

We set a tough goal in my first term in office: To raise the quality of life and standard of living in Kentucky above the national average in 20 years. Our people deserve no less. We know that the public and private sectors and all regions of the state must work together to achieve this ambitious goal. We also know we must build our vision with every act in the Legislature. I am confident we will do both.

Governor Paul Patton

January, 2000



My Fellow Kentuckians:

I am proud to present to you the programs and initiatives for the 2000-2002 Budget of the Commonwealth of Kentucky.

The people of this Commonwealth have granted me a unique and historic opportunity. Not only will we lay the foundation upon which the next 100 years of history will be built, we will also set the course for the new century based upon priorities established during my first term as Governor. Ours is the first administration in 200 years to be elected to consecutive terms and have such an opportunity.

We set a tough goal in my first term in office: *To raise the quality of life and standard of living in Kentucky above the national average in 20 years.* Our people deserve no less. We know that the public and private sectors and all regions of the state must work together to achieve this ambitious goal. We also know we must build our vision with every act in the Legislature. I am confident we will do both.

The priorities I present in this budget reflect a continued commitment to and development of the strategies we identified to help us meet our goal:

- Improving Education
- Building Self-Sustaining Families
- Promoting Economic Development
- Reducing Crime and its Costs to Society
- Strengthening Efficiency and Operations of Government

You will learn in this document about programs designed to help us achieve results in each of these important strategic areas.

January, 2000
Page 2

Improvements to education are clearly the centerpiece. The Early Childhood proposal is in many ways an extension of the Kentucky Education Reform Act. As I said in my recent address on the State of the Commonwealth, KERA was the Legislature's finest hour and it remains the finest hour for all who have the responsibility for its implementation. In KERA we acknowledged the importance of readiness for education. With Early Childhood we acknowledge that we must start far earlier than kindergarten if we are to succeed.

We are continuing our focus on postsecondary education, to build upon our 1997 initiatives. In addition, we propose continued efforts to improve the quality of teaching, an investment already paying off with Kentucky named just last week as one of the top 5 states in improved teacher preparation! Finally, expanded adult education opportunities are offered for those who missed out on education in their earlier years.

These initiatives reflect countless hours of work and input by Kentuckians willing to roll up their sleeves and serve on the task forces which guided our priorities. Many legislators worked tirelessly as well.

I thank them all.

The consensus reached in a number of key areas is unprecedented. From early childhood development to funding for mental health – from adult literacy to a plan for water resources – we have achieved a unique consensus of the experts; agreement as to priorities; and a will to fund these programs and move us toward our 20 year goal.

We must not lose our focus and momentum now.

As we set the course for the new century we should also seize the moment to improve upon the way we fund our programs. Our tax structure falls short in two important areas: It distributes too much of the tax burden on our poorest citizens and it is not producing an adequate, stable revenue base. Reform of this system is long overdue.

The 2000-2002 budget sharpens our vision for Kentucky, funds the initiatives we know will make a difference, and allocates our public resources responsibly. We can never forget that it is our citizens' hard earned tax dollars that we are spending. Nor can we forget that we are building a future that will dramatically impact the lives of our children and grandchildren.

Sincerely,

Table of Contents

	Section/Page
Lifelong Learning	Section I
Early Childhood Development	1
Elementary and Secondary Education	3
Postsecondary Education.....	5
Adult Education and Literacy.....	7
Teacher Quality	9
Area Technology Center Support	11
Healthier Kentuckians	Section II
Health Related Aspects of Early Childhood Development	12
Smoking Prevention Program.....	13
Community Supports: A Mental Health Commitment.....	14
Access to Care at Local Health Departments	16
Kentucky Access	18
Breast Cancer Screening.....	20
Growing Our Economy	Section III
Knowledge Based Economy.....	21
Water Resources Development.....	23
Economic Opportunity Zones	25
Coal Industry Incentive Plan	26
Farm Economy Initiative	27
Phase I Tobacco Settlement at a Glance	29
Protecting Our People	Section IV
Public Advocacy	30
Commitment to Juvenile Justice	31
Domestic Violence and Sexual Assault	32
Fiscal Responsibility	Section V
Equity for State Employees	33
Investing in our Future	35

Prepared by the Governor's Office for Policy Research

“The four most important issues we’ll talk about this session are education, education, education and education!!!”

Governor Paul Patton
State of the Commonwealth
January 2000

Lifelong Learning

EARLY CHILDHOOD DEVELOPMENT

Kentucky chose to make a significant investment of time, talent, and resources when the Kentucky Education Reform Act or KERA was enacted in 1990. Dividends can already be found throughout the Commonwealth but we know that too many of our children are still not ready for school by the time they reach school age.

Science — through brain-research — has proven what many educators and parents knew through experience: the first three years of a child's life are critical to long-term development. If we lose ground during those years, by the time a child starts school we must play catch-up, at a significant human and financial cost.

“Too many of our children are not ready for school by the time they reach school age. That means they’ve fallen behind even before they start.”

Kentucky Child 2000

Quite simply, the quality of day care and early childhood development programs in Kentucky are failing to meet the needs of families and communities statewide. We know we must start early in our children's lives if we are to make a difference. We also know we must make this investment now or we may well waste efforts in elementary, secondary, and postsecondary education later.

To be funded over two years from Phase I Tobacco Settlement Funds, this initiative is a classic “invest now, or pay later” situation. The program follows closely the recommendations of the Governor's Early Childhood Task Force's 20-Year Plan.

The conclusion of the Task force was clear: There is clearly a high price to pay for failing to give our youngest citizens the strongest possible start in life. By in-

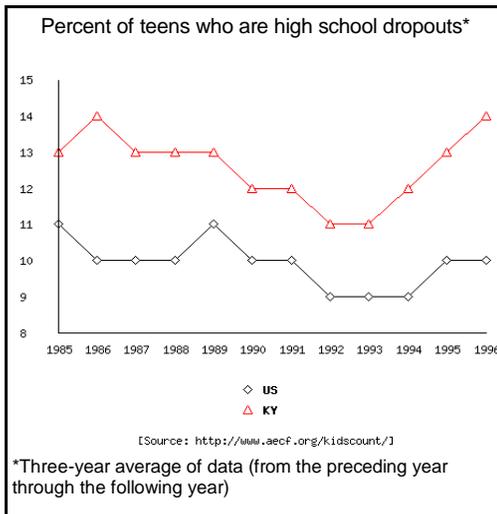
Invest Now or Pay Later

The economic return on investments in early childhood development can be detailed in hard facts:

- *Children from high-quality early childhood programs go on to earn 60 percent more than do their peers. (RAND Institute, 1999)*
 - *Low-income children who receive high-quality early child care are more likely to remain in school, attend college, and be employed than those who do not receive such care. (Carolina Abecedarian Project, 1999)*
 - *For every \$1 invested in early childhood development, \$7 is saved in the cost of remedial education, welfare, and incarceration. (1999 RAND study)*
-

"These recommendations are just the first step, but what a first step! Never before in Kentucky have children been so much at the forefront of our state's agenda."

Nicki Patton, Chair
Early Childhood Task Force



"Children in intervention programs completed more years of education and were more likely to attend a four-year college."

"This is a significant down payment and represents a significant commitment to meeting the needs of young children in our state."

Debra Miller
Executive Director
KY Youth Advocate
Courier-Journal
January 12, 2000

EARLY CHILDHOOD DEVELOPMENT

Kids Now

\$55 million for kids

- \$16.1 million for voluntary home visits, for at-risk, first time parents. (Plus \$6.7 million in federal funds.)
- \$12 million to increase families eligible for child care subsidy.
- \$4.1 million scholarship fund for childcare providers.
- \$2 million to rate day-care centers and provide incentives for high quality.
- \$6 million to educate providers and parents in health and nutrition.
- \$2.6 million to communities that set up local partnerships to improve lives of children and their families.
- \$2.8 million to fund expert personnel for licensing and technical assistance. (Plus \$2.8 million in federal funds.)
- \$4 million for vaccine coverage for underinsured children.
- \$3 million for folic acid to reduce number of neural tube defects.
- \$1.7 million hearing screening for all newborns. Required eye examinations prior to school entry.
- \$7 million for Early Childhood Board, Business Council, and Professional Development Council.



ELEMENTARY AND SECONDARY EDUCATION

Ten years after enactment of the Kentucky Education Reform Act (KERA), Kentucky remains a leader in education reform and a point of reference for other states attempting to refashion and revitalize their systems of elementary and secondary education.

Governor Patton made continued support for KERA a pledge during his first campaign and has continued that commitment throughout his term in office.

At the same time, the Governor vowed to help retool any parts of KERA not found to be working effectively. His proposed budget allocates \$6.7 million to fulfil the legislative mandate to permit more specific detail on individual student performance, through the introduction of new elements to student assessment. This will also enable better comparison of a student's progress over time.

The proposed budget also includes:

- A total of \$4.8 million during the 2000-2002 biennium to open approximately 40 additional Family Resource and Youth Services Centers, bringing this program closer to serving every eligible school. The Office of Education Accountability states that "there exists strong evidence that this program has evolved into an effective contributor to student success".
- The Kentucky Virtual High School began operating in January 2000. The Department of Education, in conjunction with the Kentucky Virtual University, is providing all Kentucky high school students with Internet access to advanced courses not available through their local schools. The Governor's commitment to this initiative — in addition to the \$30 million allocated to the Kentucky Education Technology System — is reflected by the \$1.5 million for the Virtual High School.
- Diversity in Kentucky's public school teaching and administrative ranks is an important goal. Governor Patton is proposing \$1 million in new support for a program of minority teacher recruitment which involves scholarships and loan forgiveness.
- Learning on all levels by offering students the widest possible range of options is important. The Governor is recommending nearly \$8 million during the 2000-2002 biennium for increased funding for vocational education offered by local school districts. An additional \$1 million in funding for gifted and talented education is proposed by the Governor in his budget.

“Kentucky’s efforts are paying off. The percent of 4th graders reading at the ‘proficient’ level or better has improved significantly.”

Education Week

“Kentucky elementary and secondary schools are among the most technologically advanced in the nation.”

Milkin Family Foundation, 1999

ELEMENTARY AND SECONDARY EDUCATION

Education Pays
\$226 million

Highlights Include:

- **\$92 million for school construction.**
- **\$30 million to continue the commitment to technology through the Kentucky Education Technology system.**
- **\$14.4 million for Teacher Quality (fully described elsewhere.)**
- **\$8.2 million for COLAs for retired teachers.**
- **\$7.7 million for vocational education funding equalization.**
- **\$6.3 million for improved student testing program.**
- **\$4.8 million for 40 new Family Resource/Youth Services Centers.**
- **\$1 million additional for Gifted and Talented program.**
- **\$1 million for minority teacher recruitment.**
- **\$1 million for virtual high school.**
- **\$.7 million for expansion of programs at Schools for Deaf and Blind.**



POSTSECONDARY EDUCATION

Postsecondary Education is the key to prosperity – for our citizens, our businesses and industries, our communities, and our children. Among the states, Kentucky ranks:

- 42nd among the states in percent of citizens with a bachelor’s degree.
- Near the bottom in research and development expenditures per capita.

Low participation in postsecondary education and below average per capita income creates a vicious cycle that needs to be broken.

Kentucky Council on Postsecondary Education – 2020 Vision

In 1997, the Kentucky General Assembly, in partnership with Governor Patton and education advocates from across the Commonwealth, enacted the landmark Postsecondary Education Improvement Act. With this act, Kentucky took the first step in implementing a new 20-year vision.

It also resulted in fundamental changes to the funding process with the creation of benchmark funding and six incentive trust funds to drive the action agenda. The 2000-2002 budget will move institutions closer to their funding goals, increase funding to existing trust funds and create two new incentive funds for major policy initiatives -- Adult Education and Literacy; and Science and Technology (Knowledge Based Economy) – which are described elsewhere in this document. Both initiatives are integral to the state’s postsecondary strategies.

Another key funding initiative relates to the recruitment and retention of students at our universities. Gone are the days when colleges and universities can sit by and wait for the phone in the admissions office to ring, or assume that entering freshman will some day be granted a diploma. Kentucky must compete for its students, encourage more to attend college, and work tirelessly to encourage their success and their graduation.

Retention Rates (%)

	1998	2002	2004	2006
University of Kentucky	80	81	82	83
University of Louisville	71	73	75	77
Eastern Kentucky University	63	66	67	69
Kentucky State University	57	60	62	65
Morehead State University	64	66	68	69
Murray State University	72	73	74	75
Northern Kentucky University	63	65	67	69
Western Kentucky University	68	69	70	72
Kentucky Community and Technical College System	53	56	57	59
Lexington Community College	62	63	64	65

First-time freshmen returning one year later

POSTSECONDARY EDUCATION

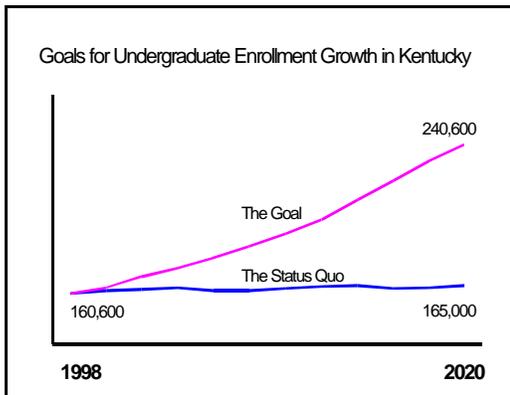
2020 Vision

\$306 million

- **\$120 million new Endowment Funding. (“Bucks for Brains”)**
- **\$186 million increase.**

Funding highlights include:

- ◆ **\$70 million benchmark and base funding increases.**
- ◆ **\$30 million increased funding for Kentucky Educational Excellence Scholarship (KEES).**
- ◆ **\$25 million in debt service for physical facilities and equipment.**
- ◆ **\$16 million for Enrollment Growth and Retention program.**
- ◆ **\$15 million in new funding and \$2 million each year to continue Adult Education and Literacy Fund.**
- ◆ **\$10 million for targeted initiatives for Comprehensive university excellence.**
- ◆ **\$4 million to new Science and Technology Trust Fund.**
- ◆ **\$4 million EPSCoR funding to capture additional \$4 million in federal research funds.**
- ◆ **\$4 million for need-based financial aid.**
- ◆ **\$2 million for technology initiatives.**
- ◆ **\$2 million for KCTCS**



The **“Bucks for Brains”** program (Research Challenge Trust Fund and Regional University Excellence Trust Fund) began in 1998-99 as a way to increase the brainpower at state universities while also encouraging increased endowments. The state allocated funding which could only be accessed by the university when matched by private donations.

The endowment match program is meant to be used for endowed professorships and endowed chairs — two of the top spots in higher education — in order to attract top faculty and researchers to Kentucky. This initiative has already resulted in bringing top medical researchers to the campuses of both UK and U of L and has substantially increased the number of endowed professorships on Kentucky’s campuses.



ADULT EDUCATION AND LITERACY

- ***Kentucky ranks last in the nation in the percentage of adults, age 25 and older, who have a high school diploma.***

Kentucky is challenged by persistent poverty and low educational achievement. Historically, this state's poverty rate has been substantially above that of the nation. According to the U.S. Department of Commerce, Kentucky's per capita income in 1997 was \$20,599, compared to the nation's \$25,298.

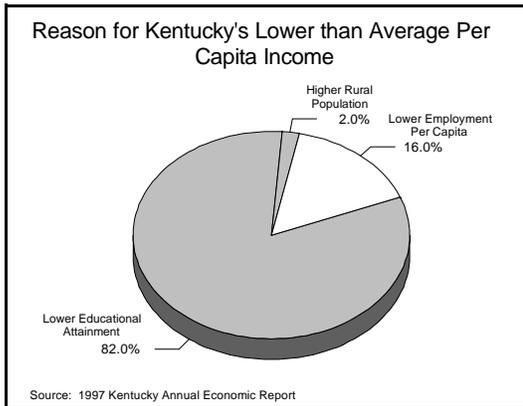
According to the report issued by the Task Force on Adult Education and Literacy, "Adult Literacy is a fundamental barrier to every major challenge facing Kentucky, including early childhood education, education reform, economic development, and improving the health and well-being of Kentucky's families and communities."

To find the best way to address this barrier, Governor Paul Patton formed the Task Force on Adult Education and Literacy in Kentucky. Comprised of leading legislators and educators, the Task Force's recommendations included assignment of responsibility for statewide policy leadership to the Council on Postsecondary Education; with administration to continue in the Department for Adult Education and Literacy. The Task Force also recommended a comprehensive assessment of need, access, and funding in all counties, and incentives for employees and employers to promote adult education.

Currently, adult education programs in Kentucky serve approximately 45,000 annually, or 5% of the population who need service. The proposals for additional funds for Adult Education and Literacy are necessary to bridge the gap in the educational needs of all Kentuckians, and help build an educated and prosperous state. The Commonwealth cannot let the level of adult education be a stumbling block to move Kentucky into a leadership role in the 21st Century.

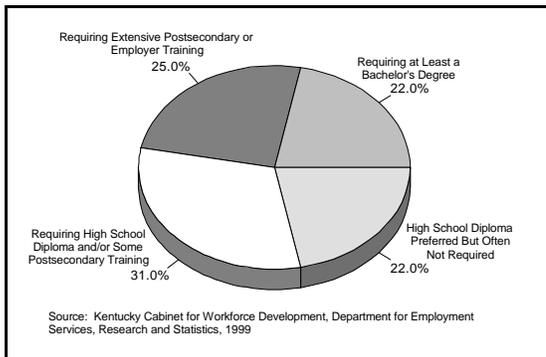
"Forty percent of Kentucky's working age population ages 16 to 64 functions at the two lowest levels of literacy—not being able to read at all or having very limited to moderate reading ability. Statewide averages mask the reality that large numbers of Kentucky counties have levels of literacy comparable only to those of developing nations—not other states."

Task Force Report
Adult Education and Literacy in Kentucky
August 1999



"We must create a culture of learning in this state. This adult literacy initiative will go a long way toward getting us there."

Senate President
David Williams
Press Conference
January 13, 2000



ADULT EDUCATION AND LITERACY

Reduce High Illiteracy Rates
\$19 million

- **\$15 million in new funding; \$2 million each year to continue Special Adult Education and Literacy Fund.**
- **Nearly doubles state spending on adult education.**
- **Creates Adult Education and Literacy Initiative Fund in Council on Postsecondary Education (CPE).**
- **Services targeted to communities based on needs assessment and comprehensive plan.**
- **Flexibility in adult education to fit area and student needs.**
- **Full-time employees completing GED earn \$250 per semester (maximum 4) tuition discount at one of Kentucky's public postsecondary institutions.**
- **State income tax credit to employers who assist an employee in achieving GED. (maximum \$1,250).**
- **CPE, in partnership with the Department for Adult Education and Literacy, to develop and implement 20-year plan and lead a statewide information and marketing campaign.**
- **The Department for Adult Education and Literacy is responsible for operation of adult education and literacy programs.**



TEACHER QUALITY

Efforts to improve teacher quality and the teaching environment are not new to Kentucky. Over the years, and in passage and implementation of the Kentucky Education Reform Act (KERA) – Kentucky has been a leader in teacher quality efforts.

“Kentucky ranked among the top five states in the country for its ongoing attempts to improve the quality of teaching in its public schools.”

Quality Counts 2000 Annual Report

Given the fact that the classroom teacher is the most important link to student learning, teacher quality initiatives can never have an end date – or go into the completed column. New challenges to successful teacher recruitment and retention loom on the horizon and heighten the need for this investment.

- According to the Kentucky Teacher’s Retirement System, approximately one-fourth of Kentucky’s current teacher workforce will be eligible to retire in three years. Finding highly skilled, caring replacements will not be easy.
- Kentucky currently has teacher shortages in several subject areas, including math, science, foreign language, and specialties for teaching students with disabilities.
- Only four percent of Kentucky certified teachers are minorities.
- Economic, political and social changes have combined to make a teacher’s job in the classroom more challenging than ever.
- The compensation gap between teacher’s income and that of more highly-compensated professions continues to dampen recruitment and retention efforts.

The Task Force on Teacher Quality, chaired by Representative Harry Moberly and Senator David Karem, recommends these initiatives as a much needed sequel to the 1990 Kentucky Education Reform Act.

“We already have good teachers in this state, but we want to give them the tools and resources to make them better.”

Governor Paul Patton

“The massive resources already dedicated to reforming public education will not result in improved student achievement without competent, caring teachers to help students achieve at higher levels.”

Kentucky Task Force
on Teacher Quality

“It is absolutely our top priority. If we are going to see the student achievement we want, we will have to focus on teachers.”

Robert Sexton, Director
Prichard Committee for
Academic Excellence
[Lexington-Herald Leader](#)
January 19, 2000

TEACHER QUALITY

Kentucky Gaining Ground

\$23 million

- \$8 million in additional funding to incent universities and colleges to implement innovative teacher training curriculum.
- \$4.9 million additional funding for technology and creation of a single education database.
- \$3.5 million for teacher incentives including tuition waivers, forgiveness of loans, and signing bonuses.
- \$1.9 million to achieve National Board certification for teachers.
- \$1.3 million for strengthened evaluation for license renewal.
- \$.8 to increase mentor stipend for teacher internship programs by \$100 in 2001 and additional \$100 in 2002.
- \$.5 million for assistance for out-of-field teachers of core subjects.
- Require instructional leaders to have training in diversity and equity issues that influence student learning and instructional practices.



AREA TECHNOLOGY CENTER SUPPORT

\$18.1 million

Research demonstrates that the Commonwealth is in the midst of profound economic restructuring that has transformed the nature of work, and the skills demanded of this work. Once a keystone of Kentucky's economy, manufacturing and industrial jobs continue to dissipate; being replaced with work driven by technology, world markets, and consumer demand for quality products and services.

Area Technology Centers are secondary institutions located throughout the Commonwealth, generally in small to medium-sized counties. They are uniquely positioned to serve business and industries where it is not possible to be served by a postsecondary institution. This provides a cost-effective solution to the training needs of business, industry, and local economic development initiatives.

The budget includes:

- \$7.7 million to reduce funding inequities between secondary vocational technical/centers operated by local school districts and state-owned Area Technology Centers administered by the Workforce Development Cabinet.
- \$5.7 million to phase out deduction to funding for schools (SEEK) which was taken when a pupil spent a portion of the school day in an Area Technology Center.
- \$2.5 million to achieve salary equity for administrators and other staff in Workforce Development Cabinet's Area Technology Centers.
- \$2 million for New Computer technology programs and other course offerings in the Workforce Development Cabinet's Area Technology Centers.
- \$.2 million for additional Workforce Development Cabinet personnel to monitor Level III technology classes for compliance with funding criteria and course standards.



“These initiatives reflect countless hours of work and input by Kentuckians willing to roll up their sleeves and serve on the task forces which guided our priorities. Many legislators worked tirelessly as well. I thank them all for that. The consensus reached in a number of key areas is unprecedented.”

Governor Paul Patton

Healthier Kentuckians

HEALTH RELATED ASPECTS OF EARLY CHILDHOOD DEVELOPMENT

It is important in this section on healthier Kentuckians, to recall how many components of the Early Childhood Initiative, highlighted in the previous section as part of **Lifelong Learning**, relate to improved health care for moms and their children.

Kentucky has long struggled with issues related to maternal and child health. According to the 1996 Kids Count Data Book and the Healthy People 2000 data, Kentucky ranks near the bottom – 41st nationally – in the percent of low birth-weight babies, a risk factor for future health and learning problems.

The Task Force on Early Childhood Development specified certain preventive measures for priority funding:

- Funding for preconceptional and prenatal use of folic acid to reduce the number of neural tube defects (spina bifida). Funds are also included for a heightened public awareness campaign.
- Expansion of a *voluntary* home visitation program for first-time parents that includes prenatal and child health information.
- Funding to provide universal vaccine coverage.
- Funding to ensure audiological screenings for newborn infants.
- Requirement for eye examinations prior to entry to school.

“Kentucky has the highest rate of the birth defect spina bifida (open spine) in the nation, a rate 1 1/2 times the national average.”

Folic Acid Initiative

Since Phase I Tobacco Settlement money is meant to repay states for Medicaid costs from diseases related to smoking, it is appropriate that these priorities for improved health for Early Childhood Development be funded through a 25 percent allocation of the Phase I Tobacco

SMOKING PREVENTION PROGRAM

Tobacco Settlement Funding

\$5.6 million

-
- *Kentucky leads the nation in underage cigarette smoking.*
 - *Smoking is the leading cause of preventable death in Kentucky.*
 - *In 1997, 63% of young adult smokers (18-34 years) tried unsuccessfully to quit smoking.*
-

- Program goal to prevent young people from beginning to smoke and helping pregnant women to stop smoking.
- To maximize funding, smoking prevention and awareness will be threaded into each of the programs for which the Department for Public Health has oversight or responsibility or with whom the Department has frequent contact.

These programs and practitioners include: prenatal, cancer prevention, well child, school health, tuberculosis, consumer product safety, practicing physicians, registered nurses, licensed hospitals, medical and public health education, and local health departments in each county of the Commonwealth.

- Allocate funding to local public health departments for smoking prevention programs. Funds to be maximized through:
 - ◆ coordination with other school based programs;
 - ◆ adoption of non-tobacco use policies for faculty, staff and students; and
 - ◆ linking of school-based efforts with local community coalitions and state/regional counter-advertising campaigns.

Reduction in teen smoking was highlighted as a key strategy in Governor Patton's Public Policy Initiatives of Kentucky. The Administration first focused on, and achieved success with, a program to curb the sale of tobacco to minors. Penalties have been stiffened; federal funding requirements have been met; and federal programs to expand compliance regarding the sale of tobacco to minors have been fully realized.

SUPPORTS FOR COMMUNITY LIVING A MENTAL HEALTH COMMITMENT

During the 80's and 90's, Kentucky lost ground in funding community alternatives for the mentally retarded/developmentally disabled (MR/DD).

During this era there was a national call to develop supports for individuals who

“A recent calculation shows that if a person with a developmental disability needs service in the US, they have a 57% chance of being served in a family-scale setting – that is, a setting with fewer than seven persons. The best probability is in Vermont, New Hampshire or Hawaii, where the chance is 94% that someone will live in a family-scale home. The worst chance is in Kentucky, where a person only has a 30% chance of living in a family-scale setting.”

could function with assistance in the community. There was at the same time a movement toward smaller, family-sized settings of six persons and under as another alternative for the developmentally disabled. These trends were meant to give individuals at varying levels of functioning ability alternatives for themselves and their families.

In 1977, Kentucky spent \$0.23 per \$1000 of personal income on Community MR/DD efforts, while the US average was \$0.57. By 1996, Kentucky expended \$0.80 per \$1000 of personal income while the national average had climbed to \$2.47. In other words, we slipped from spending 40% of the national average to 32% of the national average,

on an income-adjusted basis.

That's why we must play catch-up now and fund this initiative.

There is another reason why this is so important right now. There has not always been agreement among those who are active in the MR/DD policy-making arena as to how the state's resources should be allocated. Kentucky took advantage of a great opportunity to send key legislators, advocates, policy makers, and cabinet officials to the President's Commission on Mental Retardation. This group returned having achieved consensus on a plan for improving community services and reducing the waiting list for Supports for Community Living services.

This initiative should be funded because it's the right thing to do. It is also another “invest now or pay later” situation. Individuals who do not receive community services or health care and therapy services will end up in more acute, costly settings.

We cannot afford to lose this opportunity to provide community supports for this deserving and vulnerable group of Kentucky citizens.

"I've seen the struggle of parents trying to care for very loved and very special children; worrying about what's going to happen to their child when they get too old to care for them. I've been to Oakwood, and Central State, and the Home of the Innocents.

I've seen it.

And until you've seen it, my fellow Kentuckians, my friends in the legislature, don't pass judgment on the needs of this very special group of Kentuckians."

Governor Paul Patton
State of the Commonwealth
January 2000

Supports for Community Living Services Include:

Community habilitation, supported employment; residential supports, behavior support, psychological services, occupational therapy, physical therapy, speech therapy, respite care, wellness monitoring, and specialized medical equipment and supplies.

SUPPORTS FOR COMMUNITY LIVING

**A Mental Health Commitment
\$15 million state funding**

- In Year 1, \$5 million in state funds will be matched with federal funds to create \$16.6 million for community based services.
- In Year 2, \$10 million in state funds will be matched with federal funds to create \$33.2 million for community based services.
- SCL allows broad flexibility to bring together diverse resources which are person – not institution – focused.
- Up to 250 additional "slots" in 2001; and up to 500 in 2002.
- Funding at this level addresses the waiting list for individuals in need of emergency supports due to death or incapacitation of parents.
- Study development of a specialized clinic to provide access to experienced healthcare professionals.
- Creates the Kentucky Commission on Services and Supports for Individuals with Mental Retardation and Other Developmental Disabilities to advise Governor; evaluate service delivery system; regionalize waiting list; and develop a comprehensive 10-year plan.

ACCESS TO CARE AT LOCAL HEALTH DEPARTMENTS

Local health departments have met the challenges of improving overall health in Kentucky. For example, in fiscal year 1998, they:

- provided 923,900 doses of vaccine
- conducted inspections of 60,500 food establishments
- provided cancer related clinical visits to 25,000 persons
- provided preventive services to 209,100 children, and
- provided maternity services to 33,400 women.

Public health is increasingly facing a changing environment. Nationally, public appropriations are not growing at the rates of the last thirty years, and in some cases, are declining. Federal agencies expect population based public health results through activities other than individual patient services. Competition with private practitioners for well-child and prenatal services has contributed to a drop in revenues.

At the same time, there are uninsured individuals who have come to rely on public health departments to meet their primary health care needs.

Ultimately, the challenge to Kentucky's state and local health departments will be to find ways to reduce the demand on local health departments and to change Kentuckian's health behaviors by developing new models of service delivery. Health department personnel must acquire the skills, knowledge and expertise to help people achieve a positive health status by developing and coordinating appropriate linkages with private and public health agencies.

This budget recognizes the need to provide transition from an emphasis on clinical operations to providing core public health services.

These funds will help support core public health services.

- Enforcement of public health regulations
- Surveillance and monitoring of public health
- Communicable disease control
- Public health education
- Public health policy
- Family and child risk reduction
- Disaster preparedness

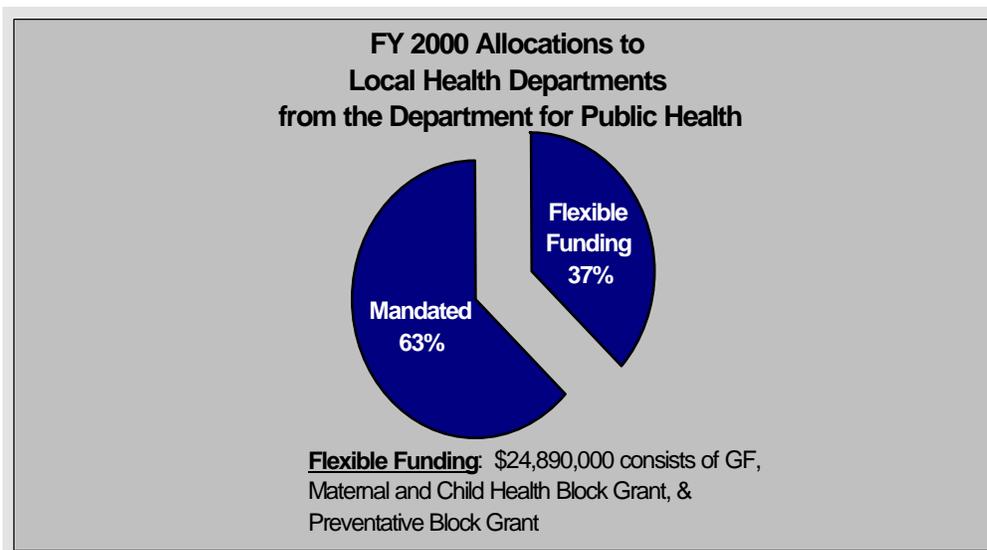
\$37 million new funding for other programs to be administered by local health departments:

- \$22.8 million for the “HANDS” voluntary home visitation program for first time parents.
- \$3 million for folic acid program to reduce birth defects.
- \$6 million for the “Healthy Start” public health and safety education program for day care providers and parents.
- \$5.5 million for a smoking prevention program for youth and pregnant women.
- \$.4 million for a breast cancer action plan.

LOCAL HEALTH DEPARTMENTS

State and Local Partnership
\$16 million

- **\$5.5 million for preventive health services to be used as locally determined.**
- **\$4.8 million fee increases to fund increased costs and volume associated with food and sanitation inspections.**
- **\$3.2 million for the Early Childhood and Public Health Information Technology initiatives.**
- **\$2.5 million one-time training and technical assistance funds.**



KENTUCKY ACCESS

Kentucky Access is a health insurance pool designed to help individuals whose chronic illnesses subject them to high insurance premiums. By providing assistance to individuals with high-cost medical conditions, all Kentuckians benefit. Currently, healthier Kentuckians in the individual market pay a disproportionately higher insurance premium to make sure individuals with high-cost medical conditions are also covered.

“Governor Patton’s proposal would make sure the sickest Kentuckians still have access to insurance, but healthy individuals will no longer pay more than their share because of the new funding.”

George Nichols III
Insurance Commissioner

Kentucky Access is designed to stabilize the entire individual market, hold the line on premiums and establish a program for high cost individuals that will attract insurance companies back to Kentucky.

It will offer three choices of health benefit plans, including the current state-mandated standard benefit plan, a managed care and a traditional fee-for-service plan. The 2,200 people already covered by the Guaranteed Acceptance Program (GAP) will continue to have patient protections for guaranteed renewal and can continue with Anthem or Humana or consider choosing Kentucky Access. Any new individual with high-cost medical conditions, will have access to the health benefit plans of Kentucky Access.

Kentucky Access will initially be funded from an allocation of 70% of the Kentucky Health Care Improvement Fund (Phase I Tobacco Settlement funds), and continuation of the current assessment on insurance companies totaling \$7.8 million per year (roughly half the amount permitted by statute.)

A Kentucky Health Care Improvement Fund Board will be established and will consist of health insurance consumers, health care providers and insurance company representatives to oversee Kentucky Access. A qualified third-party administrator with experience in other states will administer and manage the plan.

Who Will Kentucky Access Help? The 131,800 people in the individual market:

- Owners of family businesses.
- Farm families.
- Workers whose employers don't provide family coverage.
- Self-employed people.
- People with high-cost medical conditions who are currently protected by Guaranteed Acceptance Program (GAP).

Kentucky Access Goals:

- Help the entire individual market.
- Continue protecting Kentuckians with high-cost medical needs.
- Stabilize insurance premiums.
- Improve competition and consumer choice.
- Remain consistent with what the Department of Insurance recommended in 1997.
- Stabilize the individual insurance market.

KENTUCKY ACCESS

Support for Health Insurance
\$39 million

- **Funded by \$17.7 million in year 1 from tobacco settlement funds.**
- **Funded by \$7.8 million in year 1 from assessment on insurers (less than half of amount permitted by statute).**
- **Funded by \$21.3 million in year 2 from tobacco settlement funds.**
- **Funded by \$7.8 million in year 2 from assessment on insurers (less than half of amount permitted by statute).**
- **Choice of three benefit plans: standard benefits, managed care, and traditional benefit plan.**
- **Those in GAP program can continue with GAP insurer or choose Kentucky Access.**
- **No change is proposed to the group health insurance market.**
- **High-cost individuals will have access to insurance regardless of health.**

BREAST CANCER SCREENING

Healthier Kentuckians

\$.4 million

- In addition to continuation funding, there is an additional \$200,000 in each year of the biennium for screening women for breast cancer.
- This funding will provide screening services to 2,000 additional women.
- An effort will continue to make screenings as convenient as possible. Mobile units are among the most successful service delivery modes.
- The breast cancer screening program is led by the Kentucky Department for Public Health. This initiative will join others in the Department which provide for Women's Health and Cancer Prevention.

"You only have to look into the faces of the victims and hear their stories and you automatically know that we need to be as proactive as we can be in dealing with this disease. Early detection means saving lives."

First Lady Judi Patton

This initiative was recommended by the Kentucky Breast Cancer Task Force.

The Kentucky Breast Cancer Task Force is led by First Lady Judi Patton. Members include distinguished representatives of the medical professions, leaders in public health, and breast cancer survivors. The Task Force is charged with the adequacy of screening and treatment programs, health insurance coverage, and funding.

Breast cancer is the most commonly diagnosed cancer and the second leading cause of cancer-related death among women in the Commonwealth.

Today, a New Economy is clearly emerging: it is a knowledge and idea-based economy where the keys to wealth and job creation are the extent to which ideas, innovations, and technology are embedded in all sectors of the economy.

Progressive Policy Institute
[the State New Economy Index](#)

Growing Our Economy

PREPARING FOR A KNOWLEDGE BASED ECONOMY

The economy of our nation has entered the 21st century having undergone a profound change. In the past, the vitality of the U.S. — and Kentucky — economy was determined by the success of its major manufacturing industries. Over the past 20 years, the business environment has broadened to the entire globe and become highly competitive. Information technology, communications, and intellectual capital, rather than energy and raw materials, power today's businesses.

Knowing that the idea and knowledge based nature of this new economic era would present major challenges to our citizens, Governor Patton asked the Kentucky Science and Technology Corporation to study ways to promote economic development in the state, especially scientific and technology-based businesses. Their report — which reflected input from leaders of broadly based education, government and business interests — became the catalyst for a new focus on opportunities in the “New Economy.”

The proposed plan focuses on the linkages between economic development, postsecondary education, and workforce development. In addition to funding and legislative initiatives, creation of Kentucky Innovations 2000 – an advisory panel to guide the Commonwealth's Knowledge Based Economy Initiatives — is proposed.

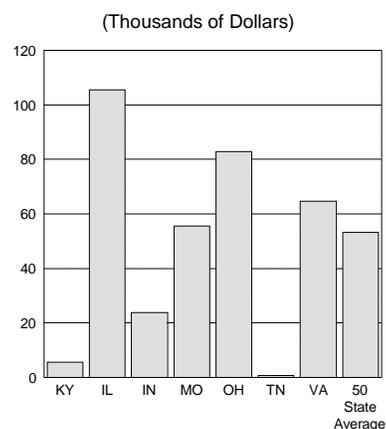
This initiative is not optional for Kentucky if we are to compete. Kentucky has not kept up with investments in research and development as many other states have done.

The New Economy

- Is Global
- Knowledge and Innovation are the keys
- Places a premium on skills and education
- Small, fast growing firms power job growth
- Information Technology is at the core of all businesses
- Markets and businesses are dynamic

Source: National Governors' Association, Center for Best Practices

State Funding for R&D and R&D Plant Expenditures, 1995



Source: "Survey of State Research and Development Expenditures: FY 1995" SSTI, September 1998

As we respond to the pressures of today, let us not ignore the needs of tomorrow. As we enjoy the investments made and the infrastructure built by our predecessors, let us commit ourselves to invest in the capital needs of the future. The new capital of the knowledge-based economy of the 21st century will be the intellectual capital of our people. It's not the kind of capital you get at the bank or on Wall Street. It's the capital we put into the minds of our people day by day; in the classrooms of our common schools and our colleges; with the labors of our teachers; with the efforts of our learners. Let us invest in the intellectual capital of our people and the physical capital of our communities. Let it not be said of us that we failed to build a brighter future for the people of Kentucky!!!

Governor Paul Patton
Second Inaugural Address

"Although Kentucky has benefited from healthy industrial growth, the Commonwealth now needs to focus on the knowledge and idea based sectors of our economy. These sectors have the most potential for expansion in the future, and Kentucky must be positioned to take advantage of this growth or be left behind."

Jody Richards
Speaker of the House
of Representatives

KNOWLEDGE BASED ECONOMY

A Plan for Our Economic Future
\$ 53 million

- **\$20 million fund for projects with a special emphasis on the creation of high-tech jobs.**
- **\$20 million economic development loan fund to build and promote networks of technology-driven and research-intensive industries.**
- **\$4.25 million for commercialization efforts, regional technology service corporations, and research and development partnerships.**
- **\$4 million for EPSCoR funding to capture additional \$4 million in federal research funds.**
- **\$2 million Workforce Training funds for training initiatives that target high-tech jobs.**
- **\$1.25 million to create a new department in the Cabinet for Economic Development to address the recruitment and retention of high-tech jobs.**
- **\$1 million to create a Rural Innovation Fund.**
- **\$.5 million to develop a knowledge based economic development strategy, conduct an entrepreneurial audit of state government practices, and develop a financial services industry economic development strategy.**
- **\$.35 million to assist small Kentucky manufacturers in modernizing their processes to be more competitive in the global marketplace.**

WATER RESOURCES DEVELOPMENT

In 1996, it was estimated that more than 275,000 Kentucky citizens were without access to a quality source of potable water safe for human consumption. Governor Patton established the Water Resources Development Commission which was charged with developing a strategic water resources development plan for the Commonwealth of Kentucky.

The goal of the plan is to provide the best available water and sewer service to every Kentuckian by the year 2020. As adequate infrastructure becomes available, the plan will also include provisions for sufficient water for fire fighting and related safety needs. The plan will not assume that public treatment plants and distribution lines are the only acceptable source of potable water for all citizens. Other, alternative sources of water such as safe wells and cisterns will also be considered where their use is appropriate.

Phase I of the planning process, completed in June 1999, consisted of a detailed statewide inventory of utility-system infrastructure, organization and operations. That information, together with a variety of geographic and other contextual data, was compiled in a computerized geographic information system (GIS). This system offers state-of-the-art ability to manage large amounts of information for planning purposes, plus an unprecedented level of access to other users.

Phase II of the planning process consists of data analysis and preparing the Statewide Water Resource Development Plan. The final plan will include cost estimates and recommendations in the areas of funding, regional approaches, management issues, rate issues, and technical assistance to system operators.

Phase III of Governor Patton's commitment to water resources development will involve a statewide strategy to incent the development of regional water and sewer delivery districts. This will require a cooperative effort on the part of the state, city and county governments, local water districts, and for-profit providers.

“Water is crucial for health, economic development and sustainable communities, but we have not always developed supplies where they are needed.”

Water for Economic Development

“An essential of modern life is water. An adequate source of safe, clean drinking water is nothing to get upset about unless you don’t happen to have any; then it becomes a matter of life and death. Ten percent of our people don’t have it! I call for a commitment to provide water to every Kentuckian and we can do that within 20 years.”

Governor Paul Patton

WATER RESOURCES DEVELOPMENT

Clean Water by 2020

\$115 Million

- \$115 million total water project funding commitments (state and federal).
- \$50 million new money for a rural water line extension program to be funded with \$5 million per year from Phase 1 Tobacco Settlement funds.
- \$7 million new money for KIA Fund A to match \$28 million federal funds for wastewater projects.
- \$6 million new money for KIA Fund F to match \$24 million federal funds for drinking water projects.

ECONOMIC OPPORTUNITY ZONES

Revitalize Inner Cities

“I believe these zones are one way we can revitalize our inner cities, take care of some of the ‘brown fields,’ those abandoned industrial centers, and employ minorities and those who are in poverty.”

Governor Paul Patton

- Tax credits for businesses, other than retail, that establish or expand an existing manufacturing, service, or technology industry in the zone.
- To receive up to 100% tax credit, business must invest minimum of \$100,000 in the project, and maintain 10 new full-time employees who are residents of the zone.
- Local governments approved for zone certification may also apply for grant funds to be used for acquisition and improvement of real estate for economic development purposes and construction and installation of buildings and fixtures for industry.
- A qualified zone area would consist of up to five contiguous census tracts in a city or county with: 1) a minimum poverty rate of 150% of the federal poverty level; 2) an unemployment rate in excess of the state average; and 3) a minimum population density of 200% of the average Kentucky census tract.
- Approved companies in a zone that hire individuals receiving welfare benefits on a full-time permanent basis will be eligible to receive wage subsidies from the Cabinet for Families and Children.

COAL INDUSTRY INCENTIVE PLAN

Increased Production

\$10 Million*

Coal production in Kentucky has been steadily declining since the 1970s. During the mid 1970s, Kentucky produced about 22% of the nation's coal, but now produces only about 14%. During that same period, jobs in the coal fields have declined by about 60%. Additionally, coal-fired generation continues to come under increased pressure from more stringent regulation by the U.S. EPA. Nevertheless, coal remains the major fuel source for electricity generation – accounting for over 50% of the fuel used to generate electricity. Moreover, Kentucky still has significant coal reserves to be mined.

Proposed is a creative plan to provide incentives for increased Kentucky production of coal and to encourage utility companies to locate their generation sources near the Kentucky coal fields.

The plan would create two major incentive programs:

Coal Mining Incentives:

- Allow a coal producing company to take a tax credit against the coal severance tax for up to ½ of their cost for fixed location investments for mining coal. The credit could be taken for a period of up to 10 years.
- Allow a company proposing to mine thin seam coal to take a credit against the coal severance tax of up to \$1.50 per ton based upon the thickness of the seam.
- Allow a company proposing to mine higher-sulfur coal to take a credit against the coal severance tax of up to \$1.50 per ton based upon the sulfur content.
- The total maximum credit allowed per company would be \$2.5M – or \$250,000 per year per project.

Coal-fired Generation Incentive:

- A company proposing to locate coal-fired generation in a coal producing county would be made eligible for Kentucky Rural Economic Development Act (KREDA) and Kentucky Industrial Development Act (KIDA) incentives.

FARM ECONOMY INITIATIVE

As a new century dawns, Kentucky's farm families find themselves faced with an unprecedented level of economic insecurity. Severe cuts in tobacco quotas, record-low prices for virtually all farm commodities, and recent weather-related disasters have thousands of farm families and rural communities on the brink of economic ruin. Kentucky is home to more farms than all but three other states.

These recent developments in Kentucky's agricultural economy demonstrate that the time has come to take dramatic and innovative action to introduce new economic opportunity to our agriculture industry, especially our family farms.

“During the recent long period of debate on the future of tobacco in our country, which produced untold levels of anxiety among our hard-working farm families and their communities, many in our state realized more than ever before that change in agriculture is inevitable. We can channel that change in more productive ways that produce less turbulence. Let us not resist change. Instead let us try to influence change, and that means leadership.”

Governor Paul Patton

The economic contributions of our approximately 90,000 farm families are well documented. Agriculture in Kentucky is a \$4 billion industry and generates \$25 billion annually in related sales and services. Over 110,000 of our people are employed on farms and another 87,000 are employed in agriculturally related services manufacturing and processing. Approximately 200,000 additional people help to provide the final links between farmers and consumers. More than one in four working Kentuckians is in some way linked to agriculture.

Governor Patton supports and recommends the adoption of a plan which provides a blueprint for investment in a new farm economy for Kentucky's farm families and rural communities with funding from 50% of Phase I Tobacco Settlement Funds. This plan is about transition, it's about saving our family farms and doing what's necessary to put them on track to new sources of prosperity.

We believe that access to diversification capital, a strong marketing infrastructure, assisting our farm producers in coming into compliance with environmental regulations and getting public institutions to buy Kentucky grown food products represent the right first steps toward a new future in rural Kentucky.

Small farms have been the foundation of our Nation, rooted in the ideals of Thomas Jefferson and recognized as such in core agricultural policies. It is with this recognition of our Nation's historical commitment to small farms that we renew our dedication to the prominence of small farms in the renewal of American communities in the 21st century.

National Commission
on Small Farms

"Governor Patton has demonstrated exceptional vision in recommending 50% of Phase I funds for agricultural development. These recommendations will redirect Kentucky's agricultural economy onto a path of new prosperity."

Rod Kuegel, President
Burley Tobacco Growers
Cooperative Association

"Governor Patton wants to give Kentucky agriculture the resources necessary for changing the face of our industry. This investment will go a long way in preserving the family farms that are so important to our rural communities. This represents a once-in-a-lifetime opportunity to significantly expand and diversify our farm economy."

Sam Moore
President
Kentucky Farm Bureau

"Our farm families are often active and valued community members, making their towns and cities better places to live. And that's why it is so important that we as a society in Kentucky do everything we can to maintain the ability of our farm families to remain on the farm, in an economically viable way, and to give future generations of Kentuckians the opportunity to be raised in a family farm environment."

Governor Paul Patton

FARM ECONOMY INITIATIVE

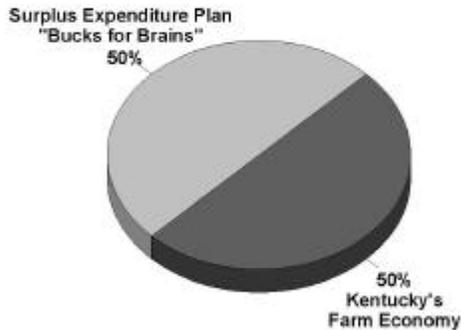
CommonWealth Grows
\$180 million

Initial recommendations include:

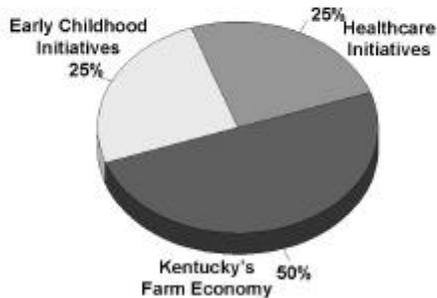
- **\$50 million in farm development and diversification capital for value-added product development, cooperative processing facility development and small farm-based business development.**
- **\$40 million to offset anticipated decreases in future payments to tobacco farmers from the National Tobacco Growers Settlement Trust.**
- **\$27.4 million for construction of farm product processing and marketing infrastructure.**
- **\$18 million in farm environmental stewardship cost-share funds to assist producers in coming into compliance with existing water quality and other environmental regulations to protect farmers and our rivers, lakes and streams.**
- **\$8 million in job retraining scholarships and services for persons displaced from agricultural employment.**
- **\$5 million annual recommendation for debt service to support a \$50 million bond program to fund rural waterline extension throughout the state.**
- **Other recommendations include a farmland conservation effort and a farm-specific mental health outreach effort.**

PHASE I TOBACCO SETTLEMENT SPENDING AT A GLANCE

Non-Recurring Revenue



Recurring Revenue



- \$68.9 million one-time funding for "Bucks for Brains."
- \$68.9 million one-time investment in Farm Economy initiatives.
- \$50 million annual investment in Farm Economy initiatives.
- \$25 million annual investment in Early Childhood Development.
- \$25 million annual investment in health care initiatives.
 - ◆ 70% for Kentucky Access – a health insurance plan for high cost individuals.
 - ◆ 20% for lung cancer research.
 - ◆ 10% for smoking cessation programs.

Funding estimates subject to revision based on actual settlement receipts.

"I believe that what we're proposing today is the fairest and best plan for using the money that is being returned to this state to reimburse us for smoking related health-care costs. These funds should go to insure the health and education of our youngest citizens, the future of farm families and relief for those Kentuckians with serious medical needs, struggling to pay the high cost of health insurance."

Governor Paul Patton
Press Conference

“Today our challenge is to envision the day when no one fears for their safety in a Kentucky home or on a Kentucky street.”

Governor Paul Patton

Protecting Our People

PUBLIC ADVOCACY

Blue Ribbon Group

\$10 Million

Public defenders represent those who have been accused of crimes but are unable to hire their own attorney. There are 227 full time and 90 part-time public defenders in Kentucky. There are 41 people on death row in Kentucky, all of whom are being represented by public defenders.

In the spring of 1999, the Public Advocate and the Public Advocacy Commission formed a Blue Ribbon Group to assess the status of Kentucky's public defender system and to compare it to national counterparts:

- Kentucky ranks among the bottom five in funding of public defender systems.
- Kentucky ranks near the bottom for public defender salaries.
- Kentucky provides inadequate juvenile representation.
- Kentucky public defender caseloads are two times the national average.
- Private lawyers are inadequately compensated for public defender work.

The 2000-2002 budget responds to the Blue Ribbon report and ensures that Kentucky meets its constitutional obligation to provide legal representation for indigent citizens accused of serious crimes. The Governor's budget recommendation includes \$4 million in fiscal year 2001 and \$6 million in fiscal year 2002 to:

- Correct a budget imbalance caused by increased caseloads.
- Bring public defender salaries even with comparable positions in the southeast region.
- Open new offices in 21 counties to expand the system to improve access and raise quality of representation.
- Reduce public defender caseloads by adding 10 public defenders to the system.
- Expand the appellate capacity by one attorney.
- Provide adequate support services to the public defender system.

“Over the years we have admirably delivered services to Kentucky’s indigents who stand accused or convicted of crimes. However, due to funding limitations, the Department has never been able to serve all those in need.”

Michael D. Bowling
Robert F. Stephens
Co-Chairs, Blue Ribbon Group

JUVENILE JUSTICE

Prevention and Structured Detention

The proposed 2000-2002 budget represents a strong and continuing commitment to improving the juvenile justice system in Kentucky.

The primary focus of this budget is to expand the state's role in the areas of prevention, detention, and alternatives to detention. Placement in an institution should be used as a last resort. To insure that this is the case, programs must be in place to target at risk youth and provide them with appropriate services before they are formally processed through the juvenile justice system. In addition, alternatives to detention must be available for the less serious offenders.

- This budget recognizes that the current number and geographic distribution of detention centers for pre-adjudicated youth is inadequate, and proposes \$18 million for two new juvenile detention centers during the biennium as part of a statewide detention plan. Law enforcement officers are currently forced to spend too much time away from their duties to transport youth across the state. The new facilities will address this problem.
- A proposed subsidy increase to counties will provide much needed financial assistance for holding pre-adjudicated juveniles in more appropriate settings.
- Construction of a \$10 million 100-bed facility is proposed to replace buildings housing committed juveniles at three Jefferson County facilities which are in such disrepair that renovation is not cost-effective.
- Increased space at four centers which house committed juveniles will allow for structured educational programs to make the time spent in detention more productive.
- A much-needed renovation is proposed for the 45-year old Morehead Youth Development Center, the only residential facility for female committed juveniles within the Department of Juvenile Justice system.
- Funding is proposed for the Youth Challenge Program operated with the Department of Military Affairs. This program trains and mentors selected high school dropouts in a 22-week quasi-military residential program followed by year of follow-up services.

DOMESTIC VIOLENCE AND SEXUAL ASSAULT

Addressing Crimes Against Women

Legislative Package

Recommendations of the Governor's Council on Domestic Violence, chaired by First Lady Judi Patton:

- Tougher penalties for repeat offenders and when serious injury has occurred; strengthens Kentucky's stalking law; and provides protections for child witnesses to domestic violence.
- Creates Governor's Council on Domestic Violence in statute and expands its scope to include rape; enhances expertise of professionals; provisions for when domestic violence cases end in homicide.

Other Recommendations:

- Increases, for first time in 20 years, marriage license fees to provide funding for spouse abuse centers. The increased fee will result in additional funding to spouse abuse centers totaling \$450,000 per year.

Recommendations of the Governor's Task Force on Sexual Assault:

- Prohibits shock probation for rapists and other violent offenders and addresses sexual offenses committed with date rape drugs.
- Enhances the rights of crime victims, strengthens victim notification, and creates a civil right of action for stalking.
- Strengthens the network of Rape Crisis Centers in Kentucky.

“Kentucky has continued to improve its financial management . . . Balancing ongoing expenditures and recurring revenues has been established as a priority.”

Standard & Poor's
Credit Week Municipal
July 12, 1999

Fiscal Responsibility

EQUITY FOR STATE EMPLOYEES

Kentucky has not evaluated the way it compensates state employees since 1982. Attempts over the years to patch the system have resulted in a compromised, structurally flawed system with *one-half* of the state's workforce holding jobs classified in grades lower than they should be classified.

We compared our level and system of compensation with neighboring states. The results were stunning:

- Illinois pays corrections officers 49% more than does Kentucky.
- Virginia pays parole officers 58% more than Kentucky.
- Indiana pays entry-level social workers 44% more than Kentucky.

A comprehensive analysis of our pay scales shows that overall, our minimum pay is 20% below market. It is not hard to see why it is difficult to recruit and retain qualified personnel in some of our most important front-line jobs.

It is not just entry-level compensation that is a problem. Kentucky's statutory requirement for 5% annual increments provides no incentive for upward mobility and maintains structural inequities.

The proposed equity system will provide uniform annual cost of living increases to all employees to protect their purchasing power. In addition, an annual cost of living increase to the salary schedule will raise the pay of some employees. An additional annual increment ranging from 1% to 3% will be provided on employees' anniversary date to compensate them for their effective years of service to the state. Finally, funds are provided to systematically reclassify employees and increase the starting salaries for job classes that are not paying competitive wages.

There is no better example of the consequence of treating our employees inequitably than the difficulty we are having in hiring and keeping enough patient aids to care for our institutionalized clients. The 69 percent turnover rate for these jobs is directly attributable to the fact that the private sector and every state around us pays more, much more; Ohio pays twice as much.

Governor Paul Patton
State of the Commonwealth
January 2000

Components of an Ideal Compensation System Current Lacking in Kentucky's System:

- Cost of living adjustment.
- Recognition for longevity.
- Job classifications and grades which reflect the market value of the work.
- Appropriate pay ranges between beginning salaries and those for experienced people in the same job.
- Increased compensation for additional education and work experience.
- Job grades with consistent or logical wage differentials.
- Periodic evaluation of pay grades and classifications for updates to remain competitive with the market.
- Wage increases for promotions.
- Extra increments for outstanding employees.

EMPLOYEE EQUITY

Addressing The Need

- **Cost of living increases guaranteed to protect employees' purchasing power.**
- **Additional compensation provided to reward employees for longevity in their grade.**
- **Wage equity measures provided to increase recruitment and retention.**
- **77% of employees will receive a salary above the current 5% increment in fiscal year 2001.**
- **57% of employees will receive a salary above the current 5% increment in fiscal year 2002.**
- **7.1% increased funding in fiscal year 2001.**
- **5.9% increased funding in fiscal year 2002.**

"The present Kentucky employee compensation system is totally illogical, unfair, and generally provides a below-market-rate compensation schedule, especially for entry-level employees, making it difficult to recruit qualified employees."

Governor Paul Patton

INVESTING IN OUR FUTURE

The Commonwealth has historically invested in ways that support essential public services, needs, and expectations. The recommended capital investment program reflects this sense of responsibility with renewed emphasis on essential government services including criminal justice; potable water and wastewater treatment program expansions; basic infrastructure; repair, maintenance, and renovation; investment in the restoration and modernization of the State Capitol Complex, and environmental protection.

A second major priority for capital investment is education, both at the post-secondary and elementary and secondary levels. A broad array of capital asset preservation and renewal initiatives, limited new postsecondary construction, plus support for ongoing local school district construction and renovation needs is provided, including attention to deferred needs at the Schools for the Deaf and Blind.

The third necessary element of capital investment is information technology with significant investments complementing the early childhood, public health, criminal justice, business systems, KET/DTV, and emergency preparedness initiatives.

The fourth policy priority for capital investment is devoted to community development projects throughout the Commonwealth for a broad-based combination of public uses, community infrastructure, transportation, public safety, and local economic opportunity initiatives.

INVESTING IN OUR FUTURE

A 6% Commitment

“After extensive discussion with financial experts I have determined that we should commit ourselves to investing 6 percent of our revenue in the infrastructure of our society and we should do it every year, no matter how bad the short-term fiscal picture looks. That’s what this budget does and what I will continue to do. It’s a rational, sound, responsible policy – decide how much you can afford to invest and then debate over where it’s going to be invested.”

Governor Paul Patton

- **\$423 million capital investment in essential community services:**
 - \$163.4 million for criminal justice, including \$90 million for a new prison and infrastructure for another.
 - \$115 million for water and sewer initiatives.
 - Capitol Complex restoration and infrastructure.
 - Environmental protection and preservation, including preservation of Black Mountain.
- **\$360 million capital investment in Education:**
 - \$262.4 million in postsecondary investments.
 - \$92 million in local elementary and secondary schools construction/renovation.
 - \$6 million for schools for the deaf and blind.
- **\$36 million investment in information technology:**
 - \$1.2 million for children’s health information system.
 - \$2 million for public health.
 - \$6 million for criminal justice.
 - \$12.7 million for KET/DTV.
 - \$1.5 million for forestry radios.
- **Over \$400 million investment in community development and road projects:**
 - Economic development.
 - Infrastructure.
 - Public Safety.
 - Transportation.

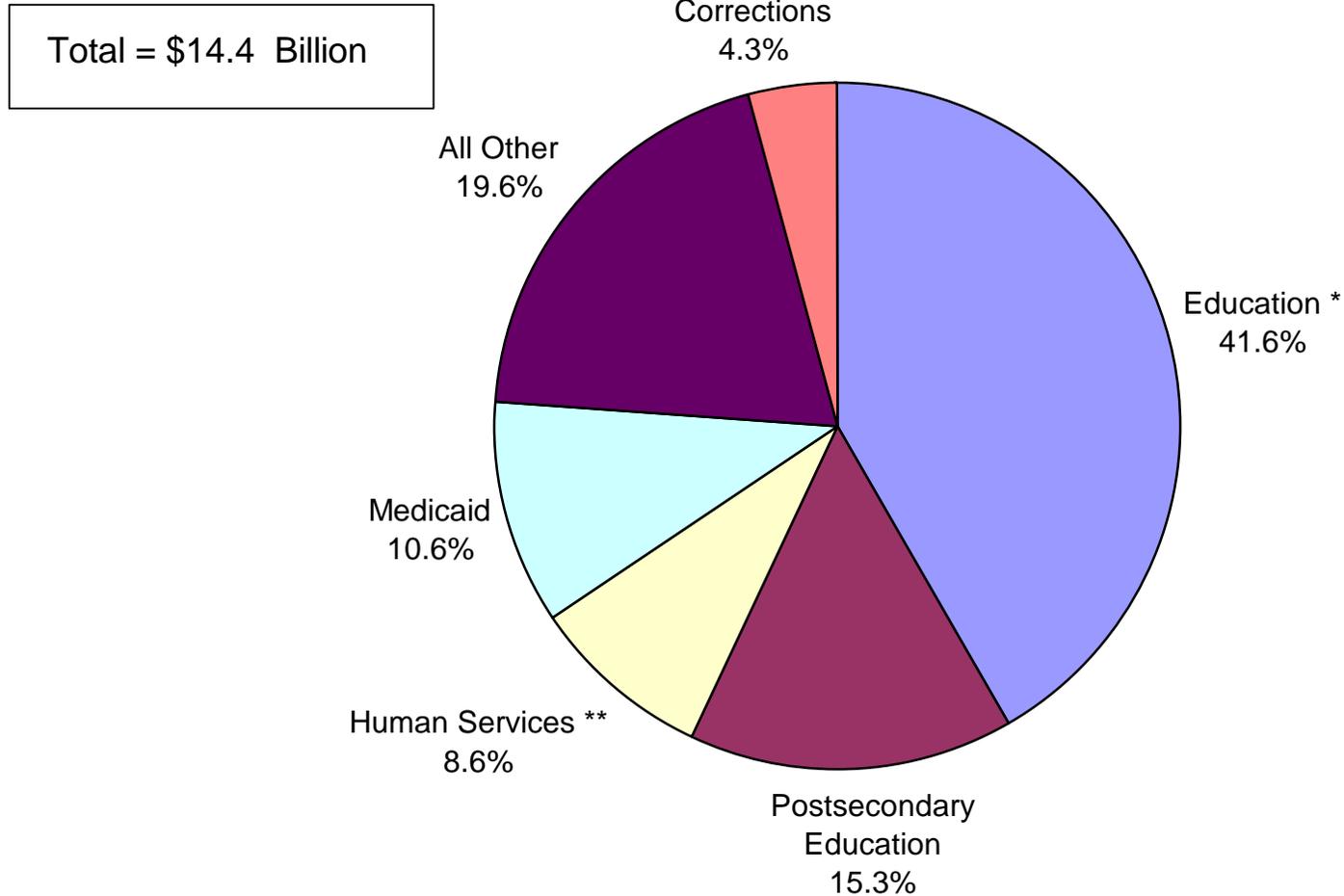
Appendix

Provided in this Appendix are depictions of the relative amounts of appropriations, both on a General Fund and all Funds basis, by functional area of government in the Executive Budget.



Fiscal Years 2001 and 2002

Distribution of General Fund Appropriations



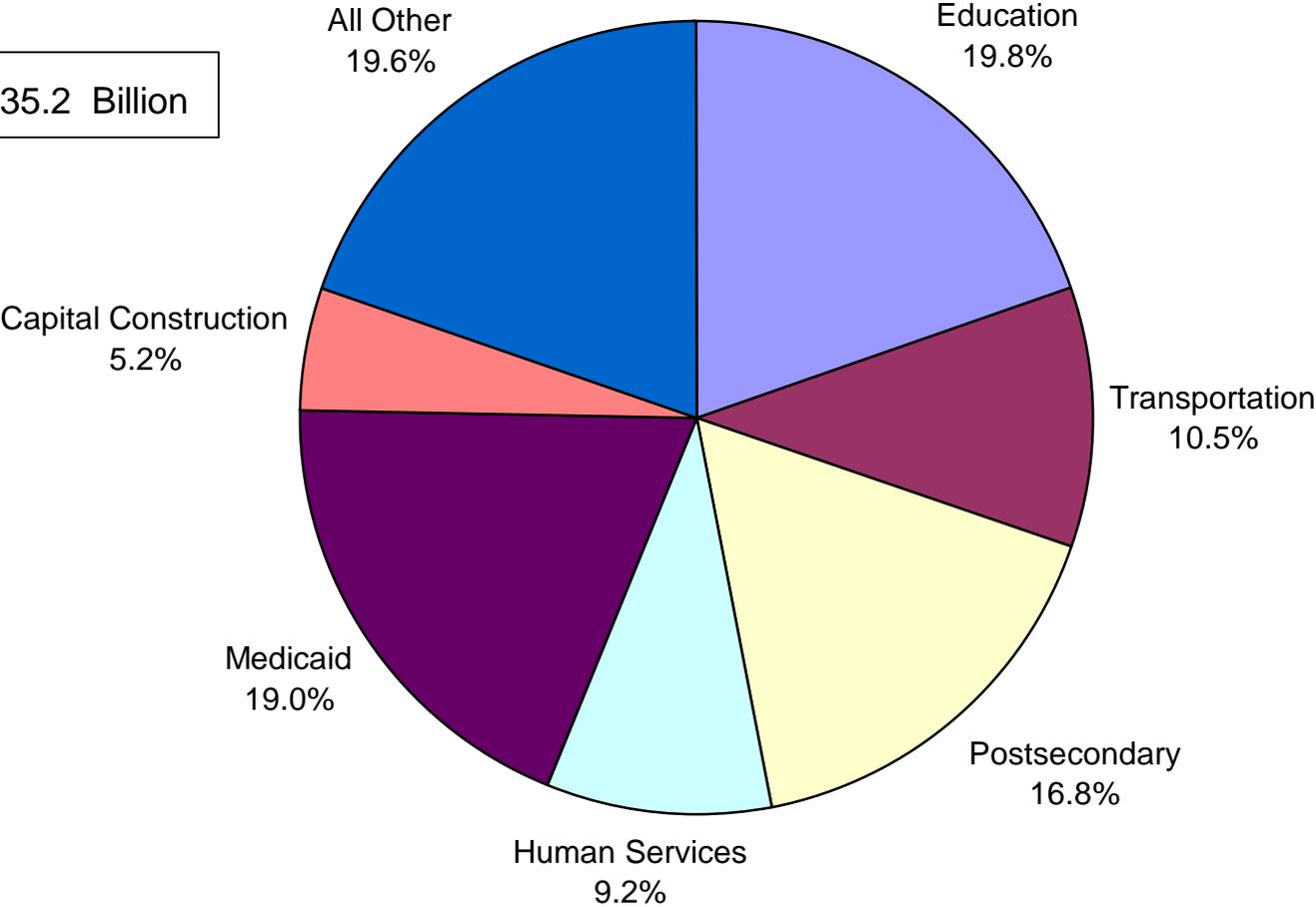
* Education includes the Department of Education, the Teacher's Retirement System, and the School Facilities Construction Commission

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

Fiscal Years 2001 and 2002

Distribution of All Funds Appropriations

Total = \$35.2 Billion



* Education includes the Department of Education, the Teacher's Retirement System, and the School Facilities Construction Commission

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

The 2000-2002 budget sharpens our vision for Kentucky, funds the initiatives we know will make a difference, and allocates our public resources responsibly. We can never forget that it is our citizens' hard earned tax dollars that we are spending. Nor can we forget that we are building a future that will dramatically impact the lives of our children and grandchildren.

Governor Paul Patton
