



2002-2004

Volume 1

BUDGET OF THE COMMONWEALTH



PAUL E. PATTON
GOVERNOR

MARY E. LASSITER
ACTING STATE BUDGET DIRECTOR

Commonwealth of Kentucky

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	7,783,325,600	8,262,697,800	7,091,377,200	7,383,238,500
Tobacco Settlement - I	132,994,800	114,725,000	125,600,000	109,100,000
Special Appropriation			146,800	
Continuing Appropriation - Gen'l Fund	148,591,383	136,948,583	107,187,600	28,050,700
Continuing Appropriation - Tobacco Settlement	4,543,500	4,543,500	64,375,637	4,543,500
Total General Fund	8,069,455,283	8,518,914,883	7,388,687,237	7,524,932,700
Restricted Funds				
Balance Forward	361,297,418	308,738,418	465,553,809	297,805,454
Current Receipts	2,787,806,100	2,880,628,200	2,841,881,200	2,890,624,400
Non-Revenue Receipts	667,792,100	683,285,700	596,981,745	686,878,000
Total Restricted Funds	3,816,895,618	3,872,652,318	3,904,416,754	3,875,307,854
Federal Funds				
Balance Forward	3,887,981	3,793,781	37,230,300	37,296,700
Current Receipts	5,363,697,300	5,590,151,600	5,002,849,200	5,002,096,200
Non-Revenue Receipts	427,563,200	427,324,400	532,515,200	427,268,200
Total Federal Funds	5,795,148,481	6,021,269,781	5,572,594,700	5,466,661,100
Road Fund				
Regular Appropriation	1,057,681,600	1,090,938,700	1,115,289,400	1,130,926,500
Surplus Expenditure Plan			75,240,900	
Total Road Fund	1,057,681,600	1,090,938,700	1,190,530,300	1,130,926,500
TOTAL SOURCE OF FUNDS	18,739,180,982	19,503,775,682	18,056,228,991	17,997,828,154
EXPENDITURES BY CLASS				
Personnel Cost	4,375,064,200	4,576,150,100	4,206,462,700	4,337,348,500
Operating Expenses	1,988,729,900	2,066,456,800	1,919,672,100	1,880,716,200
Grants, Loans or Benefits	10,312,628,200	10,817,646,800	9,896,840,037	9,883,476,300
Debt Service	626,629,800	683,615,800	590,194,000	629,299,300
Capital Outlay	162,206,400	161,567,300	151,520,500	151,368,900
Construction	800,898,200	795,442,100	923,843,300	836,294,100
TOTAL EXPENDITURES	18,266,156,700	19,100,878,900	17,688,532,637	17,718,503,300
EXPENDITURES BY FUND SOURCE				
General Fund	7,908,963,200	8,369,320,800	7,356,093,037	7,477,209,000
Restricted Funds	3,508,157,200	3,623,017,900	3,606,611,300	3,680,890,400
Federal Funds	5,791,354,700	6,017,601,500	5,535,298,000	5,429,477,400
Road Fund	1,057,681,600	1,090,938,700	1,190,530,300	1,130,926,500
TOTAL EXPENDITURES	18,266,156,700	19,100,878,900	17,688,532,637	17,718,503,300
EXPENDITURES BY UNIT				
Executive Branch	17,990,289,400	18,782,499,300	17,421,395,337	17,446,176,800
Legislative Branch	40,328,000	45,007,700	40,328,500	45,007,700
Judicial Branch	235,539,300	273,371,900	226,808,800	227,318,800
TOTAL EXPENDITURES	18,266,156,700	19,100,878,900	17,688,532,637	17,718,503,300

Executive Branch

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	7,523,874,200	7,961,634,400	6,854,558,700	7,128,228,200
Tobacco Settlement - I	132,994,800	114,725,000	125,600,000	109,100,000
Special Appropriation			146,800	
Continuing Appropriation - Gen'l Fund	133,140,383	125,182,383	75,063,000	13,513,300
Continuing Appropriation - Tobacco Settlement	4,543,500	4,543,500	64,375,637	4,543,500
Total General Fund	7,794,552,883	8,206,085,283	7,119,744,137	7,255,385,000
Restricted Funds				
Balance Forward	354,597,218	304,819,218	458,853,609	293,886,254
Current Receipts	2,779,355,300	2,871,958,300	2,833,429,900	2,881,954,500
Non-Revenue Receipts	667,705,000	683,187,300	596,894,645	686,779,600
Total Restricted Funds	3,801,657,518	3,859,964,818	3,889,178,154	3,862,620,354
Federal Funds				
Balance Forward	3,720,381	3,707,981	37,062,700	37,210,900
Current Receipts	5,363,470,700	5,589,918,200	5,002,622,600	5,001,862,800
Non-Revenue Receipts	426,459,400	426,419,800	531,411,400	426,363,600
Total Federal Funds	5,793,650,481	6,020,045,981	5,571,096,700	5,465,437,300
Road Fund				
Regular Appropriation	1,057,681,600	1,090,938,700	1,115,289,400	1,130,926,500
Surplus Expenditure Plan			75,240,900	
Total Road Fund	1,057,681,600	1,090,938,700	1,190,530,300	1,130,926,500
TOTAL SOURCE OF FUNDS	18,447,542,482	19,177,034,782	17,770,549,291	17,714,369,154
EXPENDITURES BY CLASS				
Personnel Cost	4,192,542,000	4,378,792,000	4,029,382,100	4,149,110,000
Operating Expenses	1,898,093,800	1,948,689,200	1,830,796,400	1,797,846,100
Grants, Loans or Benefits	10,312,553,200	10,817,496,800	9,896,840,037	9,883,476,300
Debt Service	626,629,800	683,615,800	590,194,000	629,299,300
Capital Outlay	159,572,400	158,463,400	150,339,500	150,151,000
Construction	800,898,200	795,442,100	923,843,300	836,294,100
TOTAL EXPENDITURES	17,990,289,400	18,782,499,300	17,421,395,337	17,446,176,800
EXPENDITURES BY FUND SOURCE				
General Fund	7,645,827,000	8,064,008,600	7,101,687,337	7,217,949,900
Restricted Funds	3,496,838,300	3,611,174,300	3,595,291,900	3,669,046,800
Federal Funds	5,789,942,500	6,016,377,700	5,533,885,800	5,428,253,600
Road Fund	1,057,681,600	1,090,938,700	1,190,530,300	1,130,926,500
TOTAL EXPENDITURES	17,990,289,400	18,782,499,300	17,421,395,337	17,446,176,800
EXPENDITURES BY UNIT				
Revenue	108,336,600	112,242,600	103,850,700	104,285,600
Government Operations	643,537,400	646,666,200	730,013,930	587,156,800
Justice	691,124,000	729,182,900	637,447,500	650,115,100
Education	3,421,670,100	3,522,630,700	3,366,844,400	3,464,695,500
Education, Arts and Humanities	245,573,900	270,753,400	228,188,500	246,439,000
Natural Resources and Environmental	175,495,300	178,670,900	175,296,700	177,215,800

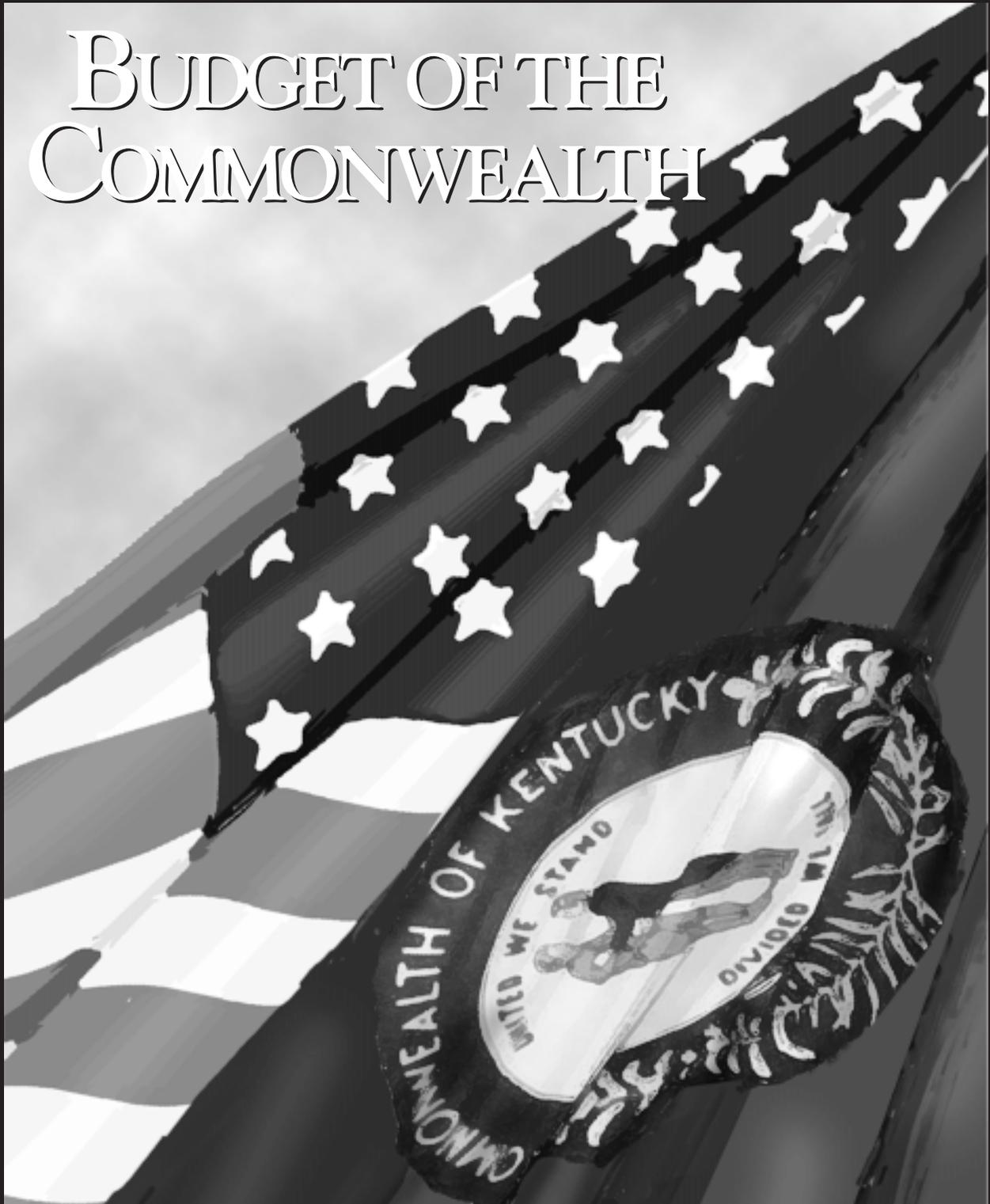
Protection				
Transportation	1,685,385,300	1,706,586,500	1,789,838,400	1,724,853,900
Economic Development	22,951,800	23,383,300	18,441,900	31,142,800
Public Protection and Regulation	203,143,600	207,288,100	185,823,200	179,478,200
Finance and Administration	445,838,100	454,337,000	429,382,300	431,279,600
Tourism Development	172,595,400	197,065,800	166,601,100	165,588,600
Labor	291,879,300	290,856,700	304,330,400	307,295,700
Postsecondary Education	3,387,073,900	3,573,793,400	3,314,647,612	3,434,453,000
Workforce Development	749,570,200	755,835,700	844,434,500	741,927,000
Personnel	43,484,600	62,410,300	38,931,900	52,730,900
Families and Children	999,273,100	1,042,516,000	992,207,454	1,006,984,100
Health Services	4,703,356,800	5,008,279,800	4,095,114,841	4,140,535,200
TOTAL EXPENDITURES	17,990,289,400	18,782,499,300	17,421,395,337	17,446,176,800



2002-2004

*Government
Operations*

BUDGET OF THE COMMONWEALTH



Government Operations

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	300,105,800	307,173,900	247,099,700	250,558,800
Tobacco Settlement - I	56,159,200	47,571,000	52,451,200	43,859,000
Special Appropriation			146,800	
Continuing Appropriation - Gen'l Fund			56,061,500	
Continuing Appropriation - Tobacco Settlement			53,749,630	
Total General Fund	356,265,000	354,744,900	409,508,830	294,417,800
Restricted Funds				
Balance Forward	33,830,218	31,026,618	50,877,554	34,595,754
Current Receipts	67,340,900	65,979,400	69,520,500	65,132,800
Non-Revenue Receipts	91,158,300	93,450,600	78,874,200	85,910,400
Total Restricted Funds	192,329,418	190,456,618	199,272,254	185,638,954
Federal Funds				
Balance Forward	24,481	24,481	1,402,800	1,406,900
Current Receipts	128,844,600	127,429,100	158,707,700	134,593,800
Non-Revenue Receipts	-3,000,000	-3,000,000	-3,000,000	-3,000,000
Total Federal Funds	125,869,081	124,453,581	157,110,500	133,000,700
Road Fund				
Regular Appropriation	125,000	125,000	125,000	125,000
Total Road Fund	125,000	125,000	125,000	125,000
TOTAL SOURCE OF FUNDS	674,588,499	669,780,099	766,016,584	613,182,454
EXPENDITURES BY CLASS				
Personnel Cost	242,126,800	253,509,100	230,860,000	236,741,100
Operating Expenses	151,352,100	146,150,700	136,628,800	79,939,300
Grants, Loans or Benefits	235,710,900	226,019,000	350,598,030	244,351,700
Debt Service	1,450,000	9,029,000		14,682,000
Capital Outlay	3,390,600	2,711,400	2,420,100	2,195,700
Construction	9,507,000	9,247,000	9,507,000	9,247,000
TOTAL EXPENDITURES	643,537,400	646,666,200	730,013,930	587,156,800
EXPENDITURES BY FUND SOURCE				
General Fund	356,265,000	354,744,900	409,508,830	294,417,800
Restricted Funds	161,302,800	167,367,000	164,676,500	161,020,000
Federal Funds	125,844,600	124,429,300	155,703,600	131,594,000
Road Fund	125,000	125,000	125,000	125,000
TOTAL EXPENDITURES	643,537,400	646,666,200	730,013,930	587,156,800
EXPENDITURES BY UNIT				
Executive Office of the Governor	14,848,700	15,638,500	14,519,100	13,146,100
Governor's Office	218,430,100	214,027,600	258,962,130	201,599,900
Unified Prosecutorial System	50,987,500	52,378,700	48,584,500	50,101,700
Local Government - Special Funds	81,631,300	84,686,100	73,725,000	73,223,000
Boards and Commissions	16,734,800	17,598,300	17,199,600	17,198,900
ANOC-Judgments	10,000,000	10,000,000	56,031,100	
Necessary Government Expenses			5,629,000	

Miscellaneous Appropriations	7,107,500	7,367,500	7,254,300	7,367,500
Government Operations	243,797,500	244,969,500	248,109,200	224,519,700
TOTAL EXPENDITURES	<u>643,537,400</u>	<u>646,666,200</u>	<u>730,013,930</u>	<u>587,156,800</u>

**Government Operations
Executive Office of the Governor**

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	11,929,300	12,368,700	11,294,100	10,458,900
Total General Fund	11,929,300	12,368,700	11,294,100	10,458,900
Restricted Funds				
Balance Forward	1,699,400	1,576,000	3,620,300	3,020,900
Current Receipts			2,700	
Non-Revenue Receipts	2,725,000	2,774,000	2,551,900	1,810,000
Total Restricted Funds	4,424,400	4,350,000	6,174,900	4,830,900
Federal Funds				
Current Receipts	71,000	71,000	71,000	71,000
Total Federal Funds	71,000	71,000	71,000	71,000
TOTAL SOURCE OF FUNDS	16,424,700	16,789,700	17,540,000	15,360,800
EXPENDITURES BY CLASS				
Personnel Cost	11,322,800	12,049,000	10,790,100	10,575,800
Operating Expenses	2,595,900	2,659,500	2,822,000	2,540,300
Grants, Loans or Benefits	930,000	930,000	907,000	30,000
TOTAL EXPENDITURES	14,848,700	15,638,500	14,519,100	13,146,100
EXPENDITURES BY FUND SOURCE				
General Fund	11,929,300	12,368,700	11,294,100	10,458,900
Restricted Funds	2,848,400	3,198,800	3,154,000	2,616,200
Federal Funds	71,000	71,000	71,000	71,000
TOTAL EXPENDITURES	14,848,700	15,638,500	14,519,100	13,146,100
EXPENDITURES BY UNIT				
Office of the Governor	9,581,700	9,940,500	9,754,100	8,463,100
Office of State Budget Director	4,767,000	5,198,000	4,288,000	4,683,000
State Planning Fund	500,000	500,000	477,000	
TOTAL EXPENDITURES	14,848,700	15,638,500	14,519,100	13,146,100

The Governor serves as the chief administrator of the state and, in addition to other powers and duties, acts as Commander-in-Chief of all state military forces, appoints executive officers and members of boards and commissions, 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 taxpayers.

**Government Operations
Executive Office of the Governor
Office of the Governor**

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	7,612,500	7,975,500	7,452,100	7,093,900
Total General Fund	7,612,500	7,975,500	7,452,100	7,093,900
Restricted Funds				
Balance Forward	1,067,300	954,100	1,552,600	1,534,300
Current Receipts			800	
Non-Revenue Receipts	1,785,000	1,814,000	2,211,900	850,000
Total Restricted Funds	2,852,300	2,768,100	3,765,300	2,384,300
Federal Funds				
Current Receipts	71,000	71,000	71,000	71,000
Total Federal Funds	71,000	71,000	71,000	71,000
TOTAL SOURCE OF FUNDS	10,535,800	10,814,600	11,288,400	9,549,200
EXPENDITURES BY CLASS				
Personnel Cost	7,444,800	7,803,000	7,391,100	6,844,800
Operating Expenses	1,706,900	1,707,500	1,933,000	1,588,300
Grants, Loans or Benefits	430,000	430,000	430,000	30,000
TOTAL EXPENDITURES	9,581,700	9,940,500	9,754,100	8,463,100
EXPENDITURES BY FUND SOURCE				
General Fund	7,612,500	7,975,500	7,452,100	7,093,900
Restricted Funds	1,898,200	1,894,000	2,231,000	1,298,200
Federal Funds	71,000	71,000	71,000	71,000
TOTAL EXPENDITURES	9,581,700	9,940,500	9,754,100	8,463,100
EXPENDITURES BY UNIT				
Governor	5,029,900	5,247,100	5,315,600	5,395,200
Governor's Office Expense Allowance	21,000	21,000	21,000	21,000
Lieutenant Governor	416,300	434,200	439,000	405,500
Lt. Governor's Expense Allowance	12,000	12,000	12,000	12,000
Secretary of the Cabinet	704,300	736,300	681,000	869,400
EMPOWER Kentucky	485,700	503,000	476,000	492,000
Kentucky Commission on Military Affairs	360,600	373,500	317,000	326,000
Coal Marketing and Export Council	926,400	946,600	869,500	300,000
Child Abuse and Domestic Violence Services	428,500	444,800	418,000	248,000
Kentucky Appalachian Commission	373,000	381,000	392,000	394,000
Washington DC Office	824,000	841,000	813,000	
TOTAL EXPENDITURES	9,581,700	9,940,500	9,754,100	8,463,100

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. This role promotes cooperation and coordination among all agencies and programs of state government.

The Kentucky Council on Domestic Violence was created by Executive Order in January 1996. As an extension of the Council, the Governor's Office of Child Abuse and Domestic Violence Services was created by the 1998 General Assembly and codified in KRS 12.350. This office is responsible for the planning, implementation, and direction of legal and human services systems of community support and services related to domestic violence. The office was established to address the need to increase the efficiency and accountability of state and community systems responsible for the provision of services to victims of child abuse, domestic violence, and rape or sexual assault.

Also attached to the Governor's Office is the Kentucky Appalachian Commission (KAC). This commission, originally created by Executive Order in October 1995 and codified by the 1998 General Assembly in KRS 11.180, exists for the purpose of developing a comprehensive plan for the Appalachian Region of Kentucky. The goal of the commission is the unification of resources from both public and private sectors to achieve sustainable economic development and an improved quality of life in the region.

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.

Attached to the Governor's Office is the Kentucky Coal Council and the Office of Coal Marketing and Export (KRS 154.12-250). The Council provides direction to the Governor in marketing efforts targeted to increasing opportunities for Kentucky coal. KRS 132.020(9) directs that \$400,000 each year from the property tax on unmined coal be paid to the Council for the purpose of public education of coal-related issues.

Policy

The fiscal year 2003-04 Budget of the Commonwealth includes language that mandates \$750,000 included in the General Fund appropriation to the Governor's Office in fiscal year 2003-04 lapse to the credit of the General Fund, effective December 1, 2003.

The fiscal year 2003-04 Budget of the Commonwealth includes language that provides General Funds in the amount of \$250,000 in fiscal year 2003-2004 which shall be utilized to provide the state's share of federal matching requirements for a grant from the U.S. Department of Energy to the Purchase Area in Western Kentucky to support land use and development in the Purchase Regional Industrial Park Authority.

The fiscal year 2003-04 Budget of the Commonwealth provides a total of \$417,500 in General Funds to the Lieutenant Governor for both his expense allowance and the operation of his office.

The fiscal year 2003-04 Budget of the Commonwealth includes the following language, "Notwithstanding KRS 132.020(9), effective July 1, 2003, funds are not provided to the Coal Marketing and Export Council from the property tax on unmined coal. Included in the above restricted funds appropriation is \$300,000 in fiscal year 2002-2003 and \$300,000 in fiscal year 2003-2004 from the multi-county coal severance tax receipts fund. Notwithstanding KRS 45.229, any General Fund or restricted funds support for the operations of the Coal Marketing and Export Council that are included in the above appropriations and remaining in the balance at the end of fiscal year 2002-2003 shall not be carried forward into fiscal year 2003-2004 but shall lapse to the credit of the General Fund." This language effectively changes the source of funds and reduces the total funding for the Coal Marketing and Export Council.

The fiscal year 2003-04 Budget of the Commonwealth eliminates funding for the operations of the Washington, D.C. Office effective September 1, 2003. Any General Fund or restricted funds that are included in the above appropriations and remaining in the balance of the Washington, D.C. Office accounts at the end of fiscal year 2002-2003 shall not be carried forward into fiscal year 2003-2004 but shall lapse to the credit of the General Fund.

The fiscal year 2003-04 Budget of the Commonwealth reduces General Funds in the amount of \$184,000 and 1 permanent full-time employee in the Office of Child Abuse and Domestic Violence Services and provides that funding instead to the University of Kentucky beginning in fiscal year 2004.

**Government Operations
Executive Office of the Governor
Office of State Budget Director**

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	3,816,800	3,893,200	3,365,000	3,365,000
Total General Fund	3,816,800	3,893,200	3,365,000	3,365,000
Restricted Funds				
Balance Forward	632,100	621,900	2,067,700	1,486,600
Current Receipts			1,900	
Non-Revenue Receipts	940,000	960,000	340,000	960,000
Total Restricted Funds	1,572,100	1,581,900	2,409,600	2,446,600
TOTAL SOURCE OF FUNDS	5,388,900	5,475,100	5,774,600	5,811,600
EXPENDITURES BY CLASS				
Personnel Cost	3,878,000	4,246,000	3,399,000	3,731,000
Operating Expenses	889,000	952,000	889,000	952,000
TOTAL EXPENDITURES	4,767,000	5,198,000	4,288,000	4,683,000
EXPENDITURES BY FUND SOURCE				
General Fund	3,816,800	3,893,200	3,365,000	3,365,000
Restricted Funds	950,200	1,304,800	923,000	1,318,000
TOTAL EXPENDITURES	4,767,000	5,198,000	4,288,000	4,683,000
EXPENDITURES BY UNIT				
Office of State Budget Director	4,767,000	5,198,000	4,288,000	4,683,000
TOTAL EXPENDITURES	4,767,000	5,198,000	4,288,000	4,683,000

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 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) provides 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.

Policy

The Budget of the Commonwealth provides that \$550,000 of restricted funds be transferred from the Office of State Budget Director to the General Fund.

**Government Operations
Executive Office of the Governor
State Planning Fund**

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	500,000	500,000	477,000	
Total General Fund	500,000	500,000	477,000	
TOTAL SOURCE OF FUNDS	500,000	500,000	477,000	
EXPENDITURES BY CLASS				
Grants, Loans or Benefits	500,000	500,000	477,000	
TOTAL EXPENDITURES	500,000	500,000	477,000	
EXPENDITURES BY FUND SOURCE				
General Fund	500,000	500,000	477,000	
TOTAL EXPENDITURES	500,000	500,000	477,000	
EXPENDITURES BY UNIT				
State Planning Fund	500,000	500,000	477,000	
TOTAL EXPENDITURES	500,000	500,000	477,000	

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 Budget of the Commonwealth eliminates funding for the State Planning Fund beginning in fiscal year 2004.

**Government Operations
Governor's Office of Agricultural Policy**

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
General Fund				
Tobacco Settlement - I	51,396,000	43,146,000	47,688,000	34,434,000
Continuing Appropriation - Tobacco Settlement			51,285,500	
Total General Fund	51,396,000	43,146,000	98,973,500	34,434,000
Restricted Funds				
Balance Forward			142,600	142,600
Non-Revenue Receipts	155,900	161,000	155,900	161,000
Total Restricted Funds	155,900	161,000	298,500	303,600
TOTAL SOURCE OF FUNDS	51,551,900	43,307,000	99,272,000	34,737,600
EXPENDITURES BY CLASS				
Personnel Cost	1,407,600	1,462,900	1,407,600	1,462,900
Operating Expenses	562,700	568,000	562,700	568,000
Grants, Loans or Benefits	49,581,600	41,276,100	97,159,100	32,564,100
TOTAL EXPENDITURES	51,551,900	43,307,000	99,129,400	34,595,000
EXPENDITURES BY FUND SOURCE				
General Fund	51,396,000	43,146,000	98,973,500	34,434,000
Restricted Funds	155,900	161,000	155,900	161,000
TOTAL EXPENDITURES	51,551,900	43,307,000	99,129,400	34,595,000
EXPENDITURES BY UNIT				
Phase II - Administration	155,900	161,000	155,900	161,000
State Grants - Phase I	27,601,600	22,183,600	75,179,100	13,471,600
GOAP - Administration	712,000	734,700	712,000	734,700
KCADE - Administration	1,102,400	1,135,200	1,102,400	1,135,200
County Grants - Phase I	21,980,000	19,092,500	21,980,000	19,092,500
TOTAL EXPENDITURES	51,551,900	43,307,000	99,129,400	34,595,000

The Governor's Office of Agricultural Policy (GOAP) was created to provide the Governor with a direct link to the Commonwealth's agricultural industry. The GOAP appropriation unit includes five programmatic areas: GOAP Administration - Phase I; KCADE - Administration (Kentucky Center for Agricultural Development and Entrepreneurship); County Grants - Phase I; State Grants - Phase I; and Administration - Phase II.

GOAP Administration - Phase I

The GOAP Administration - Phase I duties include the development of a comprehensive agricultural development strategy based upon strengthening the agricultural economy while retaining Kentucky's unique social fabric and respecting the ecology of the Commonwealth. The office is responsible for staffing the Kentucky Agricultural Development Board, which guides the investment of the Agricultural Development Fund.

The Kentucky Agricultural Development Board was created by the 2000 General Assembly (KRS 248.707). The Board serves to distribute 50 percent of the funds the state receives from the Tobacco Master Settlement Agreement for agricultural development in the Commonwealth. The Board invests these funds in innovative proposals that: increase in net farm income; positively affect tobacco farmers, tobacco-impacted communities, and agriculture across the state by stimulating markets for Kentucky agricultural products; find new ways to add value to Kentucky agricultural products; and explore new opportunities for Kentucky farms.

The Kentucky Aquaculture Production System cost-share program, with an appropriation by the General Assembly for Aquaculture Infrastructure, was developed and is currently administered by the GOAP. GOAP administers three advisory boards including the Governor's Commission on Family Farms, the Kentucky Agriculture Resources Development Authority, and the Governor's Tobacco Marketing and Export Advisory Council.

The Governor's Commission on Family Farms (GCFF), established by Executive Order 98-482, is a group of 28 members comprised primarily of farmers who advise the Governor on issues directly impacting the farm families of Kentucky. Among the GCFF's accomplishments is the recommendation to the Governor and General Assembly to establish an Agricultural Entrepreneurship Center, which was authorized in 2000 through KRS 278.719. The GCFF held the Farm Family Education Summit that brought together leaders in academia and agriculture to address gaps in the educational delivery system to Kentucky's farm families.

The Kentucky Agriculture Resources Development Authority (KARDA), established by KRS 11.170, is comprised of 27 members that serve to unify the efforts of agricultural groups on behalf of farmers and agribusiness. KARDA advises the Governor and other state officials on economic development initiatives that will improve the farm economy in Kentucky. KARDA also works with the Executive Branch and the Legislative Branch on legislation, policies, and programs with specific emphasis on increasing farm income and strengthening Kentucky's rural communities.

The Governor's Tobacco Marketing and Export Advisory Council (GTMEAC) was established to foster business relationships in new foreign markets for Kentucky burley tobacco.

KCADE

The Kentucky Center for Agricultural Development and Entrepreneurship (KCADE), pursuant to KRS 248.719, was created by the Agricultural Development Board to provide business development and technical feasibility assistance, build the entrepreneurial capacity of the farmers of the Commonwealth, and distribute grants to advance farm diversification, cooperative development, marketing, and new product development. The educational objectives of the Center are implemented through a partnership between the Cooperative Extension Service and the Kentucky Small Business Development Centers.

Administration - Phase II

The Kentucky Tobacco Settlement Trust Corporation (KTSTC), also known as the Phase II Board, is the entity of state government that will provide to the National Tobacco Growers Settlement trustee a certified distribution plan and a certified list of eligible recipients and their individual payments from the national trust. Costs related to the administration of the settlement distribution are reimbursed directly from the national trustee. The distribution of Phase II Tobacco Settlement payments directly to Kentucky burley tobacco growers and quota holders is overseen by the Kentucky Tobacco Settlement Trust Corporation, which is also administered by the Governor's Office of Agricultural Policy.

County Grants - Phase I

The Kentucky Agricultural Development Board determines the allocation and distribution of the funds available for distribution from the county portion of the Agricultural Development Fund. Based upon the Board's guiding principles for investment, the Fund supports county-level, on-farm production, diversification and education efforts. Applications are submitted to the eight-member County Agricultural Development Council in the county where the project or improvement will occur. The Council assigns a priority ranking (high, medium, low, or none) to the application based on the fit in the county's agricultural comprehensive plan. The Council submits all county-level and state applications to KADB for funding decisions.

State Grants - Phase I

The Kentucky Agricultural Development Board (KADB) determines the allocation and distribution of funds available from the state portion of the Agricultural Development Fund. Based upon the Board's guiding principles for investment, the Fund provides necessary agricultural infrastructure components across the Commonwealth. The state grant awards involve agricultural development in more than one county or a region.

Government Operations
Governor's Office of Early Childhood Development

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	222,300	226,700	213,500	213,500
Tobacco Settlement - I	2,188,400	2,188,400	2,188,400	2,188,400
Continuing Appropriation - Tobacco Settlement			1,831,430	
Total General Fund	2,410,700	2,415,100	4,233,330	2,401,900
Restricted Funds				
Balance Forward			100,000	100,000
Current Receipts	50,000		50,000	
Total Restricted Funds	50,000		150,000	100,000
Federal Funds				
Current Receipts	175,000	175,000	175,000	175,000
Total Federal Funds	175,000	175,000	175,000	175,000
TOTAL SOURCE OF FUNDS	2,635,700	2,590,100	4,558,330	2,676,900
EXPENDITURES BY CLASS				
Personnel Cost	748,600	765,300	739,800	752,100
Operating Expenses	127,100	64,800	127,100	64,800
Grants, Loans or Benefits	1,760,000	1,760,000	3,591,430	1,760,000
TOTAL EXPENDITURES	2,635,700	2,590,100	4,458,330	2,576,900
EXPENDITURES BY FUND SOURCE				
General Fund	2,410,700	2,415,100	4,233,330	2,401,900
Restricted Funds	50,000		50,000	
Federal Funds	175,000	175,000	175,000	175,000
TOTAL EXPENDITURES	2,635,700	2,590,100	4,458,330	2,576,900
EXPENDITURES BY UNIT				
Early Childhood Development	2,635,700	2,590,100	4,458,330	2,576,900
TOTAL EXPENDITURES	2,635,700	2,590,100	4,458,330	2,576,900

The 2000 General Assembly established the Office of Early Childhood Development within the Office of the Governor through KRS 12.401. The primary responsibilities of the Office of Early Childhood Development are (a) to provide assistance to the Early Childhood Development Authority; (b) to create and oversee implementation of a strategic plan to design Kentucky's early childhood development efforts toward assisting families and enhancing opportunities for young children to succeed as citizens; (c) to promote coordination and collaboration between Kentucky communities, various levels of state and local government, nonprofit organizations, businesses, health organizations, churches, and parents to provide integrated and comprehensive services for all families that undergird the early development of children; (d) to identify and assess the most common challenges, existing resources, and services within the state and make recommendations to the Governor, state legislature, or other governing bodies regarding the demand and effectiveness of present services and improvements that should be addressed; (e) to develop performance measures that will provide consistent and fair evaluation and accountability regarding the effectiveness of service providers, programs, activities, and services affecting early childhood development; (f) to design information campaigns to raise public awareness and promote citizen engagement regarding the critical nature of early childhood development and to increase the will of citizens to make quality resources and services more widely available to families and children; (g) to create the beginning of a seamless system for youth that will assist them from birth until they begin their careers; and (h) to undertake new and progressive initiatives to improve and enhance the delivery of services affecting early childhood development.

Policy

House Bill 502 passed by the 2000 General Assembly and House Bill 269 passed by the 2003 General Assembly appropriated 25 percent of the Tobacco Master Settlement Agreement Phase I payments for various early childhood development initiatives in the Office of the Governor, the Cabinet for Health Services, the Cabinet for Families and Children, and the Kentucky Higher Education Assistance Authority. The Office of Early Childhood Development is the central point of coordination for these activities. Unexpended Tobacco funds in the amount of \$1,861,800 shall be transferred to the General Fund during fiscal year 2003.

**Government Operations
Kentucky Agency for Substance Abuse Policy**

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
General Fund				
Regular Appropriation			1,250,000	1,250,000
Tobacco Settlement - I	2,574,800	2,236,600	2,574,800	2,236,600
Continuing Appropriation - Tobacco Settlement			632,700	
Total General Fund	2,574,800	2,236,600	4,457,500	3,486,600
Federal Funds				
Current Receipts	111,700	111,700	111,700	111,700
Total Federal Funds	111,700	111,700	111,700	111,700
TOTAL SOURCE OF FUNDS	2,686,500	2,348,300	4,569,200	3,598,300
EXPENDITURES BY CLASS				
Personnel Cost	409,200	427,700	349,700	366,300
Operating Expenses	217,700	217,700	1,742,700	1,742,700
Grants, Loans or Benefits	2,059,600	1,702,900	2,476,800	1,489,300
TOTAL EXPENDITURES	2,686,500	2,348,300	4,569,200	3,598,300
EXPENDITURES BY FUND SOURCE				
General Fund	2,574,800	2,236,600	4,457,500	3,486,600
Federal Funds	111,700	111,700	111,700	111,700
TOTAL EXPENDITURES	2,686,500	2,348,300	4,569,200	3,598,300
EXPENDITURES BY UNIT				
Kentucky Agency for Substance Abuse	2,686,500	2,348,300	4,569,200	3,598,300
TOTAL EXPENDITURES	2,686,500	2,348,300	4,569,200	3,598,300

The Kentucky Agency for Substance Abuse Policy (KRS 12.330) was established by the 2000 General Assembly to reduce the prevalence of smoking, drug, and alcohol abuse in both the youth and adult populations of Kentucky. An 18-member board was created to oversee the actions of the Kentucky Agency for Substance Abuse Policy. This board is comprised of members of the Executive Branch, representatives from of non-profit health-related organizations, and the Administrative Office of the Courts.

The Champions for a Drug Free Kentucky program operates in partnership with KY-ASAP. Its primary role is to mobilize local community anti-drug coalitions, by working with the professional staffs in the Regional Prevention Centers, in partnership with the administrative arm of the Division of Substance Abuse in the Cabinet for Health Services.

Policy

Included in the General Fund appropriation is \$225,000 in fiscal year 2003 to be transferred to the Department for Medicaid Services to partially offset the costs of the projected Medicaid budget deficit.

Included in the Tobacco fund appropriation is \$225,000 in fiscal year 2004 to be transferred to the Department for Public Health for operating costs associated with the upgrade of the Kentucky All Schedule Electronic Reporting (KASPER) system.

In fiscal year 2003 and fiscal year 2004, \$1,500,000 in tobacco funds shall be transferred to the credit of the General Fund.

**Government Operations
Kentucky Infrastructure Authority**

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
General Fund				
Regular Appropriation		7,529,000		8,311,000
Tobacco Settlement - I				5,000,000
Total General Fund		7,529,000		13,311,000
Restricted Funds				
Balance Forward	303,100	303,100	1,252,700	1,252,600
Non-Revenue Receipts	2,399,700	2,392,300	6,067,400	2,568,000
Total Restricted Funds	2,702,800	2,695,400	7,320,100	3,820,600
Federal Funds				
Balance Forward	1,400	1,400	31,100	29,700
Current Receipts	53,310,500	53,311,500	53,311,600	53,312,000
Non-Revenue Receipts	-3,000,000	-3,000,000	-3,000,000	-3,000,000
Total Federal Funds	50,311,900	50,312,900	50,342,700	50,341,700
TOTAL SOURCE OF FUNDS	53,014,700	60,537,300	57,662,800	67,473,300
EXPENDITURES BY CLASS				
Personnel Cost	2,377,200	2,367,800	2,349,000	2,334,000
Operating Expenses	50,303,000	50,303,000	513,000	513,000
Grants, Loans or Benefits			53,488,500	50,000,000
Debt Service		7,529,000		13,311,000
Capital Outlay	30,000	33,000	30,000	33,000
TOTAL EXPENDITURES	52,710,200	60,232,800	56,380,500	66,191,000
EXPENDITURES BY FUND SOURCE				
General Fund		7,529,000		13,311,000
Restricted Funds	2,399,700	2,392,300	6,067,500	2,568,000
Federal Funds	50,310,500	50,311,500	50,313,000	50,312,000
TOTAL EXPENDITURES	52,710,200	60,232,800	56,380,500	66,191,000
EXPENDITURES BY UNIT				
Kentucky Infrastructure Authority	52,710,200	60,232,800	56,380,500	66,191,000
TOTAL EXPENDITURES	52,710,200	60,232,800	56,380,500	66,191,000

The Kentucky Infrastructure Authority (KIA) was reorganized from the Finance and Administration Cabinet to the Governor's Office by Executive Order 2000-1062. KIA's expanded mission was authorized by Senate Bill 409 of the 2000 General Assembly and codified in KRS Chapter 224a. That Act authorized the KIA to establish and coordinate regional infrastructure planning to promote higher levels of technical, managerial, and financial capacity of water based utilities, and to actively pursue the achievement of economies of scale among and between utilities to the best interest of consumers. Additionally, the Authority's more traditional role of providing infrastructure financing for governmental agencies was expanded to include investor owned, private utilities. The General Assembly supported the new initiatives set out in the legislation with the creation of a new account, the 2020 account, through which the Authority provides grants and subsidized loan incentives in addition to its existing programs.

The Authority is authorized by KRS Chapter 224A to issue notes and bonds to provide loans to governmental agencies and private, investor owned utilities in Kentucky. 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 such entities in financing the construction of infrastructure projects. The following provides a description of the Authority's various programs:

Fund A - Wastewater Revolving Loan Program:

Local wastewater treatment facilities that qualify under the U.S. Environmental Protection Agency standards are financed through this program. Jointly administered by the KIA and the Natural Resources Cabinet, loans are provided at below-market interest rates.

Fund B - Infrastructure Revolving Fund Programs:

Fund B Revolving Loan/Grant Program: This fund was established to provide financing for any type of infrastructure that will enhance economic development and job creation. Loans are made to governmental entities of the Commonwealth that are unable to finance a complete project through other public grant or loan programs, through commercial credit at reasonable rates or from their own resources. The loans are at or below market interest rates and do not exceed thirty years. Grants are available, but are reserved for borrowers facing both a financial hardship and an extreme health hazard.

Fund B 2020 Program: This fund was established to implement the legislation passed in the 2000 General Assembly. Eligible activities include, but are not limited to, the provision of water service to households in Kentucky which do not have access to safe drinking water, encouraging merger and consolidation of systems, and encouraging 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 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 E - Solid Waste Revolving Loan Program:

This fund was established to assist local government units in the financing of solid waste projects. Financial assistance is available for the useful life of the project or thirty years, whichever is shorter. Grants are also available from this fund. Jointly administered by the Natural Resources Cabinet, the fund provides grants up to \$75,000 per project per funding cycle to defray capital costs associated with solid waste management activities.

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 U.S. Environmental Protection Agency (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.

Policy

Included in the enacted budget is \$569,000 in fiscal year 2004 for debt service to support \$6,200,000 in bonds to match \$31,000,000 in federal funds for the Federally Assisted Wastewater Revolving Loan Fund program (Fund A).

Included in the enacted budget is \$496,000 in fiscal year 2004 for debt service to support \$5,000,000 in bonds to match \$25,000,000 in federal funds for the Safe Drinking Water State Revolving Loan Fund program (Fund F). The Federal Funds for this program are appropriated in the operating budget to comply with the Federal Cash Management Act. The required state matching funds are appropriated as Bond Funds in the capital budget.

Included in the enacted budget is \$2,283,000 in fiscal year 2004 for debt service to support \$25,000,000 in bonds for the Kentucky Pride Program created by House Bill 174 of the 2002 Regular Session.

Included in the enacted budget is \$210,000 in fiscal year 2003 and \$210,000 in fiscal year 2004 to be transferred to the Natural Resources and Environmental Protection Cabinet to assist that agency with costs incurred to support the overall mission of the Kentucky Infrastructure Authority.

Included in the General Fund appropriation is \$5,000,000 in fiscal year 2004 for debt service provided from Coal Severance Tax Receipts to support \$54,765,000 in bonds for the new Water and Sewer Resources Development Fund for Coal Producing Counties Bond Pool in Part II, Capital Projects Budget. Future debt service payments for the Water and Sewer Resources Development Fund for Coal Producing Counties shall be provided from the General Fund.

Included in the General Fund (Tobacco) appropriation is \$5,000,000 in fiscal year 2004 for debt service to support \$54,765,000 in bonds for the new Water and Sewer Resources Development Fund for Tobacco Counties Bond Pool in Part II,

Capital Projects Budget. Future debt service payments for the Water and Sewer Resources Development Fund for Tobacco Counties shall be provided from the General Fund. Notwithstanding any other provision in the appropriations bill, any unneeded debt service for these projects up to \$2,282,500 shall lapse to the credit of the General Fund.

Notwithstanding KRS 224A.112, other special revenue funds in the amount of \$1,000,000 in fiscal year 2003 and fiscal year 2004 are transferred to the General Fund.

In addition to projects enumerated in House Bill 269, Part II and XIII, the General Assembly, through Senate Bill 48, appropriates funds for those expenditures in which a Memorandum of Agreement has been approved by the Secretary of Finance and Administration Cabinet and the Government Contract Review Committee for the period preceding the effective date of House Bill 269.

Senate Bill 93 enumerates specific projects in Carter County authorized and appropriated from Local Government Economic Development Fund moneys from the single country fund pursuant to KRS 42.4592.

**Government Operations
Veterans' Affairs**

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	22,070,300	17,718,800	14,072,800	15,163,700
Continuing Appropriation - Gen'l Fund			300	
Total General Fund	22,070,300	17,718,800	14,073,100	15,163,700
Restricted Funds				
Balance Forward	383,600	83,600	2,215,854	1,202,454
Current Receipts	18,977,000	20,404,000	18,426,000	19,332,000
Non-Revenue Receipts			-830,300	
Total Restricted Funds	19,360,600	20,487,600	19,811,554	20,534,454
TOTAL SOURCE OF FUNDS	41,430,900	38,206,400	33,884,654	35,698,154
EXPENDITURES BY CLASS				
Personnel Cost	29,307,000	31,035,400	25,874,700	27,777,900
Operating Expenses	6,690,300	6,867,400	6,602,800	6,513,500
Grants, Loans or Benefits	5,085,000	85,000	69,300	69,300
Capital Outlay	265,000	135,000	135,400	135,000
TOTAL EXPENDITURES	41,347,300	38,122,800	32,682,200	34,495,700
EXPENDITURES BY FUND SOURCE				
General Fund	22,070,300	17,718,800	14,073,100	15,163,700
Restricted Funds	19,277,000	20,404,000	18,609,100	19,332,000
TOTAL EXPENDITURES	41,347,300	38,122,800	32,682,200	34,495,700
EXPENDITURES BY UNIT				
Commissioner's Office & Field Services	7,484,900	2,787,000	1,609,500	1,727,000
Kentucky Veterans' Centers	33,862,400	35,335,800	31,072,700	32,768,700
TOTAL EXPENDITURES	41,347,300	38,122,800	32,682,200	34,495,700

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.

The Office of Kentucky Veterans' Centers within the KDVA manages the Kentucky 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. There are two in-house physicians, two in-house nurse practitioners, a nursing staff numbering in excess of 200 employees, an in-house pharmacy, rehab therapy department, barber shop, library, gift shop, laundry facility, a dietary department, and an employee child care facility, all of which operate seven days per week.

The 1998 Regular Session of the General Assembly authorized the construction of two state veterans' nursing homes. One home, located in Hazard (Perry County), serves Eastern Kentucky. The other, located in Hanson (Hopkins County), serves Western Kentucky. Both facilities opened in the Fall of 2002, and full occupancy at both facilities is expected by July 2003. Each facility will employ approximately 160 full time employees including a physician, nurse practitioners, 24-hour nursing staff, and staffing for a

rehab therapy department, barber shop, library, gift shop, laundry facility, a dietary department, and an employee child care facility.

Senate Bill 22, passed by the 1998 General Assembly, required the KDVA to establish and maintain Kentucky state veterans' cemeteries. The 2000 General Assembly authorized construction of the Kentucky Veterans' Cemetery-West. It consists of 73 acres and is located on Highway 41A south of Hopkinsville. Construction will include an administration building (3,600 square feet), a maintenance building (4,400 square feet) with service area, committal facility, a columbarium, appropriate parking, road network, walking path and landscaping. Construction is expected to be complete by Winter 2003.

Policy

The Eastern Kentucky Veterans' Center is provided General Funds of \$3,141,200 in fiscal year 2003 and \$3,156,800 in fiscal year 2004 and Restricted Funds of \$3,245,000 in fiscal year 2003 and \$3,546,000 in fiscal year 2004 for personnel and operating costs. The Western Kentucky Veterans' Center is provided General Funds of \$2,934,700 in fiscal year 2003 and \$2,841,800 in fiscal year 2004 and Restricted Funds of \$3,278,000 in fiscal year 2003 and \$3,730,000 in fiscal year 2004 for personnel and operating costs.

Included in the above General Fund appropriation is \$200,500 in fiscal year 2003 and \$304,500 in fiscal year 2004 for personnel and operating costs for the Western Kentucky Veterans' Cemetery; \$1,382,300 in fiscal year 2003 and \$935,300 in fiscal year 2004 to support the Special Care Unit at Wilmore; \$2,000 in fiscal year 2003 for a POW/MIA plaque; and \$10,000 in each fiscal year for the Burial Honors Program.

Notwithstanding KRS 45.229, the unexpended balance of the General Fund appropriation provided to the Eastern Kentucky Veterans' Center, the Western Kentucky Veterans' Center, and the Thompson-Hood Veterans' Center in fiscal year 2002 shall not lapse and shall be carried forward into fiscal year 2003. The unexpended balance of the General Fund appropriation in fiscal year 2003 shall not lapse and shall be carried forward into fiscal year 2004.

KDVA is exempt from the personnel reduction target set forth in Executive Order 2002-1334. KDVA's personnel cap is increased by 30 full-time employees to support full operation of its Nursing Homes and Field Services.

In fiscal year 2003, restricted funds in the amount of \$830,300 shall be transferred to the credit of the General Fund.

**Government Operations
Governor's Office for Technology**

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	2,712,500	1,412,500	300,000	300,000
Total General Fund	2,712,500	1,412,500	300,000	300,000
Restricted Funds				
Balance Forward			2,458,200	2,083,700
Current Receipts	314,000	253,100	314,000	314,000
Non-Revenue Receipts	64,347,000	65,636,000	59,404,000	59,404,000
Total Restricted Funds	64,661,000	65,889,100	62,176,200	61,801,700
Federal Funds				
Current Receipts			1,225,000	
Total Federal Funds			1,225,000	
Road Fund				
Regular Appropriation	125,000	125,000	125,000	125,000
Total Road Fund	125,000	125,000	125,000	125,000
TOTAL SOURCE OF FUNDS	67,498,500	67,426,600	63,826,200	62,226,700
EXPENDITURES BY CLASS				
Personnel Cost	36,697,000	37,579,500	35,201,000	33,976,000
Operating Expenses	22,079,200	21,979,400	18,535,500	18,821,000
Grants, Loans or Benefits	125,000	125,000	125,000	125,000
Capital Outlay	2,285,300	2,090,700	1,569,000	1,569,000
Construction	6,312,000	5,652,000	6,312,000	5,652,000
TOTAL EXPENDITURES	67,498,500	67,426,600	61,742,500	60,143,000
EXPENDITURES BY FUND SOURCE				
General Fund	2,712,500	1,412,500	300,000	300,000
Restricted Funds	64,661,000	65,889,100	60,092,500	59,718,000
Federal Funds			1,225,000	
Road Fund	125,000	125,000	125,000	125,000
TOTAL EXPENDITURES	67,498,500	67,426,600	61,742,500	60,143,000
EXPENDITURES BY UNIT				
Office of Chief Information Officer	6,381,900	5,155,400	4,537,500	2,938,000
CMRS Telecom Board of Kentucky	314,000	253,100	314,000	314,000
Consulting and Project Management	15,058,000	15,243,700	14,606,000	14,606,000
Administrative Services	5,397,000	5,582,800	3,660,000	3,660,000
Infrastructure Services	36,696,000	37,467,000	35,167,000	35,167,000
Policy and Customer Relations	3,651,600	3,724,600	3,458,000	3,458,000
TOTAL EXPENDITURES	67,498,500	67,426,600	61,742,500	60,143,000

The Governor's Office for Technology was established in 1999 by Executive Order 99-1359 and codified in KRS 11.505.

The Governor's Office for Technology (GOT) 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 GOT is highly sensitive to agency programmatic shifts, particularly changes mandated by state and federal legislation.

The Governor's Office for Technology provides support for major management systems, such as:

- Automated Management and Administrative Reporting System (MARS)
- Automated Management and Eligibility System (KAMES)
- Automated Support and Enforcement System (KASES)
- Kentucky Vehicle Information System (KVIS)
- Revenue Tax Systems
- Driver's License System
- Uniform Payroll and Personnel System
- Kentucky State Police Systems
- Education Technology System

The Governor's Office for Technology consists of five offices: Chief Information Officer (CIO); Administrative Services; Policy and Customer Relations; Infrastructure Services; and Consulting and Project Management. The Commercial Mobile Radio Service Emergency Telecommunications Board and the Kentucky Telehealth Board are attached for administrative purposes.

The Office of the Chief Information Officer is responsible for developing strategies and policies to support and promote the effective application of information technology within state government as a means of saving money, increasing efficiency, increasing employee productivity, and improving state services to the public, including electronic access to information of the Commonwealth. Within the Office of the Chief Information Officer is the Office of General Counsel, which is responsible for providing legal services for GOT and for advising the Chief Information Officer on the legal implications of information technology policy as it relates to government operations. The Office of Human Resources Management and Development, which is responsible for the oversight and administration of personnel matters, and the Office of Geographic Information, which provides coordination, technical support, and planning assistance for government agencies and their instrumentalities in geo-spatial information resources development and deployment, are also attached to the Office of the Chief Information Officer.

The Office of Administrative Services is responsible for the financial and business operations of the Governor's Office for Technology. These duties include the preparation of the biennial budget request, procurement assistance, fiscal administration, and facilities support. This Office is also responsible for establishing and maintaining a federally approved cost allocation plan in which each state agency shares in the cost of services provided by the Governor's Office for Technology.

The Office of Policy and Customer Relations is responsible for the statewide strategic information technology plan and the development of the agency information resources planning model and plan review. Other responsibilities include the formulation of information technology policy, enterprise architecture and standards, enterprise capacity planning, and research and development. Customer Relations activities include enterprise technical training, educational seminars, knowledge management, and customer and vendor relationship management.

The Office of Infrastructure Services is responsible for the operation of the enterprise computing 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 in the Commonwealth and meeting the demands of tighter security of client information in the areas of electronic commerce and network computing.

The Office of Consulting and Project Management is responsible for the analysis, design, development, maintenance and operation of many systems that support and drive mission-critical activities for the Commonwealth, including systems related to public assistance, public health and safety, administration and collection of Kentucky taxes, and the management of state government, including personnel and financial management.

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.

The Kentucky Telehealth Board was established in accordance with KRS 11.550 to increase remote access to specialized health care services. The Board is responsible for establishing telehealth training centers, developing a telehealth network of rural sites, promulgating administrative regulations, establishing protocols and standards, and maintaining a central link for the network with the Kentucky Information Highway (KIH).

The Governor's Office for Technology operates as an internal service fund agency with budgetary support derived primarily through the application of a federally approved cost allocation plan, which distributes costs to user agencies based upon utilization of services.

Policy

Included in the enacted budget is \$300,000 in General Funds in fiscal year 2003 and fiscal year 2004 for the continuation of the telemedicine initiative.

Included in the restricted funds is \$536,000 in fiscal year 2003 and \$536,000 in fiscal year 2004 to fund the operating costs of the Office for Geographical Information Systems.

In fiscal year 2003, special revenue funds in the amount of \$377,300 are transferred to the General Fund.

Governor's Office for Technology – Infrastructure Services
Performance Budgeting Pilot Project Information

Program Mission

The mission of the Infrastructure Services program of the Governor's Office for Technology is to provide a scalable, reliable, cost effective, and secure information technology infrastructure.

Objective: Meet the expectations of infrastructure availability in support of agency requirements.

Performance Indicator: Increase availability of the Wide Area Network (WAN).

<u>FY 2003</u> 99%	<u>FY 2004</u> 99%
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Performance Indicator: Decrease the number of outages affecting 25% or more of the state.

<u>FY 2003</u> 9%	<u>FY 2004</u> 6%
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Objective: Enhance security awareness through staff development, training, and increased communications.

Performance Indicator: Number of security assessments performed per month.

<u>FY 2003</u> 4%	<u>FY 2004</u> 4%
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Performance Indicator: Decrease the percent of passwords not meeting acceptable standards.

<u>FY 2003</u> 5%	<u>FY 2004</u> 2%
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Objective: Increase utilization of shared services through proactive education of customers and eliminating redundancies by providing enterprise solutions for all state agencies.

Performance Indicator: Increase the number of agencies using shared Remote Job Entry (RJE) operations.

<u>FY 2003</u> 36%	<u>FY 2004</u> 36%
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Performance Indicator: Reduce the number of personnel using RJE support for the Executive branch of state government.

<u>FY 2003</u> 5%	<u>FY 2004</u> 6%
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**Government Operations
Secretary of State**

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	3,208,800	3,346,900	2,260,100	2,260,100
Total General Fund	3,208,800	3,346,900	2,260,100	2,260,100
Restricted Funds				
Balance Forward	736,400	1,327,100	542,600	223,100
Current Receipts	759,000	875,000	759,000	875,000
Non-Revenue Receipts			-200,000	
Total Restricted Funds	1,495,400	2,202,100	1,101,600	1,098,100
TOTAL SOURCE OF FUNDS	4,704,200	5,549,000	3,361,700	3,358,200
EXPENDITURES BY CLASS				
Personnel Cost	2,602,800	2,736,600	2,389,300	2,509,400
Operating Expenses	774,300	782,300	749,300	757,300
TOTAL EXPENDITURES	3,377,100	3,518,900	3,138,600	3,266,700
EXPENDITURES BY FUND SOURCE				
General Fund	3,208,800	3,346,900	2,260,100	2,260,100
Restricted Funds	168,300	172,000	878,500	1,006,600
TOTAL EXPENDITURES	3,377,100	3,518,900	3,138,600	3,266,700
EXPENDITURES BY UNIT				
General Administration	1,440,300	1,521,200	1,279,400	1,372,700
General Operations	1,724,500	1,781,700	936,700	843,400
Limited Liability Companies	168,300	172,000	878,500	1,006,600
Restoration of Land Grant Books	44,000	44,000	44,000	44,000
TOTAL EXPENDITURES	3,377,100	3,518,900	3,138,600	3,266,700

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 two units: General Administration and Restoration of Land Grant Books.

General Administration

The General Administration unit consists of three programs: General Administration and Support, General Operations and Kentucky Business Law, and Limited Liability Companies.

The General Administration and Support program is responsible for preparing and recording official documents for the Governor. The program also implements election laws of the Commonwealth. This program administers Kentucky's Notary Public Law, issues commissions, pardons, commutations, and extraditions.

The General Operations and Kentucky Business Law Unit is responsible for the filing and incorporation of businesses, both domestic and foreign, profit and non-profit, including the administration of documents of merger, dissolution, and name changes. The program administers Kentucky's Uniform Commercial Code Law and laws regarding the service of summonses and complaints, and laws pertaining to trademarks and service marks. The 2000 General Assembly enacted Revised Article 9 of the Uniform Commercial Code, effective July 1, 2001, (KRS 355, Title 9). This law established the Office of the Secretary of State as the filing office for most personal property liens. The enactment of the law required the Secretary of State to establish a UCC Branch within the Corporation Division and employ filing clerks to file the numerous UCC records that were previously filed with the county clerks.

The Limited Liability Companies program is the filing officer for limited liability companies and registered limited liability partnerships. Like corporations, these companies and partnerships must file articles of organization with the Secretary of State, as well as amendments, mergers and dissolutions.

Restoration of Land Grant Books

The objective of the Restoration of Land Grant Books program is to preserve Kentucky land grant records and fulfill daily requests for copies of those records. The Land Grant Division files city annexations and incorporations, state deeds, and new land patents, as well as answering inquiries pertaining to Land Records and providing 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, an allocation from agency funds received in the Limited Liability Companies program in the amount of \$878,500 in fiscal year 2003 and \$1,006,600 in fiscal year 2004 shall not lapse and shall be used for the continuation of current activities within the General Administration unit and for the operations and staff of the Uniform Commercial Code Branch within the General Operations Corporation Division.

Notwithstanding KRS 14.140, restricted funds in the amount of \$200,000 in fiscal year 2003 are transferred to the General Fund.

In fiscal year 2003, trust funds in the amount of \$2,000 are transferred to the General Fund.

**Government Operations
Board of Elections**

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	4,793,500	4,907,800	5,880,000	4,925,800
Total General Fund	4,793,500	4,907,800	5,880,000	4,925,800
Restricted Funds				
Balance Forward	167,800	162,800	236,200	162,600
Current Receipts	35,000	30,000	35,000	30,000
Total Restricted Funds	202,800	192,800	271,200	192,600
TOTAL SOURCE OF FUNDS	4,996,300	5,100,600	6,151,200	5,118,400
EXPENDITURES BY CLASS				
Personnel Cost	1,011,300	1,032,100	850,400	855,700
Operating Expenses	642,600	645,600	626,100	629,100
Grants, Loans or Benefits	3,179,600	3,270,100	4,512,100	3,557,900
TOTAL EXPENDITURES	4,833,500	4,947,800	5,988,600	5,042,700
EXPENDITURES BY FUND SOURCE				
General Fund	4,793,500	4,907,800	5,880,000	4,925,800
Restricted Funds	40,000	40,000	108,600	116,900
TOTAL EXPENDITURES	4,833,500	4,947,800	5,988,600	5,042,700
EXPENDITURES BY UNIT				
General Administration and Support	1,653,900	1,677,700	2,576,500	1,484,800
State Share of County Election Expenses	1,765,100	1,790,600	2,100,800	2,078,400
State Share of Voter Registration Expenses	1,414,500	1,479,500	1,311,300	1,479,500
TOTAL EXPENDITURES	4,833,500	4,947,800	5,988,600	5,042,700

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 directed by the Secretary of State, an ex-officio member, with other members 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 is approximately 500,000 documents and the general election is 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, as well as 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 3,464 precincts with over 2.6 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 by the state amount of twenty-five cents (\$.025) 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).

Policy

Included in the General Fund appropriation is \$3,412,100 in fiscal year 2003 and \$3,557,900 in fiscal year 2004 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 (HAVA) (P.L. 107-252), passed in October 2002, imposed new election requirements on states and called for the upgrade of voting machines. Congress authorized funds in fiscal year 2003 to help states' election reform efforts. The Board of Elections will be responsible for the administration and disbursement of these funds. The General Assembly has authorized \$1,100,000 General Fund state match in fiscal year 2003. Notwithstanding KRS 45.229, any unexpended funds shall not lapse and shall carry forward into the following fiscal year. Amounts in excess of \$1,100,000 for this purpose, not to exceed \$1,000,000, shall be deemed necessary governmental expenses.

Notwithstanding KRS 116.055, 117.066, 117.275, 118.025(4), 118.215, 118.225, 118.245, 121.180, 121A.060, 121A.080, or any other provision of law to the contrary, no run off primary election shall be held for slates of candidates for Governor and Lieutenant Governor. The slate receiving the highest number of votes in a primary shall be nominees of that party and receive certificate of nomination.

Other special revenue funds in the amount of \$23,300 in fiscal year 2003 is transferred to the General Fund.

**Government Operations
Treasury**

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	2,277,500	2,375,000	2,216,700	2,216,700
Total General Fund	2,277,500	2,375,000	2,216,700	2,216,700
Restricted Funds				
Balance Forward			89,200	23,500
Non-Revenue Receipts	823,400	852,100	750,000	834,500
Total Restricted Funds	823,400	852,100	839,200	858,000
TOTAL SOURCE OF FUNDS	3,100,900	3,227,100	3,055,900	3,074,700
EXPENDITURES BY CLASS				
Personnel Cost	2,219,600	2,324,600	2,101,600	2,167,900
Operating Expenses	881,300	902,500	930,800	883,300
TOTAL EXPENDITURES	3,100,900	3,227,100	3,032,400	3,051,200
EXPENDITURES BY FUND SOURCE				
General Fund	2,277,500	2,375,000	2,216,700	2,216,700
Restricted Funds	823,400	852,100	815,700	834,500
TOTAL EXPENDITURES	3,100,900	3,227,100	3,032,400	3,051,200
EXPENDITURES BY UNIT				
General Administration and Support	1,684,800	1,751,700	1,651,500	1,642,000
Disbursements and Accounting	592,700	623,300	573,000	574,700
Abandoned Property Administration	823,400	852,100	807,900	834,500
TOTAL EXPENDITURES	3,100,900	3,227,100	3,032,400	3,051,200

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 State Constitution, heads the Treasury Department. The Treasurer also serves on the State Investment Commission and serves as chair of the Commonwealth Postsecondary Education Prepaid Tuition Trust Fund. 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 7,500,000 checks 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 Abandoned Property program 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 funds are provided in accordance with KRS 393.250 for the administration of the Unclaimed Property Program in the amount of \$807,900 in fiscal year 2003 and \$834,500 in fiscal year 2004. This action reflects the movement of available off-budget restricted funds to on-budget status to support ongoing activities of the Unclaimed Property Program.

The administration of the Commonwealth Postsecondary Education Prepaid Tuition Trust Fund is transferred to the Kentucky Higher Education Assistance Authority.

**Government Operations
Attorney General**

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	13,603,400	13,875,500	12,954,900	12,932,500
Continuing Appropriation - Gen'l Fund			30,000	
Total General Fund	13,603,400	13,875,500	12,984,900	12,932,500
Restricted Funds				
Balance Forward	1,623,000	1,044,300	2,666,500	1,525,300
Current Receipts	1,366,200	1,366,200	1,366,200	1,366,200
Non-Revenue Receipts	4,831,000	4,891,900	4,240,000	4,859,400
Total Restricted Funds	7,820,200	7,302,400	8,272,700	7,750,900
Federal Funds				
Current Receipts	2,351,400	2,351,400	2,351,400	2,351,400
Total Federal Funds	2,351,400	2,351,400	2,351,400	2,351,400
TOTAL SOURCE OF FUNDS	23,775,000	23,529,300	23,609,000	23,034,800
EXPENDITURES BY CLASS				
Personnel Cost	16,472,700	17,297,800	15,899,300	16,322,300
Operating Expenses	2,584,000	2,644,100	2,582,400	2,644,100
Grants, Loans or Benefits	3,674,000	3,587,400	3,602,000	3,587,400
TOTAL EXPENDITURES	22,730,700	23,529,300	22,083,700	22,553,800
EXPENDITURES BY FUND SOURCE				
General Fund	13,603,400	13,875,500	12,984,900	12,932,500
Restricted Funds	6,775,900	7,302,400	6,747,400	7,269,900
Federal Funds	2,351,400	2,351,400	2,351,400	2,351,400
TOTAL EXPENDITURES	22,730,700	23,529,300	22,083,700	22,553,800
EXPENDITURES BY UNIT				
Administrative Services	2,637,900	2,765,900	2,848,100	2,692,600
Criminal Services	8,338,300	8,614,500	7,783,300	7,968,600
Advocacy Services	4,460,500	4,657,100	4,346,600	4,476,100
Civil Services	2,859,900	2,996,800	2,700,100	2,954,000
Uninsured Employers Fund	4,434,100	4,495,000	4,405,600	4,462,500
TOTAL EXPENDITURES	22,730,700	23,529,300	22,083,700	22,553,800

The Attorney General, as the Commonwealth's constitutional chief law enforcement officer, performs a range of legal, investigative, and administrative duties. The Office has five major programmatic areas: Administrative Services, Criminal Services, Advocacy Services, Civil Services, and the Uninsured Employers Fund. A total of 14 organizational units support these areas.

The Administrative Services program area contains the Administrative Services Division and the Prosecutor's Advisory Council Services Division. The Administrative Services Division's duties include: personnel, payroll, fiscal, budget, state and federal grants, and 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 (UPS), along with the maintenance of child sexual abuse caseload and statistics, and the responsibility for the Victim and Witness Protection Program.

The Criminal Services program area contains the following Divisions: Criminal Appellate, Medicaid Fraud and Abuse Control, Special Investigations, Special Prosecutions, and Financial Integrity Enforcement. The Criminal Appellate Division, 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 Special Investigations Division investigates specialized, primarily white-collar criminal activity and welfare recipient fraud. 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 Financial Integrity Enforcement Division investigates the fraudulent use of social security numbers and other personal information to obtain cash, goods, or services and the sale of counterfeit items.

The Advocacy Services program area contains the following: Consumer Protection, Office of Rate Intervention, Victim's Advocacy, and Child Support Enforcement Commission. The Consumer Protection Division 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, Cabinet for Families and Children, and the Administrative Office of the Courts on child support enforcement issues and provides special investigations into child support evasion.

The Civil Services program area contains the Civil and Environmental Law Division and the Administrative Hearings Division. The Civil Law Division 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 Division 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.

Policy

The Budget of the Commonwealth provides that restricted funds in the amount of \$562,500 in fiscal year 2003 be transferred from the Office of the Attorney General to the General Fund.

**Government Operations
Unified Prosecutorial System**

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	48,985,600	50,708,300	46,287,900	48,722,800
Total General Fund	48,985,600	50,708,300	46,287,900	48,722,800
Restricted Funds				
Balance Forward	700,800	488,000	633,700	
Current Receipts	204,800	204,800	300,900	204,800
Non-Revenue Receipts			-29,000	
Total Restricted Funds	905,600	692,800	905,600	204,800
Federal Funds				
Balance Forward			42,500	42,500
Current Receipts	1,584,300	1,284,300	1,391,000	1,174,100
Total Federal Funds	1,584,300	1,284,300	1,433,500	1,216,600
TOTAL SOURCE OF FUNDS	51,475,500	52,685,400	48,627,000	50,144,200
EXPENDITURES BY CLASS				
Personnel Cost	45,301,900	47,273,800	43,370,300	45,271,800
Operating Expenses	5,100,700	4,520,000	4,629,300	4,445,000
Grants, Loans or Benefits	584,900	584,900	584,900	384,900
TOTAL EXPENDITURES	50,987,500	52,378,700	48,584,500	50,101,700
EXPENDITURES BY FUND SOURCE				
General Fund	48,985,600	50,708,300	46,287,900	48,722,800
Restricted Funds	417,600	386,100	905,600	204,800
Federal Funds	1,584,300	1,284,300	1,391,000	1,174,100
TOTAL EXPENDITURES	50,987,500	52,378,700	48,584,500	50,101,700
EXPENDITURES BY UNIT				
Commonwealth's Attorneys	27,880,400	28,353,800	26,927,600	27,484,600
County Attorneys	23,107,100	24,024,900	21,656,900	22,617,100
TOTAL EXPENDITURES	50,987,500	52,378,700	48,584,500	50,101,700

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 law 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.

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

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	26,545,300	27,349,300	25,108,000	26,545,300
Total General Fund	26,545,300	27,349,300	25,108,000	26,545,300
Restricted Funds				
Balance Forward	643,300	470,800	547,200	
Current Receipts	200,000	200,000	296,100	200,000
Total Restricted Funds	843,300	670,800	843,300	200,000
Federal Funds				
Balance Forward			25,600	25,600
Current Receipts	962,600	631,300	976,300	739,300
Total Federal Funds	962,600	631,300	1,001,900	764,900
TOTAL SOURCE OF FUNDS	28,351,200	28,651,400	26,953,200	27,510,200
EXPENDITURES BY CLASS				
Personnel Cost	23,298,300	24,323,700	22,816,900	23,729,500
Operating Expenses	3,997,200	3,445,200	3,525,800	3,370,200
Grants, Loans or Benefits	584,900	584,900	584,900	384,900
TOTAL EXPENDITURES	27,880,400	28,353,800	26,927,600	27,484,600
EXPENDITURES BY FUND SOURCE				
General Fund	26,545,300	27,349,300	25,108,000	26,545,300
Restricted Funds	372,500	373,200	843,300	200,000
Federal Funds	962,600	631,300	976,300	739,300
TOTAL EXPENDITURES	27,880,400	28,353,800	26,927,600	27,484,600
EXPENDITURES BY UNIT				
Commonwealth's Attorneys	27,880,400	28,353,800	26,927,600	27,484,600
TOTAL EXPENDITURES	27,880,400	28,353,800	26,927,600	27,484,600

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.

The Commonwealth's Attorney program is made up of 57 elected Commonwealth's Attorneys and their staff, one for each circuit. As of January 1, 2002, 45 circuits have full-time Commonwealth's Attorneys, with the remaining being part-time. The prosecution of each felony requires a thorough investigation that involves extensive research and trial preparation by the prosecutor. Witness interviews, motions, conferences, plea-bargaining, case studies, and continuing legal education are a part of each prosecutor's responsibility in representing the Commonwealth and citizens of Kentucky as the state's attorney.

Policy

The enacted budget provides additional General Fund resources in the amount of \$900,000 in each year of the 2002-2004 biennium to support personnel and operating costs of the Commonwealth Attorneys.

The enacted budget includes General Fund resources in the amount of \$540,000 in each year of the 2002-2004 biennium to provide each full-time Commonwealth's Attorney the sum of \$1,000 each month, which is declared to be the equivalent of the minimum sum that the Commonwealth's Attorney will expend each month in the performance of the official duties directed to be performed for the Commonwealth, notwithstanding KRS 15.755(6).

The Budget of the Commonwealth provides General Fund support in the amount of \$258,400 in fiscal year 2003 and \$259,400 in fiscal year 2004 to establish the positions of Commonwealth Attorney, assistant, secretary, and victim advocate for the 57th Judicial Circuit of Russell and Wayne Counties, as authorized by the 2001 General Assembly.

General Fund resources in the amount of \$116,200 in fiscal year 2003 and \$106,400 in fiscal year 2004 are provided to support a full-time Commonwealth's Attorney office in the 40th Judicial Circuit of Monroe, Cumberland, and Clinton Counties.

The enacted budget provides federal fund resources in the amount of \$108,000 in each year of the 2002-2004 biennium to support attorney positions in the 22nd Judicial Circuit of Fayette County, and the 46th Judicial Circuit of Breckinridge, Grayson, and Meade Counties, to focus on prosecution of cases involving violent crimes committed with handguns.

The enacted budget transfers General Fund dollars in the amount of \$200,000 in fiscal year 2004 to the Board of Claims/Crime Victims' Compensation Board for sexual assault victims' medical examinations. Notwithstanding KRS 216B.400(8), the Rape Victim Assistance fund and the responsibility for claims payments made from the fund are transferred to the Board of Claims/Crime Victims' Compensation Board in fiscal year 2004.

**Government Operations
Unified Prosecutorial System
County Attorneys**

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	22,440,300	23,359,000	21,179,900	22,177,500
Total General Fund	22,440,300	23,359,000	21,179,900	22,177,500
Restricted Funds				
Balance Forward	57,500	17,200	86,500	
Current Receipts	4,800	4,800	4,800	4,800
Non-Revenue Receipts			-29,000	
Total Restricted Funds	62,300	22,000	62,300	4,800
Federal Funds				
Balance Forward			16,900	16,900
Current Receipts	621,700	653,000	414,700	434,800
Total Federal Funds	621,700	653,000	431,600	451,700
TOTAL SOURCE OF FUNDS	23,124,300	24,034,000	21,673,800	22,634,000
EXPENDITURES BY CLASS				
Personnel Cost	22,003,600	22,950,100	20,553,400	21,542,300
Operating Expenses	1,103,500	1,074,800	1,103,500	1,074,800
TOTAL EXPENDITURES	23,107,100	24,024,900	21,656,900	22,617,100
EXPENDITURES BY FUND SOURCE				
General Fund	22,440,300	23,359,000	21,179,900	22,177,500
Restricted Funds	45,100	12,900	62,300	4,800
Federal Funds	621,700	653,000	414,700	434,800
TOTAL EXPENDITURES	23,107,100	24,024,900	21,656,900	22,617,100
EXPENDITURES BY UNIT				
County Attorneys	23,107,100	24,024,900	21,656,900	22,617,100
TOTAL EXPENDITURES	23,107,100	24,024,900	21,656,900	22,617,100

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. The County Attorney frequently mediates local complaints so many of the services provided may never appear on a court docket.

Policy

The Budget of the Commonwealth provides additional General Fund resources in the amount of \$500,000 in each year of the 2002-2004 biennium to support personnel and operating costs of the County Attorneys.

Additional General Fund resources in the amount of \$720,000 are provided in each year of the 2002-2004 biennium to provide each County Attorney the sum of \$500 each month, which is declared to be the equivalent of the minimum sum that each County Attorney will expend each month in the performance of official duties directed to be performed for the Commonwealth, notwithstanding KRS 15.765(2).

**Government Operations
Auditor of Public Accounts**

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	5,886,000	6,005,300	5,260,000	5,235,000
Total General Fund	5,886,000	6,005,300	5,260,000	5,235,000
Restricted Funds				
Balance Forward	245,200	304,700	1,079,200	928,900
Current Receipts	3,890,200	3,890,200	4,090,200	4,115,200
Non-Revenue Receipts			-300,000	
Total Restricted Funds	4,135,400	4,194,900	4,869,400	5,044,100
TOTAL SOURCE OF FUNDS	10,021,400	10,200,200	10,129,400	10,279,100
EXPENDITURES BY CLASS				
Personnel Cost	8,630,200	9,094,800	8,114,000	8,506,700
Operating Expenses	999,900	1,018,800	999,900	1,018,800
Capital Outlay	86,600	86,600	86,600	86,600
TOTAL EXPENDITURES	9,716,700	10,200,200	9,200,500	9,612,100
EXPENDITURES BY FUND SOURCE				
General Fund	5,886,000	6,005,300	5,260,000	5,235,000
Restricted Funds	3,830,700	4,194,900	3,940,500	4,377,100
TOTAL EXPENDITURES	9,716,700	10,200,200	9,200,500	9,612,100
EXPENDITURES BY UNIT				
Administration	1,900,700	1,988,300	1,847,300	1,859,500
Examination and Information Technology	1,085,000	1,139,100	1,054,400	1,061,100
Financial Audit	6,083,000	6,393,300	5,669,500	6,056,900
Performance Audit	648,000	679,500	629,300	634,600
TOTAL EXPENDITURES	9,716,700	10,200,200	9,200,500	9,612,100

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, support staff, policy staff, and General Counsel; the Office of Planning and Management with the budget, fiscal, and personnel duties; and the Office of Quality Assurance and Consultation, which is responsible for the development of audit procedures, audit quality control, internal training, and external training.

The Division of Examination and Information Technology is responsible for internal technology systems, data processing systems, special examinations of complaints, and public investment analysis.

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.

**Government Operations
Agriculture**

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	23,425,300	23,915,800	19,249,900	19,484,900
Continuing Appropriation - Gen'l Fund			100	
Total General Fund	23,425,300	23,915,800	19,250,000	19,484,900
Restricted Funds				
Balance Forward	3,141,718	2,414,218	3,214,800	2,486,800
Current Receipts	2,231,000	2,251,000	2,582,400	2,251,000
Non-Revenue Receipts	195,800	195,800	195,800	195,800
Total Restricted Funds	5,568,518	4,861,018	5,993,000	4,933,600
Federal Funds				
Balance Forward	22,881	22,881	456,300	456,300
Current Receipts	2,130,000	2,130,000	2,955,000	2,130,000
Total Federal Funds	2,152,881	2,152,881	3,411,300	2,586,300
TOTAL SOURCE OF FUNDS	31,146,699	30,929,699	28,654,300	27,004,800
EXPENDITURES BY CLASS				
Personnel Cost	17,586,700	18,469,500	16,677,100	16,645,500
Operating Expenses	4,424,500	4,490,000	4,765,700	4,303,100
Grants, Loans or Benefits	6,225,000	6,225,000	3,825,000	3,520,000
Debt Service				285,000
Capital Outlay	73,400	35,100	43,400	35,100
Construction	400,000	400,000	400,000	400,000
TOTAL EXPENDITURES	28,709,600	29,619,600	25,711,200	25,188,700
EXPENDITURES BY FUND SOURCE				
General Fund	23,425,300	23,915,800	19,250,000	19,484,900
Restricted Funds	3,154,300	3,573,800	3,506,200	3,573,800
Federal Funds	2,130,000	2,130,000	2,955,000	2,130,000
TOTAL EXPENDITURES	28,709,600	29,619,600	25,711,200	25,188,700
EXPENDITURES BY UNIT				
Strategic Planning and Administration	3,645,000	3,799,800	3,559,000	3,690,200
Motor Fuel Inspection and Testing	300,000	300,000	300,000	300,000
Environmental Outreach	4,717,900	4,899,800	4,526,000	4,641,000
Consumer and Public Service	6,130,600	6,320,900	5,531,800	5,645,800
State Veterinarian	6,536,500	6,701,300	3,961,500	3,878,000
Universities	848,500	848,500	848,500	848,500
Rural Rehabilitation Fund	80,000	80,000	80,000	80,000
Market Promotion and Protection	78,800	78,800	78,800	78,800
Mexico Office	100,000	100,000	100,100	100,000
PACE Agricultural Enhancement Fund	400,000	400,000	400,000	400,000
Agriculture Marketing and Product Promotion	5,872,300	6,090,500	6,325,500	5,526,400
TOTAL EXPENDITURES	28,709,600	29,619,600	25,711,200	25,188,700

The Department of Agriculture, as defined in KRS Chapter 246, is headed by the Commissioner of Agriculture, a Constitutional Officer. In addition, the State Board of Agriculture, appointed by the Governor, acts as an advisory body to the elected Commissioner. The Department of Agriculture is divided into five service units:

The Office for Strategic Planning and Administration is responsible for personnel functions, financial operation, public information, and technology systems.

The Office for Environmental Outreach fosters understanding and cooperation between Kentucky's agriculture community and federal and state enforcement entities. 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 for Consumer and Public Service 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.

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 include the research and development of new and expanded outlets for Kentucky's agricultural products, administration of the Kentucky logo labeling program, administration of the Shows and Fairs Promotion Division, and regulation of the ginseng industry through dealer registration and export certification.

Policy

The enacted budget provides additional debt service support from the General Fund in the amount of \$285,000 in fiscal year 2004 for the Animal Shelter program for bonds of \$1,600,000 authorized in the capital budget.

**Government Operations
Military Affairs**

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	17,004,000	17,735,800	10,694,400	10,694,400
Total General Fund	17,004,000	17,735,800	10,694,400	10,694,400
Restricted Funds				
Balance Forward	1,103,700	1,050,400	3,006,500	2,137,800
Current Receipts	17,441,200	17,466,200	17,611,800	17,327,200
Non-Revenue Receipts	700,000	700,000	200,000	700,000
Total Restricted Funds	19,244,900	19,216,600	20,818,300	20,165,000
Federal Funds				
Balance Forward			639,900	639,900
Current Receipts	19,107,500	18,187,800	40,720,900	18,187,800
Total Federal Funds	19,107,500	18,187,800	41,360,800	18,827,700
TOTAL SOURCE OF FUNDS	55,356,400	55,140,200	72,873,500	49,687,100
EXPENDITURES BY CLASS				
Personnel Cost	22,980,500	24,011,000	21,943,100	22,380,300
Operating Expenses	20,465,500	19,592,300	18,818,000	18,897,600
Grants, Loans or Benefits	9,843,400	9,694,800	28,387,700	5,529,500
Capital Outlay	321,600	150,000	252,000	176,000
Construction	695,000	695,000	695,000	695,000
TOTAL EXPENDITURES	54,306,000	54,143,100	70,095,800	47,678,400
EXPENDITURES BY FUND SOURCE				
General Fund	17,004,000	17,735,800	10,694,400	10,694,400
Restricted Funds	18,194,500	18,219,500	18,680,500	18,796,200
Federal Funds	19,107,500	18,187,800	40,720,900	18,187,800
TOTAL EXPENDITURES	54,306,000	54,143,100	70,095,800	47,678,400
EXPENDITURES BY UNIT				
General Administration and Support	4,255,400	4,269,500	2,537,400	2,146,600
Property Management	9,824,300	9,930,500	3,681,400	3,200,000
Bluegrass Station	6,000,000	6,000,000	5,750,000	6,250,000
Cooperative Agreements			10,547,600	11,227,500
General Administration	6,565,600	6,679,400	6,061,500	5,929,400
100% Federal Programs	6,919,700	6,000,000	5,269,200	5,101,300
Kentucky Emergency Response Commission	340,000	340,000	250,000	250,000
Federal / State Partnership Program	282,100	282,100	282,100	282,100
DES - Disaster Accounts			22,369,200	
DES - Kentucky Community Crisis Response Bd	239,700	249,900	251,400	247,600
Air Transportation	2,225,500	2,303,500	2,445,300	2,400,000
Office of Security Coordination			193,200	198,000
HIDTA	460,000	460,000	204,100	204,100
Military Burial Honors	250,000	250,000		
Youth Challenge	3,322,400	3,325,900	1,803,400	1,499,700
Guard Materials Management Center	1,880,300	1,880,300		
Central Clothing Distribution Facility	9,000,000	9,000,000	8,450,000	8,742,100
National Guard Tuition Assistance	2,741,000	3,172,000		
TOTAL EXPENDITURES	54,306,000	54,143,100	70,095,800	47,678,400

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 Disaster and Emergency Management; the Office of Kentucky Community Crisis Response Board; 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; the Office for Security Coordination; and the Kentucky Civil Air Patrol.

Policy

The 2003 General Assembly provided additional General Funds in each fiscal year to support an increase in the state's matching share requirements for the Youth Challenge Program that is shared with the Kentucky Department for Juvenile Justice (DOJ).

In fiscal year 2003, restricted funds in the amount of \$500,000 shall be transferred to the credit of the General Fund.

**Government Operations
Personnel Board**

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	602,300	614,400	578,500	578,500
Total General Fund	602,300	614,400	578,500	578,500
Restricted Funds				
Balance Forward			1,400	1,400
Current Receipts	1,700	1,700	1,700	1,700
Total Restricted Funds	1,700	1,700	3,100	3,100
TOTAL SOURCE OF FUNDS	604,000	616,100	581,600	581,600
EXPENDITURES BY CLASS				
Personnel Cost	489,200	510,300	465,400	474,400
Operating Expenses	114,800	105,800	114,800	105,800
TOTAL EXPENDITURES	604,000	616,100	580,200	580,200
EXPENDITURES BY FUND SOURCE				
General Fund	602,300	614,400	578,500	578,500
Restricted Funds	1,700	1,700	1,700	1,700
TOTAL EXPENDITURES	604,000	616,100	580,200	580,200
EXPENDITURES BY UNIT				
Personnel Board	604,000	616,100	580,200	580,200
TOTAL EXPENDITURES	604,000	616,100	580,200	580,200

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.

**Government Operations
Local Government**

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	12,032,900	12,314,600	8,773,900	9,623,800
Total General Fund	12,032,900	12,314,600	8,773,900	9,623,800
Restricted Funds				
Balance Forward	1,362,700	1,133,400	1,532,700	1,303,400
Current Receipts	556,500	556,500	2,006,500	833,600
Total Restricted Funds	1,919,200	1,689,900	3,539,200	2,137,000
Federal Funds				
Balance Forward			119,200	119,200
Current Receipts	49,413,400	49,413,400	52,433,900	52,430,800
Total Federal Funds	49,413,400	49,413,400	52,553,100	52,550,000
TOTAL SOURCE OF FUNDS	63,365,500	63,417,900	64,866,200	64,310,800
EXPENDITURES BY CLASS				
Personnel Cost	4,640,400	4,882,500	4,562,500	4,773,100
Operating Expenses	918,100	936,100	852,800	868,300
Grants, Loans or Benefits	55,223,600	55,061,800	58,028,300	56,229,600
Debt Service	1,450,000	1,500,000		1,086,000
TOTAL EXPENDITURES	62,232,100	62,380,400	63,443,600	62,957,000
EXPENDITURES BY FUND SOURCE				
General Fund	12,032,900	12,314,600	8,773,900	9,623,800
Restricted Funds	785,800	652,400	2,235,800	902,400
Federal Funds	49,413,400	49,413,400	52,433,900	52,430,800
TOTAL EXPENDITURES	62,232,100	62,380,400	63,443,600	62,957,000
EXPENDITURES BY UNIT				
Commissioner	2,983,700	3,021,000	2,387,400	2,984,700
Support Services	1,492,900	1,546,400	1,508,900	1,558,100
Community Programs	51,296,500	51,266,500	50,212,300	48,976,100
Financial Services	856,000	899,800	856,000	884,000
Local Resources	5,603,000	5,646,700	8,479,000	8,554,100
TOTAL EXPENDITURES	62,232,100	62,380,400	63,443,600	62,957,000

The Department for Local Government, pursuant to KRS 147A.002, is an independent agency attached to the Office of the Governor. The Department 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 Divisions.

The Division of Community Development administers the Community Development Block Grant-Small Cities Component, Renaissance Kentucky Cities Program and the Disaster Recovery Initiative.

The Division of Support Services performs 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. This Division provides technical assistance and funding to the Local Government Law Center at Northern Kentucky University.

The Division of Local Resources (STET-Training and Area Development Services), 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 Division administers the Land and Water Conservation Fund and the Kentucky Recreational Trails Program.

The Division of Financial Services provides technical assistance on local fiscal matters. It is responsible for the management and distribution of the Local Government Economic Assistance Fund (LGEAF), the Local Government Economic Development Fund (LGEDF) and the County Municipal Road Aid Program. The Division administers Community Development and Coal Severance state grants. 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.

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 Flood Control Advisory Commission is administered by the Commissioner's Office. 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.

Policy

The Budget of the Commonwealth provides an allocation from the General Fund in the amount of \$250,000 in each year of the biennium for the Knott County Arts and Crafts Grant.

Included in the enacted 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. NOTE: These General Fund dollars are derived from coal severance tax collections.

Included in the enacted budget is \$98,000 each year of the biennium for the Local Government Law Center at Northern Kentucky University.

In recognition of additional federal funds that will be made available in the current year, additional Federal Funds in the amount of \$8,500,000 are included in the enacted budget: \$6,000,000 for the Community Development Block Grant Program and \$1,500,000 for the Disaster Recovery Fund Program.

Additional federal funds of \$3,794,600 in each fiscal year of the biennium are available for the following programs: Community Development Block Grant, \$2,353,000; Land and Water Conservation Fund, \$857,400; Kentucky Recreational Trails Program, \$380,800; and Appalachian Regional Commission Program, \$203,400.

Debt service in the amount of \$1,086,000 is provided in fiscal year 2004 to support bonds totaling \$6 million for Renaissance Kentucky and \$3 million for the Flood Control Matching Program.

**Government Operations
Local Government - Special Funds**

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	81,631,300	84,686,100	73,725,000	73,223,000
Total General Fund	81,631,300	84,686,100	73,725,000	73,223,000
TOTAL SOURCE OF FUNDS	81,631,300	84,686,100	73,725,000	73,223,000
EXPENDITURES BY CLASS				
Grants, Loans or Benefits	81,631,300	84,686,100	73,725,000	73,223,000
TOTAL EXPENDITURES	81,631,300	84,686,100	73,725,000	73,223,000
EXPENDITURES BY FUND SOURCE				
General Fund	81,631,300	84,686,100	73,725,000	73,223,000
TOTAL EXPENDITURES	81,631,300	84,686,100	73,725,000	73,223,000
EXPENDITURES BY UNIT				
Local Government Economic Assistance Fund	37,584,600	37,403,900	32,866,200	31,184,100
Local Government Economic Development Fund	42,046,700	45,282,200	40,028,300	41,208,400
Area Development Fund	2,000,000	2,000,000	830,500	830,500
TOTAL EXPENDITURES	81,631,300	84,686,100	73,725,000	73,223,000

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 proscribed by KRS 164.7891. Grants are awarded to eligible students in an amount equal to the difference between the average of the in-state tuition charged at the University of Kentucky and University of Louisville medical schools and tuition at the Osteopathic School of Medicine in Pikeville. Participants must be Kentucky residents and agree to render one year of service as a primary care physician in Kentucky for every year that they receive grants.

Policy

The Budget of the Commonwealth provides that the annual \$19 million severance tax allocation that is credited to the Workers' Compensation Funding Commission instead shall be directed to the General Fund in fiscal years 2002 through 2004.

The application of the Osteopathic Medicine Scholarship funding formula provides an estimated \$1,407,100 in fiscal year 2003 and \$1,480,200 in fiscal year 2004 for the scholarship program.

The application of the Osteopathic Medicine Scholarship funding formula provides an estimated \$1,407,100 in fiscal year 2003 and \$1,480,200 in fiscal year 2004 for the scholarship program.

Local Government Economic Assistance Fund (LGEAF) In KRS 42.450-42.495, the 1980 General Assembly created the Local Government Assistance Fund (LGEAF) to return 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 diversify the economy and to improve the quality of life of their residents. Counties, and cities within those counties, that are involved in the production of coal or minerals such as natural gas, oil, and stone 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 coal severance tax program currently returns funds to 70 counties and approximately 320 cities at the end of each fiscal quarter. Quarterly allocations are made according to such criteria as population, income, the amount and distance coal is transported over local areas, and taxes collected from the county.

The minerals severance tax program currently returns funds to 100 counties and approximately 360 cities at the end of each fiscal quarter. 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.

KRS 42.4585 provides that an amount not less than 15 percent of taxes collected on the severance and processing of coal is transferred into the LGEAF for subsequent allocation and distribution to county and city governments. The enacted budget suspends this provision in fiscal year 2003 and allocates 14.5 percent to localities. In fiscal year 2004, the full 15 percent share is distributed to county and city governments.

Local Government Development Fund In KRS 42.458-42.495, the 1992 General Assembly created the Local Government Economic Development Fund (LGEDF) to return a portion of coal severance tax receipts to coal producing counties through a grant process intended to enhance industrial development. Under this program, funds are allocated quarterly to coal producing counties, but distribution may occur only after the use proposed by the county is approved by the Cabinet for Economic Development. Fund allocations to counties are made according to such criteria as coal severance taxes paid, surplus labor rate, relative mining earnings and relative mining employment.

The Department for Local Government is responsible for LGEDF financial management, accounting, fund allocation and reporting. The Cabinet for Economic Development reviews and approves the LGEDF grant applications and oversees those projects.

During fiscal year 2002, 30 percent of coal severance tax receipts were transferred to LGEDF. The enacted budget increases the LGEDF allocation to 32.5 percent in fiscal year 2003 and 35 percent in fiscal year 2004. Combined with the increase in LGEAF local coal share, the enacted LGEDF increase will for the first time bring the combined coal revenue and processing taxes shared with local governments to fifty percent.

In fiscal year 2003 transfers are made to the East Kentucky Corporation, the West Kentucky Corporation, the Kentucky Coal Coalition, and the Secondary Wood Products Corporation. In fiscal year 2004, transfers are made to the School Facilities Construction Commission to support debt service on bonds for "category 5" (poorest condition) school buildings. Transfers in fiscal year 2004 also provide debt service to support the bond funded Water and Sewer Resource Development Fund for Coal Producing Counties.

The 2002-2004 enacted budget provides an allocation of \$1,035,000 in fiscal year 2003 and \$1,250,000 in fiscal year 2004 in LGEDF funds for projects and programs recommended by the Office of the Commissioner for the New Economy and approved by the Secretary of the Cabinet for Economic Development. The projects identified are limited to research and development, commercialization, or workforce-related initiatives consistent with the character of the High-tech Construction and High-tech Investment Pools administered by the Office for the New Economy. Investment and Construction Pool projects must be targeted solely to Kentucky's LGEDF eligible counties.

The enacted budget authorizes that the Cabinet for Economic Development in fiscal year 2003 expend \$1 million for the East Kentucky Development Alliance to seed a revolving loan fund, \$2 million for the Appalachia Bus Program, and \$1,474,000 for the Kentucky All Schedule Prescription Electronic Reporting System. The source of the funds is the LGEDF Multi-County Fund. In fiscal year 2004 the budget authorizes a transfer of \$467,000 from the fund to support the West Kentucky Corporation. Transfers are authorized in both years of the biennium to the Coal Export Council in the amount of \$300,000 from the same source.

In accordance with KRS 42.485, the continuing appropriation amount from fiscal year 2002 to fiscal year 2003 and from fiscal 2003 to fiscal year 2004 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 2003 allocations include one quarterly payment from the last three months of fiscal year 2002 collections and three payments from collections made during the first nine months of fiscal year 2003. This process continues in fiscal year 2004 with that year including a payment from the last three months of fiscal year 2003 collections and three payments from the collections made during first nine months of fiscal year 2004.

The amounts reflected above for the LGEAF and the LGEDF are calculated using January 2003 revenue estimates and the enacted rate and transfer policy (see chart on following page). LGEDF appropriations for both fiscal year 2003 and fiscal year 2004 reflect agency fund transfers to the state Appalachian Regional Commission activities, the Department for Regional Development, and New Economy Construction and Investment Pools.

Notwithstanding KRS 42.350, the budget allocates \$830,500 from the General Fund to the Area Development Fund in each year of the biennium.

**Severance Tax Dedicated Programs
HB 269-Enacted Budget**

	<u>Actual FY 2002</u>	<u>Enacted FY 2003</u>	<u>Enacted FY 2004</u>
Coal Severance Tax Resources			
Revenue Estimate: 01/03 Forecast			
Coal Severance Tax	160,200,000	143,700,000	140,600,000
Less: Workers' Comp Set Aside (to General Fund)	-19,000,000	-19,000,000	-19,000,000
Less: Osteopathic Medicine Scholarship Program*	-1,379,500	-1,407,100	-1,480,200
Less: Trover Clinic Grant	-1,000,000	-1,000,000	-1,000,000
Total coal severance tax resources to be distributed	139,820,500	122,292,900	119,119,800

Additional Local Government Economic Assistance Fund Resources

Revenue Estimate: 01/03 Forecast			
Minerals Severance	14,000,000	12,000,000	12,400,000
Natural Gas Severance	18,000,000	11,800,000	11,800,000
Oil Production	3,300,000	2,600,000	2,600,000
Total other mineral severance revenue to be distributed	35,300,000	26,400,000	26,800,000

Local Government Economic Assistance Fund (LGEAF) Grand Total			
Other severance revenue (50% of revenues)	17,650,000	13,200,000	13,400,000
Coal Severance (14%/14.5%/15%)	19,434,900	17,732,500	17,868,000
Total LGEAF available for distribution	37,084,900	30,932,500	31,268,000
Distribution to localities after quarter lag	35,986,400	32,866,200	31,184,100

Local Government Economic Development Fund			
Coal severance (30%/32.5%/35% of amounts remaining to be distributed)	41,646,200	39,745,200	41,691,900
Less: Secondary Wood Products Corporation	-960,800	-960,800	
Less: East Kentucky Corporation	-472,000	-472,000	
Less: West Kentucky Corporation	-467,000	-467,000	
Less: Department for Regional Development	-811,000	-770,500	-783,600
Less: ARC and Related ARC Expenditures	-550,500	-550,000	-550,000
Less: Kentucky Coal Coalition		-100,000	
Less: New Economy Pools		-1,035,000	-1,250,000
Less: School Facilities Construction Commission-Debt Service			-2,290,000
Less: Kentucky Infrastructure Authority-Debt Service on Bonds for Water and Sewer Resource Development Fund for Coal Producing Counties			-1,999,800
Dollars available after coal county-related programs are funded	38,384,900	35,389,900	34,818,500
Distribution to localities after quarter lag	37,778,800	35,673,000	34,818,400

Changes to Multi-County Fund		
Available as of 3/12/03 Plus Projected Funds	7,151,000	11,606,100
Less: Kentucky Infrastructure Authority-Debt Service on Bonds for Water and Sewer Resources Development Fund		-3,000,200
Less: Transfer to Cabinet for Health Services to Support Kentucky All Schedule Prescription Electronic Reporting System	-1,474,000	
Less: West Kentucky Corporation		-467,000
Less: Transfer to Coal Export Council	-300,000	-300,000

*As requested by KHEAA

**Government Operations
Commission on Human Rights**

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	2,171,800	2,270,300	1,926,800	1,926,800
Total General Fund	2,171,800	2,270,300	1,926,800	1,926,800
Restricted Funds				
Balance Forward			1,500	
Current Receipts	24,000	24,000	24,000	24,000
Non-Revenue Receipts			-1,500	
Total Restricted Funds	24,000	24,000	24,000	24,000
Federal Funds				
Balance Forward			112,600	118,100
Current Receipts	170,800	170,800	578,100	170,800
Total Federal Funds	170,800	170,800	690,700	288,900
TOTAL SOURCE OF FUNDS	2,366,600	2,465,100	2,641,500	2,239,700
EXPENDITURES BY CLASS				
Personnel Cost	1,952,600	2,072,500	1,975,000	1,777,000
Operating Expenses	414,000	392,600	548,400	344,600
TOTAL EXPENDITURES	2,366,600	2,465,100	2,523,400	2,121,600
EXPENDITURES BY FUND SOURCE				
General Fund	2,171,800	2,270,300	1,926,800	1,926,800
Restricted Funds	24,000	24,000	24,000	24,000
Federal Funds	170,800	170,800	572,600	170,800
TOTAL EXPENDITURES	2,366,600	2,465,100	2,523,400	2,121,600
EXPENDITURES BY UNIT				
General Administration and Support	790,100	818,500	684,100	684,100
Enforcement Branch	867,300	904,000	1,173,000	806,200
Research and Information	401,800	420,600	439,000	404,000
Legal Affairs	307,400	322,000	227,300	227,300
TOTAL EXPENDITURES	2,366,600	2,465,100	2,523,400	2,121,600

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 (in housing). 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. The development of internal policy directives and legislative initiatives are functions of this unit.

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 provides legal advice to inquiries, sworn complaints, and file closures. The legal staff takes depositions of witnesses, prepares legal briefs, and prepares appeals.

**Government Operations
Commission on Women**

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	299,500	293,200	269,900	269,900
Total General Fund	299,500	293,200	269,900	269,900
Restricted Funds				
Balance Forward	4,600	4,600	7,300	7,300
Total Restricted Funds	4,600	4,600	7,300	7,300
Federal Funds				
Balance Forward	200	200	200	200
Total Federal Funds	200	200	200	200
TOTAL SOURCE OF FUNDS	304,300	298,000	277,400	277,400
EXPENDITURES BY CLASS				
Personnel Cost	226,800	236,100	208,600	220,100
Operating Expenses	72,700	61,900	61,300	54,600
TOTAL EXPENDITURES	299,500	298,000	269,900	274,700
EXPENDITURES BY FUND SOURCE				
General Fund	299,500	293,200	269,900	269,900
Restricted Funds		4,600		4,600
Federal Funds		200		200
TOTAL EXPENDITURES	299,500	298,000	269,900	274,700
EXPENDITURES BY UNIT				
Commission on Women	299,500	298,000	269,900	274,700
TOTAL EXPENDITURES	299,500	298,000	269,900	274,700

The Commission on Women serves in an advisory capacity to state agencies, the Governor, the General Assembly, and the private sector. It promotes women's interests and supports research on issues of interest to women, such as health care, spouse abuse, employment, and economic issues.

**Government Operations
Commission on Small Business Advocacy**

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	535,800	613,000	75,000	75,000
Total General Fund	535,800	613,000	75,000	75,000
Restricted Funds				
Balance Forward			110,800	65,800
Total Restricted Funds			110,800	65,800
TOTAL SOURCE OF FUNDS	535,800	613,000	185,800	140,800
EXPENDITURES BY CLASS				
Personnel Cost	252,800	207,200	92,600	96,900
Operating Expenses	283,000	405,800	27,400	23,100
TOTAL EXPENDITURES	535,800	613,000	120,000	120,000
EXPENDITURES BY FUND SOURCE				
General Fund	535,800	613,000	75,000	75,000
Restricted Funds			45,000	45,000
TOTAL EXPENDITURES	535,800	613,000	120,000	120,000

The Kentucky Commission on Small Business Advocacy (KCSBA) was established by House Bill 588 in the 2000 Session of the General Assembly, and codified as KRS 11.200. The KCSBA is an independent agency attached to the Office of the Governor. The Commission is the voice for small business on tax, regulatory, and procurement issues.

Policy

In fiscal year 2001 and 2002, the Commission was funded by a community development project grant. The enacted budget carries forward \$90,000 in restricted funds from that grant to continue the work of the Commission.

**Government Operations
Kentucky Retirement Systems**

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
Restricted Funds				
Balance Forward			1,369,500	
Non-Revenue Receipts	14,980,500	15,847,500	13,611,000	15,847,500
Total Restricted Funds	14,980,500	15,847,500	14,980,500	15,847,500
TOTAL SOURCE OF FUNDS	14,980,500	15,847,500	14,980,500	15,847,500
EXPENDITURES BY CLASS				
Personnel Cost	11,587,800	12,591,100	11,587,800	12,591,100
Operating Expenses	3,382,700	3,246,400	3,382,700	3,246,400
Capital Outlay	10,000	10,000	10,000	10,000
TOTAL EXPENDITURES	14,980,500	15,847,500	14,980,500	15,847,500
EXPENDITURES BY FUND SOURCE				
Restricted Funds	14,980,500	15,847,500	14,980,500	15,847,500
TOTAL EXPENDITURES	14,980,500	15,847,500	14,980,500	15,847,500

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 determined by 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

The Budget of the Commonwealth takes into regard the additional revenues accrued to the Kentucky Retirement Systems as a result of the demutualization of Anthem Blue Cross Blue Shield, and authorizes the use of these revenues as a portion of the employer contribution in fiscal year 2003 for the employees who participate in the Commonwealth's Personnel and Payroll System. Kentucky Retirement Systems received 1,271,585 shares of common stock in Anthem at the time of demutualization. In fiscal year 2004 the employer contribution is provided in the amount of 5.89 percent for nonhazardous duty employees, 18.84 percent for hazardous duty employees, and 21.58 percent for employees of the State Police Retirement System.

Restricted funds provided for the operations of the Kentucky Retirement Systems in the Budget of the Commonwealth 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 agency funds.

**Government Operations
Registry of Election Finance**

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	8,636,400	4,367,200	1,436,800	1,436,800
Total General Fund	8,636,400	4,367,200	1,436,800	1,436,800
Restricted Funds				
Balance Forward	542,400	390,600	800,400	650,900
Current Receipts	23,200	23,200	53,300	23,200
Non-Revenue Receipts				-469,800
Total Restricted Funds	565,600	413,800	853,700	204,300
TOTAL SOURCE OF FUNDS	9,202,000	4,781,000	2,290,500	1,641,100
EXPENDITURES BY CLASS				
Personnel Cost	1,101,700	1,158,800	1,068,300	1,095,000
Operating Expenses	7,709,700	3,383,400	571,300	545,000
TOTAL EXPENDITURES	8,811,400	4,542,200	1,639,600	1,640,000
EXPENDITURES BY FUND SOURCE				
General Fund	8,636,400	4,367,200	1,436,800	1,436,800
Restricted Funds	175,000	175,000	202,800	203,200
TOTAL EXPENDITURES	8,811,400	4,542,200	1,639,600	1,640,000
EXPENDITURES BY UNIT				
General Administration and Support	1,536,400	1,567,200	1,436,800	1,436,800
Election Campaign Fund	7,275,000	2,975,000	202,800	203,200
TOTAL EXPENDITURES	8,811,400	4,542,200	1,639,600	1,640,000

The role of the Kentucky Registry of Election Finance is to assure the Commonwealth of 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, including the public financing program for gubernatorial slates.

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, state, legislative, city and county, and school board candidates, as well as political issues committees, permanent committees (PACs) and state and local party executive committees. These agency responsibilities extend to regulating some 15,000-16,000 candidates or entities in some election years.

As part of a campaign finance reform effort in the early 1990's, a voluntary program of partial public financing was established in KRS Chapter 121A. A participating slate of candidates for Governor and Lieutenant Governor may receive matching funds based on a threshold amount generated through qualifying contributions and on agreement to limit expenditures. The Registry oversees the administration of this public financing program. The public financing program was suspended in House Bill 269 (2003 Session) for the 2003 gubernatorial cycle.

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 3,500 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 (PACs) 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 of 2002.

Policy

The Public Finance program was suspended for the 2003 gubernatorial election cycle in House Bill 269.

Notwithstanding KRS 121A.020, \$469,800 restricted funds from the Election Campaign Fund is transferred to the General Fund in fiscal year 2003.

Notwithstanding KRS 118.255(3), 121.150, 121A.015(5), 121A.020, 121A.030, 121A.040, 121A.060, and 121A.080, no funds shall be appropriated to or received into the election campaign fund established by KRS 121A.020.

The Registry of Election Finance shall make no transfer of funds to any slate of candidates from the election campaign fund for any election.

Notwithstanding KRS 121.150(24) and 121A.030(5), slates of candidates may accept contributions within the last 28 days immediately preceding a primary or general election, and in addition to the provisions of KRS 121A.020(5), all contributions to slates of candidates made within the last 28 days immediately preceding a primary or general election shall be reported to the Registry of Election Finance within 24 hours of receipt.

All other statutes contained in KRS Chapter 121A shall remain in effect for all slates of candidates, except that KRS 121A.080 (6) shall not apply, and slated candidates shall be governed instead by KRS 121.180(10). In addition, KRS 121A.030(4) shall not apply, and all slated candidates may receive contributions from permanent committees which, in the aggregate, shall not exceed 25 percent of the contributions received by the slate in any one election up to a maximum of \$300,000 in any one election.

**Government Operations
Boards and Commissions**

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
Restricted Funds				
Balance Forward	16,482,000	17,330,000	19,200,900	13,152,000
Current Receipts	17,582,800	14,832,900	18,091,700	14,667,300
Non-Revenue Receipts			-6,941,000	
Total Restricted Funds	34,064,800	32,162,900	30,351,600	27,819,300
TOTAL SOURCE OF FUNDS	34,064,800	32,162,900	30,351,600	27,819,300
EXPENDITURES BY CLASS				
Personnel Cost	11,462,800	12,026,000	11,462,800	11,888,300
Operating Expenses	4,551,100	4,905,100	4,551,100	4,663,400
Grants, Loans or Benefits	495,600	496,200	960,400	496,200
Capital Outlay	225,300	171,000	225,300	151,000
TOTAL EXPENDITURES	16,734,800	17,598,300	17,199,600	17,198,900
EXPENDITURES BY FUND SOURCE				
Restricted Funds	16,734,800	17,598,300	17,199,600	17,198,900
TOTAL EXPENDITURES	16,734,800	17,598,300	17,199,600	17,198,900
EXPENDITURES BY UNIT				
Accountancy	752,700	782,100	752,700	782,100
Alcohol and Drug Counselors	62,000	65,000	62,000	65,000
Architects	272,000	258,300	272,000	258,300
Art Therapists	11,300	11,400	11,300	11,400
Athletic Commission	158,500	167,300	158,500	167,300
Auctioneers	360,200	370,500	360,200	370,500
Barbering	225,600	231,500	225,600	231,500
Chiropractic Examiners	182,800	191,400	182,800	191,400
Dentistry	474,400	504,400	474,400	504,400
Dietitians and Nutritionists	67,900	71,500	67,900	71,500
Embalmers and Funeral Home Directors	240,400	249,100	240,400	249,100
Engineers and Land Surveyors	1,291,800	1,354,100	1,291,800	1,354,100
Fee-Based Pastoral Counselors	6,000	6,000	6,000	6,000
Board of Geologists	133,000	135,000	133,000	135,000
Hairdressers and Cosmetologists	998,900	1,105,000	998,900	705,600
Hearing Instrument Specialists	50,700	52,700	50,700	52,700
Interpreters for Deaf & Hard of Hearing	25,000	25,000	25,000	25,000
Landscape Architects	55,300	57,800	55,300	57,800
Marriage and Family Therapists	79,200	83,200	79,200	83,200
Medical Licensure	1,992,500	2,099,900	1,992,500	2,099,900
Nursing	4,230,500	4,268,900	4,695,300	4,268,900
Nursing Home Administrators	69,000	76,200	69,000	76,200
Occupational Therapy	76,600	86,000	76,600	86,000
Ophthalmic Dispensers	57,600	62,900	57,600	62,900
Optometric Examiners	152,400	157,000	152,400	157,000
Pharmacy	835,000	876,000	835,000	876,000
Physical Therapy	263,400	280,000	263,400	280,000
Podiatry	14,500	15,500	14,500	15,500
Professional Counselors	49,700	51,700	49,700	51,700
Proprietary Education	123,000	134,300	123,000	134,300
Psychologists	169,600	176,100	169,600	176,100
Real Estate Appraisers Board	614,900	631,900	614,900	631,900

Real Estate Commission	2,003,100	2,302,900	2,003,100	2,302,900
Respiratory Care	182,700	188,600	182,700	188,600
Social Workers	141,300	145,300	141,300	145,300
Speech Pathologists and Audiologists	83,000	86,000	83,000	86,000
Veterinary Examiners	228,300	237,800	228,300	237,800
TOTAL EXPENDITURES	16,734,800	17,598,300	17,199,600	17,198,900

The 37 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 will operate solely from agency receipts.

Policy

In fiscal year 2003, restricted funds in the amount of \$6,931,900 shall be transferred to the credit of the General Fund. (See Part V.)

**Government Operations
Educational Professional Standards Board**

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	17,428,500	18,929,500	12,433,800	10,679,000
Total General Fund	17,428,500	18,929,500	12,433,800	10,679,000
Restricted Funds				
Balance Forward	826,800	826,800	1,166,100	566,100
Current Receipts	778,500	778,500	778,500	778,500
Total Restricted Funds	1,605,300	1,605,300	1,944,600	1,344,600
Federal Funds				
Current Receipts	122,200	122,200	3,020,300	4,379,200
Total Federal Funds	122,200	122,200	3,020,300	4,379,200
TOTAL SOURCE OF FUNDS	19,156,000	20,657,000	17,398,700	16,402,800
EXPENDITURES BY CLASS				
Personnel Cost	3,210,600	3,343,400	3,617,800	3,759,100
Operating Expenses	1,805,600	1,774,600	1,684,300	2,046,600
Grants, Loans or Benefits	13,313,000	14,712,200	11,530,500	10,082,100
TOTAL EXPENDITURES	18,329,200	19,830,200	16,832,600	15,887,800
EXPENDITURES BY FUND SOURCE				
General Fund	17,428,500	18,929,500	12,433,800	10,679,000
Restricted Funds	778,500	778,500	1,378,500	829,600
Federal Funds	122,200	122,200	3,020,300	4,379,200
TOTAL EXPENDITURES	18,329,200	19,830,200	16,832,600	15,887,800
EXPENDITURES BY UNIT				
Educational Professional Standards Board	18,329,200	19,830,200	16,832,600	15,887,800
TOTAL EXPENDITURES	18,329,200	19,830,200	16,832,600	15,887,800

Pursuant to House Bill 78 enacted by the 2000 Session of the General Assembly, the Education Professional Standards Board (EPSB) became an independent agency, effective July 1, 2000. As authorized in KRS 161.028, the EPSB is a 17-member body appointed by the Governor to oversee teacher and administrator preparation, internship, and certification.

The EPSB administers the requirements for and the 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 school districts are appropriately staffed. It is responsible for developing (in cooperation with the KDE and CPE) 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 \$800,000 in each fiscal year to support financial incentives for teachers who are pursuing National Board for Professional Teaching Standards certification.

The General Assembly provided no funds in the above appropriations for the Kentucky Principal Internship Program in fiscal year 2004.

Included in the above General Fund appropriation is \$2,000,000 in fiscal year 2003 for the establishment of the Teacher Education Model Program. The General Fund support for this program shall not lapse in fiscal year 2003, but shall be carried forward into fiscal year 2004 for the purposes of providing program services.

**Government Operations
Board of Emergency Medical Services**

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	2,677,800	2,731,300	2,504,300	2,504,300
Total General Fund	2,677,800	2,731,300	2,504,300	2,504,300
Restricted Funds				
Balance Forward	6,300	6,300	101,400	101,400
Current Receipts	168,300	171,700	168,300	171,700
Total Restricted Funds	174,600	178,000	269,700	273,100
Federal Funds				
Balance Forward			1,000	1,000
Current Receipts	296,800	100,000	362,800	100,000
Total Federal Funds	296,800	100,000	363,800	101,000
TOTAL SOURCE OF FUNDS	3,149,200	3,009,300	3,137,800	2,878,400
EXPENDITURES BY CLASS				
Personnel Cost	1,128,500	1,181,800	1,024,300	1,072,900
Operating Expenses	309,200	356,200	309,200	356,200
Grants, Loans or Benefits	1,661,800	1,465,000	1,658,500	1,346,900
Capital Outlay	43,400		43,400	
TOTAL EXPENDITURES	3,142,900	3,003,000	3,035,400	2,776,000
EXPENDITURES BY FUND SOURCE				
General Fund	2,677,800	2,731,300	2,504,300	2,504,300
Restricted Funds	168,300	171,700	168,300	171,700
Federal Funds	296,800	100,000	362,800	100,000
TOTAL EXPENDITURES	3,142,900	3,003,000	3,035,400	2,776,000
EXPENDITURES BY UNIT				
Board of Emergency Medical Services	3,142,900	3,003,000	3,035,400	2,776,000
TOTAL EXPENDITURES	3,142,900	3,003,000	3,035,400	2,776,000

The Kentucky Board of Emergency Medical Services (KBEMS) was established as an independent board during the 2000 General Assembly and was transferred to the General Government Cabinet by Executive Order 2000-1625. This board 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.

**Government Operations
Governmental Services Center**

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
Restricted Funds				
Balance Forward	319,900	185,900	340,100	207,100
Current Receipts	1,408,300	1,436,100	1,329,000	1,403,000
Total Restricted Funds	1,728,200	1,622,000	1,669,100	1,610,100
TOTAL SOURCE OF FUNDS	1,728,200	1,622,000	1,669,100	1,610,100
EXPENDITURES BY CLASS				
Personnel Cost	1,310,500	1,368,100	1,177,000	1,231,000
Operating Expenses	231,800	205,100	285,000	285,000
TOTAL EXPENDITURES	1,542,300	1,573,200	1,462,000	1,516,000
EXPENDITURES BY FUND SOURCE				
Restricted Funds	1,542,300	1,573,200	1,462,000	1,516,000
TOTAL EXPENDITURES	1,542,300	1,573,200	1,462,000	1,516,000

The Governmental Services Center, established by KRS 164.357, is responsible for the development, coordination, content, approval, and implementation of all training, employee development, and related programs conducted for state government agencies.

In addition to its role within state government, the statutory authority also allows GSC, at the request of the Department of Local Government, to provide services to counties, cities, and other political subdivisions of the state. GSC may provide private industry with consultation, research, programs, and employee assessment services, at the request of the Cabinet for Economic Development. These services are provided on a cost reimbursement basis.

Although administratively attached to the Finance Cabinet, the Center has a strategic relationship with the Governor's Office to provide government-wide quality services in training, consultation, and organization development to support and strengthen the work of individuals and agencies in continuous improvement, strategic planning, performance measurement, and excellence in public service.

**Government Operations
Executive Branch Ethics Commission**

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	376,500	388,800	325,900	325,900
Total General Fund	376,500	388,800	325,900	325,900
Restricted Funds				
Current Receipts	300	2,400	300	2,400
Total Restricted Funds	300	2,400	300	2,400
TOTAL SOURCE OF FUNDS	376,800	391,200	326,200	328,300
EXPENDITURES BY CLASS				
Personnel Cost	323,600	336,900	298,900	300,600
Operating Expenses	53,200	54,300	27,300	27,700
TOTAL EXPENDITURES	376,800	391,200	326,200	328,300
EXPENDITURES BY FUND SOURCE				
General Fund	376,500	388,800	325,900	325,900
Restricted Funds	300	2,400	300	2,400
TOTAL EXPENDITURES	376,800	391,200	326,200	328,300
EXPENDITURES BY UNIT				
Executive Branch Ethics Commission	376,800	391,200	326,200	328,300
TOTAL EXPENDITURES	376,800	391,200	326,200	328,300

The Executive Branch Ethics Commission, under KRS 11A, 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.

**Government Operations
Appropriations Not Otherwise Classified**

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	7,107,500	7,367,500	7,107,500	7,367,500
Special Appropriation			146,800	
Total General Fund	7,107,500	7,367,500	7,254,300	7,367,500
TOTAL SOURCE OF FUNDS	7,107,500	7,367,500	7,254,300	7,367,500
EXPENDITURES BY CLASS				
Personnel Cost	4,275,000	4,535,000	4,275,000	4,535,000
Operating Expenses	2,830,000	2,830,000	2,976,800	2,830,000
Grants, Loans or Benefits	2,500	2,500	2,500	2,500
TOTAL EXPENDITURES	7,107,500	7,367,500	7,254,300	7,367,500
EXPENDITURES BY FUND SOURCE				
General Fund	7,107,500	7,367,500	7,254,300	7,367,500
TOTAL EXPENDITURES	7,107,500	7,367,500	7,254,300	7,367,500
EXPENDITURES BY UNIT				
Attorney General Expense	225,000	225,000	225,000	225,000
Board of Claims Award	600,000	600,000	600,000	600,000
Guardian Ad Litem	3,200,000	3,400,000	3,200,000	3,400,000
Prior Year Claims	400,000	400,000	543,200	400,000
Unredeemed Checks Refunded	1,000,000	1,000,000	1,003,600	1,000,000
Involuntary Commitments-ICF/MR	60,000	60,000	60,000	60,000
Frankfort In Lieu of Taxes	195,000	195,000	195,000	195,000
Frankfort Cemetery	2,500	2,500	2,500	2,500
Police and Firefighters Life Insurance	250,000	250,000	250,000	250,000
Master Commissioner Employers Retirement	200,000	200,000	200,000	200,000
Master Commissioners Social Security	313,000	343,000	313,000	343,000
Workers Compensation	502,000	532,000	502,000	532,000
Insurance Reimbursements	60,000	60,000	60,000	60,000
Blanket Employee Bonds	100,000	100,000	100,000	100,000
TOTAL EXPENDITURES	7,107,500	7,367,500	7,254,300	7,367,500

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 expenditures for costs of items included within this classification over the amounts appropriated are to be paid from the General Fund Surplus account as a Necessary Government Expense.

Although separate budget presentations are included elsewhere for the Judiciary and the Unified Prosecutorial System, the ANOC category includes the employer's share of social security, retirement and workers' compensation costs for master commissioners, and workers' compensation costs for county clerks, sheriffs, and jailers in counties having a population of 70,000 or more.

Policy

The Budget of the Commonwealth includes a new appropriation unit entitled "Necessary Government Expenses." Included in that appropriation are \$29,000 for the Commonwealth's Attorney budget unit, \$1,000,000 for the ANOC-Unredeemed Checks budget unit, \$3,950,000 for the Military Affairs budget unit, \$50,000 for the Executive Branch Ethics Commission, and \$600,000 for the Board of Claims.

**Government Operations
Appropriations Not Otherwise Classified
Judgements**

	<u>Requested FY 2003</u>	<u>Requested FY 2004</u>	<u>Enacted FY 2003</u>	<u>Enacted FY 2004</u>
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	10,000,000	10,000,000		
Continuing Appropriation - Gen'l Fund			56,031,100	
Total General Fund	<u>10,000,000</u>	<u>10,000,000</u>	<u>56,031,100</u>	
TOTAL SOURCE OF FUNDS	10,000,000	10,000,000	56,031,100	
EXPENDITURES BY CLASS				
Operating Expenses	10,000,000	10,000,000	56,031,100	
TOTAL EXPENDITURES	<u>10,000,000</u>	<u>10,000,000</u>	<u>56,031,100</u>	
EXPENDITURES BY FUND SOURCE				
General Fund	10,000,000	10,000,000	56,031,100	
TOTAL EXPENDITURES	<u>10,000,000</u>	<u>10,000,000</u>	<u>56,031,100</u>	

The revised fiscal year 2003 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 2003 and each fiscal year in fiscal biennium 2002-2004 shall not lapse but be allowed to continue into subsequent fiscal years. Notwithstanding any other statute to the contrary, should any other Appropriations Not Otherwise Classified account have an insufficient appropriation in fiscal biennium 2002-2004, 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 2002-2004, beyond the amount recommended, will be paid from the General Fund Surplus Account (unappropriated surplus) or the Budget Reserve Trust Fund, if necessary.

**Government Operations
Appropriations Not Otherwise Classified
Necessary Government Expenses**

	<u>Requested FY 2003</u>	<u>Requested FY 2004</u>	<u>Enacted FY 2003</u>	<u>Enacted FY 2004</u>
SOURCE OF FUNDS				
General Fund				
Regular Appropriation			5,629,000	
Total General Fund			<u>5,629,000</u>	
TOTAL SOURCE OF FUNDS			5,629,000	
EXPENDITURES BY CLASS				
Grants, Loans or Benefits			5,629,000	
TOTAL EXPENDITURES			<u>5,629,000</u>	
EXPENDITURES BY FUND SOURCE				
General Fund			5,629,000	
TOTAL EXPENDITURES			<u>5,629,000</u>	

This appropriation includes \$29,000 for the Commonwealth's Attorneys budget unit, \$1,000,000 for the ANOC-Unredeemed Checks budget unit, \$3,950,000 for the Military Affairs budget unit, \$50,000 for the Executive Branch Ethics Commission, and \$600,000 for the Board of Claims. These were the Necessary Government Expenses authorized prior to and during the 2003 Legislative session. Any additional Necessary Government Expenses incurred in fiscal year 2003 and/or fiscal year 2004 will be paid either from the General Fund surplus, the designated fund balance, or the Budget Reserve Trust Fund.

**Government Operations
Kentucky River Authority**

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	487,000	471,900	379,000	379,000
Total General Fund	487,000	471,900	379,000	379,000
Restricted Funds				
Balance Forward	4,180,800	2,394,800	4,987,100	3,250,100
Current Receipts	1,528,900	1,411,900	1,529,000	1,412,000
Total Restricted Funds	5,709,700	3,806,700	6,516,100	4,662,100
TOTAL SOURCE OF FUNDS	6,196,700	4,278,600	6,895,100	5,041,100
EXPENDITURES BY CLASS				
Personnel Cost	1,089,400	1,131,600	987,000	1,022,000
Operating Expenses	227,500	238,000	198,000	201,000
Grants, Loans or Benefits	335,000	354,000	335,000	354,000
Capital Outlay	50,000		25,000	
Construction	2,100,000	2,500,000	2,100,000	2,500,000
TOTAL EXPENDITURES	3,801,900	4,223,600	3,645,000	4,077,000
EXPENDITURES BY FUND SOURCE				
General Fund	487,000	471,900	379,000	379,000
Restricted Funds	3,314,900	3,751,700	3,266,000	3,698,000
TOTAL EXPENDITURES	3,801,900	4,223,600	3,645,000	4,077,000
EXPENDITURES BY UNIT				
Kentucky River Authority	3,300,200	3,751,700	3,251,000	3,698,000
Locks and Dams Program	501,700	471,900	394,000	379,000
TOTAL EXPENDITURES	3,801,900	4,223,600	3,645,000	4,077,000

The Kentucky River Authority created in KRS151.700 is composed of 12 members. The Secretary of the Natural Resources and Environmental Protection Cabinet and the Secretary of the Finance and Administration Cabinet are ex-officio members and the other 10 members are appointed by the Governor. The Authority is attached to the Finance and Administration Cabinet for administrative purposes. Its primary duty is to manage the water supplies of the Kentucky River Watershed and the lock and dam structures on the River between Carrollton and Beattyville.

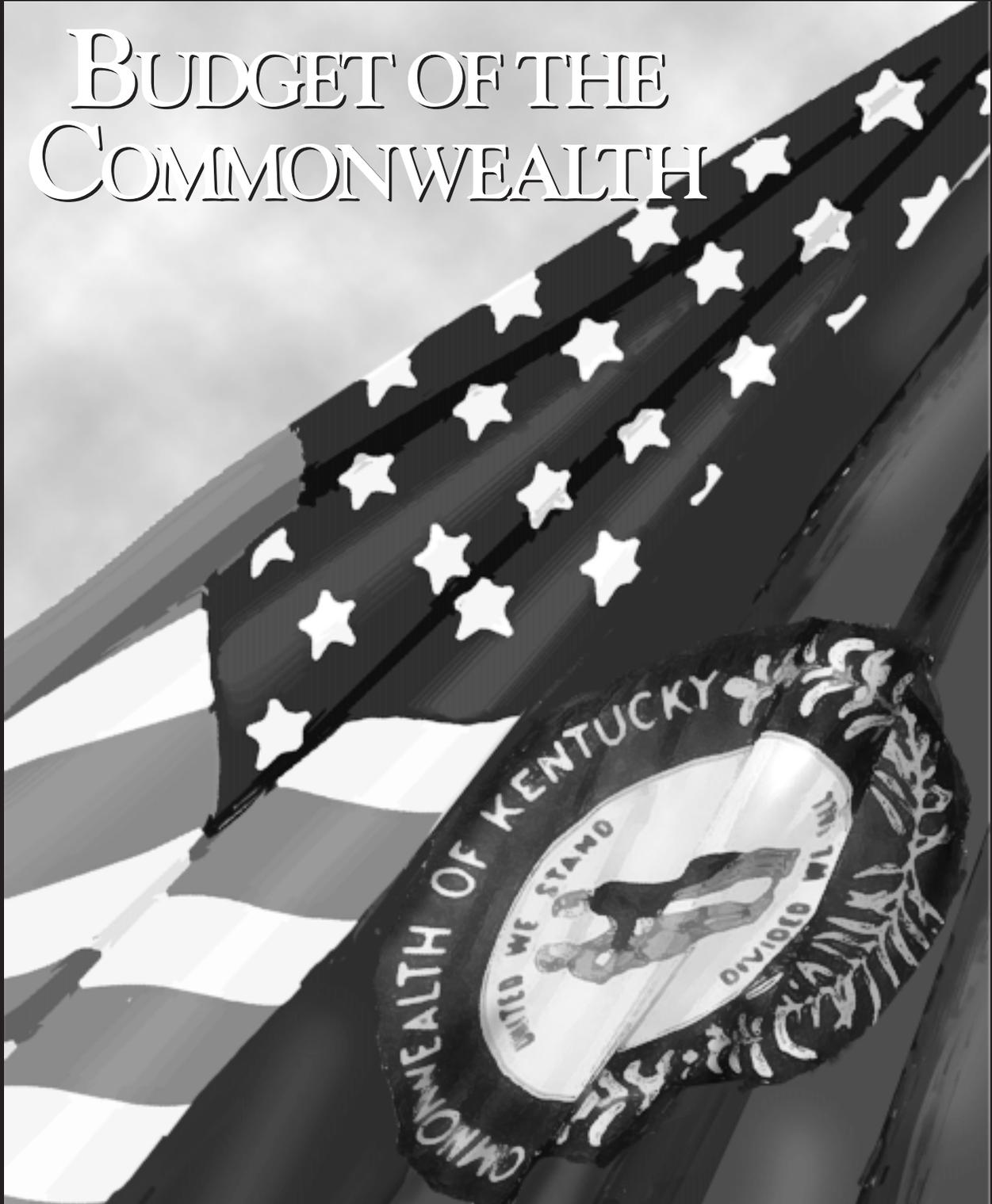
Operation of the Authority is financed by a fee imposed on water used from the Kentucky River Basin. Capital improvements to the lock and dam structures are financed by an additional fee on water from the main stem of the Kentucky River. Revenue bonds may be used to leverage these fee receipts. The rate of the fees has not increased since authorized in 1994.



2002-2004

Statewide

BUDGET OF THE COMMONWEALTH



**Statewide
Budget Reserve Trust Fund**

	<u>Requested FY 2003</u>	<u>Requested FY 2004</u>	<u>Enacted FY 2003</u>	<u>Enacted FY 2004</u>
SOURCE OF FUNDS				
General Fund				
Regular Appropriation			5,087,400	25,921,800
Continuing Appropriation - Gen'l Fund	120,014,383	120,014,383		5,087,400
Total General Fund	<u>120,014,383</u>	<u>120,014,383</u>	<u>5,087,400</u>	<u>31,009,200</u>
TOTAL SOURCE OF FUNDS	120,014,383	120,014,383	5,087,400	31,009,200

The Budget Reserve Trust Fund has a General Fund appropriation of \$5,087,400 in fiscal year 2003 and an additional \$25,921,800 in fiscal year 2004. 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.

In the event that these appropriations are not required and revenue receipts meet or exceed the revenue estimates for the current fiscal year, the \$31,009,200 would be carried forward into fiscal year 2005.

This level of funding (\$31,009,200) represents approximately 0.4 percent of estimated non-Tobacco General Fund revenue receipts in fiscal year 2004.



2002-2004

*Economic
Development*

BUDGET OF THE COMMONWEALTH



Economic Development

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	15,475,800	16,501,000	12,290,200	23,828,800
Continuing Appropriation - Gen'l Fund	5,648,300	4,155,300	6,425,900	6,425,900
Total General Fund	21,124,100	20,656,300	18,716,100	30,254,700
Restricted Funds				
Balance Forward	1,846,200	555,200	3,637,700	5,017,500
Current Receipts	965,000	965,000	936,000	907,700
Non-Revenue Receipts	3,567,000	3,868,800	6,438,400	4,706,500
Total Restricted Funds	6,378,200	5,389,000	11,012,100	10,631,700
Federal Funds				
Balance Forward			4,700	4,700
Current Receipts	160,000	160,000	157,100	155,400
Total Federal Funds	160,000	160,000	161,800	160,100
TOTAL SOURCE OF FUNDS	27,662,300	26,205,300	29,890,000	41,046,500
EXPENDITURES BY CLASS				
Personnel Cost	11,631,200	12,089,900	11,345,500	11,452,700
Operating Expenses	2,345,800	2,318,600	2,263,800	2,318,600
Grants, Loans or Benefits	7,685,800	7,685,800	4,832,600	10,614,500
Debt Service	1,289,000	1,289,000		6,757,000
TOTAL EXPENDITURES	22,951,800	23,383,300	18,441,900	31,142,800
EXPENDITURES BY FUND SOURCE				
General Fund	16,968,800	17,994,000	12,290,200	23,828,800
Restricted Funds	5,823,000	5,229,300	5,994,600	7,158,600
Federal Funds	160,000	160,000	157,100	155,400
TOTAL EXPENDITURES	22,951,800	23,383,300	18,441,900	31,142,800
EXPENDITURES BY UNIT				
Secretary	5,979,100	6,047,900	4,485,900	12,003,100
Administration and Support	2,249,000	2,309,500	2,209,700	2,157,000
Business Development	2,828,700	2,900,000	2,766,700	2,766,100
Financial Incentives	7,073,000	7,163,700	5,526,500	10,728,100
Debt Service	1,289,000	1,289,000		
Community Development	3,533,000	3,673,200	3,453,100	3,488,500
TOTAL EXPENDITURES	22,951,800	23,383,300	18,441,900	31,142,800

The structure of the Cabinet for Economic Development is authorized by KRS 154, as enacted by the 1992 General Assembly.

The governing body of the Cabinet, the Kentucky Economic Development Partnership, consists of 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 Natural Resources and Environmental 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 the Tourism Development Cabinet serve as nonvoting members.

The Mission Statement and the Goals for the Commonwealth's economic development programs as defined by the

Partnership's Statewide Strategic Plan for Economic Development are as follows:

To Create More and Higher-Quality Opportunities by Building and Expanding Sustainable Economy to improve the Quality of Life for all Kentuckians.

The five goals are:

- 1) Create a globally competitive innovation process that is fueled by world-class resources and sustained by an entrepreneurial climate, resulting in a continuously higher standard of living for all Kentuckians. Economic development should foster business expansion, location, and entrepreneurial growth in knowledge-based industries.
- 2) Reduce unemployment and increase per capita income. Economic development should emphasize the welfare of all the citizens of the Commonwealth, and an important part of the welfare is a good job and the ability to support one's family.
- 3) Create a globally competitive business environment. Kentucky must be an active participant in the developing world economy.
- 4) Manage resources to maximize return on investment. Investments in economic development must be made in the most efficient and effective manner possible for the plan to have an impact.
- 5) Coordinate the strategic planning efforts of Kentucky state agencies into the implementation of the Kentucky Strategic Plan for Economic Development. Economic development extends to all segments of the economy and requires coordination with other state agencies, including agriculture, tourism, transportation, education, and natural resource based industries.

The primary functions of the Cabinet are organized in five major areas: Office of the Secretary, Business Development, Financial Incentives, Administration and Support Services, and Community Development. The Office of the New Economy and Department for Regional Development budgets are included within the Office of the Secretary.

**Economic Development
Secretary**

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	2,819,800	3,617,600	1,392,700	7,862,300
Total General Fund	2,819,800	3,617,600	1,392,700	7,862,300
Restricted Funds				
Balance Forward	947,700	88,400	2,478,800	4,270,900
Non-Revenue Receipts	2,300,000	2,417,300	4,885,300	2,958,400
Total Restricted Funds	3,247,700	2,505,700	7,364,100	7,229,300
TOTAL SOURCE OF FUNDS	6,067,500	6,123,300	8,756,800	15,091,600
EXPENDITURES BY CLASS				
Personnel Cost	2,465,000	2,550,400	2,414,000	2,455,800
Operating Expenses	494,100	477,500	412,100	477,500
Grants, Loans or Benefits	3,020,000	3,020,000	1,659,800	7,587,800
Debt Service				1,482,000
TOTAL EXPENDITURES	5,979,100	6,047,900	4,485,900	12,003,100
EXPENDITURES BY FUND SOURCE				
General Fund	2,819,800	3,617,600	1,392,700	7,862,300
Restricted Funds	3,159,300	2,430,300	3,093,200	4,140,800
TOTAL EXPENDITURES	5,979,100	6,047,900	4,485,900	12,003,100
EXPENDITURES BY UNIT				
Executive Policy & Mgmt	3,039,800	3,068,200	3,052,500	2,568,100
New Economy	2,144,900	2,169,400	662,900	8,651,400
Regional Development	794,400	810,300	770,500	783,600
TOTAL EXPENDITURES	5,979,100	6,047,900	4,485,900	12,003,100

The Secretary's Office provides the coordination and direction for planning and management of the programs and entities within the Cabinet. The Office is responsible for developing plans to assure orderly growth and improved management, to recommend executive actions and legislative measures, and to evaluate budget requests. Funding for the Cabinet's advertising and marketing program is included in this program area.

Department for Regional Development

The Department for Regional Development (DRD) was established per KRS 154.12-260 and is charged with administering the Local Government Economic Development Fund (LGEDF). The LGEDF provides grants of coal severance and processing tax revenues to coal producing counties to diversify local economies beyond coal production and create an environment more conducive to business activity.

DRD advises counties in the coal regions on project development, application submittal and project implementation. Staff meets with local officials to determine project eligibility, recommend deal structuring and assist in financial packaging. Staff recommend projects to the Secretary for presentation to Kentucky Economic Development Finance Authority (KEDFA). Some typical projects include the acquisition of industrial property, construction of industrial buildings and infrastructure, business loans and training. DRD fosters a regional approach to economic development through the creation of regional industrial parks and the marketing of those parks. Currently nine regional parks are being marketed while another is under development and two others are under review for funding.

Office of the New Economy

House Bill 572, the *Kentucky Innovation Act of 2000*, established the Office of the New Economy (ONE). It is governed under

KRS 154.12-278. ONE's mission is to foster innovation and a thriving entrepreneurial culture so that Kentuckians are positioned to profitably participate in the 21st Century economy. To achieve its mission, ONE will:

- Build and sustain a strong research and development capacity at Kentucky's universities and in the private sector.
- Create and maintain a thriving entrepreneurial climate supported by programs that inspire and facilitate the commercialization of ideas; and
- Foster and retain a highly motivated, well-educated workforce that can participate and prosper in the New Economy.

Kentucky Innovation Commission

The Kentucky Innovation Commission (KIC) is attached to ONE. Following the Strategic Committee on Postsecondary Education (SCOPE) model, it oversees the activities of the entire New Economy System. KIC provides ongoing advice, direction and policy recommendations to the Governor and General Assembly relating to technology-based businesses, research and development initiatives, and related high-skill training and education in the Commonwealth. KIC is composed of seven ex-officio and eight at-large members and is governed under KRS 164.6015.

New Economy Strategic Plan

House Bill 572 directed ONE to develop a Kentucky Strategic Technology Capacity Initiative, a statewide strategic plan for the New Economy. *Kentucky Innovation: A Strategic Plan for the New Economy* was published in March 2002 fulfilling this legislative mandate. It recognizes Kentucky's current position in the knowledge-based economy, identifies those New Economy niches where Kentucky might gain a competitive edge within a decade and establishes the public policy framework necessary to achieve results. It clearly defines goals, sets priorities and charts a strategy for success in the New Economy.

The plan is comprehensive and multidimensional. It acknowledges that business must lead the way to prosperity in a technology-centered economy, while demonstrating how government can play an effective supporting role through public-private partnerships and by fostering an environment in which Kentucky's New Economy businesses, existing and new, can prosper. Moreover, the plan recognizes that the Commonwealth must continue to invest in a knowledge infrastructure, particularly at the postsecondary education level, to develop both the intellectual pool and the research and development capacity required for success in the emerging economy.

The plan embraces programs housed not only under the Cabinet for Economic Development (CED), but also within the Council on Postsecondary Education (CPE), the Kentucky Department of Education (KDE), the Kentucky Cabinet for Workforce Development (KCWD), the Office of Agricultural Policy and the Kentucky Community and Technical College System (KCTCS). Consistent with the philosophy expressed in House Bill 572, the plan is broad-based and sets a bold course toward realizing the full potential of all Kentuckians by including both urban and rural areas. Finally, the strategic plan identifies performance indicators against which the progress Kentucky makes over the next decade will be measured.

ICC Affiliates and Satellite Centers				
	Western	South Central	Eastern	North Central
Affiliates	Murray	Bowling Green	Richmond	Lexington Louisville Covington
Satellites	Paducah Madisonville Hopkinsville Henderson	Glasgow Elizabethtown Owensboro	Hazard Somerset Ashland Corbin W. Liberty Pikeville	Williamstown

Supporting Knowledge-Based Business Formation

House Bill 525, enacted by the 2002 Regular Session of the General Assembly, created the Innovation and Commercialization Center (ICC) network. It is governed under KRS 154.12-300-320. Six affiliate centers are open and fifteen satellite centers are being established (see chart above). Collectively, the centers increase and accelerate new technology commercialization and technology-based business formation by providing the business building and funding tools essential for success. ICC's bring together the necessary business expertise to assist the Commonwealth's entrepreneurs and scientists commercialize technologies that demonstrate significant market potential. ICC's increase deal flow by providing the tools necessary to generate investment-grade companies.

Providing Access to Capital

Capital is critical to grow the technology-based firms that will fuel economic development in a 21st Century Economy. Product development can be expensive and many young technology firms find it difficult to raise capital. These firms must turn to alternative forms of financing. Such resources are generally not available in Kentucky. Over the past three years, Kentucky leaders have acted aggressively to improve access to capital for fledgling, high-potential technology firms.

In 2000, House Bill 572 created three targeted pre-seed capital funds:

- R&D Voucher Fund*-enables small and medium-sized Kentucky-based firms to undertake research and development work in partnership with Kentucky university researchers. Investments are made in technology refinement, prototype development, and commercial product development. Eligible applicants receive up to \$200,00 over two years, not to exceed \$100,000 in any one year.
- Commercialization Fund*-helps university faculty translate research into marketable products. Eligible applicants receive up to \$225,000 over three years, not to exceed \$75,000 in any one year.
- Rural Innovation Fund*-enables small, rural-based Kentucky firms to undertake research and development work. Funds must be used to contract with a third party. Investments are made in proof-of-concept development or early-stage prototypes. Eligible applicants receive up to \$100,000 over two years, not to exceed \$50,000 in any one year.

In 2001, the Economic Development Partnership Board created a fund-of-funds to assist young firms:

- Commonwealth Seed Capital Fund, LLC-allocates its resources to venture capital funds that are committed to investing in companies throughout the entire state, as well as in particular regions of Kentucky. A pre-requisite to securing an investment from this fund is that each venture capital fund commits to invest three times the amount of capital investment by Commonwealth, LLC in Kentucky technology companies. When its investments are complete, the state will have created a \$30 million pool from its \$10 million investment—funds that will be focused on investing in early-stage, fast-growth technology companies in Kentucky.

In 2002, the General Assembly enacted House Bill 525:

- Venture Capital Investor Tax Credits-House Bill 525 modified the Kentucky Investment Fund Act (KIFA) which offers a 40 percent tax credit to encourage high net worth individuals or corporations to capitalize venture funds that will invest in small, fledgling firms in Kentucky. The technical changes made by the legislation are expected to build the venture capital foundation essential to support the development of the New Economy in Kentucky.

Building New Economy Infrastructure

If Kentucky is to be a full participant in the New Economy it must develop engines of innovation in the private sector and at its universities. House Bill 572 created the High-Tech Construction and Investment Pools to provide a mechanism for the state to invest in infrastructure critical to nurture the growth of R&D and to partner with the private sector to grow Kentucky's New Economy. The pools are governed under KRS 154.12-278. Examples of the projects funded through the Pools in fiscal years 2001 and 2002 are listed on the chart that follows.

* The Council for Postsecondary Education and the Kentucky Science and Technology Corporation administer these programs.

New Economy Pool Report Fiscal Years 2001-2002

Date Prepared: 2/01/2003

Approved Projects	Contracting Agency	Description	Investments in KY to date	ONE Investment	Private Investments	Public Investments
eMain	Louisville Development Authority & Humana, Inc.	Loan to Louisville Development Authority for the renovation of a 130K sq. ft. building. The renovation will provide the first building in a proposed series of buildings for a new development area for e-business enterprises.	\$5,000,000	\$2,500,000	\$2,500,000	
Intranasal Technology Inc.- Coldstream Park, Lexington	Intranasal	Loan to a development stage pharmaceutical company for the construction of a commercial facility on the Coldstream Research Campus of UK. Combined with \$500K - KEDFA Direct Loan	\$2,500,000	\$2,000,000		\$500,000
201 East Jefferson BIO Tech/iTRC Building	LMCDC	Construction and equipment for a 48K sq. ft. facility to house the operations of the iTRC Technology Incubator, the LMCDC MetaCyte Life Sciences Incubator and the IT R&D labs.	\$10,000,000	\$5,000,000		\$5,000,000
WKU Center for Research and Development	WKU	Acquisition and renovation of the old BG Mall by WKU to house the BG-ICC facility. The facility will provide space for applied research and technology related startup enterprises.	\$4,300,000	\$4,000,000		\$300,000
Madison E-Zone Commercialization Ctr.	Madison Ave. Launch Team/ Madison E-Zone	Development and operating funds for the Northern KY Tri-county regional ICC. Located in 21K sq. ft. of leased commercial space in Covington. The facility will house clients of the LaunchPad accelerator program, the administrative space for the ICC and ancillary businesses.	\$940,000	\$500,000	\$440,000	
Eastern KY Innovation & Commercialization Ctr.	EKU	Construction of Phase I of the EKU Business and Technology Center which includes the east region ICC facility. Total project-\$14 million. To house business acceleration programs, including the Ctr. For Econ. Dev., EKU-SBDC, a business conference center, and a business incubator.	\$14,000,000	\$5,000,000		\$9,000,000
Regional Ctr. For Emerging Technologies-Murray	MSU & RCET	Acquisition of a 30K sq. ft. building in Murray for the location of the western region ICC facility (RCET) and the KY Energy/Environmental Consortium.	\$3,000,000	\$1,500,000		\$1,500,000
WKU Integrated Eng. Applications Lab	WKU	South-central Kentucky Technology Center. Construction of an engineering applications lab to assist local and regional companies in the remote remodeling of industrial equipment, machine design for improved performance, instrumentation development and data collection.	\$5,000,000	\$1,000,000		\$4,000,000
Commonwealth Seed Capital LLC	CSC	A KY limited liability company to secure equity positions through investments in venture capital funds or otherwise.	\$31,100,000	\$11,100,000	\$20,000,000	
KY Innovation & Commercialization Centers*	KSTC	Operating funds for the Regional ICC Headquarters (\$400K) and 6-ICC affiliate offices (\$150K each)	\$1,380,400	\$463,600	\$916,800	
KY Energy/Environmental Consortium (Western Region)	MSU & RCET	Operating budget (1yr.) for the consortium. Operates as a unit of the RCET to identify and direct research and development projects unique to the region with a focus on energy and environmental needs of the region.	\$600,000	\$400,000		\$200,000
SKEDC Information Tech. Ctr.	SKEDC	Partial funding of a 16,400 sq. ft. Information Technology Center/Smart Office for the Valley Oaks Bus. & Tech. Park in Pulaski County to market to potential technology park clients.	\$2,000,000	\$200,000		\$1,800,000
NKETCT (NKU Emerging Tech. Commercial. Triangle) -Phase I	NKU	Improvements to the technology physical infrastructure at NKU and Phase I of the Northern KY Emerging Technology Commercialization Triangle (NKETCT). Facility to be designed for post incubator companies.	\$13,681,500	\$500,000	\$4,549,500	\$8,632,000
KY First (Union Springs)	Madison Avenue Launch Team	Authorization for the transfer of funding to the LLC for investment in a private pharmacy cluster venture being undertaken by Madison Ave Launch Team. Funding will be used to acquire companies, products and technologies in the pharmaceutical industry. The LLC will become an equity investor in these activities.	\$20,500,000	\$500,000	\$20,000,000	
UK Research Found. (Ctr. For Pharm. Science & Tech.)	UK Research Foundation	Renovation and construction of additional square footage to increase the manufacturing capacity of the center to attract biotech and pharmaceutical companies to central Kentucky and to encourage the development of intellectual property.	\$6,000,000	\$4,000,000		\$2,000,000
EKU-Reg. Dir./Safety & Security Dir.**	EKU	Funding to oversee the development and the implementation of the safety & security program and the rural new economic development program.	\$500,000	\$500,000		
Total			\$120,501,900	\$39,163,600	\$48,406,300	\$32,932,000

* Funding remaining in ICC Pool Transferred to Operating Budget as per Governor's Spending Plan

**Funding provided for fiscal year 2003 and fiscal year 2004

Policy

The Budget of the Commonwealth provides \$420,000 in restricted funds each fiscal year for the Louisville Waterfront Development Corporation. The source of these restricted funds is Economic Development Bond Repayments. Included in the enacted budget is \$300,000 in restricted funds in each fiscal year for the Kentucky Technology Service Grant through the Kentucky Manufacturing Assistance Center (KMAC) program. The source of these restricted funds is Economic Development Bond Repayments.

Included in the enacted budget is \$770,500 in restricted funds in fiscal year 2003 and \$783,600 in restricted funds in fiscal year 2004 for the Department for Regional Development. Notwithstanding KRS 42.4592, the Department for Regional Development will be funded from the Local Government Economic Development Fund prior to any other statutory distribution from the fund.

Included in the enacted 2003 budget is \$472,000 for the East Kentucky Jobs Creation Corporation and \$467,000 for the West Kentucky Jobs Creation Corporation. Notwithstanding KRS 42.4592, the restricted fund appropriations for these two corporations will be funded from the Local Government Economic Development Fund prior to any other statutory distribution from the Fund. Notwithstanding KRS 42.4588, in fiscal year 2004, the West Kentucky Economic Development Corporation will be supported by restricted funds derived from the Local Government Economic Development Fund's Multi-County Fund.

Included in the enacted budget is \$1.3 million in restricted funds in each year of the biennium for the New Economy Innovation and Commercialization Centers.

Notwithstanding the provisions of KRS 164.6019, 164.6021, 164.6027, 164.6029, and 164.6035, included within the above restricted funds appropriation 2002- is \$1,969,400 for fiscal year 2003, and \$1,000,000 in fiscal year 2004 derived from the Council on Postsecondary Education Science and Technology Trust Fund.

Notwithstanding KRS 154.12-278 by which the Kentucky Economic Development Finance Authority (KEDFA) authorized a grant of up to \$1.3 million in fiscal year 2002 to the Kentucky Science and Technology Corporation, only a maximum of \$900,000 of the authorized amount will be conveyed for expenditure. The remaining funding will be reserved and appropriated to the Office for the New Economy (ONE). ONE is authorized to use these funds to provide a portion of fiscal year 2003 Innovation and Commercialization Center grants.

Included in the above General Fund appropriation for fiscal year 2004 is \$1,482,000 for debt service to support the New Economy Bond Pool of \$15 million authorized in fiscal year 2003.

Included in the above General Fund appropriation for fiscal year 2004 is \$5 million for the New Economy High Technology Construction and High Technology Investment Pool. The Commissioner of the Office for the New Economy will determine the amounts to be apportioned between the Pools.

The 2003 budget for the Office for the New Economy includes a fund transfer in the amount of \$1,482,000. This transfer was to be derived from funds carried forward. It was instead inadvertently taken from the 2003 appropriated dollars, reducing the budget from the \$2,144,900 detailed in the budget narrative to \$662,900. An emergency appropriation increase was approved in April 2003 to restore these funds so the Governor could execute the ONE budget as the General Assembly intended. This action will reduce the carryforward into fiscal year 2004 accordingly.

**Economic Development
Administration and Support**

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	2,219,200	2,263,600	2,179,900	2,111,100
Total General Fund	2,219,200	2,263,600	2,179,900	2,111,100
Restricted Funds				
Balance Forward	84,200	54,400	82,700	52,900
Total Restricted Funds	84,200	54,400	82,700	52,900
TOTAL SOURCE OF FUNDS	2,303,400	2,318,000	2,262,600	2,164,000
EXPENDITURES BY CLASS				
Personnel Cost	1,633,500	1,716,600	1,594,200	1,564,100
Operating Expenses	615,500	592,900	615,500	592,900
TOTAL EXPENDITURES	2,249,000	2,309,500	2,209,700	2,157,000
EXPENDITURES BY FUND SOURCE				
General Fund	2,219,200	2,263,600	2,179,900	2,111,100
Restricted Funds	29,800	45,900	29,800	45,900
TOTAL EXPENDITURES	2,249,000	2,309,500	2,209,700	2,157,000
EXPENDITURES BY UNIT				
Administration and Support	2,249,000	2,309,500	2,209,700	2,157,000
TOTAL EXPENDITURES	2,249,000	2,309,500	2,209,700	2,157,000

The Department of Administration provides support services to all other departmental units, including all purchasing controls, property management, information resources, accounting and budgetary functions, and personnel functions.

The Department provides analytical services and economic and community data to support economic development activities in Kentucky. The Department compiles data and publishes economic statistics and general information on Kentucky. Original research is also conducted in response to specific requests from within the Cabinet, as well as from industrial prospects, existing businesses, local development groups, and local government officials. These research projects include special tax computations and comparisons, economic impact studies, and detailed economic and community data. The Department compiles community resource data for all 120 counties in the state for publication on the Cabinet's web site for use by Cabinet personnel, other state agencies, local economic developers, businesses, and the public.

**Economic Development
Business Development**

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	2,579,900	2,609,400	2,517,900	2,475,500
Total General Fund	2,579,900	2,609,400	2,517,900	2,475,500
Restricted Funds				
Balance Forward	550,700	301,900	772,400	523,600
Total Restricted Funds	550,700	301,900	772,400	523,600
TOTAL SOURCE OF FUNDS	3,130,600	2,911,300	3,290,300	2,999,100
EXPENDITURES BY CLASS				
Personnel Cost	2,215,600	2,281,900	2,153,600	2,148,000
Operating Expenses	528,100	533,100	528,100	533,100
Grants, Loans or Benefits	85,000	85,000	85,000	85,000
TOTAL EXPENDITURES	2,828,700	2,900,000	2,766,700	2,766,100
EXPENDITURES BY FUND SOURCE				
General Fund	2,579,900	2,609,400	2,517,900	2,475,500
Restricted Funds	248,800	290,600	248,800	290,600
TOTAL EXPENDITURES	2,828,700	2,900,000	2,766,700	2,766,100
EXPENDITURES BY UNIT				
Business Development	2,828,700	2,900,000	2,766,700	2,766,100
TOTAL EXPENDITURES	2,828,700	2,900,000	2,766,700	2,766,100

The Department for Business Development is responsible for coordinating the recruitment of new industries and businesses to Kentucky. This task includes: compiling research data for prospective sites; 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 for specific areas such as financing, training, and regulatory requirements with Cabinet officials, program personnel and local representatives.

A Site Evaluation Division compiles statistical information and site maps and listings of available buildings and land for new construction. These activities are supported by Geographic Information Systems-based applications. A Division of Industrial Development communicates with industrial prospects, both foreign and domestic. Contractual agents are located in Japan and Brussels to assist in this endeavor.

**Economic Development
Financial Incentives**

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	3,619,500	3,649,200	3,343,800	8,500,800
Continuing Appropriation - Gen'l Fund	5,648,300	4,155,300	6,425,900	6,425,900
Total General Fund	9,267,800	7,804,500	9,769,700	14,926,700
Restricted Funds				
Balance Forward	123,500		113,500	200
Current Receipts	950,000	950,000	923,900	897,300
Non-Revenue Receipts	887,000	1,071,500	1,145,500	1,330,000
Total Restricted Funds	1,960,500	2,021,500	2,182,900	2,227,500
TOTAL SOURCE OF FUNDS	11,228,300	9,826,000	11,952,600	17,154,200
EXPENDITURES BY CLASS				
Personnel Cost	2,362,500	2,450,600	2,309,000	2,379,100
Operating Expenses	210,500	213,100	210,500	213,100
Grants, Loans or Benefits	4,500,000	4,500,000	3,007,000	2,860,900
Debt Service				5,275,000
TOTAL EXPENDITURES	7,073,000	7,163,700	5,526,500	10,728,100
EXPENDITURES BY FUND SOURCE				
General Fund	5,112,500	5,142,200	3,343,800	8,500,800
Restricted Funds	1,960,500	2,021,500	2,182,700	2,227,300
TOTAL EXPENDITURES	7,073,000	7,163,700	5,526,500	10,728,100
EXPENDITURES BY UNIT				
Financial Incentives	1,960,500	2,021,500	1,924,200	7,243,800
Bluegrass State Skills	5,112,500	5,142,200	3,602,300	3,484,300
TOTAL EXPENDITURES	7,073,000	7,163,700	5,526,500	10,728,100

The Department of Financial Incentives, established by KRS 154.12-224, coordinates all financial assistance, tax credit and related programs available to business and industry. The Department is charged with the development of new initiatives, as well as streamlining and coordinating existing programs. To see that a balanced, efficient use of state dollars and credits is available for job creation and preservation, the Department works through the Grants Program Division, Tax Incentives Programs Division, Direct Loans Program Division, Program Servicing Division, and the Bluegrass State Skills Corporation. The Kentucky Economic Development Finance Authority (KEDFA) encourages economic development, business expansion, and job creation by providing financial support for business and industry through an array of financial assistance and tax credit programs.

In accordance with enabling legislation of the 1992 Kentucky General Assembly and subsequent modifications, the requirements, policies, and intent of each of the following are the responsibilities of KEDFA:

- 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 154.23)
- The Kentucky Jobs Development Act (KRS 154.24-010)
- The Kentucky Industrial Development 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)
- The Local Government Economic Development Program (KRS 42.4582-4595)
- Industrial Revenue Bonds (issued or reviewed under the authority of KRS 103:210)

Bluegrass State Skills Corporation (BSSC) was established in 1984 by the General Assembly as an independent, de jure corporation to stimulate economic development through programs of skills training to meet the needs of business and industry. The BSSC works with business and industry and the state's educational institutions to establish programs of skills training. The BSSC is under the Cabinet for Economic Development, Department of Financial Incentives, in recognition of the relationship between economic development and the need to address the skills training efforts of Kentucky's new, expanding, and existing industries. The statutory authority for the BSSC is found in KRS 154.12-204 through 154.12-208.

The Enterprise Zone Authority was established in 1982 by the General Assembly to revitalize economically depressed areas of the state through the Enterprise Zone Program. State and local tax incentives are offered to businesses located in an enterprise zone. The Department employs staff to serve the Authority and carry out the administrative duties and functions as directed by the Authority. The statutory authority for the Enterprise Zone Authority is found in KRS 154.45-001 through KRS 154.45-120. Nine enterprise zones are authorized by the enabling statute, with each set to expire 20 years following its designation as an enterprise zone. The initial two zones designated, located in Louisville and Hickman, will expire on December 31, 2003.

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

The Budget of the Commonwealth provides an allocation from the General Fund for debt service in fiscal year 2004 of \$5,275,000 to support the following bond funded projects and programs:

- | | |
|--|--------------|
| • Rupp Arena Part II | \$15 million |
| • Kentucky Economic Development Finance Authority Pool | \$30 million |
| • Economic Development Bond Pool | \$10 million |

Of this debt service amount, \$1.4 million is provided for the Rupp Arena/Lexington Civic Center project and the amount of bond proceeds may exceed \$15 million for this project to the extent that the \$1.4 million permits. All of the projects or programs listed above were authorized in fiscal year 2003. It is anticipated that the Rupp Arena/Lexington Civic Center project will be administered by the Finance and Administration Cabinet upon execution of an Executive Order.

**Economic Development
Community Development**

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	2,948,400	3,072,200	2,855,900	2,879,100
Total General Fund	2,948,400	3,072,200	2,855,900	2,879,100
Restricted Funds				
Balance Forward	140,100	110,500	190,300	169,900
Current Receipts	15,000	15,000	12,100	10,400
Non-Revenue Receipts	380,000	380,000	407,600	418,100
Total Restricted Funds	535,100	505,500	610,000	598,400
Federal Funds				
Balance Forward			4,700	4,700
Current Receipts	160,000	160,000	157,100	155,400
Total Federal Funds	160,000	160,000	161,800	160,100
TOTAL SOURCE OF FUNDS	3,643,500	3,737,700	3,627,700	3,637,600
EXPENDITURES BY CLASS				
Personnel Cost	2,954,600	3,090,400	2,874,700	2,905,700
Operating Expenses	497,600	502,000	497,600	502,000
Grants, Loans or Benefits	80,800	80,800	80,800	80,800
TOTAL EXPENDITURES	3,533,000	3,673,200	3,453,100	3,488,500
EXPENDITURES BY FUND SOURCE				
General Fund	2,948,400	3,072,200	2,855,900	2,879,100
Restricted Funds	424,600	441,000	440,100	454,000
Federal Funds	160,000	160,000	157,100	155,400
TOTAL EXPENDITURES	3,533,000	3,673,200	3,453,100	3,488,500
EXPENDITURES BY UNIT				
Business & Entrepreneurship	850,100	884,400	834,900	860,300
Executive Policy & Management	400,900	418,600	391,700	405,500
Small & Minority Business	414,200	431,600	404,400	342,000
Regional Offices	1,151,600	1,202,000	1,118,600	1,161,700
International Trade	716,200	736,600	703,500	719,000
TOTAL EXPENDITURES	3,533,000	3,673,200	3,453,100	3,488,500

The Department of Community Development is responsible for new business creation and the retention and expansion of existing businesses. It seeks to expand Kentucky's entrepreneurial capacity and to assist communities to realize their maximum economic growth potential. The Department includes: the International Trade Division, Small and Minority Business Division, the Division of Business and Entrepreneurship including the Procurement Assistance Branch, the Business Information Clearinghouse, the Business and Technology Branch, Regulatory Expediting, and the three Regional Offices - East, West, and Central.

The International Trade Division (ITD) helps Kentucky companies become more competitive in global markets. The ITD emphasizes trade awareness and education. Staff provides assistance to Kentucky companies on trade-related issues and participates 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, is responsible for promoting the exports of Kentucky manufactured goods, services, and agricultural products throughout Mexico. This office is

funded and operated as a cooperatively by the Kentucky Cabinet for Economic Development and the Kentucky Department of Agriculture.

- The Kentucky South America Trade Office located in Santiago, Chile is poised to take advantage of the impending U.S. Chile Free Trade Agreement and the Free Trade Agreement of the Americas. It will assist Kentucky companies in large and important markets throughout South America.

The Small and Minority Business Development Division (SMBD) provides technical assistance to Kentucky's small and minority owned businesses. The SMBD offers procurement assistance to firms interested in becoming minority procurement contractors. Financial assistance is provided by the SMDB through the Linked Deposit program and the ACE-NET program.

The Regulatory Expediting Center (REC) serves as an ombudsman for addressing regulatory issues encountered by the Kentucky business community.

The Division of Business and Entrepreneurship (DBE) provides the following services:

- The Business Information Clearinghouse (BIC) provides licenses and permitting assistance to new and expanding Kentucky businesses.
- The Kentucky Procurement Assistance Program (KPAP) provides technical assistance to businesses competing for federal and state government contracts.
- The Business and Technology Branch (BTB) identifies and coordinates the distribution of technological information, targeted toward building business networks to enhance the efficiency and productivity of Kentucky businesses.

The three Regional Offices (East, West, and Central) work to retain and expand Kentucky's manufacturing and value added business base. These offices offer the only 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.



2002-2004

Education

BUDGET OF THE COMMONWEALTH



Education

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	2,921,823,700	3,015,538,400	2,866,143,200	2,958,011,100
Continuing Appropriation - Gen'l Fund			1,039,300	
Total General Fund	2,921,823,700	3,015,538,400	2,867,182,500	2,958,011,100
Restricted Funds				
Balance Forward	3,479,500	1,129,000	5,937,600	5,903,600
Current Receipts	5,000,000	7,315,800	4,977,700	7,288,800
Non-Revenue Receipts	696,200	748,900	3,026,900	741,200
Total Restricted Funds	9,175,700	9,193,700	13,942,200	13,933,600
Federal Funds				
Balance Forward	188,300	188,300	166,500	166,500
Current Receipts	491,799,700	499,003,700	491,623,300	498,568,800
Total Federal Funds	491,988,000	499,192,000	491,789,800	498,735,300
TOTAL SOURCE OF FUNDS	3,422,987,400	3,523,924,100	3,372,914,500	3,470,680,000
EXPENDITURES BY CLASS				
Personnel Cost	64,535,900	67,014,800	59,757,500	55,419,500
Operating Expenses	14,971,800	15,041,700	14,702,800	13,459,400
Grants, Loans or Benefits	3,342,162,400	3,440,574,200	3,292,384,100	3,395,673,600
Debt Service				143,000
TOTAL EXPENDITURES	3,421,670,100	3,522,630,700	3,366,844,400	3,464,695,500
EXPENDITURES BY FUND SOURCE				
General Fund	2,921,823,700	3,015,538,400	2,867,182,500	2,958,011,100
Restricted Funds	8,046,700	8,088,600	8,038,600	8,115,600
Federal Funds	491,799,700	499,003,700	491,623,300	498,568,800
TOTAL EXPENDITURES	3,421,670,100	3,522,630,700	3,366,844,400	3,464,695,500
EXPENDITURES BY UNIT				
Support Education Excellence in Kentucky (SEEK)	2,264,403,200	2,315,562,500	2,295,592,100	2,372,391,000
Executive Policy and Management	726,100	755,200	696,800	1,184,900
Operations and Support Services	15,530,400	16,499,600	14,092,200	13,370,500
Learning and Results Services	1,141,010,400	1,189,813,400	1,056,463,300	1,077,749,100
TOTAL EXPENDITURES	3,421,670,100	3,522,630,700	3,366,844,400	3,464,695,500

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.

The Department of Education was reorganized in July 2001 by Executive Order 01-975. The reorganization was ratified in the 2002 Regular Session of the General Assembly by passage of HB 79. Under the provisions of the executive order and subsequent legislation, the Department of Education consists of the following major program areas: Executive Policy and Management, Operations and Support Services, and Learning and Results Services.

Policy

The Budget of the Commonwealth identifies five programs to be modified to permit local school districts additional flexibility in the distribution of program funds across the five programs while still addressing the governing statutes and serving the needs of the intended population. The five programs are: Professional Development; Preschool; Extended School Services; Textbooks; and Safe Schools.

The enacted budget authorizes the transfer of \$14 million in unused local school district flexible spending account monies in both fiscal year 2003 and fiscal year 2004 to the credit of the General Fund. In addition, the enacted budget authorizes a method by which Kentucky will begin receiving federal Medicaid matching funds for those reimbursable functions performed by local school districts on behalf of Medicaid-eligible students. A portion of these funds will be made available to further supplement General Fund support for various KERA strands and other grant programs.

Education
Support Education Excellence in Kentucky (SEEK)

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	2,264,403,200	2,315,562,500	2,295,592,100	2,372,391,000
Total General Fund	2,264,403,200	2,315,562,500	2,295,592,100	2,372,391,000
TOTAL SOURCE OF FUNDS	2,264,403,200	2,315,562,500	2,295,592,100	2,372,391,000
EXPENDITURES BY CLASS				
Grants, Loans or Benefits	2,264,403,200	2,315,562,500	2,295,592,100	2,372,391,000
TOTAL EXPENDITURES	2,264,403,200	2,315,562,500	2,295,592,100	2,372,391,000
EXPENDITURES BY FUND SOURCE				
General Fund	2,264,403,200	2,315,562,500	2,295,592,100	2,372,391,000
TOTAL EXPENDITURES	2,264,403,200	2,315,562,500	2,295,592,100	2,372,391,000
EXPENDITURES BY UNIT				
Base Funding	1,969,807,700	2,009,629,500	1,612,598,600	1,670,283,600
Transportation			202,216,300	212,106,200
Equalized Facilities (FSPK)			58,759,400	59,253,600
Tier I Equalization			136,184,400	136,088,100
State-Run Vocational Schools Reimbursement	22,908,400	23,952,600	21,452,600	21,452,600
Vocational Education Transportation	2,400,000	2,400,000	2,416,900	2,416,900
Local District Teachers' Retirement Match	269,287,100	279,580,400	261,363,900	270,190,000
National Board Certification Salary Supplement			600,000	600,000
TOTAL EXPENDITURES	2,264,403,200	2,315,562,500	2,295,592,100	2,372,391,000

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.

Under the SEEK financing program, the state sets a fixed base guarantee amount per student in average daily attendance. The amount of revenue per pupil guaranteed by SEEK is then adjusted for each local school district to reflect a set of factors that affect the cost of providing services to pupils.

- An adjustment (currently an additional 15 percent of the base per pupil guarantee) is made to reflect the higher than average costs associated with educating economically deprived ("at-risk") students.
- The per pupil guarantee is also increased for exceptional children by a series of weights designed to reflect the additional costs of providing services. The costs associated with exceptional children are based on the count of pupils with different disabilities, a state-determined exceptional pupil-teacher ratio for each disability or service, and a resulting state-determined per pupil cost.

The per pupil guarantee is also supplemented by the costs determined under the pupil transportation calculation procedures.

With regard to the equalization component of the SEEK program, every local school district is required to levy a minimum equivalent local tax effort of 30 cents per hundred dollars of assessed valuation. This tax level may be attained via local property taxes, available alternative taxes (occupational, utility, income, or excise), or any combination. The yield from this tax effort serves as a deduction against the revenues guaranteed under SEEK. This results in a greater proportion of the per pupil revenues being provided by the state in those districts with lower property wealth per pupil.

Those districts which choose to impose taxes sufficient to generate revenues up to 15 percent over those generated under base SEEK are eligible for additional revenues from the state equal to the additional local revenue generated equalized at 150 percent of the statewide average per pupil property assessment. The local tax levied under this provision -- known as Tier I -- is not subject to voter recall. At the present time, all 176 Kentucky school districts take full advantage of the Tier I Option. Additionally, local school districts, upon a majority vote of eligible voters, may raise up to an additional 30 percent in local revenues beyond base SEEK and Tier I to support their education program. This provision is known as Tier II. These funds are not equalized by the state.

The SEEK program also includes an equalized facilities support component (Facilities Support Program of Kentucky) for the purpose of providing a supplemental funding source for each local school district to finance school building and renovation projects and debt service expenditures. To qualify for participation, a district must levy a minimum equivalent tax rate of five cents per hundred dollars of assessed valuation. Revenues generated by this tax must be used to finance capital construction projects or debt service on construction bonds. Such revenue is also equalized at 150 percent of the statewide average per pupil property assessment.

Policy

The Budget of the Commonwealth includes funding to raise the base SEEK per pupil guarantee amount from fiscal year 2002's \$3,066 to \$3,081 in fiscal year 2003 - an increase of .5 percent. Funding is provided in fiscal year 2004 to raise the guarantee amount to \$3,191 - an increase of 3.6 percent. The smaller percentage increase in the base per pupil guarantee amount in fiscal year 2003 compared to the Governor's Spending Plan's 2.7 percent increase reflects the fact that average daily attendance proved to be higher and local school district property valuations proved to be lower than projected when the guarantee in the spending plan was formulated. These variations produce a lower per pupil guarantee amount.

The enacted budget is sufficient to accommodate actual average daily attendance of 572,458 in fiscal year 2003 as well as actual aggregate local school district assessed valuation of \$198.1 billion. The enacted budget for fiscal year 2004 accommodates projected average daily attendance of 575,831 and a projected aggregate assessed local district valuation of \$208.2 billion. The projections for fiscal year 2004 reflect a consensus reached by the Kentucky Revenue Cabinet, the Department of Education, and the Office of State Budget Director.

The enacted budget also provides a one-time appropriation of \$14.7 million in fiscal year 2003 to assist local school districts in accommodating the higher number of pupils in average daily attendance and smaller property assessment increases. This money will be allotted using the SEEK formula but will constitute an allotment separate from other SEEK funds. This money will not become part of the continuing SEEK appropriation in future years.

The Budget of the Commonwealth funds the pupil transportation program at fiscal year 2003's actual calculated amount of \$202,216,300 and the consensus projection of \$212,106,200 for fiscal year 2004.

Also included in the budget is "hold harmless" funding to provide every school district with at least the same amount of state SEEK funding per pupil in both years of the 2002-2004 biennium as was provided in fiscal year 1992.

The enacted budget includes \$136,184,400 in fiscal year 2003 and \$136,088,100 in fiscal year 2004 to provide Tier I equalization funding. This funding is projected to be sufficient to equalize local revenues raised under this SEEK component at a level of \$545,000 of assessed property valuation per student (150 percent of the projected statewide average per pupil assessment) during the 2002-2004 biennium.

The Budget of the Commonwealth provides funding for the Facilities Support Program of Kentucky (FSPK) in the amounts of \$58,759,400 for fiscal year 2003 and \$56,253,600 for fiscal year 2004. As with Tier I, these amounts are projected to be sufficient to equalize local district revenues raised under this SEEK component at a level of \$545,000 of assessed valuation per student. In addition, the budget as enacted provides \$3 million in fiscal year 2004 in additional equalization for those local school districts which have levied an additional five cents per hundred dollars of assessed valuation required to participate in FSPK. Besides levying the "second nickel," districts must levy a third five cents per hundred dollars of assessed valuation designated for facilities and must meet "growth district" criteria (at least a three percent increase amounting to at least 150 additional pupils during the previous five years).

The enacted budget provides funding at the fiscal year 2002 level of \$21,452,600 in both fiscal year 2003 and fiscal 2004 to reimburse state-operated vocational facilities for the costs of providing course offerings to students from local school districts. Funding for vocational transportation is provided at the fiscal year 2002 level of \$2,416,900 in both fiscal year 2003 and fiscal year 2004.

Included within the total appropriation for the SEEK program area is \$261,363,900 in fiscal year 2003 and \$270,190,000 in fiscal year 2004 for the Teachers' Retirement employer match on behalf of local school district personnel.

The budget as enacted provides \$600,000 in both fiscal year 2003 and fiscal year 2004 for salary supplements of \$2,000 annually for teachers achieving and maintaining certification by the National Board for Professional Teaching Standards.

**Education
Executive Policy and Management**

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	726,100	755,200	696,800	1,184,900
Total General Fund	726,100	755,200	696,800	1,184,900
TOTAL SOURCE OF FUNDS	726,100	755,200	696,800	1,184,900
EXPENDITURES BY CLASS				
Personnel Cost	582,400	611,500	553,100	549,800
Operating Expenses	143,700	143,700	143,700	135,100
Grants, Loans or Benefits				500,000
TOTAL EXPENDITURES	726,100	755,200	696,800	1,184,900
EXPENDITURES BY FUND SOURCE				
General Fund	726,100	755,200	696,800	1,184,900
TOTAL EXPENDITURES	726,100	755,200	696,800	1,184,900
EXPENDITURES BY UNIT				
Commissioner	616,100	645,200	589,700	1,078,100
Kentucky Board of Education	110,000	110,000	107,100	106,800
TOTAL EXPENDITURES	726,100	755,200	696,800	1,184,900

The reorganization of the Department of Education, Executive Order 01-795 as ratified by House Bill 79 (2002 Regular Session of the General Assembly), created the Executive Policy and Management function consisting 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 eleven 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 each of the state's 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.

Policy

The Budget of the Commonwealth provides \$500,000 in fiscal year 2004 for a program promoting integration of the arts and foreign languages in the elementary school program. The Department of Education is to award a grant to at least one school meeting the following criteria in each regional service region: 1) instruction in each of the four disciplines of dance, drama, music, and the visual arts that includes core content skills; 2) intense instruction in at least one foreign language and culture; 3) integration of arts and foreign language instruction across the curriculum; 4) coordination by teachers with arts and foreign language certification; 5) professional development facilitating the effective teaching of arts and foreign language; 6) a monitoring and evaluation system that includes student performance assessment; 7) collaboration with parents, local cultural agencies, artists, and native speakers of the foreign language; 8) involvement of the local school board, school council and teachers; and 9) student attendance at one or more live performance(s) or visual art exhibition(s) each school year.

**Education
Operations and Support Services**

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	12,779,800	13,696,900	11,341,800	10,532,300
Total General Fund	12,779,800	13,696,900	11,341,800	10,532,300
Restricted Funds				
Balance Forward	385,800	347,900	1,325,000	1,267,100
Current Receipts	1,454,000	1,480,000	1,439,600	1,461,500
Non-Revenue Receipts	696,200	748,900	690,400	741,200
Total Restricted Funds	2,536,000	2,576,800	3,455,000	3,469,800
Federal Funds				
Balance Forward	25,600	25,600	21,200	21,200
Current Receipts	562,500	573,800	562,500	573,800
Total Federal Funds	588,100	599,400	583,700	595,000
TOTAL SOURCE OF FUNDS	15,903,900	16,873,100	15,380,500	14,597,100
EXPENDITURES BY CLASS				
Personnel Cost	9,894,500	10,305,800	9,046,300	8,566,600
Operating Expenses	4,416,200	4,462,800	4,335,600	4,087,100
Grants, Loans or Benefits	1,219,700	1,731,000	710,300	573,800
Debt Service				143,000
TOTAL EXPENDITURES	15,530,400	16,499,600	14,092,200	13,370,500
EXPENDITURES BY FUND SOURCE				
General Fund	12,779,800	13,696,900	11,341,800	10,532,300
Restricted Funds	2,188,100	2,228,900	2,187,900	2,264,400
Federal Funds	562,500	573,800	562,500	573,800
TOTAL EXPENDITURES	15,530,400	16,499,600	14,092,200	13,370,500
EXPENDITURES BY UNIT				
Deputy Commissioner	225,200	235,300	214,800	212,100
Internal Administration and Support	9,205,700	9,472,800	8,905,700	9,045,600
Legal and Legislative Services	1,606,800	1,649,200	1,221,200	333,500
Communications	2,508,000	2,608,200	2,425,800	2,482,300
Results Planning	1,984,700	2,534,100	1,324,700	1,297,000
TOTAL EXPENDITURES	15,530,400	16,499,600	14,092,200	13,370,500

The Operations and Support Services program was reorganized in 2001 by Executive Order 01-795, ratified by House Bill 79 in the 2002 General Assembly. This program consists of the Office of Internal Administration, Office of Legal and Legislative Services, Office of Communications, and Office of Results Planning.

**Education
Operations and Support Services
Deputy Commissioner**

	<u>Requested FY 2003</u>	<u>Requested FY 2004</u>	<u>Enacted FY 2003</u>	<u>Enacted FY 2004</u>
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	225,200	235,300	214,800	212,100
Total General Fund	<u>225,200</u>	<u>235,300</u>	<u>214,800</u>	<u>212,100</u>
TOTAL SOURCE OF FUNDS	225,200	235,300	214,800	212,100
EXPENDITURES BY CLASS				
Personnel Cost	195,200	205,300	184,800	184,600
Operating Expenses	30,000	30,000	30,000	27,500
TOTAL EXPENDITURES	<u>225,200</u>	<u>235,300</u>	<u>214,800</u>	<u>212,100</u>
EXPENDITURES BY FUND SOURCE				
General Fund	225,200	235,300	214,800	212,100
TOTAL EXPENDITURES	<u>225,200</u>	<u>235,300</u>	<u>214,800</u>	<u>212,100</u>

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.

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

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	7,327,400	7,557,300	7,047,600	7,156,300
Total General Fund	7,327,400	7,557,300	7,047,600	7,156,300
Restricted Funds				
Balance Forward	180,200	142,300	1,043,600	1,005,700
Current Receipts	1,144,200	1,166,600	1,129,800	1,148,100
Non-Revenue Receipts	696,200	748,900	690,400	741,200
Total Restricted Funds	2,020,600	2,057,800	2,863,800	2,895,000
TOTAL SOURCE OF FUNDS	9,348,000	9,615,100	9,911,400	10,051,300
EXPENDITURES BY CLASS				
Personnel Cost	5,841,900	6,066,000	5,563,500	5,646,900
Operating Expenses	3,363,800	3,406,800	3,342,200	3,255,700
Debt Service				143,000
TOTAL EXPENDITURES	9,205,700	9,472,800	8,905,700	9,045,600
EXPENDITURES BY FUND SOURCE				
General Fund	7,327,400	7,557,300	7,047,600	7,156,300
Restricted Funds	1,878,300	1,915,500	1,858,100	1,889,300
TOTAL EXPENDITURES	9,205,700	9,472,800	8,905,700	9,045,600
EXPENDITURES BY UNIT				
Associate Commissioner	518,700	540,400	507,500	501,600
Budgets	635,900	666,200	610,900	596,400
Financial and Materials Management	3,173,800	3,266,200	3,047,200	2,988,300
KDE Teachers' Retirement Match	2,573,400	2,624,800	2,503,800	2,553,900
Administrative Services	1,699,400	1,740,700	1,662,700	1,828,000
Human Resources	604,500	634,500	573,600	577,400
TOTAL EXPENDITURES	9,205,700	9,472,800	8,905,700	9,045,600

Under Executive Order 01-795, the Office of Internal Administration and Support is housed within the Bureau of Operations and Support Services and consists of the following divisions: Budgets; Financial and Materials Management; Administrative Services; and Human Resources.

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 Governor's Office for Policy and Management and Legislative Research Commission budget staff.

The Division of Financial and Materials Management supervises all department expenditure and accounting transactions, purchasing and document preparation as well as 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.

Policy

The enacted Budget of the Commonwealth includes \$143,000 in General Fund debt service support in fiscal year 2004 for upgrading of security, fire alarm and energy systems at the Kentucky School for the Blind as well as replacement of the climate control system at the Kentucky School for the Deaf's Kerr Hall.

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

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	1,606,800	1,649,200	1,221,200	333,500
Total General Fund	1,606,800	1,649,200	1,221,200	333,500
TOTAL SOURCE OF FUNDS	1,606,800	1,649,200	1,221,200	333,500
EXPENDITURES BY CLASS				
Personnel Cost	1,283,600	1,326,000	916,400	284,500
Operating Expenses	166,000	166,000	157,000	49,000
Grants, Loans or Benefits	157,200	157,200	147,800	
TOTAL EXPENDITURES	1,606,800	1,649,200	1,221,200	333,500
EXPENDITURES BY FUND SOURCE				
General Fund	1,606,800	1,649,200	1,221,200	333,500
TOTAL EXPENDITURES	1,606,800	1,649,200	1,221,200	333,500
EXPENDITURES BY UNIT				
Associate Commissioner	606,200	629,400	344,700	333,500
Management Assistance Program	1,000,600	1,019,800	876,500	
TOTAL EXPENDITURES	1,606,800	1,649,200	1,221,200	333,500

The Office of Legal and Legislative Services, located within the Bureau of Operations and Support Services by Executive Order 01-795, 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.

Through fiscal year 2003, the Division of Management Assistance Programs has conducted voluntary management assessments at the request of a local school district as well as involuntary management assistance to districts identified as requiring state assistance or management based on criteria established by KRS 158.785. The Division has also provided assistance in developing and implementing fiscal resource management plans for districts placed on a financial watch or emergency list. The Division of Management Assistance Programs has been responsible for investigating allegations of inappropriate testing practices and reporting findings to a Board of Review.

Policy

The enacted Budget of the Commonwealth eliminates General Fund support for operational costs of the Management Assistance Program in fiscal year 2004.

**Education
Operations and Support Services
Communications**

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	1,735,700	1,821,000	1,653,500	1,695,100
Total General Fund	1,735,700	1,821,000	1,653,500	1,695,100
Restricted Funds				
Balance Forward	97,200	97,200	98,300	98,300
Current Receipts	209,800	213,400	209,800	213,400
Total Restricted Funds	307,000	310,600	308,100	311,700
Federal Funds				
Balance Forward	25,600	25,600	21,200	21,200
Current Receipts	562,500	573,800	562,500	573,800
Total Federal Funds	588,100	599,400	583,700	595,000
TOTAL SOURCE OF FUNDS	2,630,800	2,731,000	2,545,300	2,601,800
EXPENDITURES BY CLASS				
Personnel Cost	1,620,600	1,705,900	1,538,400	1,599,400
Operating Expenses	324,900	328,500	324,900	309,100
Grants, Loans or Benefits	562,500	573,800	562,500	573,800
TOTAL EXPENDITURES	2,508,000	2,608,200	2,425,800	2,482,300
EXPENDITURES BY FUND SOURCE				
General Fund	1,735,700	1,821,000	1,653,500	1,695,100
Restricted Funds	209,800	213,400	209,800	213,400
Federal Funds	562,500	573,800	562,500	573,800
TOTAL EXPENDITURES	2,508,000	2,608,200	2,425,800	2,482,300
EXPENDITURES BY UNIT				
Associate Commissioner	744,100	775,200	716,600	738,000
Publications/Web Services	1,340,300	1,388,400	1,304,400	1,340,400
Video/Multimedia Services	423,600	444,600	404,800	403,900
TOTAL EXPENDITURES	2,508,000	2,608,200	2,425,800	2,482,300

Under the provisions of Executive Order 01-795, the Office of Communications is a stand-alone entity reporting directly to the Commissioner of Education. For budgeting purposes, the office is part of the Bureau of Operations and Support Services appropriation unit.

The Office of Communications consists of two divisions: Public Information and Media 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, issues management and 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.

**Education
Operations and Support Services
Results Planning**

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	1,884,700	2,434,100	1,204,700	1,135,300
Total General Fund	1,884,700	2,434,100	1,204,700	1,135,300
Restricted Funds				
Balance Forward	108,400	108,400	183,100	163,100
Current Receipts	100,000	100,000	100,000	100,000
Total Restricted Funds	208,400	208,400	283,100	263,100
TOTAL SOURCE OF FUNDS	2,093,100	2,642,500	1,487,800	1,398,400
EXPENDITURES BY CLASS				
Personnel Cost	953,200	1,002,600	843,200	851,200
Operating Expenses	531,500	531,500	481,500	445,800
Grants, Loans or Benefits	500,000	1,000,000		
TOTAL EXPENDITURES	1,984,700	2,534,100	1,324,700	1,297,000
EXPENDITURES BY FUND SOURCE				
General Fund	1,884,700	2,434,100	1,204,700	1,135,300
Restricted Funds	100,000	100,000	120,000	161,700
TOTAL EXPENDITURES	1,984,700	2,534,100	1,324,700	1,297,000
EXPENDITURES BY UNIT				
Associate Commissioner	360,200	377,500	316,600	304,100
Virtual Learning	603,100	616,300	539,800	530,700
Data Policy Mgmt Research	1,021,400	1,540,300	468,300	462,200
TOTAL EXPENDITURES	1,984,700	2,534,100	1,324,700	1,297,000

The Office of Results Planning was established by Executive Order 01-795 as a stand-alone entity reporting directly to the Commissioner of Education. For purposes of budgeting, the office is included within the Operations and Support Services appropriation unit.

The mission of the Office of Results Planning is to provide strategic planning and coordination of activities across the Department of Education in order to focus the Department's work on improving results for students and schools. The office consists of two divisions, both designed to promote the transition of education and educators to technology-based and data-driven work environments and applications. The Division of Virtual Learning operates the Kentucky Virtual High School and promotes virtual teaming and online professional development within the department and also with local school districts. The Division of Data Policy Management and Research oversees development of the data enterprise system developed with the Education Professional Standards Board and the Council on Postsecondary Education. The system will assist in coordinating data collection and use across P-16 schools statewide.

**Education
Learning and Results Services**

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	643,914,600	685,523,800	558,512,500	573,902,900
Continuing Appropriation - Gen'l Fund			1,039,300	
Total General Fund	643,914,600	685,523,800	559,551,800	573,902,900
Restricted Funds				
Balance Forward	3,093,700	781,100	4,612,600	4,636,500
Current Receipts	3,546,000	5,835,800	3,538,100	5,827,300
Non-Revenue Receipts			2,336,500	
Total Restricted Funds	6,639,700	6,616,900	10,487,200	10,463,800
Federal Funds				
Balance Forward	162,700	162,700	145,300	145,300
Current Receipts	491,237,200	498,429,900	491,060,800	497,995,000
Total Federal Funds	491,399,900	498,592,600	491,206,100	498,140,300
TOTAL SOURCE OF FUNDS	1,141,954,200	1,190,733,300	1,061,245,100	1,082,507,000
EXPENDITURES BY CLASS				
Personnel Cost	54,059,000	56,097,500	50,158,100	46,303,100
Operating Expenses	10,411,900	10,435,200	10,223,500	9,237,200
Grants, Loans or Benefits	1,076,539,500	1,123,280,700	996,081,700	1,022,208,800
TOTAL EXPENDITURES	1,141,010,400	1,189,813,400	1,056,463,300	1,077,749,100
EXPENDITURES BY FUND SOURCE				
General Fund	643,914,600	685,523,800	559,551,800	573,902,900
Restricted Funds	5,858,600	5,859,700	5,850,700	5,851,200
Federal Funds	491,237,200	498,429,900	491,060,800	497,995,000
TOTAL EXPENDITURES	1,141,010,400	1,189,813,400	1,056,463,300	1,077,749,100
EXPENDITURES BY UNIT				
Deputy Commissioner	16,804,100	16,821,400	15,351,300	15,347,200
Special Instructional Services	325,405,400	330,084,700	324,186,300	328,352,900
Leadership and School Improvement	13,021,800	12,706,100	10,899,200	11,422,000
Supportive Learning Environments	63,197,900	63,332,300	59,765,400	59,402,700
Assessment and Accountability	21,363,700	21,431,400	13,366,600	9,654,600
Academic and Professional Development	123,316,200	123,492,100	118,424,000	112,583,900
District Support Services	555,100,500	594,151,200	496,772,900	519,790,600
Education Technology	22,800,800	27,794,200	17,697,600	21,195,200
TOTAL EXPENDITURES	1,141,010,400	1,189,813,400	1,056,463,300	1,077,749,100

In June 2001 the Department of Education was reorganized by Executive Order 01-795. That order was ratified by House Bill 79 in the Regular Session of the 2002 General Assembly. As a result of the reorganization, the Learning and Results Services program area consists of the following offices: Special Instructional Services; Leadership and School Improvement; Supportive Learning Environments; Assessment and Accountability; Academic and Professional Development; District Support Services; and Education Technology. Each office is headed by an associate commissioner.

**Education
Learning and Results Services
Deputy Commissioner**

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	16,706,800	16,722,100	15,254,000	15,247,900
Total General Fund	16,706,800	16,722,100	15,254,000	15,247,900
Federal Funds				
Balance Forward	55,000	55,000	54,900	54,900
Current Receipts	97,300	99,300	97,300	99,300
Total Federal Funds	152,300	154,300	152,200	154,200
TOTAL SOURCE OF FUNDS	16,859,100	16,876,400	15,406,200	15,402,100
EXPENDITURES BY CLASS				
Personnel Cost	293,900	309,200	281,000	263,300
Operating Expenses	53,400	53,400	53,400	53,400
Grants, Loans or Benefits	16,456,800	16,458,800	15,016,900	15,030,500
TOTAL EXPENDITURES	16,804,100	16,821,400	15,351,300	15,347,200
EXPENDITURES BY FUND SOURCE				
General Fund	16,706,800	16,722,100	15,254,000	15,247,900
Federal Funds	97,300	99,300	97,300	99,300
TOTAL EXPENDITURES	16,804,100	16,821,400	15,351,300	15,347,200
EXPENDITURES BY UNIT				
Deputy Commissioner	347,300	362,600	327,100	316,700
National Center Education Statistics Project	97,300	99,300	97,300	99,300
Staff Development	15,844,500	15,844,500	14,486,100	14,525,600
Statewide Teacher Recruitment	515,000	515,000	440,800	405,600
TOTAL EXPENDITURES	16,804,100	16,821,400	15,351,300	15,347,200

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; Supportive Learning Environments; Assessment and Accountability; Academic and Professional Development; District Support Services; and Education Technology.

Policy

The enacted [Budget of the Commonwealth](#) identifies Professional Development as one of five programs that may be modified to permit local school districts additional flexibility in the distribution of program funds across the five programs while still conforming to the governing statutes and meeting the needs of the target population.

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

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	28,075,200	28,927,600	27,017,300	27,571,700
Total General Fund	28,075,200	28,927,600	27,017,300	27,571,700
Restricted Funds				
Balance Forward	449,600	449,600	435,100	435,100
Current Receipts	889,700	890,800	882,300	882,900
Total Restricted Funds	1,339,300	1,340,400	1,317,400	1,318,000
Federal Funds				
Balance Forward	91,900	91,900	88,000	88,000
Current Receipts	296,440,500	300,266,300	296,286,700	299,898,300
Total Federal Funds	296,532,400	300,358,200	296,374,700	299,986,300
TOTAL SOURCE OF FUNDS	325,946,900	330,626,200	324,709,400	328,876,000
EXPENDITURES BY CLASS				
Personnel Cost	20,320,000	21,368,700	19,100,900	19,655,400
Operating Expenses	3,618,200	3,621,500	3,618,200	3,603,000
Grants, Loans or Benefits	301,467,200	305,094,500	301,467,200	305,094,500
TOTAL EXPENDITURES	325,405,400	330,084,700	324,186,300	328,352,900
EXPENDITURES BY FUND SOURCE				
General Fund	28,075,200	28,927,600	27,017,300	27,571,700
Restricted Funds	889,700	890,800	882,300	882,900
Federal Funds	296,440,500	300,266,300	296,286,700	299,898,300
TOTAL EXPENDITURES	325,405,400	330,084,700	324,186,300	328,352,900
EXPENDITURES BY UNIT				
Associate Commissioner	436,500	458,500	417,400	400,700
Exceptional Children Services	88,524,400	89,085,800	88,466,500	88,975,600
Career and Technical Education	21,082,700	21,072,700	20,927,100	20,784,200
Federal Program Resources	199,738,400	203,101,400	199,633,600	202,814,100
Kentucky School for the Blind	5,732,800	5,998,600	5,471,100	5,709,500
Kentucky School for the Deaf	9,890,600	10,367,700	9,270,600	9,668,800
TOTAL EXPENDITURES	325,405,400	330,084,700	324,186,300	328,352,900

The Office of Special Instructional Services as established by KRS 156.010 contains five divisions: the Division of Exceptional Children Services; Division of Secondary Vocational Education; Division of Federal Program Resources; the Kentucky School for the Blind; and the Kentucky School for the Deaf.

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

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	436,500	458,500	417,400	400,700
Total General Fund	436,500	458,500	417,400	400,700
TOTAL SOURCE OF FUNDS	436,500	458,500	417,400	400,700
EXPENDITURES BY CLASS				
Personnel Cost	420,100	442,100	401,000	392,500
Operating Expenses	16,400	16,400	16,400	8,200
TOTAL EXPENDITURES	436,500	458,500	417,400	400,700
EXPENDITURES BY FUND SOURCE				
General Fund	436,500	458,500	417,400	400,700
TOTAL EXPENDITURES	436,500	458,500	417,400	400,700

The Associate Commissioner for the Office of Special Instructional Services is responsible for five divisions: the Division of Exceptional Children Services; Division of Secondary Vocational Education; Division of Federal Program Resources; 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.

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

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	251,600	261,900	242,700	232,400
Total General Fund	251,600	261,900	242,700	232,400
Restricted Funds				
Balance Forward	3,000	3,000	7,900	7,900
Current Receipts	56,700	57,800	56,700	57,800
Total Restricted Funds	59,700	60,800	64,600	65,700
Federal Funds				
Balance Forward	13,200	13,200		
Current Receipts	88,216,100	88,766,100	88,167,100	88,685,400
Total Federal Funds	88,229,300	88,779,300	88,167,100	88,685,400
TOTAL SOURCE OF FUNDS	88,540,600	89,102,000	88,474,400	88,983,500
EXPENDITURES BY CLASS				
Personnel Cost	2,080,600	2,181,800	2,022,700	2,071,600
Operating Expenses	56,700	57,800	56,700	57,800
Grants, Loans or Benefits	86,387,100	86,846,200	86,387,100	86,846,200
TOTAL EXPENDITURES	88,524,400	89,085,800	88,466,500	88,975,600
EXPENDITURES BY FUND SOURCE				
General Fund	251,600	261,900	242,700	232,400
Restricted Funds	56,700	57,800	56,700	57,800
Federal Funds	88,216,100	88,766,100	88,167,100	88,685,400
TOTAL EXPENDITURES	88,524,400	89,085,800	88,466,500	88,975,600
EXPENDITURES BY UNIT				
Exceptional Children Services	88,393,500	88,951,000	88,335,600	88,840,800
Special Education Mentors	130,900	134,800	130,900	134,800
TOTAL EXPENDITURES	88,524,400	89,085,800	88,466,500	88,975,600

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.

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

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	11,963,700	12,040,900	11,815,500	11,760,300
Total General Fund	11,963,700	12,040,900	11,815,500	11,760,300
Restricted Funds				
Balance Forward	126,000	126,000	184,400	184,400
Current Receipts	525,000	525,000	517,600	517,100
Total Restricted Funds	651,000	651,000	702,000	701,500
Federal Funds				
Balance Forward	2,600	2,600	13,700	13,700
Current Receipts	8,594,000	8,506,800	8,594,000	8,506,800
Total Federal Funds	8,596,600	8,509,400	8,607,700	8,520,500
TOTAL SOURCE OF FUNDS	21,211,300	21,201,300	21,125,200	20,982,300
EXPENDITURES BY CLASS				
Personnel Cost	1,588,600	1,665,800	1,433,000	1,387,600
Operating Expenses	703,900	703,900	703,900	693,600
Grants, Loans or Benefits	18,790,200	18,703,000	18,790,200	18,703,000
TOTAL EXPENDITURES	21,082,700	21,072,700	20,927,100	20,784,200
EXPENDITURES BY FUND SOURCE				
General Fund	11,963,700	12,040,900	11,815,500	11,760,300
Restricted Funds	525,000	525,000	517,600	517,100
Federal Funds	8,594,000	8,506,800	8,594,000	8,506,800
TOTAL EXPENDITURES	21,082,700	21,072,700	20,927,100	20,784,200

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 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.

**Education
Learning and Results Services
Special Instructional Services
Federal Program Resources**

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
Restricted Funds				
Balance Forward	13,500	13,500	17,600	17,600
Current Receipts	108,000	108,000	108,000	108,000
Total Restricted Funds	121,500	121,500	125,600	125,600
Federal Funds				
Balance Forward	75,800	75,800	73,800	73,800
Current Receipts	199,630,400	202,993,400	199,525,600	202,706,100
Total Federal Funds	199,706,200	203,069,200	199,599,400	202,779,900
TOTAL SOURCE OF FUNDS	199,827,700	203,190,700	199,725,000	202,905,500
EXPENDITURES BY CLASS				
Personnel Cost	2,218,500	2,323,900	2,113,700	2,036,600
Operating Expenses	1,230,000	1,232,200	1,230,000	1,232,200
Grants, Loans or Benefits	196,289,900	199,545,300	196,289,900	199,545,300
TOTAL EXPENDITURES	199,738,400	203,101,400	199,633,600	202,814,100
EXPENDITURES BY FUND SOURCE				
Restricted Funds	108,000	108,000	108,000	108,000
Federal Funds	199,630,400	202,993,400	199,525,600	202,706,100
TOTAL EXPENDITURES	199,738,400	203,101,400	199,633,600	202,814,100
EXPENDITURES BY UNIT				
Title 1	154,991,400	158,089,100	154,936,700	157,947,900
VI	28,283,400	28,831,500	28,280,900	28,775,200
Other Federal Programs	15,863,600	16,180,800	15,817,500	16,091,000
Goals 2000	600,000		598,500	
TOTAL EXPENDITURES	199,738,400	203,101,400	199,633,600	202,814,100

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; Dwight D. Eisenhower Mathematics and Science Education Program; the Reading Excellence Act; and HIV/AIDS Prevention Education.

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

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	5,682,800	5,948,600	5,421,100	5,659,500
Total General Fund	5,682,800	5,948,600	5,421,100	5,659,500
Restricted Funds				
Balance Forward	5,300	5,300	16,300	16,300
Current Receipts	50,000	50,000	50,000	50,000
Total Restricted Funds	55,300	55,300	66,300	66,300
Federal Funds				
Balance Forward	300	300	500	500
Total Federal Funds	300	300	500	500
TOTAL SOURCE OF FUNDS	5,738,400	6,004,200	5,487,900	5,726,300
EXPENDITURES BY CLASS				
Personnel Cost	5,093,400	5,359,200	4,831,700	5,070,100
Operating Expenses	639,400	639,400	639,400	639,400
TOTAL EXPENDITURES	5,732,800	5,998,600	5,471,100	5,709,500
EXPENDITURES BY FUND SOURCE				
General Fund	5,682,800	5,948,600	5,421,100	5,659,500
Restricted Funds	50,000	50,000	50,000	50,000
TOTAL EXPENDITURES	5,732,800	5,998,600	5,471,100	5,709,500

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 enacted Budget of the Commonwealth includes General Fund debt service support for new and upgraded security, fire alarm and energy systems at the School for the Blind.

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

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	9,740,600	10,217,700	9,120,600	9,518,800
Total General Fund	9,740,600	10,217,700	9,120,600	9,518,800
Restricted Funds				
Balance Forward	301,800	301,800	208,900	208,900
Current Receipts	150,000	150,000	150,000	150,000
Total Restricted Funds	451,800	451,800	358,900	358,900
TOTAL SOURCE OF FUNDS	10,192,400	10,669,500	9,479,500	9,877,700
EXPENDITURES BY CLASS				
Personnel Cost	8,918,800	9,395,900	8,298,800	8,697,000
Operating Expenses	971,800	971,800	971,800	971,800
TOTAL EXPENDITURES	9,890,600	10,367,700	9,270,600	9,668,800
EXPENDITURES BY FUND SOURCE				
General Fund	9,740,600	10,217,700	9,120,600	9,518,800
Restricted Funds	150,000	150,000	150,000	150,000
TOTAL EXPENDITURES	9,890,600	10,367,700	9,270,600	9,668,800

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 effectively provide educational services to deaf children attending school in a local district. The 1998 General Assembly designated KSD as the Statewide Educational Resource Center on Deafness.

Policy

The enacted Budget of the Commonwealth includes General Fund debt service support to replace the heating, ventilation, and air conditioning systems in Kerr Hall at the Kentucky School for the Deaf.

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

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	12,170,200	11,854,500	10,047,600	10,570,400
Total General Fund	12,170,200	11,854,500	10,047,600	10,570,400
Restricted Funds				
Current Receipts	25,000	25,000	25,000	25,000
Total Restricted Funds	25,000	25,000	25,000	25,000
Federal Funds				
Current Receipts	826,600	826,600	826,600	826,600
Total Federal Funds	826,600	826,600	826,600	826,600
TOTAL SOURCE OF FUNDS	13,021,800	12,706,100	10,899,200	11,422,000
EXPENDITURES BY CLASS				
Personnel Cost	7,197,100	7,381,400	6,232,200	6,946,100
Operating Expenses	1,244,200	1,244,200	1,244,200	1,193,200
Grants, Loans or Benefits	4,580,500	4,080,500	3,422,800	3,282,700
TOTAL EXPENDITURES	13,021,800	12,706,100	10,899,200	11,422,000
EXPENDITURES BY FUND SOURCE				
General Fund	12,170,200	11,854,500	10,047,600	10,570,400
Restricted Funds	25,000	25,000	25,000	25,000
Federal Funds	826,600	826,600	826,600	826,600
TOTAL EXPENDITURES	13,021,800	12,706,100	10,899,200	11,422,000
EXPENDITURES BY UNIT				
Associate Commissioner	818,900	839,500	790,100	784,400
Instructional Leadership Development	1,505,200	1,532,900	1,480,000	1,450,700
School Improvement	10,601,800	10,235,900	8,535,700	9,098,500
Commonwealth Institute for Teachers	95,900	97,800	93,400	88,400
TOTAL EXPENDITURES	13,021,800	12,706,100	10,899,200	11,422,000

An Associate Commissioner who reports to the Learning and Results Services Deputy Commissioner heads the Office of Leadership and School Improvement. The Office consists of the following program units: Division of Instructional Leadership; Division of School Improvement; and Commonwealth Institute for Teachers.

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

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	818,900	839,500	790,100	784,400
Total General Fund	818,900	839,500	790,100	784,400
TOTAL SOURCE OF FUNDS	818,900	839,500	790,100	784,400
EXPENDITURES BY CLASS				
Personnel Cost	389,000	409,600	360,200	358,700
Operating Expenses	29,900	29,900	29,900	25,700
Grants, Loans or Benefits	400,000	400,000	400,000	400,000
TOTAL EXPENDITURES	818,900	839,500	790,100	784,400
EXPENDITURES BY FUND SOURCE				
General Fund	818,900	839,500	790,100	784,400
TOTAL EXPENDITURES	818,900	839,500	790,100	784,400

The Associate Commissioner for the Office of Leadership and School Improvement reports to the Learning Support Services Deputy Commissioner. The Office is responsible for administering and overseeing the following programs and units: Division of Instructional Leadership; Division of School Improvement; Commonwealth Teacher Institute; Commonwealth School Improvement Fund; and the School Transformation Assistance and Reward program.

**Education
Learning and Results Services
Leadership and School Improvement
Instructional Leadership Development**

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	653,600	681,300	628,400	599,100
Total General Fund	653,600	681,300	628,400	599,100
Restricted Funds				
Current Receipts	25,000	25,000	25,000	25,000
Total Restricted Funds	25,000	25,000	25,000	25,000
Federal Funds				
Current Receipts	826,600	826,600	826,600	826,600
Total Federal Funds	826,600	826,600	826,600	826,600
TOTAL SOURCE OF FUNDS	1,505,200	1,532,900	1,480,000	1,450,700
EXPENDITURES BY CLASS				
Personnel Cost	529,100	556,800	503,900	478,900
Operating Expenses	52,000	52,000	52,000	47,700
Grants, Loans or Benefits	924,100	924,100	924,100	924,100
TOTAL EXPENDITURES	1,505,200	1,532,900	1,480,000	1,450,700
EXPENDITURES BY FUND SOURCE				
General Fund	653,600	681,300	628,400	599,100
Restricted Funds	25,000	25,000	25,000	25,000
Federal Funds	826,600	826,600	826,600	826,600
TOTAL EXPENDITURES	1,505,200	1,532,900	1,480,000	1,450,700

The Division of Instructional Leadership Development organizes and monitors an endorsed trainer program to prepare individuals who will provide training and assistance on Site Based Decision Making (SBDM) issues. The Division advises school councils and local districts on SBDM implementation issues, and collects data about implementation of SBDM. It educates councils about best practices and assists schools and districts with SBDM legal roles and responsibilities.

The Division provides and monitors required training opportunities for superintendents working in their first year of service; administers and reports results of required testing; 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; and collects and analyzes data relative to each of the above initiatives.

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

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	10,601,800	10,235,900	8,535,700	9,098,500
Total General Fund	10,601,800	10,235,900	8,535,700	9,098,500
TOTAL SOURCE OF FUNDS	10,601,800	10,235,900	8,535,700	9,098,500
EXPENDITURES BY CLASS				
Personnel Cost	6,252,100	6,386,200	5,343,700	6,079,700
Operating Expenses	1,093,300	1,093,300	1,093,300	1,060,200
Grants, Loans or Benefits	3,256,400	2,756,400	2,098,700	1,958,600
TOTAL EXPENDITURES	10,601,800	10,235,900	8,535,700	9,098,500
EXPENDITURES BY FUND SOURCE				
General Fund	10,601,800	10,235,900	8,535,700	9,098,500
TOTAL EXPENDITURES	10,601,800	10,235,900	8,535,700	9,098,500
EXPENDITURES BY UNIT				
School Improvement	1,469,700	989,900	450,300	429,400
Commonwealth School Improvement	2,512,900	2,522,900	2,310,700	2,149,600
Highly Skilled Educators	6,619,200	6,723,100	5,774,700	6,519,500
TOTAL EXPENDITURES	10,601,800	10,235,900	8,535,700	9,098,500

The Division of School Improvement administers the Kentucky Highly Skilled Educators program; oversees the implementation of the School Transformation, Assistance and Renewal (STAR) 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.

**Education
Learning and Results Services
Leadership and School Improvement
Commonwealth Institute for Teachers**

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	95,900	97,800	93,400	88,400
Total General Fund	95,900	97,800	93,400	88,400
TOTAL SOURCE OF FUNDS	95,900	97,800	93,400	88,400
EXPENDITURES BY CLASS				
Personnel Cost	26,900	28,800	24,400	28,800
Operating Expenses	69,000	69,000	69,000	59,600
TOTAL EXPENDITURES	95,900	97,800	93,400	88,400
EXPENDITURES BY FUND SOURCE				
General Fund	95,900	97,800	93,400	88,400
TOTAL EXPENDITURES	95,900	97,800	93,400	88,400

The Commonwealth Institute for Teachers was developed pursuant to KRS 156.097 to address the improvement of instruction in Kentucky's public schools. Approximately 100 teachers - selected based on demonstrated achievement in student performance as well as attainment of advanced training - participate in this professional development experience each year. The focus of the institute is on instructional leadership from the teacher's perspective. The Institute consists of a week during the summer followed by a session in the fall and another in the spring.

**Education
Learning and Results Services
Supportive Learning Environments**

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	61,813,400	61,924,800	58,380,900	57,995,200
Total General Fund	61,813,400	61,924,800	58,380,900	57,995,200
Restricted Funds				
Balance Forward	246,100	246,100	362,400	362,400
Current Receipts	235,800	235,800	235,800	235,800
Total Restricted Funds	481,900	481,900	598,200	598,200
Federal Funds				
Balance Forward	13,300	13,300		
Current Receipts	1,148,700	1,171,700	1,148,700	1,171,700
Total Federal Funds	1,162,000	1,185,000	1,148,700	1,171,700
TOTAL SOURCE OF FUNDS	63,457,300	63,591,700	60,127,800	59,765,100
EXPENDITURES BY CLASS				
Personnel Cost	1,796,300	1,889,600	1,556,700	1,562,400
Operating Expenses	547,900	567,900	586,000	632,900
Grants, Loans or Benefits	60,853,700	60,874,800	57,622,700	57,207,400
TOTAL EXPENDITURES	63,197,900	63,332,300	59,765,400	59,402,700
EXPENDITURES BY FUND SOURCE				
General Fund	61,813,400	61,924,800	58,380,900	57,995,200
Restricted Funds	235,800	235,800	235,800	235,800
Federal Funds	1,148,700	1,171,700	1,148,700	1,171,700
TOTAL EXPENDITURES	63,197,900	63,332,300	59,765,400	59,402,700
EXPENDITURES BY UNIT				
Associate Commissioner	323,900	339,800	250,700	340,200
Educator Recruitment and Retention	3,033,600	3,053,000	1,887,500	1,611,400
Equity	1,129,100	1,148,200	436,700	413,800
Student, Family and Community Support Services	58,711,300	58,791,300	57,190,500	57,037,300
TOTAL EXPENDITURES	63,197,900	63,332,300	59,765,400	59,402,700

The Office of Supportive Learning Environments authorized by Executive Order 01-795 as ratified by House Bill 79 (2002 General Assembly in Regular Session), consists of the Division of Educator Recruitment and Retention, the Division of Equity, and the Division of Student, Family and Community Support Services.

**Education
Learning and Results Services
Supportive Learning Environments
Associate Commissioner**

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	323,900	339,800	250,700	340,200
Total General Fund	323,900	339,800	250,700	340,200
TOTAL SOURCE OF FUNDS	323,900	339,800	250,700	340,200
EXPENDITURES BY CLASS				
Personnel Cost	303,900	319,800	230,700	231,200
Operating Expenses	20,000	20,000	20,000	109,000
TOTAL EXPENDITURES	323,900	339,800	250,700	340,200
EXPENDITURES BY FUND SOURCE				
General Fund	323,900	339,800	250,700	340,200
TOTAL EXPENDITURES	323,900	339,800	250,700	340,200

The Associate Commissioner of the Office of Supportive Learning Environments reports to the Deputy Commissioner of Learning and Results Services and provides support and leadership to the following divisions: Educator Recruitment and Retention; Equity; and Student, Family and Community Support Services.

**Education
Learning and Results Services
Supportive Learning Environments
Educator Recruitment and Retention**

	<u>Requested FY 2003</u>	<u>Requested FY 2004</u>	<u>Enacted FY 2003</u>	<u>Enacted FY 2004</u>
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	3,033,600	3,053,000	1,887,500	1,611,400
Total General Fund	<u>3,033,600</u>	<u>3,053,000</u>	<u>1,887,500</u>	<u>1,611,400</u>
TOTAL SOURCE OF FUNDS	3,033,600	3,053,000	1,887,500	1,611,400
EXPENDITURES BY CLASS				
Personnel Cost	374,200	393,600	222,400	229,600
Operating Expenses	63,200	63,200	63,200	46,100
Grants, Loans or Benefits	2,596,200	2,596,200	1,601,900	1,335,700
TOTAL EXPENDITURES	<u>3,033,600</u>	<u>3,053,000</u>	<u>1,887,500</u>	<u>1,611,400</u>
EXPENDITURES BY FUND SOURCE				
General Fund	3,033,600	3,053,000	1,887,500	1,611,400
TOTAL EXPENDITURES	3,033,600	3,053,000	1,887,500	1,611,400

The Division of Educator Recruitment and Retention administers and funds programs to increase the percentage of minority educators in the Commonwealth as well as to help retain existing minority educators. One component of this effort is the Minority Educator Recruitment and Retention Scholarship program. The Division also works to identify and recruit qualified candidates for the Administrative Leadership Institute, which trains minority administrators.

**Education
Learning and Results Services
Supportive Learning Environments
Equity**

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	1,113,300	1,132,400	420,900	398,000
Total General Fund	1,113,300	1,132,400	420,900	398,000
Restricted Funds				
Balance Forward	500	500	300	300
Current Receipts	15,800	15,800	15,800	15,800
Total Restricted Funds	16,300	16,300	16,100	16,100
TOTAL SOURCE OF FUNDS	1,129,600	1,148,700	437,000	414,100
EXPENDITURES BY CLASS				
Personnel Cost	362,800	381,900	283,400	286,700
Operating Expenses	76,300	76,300	63,300	37,100
Grants, Loans or Benefits	690,000	690,000	90,000	90,000
TOTAL EXPENDITURES	1,129,100	1,148,200	436,700	413,800
EXPENDITURES BY FUND SOURCE				
General Fund	1,113,300	1,132,400	420,900	398,000
Restricted Funds	15,800	15,800	15,800	15,800
TOTAL EXPENDITURES	1,129,100	1,148,200	436,700	413,800

The Division of Equity was established by Executive Order 98-1671 and was located within the Office of Supportive Learning Environments by Executive Order 01-795. The mission of the Division of Equity is to provide technical assistance, leadership, advocacy, professional development, and multicultural education to meet the diverse needs of Kentucky schools and communities. The Division of Equity is responsible for the implementation of the Education Equity Plan which affects eight distinct areas of learning and communities; maintaining the Equitable Schools Institute; the Martin Luther King Project; the technical assistance for Title IX and gender fair instruction; maintenance of a resource center as well as a virtual museum and web site. The Division also assists schools and districts in use of the Equity Analysis Performance Standards, a tool designed to assess equity based on such indicators as dropout rates, attendance, achievement gaps between subgroups of students, and discipline incidents.

**Education
Learning and Results Services
Supportive Learning Environments
Student, Family and Community Support Services**

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	57,342,600	57,399,600	55,821,800	55,645,600
Total General Fund	57,342,600	57,399,600	55,821,800	55,645,600
Restricted Funds				
Balance Forward	245,600	245,600	362,100	362,100
Current Receipts	220,000	220,000	220,000	220,000
Total Restricted Funds	465,600	465,600	582,100	582,100
Federal Funds				
Balance Forward	13,300	13,300		
Current Receipts	1,148,700	1,171,700	1,148,700	1,171,700
Total Federal Funds	1,162,000	1,185,000	1,148,700	1,171,700
TOTAL SOURCE OF FUNDS	58,970,200	59,050,200	57,552,600	57,399,400
EXPENDITURES BY CLASS				
Personnel Cost	755,400	794,300	820,200	814,900
Operating Expenses	388,400	408,400	439,500	440,700
Grants, Loans or Benefits	57,567,500	57,588,600	55,930,800	55,781,700
TOTAL EXPENDITURES	58,711,300	58,791,300	57,190,500	57,037,300
EXPENDITURES BY FUND SOURCE				
General Fund	57,342,600	57,399,600	55,821,800	55,645,600
Restricted Funds	220,000	220,000	220,000	220,000
Federal Funds	1,148,700	1,171,700	1,148,700	1,171,700
TOTAL EXPENDITURES	58,711,300	58,791,300	57,190,500	57,037,300
EXPENDITURES BY UNIT				
Program Support	793,200	822,700	777,800	662,900
Dropout Prevention	996,000	1,016,000	858,300	808,100
Family Resource and Youth Services Centers	52,751,900	52,754,800	51,856,200	51,850,700
Community Education	2,280,200	2,287,800	2,130,200	2,137,800
Jobs for America's Graduates	1,790,000	1,810,000	1,474,000	1,483,800
Child Assault Prevention	100,000	100,000	94,000	94,000
TOTAL EXPENDITURES	58,711,300	58,791,300	57,190,500	57,037,300

The Division of Student, Family and Community Support Services was established in 1998 and located within the Office of Supportive Learning Environments in the Bureau for Learning and Results Services by Executive Order 01-795. The Division administers state and federal programs that remove barriers to student learning by providing resources and support to children, families and communities. Programs within the Division include: Dropout Prevention; Family Resource and Youth Services Centers; Community Education; and Jobs for Kentucky's Graduates. The Division also has responsibility for the federal Safe and Drug Free Schools and Communities (Title IV) program, the federal America Reads program, and other programs such as No Pass/No Drive.

Policy

The enacted Budget of the Commonwealth funds the work of the Jobs for Kentucky's Graduates program through supplementing \$550,000 in General Fund appropriations in both fiscal year 2003 and fiscal year 2004 with federal Workforce Investment Act funds in each year. The enacted budget includes General Fund support in the amount of \$94,000 in both fiscal year 2003 and fiscal year 2004 for Child Assault Prevention (CAPS) programs.

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

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	21,363,700	21,431,400	13,366,600	9,654,600
Total General Fund	21,363,700	21,431,400	13,366,600	9,654,600
TOTAL SOURCE OF FUNDS	21,363,700	21,431,400	13,366,600	9,654,600
EXPENDITURES BY CLASS				
Personnel Cost	9,718,300	9,786,000	8,676,200	8,054,200
Operating Expenses	1,382,900	1,382,900	1,382,900	1,337,900
Grants, Loans or Benefits	10,262,500	10,262,500	3,307,500	262,500
TOTAL EXPENDITURES	21,363,700	21,431,400	13,366,600	9,654,600
EXPENDITURES BY FUND SOURCE				
General Fund	21,363,700	21,431,400	13,366,600	9,654,600
TOTAL EXPENDITURES	21,363,700	21,431,400	13,366,600	9,654,600
EXPENDITURES BY UNIT				
Associate Commissioner	494,200	518,000	412,800	395,400
Assessment Implementation	8,662,600	8,689,300	7,717,500	7,085,500
Validation and Research	12,206,900	12,224,100	5,236,300	2,173,700
TOTAL EXPENDITURES	21,363,700	21,431,400	13,366,600	9,654,600

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 Validation and Research.

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

	<u>Requested FY 2003</u>	<u>Requested FY 2004</u>	<u>Enacted FY 2003</u>	<u>Enacted FY 2004</u>
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	494,200	518,000	412,800	395,400
Total General Fund	<u>494,200</u>	<u>518,000</u>	<u>412,800</u>	<u>395,400</u>
TOTAL SOURCE OF FUNDS	494,200	518,000	412,800	395,400
EXPENDITURES BY CLASS				
Personnel Cost	452,300	476,100	370,900	373,500
Operating Expenses	41,900	41,900	41,900	21,900
TOTAL EXPENDITURES	<u>494,200</u>	<u>518,000</u>	<u>412,800</u>	<u>395,400</u>
EXPENDITURES BY FUND SOURCE				
General Fund	494,200	518,000	412,800	395,400
TOTAL EXPENDITURES	<u>494,200</u>	<u>518,000</u>	<u>412,800</u>	<u>395,400</u>

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

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

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	8,662,600	8,689,300	7,717,500	7,085,500
Total General Fund	8,662,600	8,689,300	7,717,500	7,085,500
TOTAL SOURCE OF FUNDS	8,662,600	8,689,300	7,717,500	7,085,500
EXPENDITURES BY CLASS				
Personnel Cost	8,602,600	8,629,300	7,657,500	7,050,500
Operating Expenses	60,000	60,000	60,000	35,000
TOTAL EXPENDITURES	8,662,600	8,689,300	7,717,500	7,085,500
EXPENDITURES BY FUND SOURCE				
General Fund	8,662,600	8,689,300	7,717,500	7,085,500
TOTAL EXPENDITURES	8,662,600	8,689,300	7,717,500	7,085,500
EXPENDITURES BY UNIT				
Assessment Implementation	562,600	589,300	541,200	516,800
Commonwealth Accountability Testing System(CATS)	8,100,000	8,100,000	7,176,300	6,568,700
TOTAL EXPENDITURES	8,662,600	8,689,300	7,717,500	7,085,500

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.

**Education
Learning and Results Services
Assessment and Accountability
Validation and Research**

	<u>Requested FY 2003</u>	<u>Requested FY 2004</u>	<u>Enacted FY 2003</u>	<u>Enacted FY 2004</u>
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	12,206,900	12,224,100	5,236,300	2,173,700
Total General Fund	<u>12,206,900</u>	<u>12,224,100</u>	<u>5,236,300</u>	<u>2,173,700</u>
TOTAL SOURCE OF FUNDS	12,206,900	12,224,100	5,236,300	2,173,700
EXPENDITURES BY CLASS				
Personnel Cost	663,400	680,600	647,800	630,200
Operating Expenses	1,281,000	1,281,000	1,281,000	1,281,000
Grants, Loans or Benefits	10,262,500	10,262,500	3,307,500	262,500
TOTAL EXPENDITURES	<u>12,206,900</u>	<u>12,224,100</u>	<u>5,236,300</u>	<u>2,173,700</u>
EXPENDITURES BY FUND SOURCE				
General Fund	12,206,900	12,224,100	5,236,300	2,173,700
TOTAL EXPENDITURES	<u>12,206,900</u>	<u>12,224,100</u>	<u>5,236,300</u>	<u>2,173,700</u>
EXPENDITURES BY UNIT				
Validation and Research	406,400	423,600	390,800	373,200
Longitudinal Assessment	850,000	850,000	850,000	850,000
Assessment Documentation	300,000	300,000	300,000	300,000
Alternate Portfolio	257,500	257,500	257,500	257,500
Report Cards	393,000	393,000	393,000	393,000
School Rewards	10,000,000	10,000,000	3,045,000	
TOTAL EXPENDITURES	<u>12,206,900</u>	<u>12,224,100</u>	<u>5,236,300</u>	<u>2,173,700</u>

The purpose of the Division of Validation and Research 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.

Policy

The Budget of the Commonwealth reduced General Fund appropriations for the School Rewards program in fiscal year 2003. Funds already allotted are to be transferred from the School Rewards Trust Fund to the credit of the General Fund. The enacted budget suspends funding for School Rewards in fiscal year 2004.

**Education
Learning and Results Services
Academic and Professional Development**

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	103,972,100	104,255,600	98,048,500	93,366,700
Continuing Appropriation - Gen'l Fund			1,039,300	
Total General Fund	103,972,100	104,255,600	99,087,800	93,366,700
Restricted Funds				
Balance Forward	2,336,500	23,900	3,579,000	3,602,900
Current Receipts	1,887,400	4,176,100	1,886,900	4,175,500
Non-Revenue Receipts			2,336,500	
Total Restricted Funds	4,223,900	4,200,000	7,802,400	7,778,400
Federal Funds				
Balance Forward	2,500	2,500	1,900	1,900
Current Receipts	15,144,100	15,036,500	15,136,700	15,017,800
Total Federal Funds	15,146,600	15,039,000	15,138,600	15,019,700
TOTAL SOURCE OF FUNDS	123,342,600	123,494,600	122,028,800	116,164,800
EXPENDITURES BY CLASS				
Personnel Cost	8,698,700	9,010,800	8,762,600	4,190,000
Operating Expenses	2,318,900	2,318,900	2,092,400	1,330,000
Grants, Loans or Benefits	112,298,600	112,162,400	107,569,000	107,063,900
TOTAL EXPENDITURES	123,316,200	123,492,100	118,424,000	112,583,900
EXPENDITURES BY FUND SOURCE				
General Fund	103,972,100	104,255,600	99,087,800	93,366,700
Restricted Funds	4,200,000	4,200,000	4,199,500	4,199,400
Federal Funds	15,144,100	15,036,500	15,136,700	15,017,800
TOTAL EXPENDITURES	123,316,200	123,492,100	118,424,000	112,583,900
EXPENDITURES BY UNIT				
Associate Commissioner	388,100	407,000	370,200	355,500
Leadership and Mentoring Fund	500,000	500,000	428,000	393,800
Teacher Academies	2,100,000	2,100,000	1,797,600	1,653,800
Regional Service Centers	4,562,700	4,705,000	4,210,800	
Curriculum Development	10,640,800	10,706,500	9,832,600	9,707,900
Professional Growth Fund	1,250,000	1,250,000	2,109,300	984,400
Extended Learning Services	103,874,600	103,823,600	99,675,500	99,488,500
TOTAL EXPENDITURES	123,316,200	123,492,100	118,424,000	112,583,900

The Office of Academic and Professional Development coordinates the programs, projects, and activities of the Division of Curriculum, Division of Extended Learning and, through fiscal year 2003, the Regional Service Centers. The OAPD is also responsible for development of items for the Kentucky Core Content Test, and providing curriculum materials to local educators as they develop curriculum and implement the Kentucky Core Content Test.

**Education
Learning and Results Services
Academic and Professional Development
Associate Commissioner**

	<u>Requested FY 2003</u>	<u>Requested FY 2004</u>	<u>Enacted FY 2003</u>	<u>Enacted FY 2004</u>
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	388,100	407,000	370,200	355,500
Total General Fund	<u>388,100</u>	<u>407,000</u>	<u>370,200</u>	<u>355,500</u>
TOTAL SOURCE OF FUNDS	388,100	407,000	370,200	355,500
EXPENDITURES BY CLASS				
Personnel Cost	364,200	383,100	346,300	339,300
Operating Expenses	23,900	23,900	23,900	16,200
TOTAL EXPENDITURES	<u>388,100</u>	<u>407,000</u>	<u>370,200</u>	<u>355,500</u>
EXPENDITURES BY FUND SOURCE				
General Fund	388,100	407,000	370,200	355,500
TOTAL EXPENDITURES	<u>388,100</u>	<u>407,000</u>	<u>370,200</u>	<u>355,500</u>

The Office of Academic and Professional Development coordinates the programs, projects, and activities of the Division of Curriculum, Division of Extended Learning and, through fiscal year 2003, the Regional Service Centers. The Associate Commissioner oversees and provides leadership to many of the programs critical to schools' ability to reach proficiency by 2014.

**Education
Learning and Results Services
Academic and Professional Development
Leadership and Mentoring Fund**

	<u>Requested FY 2003</u>	<u>Requested FY 2004</u>	<u>Enacted FY 2003</u>	<u>Enacted FY 2004</u>
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	500,000	500,000	428,000	393,800
Total General Fund	500,000	500,000	428,000	393,800
TOTAL SOURCE OF FUNDS	500,000	500,000	428,000	393,800
EXPENDITURES BY CLASS				
Grants, Loans or Benefits	500,000	500,000	428,000	393,800
TOTAL EXPENDITURES	500,000	500,000	428,000	393,800
EXPENDITURES BY FUND SOURCE				
General Fund	500,000	500,000	428,000	393,800
TOTAL EXPENDITURES	500,000	500,000	428,000	393,800

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 performance of students in the middle and high school grades. Requests for proposals are sent to schools where at least 20 percent of students score at the Novice level in reading. Professional development for the reading mentors is provided on a quarterly basis.

**Education
Learning and Results Services
Academic and Professional Development
Teacher Academies**

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	2,100,000	2,100,000	1,797,600	1,653,800
Total General Fund	2,100,000	2,100,000	1,797,600	1,653,800
TOTAL SOURCE OF FUNDS	2,100,000	2,100,000	1,797,600	1,653,800
EXPENDITURES BY CLASS				
Personnel Cost	700,000	700,000	599,200	551,300
Operating Expenses	700,000	700,000	599,200	551,300
Grants, Loans or Benefits	700,000	700,000	599,200	551,200
TOTAL EXPENDITURES	2,100,000	2,100,000	1,797,600	1,653,800
EXPENDITURES BY FUND SOURCE				
General Fund	2,100,000	2,100,000	1,797,600	1,653,800
TOTAL EXPENDITURES	2,100,000	2,100,000	1,797,600	1,653,800

The Kentucky Department of Education (KDE) Teacher Academies were established in 1999 to 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. Teacher Academies are located in the Office of Academic and Professional Development by Executive Order 01-795. 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. Participants are expected to commit to 3 years of participation. The number of academies has increased each year. Middle grades academies for reading, science, social studies, and mathematics have been held in each region of the state. Practical living/vocational studies and arts and humanities academies have also been held.

**Education
Learning and Results Services
Academic and Professional Development
Regional Service Centers**

	<u>Requested FY 2003</u>	<u>Requested FY 2004</u>	<u>Enacted FY 2003</u>	<u>Enacted FY 2004</u>
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	4,562,700	4,705,000	4,210,800	
Total General Fund	<u>4,562,700</u>	<u>4,705,000</u>	<u>4,210,800</u>	
TOTAL SOURCE OF FUNDS	4,562,700	4,705,000	4,210,800	
EXPENDITURES BY CLASS				
Personnel Cost	3,840,200	3,982,500	3,488,300	
Operating Expenses	522,500	522,500	522,500	
Grants, Loans or Benefits	200,000	200,000	200,000	
TOTAL EXPENDITURES	<u>4,562,700</u>	<u>4,705,000</u>	<u>4,210,800</u>	
EXPENDITURES BY FUND SOURCE				
General Fund	4,562,700	4,705,000	4,210,800	
TOTAL EXPENDITURES	<u>4,562,700</u>	<u>4,705,000</u>	<u>4,210,800</u>	

The Kentucky Department of Education Regional Service Centers (RSCs) were established in 1992 to provide technical assistance and professional development to schools and districts in core discipline areas and related programs. The centers have been located throughout the state, with RSC designing projects or initiatives based on needs in the region, and collaborating with other service providers, consortia, and universities to meet those needs.

Policy

The enacted budget does not include any appropriation for the operational costs of the Regional Service Centers in fiscal year 2004. The General Assembly has directed the Department of Education to continue to “. . . provide the same types and levels of services to all local school districts that had been previously provided by the Regional Service Centers.”

**Education
Learning and Results Services
Academic and Professional Development
Curriculum Development**

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	10,640,800	10,706,500	9,832,600	9,707,900
Total General Fund	10,640,800	10,706,500	9,832,600	9,707,900
TOTAL SOURCE OF FUNDS	10,640,800	10,706,500	9,832,600	9,707,900
EXPENDITURES BY CLASS				
Personnel Cost	1,421,800	1,487,500	1,286,300	1,228,700
Operating Expenses	322,500	322,500	184,800	172,600
Grants, Loans or Benefits	8,896,500	8,896,500	8,361,500	8,306,600
TOTAL EXPENDITURES	10,640,800	10,706,500	9,832,600	9,707,900
EXPENDITURES BY FUND SOURCE				
General Fund	10,640,800	10,706,500	9,832,600	9,707,900
TOTAL EXPENDITURES	10,640,800	10,706,500	9,832,600	9,707,900
EXPENDITURES BY UNIT				
Curriculum Development	2,946,800	3,012,500	2,156,800	2,034,500
Gifted and Talented	7,351,500	7,351,500	7,351,500	7,351,500
Gifted and Talented Advisory Council	54,500	54,500	53,600	51,200
Middle School Demonstration Network	288,000	288,000	270,700	270,700
TOTAL EXPENDITURES	10,640,800	10,706,500	9,832,600	9,707,900

KRS 158.5451(4), enacted as part of the Kentucky Education Reform Act of 1990, directs that a curriculum framework be developed by the Department of Education. The Division of Curriculum Development has developed the Program of Studies. The Division is comprised of three branches: the Humanities Branch, the Learning Strategies Branch, and the Sciences Branch.

Under KRS 158.770 and 158.775, the Division supports the writing curricula of all schools. The Kentucky Writing Program supports writing consultants throughout the state as well as those based in Frankfort. Writing projects teach educators about best practices in the teaching of writing. The program also supports the Writing Advisory Committee that chooses and distributes all standards to be used by schools to score writing portfolios.

Other components of curriculum development include the Gifted and Talented Advisory Council established by KRS 158.648. The council advises the Commissioner of Education, the Kentucky Board of Education, and the Education Professional Standards Board on services for gifted and talented students.

Kentucky's Advanced Placement Incentive Grant, a three-year effort to increase teacher capacity, is administered through the Curriculum Development Division. It seeks to increase advanced placement (AP) offerings in high schools, provide teachers with necessary skills to teach AP courses, and provide support for students who enroll in AP courses.

The Bilingual Education program (Title VII of the Civil Rights Act of 1964 and section 204(f) of the Equal Education Opportunities Act of 1974) is administered through the Curriculum Development Division. Activities include: development of a comprehensive system for services; development of virtual learning classrooms; increasing the capacity of current teachers and administrators to network and learn best practices related to bilingual education; collecting data on the state's limited English proficient population; and professional development for state education personnel.

**Education
Learning and Results Services
Academic and Professional Development
Professional Growth Fund**

	<u>Requested FY 2003</u>	<u>Requested FY 2004</u>	<u>Enacted FY 2003</u>	<u>Enacted FY 2004</u>
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	1,250,000	1,250,000	1,070,000	984,400
Continuing Appropriation - Gen'l Fund			1,039,300	
Total General Fund	<u>1,250,000</u>	<u>1,250,000</u>	<u>2,109,300</u>	<u>984,400</u>
TOTAL SOURCE OF FUNDS	1,250,000	1,250,000	2,109,300	984,400
EXPENDITURES BY CLASS				
Personnel Cost	750,000	750,000	1,580,200	590,600
Operating Expenses	500,000	500,000	512,000	393,800
Grants, Loans or Benefits			17,100	
TOTAL EXPENDITURES	<u>1,250,000</u>	<u>1,250,000</u>	<u>2,109,300</u>	<u>984,400</u>
EXPENDITURES BY FUND SOURCE				
General Fund	1,250,000	1,250,000	2,109,300	984,400
TOTAL EXPENDITURES	<u>1,250,000</u>	<u>1,250,000</u>	<u>2,109,300</u>	<u>984,400</u>

Senate Bill 77, enacted by the 2000 Regular Session of the General Assembly, establishes the Teachers' Professional Growth Fund to provide teachers with high quality professional development in content knowledge and teaching methodologies in the core disciplines of mathematics, science, language arts and social studies. KRS 156.553 targeted funding during the 2000-2002 biennium to middle school mathematics teachers. Eventually, funds will be available to teachers at all grade levels in these core disciplines.

**Education
Learning and Results Services
Academic and Professional Development
Extended Learning Services**

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	84,530,500	84,587,100	80,339,300	80,271,300
Total General Fund	84,530,500	84,587,100	80,339,300	80,271,300
Restricted Funds				
Balance Forward	2,336,500	23,900	3,579,000	3,602,900
Current Receipts	1,887,400	4,176,100	1,886,900	4,175,500
Non-Revenue Receipts			2,336,500	
Total Restricted Funds	4,223,900	4,200,000	7,802,400	7,778,400
Federal Funds				
Balance Forward	2,500	2,500	1,900	1,900
Current Receipts	15,144,100	15,036,500	15,136,700	15,017,800
Total Federal Funds	15,146,600	15,039,000	15,138,600	15,019,700
TOTAL SOURCE OF FUNDS	103,901,000	103,826,100	103,280,300	103,069,400
EXPENDITURES BY CLASS				
Personnel Cost	1,622,500	1,707,700	1,462,300	1,480,100
Operating Expenses	250,000	250,000	250,000	196,100
Grants, Loans or Benefits	102,002,100	101,865,900	97,963,200	97,812,300
TOTAL EXPENDITURES	103,874,600	103,823,600	99,675,500	99,488,500
EXPENDITURES BY FUND SOURCE				
General Fund	84,530,500	84,587,100	80,339,300	80,271,300
Restricted Funds	4,200,000	4,200,000	4,199,500	4,199,400
Federal Funds	15,144,100	15,036,500	15,136,700	15,017,800
TOTAL EXPENDITURES	103,874,600	103,823,600	99,675,500	99,488,500
EXPENDITURES BY UNIT				
Extended Learning Services	36,525,700	36,551,800	33,426,700	33,388,200
Early Childhood Education	63,030,700	62,951,200	61,931,100	61,780,300
Bilingual Education	118,200	120,600	118,200	120,600
Early Reading	4,200,000	4,200,000	4,199,500	4,199,400
TOTAL EXPENDITURES	103,874,600	103,823,600	99,675,500	99,488,500

The Kentucky Education Reform Act in 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 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 enacted Budget of the Commonwealth identifies Extended School Services and the Early Childhood/Preschool program as two of five programs that may be modified to permit local districts flexibility in the distribution of program funds, while still addressing the governing statutes and serving the needs of the target population.

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

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	377,470,500	412,971,700	319,158,100	338,659,300
Total General Fund	377,470,500	412,971,700	319,158,100	338,659,300
Restricted Funds				
Balance Forward	61,500	61,500	50,500	50,500
Current Receipts	150,000	150,000	150,000	150,000
Total Restricted Funds	211,500	211,500	200,500	200,500
Federal Funds				
Balance Forward			500	500
Current Receipts	177,480,000	181,029,500	177,464,800	180,981,300
Total Federal Funds	177,480,000	181,029,500	177,465,300	180,981,800
TOTAL SOURCE OF FUNDS	555,162,000	594,212,700	496,823,900	519,841,600
EXPENDITURES BY CLASS				
Personnel Cost	4,203,000	4,426,700	3,820,000	3,899,500
Operating Expenses	377,300	377,300	377,300	317,300
Grants, Loans or Benefits	550,520,200	589,347,200	492,575,600	515,573,800
TOTAL EXPENDITURES	555,100,500	594,151,200	496,772,900	519,790,600
EXPENDITURES BY FUND SOURCE				
General Fund	377,470,500	412,971,700	319,158,100	338,659,300
Restricted Funds	150,000	150,000	150,000	150,000
Federal Funds	177,480,000	181,029,500	177,464,800	180,981,300
TOTAL EXPENDITURES	555,100,500	594,151,200	496,772,900	519,790,600
EXPENDITURES BY UNIT				
Associate Commissioner	465,400	491,700	384,500	370,000
School Finance	358,616,100	394,348,900	301,904,100	321,846,300
Facilities Management	580,600	609,600	555,500	532,600
Pupil Transportation	1,870,900	1,568,400	1,415,200	1,501,900
Safe Schools	12,000,000	12,000,000	10,961,300	10,455,400
Schools and Community Nutrition	181,567,500	185,132,600	181,552,300	185,084,400
TOTAL EXPENDITURES	555,100,500	594,151,200	496,772,900	519,790,600

The Office of District Support Services, located within the Office for Learning and Results Services by Executive Order 01-795, provides administrative and technical assistance on behalf of local school districts throughout the state and consists of the following divisions and functions: Finance; Facilities Management; Pupil Transportation; Safe Schools; and School and Community Nutrition.

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

	<u>Requested FY 2003</u>	<u>Requested FY 2004</u>	<u>Enacted FY 2003</u>	<u>Enacted FY 2004</u>
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	465,400	491,700	384,500	370,000
Total General Fund	<u>465,400</u>	<u>491,700</u>	<u>384,500</u>	<u>370,000</u>
TOTAL SOURCE OF FUNDS	465,400	491,700	384,500	370,000
EXPENDITURES BY CLASS				
Personnel Cost	440,400	466,700	359,500	345,000
Operating Expenses	25,000	25,000	25,000	25,000
TOTAL EXPENDITURES	<u>465,400</u>	<u>491,700</u>	<u>384,500</u>	<u>370,000</u>
EXPENDITURES BY FUND SOURCE				
General Fund	465,400	491,700	384,500	370,000
TOTAL EXPENDITURES	<u>465,400</u>	<u>491,700</u>	<u>384,500</u>	<u>370,000</u>

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: Finance; Facilities Management; Pupil Transportation; Safe Schools; and School and Community Nutrition.

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

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	358,616,100	394,348,900	301,904,100	321,846,300
Total General Fund	358,616,100	394,348,900	301,904,100	321,846,300
TOTAL SOURCE OF FUNDS	358,616,100	394,348,900	301,904,100	321,846,300
EXPENDITURES BY CLASS				
Personnel Cost	1,451,100	1,528,000	1,320,000	1,304,200
Operating Expenses	134,900	134,900	134,900	84,900
Grants, Loans or Benefits	357,030,100	392,686,000	300,449,200	320,457,200
TOTAL EXPENDITURES	358,616,100	394,348,900	301,904,100	321,846,300
EXPENDITURES BY FUND SOURCE				
General Fund	358,616,100	394,348,900	301,904,100	321,846,300
TOTAL EXPENDITURES	358,616,100	394,348,900	301,904,100	321,846,300
EXPENDITURES BY UNIT				
School Finance	1,586,000	1,662,900	1,454,900	1,389,100
Education of State Agency Children	11,059,200	11,324,600	10,800,000	10,800,000
District Audits	446,500	446,500	419,700	419,700
Textbooks	23,643,000	23,643,000	21,704,100	
Local District Life Insurance	3,526,100	3,914,000	3,526,100	3,914,000
Local District Health Insurance	318,205,300	353,207,900	263,870,900	305,205,400
Direct Instruction Literacy Project	150,000	150,000	128,400	118,100
TOTAL EXPENDITURES	358,616,100	394,348,900	301,904,100	321,846,300

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 Finance, through the Education of State Agency Children program, provides funds to defray the costs of educating students placed through the courts or appropriate state agencies in treatment programs outside the school district where their parents or guardians reside.

The State School Audit Committee is provided funds to reimburse the state share of the cost of the annual audits of various local school district accounts. These funds are budgeted within the Division of Finance, which also receives, reviews, analyzes, and corrects any exceptions noted in the audits.

The Division of Finance has responsibility for providing qualified and participating local school district employees with health and life insurance coverage.

Policy

The Budget of the Commonwealth continues General Fund support for the Out-of-District program of \$10.8 million annually. This program assists with the cost of educating children living in state day treatment and residential facilities as well as those in private care facilities.

The enacted budget includes \$263,870,900 in fiscal year 2003 and \$305,205,400 in fiscal year 2004 to provide health insurance coverage for local school district employees. Beginning with fiscal year 2003, local school districts will be responsible for providing

health insurance coverage for federally funded employees in program areas other than school food services. This policy is consistent with the treatment of state government employees whose compensation is derived from federal funding.

The budget as enacted includes support from the General Fund in the amount of \$3,526,100 in fiscal year 2003 and \$3,914,000 in fiscal year 2004 to provide life insurance coverage for local school district employees.

The budget as enacted identifies Textbooks as one of five programs that may be modified to permit local school districts flexibility in the distribution of program funds, while still addressing the governing statutes and serving the needs of the target population.

The enacted budget provides no funding for textbooks in fiscal year 2004 and authorizes the Commissioner of Education to defer adoption of new texts in that year.

The Budget of the Commonwealth continues General Fund support for three literacy and direct instruction projects in Jefferson County in the amounts of \$128,400 in fiscal year 2003 and \$118,100 in fiscal year 2004.

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

	<u>Requested FY 2003</u>	<u>Requested FY 2004</u>	<u>Enacted FY 2003</u>	<u>Enacted FY 2004</u>
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	580,600	609,600	555,500	532,600
Total General Fund	<u>580,600</u>	<u>609,600</u>	<u>555,500</u>	<u>532,600</u>
TOTAL SOURCE OF FUNDS	580,600	609,600	555,500	532,600
EXPENDITURES BY CLASS				
Personnel Cost	545,600	574,600	520,500	507,600
Operating Expenses	35,000	35,000	35,000	25,000
TOTAL EXPENDITURES	<u>580,600</u>	<u>609,600</u>	<u>555,500</u>	<u>532,600</u>
EXPENDITURES BY FUND SOURCE				
General Fund	580,600	609,600	555,500	532,600
TOTAL EXPENDITURES	<u>580,600</u>	<u>609,600</u>	<u>555,500</u>	<u>532,600</u>

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.

**Education
Learning and Results Services
District Support Services
Pupil Transportation**

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	1,720,900	1,418,400	1,265,200	1,351,900
Total General Fund	1,720,900	1,418,400	1,265,200	1,351,900
Restricted Funds				
Balance Forward	61,500	61,500	50,500	50,500
Current Receipts	150,000	150,000	150,000	150,000
Total Restricted Funds	211,500	211,500	200,500	200,500
TOTAL SOURCE OF FUNDS	1,932,400	1,629,900	1,465,700	1,552,400
EXPENDITURES BY CLASS				
Personnel Cost	423,400	445,900	292,700	379,400
Operating Expenses	182,400	182,400	182,400	182,400
Grants, Loans or Benefits	1,265,100	940,100	940,100	940,100
TOTAL EXPENDITURES	1,870,900	1,568,400	1,415,200	1,501,900
EXPENDITURES BY FUND SOURCE				
General Fund	1,720,900	1,418,400	1,265,200	1,351,900
Restricted Funds	150,000	150,000	150,000	150,000
TOTAL EXPENDITURES	1,870,900	1,568,400	1,415,200	1,501,900
EXPENDITURES BY UNIT				
Pupil Transportation	1,200,900	898,400	745,200	831,900
Blind and Deaf Student Transportation	670,000	670,000	670,000	670,000
TOTAL EXPENDITURES	1,870,900	1,568,400	1,415,200	1,501,900

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.

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

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	12,000,000	12,000,000	10,961,300	10,455,400
Total General Fund	12,000,000	12,000,000	10,961,300	10,455,400
TOTAL SOURCE OF FUNDS	12,000,000	12,000,000	10,961,300	10,455,400
EXPENDITURES BY CLASS				
Grants, Loans or Benefits	12,000,000	12,000,000	10,961,300	10,455,400
TOTAL EXPENDITURES	12,000,000	12,000,000	10,961,300	10,455,400
EXPENDITURES BY FUND SOURCE				
General Fund	12,000,000	12,000,000	10,961,300	10,455,400
TOTAL EXPENDITURES	12,000,000	12,000,000	10,961,300	10,455,400

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.

Policy

The Budget of the Commonwealth identifies Safe Schools as one of five programs that may be modified to permit local school districts flexibility in the distribution of program funds, while still addressing the governing statutes and serving the needs of the target population.

**Education
Learning and Results Services
District Support Services
Schools and Community Nutrition**

	<u>Requested FY 2003</u>	<u>Requested FY 2004</u>	<u>Enacted FY 2003</u>	<u>Enacted FY 2004</u>
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	4,087,500	4,103,100	4,087,500	4,103,100
Total General Fund	<u>4,087,500</u>	<u>4,103,100</u>	<u>4,087,500</u>	<u>4,103,100</u>
Federal Funds				
Balance Forward			500	500
Current Receipts	177,480,000	181,029,500	177,464,800	180,981,300
Total Federal Funds	<u>177,480,000</u>	<u>181,029,500</u>	<u>177,465,300</u>	<u>180,981,800</u>
TOTAL SOURCE OF FUNDS	<u>181,567,500</u>	<u>185,132,600</u>	<u>181,552,800</u>	<u>185,084,900</u>
EXPENDITURES BY CLASS				
Personnel Cost	1,342,500	1,411,500	1,327,300	1,363,300
Grants, Loans or Benefits	180,225,000	183,721,100	180,225,000	183,721,100
TOTAL EXPENDITURES	<u>181,567,500</u>	<u>185,132,600</u>	<u>181,552,300</u>	<u>185,084,400</u>
EXPENDITURES BY FUND SOURCE				
General Fund	4,087,500	4,103,100	4,087,500	4,103,100
Federal Funds	177,480,000	181,029,500	177,464,800	180,981,300
TOTAL EXPENDITURES	<u>181,567,500</u>	<u>185,132,600</u>	<u>181,552,300</u>	<u>185,084,400</u>

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.

**Education
Learning and Results Services
Education Technology**

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	22,342,700	27,436,100	17,239,500	20,837,100
Total General Fund	22,342,700	27,436,100	17,239,500	20,837,100
Restricted Funds				
Balance Forward			185,600	185,600
Current Receipts	358,100	358,100	358,100	358,100
Total Restricted Funds	358,100	358,100	543,700	543,700
Federal Funds				
Current Receipts	100,000		100,000	
Total Federal Funds	100,000		100,000	
TOTAL SOURCE OF FUNDS	22,800,800	27,794,200	17,883,200	21,380,800
EXPENDITURES BY CLASS				
Personnel Cost	1,831,700	1,925,100	1,728,500	1,732,200
Operating Expenses	869,100	869,100	869,100	769,500
Grants, Loans or Benefits	20,100,000	25,000,000	15,100,000	18,693,500
TOTAL EXPENDITURES	22,800,800	27,794,200	17,697,600	21,195,200
EXPENDITURES BY FUND SOURCE				
General Fund	22,342,700	27,436,100	17,239,500	20,837,100
Restricted Funds	358,100	358,100	358,100	358,100
Federal Funds	100,000		100,000	
TOTAL EXPENDITURES	22,800,800	27,794,200	17,697,600	21,195,200
EXPENDITURES BY UNIT				
Associate Commissioner	368,100	281,000	354,000	244,400
School Information Technology	1,105,400	1,134,600	1,073,700	1,042,000
School Network Services	904,700	937,800	863,700	825,600
School Instructional Technology	422,600	440,800	406,200	389,700
Kentucky Education Technology System (KETS)	20,000,000	25,000,000	15,000,000	18,693,500
TOTAL EXPENDITURES	22,800,800	27,794,200	17,697,600	21,195,200

The Office of Education Technology, located within the Office of Learning and Results Services by Executive Order 01-795, is responsible for policy and budget development as well as administration and quality assurance for the Kentucky Education Technology System (KETS). This Office also maintains the Department of Education's Information Resources Plan, oversees internal Department of Education computer services, assists educators in integrating instruction and administration using KETS technology, and assists local districts and schools with their technology plans.

**Education
Learning and Results Services
Education Technology
Associate Commissioner**

	<u>Requested FY 2003</u>	<u>Requested FY 2004</u>	<u>Enacted FY 2003</u>	<u>Enacted FY 2004</u>
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	268,100	281,000	254,000	244,400
Total General Fund	<u>268,100</u>	<u>281,000</u>	<u>254,000</u>	<u>244,400</u>
Federal Funds				
Current Receipts	100,000		100,000	
Total Federal Funds	<u>100,000</u>		<u>100,000</u>	
TOTAL SOURCE OF FUNDS	<u>368,100</u>	<u>281,000</u>	<u>354,000</u>	<u>244,400</u>
EXPENDITURES BY CLASS				
Personnel Cost	253,100	266,000	239,000	233,400
Operating Expenses	15,000	15,000	15,000	11,000
Grants, Loans or Benefits	100,000		100,000	
TOTAL EXPENDITURES	<u>368,100</u>	<u>281,000</u>	<u>354,000</u>	<u>244,400</u>
EXPENDITURES BY FUND SOURCE				
General Fund	268,100	281,000	254,000	244,400
Federal Funds	100,000		100,000	
TOTAL EXPENDITURES	<u>368,100</u>	<u>281,000</u>	<u>354,000</u>	<u>244,400</u>

The Associate Commissioner for Education Technology provides overall direction and coordination to the work of the School Information Technology, School Network Services and School Instructional Technology divisions. The Associate Commissioner also directs activities of the Department of Education relevant to the implementation of the Kentucky Education Technology System.

**Education
Learning and Results Services
Education Technology
School Information Technology**

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	747,300	776,500	715,600	683,900
Total General Fund	747,300	776,500	715,600	683,900
Restricted Funds				
Balance Forward			185,600	185,600
Current Receipts	358,100	358,100	358,100	358,100
Total Restricted Funds	358,100	358,100	543,700	543,700
TOTAL SOURCE OF FUNDS	1,105,400	1,134,600	1,259,300	1,227,600
EXPENDITURES BY CLASS				
Personnel Cost	547,700	576,900	516,000	532,200
Operating Expenses	557,700	557,700	557,700	509,800
TOTAL EXPENDITURES	1,105,400	1,134,600	1,073,700	1,042,000
EXPENDITURES BY FUND SOURCE				
General Fund	747,300	776,500	715,600	683,900
Restricted Funds	358,100	358,100	358,100	358,100
TOTAL EXPENDITURES	1,105,400	1,134,600	1,073,700	1,042,000

By virtue of KRS 156.670, the Division of School Information Technology Services is responsible for systems design, implementation, analysis, maintenance and support for the Kentucky Education Technology System as well as for the Department of Education's information technology needs. The Division analyzes current practices and develops recommendations to reengineer KDE business processes to take advantage of information technology. This division also oversees a statewide system to facilitate evaluation of progress toward the goal of achieving proficiency (based on the CATS statewide student assessment) by 2014. The Division of School Information Technology maintains the Master Plan for Education Technology approved by the Kentucky Board of Education and oversees expenditures of Education Technology Trust Funds.

**Education
Learning and Results Services
Education Technology
School Network Services**

	<u>Requested FY 2003</u>	<u>Requested FY 2004</u>	<u>Enacted FY 2003</u>	<u>Enacted FY 2004</u>
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	904,700	937,800	863,700	825,600
Total General Fund	<u>904,700</u>	<u>937,800</u>	<u>863,700</u>	<u>825,600</u>
TOTAL SOURCE OF FUNDS	904,700	937,800	863,700	825,600
EXPENDITURES BY CLASS				
Personnel Cost	628,300	661,400	587,300	596,900
Operating Expenses	276,400	276,400	276,400	228,700
TOTAL EXPENDITURES	<u>904,700</u>	<u>937,800</u>	<u>863,700</u>	<u>825,600</u>
EXPENDITURES BY FUND SOURCE				
General Fund	904,700	937,800	863,700	825,600
TOTAL EXPENDITURES	<u>904,700</u>	<u>937,800</u>	<u>863,700</u>	<u>825,600</u>

The Division of School Network Services, under provisions of KRS 156.670, is responsible for design, development and ongoing support of computing capabilities and communications systems to support the Kentucky Education Technology System (KETS) and internal Department of Education systems. The division is responsible for statewide KETS and local area network design; installation, upgrading and maintenance of KETS network components; network management for approximately 1,400 schools in 176 districts; testing and evaluation of all KETS hardware and network components; and operation of Department of Education information and office systems. The Division of School Network Services provides leadership for projects within the KETS implementation plan approved by the Legislative Research Commission and the Kentucky Board of Education including user access, network infrastructure, network applications and services, network security, and coordination of technical resources.

**Education
Learning and Results Services
Education Technology
School Instructional Technology**

	<u>Requested FY 2003</u>	<u>Requested FY 2004</u>	<u>Enacted FY 2003</u>	<u>Enacted FY 2004</u>
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	422,600	440,800	406,200	389,700
Total General Fund	<u>422,600</u>	<u>440,800</u>	<u>406,200</u>	<u>389,700</u>
TOTAL SOURCE OF FUNDS	422,600	440,800	406,200	389,700
EXPENDITURES BY CLASS				
Personnel Cost	402,600	420,800	386,200	369,700
Operating Expenses	20,000	20,000	20,000	20,000
TOTAL EXPENDITURES	<u>422,600</u>	<u>440,800</u>	<u>406,200</u>	<u>389,700</u>
EXPENDITURES BY FUND SOURCE				
General Fund	422,600	440,800	406,200	389,700
TOTAL EXPENDITURES	<u>422,600</u>	<u>440,800</u>	<u>406,200</u>	<u>389,700</u>

The Division of School Instructional Technology, under provisions of KRS 156.670, serves as primary facilitator of initiatives integrating technology into the teaching and learning process. Such initiatives include professional development, technical assistance, and development of technology standards. Technology standards for teachers have been largely integrated into the Kentucky public school system. The Division is pursuing standards for administrators and for students in each academic content area.

**Education
Learning and Results Services
Education Technology
Kentucky Education Technology System (KETS)**

	<u>Requested FY 2003</u>	<u>Requested FY 2004</u>	<u>Enacted FY 2003</u>	<u>Enacted FY 2004</u>
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	20,000,000	25,000,000	15,000,000	18,693,500
Total General Fund	<u>20,000,000</u>	<u>25,000,000</u>	<u>15,000,000</u>	<u>18,693,500</u>
TOTAL SOURCE OF FUNDS	20,000,000	25,000,000	15,000,000	18,693,500
EXPENDITURES BY CLASS				
Grants, Loans or Benefits	20,000,000	25,000,000	15,000,000	18,693,500
TOTAL EXPENDITURES	<u>20,000,000</u>	<u>25,000,000</u>	<u>15,000,000</u>	<u>18,693,500</u>
EXPENDITURES BY FUND SOURCE				
General Fund	20,000,000	25,000,000	15,000,000	18,693,500
TOTAL EXPENDITURES	<u>20,000,000</u>	<u>25,000,000</u>	<u>15,000,000</u>	<u>18,693,500</u>

The 1990 Kentucky Education Reform Act provided for the establishment of a Kentucky Education Technology System (KETS). State funds for the development and implementation of KETS are appropriated to the Department of Education. These funds are then transferred during each fiscal year to the Education Technology Trust Fund where they are administered and invested by the Finance and Administration Cabinet. Funds from the Education Technology Trust Fund are withdrawn and expended based on guidelines established by the Education Technology Master Plan.

Policy

The Budget of the Commonwealth provides an increase in KETS funding in fiscal year 2004 of \$3,693,600, bringing the funding level for this initiative to \$18,693,600.