

General Fund Budget Reduction Order 10-01

COMMONWEALTH OF KENTUCKY
OFFICE OF STATE BUDGET DIRECTOR

TREY GRAYSON
SECRETARY OF STATE
COMMONWEALTH OF KENTUCKY
BY R. Allen

**AN ORDER DIRECTING THE REDUCTION OF CERTAIN APPROPRIATIONS
TO APPROPRIATION UNITS OF THE GOVERNMENT OF THE
COMMONWEALTH TO PREVENT A DEFICIT IN THE FINANCES OF THE
COMMONWEALTH OF KENTUCKY**

WHEREAS, funds were budgeted and appropriated for the operation, maintenance, support, and functioning of the Government of the Commonwealth of Kentucky for fiscal year 2009-2010, by the 2008 Regular Session of the General Assembly, based on a General Fund revenue estimate of \$9,258,789,000 as specified in 2008 Kentucky Acts Chapter 127, Part VI; and

WHEREAS, actions enacted by the 2009 Regular Session of the General Assembly revised the fiscal year 2009-2010 General Fund revenue estimate to \$9,417,589,000 as specified in Section 1 of House Bill 4 enacted by the 2009 First Extraordinary Session of the General Assembly; and

WHEREAS, on May 29, 2009, the Consensus Forecasting Group, at the request of the State Budget Director pursuant to KRS 48.115, revised downward the General Fund revenue estimate for fiscal year 2009-2010 to \$8,412,270,000; and

WHEREAS, the 2009 First Extraordinary Session of the General Assembly enacted House Bill 3 and House Bill 4 that decreased the revised fiscal year 2009-2010 General Fund revenue estimate to \$8,408,170,000 resulting in a General Fund revenue shortfall of \$1,009,419,000; and

WHEREAS, the revised General Fund estimate results in an estimated \$19,789,700 combined increase in the statutorily required appropriation amounts for the two severance tax-based appropriation units: the Local Government Economic Development Fund and the Local Government Economic Assistance Fund; and

WHEREAS, within the revised General Fund revenue estimate, an estimated \$9,310,000 decrease in the statutorily required appropriation amounts dedicated from the Tobacco Master Settlement-Phase I receipts due to a downward revision in the estimated Tobacco Master Settlement-Phase I receipts shall be accommodated pursuant to Part X of House Bill 406 as enacted by the 2008 Regular Session of the General Assembly; and

WHEREAS, the 2009 First Extraordinary Session of the General Assembly enacted House Bill 4, which directs the Legislative branch to transfer \$2,648,200 to the General Fund, and directs the Judicial branch to transfer \$22,664,100 to the General Fund; and

WHEREAS, the General Fund Budget Reduction Plan as set forth in Section 1 of House Bill 4, as enacted by the 2009 First Extraordinary Session of the General Assembly, after the application of subsections 1 through 5, directs the reduction of General Fund appropriations in Executive Branch Agencies' operating budget units by a sufficient amount to balance fiscal year 2009-2010; and

WHEREAS, the General Fund appropriation reductions directed in this Budget Reduction Order are mitigated by the replacement of \$787,524,900 in federal funds from the American Recovery and Reinvestment Act which will avert significant spending reductions in elementary and secondary education, postsecondary education, Medicaid, Corrections and the Kentucky State Police; and

WHEREFORE, it is necessary to effect a reduction in General Fund appropriations to the appropriation units of the Commonwealth to prevent such deficit;

NOW, THEREFORE, it is hereby found by the State Budget Director, with the approval of the Governor of the Commonwealth, and pursuant to the authority vested in the Office of State Budget Director and the Secretary of the Finance and Administration Cabinet by 2008 Kentucky Acts Chapter 127, Part VI, as amended by House Bill 4 enacted by the 2009 First Extraordinary Session of the General Assembly, and Chapter 48 of the Kentucky Revised Statutes, that it will be necessary, to prevent a deficit in the finances of the Commonwealth, to reduce the appropriations for fiscal year 2009-2010 to the appropriation units of the Government of the Commonwealth from the amounts appropriated, to the amounts hereinafter set forth; and, having so found, it is hereby ordered and directed that the appropriations to the appropriation units of the Government of the Commonwealth be reduced to, and allotments adjusted on the basis of the amounts hereinafter listed, to wit:

<u>Appropriation Unit</u>	<u>FY 2009-2010 General Fund Current Appropriation</u>	<u>FY 2009-2010 General Fund Revised Appropriation</u>	<u>FY 2009-2010 General Fund Appropriation Reductions</u>
General Government			
Office of the Governor	8,793,300	8,014,000	(779,300)
Office of State Budget Director	3,841,300	3,574,600	(266,700)
State Planning Fund	220,000	203,500	(16,500)
Homeland Security	297,100	237,900	(59,200)
Veterans' Affairs	19,127,400	17,617,200	(1,510,200)
Kentucky Infrastructure Authority	8,014,100	7,916,400	(97,700)
Military Affairs	34,556,700	33,653,200	(903,500)
Commission on Human Rights	2,091,800	1,897,800	(194,000)
Commission on Women	243,600	228,500	(15,100)
Department for Local Government	11,653,700	9,238,300	(2,415,400)
Local Government Economic Assistance Fund	56,989,350	56,989,350	0
Local Government Economic Development Fund	46,256,050	46,256,050	0
Area Development Fund	691,200	639,500	(51,700)
Executive Branch Ethics Commission	456,600	456,600	0
Secretary of State	2,092,900	1,957,600	(135,300)
Board of Elections	2,938,912	2,762,212	(176,700)
Registry of Election Finance	1,404,100	1,277,200	(126,900)
Attorney General	13,503,200	12,211,300	(1,291,900)
Commonwealth Attorneys	36,164,100	36,164,100	0
County Attorneys	31,012,800	31,012,800	0
Treasury	1,963,800	1,831,900	(131,900)
Agriculture	22,035,773	19,682,273	(2,353,500)
Auditor of Public Accounts	5,782,400	5,137,800	(644,600)
Kentucky River Authority	1,083,800	1,063,000	(20,800)
School Facilities Construction Commission	111,009,100	110,409,100	(600,000)
Teachers' Retirement System	201,252,600	201,252,600	0
Judgments	974	974	0
ANOC - Misc Appropriations	9,267,500	8,776,100	(491,400)
Total-General Government	632,744,159	620,461,859	(12,282,300)
Tourism, Arts and Heritage Cabinet			
Office of the Secretary	3,413,300	3,144,900	(268,400)
Artisans Center	361,700	337,300	(24,400)
Travel	4,044,700	3,770,500	(274,200)
Parks	35,355,200	35,355,200	0
Kentucky Horse Park Commission	1,448,200	1,442,900	(5,300)
State Fair Board	181,000	181,000	0
Arts Council	3,831,400	3,452,300	(379,100)
Kentucky Historical Society	7,237,100	6,746,900	(490,200)
Kentucky Center for the Arts	1,509,700	1,426,400	(83,300)
Kentucky Heritage Council	964,500	858,100	(106,400)
Total-Tourism, Arts and Heritage Cabinet	58,346,800	56,715,500	(1,631,300)

<u>Appropriation Unit</u>	<u>FY 2009-2010 General Fund Current Appropriation</u>	<u>FY 2009-2010 General Fund Revised Appropriation</u>	<u>FY 2009-2010 General Fund Appropriation Reductions</u>
Economic Development Cabinet			
Secretary	15,453,200	14,841,100	(612,100)
Business Development	5,554,800	5,020,700	(534,100)
Financial Incentives	28,144,807	28,134,407	(10,400)
Total-Economic Development Cabinet	49,152,807	47,996,207	(1,156,600)
Department of Education			
SEEK	2,973,536,100	2,720,595,500	(252,940,600)
Executive Policy and Management	732,300	654,500	(77,800)
Operations and Support Services	46,842,700	46,011,200	(831,500)
Learning and Results Services	894,845,720	873,828,120	(21,017,600)
Total-Department of Education	3,915,956,820	3,641,089,320	(274,867,500)
Education & Workforce Development Cabinet			
General Administration and Program Support	3,332,200	3,121,100	(211,100)
Deaf and Hard of Hearing	941,700	877,800	(63,900)
Kentucky Educational Television	13,427,000	13,010,200	(416,800)
Libraries and Archives-General Operations	6,871,700	6,497,000	(374,700)
Libraries and Archives-Direct Local Aid	6,175,400	5,776,100	(399,300)
Office for the Blind	1,342,200	1,245,300	(96,900)
Career and Technical Education	26,838,300	26,364,300	(474,000)
Vocational Rehabilitation	12,813,700	11,841,500	(972,200)
Education Professional Standards Board	9,061,900	8,348,800	(713,100)
Total-Education & Workforce Development Cabinet	80,804,100	77,082,100	(3,722,000)
Energy and Environment Cabinet			
Public Service Commission	14,001,071	13,327,271	(673,800)
Kentucky Nature Preserves Commission	1,200,100	1,120,400	(79,700)
Office of the Secretary	4,285,100	3,985,800	(299,300)
Energy Development and Independence	1,792,100	1,690,300	(101,800)
Natural Resources	38,546,600	35,231,600	(3,315,000)
Environmental Protection	25,743,000	23,791,800	(1,951,200)
Total-Energy and Environment Cabinet	85,567,971	79,147,171	(6,420,800)
Finance and Administration Cabinet			
General Administration	8,645,300	7,978,800	(666,500)
Controller	8,167,200	7,551,000	(616,200)
Debt Service	404,968,100	321,895,700	(83,072,400)
Facilities and Support Services	6,424,100	5,923,900	(500,200)
County Costs	16,581,500	16,581,500	0
Revenue	75,586,800	75,586,800	0
Property Valuation Administrators	36,229,800	36,229,800	0
Total-Finance and Administration Cabinet	556,602,800	471,747,500	(84,855,300)

<u>Appropriation Unit</u>	<u>FY 2009-2010 General Fund Current Appropriation</u>	<u>FY 2009-2010 General Fund Revised Appropriation</u>	<u>FY 2009-2010 General Fund Appropriation Reductions</u>
Health and Family Services Cabinet			
General Administration and Program Support	36,053,000	34,875,500	(1,177,500)
Children with Special Health Care Needs	6,126,800	5,500,500	(626,300)
Medicaid Administration	36,884,600	36,856,000	(28,600)
Medicaid Benefits	1,284,705,822	859,934,222	(424,771,600)
Income Support	3,345,900	3,067,200	(278,700)
Behavioral Health Development and Intellectual Disabilities	192,174,300	192,174,300	0
Public Health	72,245,200	68,358,300	(3,886,900)
Health Policy	593,600	539,000	(54,600)
Family Resource Centers and Volunteer Services	450,800	434,900	(15,900)
Aging and Independent Living Services	43,671,500	43,521,600	(149,900)
Community Based Services	355,580,900	337,377,100	(18,203,800)
Total-Health and Family Services Cabinet	2,031,832,422	1,582,638,622	(449,193,800)
Labor Cabinet			
Workplace Standards	2,160,700	2,031,900	(128,800)
General Administration and Program Support	3,707,000	3,453,400	(253,600)
Total-Labor Cabinet	5,867,700	5,485,300	(382,400)
Justice and Public Safety Cabinet			
Justice Administration	12,040,000	11,482,900	(557,100)
Juvenile Justice	88,677,900	81,490,000	(7,187,900)
State Police	76,259,000	56,235,500	(20,023,500)
Corrections Management	7,008,700	6,661,700	(347,000)
Adult Correctional Institutions	268,783,700	218,416,100	(50,367,600)
Community Services and Local Facilities	149,639,400	149,639,400	0
Local Jail Support	15,964,416	15,355,516	(608,900)
Public Advocacy	38,049,500	38,049,500	0
Total-Justice and Public Safety Cabinet	656,422,616	577,330,616	(79,092,000)
Personnel Cabinet			
State Salary and Compensation Fund	12,037,300	0	(12,037,300)
State Group Health Insurance Fund	2,080,700	1,924,900	(155,800)
Total-Personnel Cabinet	14,118,000	1,924,900	(12,193,100)
Postsecondary Education			
Council on Postsecondary Education	59,653,500	53,660,100	(5,993,400)
Eastern Kentucky University	77,999,500	70,692,700	(7,306,800)
Kentucky State University	27,180,100	24,639,500	(2,540,600)
Morehead State University	47,002,000	42,593,300	(4,408,700)
Murray State University	53,460,200	48,413,800	(5,046,400)
Northern Kentucky University	55,442,300	50,280,900	(5,161,400)
University of Kentucky	324,366,500	293,887,000	(30,479,500)
University of Louisville	186,787,700	169,896,400	(16,891,300)
Western Kentucky University	83,371,600	75,555,800	(7,815,800)
Kentucky Community & Technical College System	224,429,700	200,554,700	(23,875,000)
Kentucky Higher Education Assistance Authority	188,060,375	188,060,375	0
Total-Postsecondary Education	1,327,753,475	1,218,234,575	(109,518,900)

<u>Appropriation Unit</u>	<u>FY 2009-2010 General Fund Current Appropriation</u>	<u>FY 2009-2010 General Fund Revised Appropriation</u>	<u>FY 2009-2010 General Fund Appropriation Reductions</u>
Public Protection Cabinet			
Office of the Secretary	307,300	283,200	(24,100)
Alcoholic Beverage Control	977,500	913,400	(64,100)
Housing, Buildings and Construction	2,367,300	2,210,900	(156,400)
Board of Claims/Crime Victims' Compensation	747,700	696,400	(51,300)
Board of Tax Appeals	447,600	417,700	(29,900)
Horse Racing Commission	3,106,800	3,106,800	0
Total-Public Protection Cabinet	<u>7,954,200</u>	<u>7,628,400</u>	<u>(325,800)</u>
Transportation Cabinet			
Highways	442,000	442,000	0
Public Transportation	5,309,741	4,911,641	(398,100)
Total-Transportation Cabinet	<u>5,751,741</u>	<u>5,353,641</u>	<u>(398,100)</u>
Statewide			
Budget Reserve Trust Fund	0	0	0
Total-Statewide	<u>0</u>	<u>0</u>	<u>0</u>
GRAND TOTAL-EXECUTIVE BRANCH	<u>9,428,875,611</u>	<u>8,353,635,911</u>	<u>(1,036,039,900)</u>

FY 2009-2010 General Fund Budget Shortfall

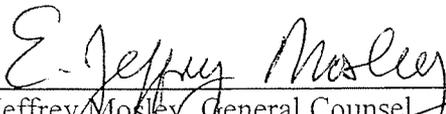
	<u>Amount</u>
Budget Shortfall:	
Revenue Shortfall forecast by Consensus Forecasting Group	\$1,005,319,000
Revenue Decreases enacted by 2009 Special Session HB 3	\$22,600,000
Enhanced Tax Collections Efforts 2009 Special Session HB 4	(\$18,500,000)
Total Revenue Shortfall	<u>\$1,009,419,000</u>
Impact of FY 2009 Balancing Actions on FY 2010	\$32,317,400
Severance Tax Dedicated Revenues-Appropriation Increase	\$19,789,700
Increased Appropriations 2009 Special Session HB 4	\$16,945,400
Necessary Governmental Expenses-required obligations	\$32,074,900
Total Budget Shortfall	<u>\$1,110,546,400</u>

The Solution:	
Appropriation Reductions	\$248,515,000
Appropriation Reductions Replaced with Federal Stimulus Funds	\$787,524,900
Appropriation Reductions in Budget Reduction Order 10-01	<u>\$1,036,039,900</u>
Judicial Branch General Fund Transfer 2009 Special Session HB 4	\$22,664,100
Legislative Branch General Fund Transfer 2009 Special Session HB 4	\$2,648,000
Expected General Fund Lapse	\$39,884,400
Tobacco Settlement-Phase I Dedicated Revenue Appropriation Decreases	\$9,310,000
Total Solution	<u>\$1,110,546,400</u>

Footnote: \$113,000,000 of the above solution to the Budget Shortfall is due to debt restructuring.

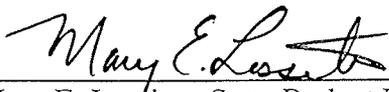
General Fund Budget Reduction Order 10-01

APPROVED AS TO FORM AND LEGALITY:



E. Jeffrey Mosley, General Counsel
Finance and Administration Cabinet

DONE AT FRANKFORT, KENTUCKY THIS 18th DAY OF SEPTEMBER, 2009

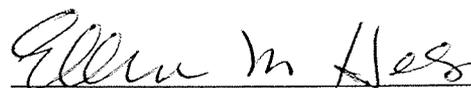


Mary E. Lassiter, State Budget Director
Office of State Budget Director



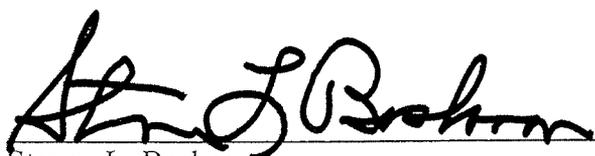
Jonathan Miller, Secretary
Finance and Administration Cabinet

EXAMINED:



Ellen M. Hesen, General Counsel
Office of the Governor

APPROVED:



Steven L. Beshear
Governor