,600
Restricted Funds					
Balance Forward	520,100	225,000	225,000		
Current Receipts	250,500	605,700	622,400	605,700	622,400
Non-Revenue Receipts	160,600	100,300	83,600		
Fund Transfers	-351,700				
Total Restricted Funds	579,500	931,000	931,000	605,700	622,400
TOTAL SOURCE OF FUNDS	1,212,200	1,728,000	1,761,800	1,241,700	1,248,000
EXPENDITURES BY CLASS					
Personnel Cost	1,172,200	1,378,000	1,411,800	1,196,700	1,203,000
Operating Expenses	40,000	125,000	125,000	45,000	45,000
TOTAL EXPENDITURES	1,212,200	1,503,000	1,536,800	1,241,700	1,248,000
EXPENDITURES BY FUND SOURCE					
General Fund	632,700	797,000	830,800	636,000	625,600
Restricted Funds	579,500	706,000	706,000	605,700	622,400
TOTAL EXPENDITURES	1,212,200	1,503,000	1,536,800	1,241,700	1,248,000

The Office of Health Policy is a new organization created by Governor Fletcher through Executive Order 2005-779, effective August 1, 2005, combining the Office of Certificate of Need and the Health Planning Branch from the Department for Public Health.

The creation of the Office of Health Planning evolved from the realization that health policy planning and research development has been a fragmented process taking place within various organizational units throughout the cabinet as well as through other cabinets across state government. Accordingly, the consolidation into a single Office has led to greater efficiencies throughout state government.

Health care has global perspectives, and issues that transcend cabinets, therefore centralized integration and understanding of these perspectives and issues are important to not only promote efficiencies but to develop a focused approach to make meaningful change and progress. Centralized policy development will enable the Commonwealth to meet its strategic long-term health care goals.

There are two divisions within the Office of Health Planning: the Division of Health Policy Planning and Development and the Division of Certificate of Need.

The Division of Health Policy Planning and Development provides coordination among state agencies and programs including:

- Medicaid
- Insurance
- Mental Health/Mental Retardation
- State Employee Health Insurance
- Public Health

The Division of Health Policy Planning and Development coordinates health policy and health insurance issues that cross departmental or cabinet lines, oversees legislative and regulatory efforts to ensure that proposed statutes and regulations are consistent across departments and consistent with the overall goals of the administration, develops health insurance policy in coordination with the Kentucky Office of Insurance, and leads the efforts related to policy coordination and benefit design for state employee health insurance in coordination with the Personnel Cabinet.

The Division of Certificate of Need (CON) is responsible for preventing the proliferation of health care facilities, health services and major medical equipment that increase the cost of health care within the Commonwealth. The increased cost of health care impacts all Kentuckians, particularly those with limited incomes, or those who are uninsured or underinsured. Controlling increasing health care costs makes quality health care accessible and affordable for more people.

A certificate of need is required to establish a health facility; to change bed capacity of health facility; to make a substantial change in a project (a change which results in an increase in bed capacity, a change in location, or an increase in costs greater than the allowable amount as prescribed by regulation, etc.); to add a health service for which there are review criteria in the state health plan (open heart surgery, cardiac catheterization, MRI, mega-voltage radiation equipment, organ transplantation, special care neonatal beds, etc.), and to add a service subject to licensure (personal care beds, rehabilitation agencies, etc.); to obligate a capital expenditure which exceeds \$1,870,973; to acquire major medical equipment which exceeds \$2,177,866; or to change the geographic area which has been designated on a certificate of need or license.

Policy

The Governor's budget recommendation includes a fee increase on certificate of need applications that will generate additional Restricted Funds of \$355,200 in fiscal year 2007 and \$371,900 in fiscal year 2008 to support program operations. KRS 216B.040(3)(c) authorizes the cabinet to establish reasonable fees for certificates of need through the promulgation of administrative regulation.

**Health and Family Services
Human Support Services**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	30,469,900	40,227,900	41,337,500	31,967,500	32,502,700
Salary Compensation Fund	50,400				
Base Deduction	-64,400				
Total General Fund	30,455,900	40,227,900	41,337,500	31,967,500	32,502,700
Tobacco Settlement-Phase I					
Tobacco Settlement - I		180,000	180,000	100,000	100,000
Total Tobacco Settlement-Phase I		180,000	180,000	100,000	100,000
Restricted Funds					
Balance Forward	145,800	156,500	156,500		
Current Receipts	150,600	70,600	70,600	70,600	70,600
Non-Revenue Receipts	686,000	126,000	126,000	586,000	586,000
Fund Transfers	-156,500				
Total Restricted Funds	825,900	353,100	353,100	656,600	656,600
Federal Funds					
Balance Forward	255,000				
Current Receipts	24,193,900	26,528,000	26,954,300	24,396,700	24,401,900
Total Federal Funds	24,448,900	26,528,000	26,954,300	24,396,700	24,401,900
TOTAL SOURCE OF FUNDS	55,730,700	67,289,000	68,824,900	57,120,800	57,661,200
EXPENDITURES BY CLASS					
Personnel Cost	2,508,700	3,309,800	3,486,300	2,501,800	2,542,200
Operating Expenses	580,300	645,000	640,500	420,800	420,800
Grants, Loans or Benefits	52,641,700	63,177,700	64,541,600	54,198,200	54,698,200
TOTAL EXPENDITURES	55,730,700	67,132,500	68,668,400	57,120,800	57,661,200
EXPENDITURES BY FUND SOURCE					
General Fund	30,455,900	40,227,900	41,337,500	31,967,500	32,502,700
Tobacco Settlement-Phase I		180,000	180,000	100,000	100,000
Restricted Funds	825,900	196,600	196,600	656,600	656,600
Federal Funds	24,448,900	26,528,000	26,954,300	24,396,700	24,401,900
TOTAL EXPENDITURES	55,730,700	67,132,500	68,668,400	57,120,800	57,661,200
EXPENDITURES BY UNIT					
Family Resource and Youth Services Center	291,200	227,600	227,600	211,200	211,200
Child Abuse & Domestic Violence	3,822,800	7,082,600	7,104,300	4,979,000	4,982,200
Kentucky Commission on Community Volunteerism and Services	2,853,500	3,023,000	3,048,500	2,820,600	2,826,200
Aging Services	48,557,700	56,520,600	57,996,800	48,922,400	49,451,100
Women's Physical & Mental Health	205,500	278,700	291,200	187,600	190,500
TOTAL EXPENDITURES	55,730,700	67,132,500	68,668,400	57,120,800	57,661,200

The Department for Human Support Services is made up of five separate divisions: Women's Physical and Mental Health, Aging Services, Family Resource and Youth Service Centers, Child Abuse and Domestic Violence Services and the Kentucky Commission on Community Volunteerism and Services.

**Health and Family Services
Human Support Services
Family Resource and Youth Services Center**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation		16,400	16,400		
Salary Compensation Fund	16,400				
Base Deduction	-16,400				
Total General Fund		16,400	16,400		
Restricted Funds					
Current Receipts	80,000				
Total Restricted Funds	80,000				
Federal Funds					
Balance Forward	1,300				
Current Receipts	209,900	211,200	211,200	211,200	211,200
Total Federal Funds	211,200	211,200	211,200	211,200	211,200
TOTAL SOURCE OF FUNDS	291,200	227,600	227,600	211,200	211,200
EXPENDITURES BY CLASS					
Personnel Cost		16,400	16,400		
Grants, Loans or Benefits	291,200	211,200	211,200	211,200	211,200
TOTAL EXPENDITURES	291,200	227,600	227,600	211,200	211,200
EXPENDITURES BY FUND SOURCE					
General Fund		16,400	16,400		
Restricted Funds	80,000				
Federal Funds	211,200	211,200	211,200	211,200	211,200
TOTAL EXPENDITURES	291,200	227,600	227,600	211,200	211,200

The Kentucky Education Reform Act (KERA) of 1990, KRS 156.497 and KRS 156.4977 as amended, created the Family Resource and Youth Services Centers (FRYSC). The Division of Family Resource and Youth Services Centers, created by Executive Order 2004-726, provides administrative, technical assistance, and training support to the local school-based FRYSC. The primary goal of these centers is to enhance student ability to succeed in school by developing and sustaining partnerships that promote early learning and successful transition into school, academic achievement and well-being, and graduation and transition into adult life.

Each center has a unique blend of program components depending on location, available services, local need and community input designed to promote the flow of resources and support to families in ways that strengthen their functioning and further the growth and development of each member. Services may include after school child care, literacy programs, home visits to new/expectant parents, support and training for child day care providers, referrals to social services, employment counseling, summer and part-time job development, drug/alcohol counseling, and family crisis and mental health counseling. Centers also offer programs such as peer mediation, conflict resolution, pregnancy prevention and job shadowing.

Policy

Restricted Fund money in the amount of \$80,000 is provided in fiscal year 2006 to support a collaborative pilot project with YUM! Brands, Inc. to encourage school-based physical activity programs and combat childhood obesity.

**Health and Family Services
Human Support Services
Child Abuse & Domestic Violence**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	3,135,800	6,212,600	6,234,300	4,189,000	4,192,200
Salary Compensation Fund	7,200				
Base Deduction	-10,200				
Total General Fund	3,132,800	6,212,600	6,234,300	4,189,000	4,192,200
Tobacco Settlement-Phase I					
Tobacco Settlement - I		180,000	180,000	100,000	100,000
Total Tobacco Settlement-Phase I		180,000	180,000	100,000	100,000
Federal Funds					
Balance Forward	100				
Current Receipts	689,900	690,000	690,000	690,000	690,000
Total Federal Funds	690,000	690,000	690,000	690,000	690,000
TOTAL SOURCE OF FUNDS	3,822,800	7,082,600	7,104,300	4,979,000	4,982,200
EXPENDITURES BY CLASS					
Personnel Cost	203,900	392,000	413,700	179,800	183,000
Operating Expenses	83,600	91,100	91,100	19,700	19,700
Grants, Loans or Benefits	3,535,300	6,599,500	6,599,500	4,779,500	4,779,500
TOTAL EXPENDITURES	3,822,800	7,082,600	7,104,300	4,979,000	4,982,200
EXPENDITURES BY FUND SOURCE					
General Fund	3,132,800	6,212,600	6,234,300	4,189,000	4,192,200
Tobacco Settlement-Phase I		180,000	180,000	100,000	100,000
Federal Funds	690,000	690,000	690,000	690,000	690,000
TOTAL EXPENDITURES	3,822,800	7,082,600	7,104,300	4,979,000	4,982,200

The Division of Child Abuse and Domestic Violence Services was established in KRS 194A.092 to address the need to increase the financial and programmatic efficiency and accountability of state and community systems and other organizations that provide services to victims of child abuse, domestic violence and sexual assault. Division staff serve as program managers for both the state network of Children's Advocacy Centers and the state network of Rape Crisis Centers. The Division is further charged with providing new and progressive initiatives to improve and enhance the delivery of services to victims of child abuse, domestic violence, and rape or sexual assault.

Additionally, KRS 403.700 provides that the Governor's Council on Domestic Violence and Sexual Assault shall be attached to the Division of Child Abuse and Domestic Violence Services. The statute further provides that the secretaries for the Justice and Public Safety Cabinet and the Cabinet for Health and Family Services shall provide the necessary staff to assist the council in carrying out its duties and responsibilities.

Policy

The Governor's budget recommendation includes General Fund and Tobacco Fund resources totaling \$1.2 million each fiscal year for Children's Advocacy Center grants previously administered by the Department for Community Based Services.

**Health and Family Services
Human Support Services
Kentucky Commission on Community Volunteerism and Service**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	226,500	296,200	309,000	215,600	216,000
Salary Compensation Fund	3,200				
Base Deduction	-30,400				
Total General Fund	199,300	296,200	309,000	215,600	216,000
Restricted Funds					
Non-Revenue Receipts	126,000	126,000	126,000	126,000	126,000
Total Restricted Funds	126,000	126,000	126,000	126,000	126,000
Federal Funds					
Balance Forward	6,200				
Current Receipts	2,522,000	2,600,800	2,613,500	2,479,000	2,484,200
Total Federal Funds	2,528,200	2,600,800	2,613,500	2,479,000	2,484,200
TOTAL SOURCE OF FUNDS	2,853,500	3,023,000	3,048,500	2,820,600	2,826,200
EXPENDITURES BY CLASS					
Personnel Cost	318,200	459,900	486,900	325,400	331,000
Operating Expenses	268,500	301,000	299,500	233,100	233,100
Grants, Loans or Benefits	2,266,800	2,262,100	2,262,100	2,262,100	2,262,100
TOTAL EXPENDITURES	2,853,500	3,023,000	3,048,500	2,820,600	2,826,200
EXPENDITURES BY FUND SOURCE					
General Fund	199,300	296,200	309,000	215,600	216,000
Restricted Funds	126,000	126,000	126,000	126,000	126,000
Federal Funds	2,528,200	2,600,800	2,613,500	2,479,000	2,484,200
TOTAL EXPENDITURES	2,853,500	3,023,000	3,048,500	2,820,600	2,826,200

The Kentucky Commission for Community Volunteerism and Services (KCCVS) was created in 1994 to serve as a conduit for federal funds that support AmeriCorps programs in the Commonwealth and to assume responsibility for the statewide coordination of volunteer activities. Executive Order 2004-726 reorganized the administrative support and oversight unit of the Commission from an office to a division.

KCCVS currently administers eight federally funded AmeriCorps programs. Three of these were awarded to Kentucky through a competitive application process while the remaining five are formula based. Federal funds are contracted to community organizations that, in turn, receive local matching funds, which include cash and in-kind services. AmeriCorps members provide household budget training, home renovation assistance, life skills training, and services to help senior citizens live independently. They train volunteers, serve the homeless, mentor at-risk youth, and offer assistance to victims of natural disasters. In addition, participants tutor children in elementary and secondary schools and assist parents in developing skills to help their children learn to read. Children tutored by AmeriCorps members tend to advance a minimum of two reading levels during the school year. AmeriCorps alumni in Kentucky have received more than \$10,000,000 in federal educational vouchers for their years of service.

The most recent KCCVS program centers on Homeland Security efforts. Basic security measures addressing natural, environmental, or terrorist disasters are taught to area residents. Members frequently go door-to-door in an attempt to provide critical information, or they may serve with local disaster relief organizations. In addition, America's Promise - The Alliance for Youth is coordinated through KCCVS.

**Health and Family Services
Human Support Services
Aging Services**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	26,901,700	33,424,000	34,486,600	27,375,300	27,904,000
Salary Compensation Fund	19,600				
Total General Fund	26,921,300	33,424,000	34,486,600	27,375,300	27,904,000
Restricted Funds					
Balance Forward	145,800	156,500	156,500		
Current Receipts	70,600	70,600	70,600	70,600	70,600
Non-Revenue Receipts	560,000			460,000	460,000
Fund Transfers	-156,500				
Total Restricted Funds	619,900	227,100	227,100	530,600	530,600
Federal Funds					
Balance Forward	247,400				
Current Receipts	20,769,100	23,026,000	23,439,600	21,016,500	21,016,500
Total Federal Funds	21,016,500	23,026,000	23,439,600	21,016,500	21,016,500
TOTAL SOURCE OF FUNDS	48,557,700	56,677,100	58,153,300	48,922,400	49,451,100
EXPENDITURES BY CLASS					
Personnel Cost	1,816,100	2,201,200	2,315,000	1,820,900	1,849,600
Operating Expenses	196,200	214,500	213,000	156,100	156,100
Grants, Loans or Benefits	46,545,400	54,104,900	55,468,800	46,945,400	47,445,400
TOTAL EXPENDITURES	48,557,700	56,520,600	57,996,800	48,922,400	49,451,100
EXPENDITURES BY FUND SOURCE					
General Fund	26,921,300	33,424,000	34,486,600	27,375,300	27,904,000
Restricted Funds	619,900	70,600	70,600	530,600	530,600
Federal Funds	21,016,500	23,026,000	23,439,600	21,016,500	21,016,500
TOTAL EXPENDITURES	48,557,700	56,520,600	57,996,800	48,922,400	49,451,100

The Division of Aging Services is designated as the State Unit on Aging by the Federal Administration on Aging. In accordance with the Older Americans Act Amendments of 1965 as amended through December 2000, and 45 CFR 1321, the Division is responsible for aging issues on behalf of all older persons in Kentucky. The Division is required to carry out a wide range of functions related to service delivery, advocacy, planning, coordination, interagency linkages, information-sharing, brokering, evaluation, as well as to function as a principal clearinghouse and single point of contact for the flow of information to senior citizens, policymakers, and the public. These functions are intended to focus on the development or enhancement of comprehensive and coordinated community-based service systems designed to help elderly and adult Kentuckians maintain independence and dignity in their own homes and communities. This focus on community-based alternatives is consistent with Kentucky's plan developed in response to the Olmstead Decision of the Supreme Court.

Services are provided through two discrete activities, implementing the Older Americans Act and providing community services. The Older Americans Act (PL 98-459) (KRS 205, KRS 209) programs provide for: Nutrition Services; Supportive Services; Long-term Ombudsman Program; Family Caregiver Support Program; and, Senior Community Services Employment Program (Title V). Community Services include: Adult Day and Alzheimer's Respite (KRS 209); Personal Care Attendant Program for Physically Disabled Adults (KRS 205.905); Homecare Program (KRS 205.455-465); State Health Insurance Assistance Program (Section 4360 OBRA 1990, PL 101-508); Assisted Living Facility Certification (KRS 194A.050(1), 194A.707(1)); and Adult Day Certification.

Policy

Restricted Fund money in the amount of \$100,000 is provided in fiscal year 2006 to assist Kentucky's 15 Area Agencies on Aging (AAA) with increased motor fuel costs associated with home delivered services.

The Governor's budget recommendation includes Restricted Funds in the amount of \$460,000 each fiscal year to continue the Long-Term Care Ombudsman program.

General Fund money in the amount of \$500,000 in fiscal year 2007 and \$1,000,000 in fiscal year 2008 is provided in the Homecare program to serve additional clients.

**Health and Family Services
Human Support Services
Women's Physical & Mental Health**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	205,900	278,700	291,200	187,600	190,500
Salary Compensation Fund	4,000				
Base Deduction	-7,400				
Total General Fund	202,500	278,700	291,200	187,600	190,500
Federal Funds					
Current Receipts	3,000				
Total Federal Funds	3,000				
TOTAL SOURCE OF FUNDS	205,500	278,700	291,200	187,600	190,500
EXPENDITURES BY CLASS					
Personnel Cost	170,500	240,300	254,300	175,700	178,600
Operating Expenses	32,000	38,400	36,900	11,900	11,900
Grants, Loans or Benefits	3,000				
TOTAL EXPENDITURES	205,500	278,700	291,200	187,600	190,500
EXPENDITURES BY FUND SOURCE					
General Fund	202,500	278,700	291,200	187,600	190,500
Federal Funds	3,000				
TOTAL EXPENDITURES	205,500	278,700	291,200	187,600	190,500

KRS 194A.095 established the first Office of Women's Health in 1998. This office officially opened in October, 2000 after the 2000 General Assembly changed the name to the Office of Women's Physical and Mental Health (OWPMH) to emphasize mental health issues of importance to women, along with traditional physical health issues. At that time, the Office was attached to the Office of the Secretary of the Cabinet for Health Services. In 2004, Executive Order 2004-726 abolished the OWPMH and created the Division of Women's Physical and Mental Health in the Department for Human Support Services within the Cabinet for Health and Family Services. The purpose of the division is to serve as a repository for data and information affecting women's health and mental health; analyzing and communicating trends in women's health issues and mental health; recommending data elements affecting women's health and mental health that should be collected, analyzed and reported; and administering a Women's Health Resource Center to focus on targeted preventive and comprehensive health education. The initial legislation emphasizes using all forms of media to communicate health trends and preventive measures.

In conjunction with Women's Health Awareness Month in May 2002, the former Office of Women's Physical and Mental Health released the first comprehensive report on the health status of Kentucky's women: [Kentucky Women's Health 2002: Data, Developments and Decisions](#). This 125-page report is a compilation of statistical data on numerous women's health issues, including hypertension, diabetes, cancer, heart disease, and osteoporosis and aging issues such as home health services and caregiver stress. Also in compliance with its mandate, the program created and maintains a comprehensive web-based Women's Health Resource Center with data and information specific to women's health in Kentucky.

**Health and Family Services
Ombudsman**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	3,767,200	4,207,100	4,402,900	3,568,400	3,534,400
Salary Compensation Fund	40,700				
Base Deduction	-188,400				
Total General Fund	3,619,500	4,207,100	4,402,900	3,568,400	3,534,400
Restricted Funds					
Balance Forward	1,600				
Non-Revenue Receipts	50,000	50,000	50,000	50,000	50,000
Fund Transfers	-1,600				
Total Restricted Funds	50,000	50,000	50,000	50,000	50,000
Federal Funds					
Balance Forward	262,200				
Current Receipts	1,972,600	2,616,100	2,746,700	2,203,600	2,183,000
Total Federal Funds	2,234,800	2,616,100	2,746,700	2,203,600	2,183,000
TOTAL SOURCE OF FUNDS	5,904,300	6,873,200	7,199,600	5,822,000	5,767,400
EXPENDITURES BY CLASS					
Personnel Cost	5,406,100	6,277,100	6,625,500	5,323,800	5,269,200
Operating Expenses	498,200	596,100	574,100	498,200	498,200
TOTAL EXPENDITURES	5,904,300	6,873,200	7,199,600	5,822,000	5,767,400
EXPENDITURES BY FUND SOURCE					
General Fund	3,619,500	4,207,100	4,402,900	3,568,400	3,534,400
Restricted Funds	50,000	50,000	50,000	50,000	50,000
Federal Funds	2,234,800	2,616,100	2,746,700	2,203,600	2,183,000
TOTAL EXPENDITURES	5,904,300	6,873,200	7,199,600	5,822,000	5,767,400

The Office of the Ombudsman consists of the Complaint Review Branch, the Quality Control Branch, the Performance Enhancement Branch, the Long Term Care Ombudsman Program and the Institutional Review Board.

The Complaint Review Branch handles calls and correspondence concerning programs under the Department for Community Based Services, the Department for Medicaid Services, the Department for Mental Health/Mental Retardation Services and the Department for Public Health. The Branch issues reports to these agencies concerning complaint trends and patterns and recommends corrective action.

The Quality Control Branch consists of two sections, the Public Assistance Review Section and the Food Stamp Review Section.

The Public Assistance Review Section conducts statewide Medicaid quality control reviews to comply with state and federal Medicaid quality control standards. Reviews include Kentucky Works Program cases, Medicaid and adult medical cases. Reports are prepared for the federal government, the Cabinet, the Department for Community Based Services and the Department for Medicaid Services.

The Food Stamp Review Section conducts Food Stamp quality control reviews, provides information to the federal government, the Cabinet and the Department for Community Based Services and prepares the annual state Food Stamp Quality Control Sampling Plan.

The Performance Enhancement Branch consists of three sections, the Quality Assurance Section, the Management Evaluation Section, and the Program Access and Compliance Section.

The Quality Assurance Section determines administrative hearing eligibility for the Department for Community Based Services - Division of Protection and Permanency service complaints and requests to appeal child abuse and/or child neglect substantiation. This section also coordinates, conducts, analyzes, and issues reports on the Kentucky Child and Family Services Review in accordance with the federally mandated Program Improvement Plan. The section coordinates record keeping for the Continuous Quality Improvement Peer Review process within the Division of Protection and Permanency.

The Management Evaluation Section conducts federal management evaluation reviews for the Food Stamp program. This section assists in writing county and regional corrective action plans and conducts exit conferences with field staff in all Kentucky counties. This section also prepares the federal food stamp corrective action state plan and ensures continuous error identifications and revises local and regional plans accordingly.

The Program Access and Compliance Section performs federally mandated Food Stamp access reviews of local offices to insure they comply with regulations to provide eligible clients access to services. Follow-up and exit interviews are conducted in each office. This section also seeks to identify potential barriers, works to resolve those problems and implements corrective action and continuous monitoring.

The Kentucky Long-Term Care Ombudsmen Program identifies, investigates and helps resolve complaints made by or on behalf of residents of long-term care facilities (including nursing homes, personal care homes and family care homes). The Long-Term Care Ombudsmen also advocate for changes to improve residents' quality of life and care.

**Health and Family Services
Disability Determination Services**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
Restricted Funds					
Balance Forward	2,400				
Non-Revenue Receipts	65,800	65,800	65,800	65,800	65,800
Fund Transfers	-2,400				
Total Restricted Funds	65,800	65,800	65,800	65,800	65,800
Federal Funds					
Balance Forward	209,400				
Current Receipts	44,482,800	49,384,000	50,974,900	49,384,000	50,974,900
Total Federal Funds	44,692,200	49,384,000	50,974,900	49,384,000	50,974,900
TOTAL SOURCE OF FUNDS	44,758,000	49,449,800	51,040,700	49,449,800	51,040,700
EXPENDITURES BY CLASS					
Personnel Cost	28,178,000	32,047,900	33,641,300	29,777,800	30,715,300
Operating Expenses	3,430,000	3,469,100	3,466,600	3,469,100	3,466,600
Grants, Loans or Benefits	13,150,000	13,932,800	13,932,800	16,202,900	16,858,800
TOTAL EXPENDITURES	44,758,000	49,449,800	51,040,700	49,449,800	51,040,700
EXPENDITURES BY FUND SOURCE					
Restricted Funds	65,800	65,800	65,800	65,800	65,800
Federal Funds	44,692,200	49,384,000	50,974,900	49,384,000	50,974,900
TOTAL EXPENDITURES	44,758,000	49,449,800	51,040,700	49,449,800	51,040,700

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

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

Policy

The Governor's budget recommendation includes increased Federal Funds in the amount of \$1,644,700 in fiscal year 2007 and \$1,750,600 in fiscal year 2008 for 37 additional full-time equivalent positions to support current services.

**Health and Family Services
Community Based Services**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	300,236,700	351,040,500	371,284,400	314,483,500	331,009,300
Salary Compensation Fund	6,888,600				
Total General Fund	307,125,300	351,040,500	371,284,400	314,483,500	331,009,300
Tobacco Settlement-Phase I					
Tobacco Settlement - I	8,300,400	8,120,400	8,120,400	6,970,400	7,420,400
Continuing Appropriation	127,400				
Budget Reduction	-1,041,000				
Total Tobacco Settlement-Phase I	7,386,800	8,120,400	8,120,400	6,970,400	7,420,400
Restricted Funds					
Balance Forward	13,464,900	11,505,700	10,544,600	6,862,100	104,800
Current Receipts	125,577,500	136,116,600	133,442,400	134,691,300	136,443,500
Non-Revenue Receipts	-9,480,900	-6,465,800	-4,661,100	-7,942,800	-247,000
Total Restricted Funds	129,561,500	141,156,500	139,325,900	133,610,600	136,301,300
Federal Funds					
Balance Forward	11,373,900				
Current Receipts	503,240,100	534,742,300	546,789,300	517,995,000	525,423,000
Total Federal Funds	514,614,000	534,742,300	546,789,300	517,995,000	525,423,000
TOTAL SOURCE OF FUNDS	958,687,600	1,035,059,700	1,065,520,000	973,059,500	1,000,154,000
EXPENDITURES BY CLASS					
Personnel Cost	245,277,400	282,652,800	297,816,600	249,072,200	252,428,800
Operating Expenses	44,006,300	49,110,900	50,006,500	41,483,700	41,510,400
Grants, Loans or Benefits	662,541,800	692,751,400	714,490,000	682,398,800	706,214,800
TOTAL EXPENDITURES	951,825,500	1,024,515,100	1,062,313,100	972,954,700	1,000,154,000
EXPENDITURES BY FUND SOURCE					
General Fund	307,125,300	351,040,500	371,284,400	314,483,500	331,009,300
Tobacco Settlement-Phase I	7,386,800	8,120,400	8,120,400	6,970,400	7,420,400
Restricted Funds	122,699,400	130,611,900	136,119,000	133,505,800	136,301,300
Federal Funds	514,614,000	534,742,300	546,789,300	517,995,000	525,423,000
TOTAL EXPENDITURES	951,825,500	1,024,515,100	1,062,313,100	972,954,700	1,000,154,000
EXPENDITURES BY UNIT					
Family Support	312,560,000	321,160,500	327,543,900	309,037,100	311,555,400
Child Support	52,277,600	60,858,100	61,438,300	53,024,600	53,711,100
Energy	31,177,000	28,840,500	28,842,600	28,840,500	28,842,600
Child Care	165,988,700	170,962,800	171,161,100	169,892,400	170,540,800
Family and Community Services	389,822,200	442,693,200	473,327,200	412,160,100	435,504,100
TOTAL EXPENDITURES	951,825,500	1,024,515,100	1,062,313,100	972,954,700	1,000,154,000

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

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

**Health and Family Services
Community Based Services
Family Support**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	121,749,900	126,934,400	128,709,200	122,552,400	123,187,200
Total General Fund	121,749,900	126,934,400	128,709,200	122,552,400	123,187,200
Restricted Funds					
Balance Forward	5,386,600				
Current Receipts		450,000	450,000	450,000	450,000
Non-Revenue Receipts	11,836,700	18,098,300	19,065,400	16,089,900	16,291,800
Total Restricted Funds	17,223,300	18,548,300	19,515,400	16,539,900	16,741,800
Federal Funds					
Balance Forward	1,511,500				
Current Receipts	172,075,300	175,677,800	179,319,300	169,944,800	171,626,400
Total Federal Funds	173,586,800	175,677,800	179,319,300	169,944,800	171,626,400
TOTAL SOURCE OF FUNDS	312,560,000	321,160,500	327,543,900	309,037,100	311,555,400
EXPENDITURES BY CLASS					
Personnel Cost	101,830,500	117,037,900	123,047,300	102,900,300	103,868,100
Operating Expenses	19,031,800	19,816,700	19,902,600	17,791,000	17,816,000
Grants, Loans or Benefits	191,697,700	184,305,900	184,594,000	188,345,800	189,871,300
TOTAL EXPENDITURES	312,560,000	321,160,500	327,543,900	309,037,100	311,555,400
EXPENDITURES BY FUND SOURCE					
General Fund	121,749,900	126,934,400	128,709,200	122,552,400	123,187,200
Restricted Funds	17,223,300	18,548,300	19,515,400	16,539,900	16,741,800
Federal Funds	173,586,800	175,677,800	179,319,300	169,944,800	171,626,400
TOTAL EXPENDITURES	312,560,000	321,160,500	327,543,900	309,037,100	311,555,400
EXPENDITURES BY UNIT					
Food Stamps	55,236,100	62,350,700	65,329,500	54,277,300	54,932,100
Medical Assistance	31,769,800	36,325,700	38,259,900	32,309,100	32,714,500
State Supplementation	21,776,800	21,807,800	22,101,300	21,774,400	22,055,600
TANF	203,777,300	200,676,300	201,853,200	200,676,300	201,853,200
TOTAL EXPENDITURES	312,560,000	321,160,500	327,543,900	309,037,100	311,555,400

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

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

Temporary Assistance for Needy Families (TANF)

The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PL 104-193) amended and combined Title IV-A (AFDC) and Title IV-F (JOBS) of the Social Security Act to provide block grants to states for TANF. These Federal Funds support the program's administrative and benefit expenditures that include personnel, operating, and indirect cost;

contracts with partnering agencies; cash assistance subsidies; supportive services; child care; and transportation. A Maintenance of Effort requirement mandates that states spend an amount equal to or greater than 80 percent of fiscal year 1994 expenditures. For Kentucky, this amount is \$71.9 million. Congress is expected to reauthorize the welfare reform program but there may be significant changes including increasing the number of hours of participation, narrowing of direct work activities, and universal participation requirements.

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

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

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

The Family Alternatives Diversion Program (FAD) provides an alternative for families, who, while otherwise eligible, choose not to receive K-TAP cash assistance. A maximum of \$1,300 is available to assist the family with immediate needs such as food, shelter, transportation, etc. These benefits may be authorized for a three-month period. FAD may be approved once during a 24-month period.

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

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

Food Stamps

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

The Food Stamp Employment and Training (FS E&T) program is designed to assist able-bodied food stamp recipients obtain employment that leads to self-sufficiency. This initiative, mandated in 1987 as a result of amendments to the Food Stamp Act, requires that work registrants in the 63 FS E&T designated counties participate in either vocational education training or a Work Experience Program. The remaining counties received waivers for E & T participation due to unemployment rates greater than ten percent. In August 1997, Public Law 105-33 amended the Food Stamp Act and the Food Stamp Employment and Training Program to mandate that 80 percent of federal FS E&T funding be spent on able-bodied adults between the ages of 18-49 who lack dependents, are placed in and comply with the requirements of a work program, and meet the eligibility standards of 7 U.S.C. 2015(o). The Farm Security and Rural Investment Act of 2002 (PL 107-171) subsequently eliminated the 80 percent employment and training requirement, but Kentucky continues to serve only able-bodied adults without dependents.

Medicaid Eligibility

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

State Supplementation

The State Supplementation Program, authorized by KRS 205.245, provides financial support to aged, blind, or disabled individuals who have insufficient income to meet their needs in a licensed personal care home or family care home, or to purchase caretaker services designed to prevent institutionalization. To be eligible, persons must meet the criteria of the Social Security Income program related to age, blindness or disability as well as additional requirements associated with citizenship, Kentucky residency, enumeration and special needs.

Policy

The Governor's budget recommendation includes General Fund in the amount of \$277,500 in fiscal year 2008 to support the annual cost of living adjustment provided for State Supplementation recipients.

The state funded portion of the Medicaid Eligibility contract included above shall be transferred from the Department for Medicaid Services as follows:

	<u>Fiscal Year 2007</u>	<u>Fiscal Year 2008</u>
State Funds	\$16,089,900	\$16,291,800
Federal Funds	<u>16,219,200</u>	<u>16,422,700</u>
Total Medicaid Eligibility Contract	\$32,309,100	\$32,714,500

**Health and Family Services
Community Based Services
Child Support**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	4,678,000	5,798,700	5,995,900	4,678,000	4,678,000
Total General Fund	4,678,000	5,798,700	5,995,900	4,678,000	4,678,000
Restricted Funds					
Balance Forward	5,161,300	4,643,600	3,937,800		
Current Receipts	7,904,200	13,906,000	13,721,600	13,319,500	18,104,700
Total Restricted Funds	13,065,500	18,549,600	17,659,400	13,319,500	18,104,700
Federal Funds					
Balance Forward	1,948,800				
Current Receipts	32,585,300	40,447,600	40,830,600	35,027,100	30,928,400
Total Federal Funds	34,534,100	40,447,600	40,830,600	35,027,100	30,928,400
TOTAL SOURCE OF FUNDS	52,277,600	64,795,900	64,485,900	53,024,600	53,711,100
EXPENDITURES BY CLASS					
Personnel Cost	7,520,000	8,631,100	9,146,600	7,706,000	7,823,700
Operating Expenses	3,919,400	5,261,100	5,261,100	3,919,400	3,919,400
Grants, Loans or Benefits	40,838,200	46,965,900	47,030,600	41,399,200	41,968,000
TOTAL EXPENDITURES	52,277,600	60,858,100	61,438,300	53,024,600	53,711,100
EXPENDITURES BY FUND SOURCE					
General Fund	4,678,000	5,798,700	5,995,900	4,678,000	4,678,000
Restricted Funds	13,065,500	14,611,800	14,611,800	13,319,500	18,104,700
Federal Funds	34,534,100	40,447,600	40,830,600	35,027,100	30,928,400
TOTAL EXPENDITURES	52,277,600	60,858,100	61,438,300	53,024,600	53,711,100

The Child Support Program under Title IV-D of the Social Security Act (PL 93-647) is designed to ensure that children are financially supported by parents who are legally obligated to pay child support. Both the state and federal governments share costs to conduct this program. State statutes governing the operation of this program were enacted under the Kentucky Child Support Recovery Act and are contained in KRS 205.710 - KRS 205.800.

The core functions of the child support program include locating parents; establishing paternity; establishing, enforcing, and modifying child support orders; and collecting and disbursing child support payments. Program responsibilities include the establishment and enforcement of medical support as well as the enforcement and collection of spousal support. In addition to traditional judicial processes, state and federal laws allow the Child Support Program to accomplish its mission through administrative processes such as in-hospital paternity establishment, wage assignments, liens and levies on personal property and assets, and offsetting tax refunds and unemployment benefits. The Division of Child Support maintains program administration contracts with 110 county officials to provide child support collection locally.

Child support services are automatically provided to families receiving assistance under the Kentucky Transitional Assistance Program (K-TAP) or Medicaid, and for children placed in the care of the Cabinet for Health and Family Services. Payment collected for families receiving K-TAP and children in the care of the Cabinet for Health and Family Services is used to reimburse the state and federal governments for benefits expended on behalf of those families and children. Families that do not participate in the cash or medical assistance programs may also apply for child support services at no cost to the family.

Public Law 104-193, the Personal Responsibility and Work Opportunity Reconciliation Act of 1996, created new requirements for the child support program. Through contracts with private vendors, this program receives new-hire

information from employers and asset data from financial institutions. A state case registry has been established and data is transmitted to the federal case registry to assist in locating out-of-state parents. The State Disbursement Unit is a centralized collection site for all child support payments, including non-Title IV-D wages. These are private child support cases in which payments are withheld from the parent's wages. State services provided in these cases are limited to receiving payments from the employer, disbursing the payment to the family, and maintaining fiscal records.

The Personal Responsibility and Work Opportunity Reconciliation Act also revised the method for calculating incentive payments from one that focused solely on program processes to one based on program outcomes. Under this new plan, a pool of funds has been created for incentive payments to all states. However, only those states which meet the performance criteria in each of five program areas are eligible to receive a portion of the pool.

**Health and Family Services
Community Based Services
Energy**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
Federal Funds					
Balance Forward	2,200				
Current Receipts	31,174,800	28,840,500	28,842,600	28,840,500	28,842,600
Total Federal Funds	31,177,000	28,840,500	28,842,600	28,840,500	28,842,600
TOTAL SOURCE OF FUNDS	31,177,000	28,840,500	28,842,600	28,840,500	28,842,600
EXPENDITURES BY CLASS					
Personnel Cost	364,500	415,200	439,700	371,500	379,500
Operating Expenses	71,300	74,100	75,000	74,100	75,000
Grants, Loans or Benefits	30,741,200	28,351,200	28,327,900	28,394,900	28,388,100
TOTAL EXPENDITURES	31,177,000	28,840,500	28,842,600	28,840,500	28,842,600
EXPENDITURES BY FUND SOURCE					
Federal Funds	31,177,000	28,840,500	28,842,600	28,840,500	28,842,600
TOTAL EXPENDITURES	31,177,000	28,840,500	28,842,600	28,840,500	28,842,600
EXPENDITURES BY UNIT					
LIHEAP	23,644,200	20,454,900	20,458,400	20,454,900	20,458,400
Weatherization	7,532,800	8,385,600	8,384,200	8,385,600	8,384,200
TOTAL EXPENDITURES	31,177,000	28,840,500	28,842,600	28,840,500	28,842,600

The Low Income Home Energy Assistance Program and the Weatherization Assistance Program administered through the Department for Community Based Services are federally funded programs that help low-income households meet the cost of energy expenses through direct fuel bill subsidies or energy conservation repairs to their homes.

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

The Weatherization Assistance Program is designed to reduce energy consumption, lower heating bills, and ensure the health and safety of families whose annual income is at or below 125 percent of the federal poverty level. Funds are provided to conduct energy audits and heat system safety tests and repairs, reduce air infiltration, install insulation, and perform other energy-related conservation measures.

Policy

The Governor's budget recommendation includes additional Federal Fund money in the amount of \$7,996,000 in fiscal year 2006 to provide home heating assistance to low-income families.

**Health and Family Services
Community Based Services
Child Care**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	20,363,000	20,363,000	20,363,000	20,363,000	20,363,000
Total General Fund	20,363,000	20,363,000	20,363,000	20,363,000	20,363,000
Tobacco Settlement-Phase I					
Tobacco Settlement - I	8,120,400	8,120,400	8,120,400	6,970,400	7,420,400
Budget Reduction	-1,041,000				
Total Tobacco Settlement-Phase I	7,079,400	8,120,400	8,120,400	6,970,400	7,420,400
Restricted Funds					
Balance Forward	234,600	209,500	184,400	209,500	104,800
Current Receipts	78,000	78,000	78,000	78,000	78,000
Total Restricted Funds	312,600	287,500	262,400	287,500	182,800
Federal Funds					
Balance Forward	1,008,200				
Current Receipts	137,435,000	142,376,300	142,574,600	142,376,300	142,574,600
Total Federal Funds	138,443,200	142,376,300	142,574,600	142,376,300	142,574,600
TOTAL SOURCE OF FUNDS	166,198,200	171,147,200	171,320,400	169,997,200	170,540,800
EXPENDITURES BY CLASS					
Personnel Cost	9,795,600	9,998,000	10,096,800	9,836,100	9,856,900
Operating Expenses	588,700	602,700	617,000	468,400	469,200
Grants, Loans or Benefits	155,604,400	160,362,100	160,447,300	159,587,900	160,214,700
TOTAL EXPENDITURES	165,988,700	170,962,800	171,161,100	169,892,400	170,540,800
EXPENDITURES BY FUND SOURCE					
General Fund	20,363,000	20,363,000	20,363,000	20,363,000	20,363,000
Tobacco Settlement-Phase I	7,079,400	8,120,400	8,120,400	6,970,400	7,420,400
Restricted Funds	103,100	103,100	103,100	182,700	182,800
Federal Funds	138,443,200	142,376,300	142,574,600	142,376,300	142,574,600
TOTAL EXPENDITURES	165,988,700	170,962,800	171,161,100	169,892,400	170,540,800

Under KRS Chapter 199, the Department for Community Based Services, through the Division of Child Care, manages day care services in the Commonwealth. The child care services are designed to promote, expand, and improve the quality of care for children in Kentucky and ensure that families most in need have access to high quality child care which is developmentally appropriate, affordable, and safe. In the context of comprehensive family services, child care is one of the support services directed at:

- Preventing or remedying abuse, neglect or exploitation of children,
- Preventing family dissolution,
- Preventing out-of-home placements,
- Providing early educational opportunities for at-risk children, and
- Strengthening and maintaining client families.

Priorities for allocation of available funds have been to meet protective services child care and child care needs for work participation requirements for the families receiving benefits through the Kentucky Temporary Assistance Program (K-TAP). Failure to meet participation requirements would result in substantial penalties and the loss of Federal Funds. After these priorities are met, remaining funds are used to provide child care subsidies for low-income working parents. This includes

families who are transitioning from K-TAP and those who would be at risk of becoming dependent on K-TAP if child care were not available.

The cost of services for working parents is partially offset by a sliding fee scale under which parents pay a portion of the expense based on their income and family size. Child care assistance provided to families as a result of protective services is available without regard to income. In addition, child care is provided for 12 months following discontinuance of K-TAP benefits due to employment.

The Cabinet's Division of Child Care collaborates with the Division of Early Childhood Development Services and other public and private entities in the development and implementation of the Early Childhood Development initiatives. A portion of the tobacco settlement funds may be used to match Federal Funds to support various quality initiatives. Early care and education have been enhanced through a voluntary, research based, four star child care quality rating system (STARS for KIDS NOW) for centers and certified family child care homes. This program includes quality incentives and achievement awards for participants. Increased quality, availability, and affordability of training for all early care and education professionals has been supported by a seamless statewide system of professional development that includes core content, credentials, scholarships, grants, awards, and articulation.

Successful attainment of national child care accreditation and credentials are indicators that a child care program provides quality services. The Division of Child Care is committed to support the professional development of these providers through grants to pay national accreditation and credentialing fees. In addition, this division collaborates with the Kentucky Child Care Network (KCCN) to improve the number of quality child care resources in the Commonwealth. With the Division's assistance, KCCN provides technical support and training to childcare programs and serves as a resource for parents in obtaining quality childcare.

**Health and Family Services
Community Based Services
Family and Community Services**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	153,445,800	197,944,400	216,216,300	166,890,100	182,781,100
Salary Compensation Fund	6,888,600				
Total General Fund	160,334,400	197,944,400	216,216,300	166,890,100	182,781,100
Tobacco Settlement-Phase I					
Tobacco Settlement - I	180,000				
Continuing Appropriation	127,400				
Total Tobacco Settlement-Phase I	307,400				
Restricted Funds					
Balance Forward	2,682,400	6,652,600	6,422,400	6,652,600	
Current Receipts	117,595,300	121,682,600	119,192,800	120,843,800	117,810,800
Non-Revenue Receipts	-21,317,600	-24,564,100	-23,726,500	-24,032,700	-16,538,800
Total Restricted Funds	98,960,100	103,771,100	101,888,700	103,463,700	101,272,000
Federal Funds					
Balance Forward	6,903,200				
Current Receipts	129,969,700	147,400,100	155,222,200	141,806,300	151,451,000
Total Federal Funds	136,872,900	147,400,100	155,222,200	141,806,300	151,451,000
TOTAL SOURCE OF FUNDS	396,474,800	449,115,600	473,327,200	412,160,100	435,504,100
EXPENDITURES BY CLASS					
Personnel Cost	125,766,800	146,570,600	155,086,200	128,258,300	130,500,600
Operating Expenses	20,395,100	23,356,300	24,150,800	19,230,800	19,230,800
Grants, Loans or Benefits	243,660,300	272,766,300	294,090,200	264,671,000	285,772,700
TOTAL EXPENDITURES	389,822,200	442,693,200	473,327,200	412,160,100	435,504,100
EXPENDITURES BY FUND SOURCE					
General Fund	160,334,400	197,944,400	216,216,300	166,890,100	182,781,100
Tobacco Settlement-Phase I	307,400				
Restricted Funds	92,307,500	97,348,700	101,888,700	103,463,700	101,272,000
Federal Funds	136,872,900	147,400,100	155,222,200	141,806,300	151,451,000
TOTAL EXPENDITURES	389,822,200	442,693,200	473,327,200	412,160,100	435,504,100
EXPENDITURES BY UNIT					
Family Based Services	95,033,600	111,830,400	117,844,700	97,202,000	98,757,800
Adult Services	32,784,500	36,186,400	37,239,000	32,917,900	33,126,200
Alternatives For Children	262,004,100	294,676,400	318,243,500	282,040,200	303,620,100
TOTAL EXPENDITURES	389,822,200	442,693,200	473,327,200	412,160,100	435,504,100

Family and Community Services provide support at the time of crisis to prevent the disruption of the family unit and to protect individuals from abuse, neglect, and exploitation.

The subprograms contained in Family and Community Services are Family Based Services, Adult Services, and Alternatives for Children. The legal authority for the program is in KRS Chapters 199, 209 (Adult Protection), and 600-645, and in Titles IV, XIX and XX of the Social Security Act.

Family Based Services

Family-based services include child protection, reunification following out-of-home placement, home safety services, preventive services for families, community based juvenile services, family preservation services, mental health services through contracts with local comprehensive care centers, self-help services provided through local child abuse councils, and preventive assistance.

Child Protective Services safeguard the rights and welfare of abused, neglected or dependent children; aid parents or other responsible persons in recognizing and remedying conditions detrimental to the welfare of their children; and identify conditions that contribute to the neglect, abuse, or dependency of children. Child Protective Services are both preventive and corrective in nature. The Department is mandated to receive and investigate reports of the abuse or neglect of children.

Home Safety Services provide in-home support that prevents the disruption of a family unit.

Preventive Services to families who do not qualify for services under other program areas address a family's treatment needs before the situation has escalated to become abusive or neglectful.

The Preventative Assistance Program provides financial assistance to families facing a financial crisis that threatens the family or adult with disruption and out-of-home placement. The program provides a maximum of \$500 per family in a one-year period.

Family Preservation provides crisis intervention and intensive (5-20 hours per week) in-home services to families who have children at imminent risk of removal from their home. Family Reunification Services, which follow the same basic model with less intensive in-home services over a longer duration (up to 6 months), facilitate the successful return of children to the home and decrease the likelihood of repeated child placements.

Self-Help Groups provide support and education for parents in crisis or at risk of further abuse or neglect of children.

Juvenile Services in the Community provide an array of preventive and treatment services for children adjudicated as status offenders under KRS 630. Because status offender behaviors such as running away from home, being beyond parental control and truancy are most often indicative of prior abuse or neglect of the child, services are targeted at prevention of further abuse or neglect and interventions to curb the child's negative behaviors. Appropriate services may be provided directly by DCBS or arranged through local mental health centers, Family Resource and Youth Service Centers, community partnerships, private child care agencies, and other private providers in the community.

Adult Services

Adult Services have three major components: protection, self-support and guardianship. Adult services are directed toward preserving the vulnerable individual's independence to the maximum degree possible and protecting him/her from abuse, neglect or exploitation pursuant to KRS 209. The elements of adult services are: 1) adult protection; 2) spouse abuse protection; 3) adult home safety services (which is the direct provision of home safety services to adults at risk or in need of protection); 4) interdisciplinary evaluations to determine an adult's degree of disability and need for guardianship; 5) services provided by spouse abuse centers and crisis centers; 6) alternate care (also called patient movement and placement) which involves assisting individuals with appropriate community and institutional placements; and 7) preventive services for adults which entails assessment, planning, and guidance to individuals referred by the courts, the Cabinet's ombudsman, neighbors, state and federal legislators or through a self-referral. This often involves finding food, shelter, clothing, and medical treatment. Adult Self-Support includes the Community Services Block Grant, which provides funding for emergency needs of economically disadvantaged citizens. This program helps to alleviate the stresses on the family unit resulting from poverty while promoting self-sufficiency. Adult Guardianship services are provided for legally disabled adult residents of Kentucky for whom the Cabinet has been appointed guardian or conservator. The staff of the Guardianship Branch act as advocates to assure that each client's civil and human rights are preserved and protected, care needs are met, living arrangements are appropriate, entitlement eligibility is maintained, and financial matters are managed.

Pursuant to KRS 209, anyone who knows or suspects that an adult, who because of mental or physical dysfunction, or a spouse (without regard to age) is being abused, neglected or exploited must report this information to the Cabinet for Health and Family Services. The Cabinet is required to investigate the report, notify local law enforcement officials, offer appropriate protection and support services, and maintain case records.

Interdisciplinary Evaluations are court ordered evaluations pursuant to KRS 387.540 performed by a qualified social worker, a physician and a psychologist to assess an adult's degree of disability and to report to the court regarding the need for guardianship.

Spouse Abuse Shelter Services are available in each of the 15 Area Development Districts under a contract between the department and the Kentucky Domestic Violence Association. Part of the funding for this element is provided by a portion of the

marriage license fee as authorized by KRS 209.160.

Alternate Care (also referred to as Placement and Movement) services are essential in providing preventive and protective services. For individuals no longer able to care for themselves or be cared for at home, long term care facility placement is often the best alternative or only solution. The Department for Community Based Services is involved in placement and movement of individuals into, between, and out of facilities. Placement and Movement denotes assistance provided to Medicaid-eligible individuals. Alternate Care denotes assistance to non-Medicaid eligible individuals.

It is estimated that approximately 56,000 Kentuckians need alternate care or placement and movement services each year. The majority of these individuals have family or friends to assist them in finding alternate living arrangements. The Department assists those individuals who are not able to locate appropriate placements. Alternate Care Services help ensure that persons are not inappropriately placed in a level of care exceeding their need and, thus, promotes cost effectiveness. These services also help ensure that persons assisted receive the care they require.

There are approximately 194 personal care homes and 115 family care homes in Kentucky. As part of Alternate Care, the Department's family service workers make quarterly site visits to each freestanding personal care home and all family care homes to see residents and determine if their social and related needs are being met. Staff also monitors bedfast-waivered individuals monthly. Bedfast-waivered individuals are persons who, because of special considerations, are permitted to remain in personal or family care homes even though their care needs exceed what these homes normally provide. The homes must make special arrangements, with a physician's concurrence, to meet the needs of bedfast-waivered persons.

Alternatives for Children

Alternatives for Children provides placement resources for children who have been or are at risk of being abused or neglected. The legal authority for Alternatives for Children includes: KRS Chapters 199, 600 and 620, Titles IV-B and IV-E, and the Social Services Block Grant. Services are directed toward finding substitute care for children who must live apart from their family; working toward reuniting the child and family; and, if that is not possible, securing an alternative living arrangement which will provide permanency for the child.

Family Foster Care takes place in the home of an agency-approved family. The development of alternative resources such as the Families and Children Together Services (FACTS), Family Preservation Program, Kinship Care, and Preventative Assistance has reduced the trend of more children placed in out-of-home care.

Foster Parent Training, provided by DCBS staff and contractors, is required of all foster parents. Foster parents must complete 30 hours prior to approval and placement of a child and also are required to attend annual in-service training. Parents serving special needs or medically fragile children and those from family treatment homes are required to complete additional training. Care Plus Homes provide a setting where intensively trained foster parents furnish a viable alternative placement resource for children and youth who: have serious emotional problems; are due to be released from treatment facilities; display aggressive or destructive behaviors or other disruptive behaviors; are at risk of being placed in more restrictive settings; are at risk of institutionalization; or have experienced numerous placement failures. Medically Fragile Foster Care serves children who need medical treatment and continuous monitoring but do not necessarily require the daily services of a nurse or doctor. Foster parents caring for these children are provided an increased reimbursement and must meet additional training and certification requirements.

Independent Living services are specialized services, including classroom and experiential training, designed to enhance the self-sufficiency skills of older children in foster care, private child care and other state funded living arrangements. Services are provided both directly by staff and by contract agencies. As they complete each phase of the training, youth receive a stipend. In addition, youth ages 18-21 who were formerly in care may receive room and board assistance for a limited time.

Private Child Caring/Child Placing services and emergency shelter services are essential components of a protective service program that provides temporary placement services for children who are unable to remain in their own homes because of severe abuse, neglect, exploitation, abandonment, and/or because they have specialized treatment needs.

Adoption is the legal process by which a child becomes a legal child of a person or persons other than his/her biological parents. The department provides services prior to adoption in order to bring children and families together and services after adoption through after-placement supervisory services and adoption assistance.

The Adoption 2002 Initiative is a collaborative undertaking between the state and federal governments to double the number of children adopted or placed annually in other permanent homes over a five-year period. This joint effort is designed to engage federal, state, and local governments; child welfare and adoption professionals; community leaders; and other interested citizens in creative and meaningful activities to improve the lives of children by creating permanent homes for them.

The IMPACT Plus Program provides services for children who require treatment due to emotional diagnoses. Medicaid funds

support these services through agreements with specific providers. This program seeks to divert services from inpatient settings to the community level. All children in the IMPACT Plus Program have a team of parents, educators, therapists, social services workers, and others who meet to identify services that will meet the children's unique treatment needs. A health benefits administrator, contracted by the Department for Medicaid Services, certifies children as IMPACT Plus eligible and approves payment for services.

Policy

Additional Federal Funds in the amount of \$8,638,400 are provided in fiscal year 2006 for care and support costs associated with projected increases in the number of children in state care.

The Governor's budget recommendation includes additional General Fund moneys in fiscal year 2007 in the amount of \$7.4 million and in fiscal year 2008 in the amount of \$22 million to provide out-of-home care services for increasing numbers of children in care.



Justice and Public Safety

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Justice and Public Safety

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	546,842,700	745,488,500	792,515,300	591,089,700	622,448,000
Current Year Appropriation	1,301,200				
Continuing Appropriation	229,300				
Salary Compensation Fund	13,483,800				
Base Deduction	-6,366,000				
Other		3,949,600	3,949,600		
Total General Fund	555,491,000	749,438,100	796,464,900	591,089,700	622,448,000
Tobacco Settlement-Phase I					
Tobacco Settlement - I	2,222,700	2,227,700	2,228,700	1,816,800	1,923,400
Continuing Appropriation	1,979,800				
Budget Reduction	-151,100				
Total Tobacco Settlement-Phase I	4,051,400	2,227,700	2,228,700	1,816,800	1,923,400
Restricted Funds					
Balance Forward	15,690,500	9,445,800	5,273,700	9,557,400	4,047,100
Current Receipts	46,863,100	49,411,300	49,937,500	44,323,500	45,012,700
Non-Revenue Receipts	56,454,200	61,015,400	63,423,100	60,928,700	60,285,500
Fund Transfers	-13,717,400				-2,000,000
Total Restricted Funds	105,290,400	119,872,500	118,634,300	114,809,600	107,345,300
Federal Funds					
Balance Forward	3,032,900	2,087,400	1,347,700	1,466,700	764,900
Current Receipts	52,067,300	52,223,900	50,429,100	47,564,800	46,735,700
Non-Revenue Receipts	-12,400				
Total Federal Funds	55,087,800	54,311,300	51,776,800	49,031,500	47,500,600
Road Fund					
Regular Appropriation	42,768,100	48,836,700	50,868,700	48,974,900	48,881,500
Total Road Fund	42,768,100	48,836,700	50,868,700	48,974,900	48,881,500
TOTAL SOURCE OF FUNDS	762,688,700	974,686,300	1,019,973,400	805,722,500	828,098,800
EXPENDITURES BY CLASS					
Personnel Cost	413,724,800	564,168,800	606,828,300	444,346,300	457,412,500
Operating Expenses	88,437,500	107,037,600	105,275,100	90,350,900	89,829,100
Grants, Loans or Benefits	236,594,500	270,338,600	278,452,400	252,539,500	263,138,200
Debt Service	3,415,200	12,463,200	12,460,000	3,419,000	3,571,000
Capital Outlay	8,492,600	13,319,600	10,765,600	8,554,800	8,518,000
Construction	1,000,000	1,000,000	1,000,000	1,700,000	1,300,000
TOTAL EXPENDITURES	751,664,600	968,327,800	1,014,781,400	800,910,500	823,768,800
EXPENDITURES BY FUND SOURCE					
General Fund	555,491,000	749,438,100	796,464,900	591,089,700	622,448,000
Tobacco Settlement-Phase I	4,051,400	2,227,700	2,228,700	1,816,800	1,923,400
Restricted Funds	95,733,000	114,656,900	114,025,100	110,762,500	103,015,300
Federal Funds	53,621,100	53,168,400	51,194,000	48,266,600	47,500,600
Road Fund	42,768,100	48,836,700	50,868,700	48,974,900	48,881,500
TOTAL EXPENDITURES	751,664,600	968,327,800	1,014,781,400	800,910,500	823,768,800
EXPENDITURES BY UNIT					
Justice Administration	31,829,800	36,298,000	36,330,200	28,338,600	28,075,000
Criminal Justice Training	45,460,800	53,232,000	53,766,600	49,059,500	49,360,900
Juvenile Justice	106,997,900	131,614,200	137,118,700	110,875,900	112,294,900
State Police	141,219,400	197,884,500	208,225,700	152,305,100	153,777,700

Corrections	371,510,700	475,880,700	498,562,200	402,266,100	422,487,800
Vehicle Enforcement	20,590,700	26,539,800	27,914,200	19,860,800	19,767,200
Public Advocacy	34,055,300	46,878,600	52,863,800	38,204,500	38,005,300
TOTAL EXPENDITURES	751,664,600	968,327,800	1,014,781,400	800,910,500	823,768,800

The Kentucky Justice Cabinet was created in 1974 pursuant to KRS 15A.010. The Cabinet was renamed the Justice and Public Safety Cabinet pursuant to Executive Order 2004-734 on July 9, 2004, as well as subsequently by Executive Order 2005-566 on June 16, 2005. The Department of Public Advocacy was transferred from the Environmental and Public Protection Cabinet, and Kentucky Vehicle Enforcement was transferred from the Transportation Cabinet in July 2004 and placed under the Justice and Public Safety Cabinet. Additionally, the Office of Drug Control Policy was created within the Justice and Public Safety Cabinet. The Cabinet is now comprised of seven departments: Department of Justice Administration, Department of State Police, Department of Juvenile Justice, Department of Criminal Justice Training, Department of Corrections, Department of Public Advocacy, and Department of Vehicle Enforcement.

Justice and Public Safety

Justice Administration

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	13,333,500	21,039,600	21,667,700	13,565,600	13,718,800
Continuing Appropriation	191,900				
Salary Compensation Fund	168,600				
Base Deduction	-317,400				
Total General Fund	13,376,600	21,039,600	21,667,700	13,565,600	13,718,800
Tobacco Settlement-Phase I					
Tobacco Settlement - I	2,222,700	2,227,700	2,228,700	1,816,800	1,923,400
Continuing Appropriation	1,979,800				
Budget Reduction	-151,100				
Total Tobacco Settlement-Phase I	4,051,400	2,227,700	2,228,700	1,816,800	1,923,400
Restricted Funds					
Balance Forward	1,156,700	580,900	368,200	507,400	368,200
Current Receipts	141,300	3,000	3,000	2,000	2,000
Non-Revenue Receipts	3,131,900	3,148,900	3,148,900	3,148,900	3,148,900
Fund Transfers	-293,800				
Total Restricted Funds	4,136,100	3,732,800	3,520,100	3,658,300	3,519,100
Federal Funds					
Balance Forward	50,700				
Current Receipts	10,592,400	9,666,100	9,142,700	9,666,100	9,142,700
Non-Revenue Receipts	130,000				
Total Federal Funds	10,773,100	9,666,100	9,142,700	9,666,100	9,142,700
TOTAL SOURCE OF FUNDS	32,337,200	36,666,200	36,559,200	28,706,800	28,304,000
EXPENDITURES BY CLASS					
Personnel Cost	8,423,000	10,776,500	11,326,500	8,535,300	8,691,700
Operating Expenses	1,645,400	1,885,500	1,875,000	1,652,500	1,650,600
Grants, Loans or Benefits	21,623,300	22,873,000	22,365,700	18,108,800	17,690,700
Debt Service		531,000	531,000		
Capital Outlay	138,100	232,000	232,000	42,000	42,000
TOTAL EXPENDITURES	31,829,800	36,298,000	36,330,200	28,338,600	28,075,000
EXPENDITURES BY FUND SOURCE					
General Fund	13,376,600	21,039,600	21,667,700	13,565,600	13,718,800
Tobacco Settlement-Phase I	4,051,400	2,227,700	2,228,700	1,816,800	1,923,400
Restricted Funds	3,628,700	3,364,600	3,291,100	3,290,100	3,290,100
Federal Funds	10,773,100	9,666,100	9,142,700	9,666,100	9,142,700
TOTAL EXPENDITURES	31,829,800	36,298,000	36,330,200	28,338,600	28,075,000
EXPENDITURES BY UNIT					
Secretary	5,695,700	7,098,500	7,320,500	5,512,600	5,503,000
Office of Drug Control Policy	9,496,800	12,061,100	12,138,800	7,007,500	7,124,700
Medical Examiner Program	3,821,400	4,705,600	4,830,400	3,757,300	3,783,200
Parole Board	1,662,000	1,937,400	2,031,400	1,718,500	1,736,800
Grants	10,958,300	10,221,500	9,735,200	10,068,800	9,653,400
Criminal Justice Council	195,600	273,900	273,900	273,900	273,900
TOTAL EXPENDITURES	31,829,800	36,298,000	36,330,200	28,338,600	28,075,000

The Department of Justice Administration is comprised of the Office of the Secretary, Office of Investigations, Office of Management and Administrative Services, Office of Legal Services, Office of Legislative and Intergovernmental Services, Kentucky State Parole Board, and Kentucky State Medical Examiner (Office of Forensic Technology). The Department is responsible for the overall administration of the Justice and Public Safety Cabinet, coordinating the activities of the various departments, boards, and branches.

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

The Office of Management and Administrative Services is responsible for communications, personnel, budget and fiscal policy, and information technology coordination. Attached to the Office of Management and Administrative Services is the Grants Management Branch. Duties of the Grants Management Branch include the receipt and distribution of Federal Funds throughout the Cabinet, such as the Justice Accountability Grant program, the Violence Against Women Act program, and the Law Enforcement DUI Service Fee program.

The Office of Legislative and Intergovernmental Services, Criminal Justice Council, established in KRS 15A.040, advises and recommends to the Governor and the General Assembly policies and direction for long-range planning regarding all elements of the criminal justice system. The Council has representatives from: law enforcement, the judiciary, corrections, prosecution bar, defense bar, legislature, professional associations, crime victims, victim advocates, and universities. The Secretary of the Justice and Public Safety Cabinet serves ex-officio as Chair of the Council. The Council carries out criminal justice planning for the Executive, Legislative, and Judicial Branches of government.

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

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

Policy

The Governor's recommended budget continues the current level of funding for the following initiatives.

The Governor's recommended budget includes General Fund resources of \$1,000,000 in fiscal year 2007 and fiscal year 2008 and Restricted Funds of \$1,000,000 in fiscal year 2007 and fiscal year 2008 for regional drug courts in Kentucky's coal producing counties.

The recommended budget includes General Fund resources of \$1,000,000 in both years of the biennium for drug and substance abuse treatment for non-violent offenders in local jails.

The Governor's recommended budget includes Restricted Funds of \$1,500,000 in both years of the biennium for Operation UNITE.

The recommended budget includes General Fund resources of \$1,500,000 in both years of the biennium for civil legal services to indigents.

**Justice and Public Safety
Criminal Justice Training**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
Restricted Funds					
Balance Forward	1,767,900	1,727,300		1,222,800	3,092,100
Current Receipts	552,400	579,800	582,800	652,700	654,500
Non-Revenue Receipts	47,109,100	48,930,400	51,106,600	48,402,600	49,825,300
Fund Transfers	-6,660,600				-2,000,000
Total Restricted Funds	42,768,800	51,237,500	51,689,400	50,278,100	51,571,900
Federal Funds					
Balance Forward	274,300				
Current Receipts	3,640,500	1,994,500	2,077,200	1,873,500	1,886,300
Total Federal Funds	3,914,800	1,994,500	2,077,200	1,873,500	1,886,300
TOTAL SOURCE OF FUNDS	46,683,600	53,232,000	53,766,600	52,151,600	53,458,200
EXPENDITURES BY CLASS					
Personnel Cost	12,774,000	15,693,800	15,966,900	11,970,800	12,205,000
Operating Expenses	2,967,100	3,237,100	3,240,300	3,296,300	3,302,500
Grants, Loans or Benefits	26,379,100	29,712,500	29,974,000	29,498,000	29,961,000
Debt Service	3,331,400	4,079,400	4,076,200	3,335,200	3,333,200
Capital Outlay	9,200	509,200	509,200	259,200	259,200
Construction				700,000	300,000
TOTAL EXPENDITURES	45,460,800	53,232,000	53,766,600	49,059,500	49,360,900
EXPENDITURES BY FUND SOURCE					
Restricted Funds	41,546,000	51,237,500	51,689,400	47,186,000	47,474,600
Federal Funds	3,914,800	1,994,500	2,077,200	1,873,500	1,886,300
TOTAL EXPENDITURES	45,460,800	53,232,000	53,766,600	49,059,500	49,360,900
EXPENDITURES BY UNIT					
Kentucky Law Enforcement Program Fund	39,923,200	49,046,800	49,921,100	45,551,000	45,834,800
Peace Officer Professional Standards	602,000	662,300	688,400	607,300	610,300
Special Training Programs	4,370,600	2,474,300	2,560,000	2,336,200	2,350,800
Motorcycle Safety Program	565,000	1,048,600	597,100	565,000	565,000
TOTAL EXPENDITURES	45,460,800	53,232,000	53,766,600	49,059,500	49,360,900

The Department of Criminal Justice Training (DOCJT) is responsible for the training of law enforcement professionals as provided under Kentucky Revised Statutes, Chapters 15, 15A, 16, 70, 72, 95, and KRS 403.785(2), along with 500 KAR 8:010. Basic and specialized training courses are offered to police officers, telecommunications, sheriffs, deputies, coroners, and certain other agencies upon request. Course curriculum includes training in basic law enforcement, telecommunications, coroner training, AIDS, child sexual abuse, domestic violence, bias-related crimes, legal and constitutional law, police tactical training, professional development, executive and staff training, leadership development, and breath testing. Training is conducted at the Training Center on the Eastern Kentucky University campus and at regional sites.

The DOCJT operates two training programs: the Kentucky Law Enforcement Foundation Program Fund (KLEFPF), and the Special Training programs with the Peace Officers Professional Standards (POPS) office. The KLEFPF agency resources are derived from insurance premium surcharge proceeds, which accrue pursuant to KRS 136.392, and are allocated by KRS 42.190 between the KLEFPF and the Kentucky Firefighters Foundation Program Fund (KFFPF). The Department provides entry-level and in-service training for approximately 11,000 students each year.

Policy

The Executive Budget provides funding for approximately 6,469 training incentive stipend recipients in fiscal year 2006 and an annual two percent growth in recipients in the 2006-2008 biennium.

The Executive Budget includes Restricted Funds of \$6,019,500 in both years of the biennium for a training incentive stipend of \$3,100 (plus pension) for Kentucky State Troopers, Kentucky State Police arson investigators, Kentucky State Police hazardous devices investigators, Kentucky State Police legislative security specialists, and Kentucky vehicle enforcement officers. The stipend payments for this group of law enforcement personnel began January 1, 2006.

The recommended budget provides additional Restricted Funds of \$250,000 in each year of the biennium for vehicle replacement. These funds will replace 25 vehicles, most of which have in excess of 75,000 miles on them.

The Governor's recommended budget provides additional Restricted Funds of \$300,000 in each year of the biennium for a miscellaneous maintenance pool. This is the first budget in which maintenance funds have been explicitly earmarked for the upkeep of the physical plant at the Training Center.

The Executive Budget provides Restricted Funds of \$400,000 in fiscal year 2007 for the Thompson Hall HVAC capital project.

Notwithstanding KRS 15.430, the recommended budget provides for a \$2,000,000 transfer in fiscal year 2008 from the Kentucky Law Enforcement Foundation Program Fund (KLEFPF) to the General Fund.

Justice and Public Safety

Juvenile Justice

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	82,939,600	104,694,200	110,498,700	83,955,900	85,674,900
Salary Compensation Fund	2,398,000				
Base Deduction	-5,608,700				
Total General Fund	79,728,900	104,694,200	110,498,700	83,955,900	85,674,900
Restricted Funds					
Balance Forward	1,770,200	1,770,200	1,770,200		
Current Receipts	16,950,000	12,200,000	12,200,000	12,200,000	12,200,000
Fund Transfers	-6,520,200				
Total Restricted Funds	12,200,000	13,970,200	13,970,200	12,200,000	12,200,000
Federal Funds					
Balance Forward	2,164,900	1,464,900	764,900	1,464,900	764,900
Current Receipts	14,369,000	14,020,000	13,655,100	14,020,000	13,655,100
Total Federal Funds	16,533,900	15,484,900	14,420,000	15,484,900	14,420,000
TOTAL SOURCE OF FUNDS	108,462,800	134,149,300	138,888,900	111,640,800	112,294,900
EXPENDITURES BY CLASS					
Personnel Cost	67,959,900	89,315,900	95,029,600	70,426,300	72,145,300
Operating Expenses	11,650,600	11,785,700	11,497,400	11,502,400	11,202,400
Grants, Loans or Benefits	26,387,400	29,512,600	29,591,700	27,947,200	27,947,200
Construction	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
TOTAL EXPENDITURES	106,997,900	131,614,200	137,118,700	110,875,900	112,294,900
EXPENDITURES BY FUND SOURCE					
General Fund	79,728,900	104,694,200	110,498,700	83,955,900	85,674,900
Restricted Funds	12,200,000	12,200,000	12,200,000	12,200,000	12,200,000
Federal Funds	15,069,000	14,720,000	14,420,000	14,720,000	14,420,000
TOTAL EXPENDITURES	106,997,900	131,614,200	137,118,700	110,875,900	112,294,900
EXPENDITURES BY UNIT					
Program Management	918,600	1,080,900	1,132,200	937,400	947,500
Program Operations	99,341,300	122,812,000	127,867,100	102,886,300	104,180,900
Support Services	6,738,000	7,721,300	8,119,400	7,052,200	7,166,500
TOTAL EXPENDITURES	106,997,900	131,614,200	137,118,700	110,875,900	112,294,900

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

Program Management is comprised of two organizational units which provide management and policy direction for the Department: Office of the Commissioner, and Office of Ombudsman. The Office of the Commissioner provides staff support for the Commissioner, which includes public information services. The Office of Ombudsman investigates and resolves grievances filed by those receiving services from the Department.

Program Operations consists of the direct services provided to both public and youthful offenders, through Day Treatment Services, Group Homes, Residential Facilities, Community Supervision, Private Child Care Facilities, Detention Facilities,

and Alternatives to Detention. The programs are administered on a regional basis, divided into five separate regions.

Day Treatment Services is comprised of six state-owned and 20 contract programs. These programs are the least restrictive, since the youths remain in a home setting during the evening and attend a day treatment program during the day. A court or school system usually refers a youth to serve in these programs. Day Treatment provides educational alternatives, treatment, and counseling for youths between the ages of 12 and 17. The total capacity of the 26 centers is 927 youths.

Day Treatment Facilities	County	Slots
Hardin County	Hardin	40
Hopkins County	Hopkins	40
Warren County	Warren	40
Daviess County	Daviess	36
Calloway County	Calloway	30
Ohio County	Ohio	30
Barren County	Barren	30
Harrodsburg Independent	Mercer	30
Bullitt County	Bullitt	50
Shelby County	Shelby	38
Wilkinson Street	Franklin	50
Boyle County	Boyle	30
Shelby Valley	Pike	30
Phelps	Pike	30
Madison County	Madison	30
Newport	Campbell	45
Laurel County	Laurel	30
Pulaski County	Pulaski	30
Clark County	Clark	30
Christian County	Christian	33
Campbell County	Campbell	30
Bell County	Bell	30
Corbin Board of Education	Knox/Laurel/Whitley	30
Lexington Fayette Urban County Government	Fayette	55
Ashland	Boyd	40
Louisville	Jefferson	40

Day Treatment Slots = 927

Group Homes are community-based residential treatment facilities that generally serve eight youths per home. These programs accept youths between 12-18 years of age who have been committed to the Department as “public” or “youthful” offenders. Group home care serves as an alternative to institutionalization and aims to transition a youth from institutional placement to the community. The total capacity of ten group homes is 80 youths.

Group Home Facilities	County	Beds
Ashland	Boyd	8
Bowling Green	Warren	8
Burnside	Pulaski	8
Frenchburg	Menifee	8
Hopkinsville	Christian	8
London	Laurel	8
Mayfield	Graves	8
Middlesboro	Bell	8
Frankfort	Franklin	8
Westport	Jefferson	8

Group Home Beds = 80

The 12 state-operated Residential Facilities provide 24-hour care and custody of juveniles who have been committed to the Department as public offenders, or sentenced as youthful offenders. These facilities serve youths who are in need of treatment that cannot be provided in their community, or who require placement in a secure setting because they represent a threat to the community. The current capacity of the 12 facilities is 476 youths.

Residential Facilities	City	County	Beds
Northern Kentucky Youth Development Center	Crittenden	Grant	40
Morehead Youth Development Center	Morehead	Rowan	32
Green River Youth Development Center	Cromwell	Butler	36
Audubon Youth Development Center	Louisville	Jefferson	60
Mayfield Youth Development Center	Mayfield	Graves	36
Owensboro Treatment Center	Owensboro	Daviess	30
Lincoln Village Youth Development Center	Elizabethtown	Hardin	40
Lake Cumberland Youth Development Center	Monticello	Wayne	40
Woodsbend Youth Development Center	West Liberty	Morgan	40
Bluegrass Assessment Center	Lexington	Fayette	32
Cadet Leadership Education Program	Jackson	Breathitt	40
Adair Youth Development Center	Columbia	Adair	50

Residential Beds = 476

Community Services are community-based services provided to juvenile offenders. Juvenile workers in the community offices develop service objectives and comprehensive service plans for juvenile offenders and their families. Juvenile workers supervise juvenile offenders and recommend any necessary out-of-home placements. Juvenile workers supervise over 3,000 youths.

Private child care facilities and therapeutic foster care programs are utilized to alleviate facility capacity problems and to provide specialized treatment for youths. Approximately 200 juveniles are in these programs on any given day.

Eight state-operated detention centers are currently in operation in Breathitt, McCracken, Campbell, Warren, Laurel, Hardin, Fayette, and Boyd Counties, and thirty beds are available for detention at the youth development center in Adair County. Construction on the Hardin Regional Juvenile Detention Center and Fayette Regional Juvenile Detention Center was recently completed. The Hardin County facility opened in April 2005 and the Fayette County facility opened in November 2005. Currently, the state provides detention services to 118 counties. Jefferson and Madison Counties continue to operate local detention programs, and counties approved to use these facilities receive a subsidy payment from the state of \$94 per day for all public and youthful offenders.

State-Operated Detention Centers	County	Beds
Breathitt Regional Juvenile Detention Center	Breathitt	48
McCracken Regional Juvenile Detention Center	McCracken	48
Campbell Regional Juvenile Detention Center	Campbell	52
Adair Youth Development Center	Adair	30
Warren Regional Juvenile Detention Center	Warren	48
Laurel Regional Juvenile Detention Center	Laurel	48
Boyd Regional Juvenile Detention Center	Boyd	36
Hardin Regional Juvenile Detention Center	Hardin	44
Fayette Regional Juvenile Detention Center	Fayette	48

Detention Beds = 402

Placements less restrictive than detention facilities are provided through contracts with emergency shelters and foster care providers, electronic monitoring, and tracking services. Ten departmental staff members are responsible for the assessment of juveniles in the facilities, and the determination of whether an alternative to detention is appropriate.

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

Support Services, which provides administrative support to all organizational units of the Department, includes: Division of Administrative Services, Division of Program Services, Division of Professional Development, and the Division of Medical Services. The Division of Administrative Services consists of four branches: Personnel, Fiscal, Capital Construction and Real Properties, and Information Systems. The Division of Program Services consists of the Quality Assurance Branch and grant management staff that report directly to the Division Director. The Division of Professional Development consists of the Training Branch. The Medical Division oversees the medical delivery system throughout the Department.

Justice and Public Safety

State Police

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	80,585,200	139,904,800	150,000,800	88,810,300	93,609,600
Current Year Appropriation	1,301,200				
Salary Compensation Fund	3,483,000				
Total General Fund	85,369,400	139,904,800	150,000,800	88,810,300	93,609,600
Restricted Funds					
Balance Forward	4,166,300	3,520,300	3,023,100	3,520,300	
Current Receipts	7,582,900	7,467,900	7,661,500	7,467,900	7,661,500
Non-Revenue Receipts	4,407,300	6,800,800	7,032,500	4,061,900	4,061,900
Total Restricted Funds	16,156,500	17,789,000	17,717,100	15,050,100	11,723,400
Federal Funds					
Current Receipts	13,444,700	13,444,700	13,444,700	13,444,700	13,444,700
Total Federal Funds	13,444,700	13,444,700	13,444,700	13,444,700	13,444,700
Road Fund					
Regular Appropriation	29,769,100	29,769,100	29,769,100	35,000,000	35,000,000
Total Road Fund	29,769,100	29,769,100	29,769,100	35,000,000	35,000,000
TOTAL SOURCE OF FUNDS	144,739,700	200,907,600	210,931,700	152,305,100	153,777,700
EXPENDITURES BY CLASS					
Personnel Cost	104,369,800	162,357,000	172,717,000	117,410,800	118,931,800
Operating Expenses	26,887,200	24,270,400	24,288,400	24,930,300	24,918,700
Grants, Loans or Benefits	3,075,600	3,075,600	3,075,600	3,075,600	3,075,600
Capital Outlay	6,886,800	8,181,500	8,144,700	6,888,400	6,851,600
TOTAL EXPENDITURES	141,219,400	197,884,500	208,225,700	152,305,100	153,777,700
EXPENDITURES BY FUND SOURCE					
General Fund	85,369,400	139,904,800	150,000,800	88,810,300	93,609,600
Restricted Funds	12,636,200	14,765,900	15,011,100	15,050,100	11,723,400
Federal Funds	13,444,700	13,444,700	13,444,700	13,444,700	13,444,700
Road Fund	29,769,100	29,769,100	29,769,100	35,000,000	35,000,000
TOTAL EXPENDITURES	141,219,400	197,884,500	208,225,700	152,305,100	153,777,700
EXPENDITURES BY UNIT					
Administration	26,532,200	34,439,000	35,675,000	29,005,900	29,520,900
Technical Services	32,098,400	37,310,800	38,511,800	32,620,800	32,955,900
Operations	82,588,800	126,134,700	134,038,900	90,678,400	91,300,900
TOTAL EXPENDITURES	141,219,400	197,884,500	208,225,700	152,305,100	153,777,700

The Kentucky State Police is the statewide law enforcement agency of the Commonwealth. The State Police was established in 1948. State Troopers are assigned to 16 regional posts across the State. The Department is responsible for the enforcement of criminal and traffic laws, along with white-collar crime, organized crime, electronic crime, racketeering, and drug-related crime. The State Police also provide protection for the Governor, Lieutenant Governor, their families, and property. The Kentucky State Police is comprised of three divisions: Administrative, Operations, and Technical Services.

The Administrative Division, which includes the Office of the Commissioner, provides professional support services for the Department. These services include organizational policy, personnel, properties management and supplies, payroll,

employee assistance, fiscal, internal investigations, and inspections. Media relations, training, analysis, research, strategic planning, and information coordination are other functions performed in this division. The State Police Drivers Testing Stations, Facilities Security, and Legislative Detail are also part of this division and provide external support to citizens and other public officials of Kentucky.

The Operations Division includes the regional posts and the personnel assigned to each post. State Police posts are maintained in Mayfield, Madisonville, Henderson, Elizabethtown, Bowling Green, Dry Ridge, Frankfort, Campbellsburg, Richmond, Columbia, Morehead, Ashland, Pikeville, Hazard, Harlan, and London. Other functions in this division include highway safety, drug enforcement, vehicle investigation, and special operations.

The Technical Services Division is responsible for providing technical assistance to other departmental areas, along with outside agencies, concerning electronic crimes examination/analysis, records, communications (including headquarters dispatch), criminal history information, intelligence information, automated fingerprint information, and computer technology needs. The Division also has the responsibility of providing forensic analysis for all law enforcement agencies throughout the Commonwealth. The forensic analysis function is supported by the Central Laboratory in Frankfort as well as Regional Laboratories in Ashland, Louisville, Cold Springs, London, and Madisonville.

Policy

The Executive Budget provides Road Fund resources of \$35,000,000 in fiscal year 2007 and \$35,000,000 in fiscal year 2008 for State Police highway enforcement activities.

The Executive Budget includes Restricted Funds of \$5,376,700 in both years of the biennium for a \$3,100 training incentive stipend for state troopers, dispatchers, hazardous devices investigators, and legislative security specialists. These funds are provided from the Kentucky Law Enforcement Foundation Program Fund (KLEFPF).

The recommended budget includes additional General Fund resources of \$600,000 in each year of the biennium for fleet vehicle liability insurance for Kentucky State Police vehicles. State Police Troopers will no longer have to purchase their own "rider" insurance on their own private automobile insurance policy through their private automobile insurance carrier. The current policy has resulted in some Troopers not having adequate insurance coverage. These funds will enable the Kentucky State Police to pay directly for insurance on all vehicles, ensuring consistent and adequate coverage.

The Executive Budget provides additional General Fund resources of \$4,250,000 in both years of the biennium to pay overtime to all KRS Chapter 16 sworn personnel in lieu of awarding compensatory time. This policy is expected to result in the equivalent of approximately 50 additional troopers in fiscal year 2007 and 44 additional troopers in fiscal year 2008 on the road to support highway enforcement activities.

The Governor's recommended budget provides additional General Fund resources of \$1,301,200 in fiscal year 2006, \$997,100 in fiscal year 2007, and \$928,500 in fiscal year 2008 to accommodate the increased costs of motor fuel.

The recommended budget provides that the State Police sworn officer authorized strength is 1,070.

Justice and Public Safety

Corrections

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	344,720,000	440,059,100	463,745,100	374,987,200	397,558,300
Continuing Appropriation	37,400				
Salary Compensation Fund	6,573,000				
Base Deduction	-238,100				
Other		3,949,600	3,949,600		
Total General Fund	351,092,300	444,008,700	467,694,700	374,987,200	397,558,300
Restricted Funds					
Balance Forward	1,766,000	80,100		1,254,300	585,000
Current Receipts	18,185,100	25,710,600	26,040,200	20,807,900	21,044,700
Non-Revenue Receipts	20,100	20,100	20,100	4,020,100	1,520,100
Fund Transfers	-80,100				
Total Restricted Funds	19,891,100	25,810,800	26,060,300	26,082,300	23,149,800
Federal Funds					
Balance Forward	204,300				
Current Receipts	1,577,300	6,061,200	4,807,200	1,781,600	1,781,600
Total Federal Funds	1,781,600	6,061,200	4,807,200	1,781,600	1,781,600
TOTAL SOURCE OF FUNDS	372,765,000	475,880,700	498,562,200	402,851,100	422,489,700
EXPENDITURES BY CLASS					
Personnel Cost	183,142,300	234,703,400	254,112,700	194,420,900	203,759,900
Operating Expenses	37,202,800	53,327,100	51,195,900	40,415,100	40,720,600
Grants, Loans or Benefits	151,019,800	177,679,700	185,338,800	167,284,300	177,707,500
Debt Service	83,800	7,852,800	7,852,800	83,800	237,800
Capital Outlay	62,000	2,317,700	62,000	62,000	62,000
TOTAL EXPENDITURES	371,510,700	475,880,700	498,562,200	402,266,100	422,487,800
EXPENDITURES BY FUND SOURCE					
General Fund	351,092,300	444,008,700	467,694,700	374,987,200	397,558,300
Restricted Funds	18,636,800	25,810,800	26,060,300	25,497,300	23,147,900
Federal Funds	1,781,600	6,061,200	4,807,200	1,781,600	1,781,600
TOTAL EXPENDITURES	371,510,700	475,880,700	498,562,200	402,266,100	422,487,800
EXPENDITURES BY UNIT					
Corrections Management	20,036,700	37,110,400	37,861,700	22,946,700	23,035,400
Adult Correctional Institutions	233,322,400	285,385,400	296,996,400	245,142,700	252,132,000
Community Services and Local Facilities	101,878,100	136,943,800	147,263,000	117,940,600	131,084,300
Local Jail Support	16,273,500	16,441,100	16,441,100	16,236,100	16,236,100
TOTAL EXPENDITURES	371,510,700	475,880,700	498,562,200	402,266,100	422,487,800

The Department of Corrections, pursuant to KRS 196 - 197, is responsible for the broad range of activities associated with adult criminal incarceration, public safety, inmate rehabilitation, probation and parole, and criminal recidivism. As the largest department in the Justice and Public Safety Cabinet, Corrections has four separate appropriation units: Corrections Management, Community Services and Local Facilities, Adult Institutions, and Local Jail Support. The Department of Corrections utilizes resources from each of these units to provide the necessary balance between public safety and fiscal responsibility. In order to accomplish this, the Department is charged with accommodating a growing inmate population through a balance of community and institutional based solutions.

The Governor's recommended budget for the Department of Corrections incorporates the following array of institutional and community beds to accommodate the projected prison and community felon population under the custody of the Department of Corrections.

2006 - 2008 Prison and Community Beds

	<u>FY 2006</u>	<u>FY 2007</u>	<u>FY 2008</u>
Jails	5,960	6,348	6,786
Halfway Houses	693	1,040	1,315
Electronic Monitoring	-	263	300
Private Prisons	1,616	1,672	1,672
Adult Institutions	12,027	12,027	12,027
Recovery Kentucky	<u>-</u>	<u>-</u>	<u>122</u>
Total	20,296	21,350	22,222

**Justice and Public Safety
Corrections
Corrections Management**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	7,108,600	17,064,700	17,486,400	7,253,600	7,191,700
Salary Compensation Fund	323,700				
Base Deduction	-238,100				
Total General Fund	7,194,200	17,064,700	17,486,400	7,253,600	7,191,700
Restricted Funds					
Balance Forward	1,256,000			1,252,400	583,100
Current Receipts	12,821,000	19,906,600	20,236,200	15,005,900	15,242,700
Non-Revenue Receipts	17,900	17,900	17,900	17,900	17,900
Total Restricted Funds	14,094,900	19,924,500	20,254,100	16,276,200	15,843,700
Federal Funds					
Current Receipts		121,200	121,200		
Total Federal Funds		121,200	121,200		
TOTAL SOURCE OF FUNDS	21,289,100	37,110,400	37,861,700	23,529,800	23,035,400
EXPENDITURES BY CLASS					
Personnel Cost	10,558,100	14,052,500	14,803,800	11,339,400	11,262,900
Operating Expenses	8,416,600	14,226,900	14,226,900	10,545,300	10,556,500
Grants, Loans or Benefits	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Debt Service		7,769,000	7,769,000		154,000
Capital Outlay	62,000	62,000	62,000	62,000	62,000
TOTAL EXPENDITURES	20,036,700	37,110,400	37,861,700	22,946,700	23,035,400
EXPENDITURES BY FUND SOURCE					
General Fund	7,194,200	17,064,700	17,486,400	7,253,600	7,191,700
Restricted Funds	12,842,500	19,924,500	20,254,100	15,693,100	15,843,700
Federal Funds		121,200	121,200		
TOTAL EXPENDITURES	20,036,700	37,110,400	37,861,700	22,946,700	23,035,400
EXPENDITURES BY UNIT					
Commissioner	3,258,300	4,393,400	4,597,600	3,105,800	2,818,600
Training	1,589,400	1,871,000	1,958,800	1,687,000	1,722,700
Administrative Services	1,507,700	1,907,200	1,964,300	1,588,700	1,603,500
Division of Personnel	967,700	1,374,200	1,446,800	1,000,900	1,021,700
Debt Service		7,769,000	7,769,000		154,000
Correctional Industries	12,713,600	19,795,600	20,125,200	15,564,300	15,714,900
TOTAL EXPENDITURES	20,036,700	37,110,400	37,861,700	22,946,700	23,035,400

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

The Office of the Commissioner provides departmental management and administrative support necessary for the Commissioner of Corrections to conduct statutorily assigned duties pursuant to KRS 196 and 197. The Office conducts

centralized personnel and budgeting functions. The Commission on Corrections/Community Services is administratively attached to the Office. Also attached to the Office of the Commissioner is the office of the Deputy Commissioner for Support Services, responsible for the following areas: the Division of Corrections Training, Division of Administrative Services, and the Division of Correctional Industries. The Information Technology and Offender Records branch as well as the Victim Notification/Victims Services Branch are also under the office of the Deputy Commissioner of Support Services.

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

The Division of Administrative Services, referenced in KRS 12.020, is comprised of two branches that provide support services to the entire Department in: accounting and purchasing, property inventory, and budgeting. The Division of Administrative Services also includes the Contract Management Branch, which is charged with the responsibility for administering the contracts for the Commonwealth's privately operated correctional facilities. These private facilities include three contracted adult institutions (authorized and governed by KRS 197.500-525) - the Lee Adjustment Center, a 390-bed medium security institution located near Beattyville, the Marion Adjustment Center, an 826-bed minimum security institution located at St. Mary's, and the Otter Creek Correctional Complex, a 400-bed female facility located near Wheelwright. This branch also oversees contracts with 16 halfway houses located across the state which provide housing for approximately 700 community custody inmates and approximately 280 parolees.

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

Also administered by the Division of Correctional Industries is the Institutional Farm program. Farm programs are currently operated at Blackburn Correctional Complex, Northpoint Training Center, Roederer Correctional Complex, and Western Kentucky Correctional Complex. Current farm operations consist of cattle (including commercial cattle and a prime Registered Angus herd), grain, hay, orchards, vegetables, and freshwater shrimp. The farm program also has a working agreement with the Thoroughbred Retirement Foundation, and operates a refuge for retired thoroughbred horses at the Blackburn Correctional Complex.

Policy

The Executive Budget provides debt service in the amount of \$154,000 in fiscal year 2008 for the Kentucky Correctional Institution for Women Lonnie Watson Building renovation capital project.

Justice and Public Safety
Corrections
Adult Correctional Institutions

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	214,395,500	271,481,000	284,230,000	238,000,900	244,990,200
Salary Compensation Fund	5,201,900				
Other	6,570,100	3,949,600	3,949,600		
Total General Fund	226,167,500	275,430,600	288,179,600	238,000,900	244,990,200
Restricted Funds					
Balance Forward	428,000				
Current Receipts	5,018,100	5,433,000	5,433,000	5,433,000	5,433,000
Non-Revenue Receipts	2,200	2,200	2,200	2,200	2,200
Total Restricted Funds	5,448,300	5,435,200	5,435,200	5,435,200	5,435,200
Federal Funds					
Balance Forward	176,200				
Current Receipts	1,530,400	4,519,600	3,381,600	1,706,600	1,706,600
Total Federal Funds	1,706,600	4,519,600	3,381,600	1,706,600	1,706,600
TOTAL SOURCE OF FUNDS	233,322,400	285,385,400	296,996,400	245,142,700	252,132,000
EXPENDITURES BY CLASS					
Personnel Cost	147,587,700	183,498,100	198,216,600	154,845,200	160,982,300
Operating Expenses	26,360,100	32,549,400	30,691,100	26,165,300	26,455,600
Grants, Loans or Benefits	59,290,800	68,194,100	68,004,900	64,048,400	64,610,300
Debt Service	83,800	83,800	83,800	83,800	83,800
Capital Outlay		1,060,000			
TOTAL EXPENDITURES	233,322,400	285,385,400	296,996,400	245,142,700	252,132,000
EXPENDITURES BY FUND SOURCE					
General Fund	226,167,500	275,430,600	288,179,600	238,000,900	244,990,200
Restricted Funds	5,448,300	5,435,200	5,435,200	5,435,200	5,435,200
Federal Funds	1,706,600	4,519,600	3,381,600	1,706,600	1,706,600
TOTAL EXPENDITURES	233,322,400	285,385,400	296,996,400	245,142,700	252,132,000
EXPENDITURES BY UNIT					
Institutions Operations	1,803,900	7,241,600	12,235,200	-278,900	-1,725,400
Medical Services	40,000,000	49,534,200	49,581,900	43,000,000	47,000,000
Education	6,751,200	11,006,600	8,408,000	6,758,400	6,758,400
Blackburn Correctional Complex	6,859,800	7,971,300	8,291,100	7,016,700	7,170,100
Bell County Forestry Camp	2,880,700	3,193,500	3,326,000	2,978,900	3,046,100
Kentucky Correctional Institution for Women	10,782,000	12,994,600	13,577,000	11,336,600	11,609,600
Frankfort Career Development Center	2,775,000	3,116,800	3,255,600	2,820,300	2,884,900
Eastern Kentucky Correctional Complex	19,303,800	22,324,400	23,385,400	19,944,000	20,456,600
Northpoint Training Center	14,738,600	16,690,200	17,488,200	15,258,000	15,634,100
Kentucky State Reformatory	25,393,700	30,032,100	31,199,500	26,354,300	26,977,600
Kentucky State Penitentiary	17,007,600	19,636,800	20,634,600	17,013,400	17,452,100
Western Kentucky Correctional Complex	10,378,300	11,616,900	12,328,400	10,613,000	10,888,000
Roederer Correctional Complex	12,693,500	14,061,300	14,740,400	13,186,400	13,506,900
Luther Lockett Correctional Complex	11,851,900	13,578,500	14,270,900	12,380,200	12,710,600
Green River Correctional Complex	11,769,300	13,875,100	14,546,000	12,222,900	12,545,700
Little Sandy Correctional Complex	10,511,000	12,296,200	12,923,400	10,830,600	11,108,200
Mental Health	10,000,500	12,642,200	13,231,700	10,488,000	10,888,600
Private Prisons	17,821,600	23,573,100	23,573,100	23,219,900	23,219,900

TOTAL EXPENDITURES	233,322,400	285,385,400	296,996,400	245,142,700	252,132,000
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Adult Correctional Institutions is comprised of 13 state correctional facilities and three privately contracted facilities for adult felon offenders. Four additional programmatic areas serve all institutions and their incarcerated populations: the Division of Operations, the Division of Mental Health, Education programs, and Inmate Medical Services.

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

The Division of Mental Health is responsible for providing mental health treatment services to Kentucky's incarcerated, paroled, and probated populations. The Division is comprised of four units: alcohol and other substance abuse treatment programs, sex offender treatment programs (which are governed by KRS 197.400-440), the Sex Offender Risk Assessment Unit, and psychiatric and psychological out patient services.

Medical Services, pursuant to KRS 197.020, provides necessary health services to inmates committed to the Department. Services are performed at each institutional location through institutional medical staff, personal service contracts, and outside referrals to local specialists and hospitals. The provision of medical services is monitored, authorized, and reviewed by a system-wide Medical Director. Beneficiaries of the Division of Medical Services also include the state inmates housed in local jails who are able to participate in the healthcare network administered through the Division.

Correctional Institutions

Kentucky State Reformatory (KSR) is a medium security institution with an operational capacity of 1,943 inmates located near LaGrange in Oldham County. The inmate population is divided into four segments: general population, special management unit, nursing care facility, and mental health unit. Since 1980, KSR has converted designated living areas into single cell facilities and opened a new 150-bed mental health unit during 1998. In 1995 KSR opened the Nursing Care Facility which houses inmates in need of medical care due to their medical condition.

Kentucky State Penitentiary (KSP) is a maximum security institution with an operational capacity of 839 inmates, located near Eddyville in Lyon County. The inmate population is separated into three major groups: general population, protective custody, and disciplinary/administrative segregation. KSP also houses the state's capital punishment unit.

Blackburn Correctional Complex (BCC) is a minimum security institution with an operational capacity of 594 inmates located near Lexington in Fayette County. The institution programmatically directs inmates to halfway houses or returns the inmate to the community by parole, based upon the individual's demonstrated conduct, program performance, and need.

Bell County Forestry Camp (BCFC) is a minimum security institution with an operational capacity of 280 inmates located near Pineville in Bell County. The institution provides manpower to the Division of Forestry for fire suppression in Bell and seven surrounding counties during fire season along with road, highway garage, and community service details.

Kentucky Correctional Institution for Women (KCIW), the only state institutional facility for women in the Commonwealth, is located in PeeWee Valley in Shelby County, and has an operational capacity of 717 inmates. All levels of security and all levels of medical services must be provided since virtually all female prisoners are housed at KCIW.

Frankfort Career Development Center (FCDC) is a minimum security institution with an operational capacity of 205 inmates located in Frankfort in Franklin County. The institution primarily provides inmate labor to state government agencies in Frankfort at approximately 30 governmental work locations.

Eastern Kentucky Correctional Complex (EKCC) is a medium security institution with an operational capacity of 1,674 inmates located near West Liberty in Morgan County. The facility is the second largest correctional institution in the state, providing inmates with employment opportunities, academic resources, and vocational programs.

Western Kentucky Correctional Complex (WKCC) is a medium security institution with an operational capacity of 650 inmates located near Caldwell County. The institution operates a full farm operation on 2,500 acres, a community work program for surrounding parks and cities, and the Correctional Industries recycling program serving the surrounding counties.

Roederer Correctional Complex (RCC) is a medium security institution with an operational capacity of 1,002 inmates located near LaGrange in Oldham County. The institution operates the Department's Assessment and Classification Center, serving all incoming male inmates with the exception of inmates sentenced to capital punishment. The institution also operates a full farm operation on approximately 2,800 acres.

Luther Luckett Correctional Complex (LLCC) is a medium security institution with an operational capacity of 1,023 inmates, also located near LaGrange in Oldham County. The facility houses two separate institutions: the Department of Correction's prison facility and the Cabinet for Health and Family Services, Kentucky Correctional Psychiatric Center (KCPC). Due to KCPC, the inmate population has a variety of psychological, pharmaceutical, recreational, academic, vocational, and substance abuse programs available.

Green River Correctional Complex (GRCC) is a medium security institution with an operational capacity of 943 inmates located near Central City in Muhlenberg County.

Northpoint Training Center (NTC) is a medium security institution with an operational capacity of 1,226 inmates located near Danville in Boyle County. The institution operates a prison farm, along with counseling, academic, and vocational programs.

Little Sandy Correctional Complex (LSCC) is the state's newest correctional institution. The new institution, which opened in June 2005, is located near Sandy Hook in Elliott County and has an operational capacity of 961 inmates (861 medium-security and 100 minimum-security). Programming at the new institution consists of basic educational and vocational training classes, as well as psychological services. Correctional industries programs are planned in the near future.

Policy

The Governor's recommended budget provides additional General Fund resources of \$5,642,000 in fiscal year 2007 for a total of \$43,000,000 and \$9,406,700 in fiscal year 2008 for a total of \$47,000,000 for inmate medical care costs.

The recommended budget provides additional General Fund resources of \$1,000,000 in each year of the biennium to support 56 additional contracted female beds at the Otter Creek Correctional Complex.

Justice and Public Safety					
Corrections					
Community Services and Local Facilities					
	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	106,979,800	135,072,300	145,587,600	113,496,600	129,140,300
Salary Compensation Fund	1,047,400				
Other	-6,570,100				
Total General Fund	101,457,100	135,072,300	145,587,600	113,496,600	129,140,300
Restricted Funds					
Balance Forward	82,000	80,100		1,900	1,900
Current Receipts	346,000	371,000	371,000	369,000	369,000
Non-Revenue Receipts				4,000,000	1,500,000
Fund Transfers	-80,100				
Total Restricted Funds	347,900	451,100	371,000	4,370,900	1,870,900
Federal Funds					
Balance Forward	28,100				
Current Receipts	46,900	1,420,400	1,304,400	75,000	75,000
Total Federal Funds	75,000	1,420,400	1,304,400	75,000	75,000
TOTAL SOURCE OF FUNDS	101,880,000	136,943,800	147,263,000	117,942,500	131,086,200
EXPENDITURES BY CLASS					
Personnel Cost	24,961,800	37,118,100	41,057,600	28,201,600	31,480,000
Operating Expenses	2,426,100	6,550,800	6,277,900	3,704,500	3,708,500
Grants, Loans or Benefits	74,490,200	92,079,200	99,927,500	86,034,500	95,895,800
Capital Outlay		1,195,700			
TOTAL EXPENDITURES	101,878,100	136,943,800	147,263,000	117,940,600	131,084,300
EXPENDITURES BY FUND SOURCE					
General Fund	101,457,100	135,072,300	145,587,600	113,496,600	129,140,300
Restricted Funds	346,000	451,100	371,000	4,369,000	1,869,000
Federal Funds	75,000	1,420,400	1,304,400	75,000	75,000
TOTAL EXPENDITURES	101,878,100	136,943,800	147,263,000	117,940,600	131,084,300
EXPENDITURES BY UNIT					
Probation and Parole Program	26,862,800	46,364,000	48,761,000	31,544,600	34,813,500
Local Facilities Operations	889,900	1,169,000	1,219,300	787,000	800,500
Local Facilities - Jail Program	65,325,400	72,646,000	77,548,700	73,172,800	80,063,000
Community Corrections Commission	600,000	3,421,900	3,420,000	1,200,000	1,200,000
Halfway Houses	8,200,000	13,342,900	16,314,000	11,236,200	14,207,300
TOTAL EXPENDITURES	101,878,100	136,943,800	147,263,000	117,940,600	131,084,300

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

The Division of Probation and Parole, pursuant to KRS 439.370 and 439.480, through the probation and parole officers in the 14 districts, provides supervision of approximately 33,300 probationers and parolees in the community, investigates offenders for the courts and parole board, promotes rehabilitative services to offenders, and assists in employment and home placement. The number of supervised probationers and parolees is projected to grow to approximately 41,200 by the end of the 2006-2008

biennium.

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

This Division is also responsible for payment of local jail per diems, medical per diems, excess medical costs, and inmate labor for the state inmates housed in the Commonwealth's 72 full service jails.

Policy

The Department of Corrections estimates a 16 percent growth in the number of probationers and parolees over the biennium; from 35,500 to 41,200, an increase of 5,700. To accommodate this significant growth and to protect the public, the Governor's recommended budget provides additional General Fund resources of \$1,838,800 to support 80 additional probation and parole officers in fiscal year 2007 and \$2,470,300 to support an additional 29 probation and parole officers in fiscal year 2008 for a biennial addition of 109 officers, to reduce the current probation and parole caseload ratio from 103 cases per officer to 96 cases per officer.

Additional General Fund resources in the amount of \$5,658,000 in fiscal year 2007 and \$10,993,900 in fiscal year 2008 are provided to support payments to local jails in anticipation of housing approximately 6,348 inmates in fiscal year 2007 and approximately 6,786 inmates in fiscal year 2008 based on a per diem rate of \$31.31.

The Governor's recommended budget provides additional General Fund resources of \$1,804,300 in fiscal year 2007 for 1,040 additional halfway house beds and \$4,775,400 in fiscal year 2008 for 1,315 additional halfway house beds.

The Executive Budget provides additional General Fund resources of \$960,000 in fiscal year 2007 and \$1,095,000 in fiscal year 2008 to expand home incarceration to 263 felons in fiscal year 2007 and 300 felons in fiscal year 2008.

The recommended budget provides additional General Fund resources of \$600,000 in both years of the biennium for the Community Corrections Commission Grants program to develop viable alternatives to incarceration such as home incarceration, community service work, drug testing, restitution monitoring, electronic monitoring, anger management, and sex offender treatment for the sentencing court.

The Governor's recommended budget provides additional General Fund resources of \$1,246,800 in fiscal year 2008 for approximately 122 beds at Recovery Kentucky centers, housing recovery centers designed to reduce the state's drug problem and help people recovering from addiction gain control of their lives and eventually reside in permanent housing.

The Executive Budget provides that in the event that actual local jail per diem payments exceed the amounts provided to support the budgeted average daily population of state felons in county jails for fiscal year 2006-2007 and fiscal year 2007-2008, the payments shall be deemed necessary governmental expenses and may be paid from the General Fund Surplus Account (KRS 48.700) or the Budget Reserve Trust Fund Account (KRS 48.705).

Notwithstanding KRS 441.605 to 441.695, funds in the amount of \$4,000,000 for fiscal year 2006-2007 and \$1,500,000 for fiscal year 2007-2008 shall be expended from the Kentucky Local Correctional Facilities Construction Authority for local correctional facility and operational support consistent with contractual covenants in accordance with bond indentures of the Authority.

The Executive Budget assumes the new ability to place felons housed in county jails in home incarceration using an electronic monitoring device. Eligible Class C or D felons must be within 90 days or less from completing their sentence.

**Justice and Public Safety
Corrections
Local Jail Support**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	16,236,100	16,441,100	16,441,100	16,236,100	16,236,100
Continuing Appropriation	37,400				
Total General Fund	16,273,500	16,441,100	16,441,100	16,236,100	16,236,100
TOTAL SOURCE OF FUNDS	16,273,500	16,441,100	16,441,100	16,236,100	16,236,100
EXPENDITURES BY CLASS					
Personnel Cost	34,700	34,700	34,700	34,700	34,700
Grants, Loans or Benefits	16,238,800	16,406,400	16,406,400	16,201,400	16,201,400
TOTAL EXPENDITURES	16,273,500	16,441,100	16,441,100	16,236,100	16,236,100
EXPENDITURES BY FUND SOURCE					
General Fund	16,273,500	16,441,100	16,441,100	16,236,100	16,236,100
TOTAL EXPENDITURES	16,273,500	16,441,100	16,441,100	16,236,100	16,236,100
EXPENDITURES BY UNIT					
Local Jail Allotment	14,527,400	14,527,400	14,527,400	14,527,400	14,527,400
Restricted Medical	931,100	931,100	931,100	931,100	931,100
Jailers' Allowance	481,700	481,700	481,700	481,700	481,700
Catastrophic Medical	333,300	500,900	500,900	295,900	295,900
TOTAL EXPENDITURES	16,273,500	16,441,100	16,441,100	16,236,100	16,236,100

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

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

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

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

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

**Justice and Public Safety
Vehicle Enforcement**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Salary Compensation Fund	138,200				
Base Deduction	-138,200				
Total General Fund					
Restricted Funds					
Balance Forward	777,400	691,300		691,300	
Current Receipts	289,200	289,200	289,200	32,200	289,200
Non-Revenue Receipts	348,200	820,000	820,000		434,300
Total Restricted Funds	1,414,800	1,800,500	1,109,200	723,500	723,500
Federal Funds					
Balance Forward	148,000				
Current Receipts	6,720,200	5,408,800	5,589,100	5,162,400	5,162,200
Total Federal Funds	6,868,200	5,408,800	5,589,100	5,162,400	5,162,200
Road Fund					
Regular Appropriation	12,999,000	19,067,600	21,099,600	13,974,900	13,881,500
Total Road Fund	12,999,000	19,067,600	21,099,600	13,974,900	13,881,500
TOTAL SOURCE OF FUNDS	21,282,000	26,276,900	27,797,900	19,860,800	19,767,200
EXPENDITURES BY CLASS					
Personnel Cost	13,577,400	18,006,000	19,630,000	13,127,900	13,248,300
Operating Expenses	4,763,300	5,907,100	5,623,000	4,852,200	4,332,200
Grants, Loans or Benefits	883,500	577,500	883,500	577,500	883,500
Capital Outlay	1,366,500	2,049,200	1,777,700	1,303,200	1,303,200
TOTAL EXPENDITURES	20,590,700	26,539,800	27,914,200	19,860,800	19,767,200
EXPENDITURES BY FUND SOURCE					
Restricted Funds	723,500	1,858,600	1,225,500	723,500	723,500
Federal Funds	6,868,200	5,613,600	5,589,100	5,162,400	5,162,200
Road Fund	12,999,000	19,067,600	21,099,600	13,974,900	13,881,500
TOTAL EXPENDITURES	20,590,700	26,539,800	27,914,200	19,860,800	19,767,200

The Department of Kentucky Vehicle Enforcement (KVE) is responsible for enforcing state and federal laws and regulations pertaining to the operation of commercial vehicles within the Commonwealth. It is the primary mission of KVE to encourage and promote a safe driving environment through education and safety awareness while enforcing laws and regulations relating to commercial vehicles. Specific responsibilities include the enforcement of:

- State and Federal Motor Carrier Safety regulations and Federal Hazardous Material Transport regulations
- Economic regulations (KRS 138 and 186)
- Size and weight regulations (KRS 189 and 23 CFR, Parts 657 and 658)
- Traffic laws in road construction work zones (KRS 189.232)
- DUI statutes (KRS 189A.010) on drivers of passenger vehicles when violations are observed

The Department is divided into ten regions throughout the state which operate 17 weigh/inspection stations in accordance with KRS 189.227, and also provides enforcement coverage on related bypass routes. KVE employees include officers, inspectors, supervisors, and civilian support personnel. The inspectors are assigned to fixed facilities where they perform safety inspections, enforce size and weight regulations. Officers perform these same duties both at fixed facilities and

through mobile enforcement. In addition, officers conduct drug and criminal interdiction as well as traffic enforcement. The Department also has a drug interdiction unit that has six canines and handlers. The drug interdiction unit, along with the inspecting personnel, makes numerous drug seizures and bulk cash seizures annually.

Kentucky's program is comprehensive, encompassing all elements as outlined in the Federal Motor Carrier Safety Assistance (FMCSA) national program outline (49 CFR, Part 350). Program elements include:

- Commercial vehicle/driver safety inspections
- Traffic enforcement activities, including stopping commercial vehicles operating on highways, streets or roads for violations of state or local motor vehicle or traffic laws
- Review of motor carriers for compliance with Federal Motor Carrier Safety and Federal Hazardous Material Safety regulations and rendering to the carriers educational and technical assistance with regard to regulatory compliance
- Public education and awareness
- Motor carrier safety data collection and reporting

KVE provides funds to two Motor Carrier Safety Administration program (MCSAP) sub-grantees, the Lexington and Louisville Police Departments. Both police agencies conduct commercial vehicle inspections and perform traffic enforcement activities. These partner agencies have been valuable in creating a stronger commercial vehicle enforcement presence in urban areas, thus allowing a more efficient deployment of limited KVE resources in other areas of the Commonwealth.

Justice and Public Safety

Public Advocacy

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	25,264,400	39,790,800	46,603,000	29,770,700	31,886,400
Salary Compensation Fund	723,000				
Base Deduction	-63,600				
Total General Fund	25,923,800	39,790,800	46,603,000	29,770,700	31,886,400
Restricted Funds					
Balance Forward	4,286,000	1,075,700	112,200	2,361,300	1,800
Current Receipts	3,162,200	3,160,800	3,160,800	3,160,800	3,160,800
Non-Revenue Receipts	1,437,600	1,295,200	1,295,000	1,295,200	1,295,000
Fund Transfers	-162,700				
Total Restricted Funds	8,723,100	5,531,700	4,568,000	6,817,300	4,457,600
Federal Funds					
Balance Forward	190,700	622,500	582,800	1,800	
Current Receipts	1,723,200	1,628,600	1,713,100	1,616,500	1,663,100
Non-Revenue Receipts	-142,400				
Total Federal Funds	1,771,500	2,251,100	2,295,900	1,618,300	1,663,100
TOTAL SOURCE OF FUNDS	36,418,400	47,573,600	53,466,900	38,206,300	38,007,100
EXPENDITURES BY CLASS					
Personnel Cost	23,478,400	33,316,200	38,045,600	28,454,300	28,430,500
Operating Expenses	3,321,100	6,624,700	7,555,100	3,702,100	3,702,100
Grants, Loans or Benefits	7,225,800	6,907,700	7,223,100	6,048,100	5,872,700
Capital Outlay	30,000	30,000	40,000		
TOTAL EXPENDITURES	34,055,300	46,878,600	52,863,800	38,204,500	38,005,300
EXPENDITURES BY FUND SOURCE					
General Fund	25,923,800	39,790,800	46,603,000	29,770,700	31,886,400
Restricted Funds	6,361,800	5,419,500	4,547,700	6,815,500	4,455,800
Federal Funds	1,769,700	1,668,300	1,713,100	1,618,300	1,663,100
TOTAL EXPENDITURES	34,055,300	46,878,600	52,863,800	38,204,500	38,005,300
EXPENDITURES BY UNIT					
Office of the Public Advocate	965,900	1,190,000	1,335,900	965,900	965,900
Defense Services	29,599,600	41,684,100	46,583,900	33,829,700	33,583,900
Law Operations	1,402,100	1,677,200	2,551,800	1,465,700	1,465,700
Protection and Advocacy	2,087,700	2,327,300	2,392,200	1,943,200	1,989,800
TOTAL EXPENDITURES	34,055,300	46,878,600	52,863,800	38,204,500	38,005,300

The U. S. and Kentucky Constitutions provide to all Americans the right to the assistance of counsel when they are charged with a crime. Those same constitutional provisions mandate that all persons who cannot afford an attorney and are charged with a crime that carries a potential loss of liberty be provided with an attorney by the state. 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. Kentucky's mandated public defender services are delivered by a system consisting of full-time employed public defenders, full-time contract public defenders, and private attorneys contracting with the Department to provide services primarily in situations involving conflicts of interest. The Department, under the direction of the Public Advocate, is attached to the Justice and Public Safety Cabinet for administrative purposes.

The Office of the Public Advocate is responsible for the oversight of the agency and includes the Public Advocate, Deputy Public Advocate, Executive Advisor, General Counsel, and all strategic planning and education functions.

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

The Trial Division represents all needy persons accused of crimes punishable by loss of liberty, persons accused of juvenile delinquency and status offenses; and all needy persons faced with involuntary commitments due to mental state or condition in all of Kentucky's 120 counties. This includes district, circuit, drug, juvenile and family court venues.

The Post-Trial Division provides mandated defender services for indigent persons after conviction. These services include providing counsel to indigent persons on appeal, to incarcerated persons on post-conviction actions in state and federal court, and to all juveniles in treatment facilities.

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. The majority of funds in this division's budget are Federal Funds that have strict non-supplanting requirements.

Policy

The Governor's Recommended Budget provides additional General Fund resources of \$3,000,000 in fiscal year 2007 to support 36 attorney positions, 14 administrative support positions, and three social workers, and \$3,200,000 in fiscal year 2008 to support 38 attorney positions, 15 administrative support positions, and four social workers, to assist in handling increasing caseloads in public advocacy offices statewide. The budget provides support for a pilot project for the hiring of social workers to assist in reducing levels of incarceration for persons with substance abuse and mental illness. This additional funding is projected to decrease caseloads to 415 per lawyer in fiscal year 2007 and 413 per lawyer in fiscal year 2008.

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Personnel

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Personnel

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	55,572,500	5,112,400	4,373,900	14,779,300	29,659,400
Salary Compensation Fund	-46,266,200				
Base Deduction	-820,900				
Total General Fund	8,485,400	5,112,400	4,373,900	14,779,300	29,659,400
Restricted Funds					
Balance Forward	14,297,700	12,244,100	10,391,000	9,578,000	8,407,800
Current Receipts	43,469,200	46,397,900	47,679,000	46,405,000	47,646,400
Non-Revenue Receipts	-502,300	2,500,000	2,000,000	2,552,400	2,054,200
Fund Transfers	-3,951,000				
Total Restricted Funds	53,313,600	61,142,000	60,070,000	58,535,400	58,108,400
TOTAL SOURCE OF FUNDS	61,799,000	66,254,400	64,443,900	73,314,700	87,767,800
EXPENDITURES BY CLASS					
Personnel Cost	45,051,800	47,919,900	51,328,400	57,085,400	74,872,400
Operating Expenses	7,044,900	7,805,500	7,968,800	7,683,500	7,859,100
Capital Outlay	124,300	138,000	89,900	138,000	89,900
TOTAL EXPENDITURES	52,221,000	55,863,400	59,387,100	64,906,900	82,821,400
EXPENDITURES BY FUND SOURCE					
General Fund	8,485,400	5,112,400	4,373,900	14,779,300	29,659,400
Restricted Funds	43,735,600	50,751,000	55,013,200	50,127,600	53,162,000
TOTAL EXPENDITURES	52,221,000	55,863,400	59,387,100	64,906,900	82,821,400
EXPENDITURES BY UNIT					
General Operations	19,579,600	24,840,500	25,075,300	21,749,200	22,094,600
Workers' Compensation Benefits and Reserve	21,862,200	24,884,500	27,963,800	24,798,500	26,204,400
Public Employees Deferred Compensation Authority	5,648,600	6,138,400	6,348,000	6,009,200	6,172,400
State Salary and Compensation Fund				8,000,000	24,000,000
State Group Health Insurance Fund	5,130,600			4,350,000	4,350,000
TOTAL EXPENDITURES	52,221,000	55,863,400	59,387,100	64,906,900	82,821,400

The Department of Personnel was created in 1960 under KRS 18.160. At the time of its inception, it was headed by a personnel board consisting of five members appointed by the Governor. The terms of the board members were for four years, but the first board appointed was on staggered terms. At the first meeting of the Personnel Board, the board appointed a committee of three persons to conduct an examination of qualified applicants for the position of Commissioner of Personnel. Upon the completion of the examination the board certified three names of qualified applicants from the classified service to the Governor for appointment. In 1972, the legislature authorized the Department of Personnel and made its commissioner a direct appointee of the Governor without nominations from the Personnel Board.

In 1982, KRS 18.160 was repealed and re-enacted under KRS chapter 18A.015. At this time the personnel board was abolished from this chapter of the statutes. That year also marked the time authorizing the Department to charge other state agencies their pro rata share of costs associated with the administration of the Executive Branch's personnel related functions. This was a pre-cursor to the department's "benefit assessment fee."

In 1998, the General Assembly elevated the Department to Cabinet status. As then and now, the Personnel Cabinet provides human resources management for Kentucky state government agencies. The Cabinet coordinates the personnel and payroll functions for most of state government. It coordinates state employee benefit packages, such as health and life insurance, workers' compensation, and deferred compensation programs. The Cabinet coordinates state government's employee application and testing processes, as well as recruiting and retention functions.

Currently, the Personnel Cabinet is comprised of five appropriation units: General Operations, Public Employees Deferred Compensation Authority, the Workers' Compensation Benefits and Reserve, Government Training, the State Salary and Compensation Fund, and the State Group Health Insurance Fund.

Policy

Executive Order 2005-891, dated August 19, 2005, reorganized the Personnel Cabinet and its organizational structure.

The Executive Budget recommends the Office of Employee and Organizational Development (formerly the Office of Government Training) be combined into the General Operations appropriation unit for budgetary purposes.

**Personnel
General Operations**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	3,013,600	5,112,400	4,373,900	2,429,300	1,309,400
Salary Compensation Fund	341,200				
Total General Fund	3,354,800	5,112,400	4,373,900	2,429,300	1,309,400
Restricted Funds					
Balance Forward	5,543,300	2,456,000	2,484,600	2,521,000	2,958,000
Current Receipts	13,076,700	17,152,000	17,154,000	17,152,200	17,154,000
Non-Revenue Receipts	1,048,300	2,604,700	2,108,400	2,604,700	2,108,400
Fund Transfers	-922,500				
Total Restricted Funds	18,745,800	22,212,700	21,747,000	22,277,900	22,220,400
TOTAL SOURCE OF FUNDS	22,100,600	27,325,100	26,120,900	24,707,200	23,529,800
EXPENDITURES BY CLASS					
Personnel Cost	13,923,900	18,492,900	18,605,200	15,511,100	15,728,300
Operating Expenses	5,550,800	6,254,300	6,393,800	6,144,800	6,290,000
Capital Outlay	104,900	93,300	76,300	93,300	76,300
TOTAL EXPENDITURES	19,579,600	24,840,500	25,075,300	21,749,200	22,094,600
EXPENDITURES BY FUND SOURCE					
General Fund	3,354,800	5,112,400	4,373,900	2,429,300	1,309,400
Restricted Funds	16,224,800	19,728,100	20,701,400	19,319,900	20,785,200
TOTAL EXPENDITURES	19,579,600	24,840,500	25,075,300	21,749,200	22,094,600
EXPENDITURES BY UNIT					
General Administration	2,669,800	3,315,700	3,225,500	2,648,500	2,653,600
Employee & Organizational Development	1,452,800	1,944,100	2,041,500	1,567,600	1,589,700
Employee Relations	1,440,900	1,644,300	1,783,900	1,515,100	1,597,400
Employee Insurance	6,933,500	8,662,500	8,914,000	8,154,000	8,221,300
Personnel Administration	7,082,600	9,273,900	9,110,400	7,864,000	8,032,600
TOTAL EXPENDITURES	19,579,600	24,840,500	25,075,300	21,749,200	22,094,600

Executive Order 2005-891 reorganized the Personnel Cabinet, including the General Operations appropriation unit. The General Operations unit includes two departments and eight offices: the Department for Personnel Administration and the Department for Employee Insurance; the Office of the Secretary, the Office of Administrative Services, the Office of Legal Services, the Office of Employee Relations, the Office of Employee and Organizational Development, the Office of Human Resources Planning and Diversity, the Office of Communications, and the Office of Merit System Referral, now defunct by testimony of the Personnel Cabinet Secretary..

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

The Department of Personnel Administration consists of three divisions: the Division of Employee Management, the Division of Staffing Services, and the Division of Human Resources Projects. 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. In addition, the development and implementation of the replacement personnel and payroll system is coordinated through the Department of Personnel Administration. The defunct Office of Merit System Referral was organized under this department.

The Department of Employee 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 125 benefit program for state employees and provides administrative support for the Group Health Insurance Board under KRS 18A.226 and 18A.227. There are three divisions organized under the department: the Division of Insurance Administration, the Division of Financial and Data Services, and the Division of Special Programs.

The Office of Administrative Services' responsibilities include overseeing the internal operations of the Cabinet, including personnel related matters, accounting, property management, and procurement functions.

The Office of Legal Services provides all legal services relating to the enforcement and application of state and federal laws and regulations governing employment to the Cabinet and executive branch agencies upon request.

The Office of Communications is responsible for publishing the Commonwealth Communiqué Newsletter and manages the Cabinet's communications with employees.

The Office of Employee and Organizational Development, formerly the Office of Government Training, is responsible for government wide training, consultation, and organization development, including the coordination of the Commonwealth's strategic planning and performance measurement processes.

The Office of Human Resources Planning and Diversity contains two divisions: the Division of Diversity Relations and the Division of Workforce Analytics. This office is responsible for the administration of the Commonwealth's Affirmative Action Plan and analyzing and developing a workforce planning mechanism for addressing trends in the workplace.

The Office of Employee Relations program includes two divisions, the Division of Employee Benefits and the Division of Employee Services and Recognition. The program administers the Kentucky Employee Assistance Program (which provides assistance to troubled employees), life insurance benefits for state employees, the employee suggestion system, 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.

Policy

The Executive Budget provides funds totaling \$1,705,000 in fiscal year 2007 (\$353,700 in General Fund and \$1,351,300 in Restricted Funds) and \$1,799,100 in fiscal year 2008 (\$362,200 in General Fund and \$1,436,900 in Restricted Funds) to support the personnel costs for 32 full time positions which will primarily support the self-insured health insurance program and the development and implementation of the Human Resources Information System authorized by the 2005 Regular Session of the General Assembly.

In fiscal year 2007, the Executive Budget provides General Fund of \$250,000 to support an Equal Employment Opportunity (EEO) Disparity Study and update the Commonwealth's Affirmative Action Plan.

Personnel
Public Employees Deferred Compensation Authority

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
Restricted Funds					
Balance Forward	4,125,900	4,054,100	3,745,400	4,054,100	3,745,400
Current Receipts	5,627,400	5,882,000	6,168,000	5,752,800	5,992,400
Non-Revenue Receipts	-50,600	-52,300	-54,200	-52,300	-54,200
Total Restricted Funds	9,702,700	9,883,800	9,859,200	9,754,600	9,683,600
TOTAL SOURCE OF FUNDS	9,702,700	9,883,800	9,859,200	9,754,600	9,683,600
EXPENDITURES BY CLASS					
Personnel Cost	5,314,900	5,745,600	5,985,100	5,628,900	5,815,400
Operating Expenses	320,800	353,600	353,800	341,100	347,900
Capital Outlay	12,900	39,200	9,100	39,200	9,100
TOTAL EXPENDITURES	5,648,600	6,138,400	6,348,000	6,009,200	6,172,400
EXPENDITURES BY FUND SOURCE					
Restricted Funds	5,648,600	6,138,400	6,348,000	6,009,200	6,172,400
TOTAL EXPENDITURES	5,648,600	6,138,400	6,348,000	6,009,200	6,172,400

The Kentucky Public Employees Deferred Compensation Authority administers deferred compensation plans as established in the U.S. Internal Revenue Code Sections 457, 401(k), Roth 401(k), and 403 (b) in accordance with KRS 18A.230-18A.350 as tax-sheltered, supplemental retirement savings programs. These programs are an optional benefit for Kentucky's public employees.

Policy

The Executive Budget provides additional Restricted Fund support of \$259,400 in fiscal year 2007 and \$271,100 in fiscal year 2008 for seven additional staff to support an increasing number of participants joining the group.

Personnel
Workers' Compensation Benefits and Reserve

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
Restricted Funds					
Balance Forward	4,628,500	5,734,000	4,161,000	3,002,900	1,704,400
Current Receipts	24,765,100	23,363,900	24,357,000	23,500,000	24,500,000
Non-Revenue Receipts	-1,500,000	-52,400	-54,200		
Fund Transfers	-3,028,500				
Total Restricted Funds	24,865,100	29,045,500	28,463,800	26,502,900	26,204,400
TOTAL SOURCE OF FUNDS	24,865,100	29,045,500	28,463,800	26,502,900	26,204,400
EXPENDITURES BY CLASS					
Personnel Cost	20,682,400	23,681,400	26,738,100	23,595,400	24,978,700
Operating Expenses	1,173,300	1,197,600	1,221,200	1,197,600	1,221,200
Capital Outlay	6,500	5,500	4,500	5,500	4,500
TOTAL EXPENDITURES	21,862,200	24,884,500	27,963,800	24,798,500	26,204,400
EXPENDITURES BY FUND SOURCE					
Restricted Funds	21,862,200	24,884,500	27,963,800	24,798,500	26,204,400
TOTAL EXPENDITURES	21,862,200	24,884,500	27,963,800	24,798,500	26,204,400

Created in 1990, the Workers' Compensation Benefits and Reserve is state government's self-insured Workers' Compensation program. The program provides coverage to all three branches of government: executive, legislative, and judicial, but excludes the Transportation Cabinet, the University of Kentucky, the University of Louisville, and most recently all other state universities except Murray State University. The program also covers volunteer firefighters, volunteer ambulance personnel, the Fayette County Health Department and employees of a county clerk's or sheriff's office when the county's population is 70,000 or more.

The revenue accruing to the program is derived from participating agencies based upon the claims history of the agency. Claims history is calculated upon a three year running average.

Policy

Notwithstanding KRS 18A.375(3), in fiscal year 2006 the recommended budget authorized transfer of \$1,500,000 from the operating budget to the Workers Compensation Reserve account to restore a portion of reserve funds transferred to the General Fund in fiscal year 2003. In addition, an unbudgeted carry-forward totaling \$3,028,500 is recommended to be transferred to the General Fund.

The Governor's budget recommendation provides additional Restricted Fund appropriation of \$60,000 in fiscal year 2007 and \$63,000 in fiscal year 2008 to support one additional staff person to work with agencies to improve workplace safety with the goal of reducing workers' compensation claims.

Personnel
State Salary and Compensation Fund

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	14,100,000			8,000,000	24,000,000
Salary Compensation Fund	-13,993,900				
Base Deduction	-106,100				
Total General Fund				8,000,000	24,000,000
TOTAL SOURCE OF FUNDS				8,000,000	24,000,000
EXPENDITURES BY CLASS					
Personnel Cost				8,000,000	24,000,000
TOTAL EXPENDITURES				8,000,000	24,000,000
EXPENDITURES BY FUND SOURCE					
General Fund				8,000,000	24,000,000
TOTAL EXPENDITURES				8,000,000	24,000,000

The State Salary and Compensation Fund provides the additional funds needed to state agencies to finance the salary and compensation policy for state employees.

Policy

The Executive Budget provides additional General Fund support totaling \$8 million in fiscal year 2007 and \$24 million in fiscal year 2008 to supplement agencies that contain support from the General Fund, for the recommended salary increase policy. Each state employee will receive a salary increase representing an annualized value ranging from \$200 for the highest paid employees to \$1,000 for the lowest paid employees. The salary increase for each fiscal year will be effective in the anniversary date of each employee.

State Salary and Compensation Policy
Salary Increment

Salary Range	Fiscal Year 2007	Fiscal Year 2008
	Annualized Value	
\$0 - \$20,000.00	\$1,000	\$1,000
\$20,000.01 - \$30,000.00	\$900	\$900
\$30,000.01 - \$40,000.00	\$800	\$800
\$40,000.01 - \$50,000.00	\$600	\$600
\$50,000.01 - \$60,000.00	\$400	\$400
\$60,000.01 and Above	\$200	\$200

Personnel
State Group Health Insurance Fund

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	38,458,900			4,350,000	4,350,000
Salary Compensation Fund	-32,613,500				
Base Deduction	-714,800				
Total General Fund	5,130,600			4,350,000	4,350,000
TOTAL SOURCE OF FUNDS	5,130,600			4,350,000	4,350,000
EXPENDITURES BY CLASS					
Personnel Cost	5,130,600			4,350,000	4,350,000
TOTAL EXPENDITURES	5,130,600			4,350,000	4,350,000
EXPENDITURES BY FUND SOURCE					
General Fund	5,130,600			4,350,000	4,350,000
TOTAL EXPENDITURES	5,130,600			4,350,000	4,350,000

The State Group Health Insurance Fund provides funding to support a dependent subsidy for quasi-governmental employers participating in the State Group health Insurance program.

Policy

The Executive Budget provides General Fund support of \$4,350,000 in fiscal years 2007 and 2008 to support a dependent subsidy for quasi-governmental employers, excluding state agencies, participating in the State Group Health Insurance program. This is the same amount provided in fiscal year 2006.



Postsecondary Education

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Postsecondary Education

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	1,237,334,400	1,418,700,200	1,535,369,600	1,277,491,800	1,311,808,300
Continuing Appropriation	356,400				
Salary Compensation Fund	1,601,000				
Base Deduction	-100,000				
Other	5,625,000				
Total General Fund	1,244,816,800	1,418,700,200	1,535,369,600	1,277,491,800	1,311,808,300
Tobacco Settlement-Phase I					
Tobacco Settlement - I	6,321,300	6,221,300	6,321,300	5,231,200	5,591,200
Continuing Appropriation	63,700				
Budget Reduction	-368,600				
Total Tobacco Settlement-Phase I	6,016,400	6,221,300	6,321,300	5,231,200	5,591,200
Restricted Funds					
Balance Forward	4,140,700	618,000	117,200	519,500	100,000
Current Receipts	2,416,917,100	2,574,790,600	2,735,912,000	2,574,115,400	2,735,438,100
Non-Revenue Receipts	10,571,800	16,333,900	14,737,600	15,878,100	12,185,300
Fund Transfers	-3,800,000				
Total Restricted Funds	2,427,829,600	2,591,742,500	2,750,766,800	2,590,513,000	2,747,723,400
Federal Funds					
Current Receipts	634,820,500	666,153,400	702,228,800	666,153,400	702,228,800
Total Federal Funds	634,820,500	666,153,400	702,228,800	666,153,400	702,228,800
TOTAL SOURCE OF FUNDS	4,313,483,300	4,682,817,400	4,994,686,500	4,539,389,400	4,767,351,700
EXPENDITURES BY CLASS					
Personnel Cost	2,227,702,700	2,379,911,400	2,537,378,200	2,344,175,600	2,455,602,900
Operating Expenses	1,239,972,200	1,325,543,000	1,409,497,000	1,322,933,600	1,403,045,000
Grants, Loans or Benefits	643,101,700	771,574,600	803,060,900	670,853,900	705,534,300
Debt Service	74,396,000	73,703,800	109,344,600	72,473,800	73,777,500
Capital Outlay	127,521,200	131,967,400	135,405,800	128,852,500	129,392,000
Construction	270,000				
TOTAL EXPENDITURES	4,312,963,800	4,682,700,200	4,994,686,500	4,539,289,400	4,767,351,700
EXPENDITURES BY FUND SOURCE					
General Fund	1,244,816,800	1,418,700,200	1,535,369,600	1,277,491,800	1,311,808,300
Tobacco Settlement-Phase I	6,016,400	6,221,300	6,321,300	5,231,200	5,591,200
Restricted Funds	2,427,310,100	2,591,625,300	2,750,766,800	2,590,413,000	2,747,723,400
Federal Funds	634,820,500	666,153,400	702,228,800	666,153,400	702,228,800
TOTAL EXPENDITURES	4,312,963,800	4,682,700,200	4,994,686,500	4,539,289,400	4,767,351,700
EXPENDITURES BY UNIT					
Council on Postsecondary Education	82,288,000	131,193,400	183,966,300	88,839,500	129,448,200
Kentucky Higher Education Assistance Authority	201,077,700	258,512,900	262,564,200	210,094,800	214,559,900
Postsecondary Education Institutions	4,029,598,100	4,292,993,900	4,548,156,000	4,240,355,100	4,423,343,600
TOTAL EXPENDITURES	4,312,963,800	4,682,700,200	4,994,686,500	4,539,289,400	4,767,351,700

**Postsecondary Education
Council on Postsecondary Education**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	170,871,700	100,659,500	153,432,400	58,698,200	99,129,700
Salary Compensation Fund	178,700				
Base Deduction	-100,000				
Reorganization Adjustments	-69,525,000				
Other	-50,000,000				
Total General Fund	51,425,400	100,659,500	153,432,400	58,698,200	99,129,700
Tobacco Settlement-Phase I					
Tobacco Settlement - I	5,421,300	5,421,300	5,421,300	4,431,200	4,691,200
Budget Reduction	-368,600				
Total Tobacco Settlement-Phase I	5,052,700	5,421,300	5,421,300	4,431,200	4,691,200
Restricted Funds					
Balance Forward	1,270,000			282,800	100,000
Current Receipts	6,013,200	6,013,200	6,013,200	6,034,000	6,034,000
Non-Revenue Receipts	10,100			393,900	393,900
Fund Transfers	-300,000				
Total Restricted Funds	6,993,300	6,013,200	6,013,200	6,710,700	6,527,900
Federal Funds					
Current Receipts	19,099,400	19,099,400	19,099,400	19,099,400	19,099,400
Total Federal Funds	19,099,400	19,099,400	19,099,400	19,099,400	19,099,400
TOTAL SOURCE OF FUNDS	82,570,800	131,193,400	183,966,300	88,939,500	129,448,200
EXPENDITURES BY CLASS					
Personnel Cost	15,572,700	17,871,300	18,393,100	15,607,000	15,923,900
Operating Expenses	6,087,000	7,207,900	7,177,000	7,119,900	7,425,600
Grants, Loans or Benefits	60,200,200	105,977,200	102,661,300	66,000,600	81,734,700
Debt Service			55,597,900		24,252,000
Capital Outlay	158,100	137,000	137,000	112,000	112,000
Construction	270,000				
TOTAL EXPENDITURES	82,288,000	131,193,400	183,966,300	88,839,500	129,448,200
EXPENDITURES BY FUND SOURCE					
General Fund	51,425,400	100,659,500	153,432,400	58,698,200	99,129,700
Tobacco Settlement-Phase I	5,052,700	5,421,300	5,421,300	4,431,200	4,691,200
Restricted Funds	6,710,500	6,013,200	6,013,200	6,610,700	6,527,900
Federal Funds	19,099,400	19,099,400	19,099,400	19,099,400	19,099,400
TOTAL EXPENDITURES	82,288,000	131,193,400	183,966,300	88,839,500	129,448,200
EXPENDITURES BY UNIT					
Agency Operations	12,105,900	14,947,700	15,437,200	13,060,500	13,371,700
Pass Through Programs	11,695,600	11,889,000	12,224,500	11,711,500	12,047,000
Federal Programs	5,599,400	5,799,400	5,799,400	5,599,400	5,599,400
Strategic Investment & Incentive Funding Program	52,887,100	98,557,300	150,505,200	58,468,100	98,430,100
TOTAL EXPENDITURES	82,288,000	131,193,400	183,966,300	88,839,500	129,448,200

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 Council also has responsibility to operate Kentucky's adult education system, bringing all of Kentucky's public postsecondary and adult education providers under a single authority.

The six goals for the postsecondary education system, codified in KRS 164.003(2), are summarized below:

- 1 A seamless, integrated system of postsecondary education strategically planned and adequately funded to enhance economic development and quality of life.
- 2 A major comprehensive research institution ranked nationally in the top 20 public universities at the University of Kentucky.
- 3 A premier, nationally-recognized metropolitan research university at the University of Louisville.
- 4 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.
- 5 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.
- 6 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; setting tuition rates or overseeing the setting of tuition rates by the public postsecondary education institutions; provide the Governor and the General Assembly reports on the performance of the postsecondary education system and the individual institutions in achieving the goals of postsecondary education reform; operating the Kentucky Virtual University and the Kentucky Virtual Library; supporting P-16 reform initiatives; administering a comprehensive program for adult students; establishing technology standards for distance education; deregulating, where possible, the policies and procedures of the Council; establishing minimum standards for admissions; 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 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	10,766,000	13,686,500	14,176,000	11,595,700	11,989,700
Salary Compensation Fund	178,700				
Base Deduction	-100,000				
Total General Fund	10,844,700	13,686,500	14,176,000	11,595,700	11,989,700
Restricted Funds					
Balance Forward	1,033,600			282,800	100,000
Current Receipts	1,261,200	1,261,200	1,261,200	1,282,000	1,282,000
Non-Revenue Receipts	-450,800				
Fund Transfers	-300,000				
Total Restricted Funds	1,544,000	1,261,200	1,261,200	1,564,800	1,382,000
TOTAL SOURCE OF FUNDS	12,388,700	14,947,700	15,437,200	13,160,500	13,371,700
EXPENDITURES BY CLASS					
Personnel Cost	7,540,300	9,162,000	9,655,400	7,887,800	7,916,300
Operating Expenses	4,119,500	5,360,700	5,356,800	4,772,700	5,105,400
Grants, Loans or Benefits	350,000	350,000	350,000	350,000	300,000
Capital Outlay	96,100	75,000	75,000	50,000	50,000
TOTAL EXPENDITURES	12,105,900	14,947,700	15,437,200	13,060,500	13,371,700
EXPENDITURES BY FUND SOURCE					
General Fund	10,844,700	13,686,500	14,176,000	11,595,700	11,989,700
Restricted Funds	1,261,200	1,261,200	1,261,200	1,464,800	1,382,000
TOTAL EXPENDITURES	12,105,900	14,947,700	15,437,200	13,060,500	13,371,700

The Agency Operations program is the support unit of the Council. 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.

Authority for the council is found in KRS 164.013, 164.0203, and 164.020. The agency operations program is the support unit of the council. As such, employees included in the agency operations program provided limited direct services to students and faculty at public and private postsecondary education institutions, legislators, members of the governor's staff, and other state agencies. The council does license private postsecondary education institutions, a regulatory function.

Agency operations include staff and operating expenses necessary to manage the agency and programs of the council with the exception of those employees involved in the direct delivery of services for adult education and the Kentucky Virtual University/Virtual Library. The staff is organized into seven primary units with agency operations providing support services to all units:

- The Executive unit consists of the CPE president, executive vice president, general counsel, and support staff. The executive unit provides leadership and direction to the other units, coordinates the postsecondary education equal opportunity efforts, directs strategic planning, accountability, and assessment efforts, and, provides legal services to the agency.
- The Public Affairs, Communications, and Human Resources unit, headed by the agency's Chief of Staff, includes support staff providing governmental and legislative services, media relations, and communications planning for the entire agency as well as human resources services.

- Academic Affairs includes activities related to approval, modification, disapproval, or discontinuance of academic programs, extended campus activities, academic course inventory, admissions standards, accountability, statewide strategic planning, early childhood literacy, baccalaureate degree transfer, academic common market, and licensure of independent colleges and universities. Testing and Local P-16 Council initiatives are funded through the council's pass-through programs. New economy responsibilities of this unit include oversight of the Science and Technology funding program and coordination of the state's economic development initiatives in conjunction with the Economic Development Cabinet.
- Adult Education was transferred to the council in 2003. The agency operations unit provides governmental relations, communications, information, technology, and business office support to the direct program activities of the adult education program unit.
- The Kentucky Virtual University/Virtual Library operates a comprehensive set of university programs that include over 16,000 learners. The virtual library is a consortium of public and private postsecondary education libraries, the Kentucky Department for Libraries and Archives, the Kentucky Department of Education, the county and city public libraries, and special libraries. The agency operations unit provides governmental relations, communications, information, technology, and business office support to the program activities of the Kentucky Virtual University/Virtual Library program unit.
- 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 trust funds. In addition to these institutionally focused activities, the Finance unit also is responsible for the administrative and business operations of the agency; budgeting, accounting, purchasing, printing/copying, telecommunications services, and inventory control.
- Information Technology includes those activities related to the collection and analysis of student data collected through the agency's comprehensive data base, support and maintenance of the agency's computing needs including the local area network and coordination of statewide technology efforts. The information technology unit provides services to all of the program units of the council. The agency's general counsel also serves as Associate Vice President for Information Technology.

Policy

Kentucky Virtual University/Library-Electronic Library database - The Governor's budget recommendation includes \$350,000 in fiscal year 2008 from the General Fund for the purchase of additional database support for the virtual University/Library. The virtual university simplifies access to quality college credit, professional development, and supplemental studies by providing a single access point for statewide learning support. This support includes the virtual library system, which needs the funding to enhance quality library and information resources to Kentuckians.

Kentucky Virtual University/Library-Courier Services - The Governor's budget recommendation includes an additional \$85,000 each fiscal year from the General Fund to enhance the current system of servicing libraries throughout the Commonwealth with inter-library loan materials. These funds are needed to keep up with increasing costs of transporting library materials to locations in Kentucky without sufficient access.

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

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	56,498,300	7,389,000	7,724,500	6,817,600	7,153,100
Other	-50,000,000				
Total General Fund	6,498,300	7,389,000	7,724,500	6,817,600	7,153,100
Restricted Funds					
Balance Forward	21,000				
Current Receipts	4,500,000	4,500,000	4,500,000	4,500,000	4,500,000
Non-Revenue Receipts	676,300			393,900	393,900
Total Restricted Funds	5,197,300	4,500,000	4,500,000	4,893,900	4,893,900
TOTAL SOURCE OF FUNDS	11,695,600	11,889,000	12,224,500	11,711,500	12,047,000
EXPENDITURES BY CLASS					
Grants, Loans or Benefits	11,425,600	11,889,000	12,224,500	11,721,500	12,057,000
Construction	270,000				
TOTAL EXPENDITURES	11,695,600	11,889,000	12,224,500	11,721,500	12,057,000
EXPENDITURES BY FUND SOURCE					
General Fund	6,498,300	7,389,000	7,724,500	6,817,600	7,153,100
Restricted Funds	5,197,300	4,500,000	4,500,000	4,893,900	4,893,900
TOTAL EXPENDITURES	11,695,600	11,889,000	12,224,500	11,711,500	12,047,000
EXPENDITURES BY UNIT					
Contract Spaces	3,416,200	3,720,600	4,056,100	3,720,600	4,056,100
Metroversity	58,800	58,800	58,800	58,800	58,800
Professional Education Preparation Program	416,700	416,700	416,700	416,700	416,700
Telecommunications Consortia	182,700	182,700	182,700	182,700	182,700
Minority Student College Prep Program	330,200	465,200	465,200	397,700	397,700
State Autism Training Center	217,800	217,800	217,800	217,800	217,800
Kentucky Rural Development Center	698,200	698,200	698,200	698,200	698,200
SREB Doctoral Scholars Program	256,600	301,400	301,400	301,400	301,400
Pass Through - Other	1,618,400	1,327,600	1,327,600	1,217,600	1,217,600
Cancer Research Insts Mtchg Fd	4,500,000	4,500,000	4,500,000	4,500,000	4,500,000
TOTAL EXPENDITURES	11,695,600	11,889,000	12,224,500	11,711,500	12,047,000

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 188 Kentucky 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 144 spaces at Auburn University (136) and Tuskegee Institute (8). In optometry, Kentucky contracts for 44 spaces at the Southern College of Optometry (24), the University of Alabama (8), and Indiana University (12). 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.

The 2004-2006 Appropriations Bill, House Bill 267, codified at KRS 164.043, created the **Cancer Research Institutions Matching Fund** to be administered by the Council on Postsecondary Education. The University of Louisville Research Foundation and the University of Kentucky Research Foundations will each be eligible for state funds under this program. In the first year of the program, fiscal year 2005-2006, the state authorized \$4.5 million. The program is funded by a one-percent increase in the cigarette excise tax. To receive the funding from this program, the two research institutions must provide a dollar for dollar match from external sources. The purpose of these funds is to support cancer-related research that will ultimately reduce the morbidity and mortality from these diseases. The program supports collaborative business and academic ventures in support of the cancer research programs at their respective university cancer centers (Brown and Markey).

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

The **Telecommunications Consortium** 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. In fiscal year 2005-2006, 33 undergraduate courses are scheduled for delivery. Students may enroll by mail and view courses at home.

The **Governor's Minority Student College Preparation Program** was established in 1986 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 1,100 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 **Southern Regional Education Board (SREB) Doctoral Scholars Program** is a cooperative interstate venture that seeks 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 and executives by increasing the available pool of minority candidates. Students are provided scholarships and other financial support to attend institutions throughout the southern region and in some Midwest states.

According to the SREB, as of July 2003, the program has served 580 individuals, with 279 currently matriculating scholars enrolled throughout the south; 233 scholars had completed their Ph.D. and 12 had withdrawn. The retention rate for the program is 92 percent over the last six years of operation. Kentucky has 27 students currently enrolled with the state providing continuing funding for 15 graduates pursuing higher degrees.

The budget provides \$9,600 each year of the biennium from the General Fund for a **Martin Luther King Scholarship** program at Kentucky State University.

The budget provides \$120,000 each year from the General Fund for a **Washington, D.C. Internship and Academic Seminars** program.

The budget provides \$1,000,000 in each fiscal year of the 2006-2008 biennium to continue an operating subsidy for a **Biotechnology Marine Shrimp Production** program. The Council, through an agreement with Western Kentucky University, provides these funds to operate a new marine shrimp production facility by a private corporation located on the Western Kentucky University farm. The 2004-2006 biennial budget provided funds to construct a marine shrimp production facility.

The **Early Math Testing** program is a statewide on-line diagnostic test to help high school students identify academic deficiencies that they should correct before entering college to avoid the need for postsecondary education remediation.

Policy

An additional \$586,800 from the General Fund is provided in fiscal year 2007 and \$922,300 in fiscal year 2008 to the **Contract Spaces** program to ensure that the existing veterinary and optometry professional school slots are maintained for Kentucky students at the participating out-of-state professional schools. This brings total funding up to \$3,720,600 in fiscal year 2007 and \$4,056,100 in fiscal year 2008.

Principal Leadership - The Governor's budget recommendation provides new funding of \$1,000,000 in fiscal year 2008 from the General Fund for a Principal Leadership program. The funds will be used to support a collaborative enterprise among Kentucky universities that have education leadership programs to improve K-12 student learning by providing specialized training to the next generation of public school principals. Funds will be used for program planning and design, salaries and benefits for institute personnel, and participant costs.

Minority Student College Prep-Expansion - The Governor's budget recommendation provides an additional \$67,500 from the General Fund in each year of the 2006-2008 biennium. The funds will be used to enhance the current program designed to emphasize early intervention at the high school level for minority students to increase the pool of minorities interested in attending and prepared to exceed in college.

SREB Doctoral Scholars Program Expansion - The Governor's budget recommendation provides an additional \$45,000 from the General Fund each fiscal year for this program. The funds will be used to support minority students to complete a doctoral degree in Kentucky or in other surrounding states. The program goal is to increase the number of minority individuals employed as college faculty and administrators by increasing the available pool of minority-candidate, doctoral degree completers.

Notwithstanding KRS 164.7911, interest income in the amount of \$393,900 in each fiscal year is authorized to be used for the Governor's Minority Student College Preparation, SREB Doctoral Scholars, P-16 Council, and Early Math Testing programs to maintain these programs at current levels of funding.

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

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation		200,000	200,000		
Total General Fund		200,000	200,000		
Federal Funds					
Current Receipts	5,599,400	5,599,400	5,599,400	5,599,400	5,599,400
Total Federal Funds	5,599,400	5,599,400	5,599,400	5,599,400	5,599,400
TOTAL SOURCE OF FUNDS	5,599,400	5,799,400	5,799,400	5,599,400	5,599,400
EXPENDITURES BY CLASS					
Personnel Cost	959,300	1,267,600	1,296,000	1,267,600	1,296,000
Operating Expenses	286,100	165,800	138,800	165,800	138,800
Grants, Loans or Benefits	4,354,000	4,366,000	4,364,600	4,166,000	4,164,600
TOTAL EXPENDITURES	5,599,400	5,799,400	5,799,400	5,599,400	5,599,400
EXPENDITURES BY FUND SOURCE					
General Fund		200,000	200,000		
Federal Funds	5,599,400	5,599,400	5,599,400	5,599,400	5,599,400
TOTAL EXPENDITURES	5,599,400	5,799,400	5,799,400	5,599,400	5,599,400

The Council on Postsecondary Education administers three federal programs (exclusive of the Adult Education related grants): Improving Educator Quality State Grant Program, Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR UP) Kentucky and (GEAR UP) Kentucky TWO, and the Fund for the Improvement of Postsecondary Education (FIPSE).

The Improving Educator Quality State Grant Program focuses on preparing, training, and recruiting high-quality teachers. The Council on Postsecondary Education provides competitive grants to partnerships comprised of schools of education and arts and sciences, along with one or more high-need local school districts.

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. GEAR UP state grants stress early intervention and provide scholarships. Effective September 1, 2005, the Council received a six-year award of \$21 million (\$3.5 million a year), in partnership with the Kentucky Higher Education Assistance Authority, that will be serving an additional cohort of students. This award is referred to as GEAR UP Kentucky TWO. Each grant dollar must be matched through a combination of state, local, and private funds.

The Council received its first FIPSE grant in 2002 to develop a statewide advising outreach network for high school students and adult learners who want to go on to college and for students who wish to transfer from two-year to four-year institutions. The grant funds the system referred to as U-CAN, the university coordinated advising network. Key partners include the Kentucky Community and Technical College System, the Kentucky Department of Education, the Kentucky Higher Education Assistance Authority, and a number of postsecondary institutions, school districts, and adult education learning centers. Through matching funds, improvements are being made to and activities expanded in the KYVU call center.

**Postsecondary Education
Council on Postsecondary Education
Strategic Investment & Incentive Funding Program**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	103,607,400	79,384,000	131,331,900	40,284,900	79,986,900
Reorganization Adjustments	-69,525,000				
Total General Fund	34,082,400	79,384,000	131,331,900	40,284,900	79,986,900
Tobacco Settlement-Phase I					
Tobacco Settlement - I	5,421,300	5,421,300	5,421,300	4,431,200	4,691,200
Budget Reduction	-368,600				
Total Tobacco Settlement-Phase I	5,052,700	5,421,300	5,421,300	4,431,200	4,691,200
Restricted Funds					
Balance Forward	215,400				
Current Receipts	252,000	252,000	252,000	252,000	252,000
Non-Revenue Receipts	-215,400				
Total Restricted Funds	252,000	252,000	252,000	252,000	252,000
Federal Funds					
Current Receipts	13,500,000	13,500,000	13,500,000	13,500,000	13,500,000
Total Federal Funds	13,500,000	13,500,000	13,500,000	13,500,000	13,500,000
TOTAL SOURCE OF FUNDS	52,887,100	98,557,300	150,505,200	58,468,100	98,430,100
EXPENDITURES BY CLASS					
Personnel Cost	7,073,100	7,441,700	7,441,700	6,451,600	6,711,600
Operating Expenses	1,681,400	1,681,400	1,681,400	2,181,400	2,181,400
Grants, Loans or Benefits	44,070,600	89,372,200	85,722,200	49,773,100	65,223,100
Debt Service			55,597,900		24,252,000
Capital Outlay	62,000	62,000	62,000	62,000	62,000
TOTAL EXPENDITURES	52,887,100	98,557,300	150,505,200	58,468,100	98,430,100
EXPENDITURES BY FUND SOURCE					
General Fund	34,082,400	79,384,000	131,331,900	40,284,900	79,986,900
Tobacco Settlement-Phase I	5,052,700	5,421,300	5,421,300	4,431,200	4,691,200
Restricted Funds	252,000	252,000	252,000	252,000	252,000
Federal Funds	13,500,000	13,500,000	13,500,000	13,500,000	13,500,000
TOTAL EXPENDITURES	52,887,100	98,557,300	150,505,200	58,468,100	98,430,100
EXPENDITURES BY UNIT					
Research Challenge Trust Fund	5,052,700	17,421,300	5,421,300	4,431,200	4,691,200
Technology Initiative Trust Fund	2,050,500	4,752,100	10,887,100	3,403,000	4,053,000
Physical Facilities Trust Fund			50,562,900		24,252,000
Postsecondary Workforce Development Trust Fund		500,000	3,500,000	300,000	1,200,000
Adult Education and Literacy Funding Program	35,778,000	39,778,000	41,778,000	36,778,000	38,778,000
Science and Technology Funding Program	10,005,900	10,605,900	10,855,900	10,355,900	10,355,900
Regional Stewardship Funding Program		3,000,000	18,000,000	1,200,000	3,600,000
Research Support Funding Program		22,000,000	4,000,000	1,500,000	9,000,000
Special Initiatives Funding Program		500,000	5,500,000	500,000	2,500,000
TOTAL EXPENDITURES	52,887,100	98,557,300	150,505,200	58,468,100	98,430,100

The **Strategic Investment and Incentive Funding Program** was created in the Kentucky Postsecondary Education Improvement Act of 1997, 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 two Strategic Investment and Incentive Funding Programs (the Adult Education and Literacy Funding Program; the Science and Technology 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). The Governor's Executive Budget adds three additional funding programs to further the progress of the Commonwealth's postsecondary education improvement.

	<u>FY 2005</u>	<u>FY 2006</u>
Research Challenge Trust Fund		
Lung Cancer Research – Phase I Tobacco Settlement Funding	4,431,200	4,691,200
Physical Facilities Trust Fund		
Debt Service for \$260,276,000 in Bond Funded Capital Projects		24,252,000
Technology Initiative Trust Fund	3,403,000	4,053,000
Postsecondary Workforce Development Trust Fund	300,000	1,200,000
Adult Education and Literacy Funding Program	36,778,000	38,778,000
Science and Technology Funding Program	10,355,900	10,355,900
Regional Stewardship Funding Program	1,200,000	3,600,000
Research Support Funding Program	1,500,000	9,000,000
Special Initiatives Funding Program	500,000	2,500,000
TOTAL FUNDING PROGRAM APPROPRIATIONS	<u>58,468,100</u>	<u>98,430,100</u>

Research Challenge Trust Fund

This Trust Fund includes funding from the Phase I Tobacco Settlement devoted to the Lung Cancer Research Trust Fund established by KRS 164.476.

Technology Initiatives Trust Fund

Funding in the amount of \$2,050,000 in each year of the biennium is provided for the following subsidiary programs of the Technology Initiatives Trust Fund:

1. Kentucky Postsecondary Education Network (KPEN) is an internet Protocol-optimized network specifically designed for postsecondary education requirements and applications. It accommodates high-demand, high-access internet users and provides an easy mechanism for expansion of network services. Expanded KPEN services extend to all postsecondary education institutions through the Master Agreement developed between the University of Kentucky and the vendor, ALLTEL, Inc. The Council on Postsecondary Education, working through the University of Kentucky, financially supports a baseline network for the state-supported postsecondary education institutions. Institutions may purchase additional services and bandwidth directly from the Master Agreement with the vendor.
2. Faculty Development 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.

Adult Education and Literacy Funding Program

A total of \$23,026,000 in fiscal year 2007 and \$25,026,000 in fiscal year 2008 from the General Fund is provided for the Adult Education and Literacy Funding Program. This includes an additional \$1,000,000 in fiscal year 2007 and \$3,000,000 in fiscal year 2008 to increase the base funding of the adult education and literacy programs. Over \$13 million per year in federal funds combine with the state General Funds to finance adult education and literacy programs. 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 Adult Education Reform Act of 2000 stated, "Adult illiteracy is a fundamental barrier to every major challenge facing Kentucky, including early childhood education, education reform, economic development and improving the health and well being of Kentucky's families and communities."

One in four Kentuckians age 25 or older do not have a high school diploma or GED, compared to 19.6 percent nationally. Of 2.4 million working-age Kentuckians, 40 percent (nearly one million) function at the two lowest levels of literacy.

The Adult Education Reform Act provided the foundation for improving the educational status of adult Kentuckians who do not have a high school diploma, who function at low levels of literacy or who want to learn the English language. Kentucky Adult Education increased enrollment in adult education and literacy programs 115 percent from 51,177 in 1999-2000 to a record high enrollment of 109,880 in 2002-03. This enrollment exceeded the fiscal year 2003 goal of 90,000 and even the fiscal year 2004 goal of 100,000. Of the fiscal year 2003 enrollment, 43,050 adults participated in workplace programs, and 5,459 were enrolled in English as a Second Language.

The Act also created a partnership between the Council on Postsecondary Education and the Department for Adult Education and Literacy. The partnership was strengthened in July 2003 by the organizational transition of the newly renamed "Kentucky Adult Education" from the Cabinet for Workforce Development to the Council on Postsecondary Education. This reorganization positions Kentucky Adult Education at the forefront of education in the Commonwealth and facilitates the program's momentum toward the next level of achievement by creating new avenues for reaching adult learners and helping them transition to postsecondary education and employment.

Base funding is distributed to local organizations through grants for adult basic education and literacy services, the cornerstone of Kentucky Adult Education. The Kentucky Adult Education Reform Act requires services to be targeted to communities with the greatest need, so funds are allocated using a formula based on the number of adults in each county functioning at low literacy levels.

Through this funding, every Kentucky county is served by a comprehensive adult education provider that offers all levels of adult education instruction, family literacy and employability and life skills instruction. Many providers also offer English as a Second Language classes and workplace education. Every provider operates one or more sites throughout the county to meet the unique learning needs of its target population. Kentucky Adult Education contracts with local boards of education, community and technical colleges, community-based organizations, education consortia, public and private non-profit organizations and correctional institutions to provide adult education and literacy services in a variety of settings and locations.

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 amended in subsequent sessions, and codified as KRS 164.6011 through 164.6043. Funding is provided each year of the biennium for the suite of Science and Technology programs which include: the **Research and Development Voucher** program that provides vouchers to small and medium-size Kentucky-based companies that undertake research and development work in partnership with universities in the Commonwealth, the **Commercialization Fund** that provides development funds for promising technologies developed through the research and development work undertaken at the universities in the Commonwealth, the **Rural Innovation** program provides funding to Kentucky-based companies with less than 150 employees. Recipient companies contract with an accredited postsecondary institution, the **Experimental Program to Stimulate Competitive Research (EPSCoR)** program, a highly collaborative and successful federal research and development program initiated by the National Science Foundation in 1978 that 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 also provides funding for the **Science and Engineering Foundation**. 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 Science and Technology Funding Program provides \$1,000,000 in funding each year is provided for the **Knowledge-Based Economy Academic Programs** in 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. Students at Western Kentucky University, Murray State University, the University of Louisville, and the University of Kentucky are enrolled in joint engineering classes.

Policy

Performance Funding – The Executive Budget includes \$1,000,000 from the General Fund in fiscal year 2008 to reward the postsecondary education institutions for relative performance. Fifty percent of performance funds will be awarded based on a comparison to benchmark institutions using two measures: (1) degree productivity; and (2) efficiency. The remaining half will be awarded based on selected Key Indicators of Progress using three measures: (1) Increased degree production; (2) Increased minority degree production; and (3) Institutions' choice indicator.

Adult Education-Expansion of Services – The Executive Budget includes an additional \$1,000,000 from the General Fund in fiscal year 2007 and \$3,000,000 in fiscal year 2008 to enhance the county programs in adult literacy in order to meet the goals of the Adult Education Act. The grant programs will target communities with the greatest need related to basic literacy skills to offer adult education instruction, family literacy programs, and assistance with employability and life skills instruction.

Regional Stewardship – The Executive Budget includes \$1,200,000 from the General Fund in fiscal year 2007 and \$3,000,000 in fiscal year 2008 to be allocated to the comprehensive universities to promote regional or statewide economic development, livable communities, social inclusion, creative governance, and civic participation through public engagement activities initiated by university faculty and staff. Programs are to be designed to align institutional priorities, resources and infrastructure to support their communities and create partnerships to address regional and state needs.

Workforce Development Trust Fund – The Executive Budget includes \$300,000 from the General Fund in fiscal year 2007 and \$1,200,000 in fiscal year 2008 to be used by KCTCS to support workforce development initiatives and to support the transfer of associate degree completers to Kentucky's public and private universities to advance toward a baccalaureate degree.

Research Support – The Executive Budget includes \$1,500,000 in fiscal year 2007 and \$3,000,000 in fiscal year 2008 from the General Fund to be used to establish a research capacity pool designed to support university efforts to build research capacity in targeted priority areas. Two-thirds of the funds are for the University of Kentucky and one-third is for the University of Louisville. Allocated funds will be distributed upon submission and approval of a plan that identifies target areas of impact at the University along with a proposed budget for faculty, salaries, benefits, and operating expenses in those years. To qualify for funds, each institution will submit a one-time, research capacity plan to the Council by close of business June 1, 2006. These funds will be used to recruit and retain prominent research faculty in areas of strategic benefit to the Commonwealth. Appropriate uses for these funds include start-up costs, salaries, benefits, travel, and other professional expenses as permitted by University policy for new faculty positions in the CPE priority areas, including five economic development clusters: (1) Human Health and Development; (2) Biosciences; (3) Materials Science and Advanced Manufacturing; (4) Information Technologies and Communications; and (5) Environmental and Energy Technologies.

The Executive Budget includes \$6,000,000 in fiscal year 2008 from the General Fund to support laboratory renovations and equipment purchases in CPE-designated priority areas and will support research initiatives – disciplinary and interdisciplinary research activities that address regional or state needs, contribute to the generation of federal and extramural R&D expenditures, foster increased innovation and opportunities for commercialization, and stimulate business development. The University of Kentucky will receive \$4,000,000 and the University of Louisville will receive \$2,000,000 from these nonrecurring funds.

Physical Facilities Trust Fund – Debt service in the amount of \$24,252,000 is provided in fiscal year 2008 for 12 bond funded capital projects (\$260,276,000) at the various public postsecondary institutions, and an earmarked amount for the Ovarian Cancer Screening Outreach program.

Kentucky Postsecondary Network (KPEN) – The Executive Budget includes an additional \$700,000 each fiscal year from the General Fund to maintain the existing level of network services to all of the postsecondary education institutions. These funds are necessary to provide a basic level of support for KPEN and to enable postsecondary education to fully participate in the "Education Network" that intends to connect colleges, universities, and local schools to enhance student learning at all educational levels.

K-12 Professional Development – The Governor's budget recommendation includes an additional \$500,000 each fiscal year from the General Fund to support enhanced professional development for local school district certified staff. Funds will be allocated to postsecondary education institutions for the purpose of conducting research or providing support in the redesign of K-12 teacher and leader professional development relevant to local school district enhanced professional compensation plans.

College Access Initiative – The Executive Budget includes \$450,000 from the General Fund in fiscal year 2007 and \$717,000 in fiscal year 2008 to fund phase 2 of a public communications campaign to market the benefits of pursuing higher education in Kentucky. The “Go Higher” campaign utilized in 2000 was enormously successful and these funds would build on that success.

P-16 Engineering Pipeline – The Executive Budget includes \$350,000 from the General Fund in fiscal year 2007 and \$350,000 in fiscal year 2008 to put into place pre-engineering curricula in select middle and high schools and a strategic KCTCS transfer framework to ensure that an adequate number of Kentucky high school graduates and transfer student can aspire and are prepared to enroll in engineering programs in Kentucky.

College-level Learning Assessment – The Executive Budget includes \$150,000 from the General Fund in fiscal year 2008 to support Kentucky’s participation in the National Center for Public Policy in Higher Education’s Measuring Up 2008 Learning Grade. Participation requires statewide student level testing and national standardized test score data collection and follow-up analyses.

Academic Innovation and Collaborative Grants – The Executive Budget includes \$80,000 from the General Fund in fiscal year 2007 and \$250,000 in fiscal year 2008 to advance proposals designed to stimulate partnerships among institutions and public and private sector organizations to develop academic programs addressing current and projected workforce needs, especially in high demand programs.

Faculty Development Expansion – The Executive Budget includes \$35,000 from the General Fund in fiscal year 2007 and \$35,000 in fiscal year 2008 to provide a means to bring faculty together to promote innovative ways to improve quality of instruction, including the promotion of distance learning. Funds will focus on general education curriculum redesign and collaborative public health initiatives

Public Health Initiative – The Executive Budget includes \$87,000 from the General Fund in fiscal year 2007 and \$150,000 in fiscal year 2008 to support a collaborative effort among the Public Health Advisory Committee, the Commissioner for Public Health, and the Council to implement the Strategic Plan for Public Health Education and Research, which was approved by the Council in July 2004. These funds will support curricula development tailored to the needs of the current public health workforce and expand online access to public health courses and degrees.

Postsecondary Education
Kentucky Higher Education Assistance Authority

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	86,233,500	216,242,600	221,733,000	168,524,300	175,714,600
Continuing Appropriation	356,400				
Reorganization Adjustments	69,525,000				
Other	5,625,000				
Total General Fund	161,739,900	216,242,600	221,733,000	168,524,300	175,714,600
Tobacco Settlement-Phase I					
Tobacco Settlement - I	900,000	800,000	900,000	800,000	900,000
Continuing Appropriation	63,700				
Total Tobacco Settlement-Phase I	963,700	800,000	900,000	800,000	900,000
Restricted Funds					
Balance Forward	2,870,700	618,000	117,200	236,700	
Current Receipts	23,452,400	22,909,600	23,350,400	23,323,600	24,427,900
Non-Revenue Receipts	10,561,700	16,333,900	14,737,600	15,484,200	11,791,400
Total Restricted Funds	36,884,800	39,861,500	38,205,200	39,044,500	36,219,300
Federal Funds					
Current Receipts	1,726,000	1,726,000	1,726,000	1,726,000	1,726,000
Total Federal Funds	1,726,000	1,726,000	1,726,000	1,726,000	1,726,000
TOTAL SOURCE OF FUNDS	201,314,400	258,630,100	262,564,200	210,094,800	214,559,900
EXPENDITURES BY CLASS					
Personnel Cost	12,766,700	13,666,100	14,107,800	13,310,700	13,557,500
Operating Expenses	3,520,800	3,515,500	3,513,600	3,515,500	3,513,600
Grants, Loans or Benefits	184,006,600	240,550,700	244,161,200	192,488,000	196,707,200
Debt Service	746,600	743,600	744,600	743,600	744,600
Capital Outlay	37,000	37,000	37,000	37,000	37,000
TOTAL EXPENDITURES	201,077,700	258,512,900	262,564,200	210,094,800	214,559,900
EXPENDITURES BY FUND SOURCE					
General Fund	161,739,900	216,242,600	221,733,000	168,524,300	175,714,600
Tobacco Settlement-Phase I	963,700	800,000	900,000	800,000	900,000
Restricted Funds	36,648,100	39,744,300	38,205,200	39,044,500	36,219,300
Federal Funds	1,726,000	1,726,000	1,726,000	1,726,000	1,726,000
TOTAL EXPENDITURES	201,077,700	258,512,900	262,564,200	210,094,800	214,559,900
EXPENDITURES BY UNIT					
General Administration and Support	16,229,700	17,105,300	17,538,100	16,765,100	17,004,500
College Access Program	58,029,100	106,775,400	109,705,400	64,585,800	66,220,000
Work Study Program	900,000	900,000	900,000	900,000	900,000
Kentucky Tuition Grant	29,734,500	38,561,900	38,427,900	29,170,100	30,085,900
Teacher Scholarships	2,386,200	2,386,200	2,386,200	2,386,200	2,249,700
Ky National Guard Tuition	4,358,100	25,000	25,000	4,500,000	5,220,000
Osteopathic Medicine Scholarship	1,318,500	772,600	678,800	1,024,300	1,024,300
Ky Educational Excellence Scholarships	85,334,400	88,034,100	88,911,100	88,034,100	88,911,100
Early Childhood Development Scholarships	992,100	1,127,500	1,158,800	933,800	942,500
Kentucky's Affordable Prepaid Tuition (KAPT)	841,400	856,900	864,900	841,700	848,200
Robert C Byrd Honors Scholarship	568,000	568,000	568,000	568,000	568,000
Mary Jo Young Scholarship	385,700	400,000	400,000	385,700	385,700
Go Higher Grant Program		1,000,000	1,000,000		200,000

TOTAL EXPENDITURES	201,077,700	258,512,900	262,564,200	210,094,800	214,559,900
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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 Kentucky Higher Education Assistance Authority provides student financial aid, allowing each student to choose institutions appropriate to each person's education and career objectives as provided under KRS 164.740 - 164.785.

KHEAA administers state grants, work study, scholarships, 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.

Lottery Funds for Student Financial Aid

All of the lottery funds, net of \$3,000,000 provided for literacy development programs, are devoted to student financial aid. KRS 154A.130(4) directs 55 percent to the needs-based student financial aid programs, and 45 percent to the Kentucky Educational Excellence Scholarship (KEES) program. Fiscal year 2006 was the first year, by statute, when 100 percent of the net lottery revenues were devoted to student financial aid programs. The Executive Budget for 2006-2008 continues the budgetary policy of fully complying with that statutory direction.

The Kentucky Higher Education Assistance Authority 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 24 participating independent colleges and is designed to assist full-time students with tuition charges at these schools.

The 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. Effective March, 2005 as a result of passage of House Bill 460, the administrative responsibility of the Kentucky Education Excellence Scholarship program was transferred from the Council on Postsecondary Education to the Kentucky Higher Education Assistance Authority.

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 upgrade the professional development of child-care workers and trainers who do not have access to state or federal professional development funds.

The Robert C. Byrd Honors Scholarship program is a federally-funded merit-based program that awards scholarships to qualified high school seniors and GED recipients who demonstrate outstanding academic achievement.

Policy

In fiscal year 2007, \$162,500,000 and in fiscal year 2008, \$167,500,000, from lottery revenues are directed to student financial aid. Need based aid programs will receive \$89,375,000 in fiscal year 2007 and \$92,125,000 in fiscal year 2008. The KEES program will receive \$73,125,000 in fiscal year 2007 and \$75,375,000 in fiscal year 2008.

Included in the General Fund appropriation for KHEAA is an additional \$5,000,000 in fiscal year 2007 and \$5,000,000 in fiscal year 2008 for the College Access Program and in the Go Higher Grant Program. This initiative is specifically targeted for need-based scholarships for students from coal producing counties. The student population served will include undergraduate postsecondary students (traditional and non-traditional, full-time and part-time) attending public and private colleges and universities, technical colleges, and vocational training institutions in Kentucky. The program shall be funded utilizing coal severance dollars transferred from the Local Government Economic Development Fund. Funds will be distributed each year until exhausted. It is estimated that the available funding will ensure that virtually all needy applicants residing in Kentucky's 39 coal counties who would apply for financial aid would receive an award.

Included in the General Fund for the College Access Program (CAP) is \$58,427,800 in fiscal year 2007 and in fiscal year 2008, \$60,262,000. Included in the federal funds for CAP is \$1,158,000 for fiscal years 2006-2008.

Included in the General Fund for the Kentucky Tuition Grant (KTG) program is \$29,170,100 in fiscal year 2007 and in fiscal year 2008, \$30,085,900.

Included in the General Fund for the Kentucky Educational Excellence Scholarships (KEES) is \$73,125,000 in fiscal year 2006-2007 and \$75,375,000 in fiscal year 2007-2008 from net lottery receipts. An additional \$2,190,300 is provided in fiscal year 2007-2008 from the General Fund since the lottery funds are estimated to be insufficient to fully fund the program. Included in the above Restricted Funds appropriation for KEES is \$14,909,100 in fiscal year 2006-2007 and \$11,345,800 in fiscal year 2007-2008 mainly from unclaimed lottery prize funds for a total KEES budget of \$88,013,100 in fiscal year 2007 and \$88,911,100 in fiscal year 2008.

Included in the General Fund for the Teacher Scholarship Program is \$1,777,100 in each fiscal year of the 2006-2008 biennium, notwithstanding the provisions of KRS 154A.130(4). Included in the restricted funds for the Teacher Scholarship Program is \$609,100 in fiscal year 2007 and \$472,600 in fiscal year 2008.

The Executive Budget recommendation includes full funding for the National Guard Tuition Assistance Program. The Kentucky Higher Education Student Loan Corporation will provide Restricted Funds up to \$4,500,000 in fiscal year 2007 and \$5,220,000 in fiscal year 2008 that will pay the tuition of 2000 applicants in each year of the biennium.

Included in the General Fund for the Osteopathic Medicine Scholarships are \$1,024,300 in fiscal year 2007 and an additional \$1,024,300 in fiscal year 2008.

Included in the General Fund appropriation is \$800,000 in fiscal year 2007 and \$900,000 in fiscal year 2008 from Tobacco Settlement Funds in each year of the biennium for Early Childhood Development Scholarships.

Postsecondary Education
Postsecondary Education Institutions

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	980,229,200	1,101,798,100	1,160,204,200	1,050,269,300	1,036,964,000
Salary Compensation Fund	1,422,300				
Other	50,000,000				
Total General Fund	1,031,651,500	1,101,798,100	1,160,204,200	1,050,269,300	1,036,964,000
Restricted Funds					
Current Receipts	2,387,451,500	2,545,867,800	2,706,548,400	2,544,757,800	2,704,976,200
Fund Transfers	-3,500,000				
Total Restricted Funds	2,383,951,500	2,545,867,800	2,706,548,400	2,544,757,800	2,704,976,200
Federal Funds					
Current Receipts	613,995,100	645,328,000	681,403,400	645,328,000	681,403,400
Total Federal Funds	613,995,100	645,328,000	681,403,400	645,328,000	681,403,400
TOTAL SOURCE OF FUNDS	4,029,598,100	4,292,993,900	4,548,156,000	4,240,355,100	4,423,343,600
EXPENDITURES BY CLASS					
Personnel Cost	2,199,363,300	2,348,374,000	2,504,877,300	2,315,267,900	2,426,131,500
Operating Expenses	1,230,364,400	1,314,819,600	1,398,806,400	1,312,298,200	1,392,105,800
Grants, Loans or Benefits	398,894,900	425,046,700	456,238,400	412,355,300	427,082,400
Debt Service	73,649,400	72,960,200	53,002,100	71,730,200	48,780,900
Capital Outlay	127,326,100	131,793,400	135,231,800	128,703,500	129,243,000
TOTAL EXPENDITURES	4,029,598,100	4,292,993,900	4,548,156,000	4,240,355,100	4,423,343,600
EXPENDITURES BY FUND SOURCE					
General Fund	1,031,651,500	1,101,798,100	1,160,204,200	1,050,269,300	1,036,964,000
Restricted Funds	2,383,951,500	2,545,867,800	2,706,548,400	2,544,757,800	2,704,976,200
Federal Funds	613,995,100	645,328,000	681,403,400	645,328,000	681,403,400
TOTAL EXPENDITURES	4,029,598,100	4,292,993,900	4,548,156,000	4,240,355,100	4,423,343,600
EXPENDITURES BY UNIT					
Eastern Kentucky University	263,555,900	277,293,800	284,683,700	274,619,300	277,201,800
Kentucky State University	62,920,000	64,379,100	65,121,400	64,672,400	64,852,600
Morehead State University	158,622,900	160,887,800	163,558,000	159,110,100	158,495,300
Murray State University	138,912,600	146,709,700	153,461,900	144,734,700	148,418,900
Northern Kentucky University	171,901,700	183,755,000	194,228,700	179,651,700	182,192,100
University of Kentucky	1,664,857,600	1,737,411,400	1,812,201,800	1,728,278,400	1,791,296,600
University of Louisville	697,827,100	780,169,900	864,649,700	769,223,900	842,088,800
Western Kentucky University	272,586,000	301,141,300	319,267,200	295,141,000	304,097,300
Kentucky Community and Technical College System	598,414,300	641,245,900	690,983,600	624,923,600	654,700,200
TOTAL EXPENDITURES	4,029,598,100	4,292,993,900	4,548,156,000	4,240,355,100	4,423,343,600

**Postsecondary Education
Eastern Kentucky University**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	73,922,200	80,555,700	83,445,600	77,881,200	75,963,700
Other	3,548,600				
Total General Fund	77,470,800	80,555,700	83,445,600	77,881,200	75,963,700
Restricted Funds					
Current Receipts	128,912,300	139,565,300	144,065,300	139,565,300	144,065,300
Total Restricted Funds	128,912,300	139,565,300	144,065,300	139,565,300	144,065,300
Federal Funds					
Current Receipts	57,172,800	57,172,800	57,172,800	57,172,800	57,172,800
Total Federal Funds	57,172,800	57,172,800	57,172,800	57,172,800	57,172,800
TOTAL SOURCE OF FUNDS	263,555,900	277,293,800	284,683,700	274,619,300	277,201,800
EXPENDITURES BY CLASS					
Personnel Cost	134,644,500	141,236,000	148,885,400	138,685,400	142,357,000
Operating Expenses	125,063,400	133,027,600	135,329,500	132,903,700	134,376,000
Debt Service	3,848,000	3,030,200	468,800	3,030,200	468,800
TOTAL EXPENDITURES	263,555,900	277,293,800	284,683,700	274,619,300	277,201,800
EXPENDITURES BY FUND SOURCE					
General Fund	77,470,800	80,555,700	83,445,600	77,881,200	75,963,700
Restricted Funds	128,912,300	139,565,300	144,065,300	139,565,300	144,065,300
Federal Funds	57,172,800	57,172,800	57,172,800	57,172,800	57,172,800
TOTAL EXPENDITURES	263,555,900	277,293,800	284,683,700	274,619,300	277,201,800
EXPENDITURES BY UNIT					
Benchmark Funding				1,228,200	1,872,100
Instruction	69,213,900	72,849,900	75,714,000	69,737,000	69,977,800
Research	2,079,400	2,086,900	2,086,300	2,086,900	2,086,300
Public Service	51,529,000	51,578,500	51,640,600	51,578,500	51,640,600
Libraries	4,368,200	4,656,600	4,826,400	4,430,000	4,291,500
Academic Support	11,877,400	13,175,000	14,999,100	12,752,400	12,827,900
Student Services	7,992,500	8,817,400	9,271,900	8,676,800	8,860,200
Institutional Support	37,894,900	41,783,200	43,206,000	41,783,200	43,206,000
Operation and Maintenance of Plant	16,713,000	18,976,800	20,331,300	18,976,800	20,331,300
Scholarships and Fellowships	45,908,900	48,408,900	49,708,900	48,408,900	49,208,900
Mandatory Transfers	4,624,400	3,806,600	1,245,200	3,806,600	1,245,200
Auxilliary Enterprises	11,354,300	11,154,000	11,654,000	11,154,000	11,654,000
TOTAL EXPENDITURES	263,555,900	277,293,800	284,683,700	274,619,300	277,201,800

Eastern Kentucky University (EKU), located in Richmond, Kentucky, was established by the General Assembly in 1906 when it created two schools for the training of teachers. Originally designated the Eastern Kentucky State Normal School, the 1922 General Assembly changed the name to the Eastern Kentucky State Normal School and Teachers College and passed an enabling act permitting the university to confer academic degrees. In 1930, the name was changed to Eastern Kentucky State Teachers College, then to Eastern Kentucky State College in 1948, and finally to Eastern Kentucky University in 1966. The governing body of the University is the Board of Regents, consisting of eight members appointed by the Governor of Kentucky, one faculty member elected by the faculty, one student member elected by the students, and one staff member elected

by the staff. The Board has general supervision of lands, buildings, and other properties of the University, subject to the statutes of the Commonwealth of Kentucky.

As noted in its Campus Action Plan for 2005-2010, Eastern Kentucky University's goal, mandated by House Bill 1, is to have at least one nationally recognized program of distinction or one nationally recognized applied research program, as well as to work cooperatively with other postsecondary institutions to assure statewide access to baccalaureate and master's degrees of a quality at or above the national average.

To advance this agenda, EKU's programs have a strong liberal arts and sciences undergraduate core that prepares students to live and work in a global society. It offers a comprehensive array of baccalaureate, master's, and specialist programs and may offer programs beyond the master's degree to meet the needs of teachers, educational leaders, and other certified school personnel. Collaborative doctoral programs also may be offered through the University of Kentucky and the University of Louisville to meet state needs, along with sub-associate or associate degree programs that meet community needs in consultation with KCTCS.

EKU boasts a number of nationally recognized graduate programs in targeted areas of opportunity, including its Program of Distinction in justice and safety. Distinctive educational experiences geared to the specific needs and interests of students include service learning, international education, and opportunities for discovery-based learning.

EKU maintains moderately selective to selective admissions with a commitment to recruiting a diverse student body that includes dually enrolled high school students. It serves the needs of traditional, nontraditional, and transfer students seeking baccalaureate and advanced degrees and recruits students nationally and internationally to increase intellectual capital and diversity.

EKU's priorities for action are applied research and scholarly activities that support the primary function of instruction and supplement efforts to improve economic and community development, with an emphasis on survey research, program evaluation, technology, teacher and health care professional preparation, homeland security, entrepreneurship, and natural areas, using resources such as the Lilley Cornett Woods program. As such, the university collaborates with entrepreneurs, business leaders, local and state officials and citizens to identify and respond to regional needs for research, commercialization, the workforce, justice and safety, and homeland security. It also provides and coordinates education services to improve teacher quality and student performance in the region.

Policy

The Governor's budget recommendation includes \$1,228,200 in fiscal year 2007 and \$1,872,100 in fiscal year 2008 from the General Fund for a base budget increase allocated from the benchmark funding formula.

The Governor's budget recommendation includes \$479,000 in fiscal year 2008 from the General Fund in the Council on Postsecondary Education's budget for debt service for a capital project in Part II of the Executive Appropriations Bill.

**Postsecondary Education
Kentucky State University**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	24,568,500	26,707,400	27,449,700	27,000,700	27,180,900
Other	679,800				
Total General Fund	25,248,300	26,707,400	27,449,700	27,000,700	27,180,900
Restricted Funds					
Current Receipts	23,375,700	23,375,700	23,375,700	23,375,700	23,375,700
Total Restricted Funds	23,375,700	23,375,700	23,375,700	23,375,700	23,375,700
Federal Funds					
Current Receipts	14,296,000	14,296,000	14,296,000	14,296,000	14,296,000
Total Federal Funds	14,296,000	14,296,000	14,296,000	14,296,000	14,296,000
TOTAL SOURCE OF FUNDS	62,920,000	64,379,100	65,121,400	64,672,400	64,852,600
EXPENDITURES BY CLASS					
Personnel Cost	34,624,600	35,546,500	35,925,000	35,774,600	35,894,600
Operating Expenses	25,142,600	25,632,300	25,967,300	25,726,300	25,771,400
Debt Service	1,462,400	1,481,100	1,496,200	1,481,100	1,496,200
Capital Outlay	1,690,400	1,719,200	1,732,900	1,690,400	1,690,400
TOTAL EXPENDITURES	62,920,000	64,379,100	65,121,400	64,672,400	64,852,600
EXPENDITURES BY FUND SOURCE					
General Fund	25,248,300	26,707,400	27,449,700	27,000,700	27,180,900
Restricted Funds	23,375,700	23,375,700	23,375,700	23,375,700	23,375,700
Federal Funds	14,296,000	14,296,000	14,296,000	14,296,000	14,296,000
TOTAL EXPENDITURES	62,920,000	64,379,100	65,121,400	64,672,400	64,852,600
EXPENDITURES BY UNIT					
Benchmark Funding				1,733,700	1,898,800
Instruction	15,044,400	15,418,900	15,568,200	15,044,400	15,044,400
Research	9,532,300	9,661,900	9,705,100	9,532,300	9,532,300
Public Service	811,600	811,600	852,600	811,600	811,600
Academic Support	3,643,100	3,729,500	3,758,300	3,643,100	3,643,100
Student Services	6,685,200	6,757,200	6,895,900	6,685,200	6,685,200
Institutional Support	9,971,600	10,259,700	10,355,700	9,971,600	9,971,600
Operation and Maintenance of Plant	4,278,500	4,523,400	4,605,100	4,278,500	4,278,500
Scholarships and Fellowships	7,897,500	8,142,400	8,290,900	7,897,500	7,897,500
Mandatory Transfers	1,111,800	1,130,500	1,145,600	1,130,500	1,145,600
Auxilliary Enterprises	3,944,000	3,944,000	3,944,000	3,944,000	3,944,000
TOTAL EXPENDITURES	62,920,000	64,379,100	65,121,400	64,672,400	64,852,600

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. The governing body of the University, the Board of Regents, is a body corporate and an educational institution

and agency of the Commonwealth consisting of eight citizen members appointed by the Governor of Kentucky. A student, faculty and staff representative also serve on the Board and are elected by their respective peers. The government of the University is vested in the Board, and the Board has general supervision of lands, buildings, and other properties of the University, subject to the statutes of the Commonwealth of Kentucky.

As noted in its Campus Action Plan for 2005-2010, Kentucky State University's (KSU) goal, mandated by House Bill 1, is to have at least one nationally recognized program of distinction or one nationally recognized applied research program, as well as to work cooperatively with other postsecondary institutions to assure statewide access to baccalaureate and master's degrees of a quality at or above the national average.

To advance this agenda, KSU's programs have a strong liberal arts and sciences undergraduate core preparing students to live and work in a global society. It offers a targeted array of baccalaureate, master's, and specialist programs with special attention to its mission as a land grant institution and Kentucky's historically black university. It may offer programs beyond the master's degree to meet the needs of teachers, educational leaders, and other certified school personnel. Collaborative doctoral programs also may be offered through the University of Kentucky and the University of Louisville to meet state needs, along with sub-associate or associate degree programs that meet community needs in consultation with KCTCS.

KSU boasts a number of nationally recognized graduate programs in targeted areas of opportunity, including its Program of Distinction in aquaculture and aquatic sciences. Distinctive educational experiences geared to the specific needs and interests of students include service learning, international education, and opportunities for discovery-based learning.

KSU maintains moderately selective to selective admissions with a commitment to recruiting a diverse student body. It serves the needs of traditional, nontraditional, and transfer students seeking baccalaureate and advanced degrees and recruits students nationally and internationally to increase intellectual capital and diversity.

KSU's priorities for action are applied research and scholarly activities that support the primary function of instruction, supplement the university's commitment to land grant and agriculture-related programs, and improve economic and community development, with an emphasis on the development of alternative species and the nutrition, reproductive physiology, genetics, and economics of aquaculture. As such, KSU collaborates with entrepreneurs, business leaders, local and state officials, and citizens to identify and respond to regional needs for research, commercialization, and the workforce. It also provides and coordinates education services to improve teacher quality and student performance in the region.

Policy

The Governor's budget recommendation includes \$1,773,700 in fiscal year 2007 and \$1,898,800 in fiscal year 2008 from the General Fund for a base budget increase allocated from the benchmark funding formula.

The Governor's budget recommendation includes \$441,000 in fiscal year 2008 from the General Fund in the Council on Postsecondary Education's budget for debt service for a capital project in Part II of the Executive Appropriations Bill.

**Postsecondary Education
Morehead State University**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	42,376,100	47,219,400	49,906,300	45,441,700	44,843,600
Other	2,463,400				
Total General Fund	44,839,500	47,219,400	49,906,300	45,441,700	44,843,600
Restricted Funds					
Current Receipts	58,868,500	62,467,400	62,754,000	62,467,400	62,754,000
Total Restricted Funds	58,868,500	62,467,400	62,754,000	62,467,400	62,754,000
Federal Funds					
Current Receipts	54,914,900	51,201,000	50,897,700	51,201,000	50,897,700
Total Federal Funds	54,914,900	51,201,000	50,897,700	51,201,000	50,897,700
TOTAL SOURCE OF FUNDS	158,622,900	160,887,800	163,558,000	159,110,100	158,495,300
EXPENDITURES BY CLASS					
Personnel Cost	70,658,700	72,878,000	75,435,200	71,106,600	71,215,100
Operating Expenses	23,746,900	23,009,600	23,434,800	23,003,300	22,992,200
Grants, Loans or Benefits	51,198,300	51,421,100	52,050,600	51,421,100	51,650,600
Debt Service	4,565,600	4,721,600	3,807,600	4,721,600	3,807,600
Capital Outlay	8,453,400	8,857,500	8,829,800	8,857,500	8,829,800
TOTAL EXPENDITURES	158,622,900	160,887,800	163,558,000	159,110,100	158,495,300
EXPENDITURES BY FUND SOURCE					
General Fund	44,839,500	47,219,400	49,906,300	45,441,700	44,843,600
Restricted Funds	58,868,500	62,467,400	62,754,000	62,467,400	62,754,000
Federal Funds	54,914,900	51,201,000	50,897,700	51,201,000	50,897,700
TOTAL EXPENDITURES	158,622,900	160,887,800	163,558,000	159,110,100	158,495,300
EXPENDITURES BY UNIT					
Benchmark Funding				603,900	919,800
Instruction	41,633,800	43,888,100	45,080,500	42,737,300	42,378,800
Research	1,102,200	956,200	953,300	956,200	953,300
Public Service	9,631,100	6,577,200	6,473,300	6,533,800	6,386,400
Libraries	2,841,200	3,027,700	3,089,300	2,940,800	2,915,500
Academic Support	6,761,600	7,056,200	7,173,800	6,882,500	6,826,200
Student Services	8,083,800	8,571,000	9,035,300	8,353,900	8,116,800
Institutional Support	11,375,700	12,100,200	12,448,200	11,774,400	11,673,100
Operation and Maintenance of Plant	6,474,600	7,085,400	7,222,800	6,701,500	6,643,900
Scholarships and Fellowships	51,198,300	51,421,100	52,050,600	51,421,100	51,650,600
Mandatory Transfers	4,494,300	4,651,800	4,611,800	4,651,800	4,611,800
Non-Mandatory Transfers	2,255,200	2,334,200	2,314,100	2,334,200	2,314,100
Auxilliary Enterprises	12,771,100	13,218,700	13,105,000	13,218,700	13,105,000
TOTAL EXPENDITURES	158,622,900	160,887,800	163,558,000	159,110,100	158,495,300

Morehead State University (MSU), located in Morehead, Kentucky, was established in 1922 by the Kentucky General Assembly. The University's current name was adopted in 1966 pursuant to an act of the General Assembly. The governing body of the University, the Board of Regents, is a body corporate and an educational institution and agency of the Commonwealth, consisting of eight citizen members appointed by the Governor of Kentucky. A student, faculty and staff

representative also serve on the Board and are elected by their respective peers. The government of the University is vested in the Board, and the Board has general supervision of lands, buildings, and other properties of the University, subject to the statutes of the Commonwealth of Kentucky. The University was established primarily for the purpose of training teachers, administrators and supervisors for the elementary and secondary schools of the state, but has over the years expanded its facilities and curriculum to serve as a general regional institution of higher learning.

As noted in its Campus Action Plan for 2005-2010, Morehead State University's goal, mandated by House Bill 1, is to have at least one nationally recognized program of distinction or one nationally recognized applied research program, as well as to work cooperatively with other postsecondary institutions to assure statewide access to baccalaureate and master's degrees of a quality at or above the national average.

To advance this agenda, MSU's programs have a strong liberal arts and sciences undergraduate core preparing students to live and work in a global society. The University offers a comprehensive array of baccalaureate, master's, and specialist programs, with special attention to protecting, preserving, and improving the unique heritage of the eastern Kentucky Appalachian region. It may offer programs beyond the master's degree to meet the requirements for teachers, educational leaders, and other certified school personnel. Collaborative doctoral programs also may be offered through the University of Kentucky and the University of Louisville to meet state needs, along with sub-associate or associate degree programs to meet community needs in consultation with KCTCS.

MSU boasts a number of nationally recognized graduate programs in targeted areas of opportunity, including its Program of Distinction, the Institute for Regional Analysis and Public Policy, and the Space Science Center. Distinctive educational experiences geared to the specific needs and interests of students include service learning, international education, and opportunities for discovery-based learning.

MSU maintains moderately selective to selective admissions with a commitment to recruiting a diverse student body that includes first-generation and low-income students from the eastern Kentucky Appalachian region. It serves the needs of traditional, nontraditional, and transfer students seeking baccalaureate and advanced degrees and recruits students nationally and internationally to increase intellectual capital and diversity.

MSU's priorities for action are applied research and scholarly activities that support the primary function of instruction and supplement efforts to improve economic and community development, with an emphasis on entrepreneurship, teacher education, space-related science and technology, visual and performing arts, and regional public policy. As such, Morehead collaborates with entrepreneurs, business leaders, local and state officials, and citizens to identify and respond to regional needs for research, commercialization, and the workforce. MSU also works directly with schools and educational agencies to improve teacher quality and student performance in the region.

Policy

The Governor's budget recommendation includes \$603,900 in fiscal year 2007 and \$919,800 in fiscal year 2008 from the General Fund for a base budget increase allocated from the benchmark funding formula.

The Governor's budget recommendation includes \$1,398,000 in fiscal year 2008 from the General Fund in the Council on Postsecondary Education's budget for debt service for a capital project in Part II of the Executive Appropriations Bill.

**Postsecondary Education
Murray State University**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	52,381,100	57,235,200	58,710,500	55,260,200	53,667,500
Other	2,573,100				
Total General Fund	54,954,200	57,235,200	58,710,500	55,260,200	53,667,500
Restricted Funds					
Current Receipts	69,071,500	74,587,600	79,864,500	74,587,600	79,864,500
Total Restricted Funds	69,071,500	74,587,600	79,864,500	74,587,600	79,864,500
Federal Funds					
Current Receipts	14,886,900	14,886,900	14,886,900	14,886,900	14,886,900
Total Federal Funds	14,886,900	14,886,900	14,886,900	14,886,900	14,886,900
TOTAL SOURCE OF FUNDS	138,912,600	146,709,700	153,461,900	144,734,700	148,418,900
EXPENDITURES BY CLASS					
Personnel Cost	86,752,100	92,442,100	96,961,800	90,263,600	92,133,000
Operating Expenses	36,126,700	36,756,000	37,756,400	38,737,800	42,461,700
Grants, Loans or Benefits	6,682,900	6,682,900	6,832,900	6,682,900	6,682,900
Debt Service	3,010,800	4,788,600	5,870,700	3,010,300	1,101,200
Capital Outlay	6,340,100	6,040,100	6,040,100	6,040,100	6,040,100
TOTAL EXPENDITURES	138,912,600	146,709,700	153,461,900	144,734,700	148,418,900
EXPENDITURES BY FUND SOURCE					
General Fund	54,954,200	57,235,200	58,710,500	55,260,200	53,667,500
Restricted Funds	69,071,500	74,587,600	79,864,500	74,587,600	79,864,500
Federal Funds	14,886,900	14,886,900	14,886,900	14,886,900	14,886,900
TOTAL EXPENDITURES	138,912,600	146,709,700	153,461,900	144,734,700	148,418,900
EXPENDITURES BY UNIT					
Benchmark Funding				606,500	922,900
Instruction	49,796,800	52,108,600	54,657,500	49,796,800	49,796,800
Research	2,718,500	2,718,500	2,718,500	2,718,500	2,718,500
Public Service	6,160,200	6,245,000	6,543,200	6,118,000	6,289,400
Libraries	3,315,100	3,536,200	3,685,500	3,511,200	3,635,500
Academic Support	5,308,900	5,610,900	5,872,400	5,597,200	5,780,000
Student Services	12,359,300	13,090,700	13,710,200	12,986,700	13,403,800
Institutional Support	13,737,200	14,514,200	15,117,800	14,514,200	15,117,800
Operation and Maintenance of Plant	12,535,300	13,834,800	14,586,900	13,834,800	14,334,300
Scholarships and Fellowships	6,597,100	6,881,400	7,308,400	6,881,400	7,158,400
Mandatory Transfers	3,659,900	5,437,700	6,519,800	3,659,400	1,750,300
Non-Mandatory Transfers	5,545,900	5,545,900	5,545,900	7,324,200	10,315,400
Auxilliary Enterprises	17,178,400	17,185,800	17,195,800	17,185,800	17,195,800
TOTAL EXPENDITURES	138,912,600	146,709,700	153,461,900	144,734,700	148,418,900

Murray State University (MSU), located in Murray, Kentucky, was established in 1922 as Murray Normal School by the General Assembly, which changed its name to Murray State University in 1966. The University's main campus is a 232-acre site, and two agricultural farms totaling 351 acres lie within one mile of the campus. The governing body is the Board of Regents, consisting of eight members appointed by the Governor, one faculty member elected by the faculty, consisting of eight

members appointed by the Governor, one faculty member elected by the faculty, one staff member elected by the staff, and one student member elected by students. Pursuant to KRS 164.350, the Board of Regents is a body corporate with the powers usually vested in corporations and, as such, has control and management of the University, subject to the statutes of the Commonwealth.

As noted in its Campus Action Plan for 2005-2010, Murray State University's goal, mandated by House Bill 1, is to have at least one nationally recognized program of distinction or applied research program, as well as to work cooperatively with other postsecondary institutions to assure statewide access to baccalaureate and master's degrees of a quality at or above the national average.

To advance this agenda, MSU's programs have a strong liberal arts and sciences undergraduate core preparing students to live and work in a global society. The University offers a comprehensive array of baccalaureate, master's, and specialist programs, with special attention to agriculture, business, health and human services, teacher education, communications, engineering, and applied technologies. It may offer programs beyond the master's degree to meet the needs of teachers, educational leaders, and other certified school personnel. Collaborative doctoral programs also may be offered through the University of Kentucky and the University of Louisville to meet state needs, along with sub-associate or associate degree programs that meet community needs in consultation with KCTCS.

MSU boasts a number of nationally recognized graduate programs in targeted areas of opportunity, including its Program of Distinction in telecommunications systems management, the Ecosystem and Reservoir Research Center of Excellence. Distinctive educational experiences geared to the specific needs and interests of students include service learning, international education, opportunities for discovery-based learning, and residential colleges.

MSU maintains moderately selective to selective admissions with a commitment to recruiting a diverse student body that includes dually enrolled high school students. It serves the needs of traditional, nontraditional, and transfer students seeking baccalaureate and advanced degrees and recruits students nationally and internationally to increase intellectual capital and diversity.

MSU's priorities for action are applied research and scholarly activities that support the primary function of instruction and supplement efforts to improve economic and community development, with an emphasis on ecosystems, reservoir management, telecommunications, agriculture, entrepreneurship, and teaching pedagogy. The University places a high premium on academic outreach, collaborative relationships with alumni, the public schools, business and industry, governmental agencies, and other colleges and universities at home and abroad.

Murray State University provides or coordinates education services to meet the economic and community needs of its designated area of geographic responsibility. It collaborates with entrepreneurs, business leaders, local and state officials, and citizens to identify and respond to regional needs for research, commercialization, and the workforce. It also works directly with schools and educational agencies to improve teacher quality and student performance in the region.

Policy

The Governor's budget recommendation includes \$606,500 in fiscal year 2007 and \$922,900 in fiscal year 2008 from the General Fund for a base budget increase allocated from the benchmark funding formula.

**Postsecondary Education
Northern Kentucky University**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	46,806,300	57,219,200	61,011,100	53,115,900	48,974,500
Other	4,527,200				
Total General Fund	51,333,500	57,219,200	61,011,100	53,115,900	48,974,500
Restricted Funds					
Current Receipts	106,736,800	112,204,400	118,886,200	112,204,400	118,886,200
Total Restricted Funds	106,736,800	112,204,400	118,886,200	112,204,400	118,886,200
Federal Funds					
Current Receipts	13,831,400	14,331,400	14,331,400	14,331,400	14,331,400
Total Federal Funds	13,831,400	14,331,400	14,331,400	14,331,400	14,331,400
TOTAL SOURCE OF FUNDS	171,901,700	183,755,000	194,228,700	179,651,700	182,192,100
EXPENDITURES BY CLASS					
Personnel Cost	97,843,500	105,894,000	114,293,800	102,676,600	107,443,700
Operating Expenses	31,048,000	32,572,100	35,884,600	32,072,300	32,762,700
Grants, Loans or Benefits	27,193,200	29,025,000	32,072,100	28,804,100	30,669,900
Debt Service	5,063,500	5,345,200	562,300	5,345,200	562,300
Capital Outlay	10,753,500	10,918,700	11,415,900	10,753,500	10,753,500
TOTAL EXPENDITURES	171,901,700	183,755,000	194,228,700	179,651,700	182,192,100
EXPENDITURES BY FUND SOURCE					
General Fund	51,333,500	57,219,200	61,011,100	53,115,900	48,974,500
Restricted Funds	106,736,800	112,204,400	118,886,200	112,204,400	118,886,200
Federal Funds	13,831,400	14,331,400	14,331,400	14,331,400	14,331,400
TOTAL EXPENDITURES	171,901,700	183,755,000	194,228,700	179,651,700	182,192,100
EXPENDITURES BY UNIT					
Benchmark Funding				1,500,600	2,142,100
Instruction	62,152,100	66,864,900	71,666,700	64,193,100	66,478,300
Research	1,067,200	1,137,700	1,159,000	1,137,700	1,159,000
Public Service	4,661,900	4,949,300	5,465,500	4,909,000	5,166,500
Libraries	5,309,200	5,607,000	6,058,400	5,456,400	5,649,600
Academic Support	13,652,800	14,337,600	14,971,800	14,087,300	14,538,600
Student Services	10,744,500	11,634,300	12,743,200	11,096,000	11,512,800
Institutional Support	20,832,700	22,247,100	23,286,400	21,426,100	22,105,400
Operation and Maintenance of Plant	11,948,100	13,178,200	16,660,900	12,267,500	12,625,200
Scholarships and Fellowships	26,828,700	28,660,500	31,707,600	28,439,600	30,305,400
Mandatory Transfers	5,714,300	5,996,000	1,213,100	5,996,000	1,213,100
Non-Mandatory Transfers	3,255,900	3,255,900	3,255,900	3,255,900	3,255,900
Auxilliary Enterprises	5,734,300	5,886,500	6,040,200	5,886,500	6,040,200
TOTAL EXPENDITURES	171,901,700	183,755,000	194,228,700	179,651,700	182,192,100

Northern Kentucky University (NKU) is a comprehensive institution of higher education located in a large metropolitan area. The university started in 1948 as an extension center of the University of Kentucky and later was part of the University of Kentucky's Community College System. Northern Kentucky University became an autonomous institution in 1968 by an act of the Kentucky General Assembly. A Board of Regents was appointed, and subsequently, the Board of Trustees of the

University of Kentucky turned over the Covington facilities and assets of Northern Community College to Northern Kentucky State College. These facilities, along with the community college faculty and students, formed the nucleus of NKU. Limited space at the Covington campus and a rapidly growing enrollment necessitated the move to a new campus in Highland Heights in the fall of 1972. The first bachelor's degrees were awarded in the spring of 1973. In 1976, Northern Kentucky State College was renamed Northern Kentucky University under KRS 164.290.

As noted in its Campus Action Plan for 2005-2010, Northern Kentucky University's goal, mandated by House Bill 1, is to have at least one nationally recognized program of distinction or one nationally recognized applied research program, as well as 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.

To advance this agenda, NKU's programs have a strong liberal arts and sciences undergraduate core preparing students to live and work in a global society. It offers a comprehensive array of baccalaureate, master's, and specialist programs, a first-professional program in law, and may offer programs beyond the master's degree to meet the needs of teachers, educational leaders, and other certified school personnel. Collaborative doctoral programs also may be offered through the University of Kentucky and the University of Louisville to meet state needs, along with sub-associate or associate degree programs that meet local needs in consultation with KCTCS.

NKU boasts a number of nationally recognized graduate programs in targeted areas of opportunity, including its Program of Distinction, the Center for Integrative Natural Science and Mathematics. Distinctive educational experiences geared to the specific needs and interests of students include service learning, international education, opportunities for discovery-based learning, undergraduate research, community-based learning, and civic engagement.

NKU maintains moderately selective to selective admissions with a commitment to recruiting a diverse, well-qualified undergraduate and graduate student body. It serves the needs of traditional, nontraditional, and transfer students seeking baccalaureate and advanced degrees and recruits students nationally and internationally to increase intellectual capital and diversity.

NKU emphasizes public engagement as a defining and nationally recognized quality of the university. As such, its priorities for action are applied research and scholarly activities that support the primary function of instruction and supplement efforts to improve economic and community development, with an emphasis on entrepreneurship and improving math and science instruction. Northern Kentucky University collaborates with entrepreneurs, business leaders, local and state officials, and citizens to identify and respond to regional needs for research, commercialization, and the workforce. It is committed to partnerships that support economic development, P-12 excellence, local government effectiveness, quality healthcare, nonprofit management, and civic literacy. Finally, NKU is committed to becoming a center for the performing and visual arts.

Policy

The Governor's budget recommendation includes \$1,500,600 in fiscal year 2007 and \$2,142,100 in fiscal year 2008 from the General Fund for a base budget increase allocated from the benchmark funding formula.

The Governor's budget recommendation includes \$1,322,000 in fiscal year 2008 from the General Fund in the Council on Postsecondary Education's budget for debt service for a capital project in Part II of the Executive Appropriations Bill.

**Postsecondary Education
University of Kentucky**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	303,070,800	327,246,200	336,669,900	318,113,200	315,764,700
Other	11,231,400				
Total General Fund	314,302,200	327,246,200	336,669,900	318,113,200	315,764,700
Restricted Funds					
Current Receipts	1,184,527,400	1,238,551,300	1,298,127,600	1,238,551,300	1,298,127,600
Total Restricted Funds	1,184,527,400	1,238,551,300	1,298,127,600	1,238,551,300	1,298,127,600
Federal Funds					
Current Receipts	166,028,000	171,613,900	177,404,300	171,613,900	177,404,300
Total Federal Funds	166,028,000	171,613,900	177,404,300	171,613,900	177,404,300
TOTAL SOURCE OF FUNDS	1,664,857,600	1,737,411,400	1,812,201,800	1,728,278,400	1,791,296,600
EXPENDITURES BY CLASS					
Personnel Cost	897,695,400	934,322,100	972,800,400	928,103,800	959,213,000
Operating Expenses	601,027,600	627,348,800	654,944,600	635,177,800	671,763,900
Grants, Loans or Benefits	77,859,200	88,965,500	101,953,900	78,059,200	78,059,200
Debt Service	33,025,000	31,138,900	26,461,800	31,687,200	27,010,100
Capital Outlay	55,250,400	55,636,100	56,041,100	55,250,400	55,250,400
TOTAL EXPENDITURES	1,664,857,600	1,737,411,400	1,812,201,800	1,728,278,400	1,791,296,600
EXPENDITURES BY FUND SOURCE					
General Fund	314,302,200	327,246,200	336,669,900	318,113,200	315,764,700
Restricted Funds	1,184,527,400	1,238,551,300	1,298,127,600	1,238,551,300	1,298,127,600
Federal Funds	166,028,000	171,613,900	177,404,300	171,613,900	177,404,300
TOTAL EXPENDITURES	1,664,857,600	1,737,411,400	1,812,201,800	1,728,278,400	1,791,296,600
EXPENDITURES BY UNIT					
Benchmark Funding				4,448,800	6,777,400
Instruction	267,915,900	304,861,700	344,595,500	267,915,900	267,915,900
Research	275,050,200	311,996,000	351,729,700	280,636,100	286,426,500
Public Service	196,417,200	196,417,200	196,417,200	196,417,200	196,417,200
Libraries	21,849,300	21,849,300	21,849,300	21,849,300	21,849,300
Academic Support	65,927,000	65,927,000	65,927,000	65,927,000	65,927,000
Student Services	21,397,400	21,397,400	21,397,400	21,397,400	21,397,400
Institutional Support	78,338,700	78,338,700	78,338,700	78,338,700	78,338,700
Operation and Maintenance of Plant	49,836,100	49,836,100	49,836,100	49,836,100	49,836,100
Scholarships and Fellowships	77,859,200	77,859,200	77,859,200	78,059,200	78,059,200
Mandatory Transfers	19,863,000	18,525,200	13,848,100	18,525,200	13,848,100
Auxilliary Enterprises	122,256,100	122,256,100	122,256,100	122,256,100	122,256,100
Hospitals	468,147,500	468,147,500	468,147,500	522,171,400	581,747,700
TOTAL EXPENDITURES	1,664,857,600	1,737,411,400	1,812,201,800	1,727,778,400	1,790,796,600

The University of Kentucky (UK) is a comprehensive, land grant institution located in Lexington, Kentucky. Founded in 1865 under the provisions of the Morrill Land-Grant Act, the University began as part of Kentucky University. In 1878, the

Agricultural and Mechanical College was separated from Kentucky University and re-established on land given by Lexington and Fayette County. To provide a separate campus for the new institution, Lexington donated its 50-acre fairground and park, and along with Fayette County, helped construct the buildings. Thirty years later the name was changed to State University, Lexington, Kentucky, before eventually becoming the University of Kentucky in 1916.

As noted in its Campus Action Plan for 2005-2010, the University of Kentucky's goal, mandated by House Bill 1, is to be a major comprehensive research institution ranked nationally in the top 20 public universities.

To advance this agenda, UK's programs have a strong liberal arts and sciences undergraduate core preparing students to live and work in a global society. It offers a comprehensive array of baccalaureate, master's, specialist, and doctoral degree programs consistent with a flagship institution's statewide mission. It also maintains professional programs in dentistry, law, medicine, pharmacy, architecture, engineering, education, and social professions. The graduate and postdoctoral programs emphasize areas supporting statewide economic and community development and are consistent with a nationally-recognized public research university.

UK's programs include innovative post-baccalaureate certificate, master's, and doctoral programs that meet 21st century public needs in traditional and emerging multidisciplinary fields. UK maintains a state leadership role in delivering doctoral education, including collaborative and joint doctoral programs with other Kentucky postsecondary institutions to address state needs. Distinctive educational experiences include service learning, international education, opportunities for discovery-based learning, living-learning communities, and undergraduate research.

UK has selective to highly selective admissions with a commitment to recruiting a diverse, well-qualified undergraduate and graduate student body. It serves the needs of traditional, nontraditional, and transfer students seeking baccalaureate and advanced degrees, and recruits students nationally and internationally to increase intellectual capital and diversity.

The University of Kentucky's priorities for action include basic, applied, and translational research as one of only seven universities in the United States with schools of agriculture, engineering, law, medicine, and pharmacy on a single campus. UK emphasizes research and creativity in areas of identified strength and opportunity, as well as in emerging fields essential to the development of a knowledge-based economy in Kentucky and beyond. This requires significant extramural support and a broad array of doctoral programs, consistent with the nation's top-20 research universities. UK focuses on programs in health and life sciences, computer science and engineering, cultural and international studies, public policy and human services, business and economics, energy and the environment, and the arts. It also conducts research and outreach supporting the improvement of P-20 and adult education systems with a special emphasis on literacy.

UK drives statewide economic development by preparing a highly educated workforce, conducting grant and contract-funded research, and transferring research and technological innovations to the marketplace. It assures Kentuckians high-quality health care by promoting access to the highest level of appropriate care possible within the facilities of local communities and developing advanced subspecialty programs of national stature at the academic medical center. UK engages the university community and its partners in fostering economic well being and quality of life for Kentuckians in its designated area of geographic responsibility, in regions facing significant economic and health-related challenges, throughout the Commonwealth, and, as the state's flagship institution, beyond its borders to the nation and world.

Policy

The Governor's budget recommendation includes \$4,448,800 in fiscal year 2007 and \$6,777,400 in fiscal year 2008 from the General Fund for a base budget increase allocated from the benchmark funding formula.

The Governor's budget recommendation includes \$7,075,000 in fiscal year 2008 from the General Fund in the Council on Postsecondary Education's budget for debt service for a capital project in Part II of the Executive Appropriations Bill.

The Governor's recommended budget includes an additional \$200,000 each fiscal year from General Fund Coal Severance funds to support scholarships to increase the number of Mining Engineering students and graduates from the University. This effort supports the increased demand for mining engineers in the Kentucky coal industry.

Additional General Fund in the amount of \$1,000,000 in fiscal year 2007 and \$2,000,000 in fiscal year 2008 is provided in the Council on Postsecondary Education's (CPE) budget for Research Support purposes at the University. These funds will be used to recruit and retain prominent research faculty. The funds may be used for start-up costs, salaries, and travel. This represents two-thirds of the additional funding for recurring Research Support in the CPE budget.

Additional General Fund in the amount of \$4,000,000 in fiscal year 2008 is provided in the Council on Postsecondary Education's budget for nonrecurring Research Support activities. This funding will support laboratory renovations and equipment purchases in designated priority areas and will support research initiatives that address regional or statewide needs. The funds are intended to contribute to the generation of federal and extramural research and development expenditures, foster increased innovation and opportunities for commercialization, and stimulate business development at

the University. This represents one-third of the additional funding for nonrecurring Research Support in the CPE budget.

The Governor's budget recommendation includes an additional \$500,000 each fiscal year from the General Fund to support the Governor's Fitness program throughout the Commonwealth through the University of Kentucky Cooperative Extension Service.

**Postsecondary Education
University of Louisville**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	176,109,100	198,352,500	205,676,300	187,406,500	183,115,400
Other	7,578,800				
Total General Fund	183,687,900	198,352,500	205,676,300	187,406,500	183,115,400
Restricted Funds					
Current Receipts	395,459,800	445,336,100	502,019,800	445,336,100	502,019,800
Total Restricted Funds	395,459,800	445,336,100	502,019,800	445,336,100	502,019,800
Federal Funds					
Current Receipts	118,679,400	136,481,300	156,953,600	136,481,300	156,953,600
Total Federal Funds	118,679,400	136,481,300	156,953,600	136,481,300	156,953,600
TOTAL SOURCE OF FUNDS	697,827,100	780,169,900	864,649,700	769,223,900	842,088,800
EXPENDITURES BY CLASS					
Personnel Cost	435,494,100	485,798,000	542,122,000	480,012,000	529,628,600
Operating Expenses	181,801,900	214,072,500	249,388,000	208,912,500	239,320,500
Grants, Loans or Benefits	37,447,500	37,447,500	37,447,500	37,447,500	37,447,500
Debt Service	17,667,600	17,435,900	10,276,200	17,435,900	10,276,200
Capital Outlay	25,416,000	25,416,000	25,416,000	25,416,000	25,416,000
TOTAL EXPENDITURES	697,827,100	780,169,900	864,649,700	769,223,900	842,088,800
EXPENDITURES BY FUND SOURCE					
General Fund	183,687,900	198,352,500	205,676,300	187,406,500	183,115,400
Restricted Funds	395,459,800	445,336,100	502,019,800	445,336,100	502,019,800
Federal Funds	118,679,400	136,481,300	156,953,600	136,481,300	156,953,600
TOTAL EXPENDITURES	697,827,100	780,169,900	864,649,700	769,223,900	842,088,800
EXPENDITURES BY UNIT					
Benchmark Funding				3,612,300	5,906,700
Instruction	208,499,800	235,797,300	266,361,500	231,355,200	257,411,400
Research	100,370,300	113,511,200	128,224,700	111,372,800	123,916,100
Public Service	58,027,900	65,625,200	74,131,500	64,388,900	71,640,500
Libraries	17,032,900	19,262,900	21,759,800	18,900,000	21,028,600
Academic Support	62,536,600	70,724,200	79,891,600	69,391,800	77,206,900
Student Services	17,421,600	19,702,500	22,256,500	19,331,300	21,508,500
Institutional Support	48,639,600	55,727,800	63,664,300	54,574,300	61,340,100
Operation and Maintenance of Plant	30,278,100	35,646,600	40,644,900	33,597,100	37,381,000
Scholarships and Fellowships	69,090,800	78,136,400	88,264,600	76,664,400	85,298,700
Mandatory Transfers	16,330,000	16,098,300	8,938,600	16,098,300	8,938,600
Auxilliary Enterprises	45,856,100	45,856,100	45,856,100	45,856,100	45,856,100
Hospitals	23,743,400	24,081,400	24,655,600	24,081,400	24,655,600
TOTAL EXPENDITURES	697,827,100	780,169,900	864,649,700	769,223,900	842,088,800

The University of Louisville is an urban university with close historical and legal ties with Louisville-Jefferson County. The University was founded in 1798 as the Jefferson Seminary, later known as Louisville College, and in 1846 became the University of Louisville by legislative charter. The University became a member of Kentucky's public higher education system on July 1, 1970, and amended its charter to reflect its status as a state institution, subject to the administration and control of

the Board of Trustees, which was constituted a public body corporate, with the usual corporate powers, and processing all the authorities, immunities, rights, privileges, and franchises normally attached to the governing bodies of Kentucky public higher education institutions.

As noted in its Campus Action Plan for 2005-2010, the University of Louisville's goal, mandated by House Bill 1, is to be a premier, nationally recognized metropolitan research university.

To advance this agenda, UofL's programs have a strong liberal arts and sciences undergraduate core preparing students to live and work in a world that is increasingly intercultural, interdisciplinary, and diverse. It offers a comprehensive array of baccalaureate, master's, and specialist programs, along with professional programs in dentistry, law, medicine, engineering, education, and social professions. Selected doctoral programs support the goals of national recognition as a metropolitan research university and meet the economic and community development needs of the region and state. UofL offers collaborative and joint doctoral programs with other Kentucky postsecondary institutions to address state needs.

UofL places special emphasis on its Research Challenge Trust Fund programs in business (entrepreneurship), health and life sciences, engineering, education, humanities, and the arts. It strives to increase the quality of undergraduate programs while increasing the size and national recognition of graduate programs. Distinctive educational experiences include service learning, international education, opportunities for discovery-based learning, and undergraduate research.

UofL maintains selective to highly selective admissions with a commitment to recruiting a diverse undergraduate and graduate student body, especially students from its metropolitan area and those who do not enter or move through the university in traditional ways. It serves the needs of traditional, nontraditional, and transfer students seeking baccalaureate and advanced degrees. It also recruits students nationally and internationally to increase intellectual capital and diversity.

UofL serves as the metropolitan area's intellectual center and economic engine. It drives economic development by educating a workforce ready to take on the challenges of a new century. The University supports existing businesses, promotes business startups based on university inventions, and coordinates other community economic development efforts. UofL is building a national reputation as a leader in issues affecting metropolitan regions and provides this expertise to other areas in the state, nation, and beyond through basic, applied, and translational research. UofL's research mission prioritizes programs in human health and development, life sciences, information technology and communications, environmental and energy technologies, logistics and distribution, early childhood education, entrepreneurship, materials science, and advanced manufacturing. UofL works with P-12 schools and adult learning centers to improve student achievement and postsecondary preparation. Additionally, research and creative activities in the humanities and the arts foster and support the rich cultural life of the Greater Louisville area.

Policy

The Governor's budget recommendation includes \$3,612,300 in fiscal year 2007 and \$5,906,700 in fiscal year 2008 from the General Fund for a base budget increase allocated from the benchmark funding formula.

The Governor's budget recommendation includes \$6,146,000 in fiscal year 2008 from the General Fund in the Council on Postsecondary Education's budget for debt service for a capital project in Part II of the Executive Appropriations Bill.

Additional General Fund in the amount of \$500,000 in fiscal year 2007 and \$1,000,000 in fiscal year 2008 is provided in the Council on Postsecondary Education's (CPE) budget for Research Support purposes at the University. These funds will be used to recruit and retain prominent research faculty. The funds may be used for start-up costs, salaries, and travel. This represents one-third of the additional funding for recurring Research Support in the CPE budget.

Additional General Fund in the amount of \$2,000,000 in fiscal year 2008 is provided in the Council on Postsecondary Education's budget for nonrecurring Research Support activities. This funding will support laboratory renovations and equipment purchases in designated priority areas and will support research initiatives that address regional or statewide needs. The funds are intended to contribute to the generation of federal and extramural research and development expenditures, foster increased innovation and opportunities for commercialization, and stimulate business development at the University. This amount represents one-third of the additional funding for nonrecurring Research Support in the CPE budget.

The Governor's recommended budget includes \$18,408,100 in fiscal year 2007 and \$18,982,300 in fiscal year 2008 for the Quality and Charity Care Trust Agreement.

**Postsecondary Education
Western Kentucky University**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	71,963,200	85,666,400	93,817,000	79,666,100	78,647,400
Other	6,075,600				
Total General Fund	78,038,800	85,666,400	93,817,000	79,666,100	78,647,400
Restricted Funds					
Current Receipts	157,685,200	175,046,300	183,059,900	175,046,300	183,059,600
Total Restricted Funds	157,685,200	175,046,300	183,059,900	175,046,300	183,059,600
Federal Funds					
Current Receipts	36,862,000	40,428,600	42,390,300	40,428,600	42,390,300
Total Federal Funds	36,862,000	40,428,600	42,390,300	40,428,600	42,390,300
TOTAL SOURCE OF FUNDS	272,586,000	301,141,300	319,267,200	295,141,000	304,097,300
EXPENDITURES BY CLASS					
Personnel Cost	144,893,600	160,877,500	171,729,700	158,100,600	162,194,900
Operating Expenses	74,037,400	81,591,600	85,570,800	78,368,200	79,935,700
Grants, Loans or Benefits	42,188,000	46,088,000	49,988,000	46,088,000	49,988,000
Debt Service	5,006,500	5,018,700	4,058,500	5,018,700	4,058,500
Capital Outlay	6,460,500	7,565,500	7,920,200	7,565,500	7,920,200
TOTAL EXPENDITURES	272,586,000	301,141,300	319,267,200	295,141,000	304,097,300
EXPENDITURES BY FUND SOURCE					
General Fund	78,038,800	85,666,400	93,817,000	79,666,100	78,647,400
Restricted Funds	157,685,200	175,046,300	183,059,900	175,046,300	183,059,600
Federal Funds	36,862,000	40,428,600	42,390,300	40,428,600	42,390,300
TOTAL EXPENDITURES	272,586,000	301,141,300	319,267,200	295,141,000	304,097,300
EXPENDITURES BY UNIT					
Benchmark Funding				1,658,500	2,530,200
Instruction	88,956,000	101,653,500	110,436,100	97,311,000	100,751,000
Research	9,758,000	10,173,800	10,402,700	10,105,200	10,265,500
Public Service	20,169,000	23,175,900	24,861,000	22,970,000	24,449,300
Libraries	6,425,000	7,567,600	8,242,600	7,293,100	7,693,700
Academic Support	11,982,000	13,193,200	14,463,000	12,850,100	13,250,700
Student Services	22,424,000	25,230,700	27,115,800	24,407,300	25,469,000
Institutional Support	28,746,500	31,030,400	31,399,200	30,412,800	30,164,100
Operation and Maintenance of Plant	23,596,000	25,602,800	27,437,500	25,305,700	25,987,200
Scholarships and Fellowships	39,012,000	41,158,100	42,647,400	40,472,000	41,274,700
Mandatory Transfers	5,006,500	5,018,700	4,058,500	5,018,700	4,058,500
Auxilliary Enterprises	16,511,000	17,336,600	18,203,400	17,336,600	18,203,400
TOTAL EXPENDITURES	272,586,000	301,141,300	319,267,200	295,141,000	304,097,300

Western Kentucky University (WKU), located in Bowling Green, Kentucky, was established by the General Assembly in 1906 when it created two schools for the training of teachers. On January 1, 1907, the Southern Normal School was transferred to the state of Kentucky, and the president of that institution became president of the Western Kentucky State Normal School. The 1922 General Assembly changed the name of the institution to the Western Kentucky State Normal School and

Teachers College and passed an enabling act permitting the institution to confer degrees. In 1930 the name was changed to the Western Kentucky State Teachers College, then to the Western Kentucky State College in 1948, and finally to Western Kentucky University in 1966.

As noted in its Campus Action Plan for 2005-2010, Western Kentucky University's goal, mandated by House Bill 1, is to have at least one nationally recognized program of distinction or one nationally recognized applied research program, as well as to work cooperatively with other postsecondary institutions to assure statewide access to baccalaureate and master's degrees of a quality at or above the national average.

To advance this agenda, WKU's programs have a strong liberal arts and sciences undergraduate core preparing students to live and work in a global society. It offers a comprehensive array of baccalaureate, master's, and specialist programs and may offer programs beyond the master's degree to meet the needs of teachers, educational leaders, and other certified personnel. Collaborative doctoral programs also may be offered through the University of Kentucky and the University of Louisville to meet state needs, along with sub-associate or associate degree programs that meet local needs in consultation with KCTCS.

WKU boasts a number of nationally recognized graduate programs in targeted areas of opportunity, including its Programs of Distinction in journalism and forensics and applied research and technology. Distinctive educational experiences geared to the specific needs and interests of students include service learning, international education, and opportunities for discovery-based learning.

WKU maintains moderately selective to selective admissions with a commitment to recruiting a diverse student body. It serves the needs of traditional, nontraditional, and transfer students seeking baccalaureate and advanced degrees and recruits students nationally and internationally to increase intellectual capital and diversity.

WKU's priorities for action are applied research and scholarly activities that support the primary function of instruction and supplement efforts to improve economic and community development, with an emphasis on cave and karst studies, applied physics, folk studies, Kentucky life, literature, and history, the Civil War in the west, materials characterization and combustion, teacher effectiveness, entrepreneurship, rural health development, lifespan development, water quality, and applied engineering. As such, Western Kentucky University collaborates with entrepreneurs, business leaders, local and state officials, and citizens to identify and respond to regional needs for research, commercialization, and the workforce. It also provides or coordinates education services improve teacher quality and student performance in the region.

Policy

The Governor's budget recommendation includes \$1,658,500 in fiscal year 2007 and \$2,530,200 in fiscal year 2008 from the General Fund for a base budget increase allocated from the benchmark funding formula.

The Governor's budget recommendation includes \$1,031,000 in fiscal year 2008 from the General Fund in the Council on Postsecondary Education's budget for debt service for capital projects in Part II of the Executive Appropriations Bill.

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

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	189,031,900	221,596,100	243,517,800	206,383,800	208,806,300
Salary Compensation Fund	1,422,300				
Other	11,322,100				
Total General Fund	201,776,300	221,596,100	243,517,800	206,383,800	208,806,300
Restricted Funds					
Current Receipts	262,814,300	274,733,700	294,395,400	273,623,700	292,823,500
Fund Transfers	-3,500,000				
Total Restricted Funds	259,314,300	274,733,700	294,395,400	273,623,700	292,823,500
Federal Funds					
Current Receipts	137,323,700	144,916,100	153,070,400	144,916,100	153,070,400
Total Federal Funds	137,323,700	144,916,100	153,070,400	144,916,100	153,070,400
TOTAL SOURCE OF FUNDS	598,414,300	641,245,900	690,983,600	624,923,600	654,700,200
EXPENDITURES BY CLASS					
Personnel Cost	296,756,800	319,379,800	346,724,000	310,544,700	326,051,600
Operating Expenses	132,369,900	140,809,100	150,530,400	137,396,300	142,721,700
Grants, Loans or Benefits	156,325,800	165,416,700	175,893,400	163,852,500	172,584,300
Capital Outlay	12,961,800	15,640,300	17,835,800	13,130,100	13,342,600
TOTAL EXPENDITURES	598,414,300	641,245,900	690,983,600	624,923,600	654,700,200
EXPENDITURES BY FUND SOURCE					
General Fund	201,776,300	221,596,100	243,517,800	206,383,800	208,806,300
Restricted Funds	259,314,300	274,733,700	294,395,400	273,623,700	292,823,500
Federal Funds	137,323,700	144,916,100	153,070,400	144,916,100	153,070,400
TOTAL EXPENDITURES	598,414,300	641,245,900	690,983,600	624,923,600	654,700,200
EXPENDITURES BY UNIT					
Benchmark Funding				4,607,500	7,030,000
Instruction	221,555,500	238,168,200	258,415,700	228,978,700	238,579,000
Public Service	36,869,800	39,482,600	41,474,300	38,177,100	39,901,400
Libraries	6,861,900	8,070,900	9,559,800	7,875,400	9,164,800
Academic Support	31,173,700	34,346,500	37,633,700	31,413,700	31,735,600
Student Services	43,233,400	46,460,000	50,255,900	44,895,800	46,967,400
Institutional Support	74,762,900	77,765,100	81,219,800	75,809,900	77,187,700
Operation and Maintenance of Plant	46,527,800	50,392,400	55,368,000	48,169,500	50,364,700
Scholarships and Fellowships	136,626,800	145,717,600	156,171,700	144,153,400	152,884,900
Auxilliary Enterprises	802,500	842,600	884,700	842,600	884,700
TOTAL EXPENDITURES	598,414,300	641,245,900	690,983,600	624,923,600	654,700,200

The Kentucky Community and Technical College System (KCTCS), created by The Postsecondary Education Improvement Act of 1997, is composed of community and technical college districts plus several branch campuses and distance learning centers strategically located across the Commonwealth. As noted in its Campus Action Plan for 2005-2010, KCTCS's goal, mandated by House Bill 1, is to assure, 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.

To advance this agenda, KCTCS has a general two-year academic curriculum with transferable credits. It maintains associate, technical, and semi-professional programs leading to degrees, diplomas, and certificates. It enhances basic academic and literacy skills through adult and developmental education. KCTCS focuses on continuing education and workforce development customized for business and industry, as well as dual enrollment and credit for secondary students.

The Kentucky Community and Technical College System maintains open admissions with a commitment to recruiting a diverse student body. Its students are pursuing associate degrees, diplomas, and certificates and are seeking transfer credit toward baccalaureate degrees. Its students also include workers seeking technical training, students needing remedial coursework, adults gaining personal development through continuing education, and high school students earning dual credit and preparation for college.

KCTCS's priorities for action are applied research in workforce development, classroom instruction, and technology deployment.

KCTCS serves the needs of students in 120 counties through its statewide physical presence and distance learning programs. It provides customized workforce training for employers to promote economic well being and quality of life for communities throughout Kentucky. KCTCS serves as the primary point of access for many Kentuckians seeking postsecondary education to improve their education level and quality of life.

Policy

The Governor's budget recommendation includes \$4,607,500 in fiscal year 2007 and \$7,030,000 in fiscal year 2008 from the General Fund for a base budget increase allocated from the benchmark funding formula.

The Governor's budget recommendation includes \$5,149,000 in fiscal year 2008 from the General Fund in the Council on Postsecondary Education's budget for debt service for capital projects in Part II of the Executive Appropriations Bill.

Additional General Fund in the amount of \$300,000 in fiscal year 2007 and \$1,200,000 in fiscal year 2008 is provided in the Council on Postsecondary Education to be allocated from the Workforce Development Trust Fund to KCTCS.

The Governor's budget recommendation includes an additional \$750,000 in fiscal year 2007 and \$1,000,000 in fiscal year 2008 for a comprehensive physical aptitude test program for Kentucky firefighters. These funds are from the Kentucky Firefighters Foundation Program Fund.

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Transportation

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Transportation

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	5,203,400	9,768,100	9,768,100	5,203,400	5,203,400
Continuing Appropriation	1,894,400				
Total General Fund	7,097,800	9,768,100	9,768,100	5,203,400	5,203,400
Restricted Funds					
Balance Forward	163,598,500	1,557,100	2,199,600	4,549,700	5,192,200
Current Receipts	85,822,300	82,836,700	82,932,100	372,036,500	82,910,000
Non-Revenue Receipts	-800				
Fund Transfers				-662,900	-468,000
Total Restricted Funds	249,420,000	84,393,800	85,131,700	375,923,300	87,634,200
Federal Funds					
Balance Forward	22,200				
Current Receipts	871,769,600	692,652,400	715,547,900	692,652,400	715,547,900
Total Federal Funds	871,791,800	692,652,400	715,547,900	692,652,400	715,547,900
Road Fund					
Regular Appropriation	1,103,457,100	1,199,441,300	1,206,918,300	1,163,041,000	1,181,619,900
Surplus Expenditure Plan	28,578,100				
Current Year Appropriation	12,805,700				
Total Road Fund	1,144,840,900	1,199,441,300	1,206,918,300	1,163,041,000	1,181,619,900
Highway Bonds					
Balance Forward	232,141,599	367,619,400	379,769,400		
Current Receipts	80,410,901	23,290,000	14,170,000	75,000,000	
Non-Revenue Receipts	150,000,000	290,000,000			
Total Highway Bonds	462,552,500	680,909,400	393,939,400	75,000,000	
TOTAL SOURCE OF FUNDS	2,735,703,000	2,667,165,000	2,411,305,400	2,311,820,100	1,990,005,400
EXPENDITURES BY CLASS					
Personnel Cost	377,446,500	425,663,100	443,169,900	395,708,900	405,957,000
Operating Expenses	237,537,500	265,321,400	267,011,100	262,513,400	264,881,700
Grants, Loans or Benefits	203,656,700	192,278,300	190,761,200	189,361,800	183,429,600
Debt Service	182,533,000	173,507,200	175,736,900	207,662,100	216,744,700
Capital Outlay	1,378,500	5,709,100	5,546,200	5,264,200	5,465,600
Construction	1,728,601,100	1,222,716,900	1,204,539,600	1,246,117,500	907,434,900
TOTAL EXPENDITURES	2,731,153,300	2,285,196,000	2,286,764,900	2,306,627,900	1,983,913,500
EXPENDITURES BY FUND SOURCE					
General Fund	7,097,800	9,768,100	9,768,100	5,203,400	5,203,400
Restricted Funds	244,870,300	82,194,200	82,032,400	370,731,100	81,542,300
Federal Funds	871,791,800	692,652,400	715,547,900	692,652,400	715,547,900
Road Fund	1,144,840,900	1,199,441,300	1,206,918,300	1,163,041,000	1,181,619,900
Highway Bonds	462,552,500	301,140,000	272,498,200	75,000,000	
TOTAL EXPENDITURES	2,731,153,300	2,285,196,000	2,286,764,900	2,306,627,900	1,983,913,500
EXPENDITURES BY UNIT					
General Administration and Support	65,988,700	77,159,700	78,850,100	69,243,100	70,098,400
Aviation	11,672,000	9,607,600	9,582,600	4,212,000	4,187,000
Debt Service	166,840,900	150,113,400	152,378,400	150,238,600	159,362,500
Highways	2,009,599,200	1,636,902,900	1,711,863,500	1,682,511,400	1,428,707,200
Public Transportation	62,767,400	47,560,000	47,611,500	45,963,300	45,992,700

Revenue Sharing	390,939,000	333,487,400	255,836,400	332,668,000	252,908,400
Vehicle Regulation	23,346,100	22,830,000	23,847,400	21,791,500	22,657,300
Transfer to Capital Projects		7,535,000	6,795,000		
TOTAL EXPENDITURES	2,731,153,300	2,285,196,000	2,286,764,900	2,306,627,900	1,983,913,500

The Transportation Cabinet had its origin as an agency of the Commonwealth of Kentucky in 1912 when the General Assembly established the Department of Highways. Legislation in 1974 consolidated the Departments of Highways, Motor Transportation, and Aeronautics, plus certain transportation-related functions of the Department of Public Safety and the Department of Revenue. Subsequently, the 1982 General Assembly established the Transportation Cabinet as the successor to the Department of Transportation, and it assumed all of the duties formerly associated with the Department.

The Transportation Cabinet, under KRS 12.250, is responsible for maintaining and improving transportation services in the Commonwealth. All modes of transportation are addressed by the Cabinet, including air transportation, railroads, waterways, public transit, and highways. The Secretary of Transportation, who is appointed by the Governor, heads the organization. The duties and responsibilities of the Cabinet are found in Titles XV and XVI of the Kentucky Revised Statutes.

The Cabinet receives funding from the state Road Fund, proceeds from bonds issued by the Kentucky Turnpike Authority, and federal aid apportionments for highways. Other revenue sources are agency receipts, non-highway federal aid, the state General Fund, and most recently a federal fund leveraging mechanism titled Grant Anticipation Revenue Vehicle (GARVEE) bonds. The revenue components of the Road Fund are the motor fuels tax, motor vehicle usage taxes, license and privilege taxes, toll road receipts, interest income, and miscellaneous departmental fees, permits, and sales.

Seven major budget units comprise the Transportation Cabinet: General Administration and Support, Air Transportation, Public Transportation, Revenue Sharing, Highways, Vehicle Regulation, and Debt Service. Organizationally, the agency is divided into five departments and fourteen offices. The departments, each headed by a commissioner directly responsible to the Secretary, are Administrative Services, Aviation, Vehicle Regulation, Intergovernmental Programs, and Highways. The remaining units are the Office of Public Affairs, the Office of Budget and Fiscal Management, the Office of Transportation Delivery, Office of Legal Services, the Office for Business and Occupational Development, the Office of Inspector General, the Office of Legislative and Intergovernmental Affairs, and the Office of Personnel Management. These units are responsible to the Office of the Secretary. The following offices report to the State Highway Engineer in the Department of Highways: the Office of Program Planning and Management, the Office of Project Development, the Office of Project Delivery, and the Office of System Preservation and Operations. The Office of Transportation Enhancements and the Office of Rural and Secondary Roads are responsible to the Commissioner of the Department of Interdepartmental Programs.

Policy

Executive Order 2005-1253, dated November 16, 2005, authorized the organizational units of the Transportation Cabinet identified above.

On December 20, 2005, the Consensus Forecasting Group established the Road Fund revenue estimate for the fiscal biennium 2006-2008. For fiscal year 2007, the estimate is \$1,223,125,400 and it is \$1,239,614,400 for fiscal year 2008.

Policy initiatives contained in the Executive Budget include the issuance of \$75 million in Turnpike Authority Economic Development Bonds with the entire issue dedicated to the Revenue Sharing programs. The \$75 million in bonds recommended for the Revenue Sharing programs is divided between two units with \$50 million proposed for the County Road Aid program and \$25 million dedicated to the Municipal Road Aid program. In addition to the \$75 million Economic Development Bond issue, the Executive Budget recommends \$290 million in GARVEE bonds to support reconstruction and major widening of interstates I-64, I-65, and I-75, with the debt service supported by federal highway funds.

The Governor's budget recommendation also provides for the usage of Toll Credits to match federal highway funds and authorizes the continuation of the Cash Management program initially adopted by the 2000 General Assembly and renewed subsequently.

The Transportation Cabinet understands the importance of maintaining the Commonwealth's roadway infrastructure and takes responsibility through the Governor's budget recommendation to emphasize the need to provide funding to meet the

challenges facing the traveling public. The Executive Budget proposes funding of nearly \$60 million in additional Road Fund support over the biennium for maintaining the state's bridge and roadway infrastructure.

The Executive Budget provides expenditure authority to the following program areas:

	Fiscal Year 2007	Fiscal Year 2008
	<hr/>	<hr/>
Beginning Balance	1,493,500	0
Official Revenue Estimate	1,223,125,400	1,239,614,400
Non-Revenue Receipts	0	0
	<hr/>	<hr/>
Total Available Road Fund	1,224,618,900	1,239,614,400
 Road Fund Appropriations		
Operating Budget		
Transportation Cabinet	1,163,041,000	1,181,619,900
Justice and Public Safety Cabinet	48,974,900	48,881,500
Finance and Administration Cabinet	1,718,000	1,718,000
Kentucky State Treasury	250,000	250,000
Homeland Security	350,000	350,000
 Capital Budget		
Transportation Cabinet	9,035,000	6,795,000
Finance and Administration Cabinet	1,250,000	0
	<hr/>	<hr/>
Total Road Fund Appropriations	1,224,618,900	1,239,614,400

**Transportation
General Administration and Support**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
Restricted Funds					
Balance Forward	26,900	26,900	26,900	26,900	26,900
Current Receipts	54,600	26,000	26,000	26,000	26,000
Total Restricted Funds	81,500	52,900	52,900	52,900	52,900
Road Fund					
Regular Appropriation	65,934,100	77,133,700	78,824,100	69,217,100	70,072,400
Total Road Fund	65,934,100	77,133,700	78,824,100	69,217,100	70,072,400
TOTAL SOURCE OF FUNDS	66,015,600	77,186,600	78,877,000	69,270,000	70,125,300
EXPENDITURES BY CLASS					
Personnel Cost	29,473,700	38,925,300	40,621,000	32,304,200	33,164,800
Operating Expenses	28,596,800	30,348,400	30,348,400	29,052,900	29,052,900
Grants, Loans or Benefits	29,000	29,000	29,000	29,000	29,000
Debt Service	7,328,100	7,297,800	7,292,500	7,297,800	7,292,500
Capital Outlay	388,100	386,600	386,600	386,600	386,600
Construction	173,000	172,600	172,600	172,600	172,600
TOTAL EXPENDITURES	65,988,700	77,159,700	78,850,100	69,243,100	70,098,400
EXPENDITURES BY FUND SOURCE					
Restricted Funds	54,600	26,000	26,000	26,000	26,000
Road Fund	65,934,100	77,133,700	78,824,100	69,217,100	70,072,400
TOTAL EXPENDITURES	65,988,700	77,159,700	78,850,100	69,243,100	70,098,400
EXPENDITURES BY UNIT					
Secretary	19,083,700	26,141,800	27,045,900	20,795,500	21,252,900
Administrative Services	46,905,000	51,017,900	51,804,200	48,447,600	48,845,500
TOTAL EXPENDITURES	65,988,700	77,159,700	78,850,100	69,243,100	70,098,400

The General Administration and Support appropriation unit provides management and administrative capabilities, policymaking, and efficient day-to-day operations. This unit includes the Office of Secretary, the Department of Administrative Services, and nine offices.

The Office of Secretary encompasses the Office of the Secretary of Transportation, the Office of Budget and Fiscal Management, the Office for Business and Occupational Development, the Office of Legal Services, the Office of Public Affairs, the Office of Transportation Delivery, the Office of Inspector General, the Office of Legislative and Intergovernmental Affairs, and the Office of Personnel Management. These units provide leadership, management, and staff support to the Transportation Cabinet and provide the Secretary the managerial tools necessary to operate the Cabinet. The Office of the Secretary is the central point of contact with the general public and external organizations. The Office of Budget and Fiscal Management manages the planning and use of the Cabinet's financial resources. The Office of Business and Occupational Development conducts programs to provide women and minorities an equal opportunity for employment and to compete for highway construction contracts. The Office of Legal Services provides the agency with the required legal representation before administrative boards and all levels of the court system. The Office of Public Affairs is responsible for the Cabinet's communications with employees, the news media, and the general public. The Office of Transportation Delivery facilitates transportation services for the Non-Emergency Medical Transportation program, the Vocational Rehabilitation program, and the Office for the Blind Transportation Services program. The Office of Inspector General is to provide the Cabinet a mechanism for both employees and Kentuckians to report incidences of wrongdoing regarding the Cabinet's service. The Office of Legislative and Intergovernmental Affairs is responsible for drafting legislation and acts as the Cabinet's liaison with the General Assembly. The Office of Personnel Management is responsible for the Cabinet's human resources policies and personnel utilization and development programs.

The Department of Administrative Services includes Administration, Toll Facilities, Property and Supply Services, Purchases, and Technology. The Administration program is directed by the Commissioner of Administrative Services to perform the administrative functions of the Cabinet and implement policies and programs as set forth by the Secretary. The Toll Facilities Division operates the collection facilities on toll roads. The Division of Property and Supply Services provides the supplies and equipment needed to operate the Cabinet's offices, laboratories, and garages. This Division maintains the Cabinet's real property, which totals some 1,100 buildings located throughout the state. Debt service on the new transportation office building and parking garage in Frankfort is included in the Division's budget. The Division of Purchases procures commodities and services for the Cabinet and coordinates the administrative processes with other divisions relating to procurement activities. The Division of Technology is responsible for all information technology functions within the Cabinet and serves as the Cabinet's liaison with the Commonwealth Office of Technology.

Policy

The Department of Administrative Services, Division of Property and Supply, is the unit responsible for the Road Fund debt service on the Transportation Cabinet office building and parking structure. The Executive Budget provides Road Fund debt service for the building and parking structure totaling \$7,297,800 in fiscal year 2007 and \$7,292,500 in fiscal year 2008.

Executive Order 2005-1254, dated November 16, 2005 transferred the Division of Fleet Management from the Transportation Cabinet, Department of Administrative Services to the Finance and Administration Cabinet.

The Executive Budget provides Road Fund support totaling \$218,000 in fiscal year 2007 and \$218,000 in fiscal year 2008 for the recently initiated Business Scholarship program. The budget recommendation requests to fund 20 interim scholarship positions with the emphasis on minority college students in the agency's effort to recruit minorities into business management positions.

The budget recommendation provides Road Fund totaling \$350,000 in fiscal year 2007 and \$350,000 in fiscal year 2008 to implement an all-encompassing asset management solution titled ARCHIBUS/FM. It is an enterprise wide mechanism that provides one-stop data entry and reporting functions; streamlines the fixed asset reporting processes; and provides opportunities to bar code agency assets and products.

**Transportation
Aviation**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation		2,968,000	2,968,000		
Total General Fund		2,968,000	2,968,000		
Restricted Funds					
Balance Forward	5,142,300	100,000	100,000	100,000	100,000
Current Receipts	6,000,000	4,665,000	4,640,000	4,665,000	4,640,000
Fund Transfers				-468,000	-468,000
Total Restricted Funds	11,142,300	4,765,000	4,740,000	4,297,000	4,272,000
Federal Funds					
Current Receipts	629,700	15,000	15,000	15,000	15,000
Total Federal Funds	629,700	15,000	15,000	15,000	15,000
Road Fund					
Regular Appropriation		1,959,600	1,959,600		
Total Road Fund		1,959,600	1,959,600		
TOTAL SOURCE OF FUNDS	11,772,000	9,707,600	9,682,600	4,312,000	4,287,000
EXPENDITURES BY CLASS					
Personnel Cost	1,813,500	2,426,900	2,551,100	1,207,600	1,232,500
Operating Expenses	264,400	648,800	586,700	264,400	264,400
Grants, Loans or Benefits	9,360,100	3,636,300	3,549,200	2,740,000	2,690,100
Debt Service	234,000	936,000	936,000		
Capital Outlay		1,959,600	1,959,600		
TOTAL EXPENDITURES	11,672,000	9,607,600	9,582,600	4,212,000	4,187,000
EXPENDITURES BY FUND SOURCE					
General Fund		2,968,000	2,968,000		
Restricted Funds	11,042,300	4,665,000	4,640,000	4,197,000	4,172,000
Federal Funds	629,700	15,000	15,000	15,000	15,000
Road Fund		1,959,600	1,959,600		
TOTAL EXPENDITURES	11,672,000	9,607,600	9,582,600	4,212,000	4,187,000
EXPENDITURES BY UNIT					
Air Regulatory	89,500	89,500	89,500	89,500	89,500
Air Development	11,582,500	9,518,100	9,493,100	4,122,500	4,097,500
TOTAL EXPENDITURES	11,672,000	9,607,600	9,582,600	4,212,000	4,187,000

In accordance with KRS Chapter 183, the Transportation Cabinet supports the Commonwealth's Aviation program. There are two programs within the Aviation unit, the Air Regulatory program and the Airport Development program. The Air Regulatory program is responsible for inspecting and determining the safety and efficiency of approximately 150 airport and heliport facilities in the state. Pursuant to KRS 183.861, the Kentucky Airport Zoning Commission protects the navigable airspace within the state by evaluating applications for construction, issuing permits, and maintaining updated airport zoning maps. The Commission is attached to the Air Regulatory Program for administrative purposes.

The Airport Development program provides for administration, planning and management of airport construction, and maintenance of local airports. Airport Development also provides technical and financial assistance to the state's 62 public use airports, including updating and distributing the state aeronautical charts and airport directories.

KRS 183.525 provides the funding authority to operate the Aviation program. Since July 2000, the sales and use tax collected from the sale of aviation jet fuel funds the operation.

Policy

The Executive Budget suspends the provisions of KRS 183.525(5) during the 2006-2008 biennium; therefore, funds accruing to the Kentucky Aviation Economic Development Fund may support the administrative and operating costs of the Aviation program.

The Governor's budget recommendation provides \$468,000 in fiscal year 2007 and \$468,000 in fiscal year 2008 to be transferred to the General Fund to support the debt service on the \$5 million Airport Relocation Assistance Bonds authorized in House Bill 267 by the 2005 Regular Session of the General Assembly.

**Transportation
Debt Service**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
Road Fund					
Regular Appropriation	166,840,900	150,113,400	152,378,400	150,238,600	159,362,500
Total Road Fund	166,840,900	150,113,400	152,378,400	150,238,600	159,362,500
TOTAL SOURCE OF FUNDS	166,840,900	150,113,400	152,378,400	150,238,600	159,362,500
EXPENDITURES BY CLASS					
Debt Service	166,840,900	150,113,400	152,378,400	150,238,600	159,362,500
TOTAL EXPENDITURES	166,840,900	150,113,400	152,378,400	150,238,600	159,362,500
EXPENDITURES BY FUND SOURCE					
Road Fund	166,840,900	150,113,400	152,378,400	150,238,600	159,362,500
TOTAL EXPENDITURES	166,840,900	150,113,400	152,378,400	150,238,600	159,362,500
EXPENDITURES BY UNIT					
Toll Road Lease Rental	7,825,500	205,100	80,000	205,100	80,000
Resource Recovery Lease Rental	38,838,600	90,000	90,000	90,000	90,000
Economic Development Lease Rental	120,176,800	149,818,300	152,208,400	149,943,500	159,192,500
TOTAL EXPENDITURES	166,840,900	150,113,400	152,378,400	150,238,600	159,362,500

The Debt Service Program is the budget entity through which lease rental payments are made on the revenue bonds the Commonwealth has issued to finance major highway construction projects.

KRS Chapter 175 authorizes the Turnpike Authority of Kentucky to issue revenue bonds to construct, maintain, repair, and operate designated roads of the Toll Road System, the Resource Recovery Road System, and the Economic Development Road System. The first of these systems, the Toll Road System, was constructed during the mid-1960s and early 1970s. Most of the Toll Road bonds have now been retired, with the last remaining series to be paid off in 2007. The Resource Recovery Road System began in the late 1970s, and most of the system's roads were built during the 1980s. The most significant project was KY 80. The Economic Development Road System was established and funded through four series of bond issues: a \$300 million issue sold in 1984; a relatively small sale of \$36.6 million in 1987; a \$600 million program which was implemented in bond sales during 1990, 1993, and 1995. The projects constructed with the \$600 million series were designated as "Revitalization Projects" and are nearly complete. The 1998 General Assembly authorized \$200 million of Economic Development Road Revenue Bonds and the bonds were sold in 1999. The most recent issue was Economic Development Road Bonds authorized by the 2005 Regular Session of the General Assembly and totaled \$450 million. The bond projects associated with the 2005 series were split among two budget units: Highways and Revenue Sharing. Bond funds totaling \$300 million were authorized to support projects in the adopted Six Year Highway Plan, and the remaining \$150 million issue was authorized to support the County Road Aid and Municipal Aid programs.

Through lease agreements with the Turnpike Authority of Kentucky, the Transportation Cabinet provides funds to pay the Toll Road, Resource Recovery Road, and most of the Economic Development Road revenue bonds. In the Debt Service Program, funds are reserved exclusively for semiannual lease rental payments to meet the principal and interest requirements of these outstanding bonds, along with any administrative costs of the Turnpike Authority.

Policy

The Executive Budget recommends \$75,000,000 in Economic Development Road Bonds to be issued in the latter part of fiscal year 2007 with the first scheduled full year debt service payment occurring in fiscal year 2008 totaling \$6,984,000.

The bond proceeds are divided between two programs within the Revenue Sharing budget unit with \$50 million recommended for the County Road Aid program and \$25 million recommended for the Municipal Aid program.

The Debt Service Acceleration Fund account, pursuant to KRS 175.505, is suspended in the Executive Budget during the 2006-2008 biennium. The funding made available by this suspension is directed to be used in the State Funded Construction program.

**Transportation
Highways**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
Restricted Funds					
Balance Forward	156,237,300	130,000	130,000	3,122,600	3,122,600
Current Receipts	74,263,700	71,842,700	72,686,700	361,842,500	72,686,700
Total Restricted Funds	230,501,000	71,972,700	72,816,700	364,965,100	75,809,300
Federal Funds					
Current Receipts	814,821,700	652,147,700	675,013,800	652,147,700	675,013,800
Total Federal Funds	814,821,700	652,147,700	675,013,800	652,147,700	675,013,800
Road Fund					
Regular Appropriation	626,268,500	686,772,500	691,664,800	668,521,200	681,006,700
Surplus Expenditure Plan	28,578,100				
Total Road Fund	654,846,600	686,772,500	691,664,800	668,521,200	681,006,700
Highway Bonds					
Balance Forward	156,617,500	292,619,400	379,769,400		
Current Receipts	5,935,000	23,290,000	14,170,000		
Non-Revenue Receipts	150,000,000	290,000,000			
Total Highway Bonds	312,552,500	605,909,400	393,939,400		
TOTAL SOURCE OF FUNDS	2,012,721,800	2,016,802,300	1,833,434,700	1,685,634,000	1,431,829,800
EXPENDITURES BY CLASS					
Personnel Cost	328,173,800	365,240,900	379,977,100	344,124,200	352,961,500
Operating Expenses	152,135,200	178,593,800	179,630,200	177,656,500	179,113,100
Grants, Loans or Benefits	3,539,100	3,539,100	3,539,100	3,539,100	3,539,100
Debt Service	8,130,000	15,160,000	15,130,000	50,125,700	50,089,700
Capital Outlay	990,400	3,362,900	3,200,000	4,877,600	5,079,000
Construction	1,516,630,700	1,071,006,200	1,130,387,100	1,102,188,300	837,924,800
TOTAL EXPENDITURES	2,009,599,200	1,636,902,900	1,711,863,500	1,682,511,400	1,428,707,200
EXPENDITURES BY FUND SOURCE					
Restricted Funds	227,378,400	71,842,700	72,686,700	361,842,500	72,686,700
Federal Funds	814,821,700	652,147,700	675,013,800	652,147,700	675,013,800
Road Fund	654,846,600	686,772,500	691,664,800	668,521,200	681,006,700
Highway Bonds	312,552,500	226,140,000	272,498,200		
TOTAL EXPENDITURES	2,009,599,200	1,636,902,900	1,711,863,500	1,682,511,400	1,428,707,200
EXPENDITURES BY UNIT					
Research	4,029,500	5,152,000	5,152,000	5,152,000	5,152,000
Construction	1,661,668,000	1,237,306,600	1,300,476,500	1,295,392,600	1,031,291,600
Maintenance	251,606,500	295,566,300	303,999,100	285,804,900	293,380,000
Engineering Administration	13,122,700	13,476,400	14,206,700	13,418,500	14,143,600
Planning	13,775,200	14,867,700	15,238,800	14,867,700	15,238,800
Highway Operations	22,978,500	26,672,700	28,147,000	24,014,700	24,857,800
Equipment Services	42,418,800	43,861,200	44,643,400	43,861,000	44,643,400
TOTAL EXPENDITURES	2,009,599,200	1,636,902,900	1,711,863,500	1,682,511,400	1,428,707,200

The Highways appropriation unit is the largest program in the Transportation Cabinet. There are seven programs in the Department of Highways: Research, Construction, Maintenance, Engineering Administration, Highway Planning, Highway

Operations, and Equipment Services. The Construction program is divided into three subprograms: Bond Funded Construction, State Funded Construction, and Federal Funded Construction.

The Department of Highways is responsible for the construction, reconstruction, and maintenance of the State Primary Road System through authority granted by KRS 177.020. The Department is headed by a commissioner who is appointed by the Governor on recommendation of the Secretary of Transportation. This agency administers all of the programs within the Highways appropriation unit.

Combined travel by all motor vehicles over Kentucky's 79,000 miles of roads and streets equals over 46 billion vehicle-miles. The State Primary Road System carries about 85 percent of all traffic. This network consists of approximately 27,500 miles of interstate highways, resource recovery roads, parkways, economic development roads, primary, secondary, rural, and unclassified roads, and approximately 9,000 state maintained bridges. Kentucky's interstate system, consisting of 762 miles, carries 25 percent of all travel.

**Transportation
Highways
Research**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
Federal Funds					
Current Receipts	2,860,000	3,718,000	3,718,000	3,718,000	3,718,000
Total Federal Funds	2,860,000	3,718,000	3,718,000	3,718,000	3,718,000
Road Fund					
Regular Appropriation	1,169,500	1,434,000	1,434,000	1,434,000	1,434,000
Total Road Fund	1,169,500	1,434,000	1,434,000	1,434,000	1,434,000
TOTAL SOURCE OF FUNDS	4,029,500	5,152,000	5,152,000	5,152,000	5,152,000
EXPENDITURES BY CLASS					
Personnel Cost	3,739,500	4,862,000	4,862,000	4,862,000	4,862,000
Operating Expenses	290,000	290,000	290,000	290,000	290,000
TOTAL EXPENDITURES	4,029,500	5,152,000	5,152,000	5,152,000	5,152,000
EXPENDITURES BY FUND SOURCE					
Federal Funds	2,860,000	3,718,000	3,718,000	3,718,000	3,718,000
Road Fund	1,169,500	1,434,000	1,434,000	1,434,000	1,434,000
TOTAL EXPENDITURES	4,029,500	5,152,000	5,152,000	5,152,000	5,152,000

The Research program is primarily a problem-solving service available to the Department of Highways. The program provides studies of traffic safety and operations, pavement mechanics and performance, materials characteristics and behavior, and transportation policies. The Research function is mandated by the Commonwealth's use of federal highway funds in accordance with Title 23 of the Federal Code which requires the use of 25 percent of funds for highway research and development. The Transportation Cabinet partners with the University of Kentucky Transportation Center to carry out research functions. The partnership conducts workshops on highway maintenance and management; publishes newsletters; provides technical assistance; and maintains a lending library, including both written and audio-visual materials.

The Research program funds the Kentucky Transportation Center at one-tenth of one percent of the motor fuels tax collections, not to exceed \$190,000 per year from the State Road Fund. An additional \$100,000 per year from the Revenue Sharing appropriation unit is transferred to the Kentucky Transportation Center.

Policy

The Executive Budget provides for a \$100,000 transfer each fiscal year from the Revenue Sharing program to fund the Kentucky Transportation Center at the annual rate of \$290,000.

The Governor's budget recommendation provides \$858,000 in additional Federal Funds each year of the biennium to support an anticipated increase in Kentucky's apportionment of federal-aid Highway State Planning and Research funding.

The Executive Budget provides \$264,500 in additional Road Fund support in each year of the biennium to match the State Planning and Research Federal Funds referenced in the preceding policy statement.

**Transportation
Highways
Construction**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
Restricted Funds					
Balance Forward	150,490,500			259,300	259,300
Current Receipts	28,976,700	24,000,000	24,000,000	314,000,000	24,000,000
Total Restricted Funds	179,467,200	24,000,000	24,000,000	314,259,300	24,259,300
Federal Funds					
Current Receipts	801,845,000	637,011,700	659,583,200	637,011,700	659,583,200
Total Federal Funds	801,845,000	637,011,700	659,583,200	637,011,700	659,583,200
Road Fund					
Regular Appropriation	339,484,500	350,154,900	344,395,100	344,380,900	347,708,400
Surplus Expenditure Plan	28,578,100				
Total Road Fund	368,062,600	350,154,900	344,395,100	344,380,900	347,708,400
Highway Bonds					
Balance Forward	156,617,500	292,619,400	379,769,400		
Current Receipts	5,935,000	23,290,000	14,170,000		
Non-Revenue Receipts	150,000,000	290,000,000			
Total Highway Bonds	312,552,500	605,909,400	393,939,400		
TOTAL SOURCE OF FUNDS	1,661,927,300	1,617,076,000	1,421,917,700	1,295,651,900	1,031,550,900
EXPENDITURES BY CLASS					
Personnel Cost	143,845,500	152,341,500	156,160,500	144,496,800	144,497,700
Operating Expenses	7,023,600	7,337,600	7,337,600	7,023,600	7,023,600
Grants, Loans or Benefits	3,539,100	3,539,100	3,539,100	3,539,100	3,539,100
Debt Service	8,130,000	15,160,000	15,130,000	50,125,700	50,089,700
Construction	1,499,129,800	1,058,928,400	1,118,309,300	1,090,207,400	826,141,500
TOTAL EXPENDITURES	1,661,668,000	1,237,306,600	1,300,476,500	1,295,392,600	1,031,291,600
EXPENDITURES BY FUND SOURCE					
Restricted Funds	179,207,900	24,000,000	24,000,000	314,000,000	24,000,000
Federal Funds	801,845,000	637,011,700	659,583,200	637,011,700	659,583,200
Road Fund	368,062,600	350,154,900	344,395,100	344,380,900	347,708,400
Highway Bonds	312,552,500	226,140,000	272,498,200		
TOTAL EXPENDITURES	1,661,668,000	1,237,306,600	1,300,476,500	1,295,392,600	1,031,291,600
EXPENDITURES BY UNIT					
Bond Funded Construction	312,552,500	226,140,000	272,498,200		
State Funded Construction	331,997,700	313,973,300	308,213,500	308,199,300	311,526,800
Federal Funded Construction	1,017,117,800	697,193,300	719,764,800	987,193,300	719,764,800
TOTAL EXPENDITURES	1,661,668,000	1,237,306,600	1,300,476,500	1,295,392,600	1,031,291,600

The Construction program is the largest single funding component within the Highways appropriation unit. It encompasses all construction and major reconstruction of roadways in the State Primary Road System. The Construction Program is divided into three sub-programs: Bond Funded Construction, State Funded Construction, and Federal Funded Construction.

Several different road systems constructed in the Commonwealth over the last 40 years have used Bond Funded Construction. General Obligation Bonds were sold to finance the original construction of the Interstate System. The Turnpike Authority of Kentucky sold revenue bonds to fund construction of the toll road system that crisscrosses the state. Resource Recovery Bonds were sold in the late 1970s for construction of the Resource Recovery Road System, a network of highways over which coal resources could be efficiently hauled. The Turnpike Authority sold bonds in 1984, 1987, 1990, 1993, 1995, 1999, and most recently 2005 for projects identified as part of the Economic Development Road System. All of the roads constructed using proceeds from Turnpike Authority bonds are built by the Cabinet on behalf of the Authority, and then are leased to the Cabinet until the bonds are retired. At that time they are transferred to the Cabinet and become a part of the state highway system.

The State-Funded Construction program provides for many highway improvement needs, emergency needs, industrial access roads, parkway and primary road pavement rehabilitation, and other projects for which federal funding is not available. The state resurfacing program is a part of this sub-program area and provides for resurfacing of roads in the state maintained highway system.

The Federal Construction program addresses the major construction, reconstruction, and rehabilitation needs for nearly 12,000 miles of interstate, primary, secondary, urban systems, and Appalachian routes across the state. This funding is provided under Titles 23 and 40 of the US Code.

Policy

The Executive Budget provides additional Road Fund support for state resurfacing projects totaling \$13,082,200 in fiscal year 2007 and \$20,000,000 in fiscal year 2008. The budget recommendation also provides approximately \$180,000,000 annually in Road Fund support for state construction projects in the 2006-2008 Biennial Highway Construction program, and provides funding for the Highway Construction Contingency Account at levels of nearly \$38,000,000 million annually.

The Governor's budget recommendation provides approximately \$40,000,000 annually in Road Fund support to match federal highway funds in the Federally Funded Construction program. The Transportation Cabinet also seeks authorization to utilize Toll Credits for matching Federal Funds when it is deemed necessary or more economical for maximizing federal highway dollars. Toll credits are credits earned by a state for building roads to interstate specifications and paid for with state dollars. Kentucky's toll roads were built to interstate specifications and paid for with state funds, thereby allowing Kentucky to earn Toll Credits.

The budget recommendation authorizes the Secretary of Transportation to continue the Cash Management program, formerly known as the Pre-financing Road Projects program authorized by the 2000-2002, 2002-2004, and most recently the 2004-2006 Appropriations Acts. Since its inception, the Cash Management program has expedited projects in the Biennial Highway Construction Plan by managing Road Fund cash, while ensuring that project and fund balances are sufficient to satisfy expenditures within the appropriations enacted.

The Executive Budget provides for Grant Anticipation Revenue Vehicle (GARVEE) bonds totaling \$290,000,000 in fiscal year 2007. GARVEE bonds are a financing mechanism authorized by the federal government, which allows a state to issue bonds for eligible federal aid projects and to use federal funds to pay the debt service. Debt service on the bonds will be paid from federal highway funds in the Federally Funded Construction program. The debt service is projected to be \$34,963,000 in each year of the biennium. These funds will be "direct" GARVEE bonds and will be used on interstate projects I-64, I-75, and I-65. The I-64 project will widen to six lanes from the Snyder Freeway in Jefferson County toward Shelbyville. The I-65 project will widen to six lanes from the Tennessee state line to Bowling Green. The I-75 project will widen to six lanes from the current six lane section in Northern Scott County to the current six lane section south of KY 22 in Grant County.

**Transportation
Highways
Maintenance**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
Restricted Funds					
Current Receipts	5,751,700	3,981,500	4,043,300	3,981,500	4,043,300
Total Restricted Funds	5,751,700	3,981,500	4,043,300	3,981,500	4,043,300
Road Fund					
Regular Appropriation	245,854,800	291,584,800	299,955,800	281,823,400	289,336,700
Total Road Fund	245,854,800	291,584,800	299,955,800	281,823,400	289,336,700
TOTAL SOURCE OF FUNDS	251,606,500	295,566,300	303,999,100	285,804,900	293,380,000
EXPENDITURES BY CLASS					
Personnel Cost	126,221,500	144,282,200	151,873,000	134,884,900	141,197,800
Operating Expenses	123,166,200	149,432,600	150,274,600	149,068,500	150,330,700
Construction	2,218,800	1,851,500	1,851,500	1,851,500	1,851,500
TOTAL EXPENDITURES	251,606,500	295,566,300	303,999,100	285,804,900	293,380,000
EXPENDITURES BY FUND SOURCE					
Restricted Funds	5,751,700	3,981,500	4,043,300	3,981,500	4,043,300
Road Fund	245,854,800	291,584,800	299,955,800	281,823,400	289,336,700
TOTAL EXPENDITURES	251,606,500	295,566,300	303,999,100	285,804,900	293,380,000

Kentucky has invested approximately \$15 billion in highway infrastructure that comprises right-of-way, roadways, and bridges. KRS 176.050 assigns the responsibility for operating and maintaining this highway infrastructure to the Department of Highways. The Maintenance program's role is to operate and maintain the roadways, bridges, rest areas, and traffic control devices on all state-maintained highways. Two organizational units under the Office of System Preservation and Operations administer the Maintenance program: the Division of Maintenance, the Division of Traffic Operations.

The Division of Maintenance responsibilities are broken down into the following primary categories:

The Roadway Preservation program utilizes personnel in the twelve highway districts to maintain 15,308 miles of state primary highways and 12,132 miles of rural secondary highways. The Pavement and Operations Management personnel inspect and evaluate pavement conditions on 27,440 miles of state-maintained roads, determine strategies for improvement, estimate funding needs, and recommend annual priorities.

The Bridge Preservation program is responsible for all state-maintained bridges, except those on the Rural Secondary system. Kentucky has 6,103 bridges of which 27 are Ohio River crossings and 74 are in-state bridges over major lakes and rivers.

Revolving Maintenance serves as a materials revolving mechanism for refurbishing damaged guardrail. Damaged guardrail is shipped to Frankfort, straightened and re-galvanized, and is placed back into service as needs arise.

Capital Improvements is a subset of the Division of Maintenance for coordinating with the Kentucky State Police vehicle accident data in order to establish priorities for installing new guardrail in locations it does not currently exist.

The Rest Area Operations/Maintenance Program provides sanitary and accessible restroom facilities and other convenient services for motorists traveling through the state. There are 24 rest area and welcome center locations and two truck rest haven locations operated and maintained through contracts with nonprofit agencies that hire and train individuals with disabilities. The remaining three locations are operated and maintained by Cabinet personnel. All of the facilities

are open 24 hours per day, seven days per week. The Office for the Blind maintains the vending operations at 10 locations, and the remaining vending operations are maintained by Cabinet personnel or by contractors.

The Division of Traffic Operations is responsible for the installation and maintenance of traffic control devices on over 27,000 miles of highways. This unit also maintains a traffic accident surveillance program with the objective of identifying locations having an abnormally high accident rate. The duties of this unit are set out in KRS 176.050, KRS 177.020, KRS 177.830-890, and KRS 177.905-990.

Policy

Executive Order 2005-1253, dated November 16, 2005, reorganized the Department of Highways, and transferred the Division of Transportation System Management (formerly known as the Transportation Operations Center) to the Maintenance program.

The Executive Budget recognizes the importance of maintaining the Commonwealth's current roadway infrastructure and has therefore provided additional Road Fund support totaling nearly \$60 million over the biennium for maintenance materials, roadside safety and maintenance, pavement management, ditching, roadway striping, signs, bridge materials, contract bridge repairs, traffic signals, signal system operations, 20 interim positions for snow and ice removal, and funding for a SAFE patrol where district staff travel the state's main arteries and provide roadside assistance to victims of vehicle accidents and broken down vehicles. These efforts illustrate the Cabinet's emphasis on keeping the motoring public moving safely and efficiently over the roads of Kentucky.

**Transportation
Highways
Engineering Administration**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
Road Fund					
Regular Appropriation	13,122,700	13,476,400	14,206,700	13,418,500	14,143,600
Total Road Fund	13,122,700	13,476,400	14,206,700	13,418,500	14,143,600
TOTAL SOURCE OF FUNDS	13,122,700	13,476,400	14,206,700	13,418,500	14,143,600
EXPENDITURES BY CLASS					
Personnel Cost	11,331,200	13,468,600	14,199,900	13,452,700	14,178,800
Operating Expenses	3,689,400	2,632,400	2,631,400	2,590,400	2,589,400
Capital Outlay	186,300	170,800	170,800	170,800	170,800
Construction	-2,084,200	-2,795,400	-2,795,400	-2,795,400	-2,795,400
TOTAL EXPENDITURES	13,122,700	13,476,400	14,206,700	13,418,500	14,143,600
EXPENDITURES BY FUND SOURCE					
Road Fund	13,122,700	13,476,400	14,206,700	13,418,500	14,143,600
TOTAL EXPENDITURES	13,122,700	13,476,400	14,206,700	13,418,500	14,143,600

There are nine divisions organized under the State Highway Engineer's Office.

The Division of Construction supervises highway construction projects, providing administrative support for central office and district construction projects. It also assists Division of Materials staff in sampling and testing materials used in construction projects.

The Division of Materials establishes standards and controls relating to the quality of materials for the construction, maintenance, and operation of highways and bridges. The Division performs soil and geological engineering required for the design, construction, and maintenance of roads and bridges.

The Division of Bridge Design develops and prepares contract plans for all highway structures, as well as any special structures that the Transportation Cabinet builds as part of Kentucky's system of roads. The Division is also responsible for overseeing the County Bridge Replacement Program, which replaces bridges on locally maintained roadways of less than 13-ton load capacity and less than 100 feet in length.

The Division of Highway Design, in conjunction with the district design offices, is responsible for the required design activities of the Cabinet's Six-Year Plan projects, including the preparation, assembly, and reproduction of construction plans for a project's award.

The Division of Professional Services advertises for engineering services, administers the Cabinet's prequalification process for consultant engineering services, and contracts with consulting engineers.

The Division of Environmental Analysis ensures the Cabinet is compliant with environmental laws and regulations.

The Division of Right of Way and Utilities acquires property required for the construction and reconstruction of highways. This function involves obtaining title reports, performing appraisals and appraisal reviews, conducting negotiations, providing relocation assistance, facilitating property management, and initiating condemnation procedures on properties affected by proposed projects.

The Division of Program Management is responsible for developing Kentucky's Biennial Six-Year Highway Plan.

The Division of Planning provides the day-to-day administration and support for personnel involved in the Highway Planning program activities, including management, clerical support, training, and other overhead expenditures.

**Transportation
Highways
Planning**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
Federal Funds					
Current Receipts	10,116,700	11,418,000	11,712,600	11,418,000	11,712,600
Total Federal Funds	10,116,700	11,418,000	11,712,600	11,418,000	11,712,600
Road Fund					
Regular Appropriation	3,658,500	3,449,700	3,526,200	3,449,700	3,526,200
Total Road Fund	3,658,500	3,449,700	3,526,200	3,449,700	3,526,200
TOTAL SOURCE OF FUNDS	13,775,200	14,867,700	15,238,800	14,867,700	15,238,800
EXPENDITURES BY CLASS					
Personnel Cost	9,958,800	11,244,300	11,615,600	11,259,900	11,631,200
Operating Expenses	3,666,900	3,473,900	3,473,700	3,458,300	3,458,100
Construction	149,500	149,500	149,500	149,500	149,500
TOTAL EXPENDITURES	13,775,200	14,867,700	15,238,800	14,867,700	15,238,800
EXPENDITURES BY FUND SOURCE					
Federal Funds	10,116,700	11,418,000	11,712,600	11,418,000	11,712,600
Road Fund	3,658,500	3,449,700	3,526,200	3,449,700	3,526,200
TOTAL EXPENDITURES	13,775,200	14,867,700	15,238,800	14,867,700	15,238,800

The Planning program is responsible for administrative and technical support and implements transportation planning activities statewide. The program is charged with a variety of statewide planning initiatives including: rail planning, carpooling, alternative fuel, bikeway, pedway, and ferry operations. In addition, it coordinates the Kentucky Scenic Highway and Byway System, manages the traffic data collection and processing equipment, maintains the Highway Information System, and coordinates air quality conformity with several state and federal agencies.

Highway Planning evaluates state-maintained streets and highways to ensure that available federal and state funds are utilized to maximum efficiency. In cooperation with the Area Development Districts (ADD), it acquires roadway centerline locations and associated data for all public roads in Kentucky. It maintains an inventory of all roadway classifications and prepares city, county, and state road maps for sale and distribution. The program also furnishes statistics required by the Federal Highway Administration and state and local government decision-makers.

Metropolitan Planning maintains and distributes federal funding to nine Metropolitan Planning Organizations (MPOs) to implement continuing, comprehensive, and cooperative planning process, which is mandated by federal law. The MPOs study the impact of transportation operations in urbanized areas concerning congestion management, air quality, environmental issues, public involvement, land use and development, and public transportation.

Area Development Districts Assistance administers a regional planning and public participation process in the state's 15 ADDs as part of the Cabinet's overall statewide transportation planning process, as required by 23 USC and 23 CFR 450. The Cabinet contracts with each ADD for activities in support of the regional and statewide planning process, including public involvement, data collection, analysis, identification of needs, project recommendations, regional prioritization of projects, and technical assistance and review.

Policy

Both Federal Funds and Road Fund supported match are included in the Executive Budget in order to take advantage of the recent enactment of the federal highway reauthorization act: Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU).

**Transportation
Highways
Highway Operations**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
Road Fund					
Regular Appropriation	22,978,500	26,672,700	28,147,000	24,014,700	24,857,800
Total Road Fund	22,978,500	26,672,700	28,147,000	24,014,700	24,857,800
TOTAL SOURCE OF FUNDS	22,978,500	26,672,700	28,147,000	24,014,700	24,857,800
EXPENDITURES BY CLASS					
Personnel Cost	22,047,800	26,058,000	27,536,700	23,451,600	24,299,100
Operating Expenses	930,700	614,700	610,300	563,100	558,700
TOTAL EXPENDITURES	22,978,500	26,672,700	28,147,000	24,014,700	24,857,800
EXPENDITURES BY FUND SOURCE					
Road Fund	22,978,500	26,672,700	28,147,000	24,014,700	24,857,800
TOTAL EXPENDITURES	22,978,500	26,672,700	28,147,000	24,014,700	24,857,800

In accordance with KRS Chapter 176, the Highway Operations program provides leadership, management, and central administrative support and funding for central office and district operations for the Transportation Cabinet's Department of Highways. The Commissioner of Highways administers the Department, which governs the State Highway Engineer's Office, 14 divisions, and 12 district offices. In the 12 district offices, the District Highway Operations Office manages the road project functions and reports to the State Highway Engineer.

The State Highway Engineer's Office manages and coordinates the engineering functions of the Cabinet, reviews management, engineering, and personnel reports and recommendations from the engineering and professional divisions, staff and Deputy State Highway Engineers. In addition, the Office administers the Cabinet's Engineering Scholarship program and the Engineering Graduate Training program, coordinates the Research program, and manages special projects, such as the Louisville Bridges projects.

Contract procurement activities are also a part of the Highway Operations program and include prequalifying road contractors, advertising bids for road construction projects, awarding contracts, and issuing work orders and monitoring required contract provisions.

Policy

Road Fund support to maintain the Engineering Scholarship program is included in the Executive Budget. In addition, the Governor's budget recommendation provides an increase of \$75,000 annually to the scholarship program which results in approximately \$100 per month for each student in the program.

**Transportation
Highways
Equipment Services**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
Restricted Funds					
Balance Forward	5,746,800	130,000	130,000	2,863,300	2,863,300
Current Receipts	39,535,300	43,861,200	44,643,400	43,861,000	44,643,400
Total Restricted Funds	45,282,100	43,991,200	44,773,400	46,724,300	47,506,700
TOTAL SOURCE OF FUNDS	45,282,100	43,991,200	44,773,400	46,724,300	47,506,700
EXPENDITURES BY CLASS					
Personnel Cost	11,029,500	12,984,300	13,729,400	11,716,300	12,294,900
Operating Expenses	13,368,400	14,812,600	15,012,600	14,662,600	14,862,600
Capital Outlay	804,100	3,192,100	3,029,200	4,706,800	4,908,200
Construction	17,216,800	12,872,200	12,872,200	12,775,300	12,577,700
TOTAL EXPENDITURES	42,418,800	43,861,200	44,643,400	43,861,000	44,643,400
EXPENDITURES BY FUND SOURCE					
Restricted Funds	42,418,800	43,861,200	44,643,400	43,861,000	44,643,400
TOTAL EXPENDITURES	42,418,800	43,861,200	44,643,400	43,861,000	44,643,400

The mission of the Equipment Services program is to provide highway construction and maintenance equipment for use by the Department of Highways. The unit purchases and maintains all the Cabinet's trucks, heavy equipment, and various pieces of support machinery. This program provides its services through the central office garage in Frankfort and a network of 14 repair garages located throughout the state.

Policy

The Executive Budget provides additional Restricted Fund authority of \$1,500,000 in fiscal year 2007 and \$1,700,000 in fiscal year 2008 to compensate for the escalating cost of fuels.

Restricted Funds totaling \$4,051,000 in fiscal year 2007 and \$4,379,000 in fiscal year 2008 are provided in the budget recommendation to replace aged and unreliable heavy construction equipment.

**Transportation
Public Transportation**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	5,203,400	6,800,100	6,800,100	5,203,400	5,203,400
Continuing Appropriation	1,894,400				
Total General Fund	7,097,800	6,800,100	6,800,100	5,203,400	5,203,400
Restricted Funds					
Current Receipts	508,900	555,700	577,800	555,700	555,700
Total Restricted Funds	508,900	555,700	577,800	555,700	555,700
Federal Funds					
Balance Forward	22,200				
Current Receipts	55,138,500	40,204,200	40,233,600	40,204,200	40,233,600
Total Federal Funds	55,160,700	40,204,200	40,233,600	40,204,200	40,233,600
TOTAL SOURCE OF FUNDS	62,767,400	47,560,000	47,611,500	45,963,300	45,992,700
EXPENDITURES BY CLASS					
Personnel Cost	1,686,300	1,588,700	1,640,200	1,570,200	1,589,900
Operating Expenses	179,800	176,600	176,600	176,600	176,600
Grants, Loans or Benefits	60,901,300	45,794,700	45,794,700	44,216,500	44,226,200
TOTAL EXPENDITURES	62,767,400	47,560,000	47,611,500	45,963,300	45,992,700
EXPENDITURES BY FUND SOURCE					
General Fund	7,097,800	6,800,100	6,800,100	5,203,400	5,203,400
Restricted Funds	508,900	555,700	577,800	555,700	555,700
Federal Funds	55,160,700	40,204,200	40,233,600	40,204,200	40,233,600
TOTAL EXPENDITURES	62,767,400	47,560,000	47,611,500	45,963,300	45,992,700
EXPENDITURES BY UNIT					
Public Transportation	61,321,300	46,421,500	46,450,900	44,824,800	44,854,200
Multi-Modal Transportation	937,200	582,800	582,800	582,800	582,800
Human Services Delivery	508,900	555,700	577,800	555,700	555,700
TOTAL EXPENDITURES	62,767,400	47,560,000	47,611,500	45,963,300	45,992,700

The Public Transportation appropriation unit is comprised of three programs: Public Transportation, Multi-Modal, and Human Services Transportation Delivery. The Public Transportation program offers technical and financial assistance to public transportation providers and the Metropolitan Planning Organizations throughout the state through the federal programs: Sections 5303, 5309, 5310, and 5311. Federal Funds, combined with General Fund, Restricted Funds, and local matching funds, allow public transit authorities to acquire buses and vans.

The Multi-Modal program assures that environmental, energy, safety, and economic impacts are considered in transportation decisions. Multi-Modal responsibilities include statewide rail planning, ferry operations, park and ride planning, and bicycle and pedestrian planning. The Multi-Modal program acquired the responsibility of statewide rail activities when Kentucky voters abolished the Railroad Commission by a constitutional amendment in 2000. These responsibilities include regulating rail carriers operating on 2,900 miles of track. In addition, the Multi-Modal unit is responsible for the Cabinet's Transportation Enhancement program which provides technical support for a variety of non-traditional projects including restoration of historic transportation facilities, bike and pedestrian facilities, and scenic beautification projects affecting the state's inter-modal transportation system.

The Human Service Transportation Delivery program is a partnership of the Transportation Cabinet, the Medicaid program, the Office for Vocational Rehabilitation, and the Office for the Blind. This partnership provides non-emergency medical transportation, jobs access transportation, and transportation to day care facilities.

Policy

The Executive Budget provides \$2,950,000 in both fiscal year 2007 and fiscal year 2008 to support the Non-Public School Transportation program.

The budget recommendation provides the use of Toll Credits to match Federal Funds for transit system's capital grants. Toll Credits are credits earned by states that construct state roads with state dollars to federal interstate specifications. Kentucky's toll roads are built to interstate specifications. Toll Credits substitute for actual cash required to match Federal Funds.

**Transportation
Revenue Sharing**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
Road Fund					
Regular Appropriation	229,080,600	258,487,400	255,836,400	257,668,000	252,908,400
Current Year Appropriation	11,858,400				
Total Road Fund	240,939,000	258,487,400	255,836,400	257,668,000	252,908,400
Highway Bonds					
Balance Forward	75,524,099	75,000,000			
Current Receipts	74,475,901			75,000,000	
Total Highway Bonds	150,000,000	75,000,000		75,000,000	
TOTAL SOURCE OF FUNDS	390,939,000	333,487,400	255,836,400	332,668,000	252,908,400
EXPENDITURES BY CLASS					
Personnel Cost	2,870,500	3,066,000	3,147,700	2,935,100	2,971,100
Operating Expenses	46,443,900	47,139,100	47,654,600	47,139,100	47,654,600
Grants, Loans or Benefits	129,827,200	139,279,200	137,849,200	138,837,200	132,945,200
Construction	211,797,400	144,003,100	67,184,900	143,756,600	69,337,500
TOTAL EXPENDITURES	390,939,000	333,487,400	255,836,400	332,668,000	252,908,400
EXPENDITURES BY FUND SOURCE					
Road Fund	240,939,000	258,487,400	255,836,400	257,668,000	252,908,400
Highway Bonds	150,000,000	75,000,000		75,000,000	
TOTAL EXPENDITURES	390,939,000	333,487,400	255,836,400	332,668,000	252,908,400
EXPENDITURES BY UNIT					
County Road Aid	191,096,000	147,720,600	96,714,100	147,409,500	93,522,100
Rural Secondary	110,510,000	118,546,400	117,325,400	118,169,000	119,101,400
Municipal Aid	88,330,000	66,117,400	40,693,900	65,986,500	38,981,900
Energy Recovery	1,003,000	1,103,000	1,103,000	1,103,000	1,303,000
TOTAL EXPENDITURES	390,939,000	333,487,400	255,836,400	332,668,000	252,908,400

There are four components of the Revenue Sharing program: County Road Aid program, authorized by KRS 179.410-179.415; the Rural Secondary Aid program, authorized by KRS 177.320; the Municipal Road Aid program, authorized by KRS 177.365; and the Energy Recovery Road Fund program, authorized by KRS 177.977-177.990. Funding for each program is based on the amount of certain taxes or fees collected.

The County Road Aid program and Rural Secondary Aid program receive a portion of the state's motor fuels tax collections. The County Road Aid program receives 18.3 percent of motor fuels taxes. The County Road Aid program includes all of Kentucky's counties, municipalities, and qualified unincorporated urban areas. The Rural Secondary Aid program receives 22.2 percent of motor fuels taxes. These funds are used to repair and maintain rural and secondary roads. Funds for both programs are allocated through a formula known as the "formula of fifths," as stated in KRS 177.360. Each county receives a portion of the statewide total as follows: one-fifth is divided evenly among all counties, one-fifth is divided proportionately based on the amount of rural population in each county, one-fifth is distributed on the basis of rural road mileage in each county, and two-fifths is apportioned according to each county's share of the total land area in the state.

The Municipal Road Aid program is funded by 7.7 percent of motor fuels tax collections. Distribution is made through a formula based upon the population contained in each city or unincorporated urban area.

Forty percent of the revenues collected from extended vehicle weight fees support the Energy Recovery Road System. Funds are distributed to the counties for the county-maintained portion of that system. The fund distribution is based on (1) the ratio of miles of roads in each county within this system to the total system miles, and (2) the ratio of the total tons of coal transported over the roads in each county to the total tons reported. The Transportation Cabinet has the authority to expend the remaining 60 percent on the roads in the system.

Policy

The Executive Budget provides \$75 million in additional highway bonds to be issued in the latter part of fiscal year 2007 to support the County Road Aid program and the Municipal Road Aid program. The bonded indebtedness provides \$50 million to the County Road Aid program and \$25 million to the Municipal Road Aid program. One half of the bond proceeds will be distributed to the local governments on the formula basis currently in statutes. The other one-half of the issue will be made available to local governments on an application basis determined by the Transportation Cabinet.

The Executive Budget suspends the provisions of KRS 177.320(2) and reduces the Road Fund support to the County Road Aid program by \$4,656,000 in fiscal year 2008 which represents the program's proportional share of debt service on the \$50 million in highway bonds proposed in the budget.

The Governor's budget recommendation suspends KRS 177.365(1) and reduces the Road Fund support to the Municipal Aid program by \$2,328,000 in fiscal year 2008 which represents the program's proportional share of debt service on the \$25 million in highway bonds proposed in the budget.

The Executive Budget provides funding to the Kentucky Transportation Center to be increased \$100,000 above that provided in KRS 177.320(4). This funding is drawn from the Revenue Sharing programs in the same proportions as the motor fuel tax receipts are statutorily dedicated to those programs. The appropriation to the Kentucky Transportation Center is contained in the Department of Highways Research program.

**Transportation
Vehicle Regulation**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
Restricted Funds					
Balance Forward	2,192,000	1,300,200	1,942,700	1,300,200	1,942,700
Current Receipts	4,995,100	4,947,300	5,001,600	4,947,300	5,001,600
Non-Revenue Receipts	-800				
Fund Transfers				-194,900	
Total Restricted Funds	7,186,300	6,247,500	6,944,300	6,052,600	6,944,300
Federal Funds					
Current Receipts	1,179,700	285,500	285,500	285,500	285,500
Total Federal Funds	1,179,700	285,500	285,500	285,500	285,500
Road Fund					
Regular Appropriation	15,333,000	18,239,700	19,460,000	17,396,100	18,269,900
Current Year Appropriation	947,300				
Total Road Fund	16,280,300	18,239,700	19,460,000	17,396,100	18,269,900
TOTAL SOURCE OF FUNDS	24,646,300	24,772,700	26,689,800	23,734,200	25,499,700
EXPENDITURES BY CLASS					
Personnel Cost	13,428,700	14,415,300	15,232,800	13,567,600	14,037,200
Operating Expenses	9,917,400	8,414,700	8,614,600	8,223,900	8,620,100
TOTAL EXPENDITURES	23,346,100	22,830,000	23,847,400	21,791,500	22,657,300
EXPENDITURES BY FUND SOURCE					
Restricted Funds	5,886,100	4,304,800	4,101,900	4,109,900	4,101,900
Federal Funds	1,179,700	285,500	285,500	285,500	285,500
Road Fund	16,280,300	18,239,700	19,460,000	17,396,100	18,269,900
TOTAL EXPENDITURES	23,346,100	22,830,000	23,847,400	21,791,500	22,657,300
EXPENDITURES BY UNIT					
Commissioner	1,859,200	1,518,900	1,575,100	1,594,100	1,614,800
Drivers Licensing	9,748,200	9,770,900	10,640,000	9,331,400	10,012,200
Motor Carriers	2,502,300	2,831,300	2,997,800	2,597,000	2,696,300
Motor Vehicle Licensing	8,358,200	7,609,000	7,729,500	7,361,400	7,417,000
Driver's Safety	82,000	55,000	55,000	57,600	67,000
Motor Vehicle Commission	796,200	1,044,900	850,000	850,000	850,000
TOTAL EXPENDITURES	23,346,100	22,830,000	23,847,400	21,791,500	22,657,300

The Department of Vehicle Regulation encompasses the Commissioner's Office and the following divisions: Driver Licensing, Motor Carriers, Motor Vehicle Licensing, and Driver Safety. The Motor Vehicle Commission is also administratively attached to the Department.

Under KRS Chapters 186, 187, 189A, 218A, 281A, and KRS 159.051, the Division of Driver Licensing maintains driver history records for approximately three million drivers. The Division issues licenses to commercial drivers who meet statutory requirements. The Division also enforces driver license suspensions, revocations, and driver limitation programs. It operates State Traffic School programs.

The Division of Motor Carriers collects and processes fuel and highway use tax from commercial motor carriers, as authorized under KRS Chapter 138. Under KRS Chapter 186, it assigns apportioned license plates to interstate Kentucky motor carriers. In accordance with KRS Chapter 281, the Division qualifies all for-hire transportation within the state. It is also responsible for permitting and routing overweight and over-dimensional loads (KRS 189.270), maintaining a solid-waste permitting system (KRS 174.450), and permitting and licensing U-Drive-It rental and leasing operations.

The Division of Motor Vehicle Licensing provides for the titling and registration of motor vehicles and boats in accordance with KRS Chapters 186, 186A, and 235. It maintains the Automated Vehicle Information System (AVIS) and controls title distribution functions. Registration and title applications are initiated through local county clerks' offices. KRS 186.240(3) requires a new plate issuance every five (5) years for plates that do not expire annually. A fifty-cent (\$.50) fee for each reflectorized plate issued is retained in a Restricted Fund to pay for the new plates.

The Division of Driver Safety has its mission to reduce fatalities, injuries, and accidents on the state's high crash corridors. The division conducts several statewide media campaigns, such as Child Passenger Safety Week, Put the Brakes on Fatalities Day, and Work Zone Safety Awareness Week. The Cabinet coined the phrase "Drive Smart" and its mission is to educate and train drivers - young and old alike - to drive safely and be aware at all times when behind the wheel of a vehicle.

Pursuant to KRS Chapter 190, the Kentucky Motor Vehicle Commission licenses and regulates motor vehicle manufacturers, dealers, and salespersons. It is funded through license fees that are deposited into a Restricted Fund account.

Policy

The Executive Budget provides a current year (fiscal year 2006) Road Fund appropriation totaling \$947,300. The appropriation is necessary to fund \$412,200 for the inflationary costs of the digitized Photo Drivers License System and \$525,100 to subsidize the increases in salary and health insurance costs adopted by the 2005 Regular Session of the General Assembly but not funded in House Bill 267. In addition, \$10,000 is included to fund the programming costs associated with the "Salvage" or "Rebuilt Vehicle" title enacted in the 2005 session.

The Governor's budget recommendation provides additional Road Fund support totaling \$412,200 in fiscal year 2007 and \$869,300 in fiscal year 2008 to maintain the contract for the digitized Photo Drivers License System.

The Executive Budget provides \$350,000 in fiscal year 2007 and \$350,000 in fiscal year 2008 to upgrade computer equipment in 60 of the 120 County Court Clerk's offices for titling and registration of motor vehicles. In addition, \$10,000 is provided each year to support programming costs associated with any changes to vehicle titles over the next biennium.



Statewide

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Statewide

	<u>Revised FY 2006</u>	<u>Requested FY 2007</u>	<u>Requested FY 2008</u>	<u>Recommended FY 2007</u>	<u>Recommended FY 2008</u>
SOURCE OF FUNDS					
General Fund					
Surplus Expenditure Plan	90,250,300				
Continuing Appropriation	28,764,800	119,015,100	119,015,100	119,015,100	119,015,100
Total General Fund	119,015,100	119,015,100	119,015,100	119,015,100	119,015,100
TOTAL SOURCE OF FUNDS	119,015,100	119,015,100	119,015,100	119,015,100	119,015,100

**Statewide
Budget Reserve Trust Fund**

SOURCE OF FUNDS	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
General Fund					
Surplus Expenditure Plan	90,250,300				
Continuing Appropriation	28,764,800	119,015,100	119,015,100	119,015,100	119,015,100
Total General Fund	119,015,100	119,015,100	119,015,100	119,015,100	119,015,100
TOTAL SOURCE OF FUNDS	119,015,100	119,015,100	119,015,100	119,015,100	119,015,100

The Budget Reserve Trust Fund is the Commonwealth's "Rainy Day Fund." KRS 48.705 provides for deposits to the Budget Reserve Trust Fund from direct appropriations, excess receipts, and unexpended appropriations, up to five percent of actual General Fund revenue receipts. These funds are appropriated and available in the event that actual General Fund revenue receipts during the biennium are not sufficient to meet the General Fund appropriation levels authorized in the budget. These funds are also available as a resource for Necessary Governmental Expenses when there is no General Fund surplus.

The Appropriations Bill (House Bill 267) enacted by the 2005 Regular Session of the General Assembly decreased the balance of the Budget Reserve Trust Fund from \$50,764,800 to \$28,764,800 in FY 2005. The Budget Reserve Trust Fund had previously been reduced by \$4,000,000 by Budget Reduction Order 04-01.

Policy

The Governor exercised the maximum authority provided under the General Fund Surplus Expenditure Plan by allocating \$90,250,300 from the \$214 million General Fund surplus at the end of fiscal year 2005 to the Budget Reserve Trust Fund. This raised the amount in the Budget Reserve Trust Fund to \$119,015,100. This amount represents 1.5 percent of enacted fiscal year 2006 revenues.