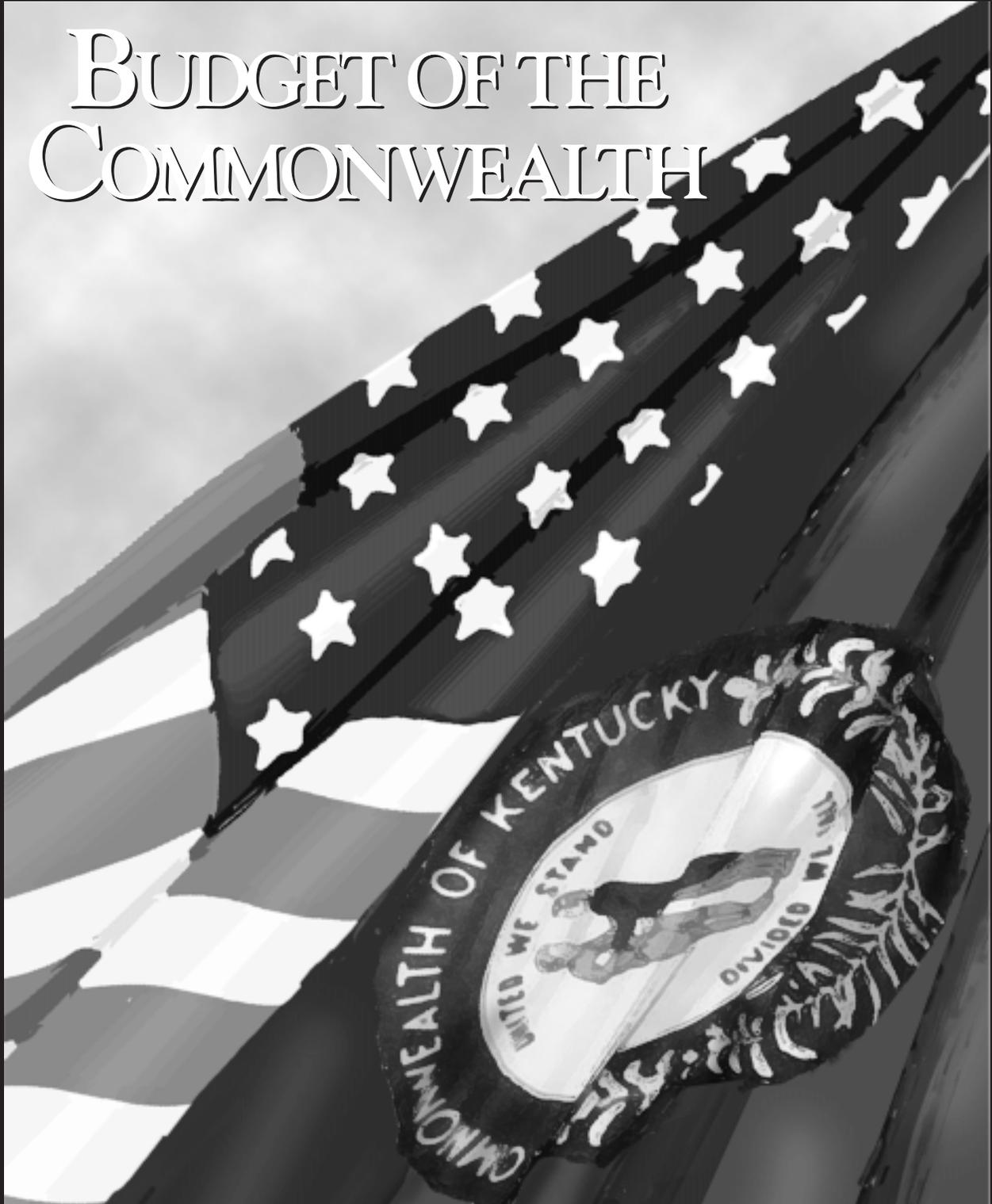




2002-2004

Revenue

BUDGET OF THE COMMONWEALTH



Revenue

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	99,838,600	103,854,600	94,019,600	94,254,300
Tobacco Settlement - I			175,000	175,000
Total General Fund	99,838,600	103,854,600	94,194,600	94,429,300
Restricted Funds				
Balance Forward	1,367,300	1,461,400	2,555,500	1,316,500
Current Receipts	7,174,100	7,200,100	7,174,100	7,700,200
Total Restricted Funds	8,541,400	8,661,500	9,729,600	9,016,700
Road Fund				
Regular Appropriation	1,418,000	1,418,000	1,418,000	1,418,000
Total Road Fund	1,418,000	1,418,000	1,418,000	1,418,000
TOTAL SOURCE OF FUNDS	109,798,000	113,934,100	105,342,200	104,864,000
EXPENDITURES BY CLASS				
Personnel Cost	83,929,300	88,025,900	82,292,600	85,740,900
Operating Expenses	24,407,300	24,216,700	21,733,100	18,719,700
TOTAL EXPENDITURES	108,336,600	112,242,600	104,025,700	104,460,600
EXPENDITURES BY FUND SOURCE				
General Fund	99,838,600	103,854,600	94,194,600	94,429,300
Restricted Funds	7,080,000	6,970,000	8,413,100	8,613,300
Road Fund	1,418,000	1,418,000	1,418,000	1,418,000
TOTAL EXPENDITURES	108,336,600	112,242,600	104,025,700	104,460,600
EXPENDITURES BY UNIT				
Revenue	75,972,400	78,370,800	72,699,800	71,774,200
Property Valuation Administrators	32,364,200	33,871,800	31,325,900	32,686,400
TOTAL EXPENDITURES	108,336,600	112,242,600	104,025,700	104,460,600

The Revenue Cabinet is the statutory agency of state government responsible for the thorough and equitable administration of all state revenue laws, and for the assessment and collection of 47 separate state taxes. In fulfilling this responsibility, the Cabinet seeks to ensure taxpayers' voluntary compliance with the revenue laws and regulations, to enforce such laws in those instances where necessary, and to supervise and assist county property valuation administrators in their implementation of the property tax laws. The principal beneficiaries of the programs managed by the Cabinet are all Kentucky taxpayers. Customers and stakeholders of Revenue include local taxing jurisdictions, other state agencies, tax preparers, businesses, county officials, and the General Assembly.

There are two separate appropriations included in the Revenue Cabinet: Revenue Cabinet and Property Valuation Administrators.

**Revenue
Revenue**

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	70,974,400	73,552,800	66,587,800	66,032,000
Tobacco Settlement - I			175,000	175,000
Total General Fund	70,974,400	73,552,800	66,762,800	66,207,000
Restricted Funds				
Balance Forward	1,367,300	1,461,400	1,593,400	748,500
Current Receipts	3,674,100	3,630,100	3,674,100	3,630,200
Total Restricted Funds	5,041,400	5,091,500	5,267,500	4,378,700
Road Fund				
Regular Appropriation	1,418,000	1,418,000	1,418,000	1,418,000
Total Road Fund	1,418,000	1,418,000	1,418,000	1,418,000
TOTAL SOURCE OF FUNDS	77,433,800	80,062,300	73,448,300	72,003,700
EXPENDITURES BY CLASS				
Personnel Cost	52,002,100	54,591,100	51,403,700	53,491,500
Operating Expenses	23,970,300	23,779,700	21,296,100	18,282,700
TOTAL EXPENDITURES	75,972,400	78,370,800	72,699,800	71,774,200
EXPENDITURES BY FUND SOURCE				
General Fund	70,974,400	73,552,800	66,762,800	66,207,000
Restricted Funds	3,580,000	3,400,000	4,519,000	4,149,200
Road Fund	1,418,000	1,418,000	1,418,000	1,418,000
TOTAL EXPENDITURES	75,972,400	78,370,800	72,699,800	71,774,200
EXPENDITURES BY UNIT				
Office of the Secretary	24,144,900	24,817,600	25,023,400	23,028,900
Property Valuation	7,061,700	6,962,900	6,513,900	6,584,400
Tax Administration	29,631,000	30,663,000	27,078,000	27,727,400
Information Technology	3,838,900	4,039,700	3,558,500	3,566,800
Law	11,295,900	11,887,600	10,526,000	10,866,700
TOTAL EXPENDITURES	75,972,400	78,370,800	72,699,800	71,774,200

The Revenue Cabinet is the statutory agency of state government responsible for the thorough and equitable administration of all state revenue laws, and for the assessment and collection of 47 separate state taxes. In fulfilling this responsibility, the Cabinet seeks to ensure the taxpayer's voluntary compliance with the revenue laws, to enforce such laws in those instances where necessary, and to supervise and assist county property valuation administrators in their implementation of the property tax laws.

The Revenue Cabinet was reorganized in fiscal year 1997 under Executive Order 97-715 and codified by KRS 131.020. The new structure consists of: Office of the Secretary, Department of Law, Department of Tax Administration, Department of Information Technology, Department of Property Valuation, and the Property Valuation Administrators.

The Office of the Secretary is comprised of the Secretary's Office staff, the Office of Taxpayer Ombudsman, the Office of General Counsel, the Internal Auditor, the Office of Financial and Administrative Services, and the project manager of the Empower Kentucky initiative, the Kentucky Integrated Tax Entity System. These units provide leadership, management, and staff support to the Revenue Cabinet.

The Department of Law is responsible for establishing tax policy, providing information to the public, conducting conferences, legislative liaison, conducting tax research, and administering taxpayer protests. In addition, this department is responsible for collecting delinquent taxes through both litigation and administrative remedies. The Department of Law consists of five divisions: Legal Services, Tax Policy, Research, Protest Resolution, and Collections.

The Department of Tax Administration consists of three divisions: Field Operations, Compliance and Taxpayer Assistance, and Revenue Operations. The Division of Field Operations has 11 offices located throughout the state and is responsible for field audits and providing taxpayer assistance. The Division of Compliance and Taxpayer Assistance is responsible for conducting office audits of tax returns, administering compliance, providing liaison with federal and state agencies, and rendering taxpayer assistance. The Division of Revenue Operations duties include: the processing of all tax receipts, documents and correspondence; registration of businesses; individual income tax returns and refund processing; and maintaining appropriate storage, retrieval and management of all related tax records for the Commonwealth.

The Department of Information Technology provides the Cabinet with leadership and direction in the information technology arena. The Department of Information Technology consists of two divisions: Systems Planning and Development, and Technology Infrastructure Support.

The Department of Property Valuation administers and supervises the programs involved in state and local property tax assessment and state property tax collection, including mapping property throughout the state. Numerous provisions in KRS 131, 132, 133, 134, and 136 define and describe the Department's responsibilities. These include providing administrative support, technical assistance, and supervision to 120 Property Valuation Administrator (PVA) offices, and coordinating the property tax activities of sheriffs, county clerks, and other local officials. The Department directly assesses public service companies and several other classes of property. The Department also administers the centralized Motor Vehicle Tax System (MOTAX), the Personal Property Tax Assessment System, and a program to audit taxpayer compliance in listing tangible and intangible personal property.

Policy

Included in the General Fund appropriation is an additional \$3,100,000 in fiscal year 2003 for personnel and operating costs associated with the Tax Amnesty Program. Also included in the General Fund is an additional \$500,000 in fiscal year 2003 and \$1,000,000 in fiscal year 2004 for personnel and operating costs for 35 positions to increase compliance and efficiency in collections. Enhancement efforts are expected to generate an additional \$6.8 million in tax receipts in fiscal year 2004.

Notwithstanding KRS 134.400, the administration of the Delinquent Tax Fund is in the Department of Property Valuation. Proceeds shall be deposited to this account, except that the first \$100,000 shall be deposited exclusively to the General Fund. The Revenue Cabinet may retain and expend funds from the accumulated balance in the Delinquent Tax Fund account for the administrative activities of the Revenue Cabinet.

Part IV, State Salary/Compensation and Employment Policy, includes language that provides additional flexibility to ensure the full staffing for cabinet operations.

Pursuant to the provisions of House Bill 390 enacted during the 2003 Regular Session of the General Assembly and after the enactment of House Bill 269 (the Appropriations Act), the Revenue Cabinet is appropriated \$175,000 in Tobacco Settlement Funds each year of the biennium to carry out the provisions of KRS 131.600, 131.602, and sections 1-14 of this Act. This is provided in order to enhance the Commonwealth's ability to "safeguard the master settlement agreement, the fiscal soundness of the state, and the public health."

**Revenue
Property Valuation Administrators**

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	28,864,200	30,301,800	27,431,800	28,222,300
Total General Fund	28,864,200	30,301,800	27,431,800	28,222,300
Restricted Funds				
Balance Forward			962,100	568,000
Current Receipts	3,500,000	3,570,000	3,500,000	4,070,000
Total Restricted Funds	3,500,000	3,570,000	4,462,100	4,638,000
TOTAL SOURCE OF FUNDS	32,364,200	33,871,800	31,893,900	32,860,300
EXPENDITURES BY CLASS				
Personnel Cost	31,927,200	33,434,800	30,888,900	32,249,400
Operating Expenses	437,000	437,000	437,000	437,000
TOTAL EXPENDITURES	32,364,200	33,871,800	31,325,900	32,686,400
EXPENDITURES BY FUND SOURCE				
General Fund	28,864,200	30,301,800	27,431,800	28,222,300
Restricted Funds	3,500,000	3,570,000	3,894,100	4,464,100
TOTAL EXPENDITURES	32,364,200	33,871,800	31,325,900	32,686,400
EXPENDITURES BY UNIT				
Property Valuation Administrators	32,364,200	33,871,800	31,325,900	32,686,400
TOTAL EXPENDITURES	32,364,200	33,871,800	31,325,900	32,686,400

Each of the state's 120 counties has a locally elected Property Valuation Administrator (PVA). The PVA and an appointed staff are responsible for locating, identifying, and assessing at fair market value all taxable real (land and improvements), tangible personal, and intangible personal property in the county. Tax revenues generated by these assessments are used to fund services provided by the state, the counties, and the cities as well as special taxing districts such as fire departments, libraries, extension offices, and refuse disposal. The Property Valuation Administrator's office is the primary service unit of the Kentucky Revenue Cabinet for administering property tax laws at the local county level. Funding from the state, county, and city governments support the local Property Valuation Administrator offices. Substantial portions of KRS 132 and 133 cover the responsibilities of the PVAs and their offices.

Policy

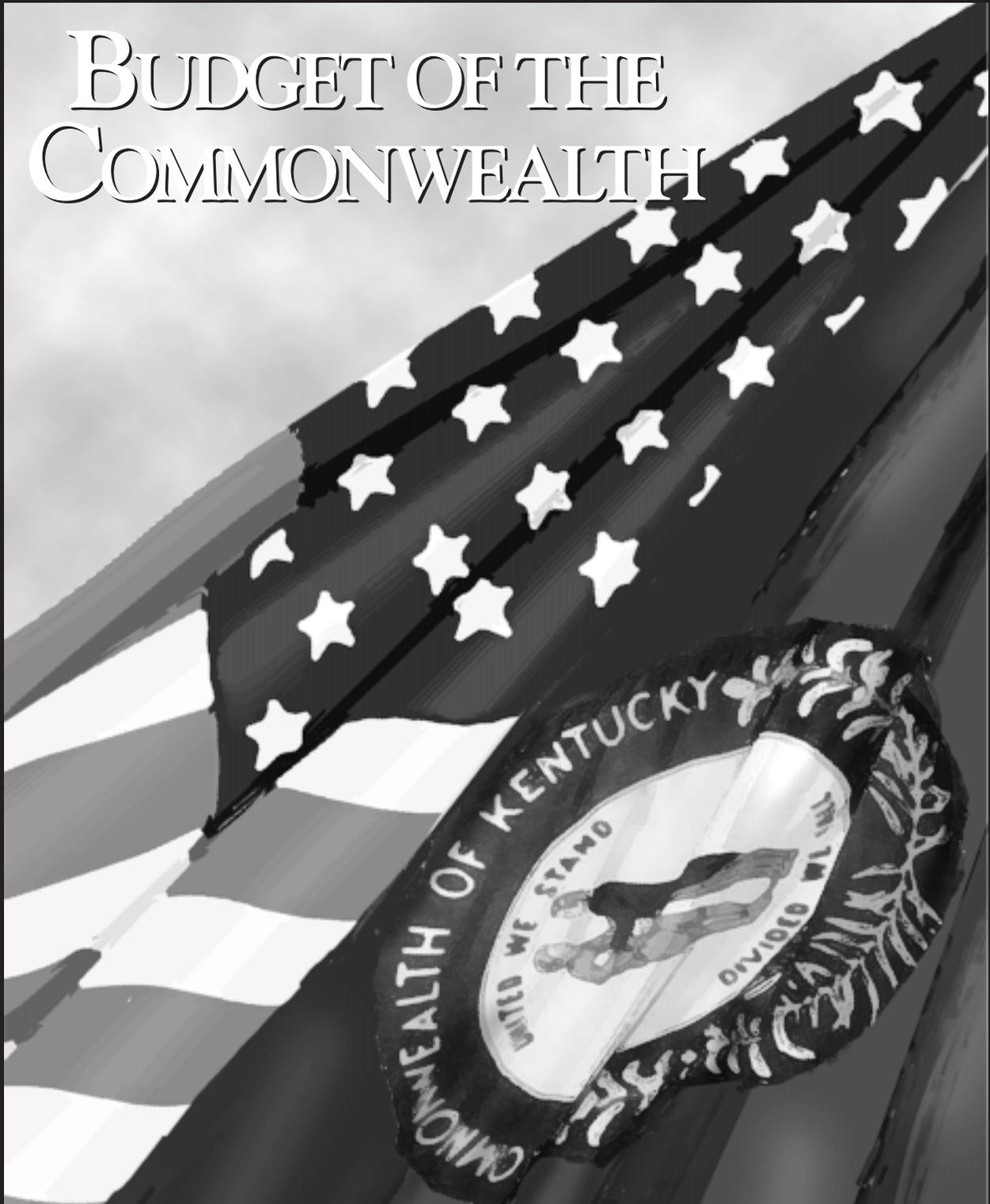
Notwithstanding KRS 132.590 (3) (c), KRS 132.590 (4), and KRS 132.597, property valuation administrators may take necessary actions to manage expenditures within the budgeted amounts.



2002-2004

*Tourism
Development*

BUDGET OF THE COMMONWEALTH



Tourism Development

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	49,637,800	68,464,800	42,134,100	39,989,100
Total General Fund	49,637,800	68,464,800	42,134,100	39,989,100
Restricted Funds				
Balance Forward	26,013,000	24,024,200	28,648,300	27,216,700
Current Receipts	117,268,800	121,318,300	116,871,400	119,630,100
Non-Revenue Receipts	-3,800,000	-4,100,000	-1,700,000	-4,713,500
Total Restricted Funds	139,481,800	141,242,500	143,819,700	142,133,300
Federal Funds				
Balance Forward	2,647,100	2,647,100	3,157,800	3,144,200
Current Receipts	7,500,000	7,500,000	7,850,400	7,650,000
Total Federal Funds	10,147,100	10,147,100	11,008,200	10,794,200
TOTAL SOURCE OF FUNDS	199,266,700	219,854,400	196,962,000	192,916,600
EXPENDITURES BY CLASS				
Personnel Cost	110,089,500	115,854,300	102,634,900	106,254,000
Operating Expenses	53,961,400	56,220,200	57,404,200	52,537,600
Grants, Loans or Benefits	2,843,800	2,904,300	2,940,000	2,901,000
Debt Service	371,000	17,086,000	371,000	676,000
Capital Outlay	5,329,700	5,001,000	3,251,000	3,220,000
TOTAL EXPENDITURES	172,595,400	197,065,800	166,601,100	165,588,600
EXPENDITURES BY FUND SOURCE				
General Fund	49,637,800	68,464,800	42,134,100	39,989,100
Restricted Funds	115,457,600	121,101,000	116,603,000	117,949,500
Federal Funds	7,500,000	7,500,000	7,864,000	7,650,000
TOTAL EXPENDITURES	172,595,400	197,065,800	166,601,100	165,588,600
EXPENDITURES BY UNIT				
Secretary	1,966,200	3,306,000	4,142,800	2,873,800
Breaks Interstate Park	200,000	200,000	196,000	196,000
Travel	7,327,800	7,474,300	8,900,200	6,900,200
Parks	89,586,200	97,753,300	79,869,100	81,257,100
Kentucky Horse Park	7,486,800	9,785,200	7,692,000	7,282,000
Kentucky State Fair Board	31,148,400	42,389,100	30,570,000	30,771,500
Fish and Wildlife Resources	34,880,000	36,157,900	35,231,000	36,308,000
TOTAL EXPENDITURES	172,595,400	197,065,800	166,601,100	165,588,600

The Tourism Development Cabinet was established by KRS 148.522 to promote the tourism industry in Kentucky. The Cabinet estimates tourism spending in excess of \$8.8 billion annually, making tourism Kentucky's third-largest industry. The tourism industry, Kentucky's second-largest private employer, provides employment for approximately 163,000 Kentuckians. In addition, tourism related industries and businesses generate approximately \$917 million of state and local tax revenues in the Commonwealth.

**Tourism Development
Secretary**

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	1,860,200	2,106,000	4,023,800	1,673,800
Total General Fund	1,860,200	2,106,000	4,023,800	1,673,800
Restricted Funds				
Balance Forward	12,700	12,700	25,000	12,300
Current Receipts	106,000	1,200,000	106,300	1,200,000
Total Restricted Funds	118,700	1,212,700	131,300	1,212,300
TOTAL SOURCE OF FUNDS	1,978,900	3,318,700	4,155,100	2,886,100
EXPENDITURES BY CLASS				
Personnel Cost	1,319,700	1,752,700	1,232,800	1,703,000
Operating Expenses	345,500	1,251,700	2,640,000	900,800
Grants, Loans or Benefits	270,000	270,000	270,000	270,000
Capital Outlay	31,000	31,600		
TOTAL EXPENDITURES	1,966,200	3,306,000	4,142,800	2,873,800
EXPENDITURES BY FUND SOURCE				
General Fund	1,860,200	2,106,000	4,023,800	1,673,800
Restricted Funds	106,000	1,200,000	119,000	1,200,000
TOTAL EXPENDITURES	1,966,200	3,306,000	4,142,800	2,873,800
EXPENDITURES BY UNIT				
Executive Policy and Management	1,407,300	1,435,400	3,621,000	1,003,800
Administrative Services	144,900	147,800	107,800	147,000
Artisans Center	414,000	1,722,800	414,000	1,723,000
TOTAL EXPENDITURES	1,966,200	3,306,000	4,142,800	2,873,800

The Office of the Secretary of the Tourism Development Cabinet coordinates the various agencies within the Cabinet.

The Executive Policy and Management unit directs planning and management of the agencies within the Cabinet. This program develops plans to assure orderly growth and improved management, recommends executive actions and legislative measures, and evaluates agency budget requests. This program also markets and promotes Kentucky to the film industry to attract television and feature movie productions to the state.

The Administrative Services program oversees accounting, budget, and personnel functions, and provides purchasing controls and property management to other Cabinet agencies.

Funding of \$270,000 is provided in each year of the biennium for outdoor drama grants.

The Appalachian/Kentucky Artisans Gateway Center Authority was created by KRS 148.560-569. The Authority was established as an independent, de jure municipal corporation and political subdivision of the Commonwealth to develop, operate, and manage the Appalachian/Kentucky Artisans Gateway Center. The authority is attached to the Tourism Development Cabinet for administrative purposes.

Policy

The Budget of the Commonwealth includes \$2,350,000 in General Fund in fiscal year 2002-2003 which has been allocated as

follows: \$1,500,000 for the improvement and expansion of the Stonecrest Golf and Recreation Complex in Prestonsburg, \$700,000 in General Fund for the acquisition and construction of the White Hall Park on land immediately adjacent to the White Hall State Historic Site, and \$100,000 for the purchase and repair of a chair lift at Jenny Wiley State Park.

**Tourism Development
Breaks Interstate Park**

	<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	200,000	200,000	196,000	196,000
Total General Fund	<u>200,000</u>	<u>200,000</u>	<u>196,000</u>	<u>196,000</u>
TOTAL SOURCE OF FUNDS	200,000	200,000	196,000	196,000
EXPENDITURES BY CLASS				
Grants, Loans or Benefits	200,000	200,000	196,000	196,000
TOTAL EXPENDITURES	<u>200,000</u>	<u>200,000</u>	<u>196,000</u>	<u>196,000</u>
EXPENDITURES BY FUND SOURCE				
General Fund	200,000	200,000	196,000	196,000
TOTAL EXPENDITURES	<u>200,000</u>	<u>200,000</u>	<u>196,000</u>	<u>196,000</u>

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

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

**Tourism Development
Travel**

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	7,327,800	7,474,300	6,900,200	6,900,200
Total General Fund	7,327,800	7,474,300	6,900,200	6,900,200
Restricted Funds				
Balance Forward			1,600	1,600
Non-Revenue Receipts			2,000,000	
Total Restricted Funds			2,001,600	1,600
Federal Funds				
Balance Forward			28,600	28,600
Total Federal Funds			28,600	28,600
TOTAL SOURCE OF FUNDS	7,327,800	7,474,300	8,930,400	6,930,400
EXPENDITURES BY CLASS				
Personnel Cost	5,165,900	5,310,700	4,814,000	4,810,000
Operating Expenses	1,331,900	1,333,600	3,256,200	1,260,200
Grants, Loans or Benefits	830,000	830,000	830,000	830,000
TOTAL EXPENDITURES	7,327,800	7,474,300	8,900,200	6,900,200
EXPENDITURES BY FUND SOURCE				
General Fund	7,327,800	7,474,300	6,900,200	6,900,200
Restricted Funds			2,000,000	
TOTAL EXPENDITURES	7,327,800	7,474,300	8,900,200	6,900,200
EXPENDITURES BY UNIT				
Executive Policy and Management	690,900	717,200	653,000	661,000
Tourism Services	1,849,200	1,919,600	3,763,200	1,790,200
Marketing and Advertising	4,787,700	4,837,500	4,484,000	4,449,000
TOTAL EXPENDITURES	7,327,800	7,474,300	8,900,200	6,900,200

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

**Tourism Development
Travel
Executive Policy and 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	690,900	717,200	653,000	661,000
Total General Fund	<u>690,900</u>	<u>717,200</u>	<u>653,000</u>	<u>661,000</u>
TOTAL SOURCE OF FUNDS	690,900	717,200	653,000	661,000
EXPENDITURES BY CLASS				
Personnel Cost	515,400	540,000	497,000	501,000
Operating Expenses	175,500	177,200	156,000	160,000
TOTAL EXPENDITURES	<u>690,900</u>	<u>717,200</u>	<u>653,000</u>	<u>661,000</u>
EXPENDITURES BY FUND SOURCE				
General Fund	690,900	717,200	653,000	661,000
TOTAL EXPENDITURES	<u>690,900</u>	<u>717,200</u>	<u>653,000</u>	<u>661,000</u>

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

**Tourism Development
Travel
Tourism 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	1,849,200	1,919,600	1,763,200	1,790,200
Total General Fund	<u>1,849,200</u>	<u>1,919,600</u>	<u>1,763,200</u>	<u>1,790,200</u>
Restricted Funds				
Non-Revenue Receipts			2,000,000	
Total Restricted Funds			<u>2,000,000</u>	
Federal Funds				
Balance Forward			28,600	28,600
Total Federal Funds			<u>28,600</u>	<u>28,600</u>
TOTAL SOURCE OF FUNDS	<u>1,849,200</u>	<u>1,919,600</u>	<u>3,791,800</u>	<u>1,818,800</u>
EXPENDITURES BY CLASS				
Personnel Cost	1,356,100	1,426,500	1,309,000	1,336,000
Operating Expenses	493,100	493,100	2,454,200	454,200
TOTAL EXPENDITURES	<u>1,849,200</u>	<u>1,919,600</u>	<u>3,763,200</u>	<u>1,790,200</u>
EXPENDITURES BY FUND SOURCE				
General Fund	1,849,200	1,919,600	1,763,200	1,790,200
Restricted Funds			2,000,000	
TOTAL EXPENDITURES	<u>1,849,200</u>	<u>1,919,600</u>	<u>3,763,200</u>	<u>1,790,200</u>

The Tourism Services Division operates highway welcome centers in Florence, Franklin, Grayson, Hopkinsville, Paducah, Shelbyville, Shepherdsville, and Williamsburg; generates sales revenue to Kentucky's tourism industry through trade show participation and pursuit of group, commercial, and individual markets; and disseminates tourism information to tourists and potential visitors via a telephone system, direct mail, and the highway welcome centers.

The goal of the Tourism Services Division is to conduct a comprehensive travel promotion campaign and to serve Kentucky's private sector tourism industry.

Policy

Included in the Budget of the Commonwealth is \$2,000,000 in restricted funds in fiscal year 2002-03 for the Appalachian Bus Program. These funds originate from the Local Government Economic Development Fund - Multi-county account. The authorizing language can be found in House Bill 269 on page 18, lines 24 and 25.

**Tourism Development
Travel
Marketing and Advertising**

	<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	4,787,700	4,837,500	4,484,000	4,449,000
Total General Fund	4,787,700	4,837,500	4,484,000	4,449,000
Restricted Funds				
Balance Forward			1,600	1,600
Total Restricted Funds			1,600	1,600
TOTAL SOURCE OF FUNDS	4,787,700	4,837,500	4,485,600	4,450,600
EXPENDITURES BY CLASS				
Personnel Cost	3,294,400	3,344,200	3,008,000	2,973,000
Operating Expenses	663,300	663,300	646,000	646,000
Grants, Loans or Benefits	830,000	830,000	830,000	830,000
TOTAL EXPENDITURES	4,787,700	4,837,500	4,484,000	4,449,000
EXPENDITURES BY FUND SOURCE				
General Fund	4,787,700	4,837,500	4,484,000	4,449,000
TOTAL EXPENDITURES	4,787,700	4,837,500	4,484,000	4,449,000

The Marketing and Advertising Division develops and coordinates state tourism advertising and tourism media placement; coordinates and produces tourism brochures and sales promotion materials; assists non-profit private sector groups with advertising and promotion costs through matching funds and cooperative advertising programs; develops and maintains the department's website (KY Tourism.com); and develops and maintains a marketing and research data base on Kentucky's tourism industry.

The goal of this program is to develop, coordinate, and maintain a comprehensive advertising campaign to promote Kentucky as a tourism destination.

**Tourism Development
Parks**

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	37,707,800	43,522,100	28,857,100	28,857,100
Total General Fund	37,707,800	43,522,100	28,857,100	28,857,100
Restricted Funds				
Balance Forward	21,100		288,900	262,500
Current Receipts	51,857,300	54,231,200	50,871,600	52,400,000
Non-Revenue Receipts			100,000	
Total Restricted Funds	51,878,400	54,231,200	51,260,500	52,662,500
Federal Funds				
Balance Forward			13,600	
Current Receipts			400	
Total Federal Funds			14,000	
TOTAL SOURCE OF FUNDS	89,586,200	97,753,300	80,131,600	81,519,600
EXPENDITURES BY CLASS				
Personnel Cost	54,751,300	57,813,200	48,415,100	50,527,000
Operating Expenses	31,954,900	33,106,500	30,492,000	29,873,100
Grants, Loans or Benefits			100,000	
Debt Service		3,942,000		
Capital Outlay	2,880,000	2,891,600	862,000	857,000
TOTAL EXPENDITURES	89,586,200	97,753,300	79,869,100	81,257,100
EXPENDITURES BY FUND SOURCE				
General Fund	37,707,800	43,522,100	28,857,100	28,857,100
Restricted Funds	51,878,400	54,231,200	50,998,000	52,400,000
Federal Funds			14,000	
TOTAL EXPENDITURES	89,586,200	97,753,300	79,869,100	81,257,100
EXPENDITURES BY UNIT				
General Administration and Support	10,300,800	10,540,000	9,081,000	9,575,000
Resort Parks	62,330,500	64,980,700	56,551,000	57,108,000
Recreation Parks and Historic Sites	16,254,100	17,518,400	13,472,100	13,792,100
Cafeterias	700,800	772,200	765,000	782,000
Debt Service		3,942,000		
TOTAL EXPENDITURES	89,586,200	97,753,300	79,869,100	81,257,100

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

The activities of the Department include the operation and maintenance of 17 resort parks, 22 recreational parks, ten historic sites, and the Capitol Annex Cafeteria in Frankfort.

Policy

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

of Parks. Specifically, \$923,000 in fiscal year 2003 and \$1,069,000 in fiscal year 2004 is included from this fund for either custodial maintenance of new golf courses or to support new bonds to make the golf courses playable. The Budget of the Commonwealth required an analysis to determine whether it is more cost-effective to maintain the golf courses in their current condition or to finish and open the courses. On March 25, 2003 the Center for Business and Economic Research at the University of Kentucky reported that it was more beneficial to partially complete the courses and open them for play by the summer of 2003. On March 31, 2003 the State Property and Building Commission approved the issuance of \$4,502,000 in bonds to make the golf courses "playable". This will include temporary facilities and golf carts. An additional sum, approximately \$12.5 million, will be needed to fully complete these courses. The six courses to be made playable are as follows:

- Grayson Lake \$823,000
- Yatesville \$781,000
- Dale Hollow \$963,000
- Mineral Mound \$776,000
- Pennyrile \$468,000
- Kincaid \$691,000
- **Total** **\$4,502,000**

Moreover, \$803,000 from this fund is used to supplement the Department of Parks general operations. Finally, should these amounts prove to be insufficient to support the continuation of other recommended programs of the Department, this account is available as an authorized source of funds to be used for any unanticipated restricted funds revenue shortfall and/or unanticipated expenditure upon approval of the State Budget Director and reporting to the Interim Joint Committee Appropriations and Revenue Committee and the Capital Projects and Bond Oversight Committee.

**Tourism Development
Parks
General Administration and Support**

	<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	10,050,800	10,290,000	8,817,000	9,325,000
Total General Fund	<u>10,050,800</u>	<u>10,290,000</u>	<u>8,817,000</u>	<u>9,325,000</u>
Restricted Funds				
Balance Forward			11,100	11,100
Current Receipts	250,000	250,000	250,000	250,000
Total Restricted Funds	<u>250,000</u>	<u>250,000</u>	<u>261,100</u>	<u>261,100</u>
Federal Funds				
Balance Forward			13,600	
Current Receipts			400	
Total Federal Funds			<u>14,000</u>	
TOTAL SOURCE OF FUNDS	<u>10,300,800</u>	<u>10,540,000</u>	<u>9,092,100</u>	<u>9,586,100</u>
EXPENDITURES BY CLASS				
Personnel Cost	8,521,500	8,829,300	7,521,000	8,077,000
Operating Expenses	1,588,000	1,515,600	1,536,000	1,474,000
Capital Outlay	191,300	195,100	24,000	24,000
TOTAL EXPENDITURES	<u>10,300,800</u>	<u>10,540,000</u>	<u>9,081,000</u>	<u>9,575,000</u>
EXPENDITURES BY FUND SOURCE				
General Fund	10,050,800	10,290,000	8,817,000	9,325,000
Restricted Funds	250,000	250,000	250,000	250,000
Federal Funds			14,000	
TOTAL EXPENDITURES	<u>10,300,800</u>	<u>10,540,000</u>	<u>9,081,000</u>	<u>9,575,000</u>

The General Administration and Support program provides an organizational and administrative system which ensures that the park system's 50 operations are maintained and operated in an efficient manner.

**Tourism Development
Parks
Resort Parks**

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	18,990,200	20,585,500	13,526,000	12,814,000
Total General Fund	18,990,200	20,585,500	13,526,000	12,814,000
Restricted Funds				
Balance Forward			59,700	59,700
Current Receipts	43,340,300	44,395,200	42,925,000	44,294,000
Non-Revenue Receipts			100,000	
Total Restricted Funds	43,340,300	44,395,200	43,084,700	44,353,700
TOTAL SOURCE OF FUNDS	62,330,500	64,980,700	56,610,700	57,167,700
EXPENDITURES BY CLASS				
Personnel Cost	35,415,500	37,391,300	31,978,000	33,172,000
Operating Expenses	24,650,800	25,319,900	23,870,000	23,333,000
Grants, Loans or Benefits			100,000	
Capital Outlay	2,264,200	2,269,500	603,000	603,000
TOTAL EXPENDITURES	62,330,500	64,980,700	56,551,000	57,108,000
EXPENDITURES BY FUND SOURCE				
General Fund	18,990,200	20,585,500	13,526,000	12,814,000
Restricted Funds	43,340,300	44,395,200	43,025,000	44,294,000
TOTAL EXPENDITURES	62,330,500	64,980,700	56,551,000	57,108,000

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

Barren River Resort Park - Barren County
 Blue Licks Battlefield State Park - Robertson County
 Buckhorn Lake Resort Park - Perry County
 Carter Caves Resort Park - Carter County
 Cumberland Falls Resort Park - Whitley County
 Dale Hollow Resort Park - Cumberland and Clinton Counties
 General Butler Resort Park - Carroll County
 Greenbo Lake Resort Park - Greenup County
 Jenny Wiley Resort Park - Floyd County

Kenlake Resort Park - Marshall County
 Kentucky Dam Village Resort - Marshall County
 Lake Barkley Resort Park - Trigg County
 Lake Cumberland Resort Park - Russell County
 Natural Bridge Resort Park - Powell County
 Pennyrile Forest Resort Park - Christian County
 Pine Mountain Resort Park - Bell County
 Rough River Resort Park - Grayson County

The Department estimates that in fiscal year 2003, the resort parks will provide overnight accommodations for 620,000 guests and serve 1.6 million meals.

**Tourism Development
Parks
Recreation Parks and Historic Sites**

	<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	8,306,200	8,336,700	6,094,100	6,340,100
Total General Fund	8,306,200	8,336,700	6,094,100	6,340,100
Restricted Funds				
Balance Forward			169,800	169,800
Current Receipts	7,947,900	9,181,700	7,378,000	7,452,000
Total Restricted Funds	7,947,900	9,181,700	7,547,800	7,621,800
TOTAL SOURCE OF FUNDS	16,254,100	17,518,400	13,641,900	13,961,900
EXPENDITURES BY CLASS				
Personnel Cost	10,400,300	11,156,000	8,461,100	8,801,000
Operating Expenses	5,436,500	5,942,800	4,781,000	4,761,100
Capital Outlay	417,300	419,600	230,000	230,000
TOTAL EXPENDITURES	16,254,100	17,518,400	13,472,100	13,792,100
EXPENDITURES BY FUND SOURCE				
General Fund	8,306,200	8,336,700	6,094,100	6,340,100
Restricted Funds	7,947,900	9,181,700	7,378,000	7,452,000
TOTAL EXPENDITURES	16,254,100	17,518,400	13,472,100	13,792,100

The Recreation Parks and Historic Sites program encourages tourism and economic development in Kentucky by providing modern recreational and camping facilities and preserving significant scenic and historic landmarks, as well as operating museums and shrines. In fiscal year 2003, the camping areas will attract approximately 300,000 visitors and museums will host 305,000.

Park Facilities

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

Historic Sites

Boone Station - Fayette County	Old Mulkey Meeting House State Shrine - Monroe County
Constitution Square State Shrine - Boyle County	Perryville Battlefield State Shrine - Boyle County
Dr. Thomas Walker State Shrine - Knox County	Waveland State Shrine - Fayette County
Isaac Shelby State Shrine - Lincoln County	White Hall State Shrine - Madison County
Jefferson Davis Monument State Shrine - Todd County	William Whitley House State Shrine - Lincoln County

**Tourism Development
Parks
Cafeterias**

	<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	360,600	367,900	420,000	378,000
Total General Fund	360,600	367,900	420,000	378,000
Restricted Funds				
Balance Forward	21,100		48,300	21,900
Current Receipts	319,100	404,300	318,600	404,000
Total Restricted Funds	340,200	404,300	366,900	425,900
TOTAL SOURCE OF FUNDS	700,800	772,200	786,900	803,900
EXPENDITURES BY CLASS				
Personnel Cost	414,000	436,600	455,000	477,000
Operating Expenses	279,600	328,200	305,000	305,000
Capital Outlay	7,200	7,400	5,000	
TOTAL EXPENDITURES	700,800	772,200	765,000	782,000
EXPENDITURES BY FUND SOURCE				
General Fund	360,600	367,900	420,000	378,000
Restricted Funds	340,200	404,300	345,000	404,000
TOTAL EXPENDITURES	700,800	772,200	765,000	782,000

The Cafeteria program provides food service in the Capitol Annex for members of the General Assembly, state employees, and visitors to the state offices in Frankfort. The cafeterias will serve approximately 140,000 meals in fiscal year 2003 generating sales of approximately \$319,000.

**Tourism Development
Parks
Debt Service**

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
General Fund				
Regular Appropriation		3,942,000		
Total General Fund		3,942,000		
TOTAL SOURCE OF FUNDS		3,942,000		
EXPENDITURES BY CLASS				
Debt Service		3,942,000		
TOTAL EXPENDITURES		3,942,000		
EXPENDITURES BY FUND SOURCE				
General Fund		3,942,000		
TOTAL EXPENDITURES		3,942,000		

All currently authorized General Fund debt service costs is budgeted in the Finance and Administration Cabinet in the 2002-2004 biennium.

**Tourism Development
Kentucky Horse Park**

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	2,135,000	4,147,400	1,750,000	1,650,000
Total General Fund	2,135,000	4,147,400	1,750,000	1,650,000
Restricted Funds				
Balance Forward	226,000	250,000	79,500	99,500
Current Receipts	5,375,800	5,662,800	5,962,000	5,697,000
Total Restricted Funds	5,601,800	5,912,800	6,041,500	5,796,500
TOTAL SOURCE OF FUNDS	7,736,800	10,060,200	7,791,500	7,446,500
EXPENDITURES BY CLASS				
Personnel Cost	4,572,600	4,794,500	4,425,000	4,433,000
Operating Expenses	2,866,200	2,773,700	3,252,000	2,834,000
Debt Service		2,165,000		
Capital Outlay	48,000	52,000	15,000	15,000
TOTAL EXPENDITURES	7,486,800	9,785,200	7,692,000	7,282,000
EXPENDITURES BY FUND SOURCE				
General Fund	2,135,000	4,147,400	1,750,000	1,650,000
Restricted Funds	5,351,800	5,637,800	5,942,000	5,632,000
TOTAL EXPENDITURES	7,486,800	9,785,200	7,692,000	7,282,000
EXPENDITURES BY UNIT				
Kentucky Horse Park	7,486,800	9,785,200	7,692,000	7,282,000
TOTAL EXPENDITURES	7,486,800	9,785,200	7,692,000	7,282,000

The 1,032-acre Kentucky Horse Park is a recreational and educational park dedicated to mankind's relationship to the horse. It features an exclusive movie, farrier shop, tack shop, parade of breeds show, horse-drawn tours, the International Museum of the Horse, and the American Saddlebred Museum. Other attractions include: the Man O'War Memorial, Hall of Champions, Secretariat Memorial, a gift shop, an art gallery, food service facilities, and horseback riding. A 260-site campground features a grocery, souvenir shop, pool, croquet, tennis, two playgrounds, and basketball courts. There are 1,076 stalls for horse shows and some of the finest equine eventing facilities in the world, including a covered arena, six polo fields, show rings, and a steeplechase course. Central Kentucky Riding for the Handicapped and the National Horse Center Office Complex, which includes 14 horse-related organizations employing an additional 150 people, are also located at the Park.

The purpose of the Kentucky Horse Park is to be the world's definitive equestrian educational facility dedicated to all breeds of horses, to provide show facilities capable of hosting national and international equestrian competitions in many disciplines, and to provide a positive impact on both the local and state economies by establishing itself as a nationally recognized tourist attraction.

The Horse Park provides recreational and educational activities for over 800,000 visitors a year through its regular activities and special events. In addition, the Park serves as an educational facility for approximately 20,000 student visitors a year.

**Tourism Development
Kentucky State Fair Board**

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	407,000	11,015,000	407,000	712,000
Total General Fund	407,000	11,015,000	407,000	712,000
Restricted Funds				
Balance Forward	4,121,500	3,874,800	2,956,700	3,289,200
Current Receipts	33,494,700	33,839,300	33,495,500	33,947,500
Non-Revenue Receipts	-3,000,000	-3,300,000	-3,000,000	-3,913,500
Total Restricted Funds	34,616,200	34,414,100	33,452,200	33,323,200
TOTAL SOURCE OF FUNDS	35,023,200	45,429,100	33,859,200	34,035,200
EXPENDITURES BY CLASS				
Personnel Cost	17,800,400	18,472,500	17,270,000	17,394,000
Operating Expenses	10,883,600	11,069,400	10,834,000	10,832,500
Grants, Loans or Benefits	1,543,800	1,604,300	1,544,000	1,605,000
Debt Service	371,000	10,979,000	371,000	676,000
Capital Outlay	549,600	263,900	551,000	264,000
TOTAL EXPENDITURES	31,148,400	42,389,100	30,570,000	30,771,500
EXPENDITURES BY FUND SOURCE				
General Fund	407,000	11,015,000	407,000	712,000
Restricted Funds	30,741,400	31,374,100	30,163,000	30,059,500
TOTAL EXPENDITURES	31,148,400	42,389,100	30,570,000	30,771,500
EXPENDITURES BY UNIT				
Kentucky Fair and Exposition Center	26,146,900	26,730,600	25,671,000	25,529,500
Kentucky International Convention Center	4,630,500	4,679,500	4,528,000	4,566,000
Debt Service	371,000	10,979,000	371,000	676,000
TOTAL EXPENDITURES	31,148,400	42,389,100	30,570,000	30,771,500

The Kentucky State Fair Board authorized in KRS 247, is composed of 15 members: the Governor, the Commissioner of Agriculture, the Dean of the College of Agriculture at the University of Kentucky, and 12 members, 10 of which are appointed by the Governor. Five of the 12 members appointed by the Governor are selected from nominations from the Kentucky Association of Fairs and Horse Shows, the Kentucky Livestock Improvements Association, the Kentucky State National Farmers Organization, the American Saddle Horse Breeders Association, and the Kentucky Farm Bureau Federation. The other two members are appointed by the Speaker of the House of Representatives and the Senate President. The Board has control and custody of the funds, buildings, grounds, and equipment of the Kentucky Fair and Exposition Center and the Kentucky International Convention Center in Louisville. A president is appointed by the Board to manage the Centers.

Policy

The Budget of the Commonwealth includes the following language in House Bill 269 page 291 lines six through ten, "the Kentucky State Fair Board is authorized to issue up to \$52,000,000 in revenue bonds provided agency revenue can be identified in an amount sufficient to support debt service payments. In accordance with KRS 56.450, bonds for this project shall be issued by the State Property and Building Commission."

**Tourism Development
Kentucky State Fair Board
Kentucky Fair and Exposition Center**

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	407,000	407,000	407,000	407,000
Total General Fund	407,000	407,000	407,000	407,000
Restricted Funds				
Balance Forward	3,751,900	3,717,800	2,792,600	3,234,700
Current Receipts	28,705,800	29,064,700	28,706,100	29,065,000
Non-Revenue Receipts	-3,000,000	-3,671,000	-3,000,000	-3,913,500
Total Restricted Funds	29,457,700	29,111,500	28,498,700	28,386,200
TOTAL SOURCE OF FUNDS	29,864,700	29,518,500	28,905,700	28,793,200
EXPENDITURES BY CLASS				
Personnel Cost	15,126,100	15,677,400	14,699,000	14,713,000
Operating Expenses	9,130,600	9,262,900	9,081,000	9,025,500
Grants, Loans or Benefits	1,543,800	1,604,300	1,544,000	1,605,000
Capital Outlay	346,400	186,000	347,000	186,000
TOTAL EXPENDITURES	26,146,900	26,730,600	25,671,000	25,529,500
EXPENDITURES BY FUND SOURCE				
General Fund	407,000	407,000	407,000	407,000
Restricted Funds	25,739,900	26,323,600	25,264,000	25,122,500
TOTAL EXPENDITURES	26,146,900	26,730,600	25,671,000	25,529,500

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

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

Policy

Funding of \$407,000 from the General Fund is provided each year of the biennium for the North American International Livestock Exposition program.

**Tourism Development
Kentucky State Fair Board
Kentucky International Convention Center**

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
Restricted Funds				
Balance Forward	369,600	157,000	164,100	54,500
Current Receipts	4,788,900	4,774,600	4,789,400	4,882,500
Non-Revenue Receipts	-371,000		-371,000	-371,000
Total Restricted Funds	4,787,500	4,931,600	4,582,500	4,566,000
TOTAL SOURCE OF FUNDS	4,787,500	4,931,600	4,582,500	4,566,000
EXPENDITURES BY CLASS				
Personnel Cost	2,674,300	2,795,100	2,571,000	2,681,000
Operating Expenses	1,753,000	1,806,500	1,753,000	1,807,000
Capital Outlay	203,200	77,900	204,000	78,000
TOTAL EXPENDITURES	4,630,500	4,679,500	4,528,000	4,566,000
EXPENDITURES BY FUND SOURCE				
Restricted Funds	4,630,500	4,679,500	4,528,000	4,566,000
TOTAL EXPENDITURES	4,630,500	4,679,500	4,528,000	4,566,000

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

All phases of the most recent renovation and expansion project at the Kentucky International Convention Center are completed. The Center includes approximately 200,000 square feet of exhibit space, a 30,000 square foot ballroom and nearly 70,000 square feet of meeting space. The new exhibit and meeting areas are linked to the existing facility by public concourses spanning Third Street.

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

**Tourism Development
Kentucky State Fair Board
Debt Service**

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
General Fund				
Regular Appropriation		10,608,000		305,000
Total General Fund		10,608,000		305,000
Restricted Funds				
Non-Revenue Receipts	371,000	371,000	371,000	371,000
Total Restricted Funds	371,000	371,000	371,000	371,000
TOTAL SOURCE OF FUNDS	371,000	10,979,000	371,000	676,000
EXPENDITURES BY CLASS				
Debt Service	371,000	10,979,000	371,000	676,000
TOTAL EXPENDITURES	371,000	10,979,000	371,000	676,000
EXPENDITURES BY FUND SOURCE				
General Fund		10,608,000		305,000
Restricted Funds	371,000	371,000	371,000	371,000
TOTAL EXPENDITURES	371,000	10,979,000	371,000	676,000

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

Restricted funds (\$371,000) are included in each year of the 2002-2004 biennium for Project 55 debt service payments. Project 55 provided funding for an expansion of the new South Wing - Phase II, Access Road Completion, the new Maintenance Building, and the refinancing of Projects 21 and 38.

All currently authorized General Fund debt service costs are budgeted in the Finance and Administration Cabinet in the 2002-2004 biennium.

Policy

Included in the Budget of the Commonwealth is \$305,000 in General Fund in fiscal year 2004 to support \$3,300,000 in new bonds to replace roofs (\$2.8 million) and purchase the Department of Transportation building adjacent to the State Fair Board property (\$500,000).

**Tourism Development
Fish and Wildlife Resources**

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
Restricted Funds				
Balance Forward	21,631,700	19,886,700	25,296,600	23,551,600
Current Receipts	26,435,000	26,385,000	26,436,000	26,385,600
Non-Revenue Receipts	-800,000	-800,000	-800,000	-800,000
Total Restricted Funds	47,266,700	45,471,700	50,932,600	49,137,200
Federal Funds				
Balance Forward	2,647,100	2,647,100	3,115,600	3,115,600
Current Receipts	7,500,000	7,500,000	7,850,000	7,650,000
Total Federal Funds	10,147,100	10,147,100	10,965,600	10,765,600
TOTAL SOURCE OF FUNDS	57,413,800	55,618,800	61,898,200	59,902,800
EXPENDITURES BY CLASS				
Personnel Cost	26,479,600	27,710,700	26,478,000	27,387,000
Operating Expenses	6,579,300	6,685,300	6,930,000	6,837,000
Capital Outlay	1,821,100	1,761,900	1,823,000	2,084,000
TOTAL EXPENDITURES	34,880,000	36,157,900	35,231,000	36,308,000
EXPENDITURES BY FUND SOURCE				
Restricted Funds	27,380,000	28,657,900	27,381,000	28,658,000
Federal Funds	7,500,000	7,500,000	7,850,000	7,650,000
TOTAL EXPENDITURES	34,880,000	36,157,900	35,231,000	36,308,000
EXPENDITURES BY UNIT				
Administration and Support	4,671,000	4,828,500	4,671,000	4,828,000
Wildlife Management	7,997,500	8,206,400	8,348,000	8,357,000
Fisheries Management	5,287,700	5,485,000	5,288,000	5,485,000
Information and Education	5,417,900	5,520,900	5,418,000	5,521,000
Law Enforcement	11,505,900	12,117,100	11,506,000	12,117,000
TOTAL EXPENDITURES	34,880,000	36,157,900	35,231,000	36,308,000

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

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

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

**Tourism Development
Fish and Wildlife Resources
Administration and Support**

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
Restricted Funds				
Balance Forward	21,631,700	19,886,700	25,296,600	23,551,600
Current Receipts	3,726,000	2,555,600	3,726,000	2,555,600
Non-Revenue Receipts	-800,000	-800,000	-800,000	-800,000
Total Restricted Funds	24,557,700	21,642,300	28,222,600	25,307,200
TOTAL SOURCE OF FUNDS	24,557,700	21,642,300	28,222,600	25,307,200
EXPENDITURES BY CLASS				
Personnel Cost	3,625,100	3,766,800	3,625,000	3,766,000
Operating Expenses	983,400	994,200	983,000	994,000
Capital Outlay	62,500	67,500	63,000	68,000
TOTAL EXPENDITURES	4,671,000	4,828,500	4,671,000	4,828,000
EXPENDITURES BY FUND SOURCE				
Restricted Funds	4,671,000	4,828,500	4,671,000	4,828,000
TOTAL EXPENDITURES	4,671,000	4,828,500	4,671,000	4,828,000

Administration and Support includes Public Affairs, Administrative Services and Engineering.

The Public Affairs Division facilitates public involvement in departmental policy and regulations. Administrative Services maintains accounting records, ensures that proper purchasing and inventory procedures are followed, and administers hunting and fishing license sales and revenue collections. The Engineering Division provides the labor and technical engineering services required for the Department's small construction projects. Duties include building small bridges, buildings, boat ramps, and roads. In addition, Engineering is responsible for surveying all property owned or being purchased by the Department.

**Tourism Development
Fish and Wildlife Resources
Wildlife Management**

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
Restricted Funds				
Current Receipts	5,272,500	5,481,400	5,273,000	5,482,000
Total Restricted Funds	5,272,500	5,481,400	5,273,000	5,482,000
Federal Funds				
Balance Forward	1,112,800	1,112,800	1,763,200	1,763,200
Current Receipts	2,725,000	2,725,000	3,075,000	2,875,000
Total Federal Funds	3,837,800	3,837,800	4,838,200	4,638,200
TOTAL SOURCE OF FUNDS	9,110,300	9,319,200	10,111,200	10,120,200
EXPENDITURES BY CLASS				
Personnel Cost	5,789,400	6,057,800	5,789,000	6,057,000
Operating Expenses	1,736,100	1,743,400	2,087,000	1,894,000
Capital Outlay	472,000	405,200	472,000	406,000
TOTAL EXPENDITURES	7,997,500	8,206,400	8,348,000	8,357,000
EXPENDITURES BY FUND SOURCE				
Restricted Funds	5,272,500	5,481,400	5,273,000	5,482,000
Federal Funds	2,725,000	2,725,000	3,075,000	2,875,000
TOTAL EXPENDITURES	7,997,500	8,206,400	8,348,000	8,357,000

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

Policy

Included in the Budget of the Commonwealth are \$350,000 in fiscal year 2003 and \$150,000 in fiscal year 2004 in increased Federal Funds from the Wildlife Conservation and Restoration Program (WCRP). The funding is intended for new or expanded programs in the areas of Wildlife Conservation, Education, and Recreation.

**Tourism Development
Fish and Wildlife Resources
Fisheries Management**

	<u>Requested FY 2003</u>	<u>Requested FY 2004</u>	<u>Enacted FY 2003</u>	<u>Enacted FY 2004</u>
SOURCE OF FUNDS				
Restricted Funds				
Current Receipts	2,487,700	2,685,000	2,488,000	2,685,000
Total Restricted Funds	<u>2,487,700</u>	<u>2,685,000</u>	<u>2,488,000</u>	<u>2,685,000</u>
Federal Funds				
Balance Forward	951,900	951,900	521,300	521,300
Current Receipts	2,800,000	2,800,000	2,800,000	2,800,000
Total Federal Funds	<u>3,751,900</u>	<u>3,751,900</u>	<u>3,321,300</u>	<u>3,321,300</u>
TOTAL SOURCE OF FUNDS	<u>6,239,600</u>	<u>6,436,900</u>	<u>5,809,300</u>	<u>6,006,300</u>
EXPENDITURES BY CLASS				
Personnel Cost	3,960,800	4,158,100	3,960,000	4,157,000
Operating Expenses	983,800	1,002,400	984,000	1,003,000
Capital Outlay	343,100	324,500	344,000	325,000
TOTAL EXPENDITURES	<u>5,287,700</u>	<u>5,485,000</u>	<u>5,288,000</u>	<u>5,485,000</u>
EXPENDITURES BY FUND SOURCE				
Restricted Funds	2,487,700	2,685,000	2,488,000	2,685,000
Federal Funds	2,800,000	2,800,000	2,800,000	2,800,000
TOTAL EXPENDITURES	<u>5,287,700</u>	<u>5,485,000</u>	<u>5,288,000</u>	<u>5,485,000</u>

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

**Tourism Development
Fish and Wildlife Resources
Information and Education**

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
Restricted Funds				
Current Receipts	4,422,900	4,525,900	4,423,000	4,526,000
Total Restricted Funds	4,422,900	4,525,900	4,423,000	4,526,000
Federal Funds				
Balance Forward	279,500	279,500	397,800	397,800
Current Receipts	995,000	995,000	995,000	995,000
Total Federal Funds	1,274,500	1,274,500	1,392,800	1,392,800
TOTAL SOURCE OF FUNDS	5,697,400	5,800,400	5,815,800	5,918,800
EXPENDITURES BY CLASS				
Personnel Cost	3,816,300	3,947,700	3,816,000	3,628,000
Operating Expenses	1,483,100	1,514,200	1,483,000	1,514,000
Capital Outlay	118,500	59,000	119,000	379,000
TOTAL EXPENDITURES	5,417,900	5,520,900	5,418,000	5,521,000
EXPENDITURES BY FUND SOURCE				
Restricted Funds	4,422,900	4,525,900	4,423,000	4,526,000
Federal Funds	995,000	995,000	995,000	995,000
TOTAL EXPENDITURES	5,417,900	5,520,900	5,418,000	5,521,000

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

Conservation Education leaders teach approximately 1,200 classes each month for seven months of the school year to 85,000 students in the fifth and sixth grades. They conduct a summer conservation camp program for 6,500 students at Camp John Currie, Benton; Camp Earl Wallace, Monticello; and Camp Robert Webb, Grayson. Hunter training officers conduct hunter education courses throughout the state. Each year approximately 17,000 participants receive certification cards.

The Salato Wildlife Education Center at the Game Farm in Frankfort includes an exhibit facility, native landscaping, and live animal exhibits where visitors can learn to appreciate Kentucky's habitat and wildlife restoration efforts. The Game Farm and Education Center draw approximately 125,000 visitors annually.

The Public Information program is responsible for the publication and distribution of the bimonthly magazine, Kentucky Afield, and the production of the weekly Kentucky Afield television program. This program is responsible for providing information about all Department activities and programs to sportspersons and the general public.

**Tourism Development
Fish and Wildlife Resources
Law Enforcement**

	<u>Requested FY 2003</u>	<u>Requested FY 2004</u>	<u>Enacted FY 2003</u>	<u>Enacted FY 2004</u>
SOURCE OF FUNDS				
Restricted Funds				
Current Receipts	10,525,900	11,137,100	10,526,000	11,137,000
Total Restricted Funds	10,525,900	11,137,100	10,526,000	11,137,000
Federal Funds				
Balance Forward	302,900	302,900	433,300	433,300
Current Receipts	980,000	980,000	980,000	980,000
Total Federal Funds	1,282,900	1,282,900	1,413,300	1,413,300
TOTAL SOURCE OF FUNDS	11,808,800	12,420,000	11,939,300	12,550,300
EXPENDITURES BY CLASS				
Personnel Cost	9,288,000	9,780,300	9,288,000	9,779,000
Operating Expenses	1,392,900	1,431,100	1,393,000	1,432,000
Capital Outlay	825,000	905,700	825,000	906,000
TOTAL EXPENDITURES	11,505,900	12,117,100	11,506,000	12,117,000
EXPENDITURES BY FUND SOURCE				
Restricted Funds	10,525,900	11,137,100	10,526,000	11,137,000
Federal Funds	980,000	980,000	980,000	980,000
TOTAL EXPENDITURES	11,505,900	12,117,100	11,506,000	12,117,000

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

Conservation officers contact approximately 190,000 resource users, initiate approximately 9,300 prosecutions, issue approximately 4,500 warning notices, and assist approximately 2,000 motorists each year. An officer's average patrol area is 250 square miles.



2002-2004

Transportation

BUDGET OF THE COMMONWEALTH



Transportation

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	9,042,200	9,021,200	5,520,300	4,875,300
Continuing Appropriation - Gen'l Fund	1,278,200	877,200	1,675,200	
Total General Fund	10,320,400	9,898,400	7,195,500	4,875,300
Restricted Funds				
Balance Forward	17,629,400	6,447,500	26,937,900	17,250,800
Current Receipts	103,378,400	102,665,100	104,115,000	102,619,200
Non-Revenue Receipts	100,200	102,200	-8,799,800	102,200
Total Restricted Funds	121,108,000	109,214,800	122,253,100	119,972,200
Federal Funds				
Balance Forward			31,100	31,100
Current Receipts	539,099,700	538,507,000	527,604,300	526,467,000
Total Federal Funds	539,099,700	538,507,000	527,635,400	526,498,100
Road Fund				
Regular Appropriation	1,022,181,900	1,055,437,300	1,074,795,400	1,090,436,500
Surplus Expenditure Plan			75,240,900	
Total Road Fund	1,022,181,900	1,055,437,300	1,150,036,300	1,090,436,500
TOTAL SOURCE OF FUNDS	1,692,710,000	1,713,057,500	1,807,120,300	1,741,782,100
EXPENDITURES BY CLASS				
Personnel Cost	334,036,300	350,128,400	328,547,400	342,252,900
Operating Expenses	213,399,600	228,177,200	214,785,000	229,539,600
Grants, Loans or Benefits	166,341,700	168,830,400	154,504,300	152,953,800
Debt Service	178,294,100	172,114,800	174,826,500	168,647,600
Capital Outlay	17,242,400	17,145,600	19,958,900	19,917,900
Construction	776,071,200	770,190,100	897,216,300	811,542,100
TOTAL EXPENDITURES	1,685,385,300	1,706,586,500	1,789,838,400	1,724,853,900
EXPENDITURES BY FUND SOURCE				
General Fund	9,443,200	9,521,200	7,195,500	4,875,300
Restricted Funds	114,660,500	103,121,000	105,002,300	103,075,100
Federal Funds	539,099,700	538,507,000	527,604,300	526,467,000
Road Fund	1,022,181,900	1,055,437,300	1,150,036,300	1,090,436,500
TOTAL EXPENDITURES	1,685,385,300	1,706,586,500	1,789,838,400	1,724,853,900
EXPENDITURES BY UNIT				
General Administration and Support	99,329,100	104,639,000	99,338,300	104,964,900
Air Transportation	4,826,400	4,827,300	5,227,900	4,827,300
Public Transportation	50,683,600	49,971,200	38,169,600	33,266,400
Revenue Sharing	210,925,200	216,998,400	220,520,900	224,762,500
Highways	1,111,234,700	1,126,808,000	1,219,100,800	1,154,861,400
Vehicle Regulation	40,725,400	42,030,500	39,820,000	40,859,300
Debt Service	167,660,900	161,312,100	167,660,900	161,312,100
TOTAL EXPENDITURES	1,685,385,300	1,706,586,500	1,789,838,400	1,724,853,900

The Transportation Cabinet had its origin as an agency of the Commonwealth of Kentucky in 1912 when the General Assembly established the Department of Highways. The scope of this original unit was significantly broadened by Executive Orders 72-288 and 73-54, and ratified by the 1974 General Assembly. The 1974 legislation created the Department of Transportation as a consolidation of the Departments of Highways, Motor Transportation, and Aeronautics, plus certain transportation-related functions of the Department of Public Safety and the Department of Revenue. Subsequently, the 1982 General Assembly established the Transportation Cabinet as the successor to the Department of Transportation and assumed all of the duties formerly associated with the department. In 1998, KRS 12.250 codified the Transportation Cabinet as a program cabinet.

The Transportation Cabinet, under KRS 12.250, is responsible for maintaining and improving transportation services in the Commonwealth. All modes of transportation are addressed by the Cabinet, including air transportation, railroads, waterways, public transit, and highways. The Secretary of Transportation, who is appointed by the Governor, heads the organization. The duties and responsibilities of the Cabinet are found in Titles XV and XVI of the Kentucky Revised Statutes.

The Cabinet receives funding from the state Road Fund, proceeds from bonds issued by the Kentucky Turnpike Authority, and federal aid apportionments for highways. Other revenue sources are agency receipts, non-highway federal aid, and the state General Fund. The revenue components of the Road Fund are the motor fuels tax, motor vehicle usage taxes, license and privilege taxes, toll road receipts, interest income, and miscellaneous departmental fees, permits, and sales.

Seven major budget units comprise the Transportation Cabinet: General Administration and Support, Air Transportation, Public Transportation, Revenue Sharing, Highways, Vehicle Regulation, and Debt Service. Organizationally, the agency is divided into six departments and twelve offices. The departments, each headed by a commissioner directly responsible to the Secretary, are Administrative Services, Fiscal Management, Human Resources Management, Vehicle Regulation, Rural and Municipal Aid, and Highways. The remaining units are the Office of Public Affairs, the Office of Transportation Operations Center, the Office of Policy and Budget, the Office of Transportation Delivery, the Office of General Counsel and Legislative Affairs, the Office of Minority Affairs, the Office of Quality, and the Office of Technology. These units are responsible to the Office of Secretary. The Office of Program Planning and Management, the Office of Project Development, the Office of Construction and Operation, and the Office of Intermodal Programs report to the State Highway Engineer in the Department of Highways.

Policy

The Consensus Forecasting Group revised the Road Fund revenue estimate in January 2003 for fiscal years 2003 and 2004. The revised estimates, including the effects of House Bill 293, total \$1,121,129,400 for fiscal year 2003, and \$1,139,210,500 for fiscal year 2004.

The enacted budget provides expenditure authority from the following sources:

	Fiscal Year 2003	Fiscal Year 2004
	_____	_____
Beginning Balance	0	0
Official Revenue Estimate	1,121,129,400	1,139,210,500
Non-Revenue Receipts	0	0
Fund Transfers	0	0
	_____	_____
Total Available Road Fund	1,121,129,400	1,139,210,500

Road Fund Appropriations

Operating Budget

Transportation Cabinet	1,074,795,400	1,090,436,500
Justice Cabinet	35,000,000	35,000,000
Revenue Cabinet	1,418,000	1,418,000
Governor's Office of Technology	125,000	125,000
Finance and Administration Cabinet	3,951,000	3,947,000

Capital Budget

Transportation Cabinet	5,840,000	8,284,000
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Total Road Fund Appropriations	_____	_____
	1,121,129,400	1,139,210,500

**Transportation
General Administration and Support**

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
Restricted Funds				
Balance Forward	1,413,300	1,413,300	6,125,600	125,600
Current Receipts	29,050,000	29,050,000	29,050,000	29,050,000
Non-Revenue Receipts			-6,000,000	
Total Restricted Funds	30,463,300	30,463,300	29,175,600	29,175,600
Road Fund				
Regular Appropriation	70,279,100	75,589,000	70,288,300	75,914,900
Total Road Fund	70,279,100	75,589,000	70,288,300	75,914,900
TOTAL SOURCE OF FUNDS	100,742,400	106,052,300	99,463,900	105,090,500
EXPENDITURES BY CLASS				
Personnel Cost	35,227,200	36,883,700	35,132,000	37,104,500
Operating Expenses	39,049,500	42,613,200	40,427,000	43,986,100
Grants, Loans or Benefits	30,500	30,500	30,500	30,500
Debt Service	8,515,500	8,685,500	7,165,600	7,335,500
Capital Outlay	16,427,600	16,347,400	16,504,400	16,429,600
Construction	78,800	78,700	78,800	78,700
TOTAL EXPENDITURES	99,329,100	104,639,000	99,338,300	104,964,900
EXPENDITURES BY FUND SOURCE				
Restricted Funds	29,050,000	29,050,000	29,050,000	29,050,000
Road Fund	70,279,100	75,589,000	70,288,300	75,914,900
TOTAL EXPENDITURES	99,329,100	104,639,000	99,338,300	104,964,900
EXPENDITURES BY UNIT				
Secretary	31,545,200	34,023,700	32,130,100	34,995,200
Administrative Services	53,345,500	55,779,800	52,910,900	55,305,900
Fiscal Management	6,160,200	6,391,700	6,149,000	6,360,600
Human Resource Management	8,278,200	8,443,800	8,148,300	8,303,200
TOTAL EXPENDITURES	99,329,100	104,639,000	99,338,300	104,964,900

The General Administration and Support appropriation unit provides management and administrative capabilities, policymaking, and efficient day-to-day operations. This unit includes four departments: the Office of Secretary, Administrative Services, Fiscal Management, and Human Resources Management.

The Office of Secretary encompasses the Office of the Secretary of Transportation, the Office of Policy and Budget, the Office of Minority Affairs, the Office of General Counsel and Legislative Affairs, the Office of Public Affairs, the Office of Technology, the Office of Quality, the Office of Transportation Delivery, and the Office of Transportation Operations Center. These units provide leadership, management, and staff support to the Transportation Cabinet and provide the Secretary the managerial tools necessary to operate the Cabinet. The Office of the Secretary is the central point of contact with the general public and external organizations. The Office of Policy and Budget manages the planning and use of the Cabinet's financial resources. The Office of Minority Affairs conducts programs to provide women and minorities an equal opportunity for employment and to compete for highway construction contracts. The Office of General Counsel and Legislative Affairs provides the agency with the required legal representation in matters before administrative boards and all levels of the court system. This office is also responsible for drafting legislation and regulations for the Cabinet. The Office of Public Affairs is responsible for the Cabinet's communications with employees, the news media, and the general public. The Office of Technology is responsible for all information technology functions within the Cabinet and serves as the Cabinet's liaison with the Governor's Office of Technology. The Office of Quality facilitates the Cabinet's strategic planning and performance measurement activities. The Office of Transportation Delivery facilitates transportation services for the Non-Emergency Medical Transportation program, the Vocational Rehabilitation program, and the Department of the Blind Transportation Services program.

Senate Bill 103, enacted by the 2003 Session of the General Assembly, ratified Executive Order 2002 - 1192, establishing the Office of Transportation Operations Center. This office serves as the clearinghouse for transportation operations including traffic and travel information, vehicle enforcement communications, and transportation emergency response coordination.

The Department of Administrative Services includes Administration, Toll Facilities, Property and Supply Services, and Fleet Management. The Administration program area is directed by the Commissioner of Administrative Services to perform the administrative functions of the Cabinet and implement policies and programs as set forth by the Secretary. The Toll Facilities Division operates the collection facilities on toll roads. The Division of Property and Supply Services provide the supplies and equipment needed to operate the Cabinet's offices, laboratories, and garages. This Division maintains the Cabinet's real property, which totals some 900 buildings located throughout the state. Debt service on the new transportation office building and parking garage in Frankfort is included in the Division's budget. The Division of Fleet Management operates the statewide Motor Pool, which encompasses the passenger vehicles of all state agencies.

The Department of Fiscal Management is composed of the Office of the Commissioner of Fiscal Management, the Division of Accounts, the Division of Road Fund Audits, and the Division of Purchases. The Office of the Commissioner is responsible for the direction and oversight of the three divisions. It includes the Internal Audit Branch and External Audit Branch. The Internal Audit Branch audits the Cabinet's compliance with regulations, policies, and procedures and reports directly to the Secretary. The External Audit Branch performs financial and compliance audits of contractors doing business with the Cabinet and reports directly to the Division of Professional Services in the Department of Highways. These protocols assure maximum organizational independence for the auditors. The Division of Accounts is a service program providing general accounting, payroll, accounts receivable and payable processing, and financial reporting for the Cabinet. The Division of Road Fund Audits is responsible for auditing Kentucky Road Fund revenues. The Division of Purchases procures commodities and services for the Cabinet. This Division shares responsibility with other divisions in the Department for supporting MARS and the administrative processes relating to procurement.

The Department of Human Resources Management is responsible for the Cabinet's human resources policies and personnel utilization and development programs. The Department of Human Resources Management is composed of the Office of the Commissioner, the Division of Personnel Services, the Division of Employee Recruitment and Development, the Division of Employee Safety and Health, and the Division of Worker's Compensation. The Office of the Commissioner provides direction and oversight of the Divisions. The Division of Personnel Services provides personnel services for all the Cabinet's employees, as well as applicants seeking employment with the Cabinet. The Division of Employee Recruitment and Development provides computer and general employee training. The Division of Employee Safety and Health formulates safety programs, policies, practices, and procedures for all Cabinet employees. The Division of Worker's Compensation administers laws, policies, and procedures pursuant to KRS Chapter 342. The Transportation Cabinet is self-insured with regard to worker's compensation.

Policy

The Department of Administrative Services, Division of Property and Supply, is the unit responsible for the debt service on the new Transportation Cabinet Office Building and Parking Structure. The enacted budget provides debt service for the new building and parking structure totaling \$7,165,600 in fiscal year 2003 and \$7,335,500 in fiscal year 2004.

The Budget of the Commonwealth provides additional Road Fund support of \$750,000 in fiscal year 2004 for the Transportation Operations Center. This funding will provide a central operation facility for the Motor Vehicle Enforcement dispatch center; support the interconnection of regional operation centers and Intelligent Transportation System efforts; and coordinate weather related transportation operations, including cooperative efforts with other state agencies during emergencies.

In fiscal year 2004, the enacted budget provides additional Road Fund support of \$250,000 to pay the license fees associated with the TRNS.PORT software, and license fees totaling \$360,000 for the Operations Management Systems software. The Department of Highways uses the software to assist the divisions of Planning, Design, Maintenance, Construction, and Contract Procurement. The Office of Technology supports the computerized systems.

The enacted budget provides an additional \$450,000 in Road Fund support for the purchase of hardware and a specialized software package to track and report information relative to Disadvantaged Business Enterprises (DBE). The federal government changed the state's reporting guidelines, and the hardware and software acquisition will enable the Cabinet to meet the requirements.

The Budget of the Commonwealth provides additional Road Fund support totaling \$275,900 in fiscal year 2004 for additional security service to the existing State Office Building and the new Transportation Office Building and Parking Structure under construction.

The Transportation Cabinet, as mandated under Federal regulation 49 CFR 382, is required to conduct pre-employment, post-accident, reasonable suspicion, and random drug and alcohol testing on its commercial drivers license holders. The enacted budget provides additional Road Fund support of \$30,000 in fiscal year 2003 and \$30,600 in fiscal year 2004 for the testing of Motor Vehicle Enforcement Officers, Vehicle Enforcement Inspectors, and other safety sensitive personnel.

**Transportation
Air Transportation**

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
General Fund				
Continuing Appropriation - Gen'l Fund			396,900	
Total General Fund			396,900	
Restricted Funds				
Balance Forward	768,800	384,400	3,668,800	384,400
Current Receipts	4,332,600	4,331,300	4,332,600	4,331,300
Non-Revenue Receipts	100,200	102,200	-2,799,800	102,200
Total Restricted Funds	5,201,600	4,817,900	5,201,600	4,817,900
Federal Funds				
Balance Forward			13,900	13,900
Current Receipts	9,200	9,400	13,800	9,400
Total Federal Funds	9,200	9,400	27,700	23,300
TOTAL SOURCE OF FUNDS	5,210,800	4,827,300	5,626,200	4,841,200
EXPENDITURES BY CLASS				
Personnel Cost	742,900	775,100	727,400	753,900
Operating Expenses	258,700	246,600	258,700	246,600
Grants, Loans or Benefits	3,824,800	3,805,600	4,241,800	3,826,800
TOTAL EXPENDITURES	4,826,400	4,827,300	5,227,900	4,827,300
EXPENDITURES BY FUND SOURCE				
General Fund			396,900	
Restricted Funds	4,817,200	4,817,900	4,817,200	4,817,900
Federal Funds	9,200	9,400	13,800	9,400
TOTAL EXPENDITURES	4,826,400	4,827,300	5,227,900	4,827,300
EXPENDITURES BY UNIT				
Air Regulatory	109,400	111,600	114,000	111,600
Air Development	4,717,000	4,715,700	5,113,900	4,715,700
TOTAL EXPENDITURES	4,826,400	4,827,300	5,227,900	4,827,300

In accordance with KRS Chapter 183, the Transportation Cabinet is supports the Commonwealth's Air Transportation program. There are two programs within Air Transportation, the Air Regulatory program and the Airport Development program. The Air Regulatory program is responsible for inspecting and determining the safety and efficiency of all 135 airport and heliport facilities in the state. Pursuant to KRS 183.861, the Kentucky Airport Zoning Commission protects the navigable airspace within the state by evaluating applications for construction, issuing permits and maintaining updated airport zoning maps. The Commission is attached to the Air Regulatory Program for administrative purposes.

The Airport Development Program provides for administration, planning and management of airport construction, and maintenance of local airports. Airport Development also provides technical and financial assistance to the state's 62 publicly owned airports, including updating and distributing the state aeronautical charts and airport directories.

KRS 183.525 provides the funding authority to operate the Air Transportation program. Since July 2000, the Sales and Use tax collected from the sale of aviation jet fuel funds the operation.

Policy

The Budget of the Commonwealth suspends the provisions of KRS 183.525(5) during the 2002 - 2004 biennium. Funds accruing to the Kentucky Aviation Economic Development Fund may support the operating costs of the Air Transportation program.

**Transportation
Public Transportation**

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	9,042,200	9,021,200	5,520,300	4,875,300
Continuing Appropriation - Gen'l Fund	1,278,200	877,200	1,278,300	
Total General Fund	10,320,400	9,898,400	6,798,600	4,875,300
Restricted Funds				
Current Receipts	875,500	893,000	2,506,100	874,100
Total Restricted Funds	875,500	893,000	2,506,100	874,100
Federal Funds				
Current Receipts	40,364,900	39,557,000	28,864,900	27,517,000
Total Federal Funds	40,364,900	39,557,000	28,864,900	27,517,000
TOTAL SOURCE OF FUNDS	51,560,800	50,348,400	38,169,600	33,266,400
EXPENDITURES BY CLASS				
Personnel Cost	2,209,700	2,275,400	7,126,200	5,656,500
Operating Expenses	144,500	134,500	144,500	134,500
Grants, Loans or Benefits	48,329,400	47,561,300	30,898,900	27,475,400
TOTAL EXPENDITURES	50,683,600	49,971,200	38,169,600	33,266,400
EXPENDITURES BY FUND SOURCE				
General Fund	9,443,200	9,521,200	6,798,600	4,875,300
Restricted Funds	875,500	893,000	2,506,100	874,100
Federal Funds	40,364,900	39,557,000	28,864,900	27,517,000
TOTAL EXPENDITURES	50,683,600	49,971,200	38,169,600	33,266,400
EXPENDITURES BY UNIT				
Public Transportation	48,744,600	47,993,400	36,418,900	31,497,700
Multi-Modal Transportation	1,063,500	1,084,800	894,600	894,600
Human Services Delivery	875,500	893,000	856,100	874,100
TOTAL EXPENDITURES	50,683,600	49,971,200	38,169,600	33,266,400

The three programs operating within Public Transportation are Public Transportation, Multimodal, and Human Services Transportation Delivery. The Public Transportation program offers technical and financial assistance to public transportation providers and the Metropolitan Planning Organizations throughout the state through the federal programs: Sections 5303, 5307, 5309, 5310, and 5311. Federal funds, combined with General Fund, restricted funds, and local matching funds, allow public transit authorities to acquire buses and vans.

The Multimodal programs assures that environmental, energy, safety, and economic impacts are considered in transportation decisions. Multimodal responsibilities include statewide rail planning, ferry operations, park and ride planning, bicycle and pedestrian planning and implementation. The Multimodal program acquired the additional responsibility of statewide rail activities when Kentucky voters abolished the Railroad Commission by a constitutional amendment in 2000. These responsibilities include regulating rail carriers operating on 2,800 miles of rail track in the state.

The Human Service Transportation Delivery program is a partnership of the Transportation Cabinet; the Cabinet for Health Services, Medicaid program; and the Workforce Development Cabinet, Department of Vocational Rehabilitation and Department for the Blind. This partnership is the result of an Empower Kentucky project that provides non-emergency medical transportation, jobs access transportation, and transportation to day care facilities.

Policy

The Budget of the Commonwealth provides \$2,500,000 General Fund support in each year of the 2002 - 2004 biennium for the non-public school transportation program.

The enacted budget provides \$15,500,000 federal funds in both years of the 2002 - 2004 biennium for Federal Transit Administration discretionary capital grants to purchase buses and vans for public transit entities. Most local transit entities apply for federal assistance through the Transportation Cabinet to request Federal Transit Administration funding.

The enacted budget provides additional restricted fund support totaling \$1,650,000 in fiscal year 2003 to match Federal Transit Administration discretionary capital grants to purchase buses and vans for public transit entities.

The Budget of the Commonwealth provides federal fund support totaling \$5,160,000 in fiscal year 2003 and \$3,648,000 in fiscal year 2004 for Jefferson County's TARC T 2 light rail study.

The enacted budget provides \$645,000 General Fund in fiscal year 2003 to match federal grants for the TARC Transportation Tomorrow Rapid Transit initiative.

**Transportation
Revenue Sharing**

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
Road Fund				
Regular Appropriation	210,925,200	216,998,400	220,520,900	224,762,500
Total Road Fund	210,925,200	216,998,400	220,520,900	224,762,500
TOTAL SOURCE OF FUNDS	210,925,200	216,998,400	220,520,900	224,762,500
EXPENDITURES BY CLASS				
Personnel Cost	21,423,900	22,604,000	20,466,800	21,551,600
Operating Expenses	29,819,800	30,130,600	29,819,800	30,130,600
Grants, Loans or Benefits	114,157,000	117,433,000	119,333,100	121,621,100
Construction	45,524,500	46,830,800	50,901,200	51,459,200
TOTAL EXPENDITURES	210,925,200	216,998,400	220,520,900	224,762,500
EXPENDITURES BY FUND SOURCE				
Road Fund	210,925,200	216,998,400	220,520,900	224,762,500
TOTAL EXPENDITURES	210,925,200	216,998,400	220,520,900	224,762,500
EXPENDITURES BY UNIT				
County Road Aid	79,768,300	82,074,100	83,411,500	85,021,900
Rural Secondary	96,768,200	99,565,400	101,187,800	103,141,400
Municipal Aid	33,563,700	34,533,900	35,096,600	35,774,200
Energy Recovery	825,000	825,000	825,000	825,000
TOTAL EXPENDITURES	210,925,200	216,998,400	220,520,900	224,762,500

There are four components of the Revenue Sharing program: County Road Aid program, authorized by KRS 179.410-179.430; the Rural Secondary Aid program, authorized by KRS 177.320; the Municipal Road Aid program, authorized by KRS 177.365; and the Energy Recovery Road Fund program, authorized by KRS 177.976-177.990. Each program is funded based on the amount of certain taxes or fees collected.

The County Road Aid program and Rural Secondary Aid program receive a portion of the state's motor fuels tax collections. The County Road Aid program receives 18.3 percent of motor fuels tax collections. The County Road Aid program includes all of Kentucky's counties, municipalities, and qualified unincorporated urban areas. The Rural Secondary Aid program receives 22.2 percent of motor fuels tax collections and these funds are used to repair and maintain rural and secondary roads. Funds for both these programs are allocated through a formula known as the "formula of fifths," as stated in KRS 177.360. Each county receives a portion of the statewide total as follows: one-fifth is divided evenly among all counties, one-fifth is divided proportionately based on the amount of rural population in each county, one-fifth is distributed on the basis of rural road mileage in each county, and two-fifths is apportioned according to each county's share of the total land area in the state.

The Municipal Road Aid program is funded by 7.7 percent of motor fuels tax collections. Distribution is made through a formula based upon the population contained in each city or unincorporated urban area.

Forty percent of the revenues collected from extended vehicle weight fees support the Energy Recovery Road System. Funds are distributed to the counties for the county-maintained portion of that system. The fund distribution is based on (1) the ratio of miles of roads in each county within this system to the total system miles, and (2) the ratio of the total tons of coal transported over the roads in each county to the total tons reported. The Transportation Cabinet has the authority to expend the remaining 60 percent on the roads in the system.

Policy

The Budget of the Commonwealth provides for funding to the Kentucky Transportation Center to be increased \$100,000 above that provided in KRS 177.320(4). This funding is drawn from the Revenue Sharing programs in the same proportions as the

Motor Fuel Tax receipts are statutorily dedicated to those programs. The appropriation to the Kentucky Transportation Center is contained in the Department of Highways Research program.

The distributive share of funding for the Revenue Sharing program in the enacted budget is the result of the January 2003 revision of the Road Fund Revenue Estimate for fiscal years 2003 and 2004.

Transportation Highways

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
Restricted Funds				
Balance Forward	11,019,700	630,400	11,900,300	11,905,800
Current Receipts	62,501,500	61,640,800	61,632,800	61,640,800
Total Restricted Funds	73,521,200	62,271,200	73,533,100	73,546,600
Federal Funds				
Balance Forward			17,200	17,200
Current Receipts	495,939,000	496,114,400	495,939,000	496,114,400
Total Federal Funds	495,939,000	496,114,400	495,956,200	496,131,600
Road Fund				
Regular Appropriation	542,404,900	569,059,800	586,293,600	597,113,200
Surplus Expenditure Plan			75,240,900	
Total Road Fund	542,404,900	569,059,800	661,534,500	597,113,200
TOTAL SOURCE OF FUNDS	1,111,865,100	1,127,445,400	1,231,023,800	1,166,791,400
EXPENDITURES BY CLASS				
Personnel Cost	244,886,700	256,751,600	236,462,400	247,526,900
Operating Expenses	132,947,600	143,860,400	132,947,600	143,842,000
Debt Service	2,117,700	2,117,200		
Capital Outlay	814,800	798,200	3,454,500	3,488,300
Construction	730,467,900	723,280,600	846,236,300	760,004,200
TOTAL EXPENDITURES	1,111,234,700	1,126,808,000	1,219,100,800	1,154,861,400
EXPENDITURES BY FUND SOURCE				
Restricted Funds	72,890,800	61,633,800	61,627,300	61,633,800
Federal Funds	495,939,000	496,114,400	495,939,000	496,114,400
Road Fund	542,404,900	569,059,800	661,534,500	597,113,200
TOTAL EXPENDITURES	1,111,234,700	1,126,808,000	1,219,100,800	1,154,861,400
EXPENDITURES BY UNIT				
Research	3,524,000	3,588,700	3,524,000	3,588,700
Construction	810,466,500	807,500,600	919,003,600	836,683,800
Maintenance	219,524,300	236,203,800	215,897,400	232,178,600
Engineering Administration	9,782,700	10,183,000	13,440,600	13,881,100
Planning	10,395,000	10,566,100	10,149,700	10,296,000
Highway Operations	22,668,400	23,892,000	22,211,700	23,359,400
Equipment Services	34,873,800	34,873,800	34,873,800	34,873,800
TOTAL EXPENDITURES	1,111,234,700	1,126,808,000	1,219,100,800	1,154,861,400

The Highways appropriation unit is the largest program in the Transportation Cabinet. There are seven programs in the Department of Highways: Research, Construction, Maintenance, Engineering Administration, Highway Planning, Highway Operations, and Equipment Services. The Construction program is divided into three subprograms: Bond Funded Construction, State Funded Construction, and Federal Funded Construction.

The Department of Highways is responsible for the construction, reconstruction, and maintenance of the State Primary Road System through authority granted by KRS 177.020. The Department is headed by a Commissioner who is appointed by the Governor on recommendation of the Secretary of Transportation. This agency administers all of the programs within the Highways appropriation unit.

Motor vehicles travel 46.4 billion miles per year on Kentucky's 79,000 miles of roads and streets. The State Primary Road System carries about 85 percent of all traffic. This network consists of approximately 27,500 miles of interstate highways, resource recovery roads, parkways, economic development roads, primary, secondary, rural, and unclassified roads, and 8,800 bridges. Kentucky's parkway system, consisting of 762 miles of state roads built to interstate standards, carries 25 percent of all travel.

**Transportation
Highways
Research**

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
Federal Funds				
Current Receipts	2,458,200	2,507,400	2,458,200	2,507,400
Total Federal Funds	2,458,200	2,507,400	2,458,200	2,507,400
Road Fund				
Regular Appropriation	1,065,800	1,081,300	1,065,800	1,081,300
Total Road Fund	1,065,800	1,081,300	1,065,800	1,081,300
TOTAL SOURCE OF FUNDS	3,524,000	3,588,700	3,524,000	3,588,700
EXPENDITURES BY CLASS				
Personnel Cost	3,234,000	3,298,700	3,234,000	3,298,700
Operating Expenses	290,000	290,000	290,000	290,000
TOTAL EXPENDITURES	3,524,000	3,588,700	3,524,000	3,588,700
EXPENDITURES BY FUND SOURCE				
Federal Funds	2,458,200	2,507,400	2,458,200	2,507,400
Road Fund	1,065,800	1,081,300	1,065,800	1,081,300
TOTAL EXPENDITURES	3,524,000	3,588,700	3,524,000	3,588,700

The Research program is primarily a problem-solving service available to the Department of Highways. The program provides studies of traffic safety and operations, pavement mechanics and performance, materials characteristics and behavior, and transportation policies. The Research function is mandated by the Commonwealth's use of federal highway funds in accordance with Title 23 of the Federal Code. The Transportation Cabinet partners with the University of Kentucky Transportation Center to carry out research functions. The partnership conducts workshops on highway maintenance and management; publishes newsletters; provides technical assistance; and maintains a lending library, including both written and audio-visual materials.

The Research program funds the Kentucky Transportation Center at one-tenth of one percent of the motor fuels tax collections, not to exceed \$190,000 per year from the State Road Fund. An additional \$100,000 per year from the Revenue Sharing appropriation unit is transferred to the Kentucky Transportation Center.

Policy

The Budget of the Commonwealth provides for a \$100,000 transfer each fiscal year from the Revenue Sharing program to fund the Kentucky Transportation Center at the annual rate of \$290,000.

**Transportation
Highways
Construction**

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
Restricted Funds				
Balance Forward	10,516,500	121,700		
Current Receipts	24,948,700	23,980,000	24,080,000	23,980,000
Total Restricted Funds	35,465,200	24,101,700	24,080,000	23,980,000
Federal Funds				
Current Receipts	485,700,000	485,700,000	485,700,000	485,700,000
Total Federal Funds	485,700,000	485,700,000	485,700,000	485,700,000
Road Fund				
Regular Appropriation	289,423,000	297,820,600	333,982,700	327,003,800
Surplus Expenditure Plan			75,240,900	
Total Road Fund	289,423,000	297,820,600	409,223,600	327,003,800
TOTAL SOURCE OF FUNDS	810,588,200	807,622,300	919,003,600	836,683,800
EXPENDITURES BY CLASS				
Personnel Cost	75,254,400	78,862,600	68,023,100	71,322,200
Operating Expenses	12,038,800	12,078,100	12,038,800	12,078,100
Construction	723,173,300	716,559,900	838,941,700	753,283,500
TOTAL EXPENDITURES	810,466,500	807,500,600	919,003,600	836,683,800
EXPENDITURES BY FUND SOURCE				
Restricted Funds	35,343,500	23,980,000	24,080,000	23,980,000
Federal Funds	485,700,000	485,700,000	485,700,000	485,700,000
Road Fund	289,423,000	297,820,600	409,223,600	327,003,800
TOTAL EXPENDITURES	810,466,500	807,500,600	919,003,600	836,683,800
EXPENDITURES BY UNIT				
Bond Funded Construction	11,263,500			
State Funded Construction	184,623,000	192,920,600	304,423,600	222,103,800
Federal Funded Construction	614,580,000	614,580,000	614,580,000	614,580,000
TOTAL EXPENDITURES	810,466,500	807,500,600	919,003,600	836,683,800

The Construction program is the largest single funding component within the Highways appropriation unit. It encompasses all construction and major reconstruction of roadways in the State Primary Road System. The Construction Program is divided into three sub-programs: Bond Funded Construction, State Funded Construction, and Federal Funded Construction.

Several different road systems constructed in the Commonwealth over the last 40 years have used Bond Funded Construction. General Obligation Bonds were sold to finance the original construction of the Interstate System. The Turnpike Authority of Kentucky sold revenue bonds to fund construction of the Toll Road System that crisscrosses the state. Resource Recovery Bonds were sold in the late 1970's for construction of the Resource Recovery Road System, a network of highways over which coal resources could be efficiently hauled. The Turnpike Authority sold bonds in 1984, 1987, 1990, 1993, 1995, and 1999 for projects identified as part of the Economic Development Road System. All of the roads constructed using proceeds from Turnpike Authority bonds are built by the Cabinet on behalf of the Authority, and then are leased to the Cabinet until the bonds are retired. At that time they are transferred to the Cabinet and become a part of the state highway system.

State Funded Construction provides for many highway improvement needs, emergency needs, industrial access roads, parkway and primary road pavement rehabilitation, and other projects for which federal funding is not available. The state resurfacing program is a part of this sub-program area and provides for resurfacing of roads in the state maintained highway system.

The Federal Construction program addresses the major construction, reconstruction, and rehabilitation needs for nearly 12,000 miles of Interstate, primary, secondary, urban systems, and Appalachian routes across the state. This funding is provided under Titles 23 and 40 of the US Code.

Policy

Included in the State Funded Construction program, the Budget of the Commonwealth provides Road Fund support totaling \$66,000,000 in fiscal year 2003 and \$67,320,000 in fiscal year 2004 for state resurfacing projects; Road Fund supported specialized contracts totaling \$500,000 each year are provided; and the Highway Construction Contingency Account is Road Fund supported in the amount of \$37,000,000 in fiscal year 2003 and \$37,740,000 in fiscal year 2004.

The enacted budget provides Road Fund support for state construction projects in the 2002 - 2004 Biennial Highway Construction program in the amount of \$121,581,700 in fiscal year 2003 and \$112,543,800 in fiscal year 2004.

The enacted budget provides Road Fund support totaling \$108,900,000 in each year of the 2002 - 2004 biennium to match federal funds in the Federal Funded Construction program.

The enacted budget authorizes the Secretary of Transportation to continue the Pre-financing Road Projects program begun in the 2000 - 2002 biennium. This program expedites projects in the Biennial Highway Construction Plan by using pre-financing and other management techniques, while ensuring that project and fund balances are sufficient to satisfy expenditures within the appropriations provided.

**Transportation
Highways
Maintenance**

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
Restricted Funds				
Current Receipts	2,602,000	2,704,000	2,602,000	2,704,000
Total Restricted Funds	2,602,000	2,704,000	2,602,000	2,704,000
Federal Funds				
Balance Forward			17,200	17,200
Total Federal Funds			17,200	17,200
Road Fund				
Regular Appropriation	216,922,300	233,499,800	213,295,400	229,474,600
Total Road Fund	216,922,300	233,499,800	213,295,400	229,474,600
TOTAL SOURCE OF FUNDS	219,524,300	236,203,800	215,914,600	232,195,800
EXPENDITURES BY CLASS				
Personnel Cost	110,960,600	116,507,800	107,333,700	112,482,600
Operating Expenses	106,672,000	117,544,500	106,672,000	117,544,500
Construction	1,891,700	2,151,500	1,891,700	2,151,500
TOTAL EXPENDITURES	219,524,300	236,203,800	215,897,400	232,178,600
EXPENDITURES BY FUND SOURCE				
Restricted Funds	2,602,000	2,704,000	2,602,000	2,704,000
Road Fund	216,922,300	233,499,800	213,295,400	229,474,600
TOTAL EXPENDITURES	219,524,300	236,203,800	215,897,400	232,178,600

Kentucky has invested approximately \$15 billion in highway infrastructure that comprises right-of-way, roadways, and bridges. KRS 176.050 assigns the responsibility for operating and maintaining this highway infrastructure to the Department of Highways. The Maintenance program's role is to operate and maintain the roadways, bridges, rest areas, and traffic control devices on all state-maintained highways. Two organizational units, the Division of Operations and the Division of Traffic, administer this program.

The Division of Operations responsibilities are broken down into the following five categories:

- (1) Roadway Maintenance Program personnel in the twelve Highway Districts maintain 15,277 miles of state primary highways and 12,162 miles of rural secondary highways.
- (2) Pavement and Operations Management personnel inspect and evaluate pavement conditions on 27,440 miles of state-maintained roads, determine strategies for improvement, estimate funding needs, and recommend annual priorities.
- (3) The Intelligent Transportation Systems (ITS) organizational unit supports the objective of improving traffic flow and freight movement. The ITS provide technological resources that are being integrated into the highway infrastructure to improve the overall effectiveness and efficiency of the transportation system. From 1980 to 1995, the number of annual vehicle miles traveled in the United States increased by 58% while the capacity of the public road system increased by only about 1 percent. The goals of ITS are to save lives, reduce vehicle emissions, shorten travel times, increase fuel savings, and reduce lost time and costs associated with congestion, while having a minimal impact on the environment.
- (4) The Bridge Maintenance Program is responsible for all state-maintained bridges, except those on the Rural Secondary system. Kentucky has 6,078 bridges of which 27 are Ohio River crossings and 74 are in-state bridges over major lakes and rivers.

(5) The Rest Area Operations/Maintenance Program provides sanitary and accessible restroom facilities and other convenience services for motorists traveling through the state. There are 21 rest area and welcome center locations and two truck rest haven locations operated and maintained through contracts with nonprofit agencies that hire and train individuals with disabilities. The remaining seven locations are operated and maintained by Cabinet personnel. All of the facilities are open 24 hours per day, seven days per week. The Department for the Blind maintains the vending operations at 11 locations, and the remaining vending operations are maintained by Cabinet personnel or by janitorial contractor personnel.

The Division of Traffic is responsible for the installation and maintenance of traffic control devices on approximately 25,000 miles of highways. This unit also maintains a traffic accident surveillance program with the objective of identifying locations having an abnormally high accident rate. The duties of this unit are set out in KRS 176.050, KRS 177.020, KRS 177.830-890, and KRS 177.905-990.

Policy

The Budget of the Commonwealth provides additional Road Fund support of \$7,850,000 in fiscal year 2004 for several facets of the Maintenance program. The funding includes guardrail replacement and new installation, roadway slide repair, tree and brush removal, portland cement concrete (PCC) repairs, contract bridge repair, and site mitigation.

**Transportation
Highways
Engineering Administration**

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
Road Fund				
Regular Appropriation	9,782,700	10,183,000	13,440,600	13,881,100
Total Road Fund	9,782,700	10,183,000	13,440,600	13,881,100
TOTAL SOURCE OF FUNDS	9,782,700	10,183,000	13,440,600	13,881,100
EXPENDITURES BY CLASS				
Personnel Cost	12,044,500	12,684,000	15,702,400	16,382,100
Operating Expenses	1,221,000	1,220,500	1,221,000	1,220,500
Construction	-3,482,800	-3,721,500	-3,482,800	-3,721,500
TOTAL EXPENDITURES	9,782,700	10,183,000	13,440,600	13,881,100
EXPENDITURES BY FUND SOURCE				
Road Fund	9,782,700	10,183,000	13,440,600	13,881,100
TOTAL EXPENDITURES	9,782,700	10,183,000	13,440,600	13,881,100

There are nine divisions organized under the State Highway Engineer's Office:

- (1) The Division of Construction supervises highway construction projects, providing administrative support for central office and district construction projects. It also assists Division of Materials staff in sampling and testing materials used in construction projects.
- (2) The Division of Materials establishes standards and controls relating to the quality of materials for the construction, maintenance, and operation of highways and bridges. The Division performs soil and geological engineering required for the design, construction, and maintenance of roads and bridges.
- (3) The Division of Bridge Design develops and prepares contract plans for all highway structures, as well as any special structures that the Transportation Cabinet builds as part of Kentucky's system of roads. The Division is also responsible for overseeing the County Bridge Replacement Program, which replaces bridges on locally maintained roadways of less than 13-ton load capacity and less than 100 feet in length.
- (4) The Division of Highway Design, in conjunction with the District Design Offices, is responsible for the required design activities of the Cabinet's Six-Year Plan projects, including the preparation, assembly and reproduction of construction plans for a project's award.
- (5) The Division of Professional Services advertises for engineering services, administers the Cabinet's prequalification process for consultant engineering services, and contracts with consulting engineers.
- (6) The Division of Environmental Analysis ensures the Cabinet is compliant with environmental laws and regulations.
- (7) The Division of Right of Way and Utilities acquires property required for the construction and reconstruction of highways. This function involves obtaining title reports, performing appraisals and appraisal reviews, conducting negotiations, providing relocation assistance, facilitating property management, and initiating condemnation procedures on properties affected by proposed projects.
- (8) The Division of Program Management is responsible for developing Kentucky's Biennial Six-Year Highway Plan.
- (9) The Division of Planning provides the day-to-day administration and support for personnel involved in the Highway Planning Program activities, including management, clerical support, training, and other overhead expenditures.

**Transportation
Highways
Planning**

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
Federal Funds				
Current Receipts	7,780,800	7,907,000	7,780,800	7,907,000
Total Federal Funds	7,780,800	7,907,000	7,780,800	7,907,000
Road Fund				
Regular Appropriation	2,614,200	2,659,100	2,368,900	2,389,000
Total Road Fund	2,614,200	2,659,100	2,368,900	2,389,000
TOTAL SOURCE OF FUNDS	10,395,000	10,566,100	10,149,700	10,296,000
EXPENDITURES BY CLASS				
Personnel Cost	9,598,900	9,811,600	9,353,600	9,541,500
Operating Expenses	760,100	754,500	760,100	754,500
Capital Outlay	36,000		36,000	
TOTAL EXPENDITURES	10,395,000	10,566,100	10,149,700	10,296,000
EXPENDITURES BY FUND SOURCE				
Federal Funds	7,780,800	7,907,000	7,780,800	7,907,000
Road Fund	2,614,200	2,659,100	2,368,900	2,389,000
TOTAL EXPENDITURES	10,395,000	10,566,100	10,149,700	10,296,000

The Division of Planning provides administrative, clerical and technical support and implements transportation planning activities statewide. It also coordinates statewide rail planning, carpooling, alternative fuel, bikeway, pedway, and ferry operations. The division oversees the Cabinet's Enhancement Program, which is responsible for beautification, historic preservation, and rehabilitation of the Commonwealth's highways, historic transportation facilities, and bikeway projects.

The Highway Planning area conducts program evaluation of the state-maintained streets and highways to ensure that available federal and state funds are utilized to maximum efficiency. In cooperation with the Area Development Districts, it acquires roadway centerline locations and associated data for all public roads in Kentucky. It maintains an inventory of all roadway classifications and prepares city, county, and state road maps for distribution. The program also furnishes statistics required by the Federal Highway Administration and state and local government decision-makers.

Metropolitan Planning maintains and distributes federal funding to seven Metropolitan Planning Organizations (MPOs) to implement continuing, comprehensive, and cooperative (3C) planning process, which is mandated by federal law. The MPOs study the impact of transportation operations in urbanized areas concerning congestion management, air quality, environmental issues, public involvement, land use and development, and public transportation.

Area Development Districts (ADD) Assistance administers a regional planning and public participation process in the state's 15 Area Development Districts as part of the Cabinet's overall statewide transportation planning process, as required by 23 USC. The Cabinet contracts with each ADD for activities in support of the regional and statewide planning process, including public involvement, data collection, analysis, identification of needs, project recommendations, regional prioritization of projects, and technical assistance and review.

Policy

In fiscal year 2003, the Budget of the Commonwealth provides \$28,800 in federal funds and \$7,200 in Road Fund to purchase two vehicles.

**Transportation
Highways
Highway Operations**

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
Restricted Funds				
Balance Forward	41,200	46,700	38,300	43,800
Current Receipts	77,000	83,000	77,000	83,000
Total Restricted Funds	118,200	129,700	115,300	126,800
Road Fund				
Regular Appropriation	22,596,900	23,816,000	22,140,200	23,283,400
Total Road Fund	22,596,900	23,816,000	22,140,200	23,283,400
TOTAL SOURCE OF FUNDS	22,715,100	23,945,700	22,255,500	23,410,200
EXPENDITURES BY CLASS				
Personnel Cost	20,988,000	22,123,300	20,531,300	21,609,100
Operating Expenses	1,670,600	1,758,900	1,670,600	1,740,500
Capital Outlay	9,800	9,800	9,800	9,800
TOTAL EXPENDITURES	22,668,400	23,892,000	22,211,700	23,359,400
EXPENDITURES BY FUND SOURCE				
Restricted Funds	71,500	76,000	71,500	76,000
Road Fund	22,596,900	23,816,000	22,140,200	23,283,400
TOTAL EXPENDITURES	22,668,400	23,892,000	22,211,700	23,359,400

In accordance with KRS Chapter 176, this program provides leadership, management, and central administrative support and funding for central office and district operations for the Transportation Cabinet's Department of Highways. The Commissioner of Highways administers the Department, which governs the State Highway Engineer's Office, 15 divisions, and 12 district offices. In the 12 district offices, the District Highway Operations Office manages the road project functions and reports to the State Highway Engineer.

The State Highway Engineer's Office manages and coordinates the engineering functions of the Cabinet, reviewing management, engineering, and personnel reports and recommendations from the engineering and professional divisions, staff and Deputy State Highway Engineers. In addition, the Office administers the Cabinet's Engineering Scholarship Program and the Engineering Graduate Training Program, coordinates the Research Program and manages special projects, such as the Louisville Bridges, Industrial Parkway, and Paris Pike.

Contract procurement activities are also a part of the Highway Operations program and include prequalifying road contractors, advertising bids for road construction projects, awarding contracts, and issuing work orders and monitoring required contract provisions.

Each District includes a Legal Office that provides legal assistance on right-of-way acquisitions, relocation issues, and utility involvement for highway projects.

Policy

The Budget of the Commonwealth provides additional Road Fund support of \$24,000 in fiscal year 2003 and \$24,500 in fiscal year 2004 for the Cabinet's 800 Customer Service number.

The enacted budget provides additional Road Fund support of \$66,300 in each year of the biennium to fund the Engineering Scholarship program.

**Transportation
Highways
Equipment Services**

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
Restricted Funds				
Balance Forward	462,000	462,000	11,862,000	11,862,000
Current Receipts	34,873,800	34,873,800	34,873,800	34,873,800
Total Restricted Funds	35,335,800	35,335,800	46,735,800	46,735,800
TOTAL SOURCE OF FUNDS	35,335,800	35,335,800	46,735,800	46,735,800
EXPENDITURES BY CLASS				
Personnel Cost	12,806,300	13,463,600	12,284,300	12,890,700
Operating Expenses	10,295,100	10,213,900	10,295,100	10,213,900
Debt Service	2,117,700	2,117,200		
Capital Outlay	769,000	788,400	3,408,700	3,478,500
Construction	8,885,700	8,290,700	8,885,700	8,290,700
TOTAL EXPENDITURES	34,873,800	34,873,800	34,873,800	34,873,800
EXPENDITURES BY FUND SOURCE				
Restricted Funds	34,873,800	34,873,800	34,873,800	34,873,800
TOTAL EXPENDITURES	34,873,800	34,873,800	34,873,800	34,873,800

The mission of the Equipment Services program area is to provide highway construction and maintenance equipment for use by the Department of Highways. The unit purchases and maintains all the Cabinet's trucks, heavy equipment, and various pieces of support machinery. This program provides its services through a network of 18 repair garages located throughout the state.

**Transportation
Vehicle Regulation**

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
Restricted Funds				
Balance Forward	4,427,600	4,019,400	5,243,200	4,835,000
Current Receipts	6,618,800	6,750,000	6,593,500	6,723,000
Total Restricted Funds	11,046,400	10,769,400	11,836,700	11,558,000
Federal Funds				
Current Receipts	2,786,600	2,826,200	2,786,600	2,826,200
Total Federal Funds	2,786,600	2,826,200	2,786,600	2,826,200
Road Fund				
Regular Appropriation	30,911,800	32,478,000	30,031,700	31,333,800
Total Road Fund	30,911,800	32,478,000	30,031,700	31,333,800
TOTAL SOURCE OF FUNDS	44,744,800	46,073,600	44,655,000	45,718,000
EXPENDITURES BY CLASS				
Personnel Cost	29,545,900	30,838,600	28,632,600	29,659,500
Operating Expenses	11,179,500	11,191,900	11,187,400	11,199,800
TOTAL EXPENDITURES	40,725,400	42,030,500	39,820,000	40,859,300
EXPENDITURES BY FUND SOURCE				
Restricted Funds	7,027,000	6,726,300	7,001,700	6,699,300
Federal Funds	2,786,600	2,826,200	2,786,600	2,826,200
Road Fund	30,911,800	32,478,000	30,031,700	31,333,800
TOTAL EXPENDITURES	40,725,400	42,030,500	39,820,000	40,859,300
EXPENDITURES BY UNIT				
Commissioner	1,786,900	1,815,100	1,751,600	1,778,700
Drivers Licensing	8,992,500	9,319,200	8,809,600	9,118,600
Motor Carriers	2,451,200	2,596,100	2,374,600	2,509,900
Motor Vehicle Licensing	8,854,500	9,115,100	8,733,000	8,983,700
Vehicle Enforcement	17,625,400	18,149,900	17,161,600	17,460,300
Driver's Safety	127,500	130,000	127,500	130,000
Motor Vehicle Commission	887,400	905,100	862,100	878,100
TOTAL EXPENDITURES	40,725,400	42,030,500	39,820,000	40,859,300

The Department of Vehicle Regulation encompasses the Commissioner's Office and the following divisions: Driver Safety, Motor Carriers, Driver Licensing, Motor Vehicle Licensing, and Vehicle Enforcement. The Motor Vehicle Commission is also administratively attached to the Department.

The Division of Driver Safety conducts the Cabinet's statewide Child Passenger Safety Program. The mission is to educate and train parents, health departments, fire, police and other agencies and individuals in the proper installation of child seats, and provides for the safe transportation of children throughout the state.

The Division of Motor Carriers collects and processes fuel and highway use tax from commercial motor carriers, as authorized under KRS Chapter 138. Under KRS Chapter 186, it assigns apportioned license plates to interstate Kentucky motor carriers. The division qualifies all for-hire transportation within the state. It is also responsible for permitting and routing overweight and over-dimensional loads, maintaining a solid-waste permitting system, and regulates the permitting and licensing of the Commonwealth's U-Drive-It rental and leasing operations.

Under KRS Chapters 186, 187, 189A, 218, and 281A, the Division of Driver Licensing maintains driver history records for approximately 2.7 million drivers. The Division issues licenses to commercial drivers who meet certain statutory standards. The Division also enforces driver license suspensions, revocations, and driver limitation programs. It operates State Traffic School programs and the Kentucky Motorcycle Safety program, both of which promote driver safety and education.

The Division of Motor Vehicle Licensing provides for the titling and registration of motor vehicles and boats in accordance with KRS Chapters 186, 186A, and 235. It maintains the Automated Vehicle Information System (AVIS) and controls title distribution functions. Registration and title applications are initiated through local county clerks' offices. KRS 186.240(3) requires a new plate issuance every five (5) years for plates that do not expire annually. Beginning in January 2003 new plates are issued. A fifty-cent (\$.50) fee for each reflectorized plate issued is retained in a restricted fund to pay for the new plates.

The Division of Vehicle Enforcement is responsible for enforcing state and federal laws and regulations pertaining to the operation of commercial motor vehicles within the Commonwealth of Kentucky. Vehicle Enforcement operates the state's 17 weigh/inspection stations (KRS 189.227) and provides enforcement coverage on related bypass routes.

Pursuant to KRS 190, the Kentucky Motor Vehicle Commission licenses and regulates motor vehicle manufacturers, dealers, and salespersons. It is funded through license fees that are deposited into a restricted fund account.

Policy

The Budget of the Commonwealth provides additional Road Fund support for the International Registration Plan (IRP) clearinghouse fee. Effective October 1, 2001 the federal funding for the pilot states is no longer available. Each participating state must pay its share to stay in the system.

The enacted budget provides additional Road Fund support for the Cabinet to participate in the National Motor Vehicle Title Information System (NMVTIS). Beginning in 2002, a state funding formula was implemented to maintain a state's participation and share of the operating costs.

Vehicle Regulation – Motor Carriers
Performance Budgeting Pilot Project Information

Program Mission

The mission of the Motor Carriers program of the Department of Vehicle Regulation is to provide an expedient, efficient, and economical way to administer tax collections and the issuance of credentials, licenses, and permits for our customers in the motor carrier industry.

Objective: Continue to add more of the Division's processes to the Internet and increase the number of web filings made to the Division.

Performance Indicator: Have 15% of all International Fuel Tax Agreement (IFTA) tax filers submitting returns electronically by the end of the fiscal year 2004.

<u>FY 2003</u> 10%	<u>FY 2004</u> 15%
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Performance Indicator: Develop an Overweight/Over-dimensional (OW/OD) Internet permitting system by the end of fiscal year 2004.

<u>FY 2003</u> 90%	<u>FY 2004</u> 100%
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Performance Indicator: Develop a Kentucky Intrastate Tax (KIT) Internet tax filing system by the end of fiscal year 2004.

<u>FY 2003</u> 90%	<u>FY 2004</u> 100%
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Objective: Timely pursue the collection of delinquent taxes and fees.

Performance Indicator: Increase the amount collected from bond demands by 25% by the end of fiscal year 2004.

<u>FY 2003</u> 20%	<u>FY 2004</u> 25%
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**Transportation
Debt Service**

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
Road Fund				
Regular Appropriation	167,660,900	161,312,100	167,660,900	161,312,100
Total Road Fund	167,660,900	161,312,100	167,660,900	161,312,100
TOTAL SOURCE OF FUNDS	167,660,900	161,312,100	167,660,900	161,312,100
EXPENDITURES BY CLASS				
Debt Service	167,660,900	161,312,100	167,660,900	161,312,100
TOTAL EXPENDITURES	167,660,900	161,312,100	167,660,900	161,312,100
EXPENDITURES BY FUND SOURCE				
Road Fund	167,660,900	161,312,100	167,660,900	161,312,100
TOTAL EXPENDITURES	167,660,900	161,312,100	167,660,900	161,312,100
EXPENDITURES BY UNIT				
Toll Road Lease Rental	620,600	620,600	620,600	620,600
Resource Recovery Lease Rental	26,334,900	38,889,500	26,334,900	38,889,500
Economic Development Lease Rental	140,705,400	121,802,000	140,705,400	121,802,000
TOTAL EXPENDITURES	167,660,900	161,312,100	167,660,900	161,312,100

The Debt Service Program is the budget entity through which lease rental payments are made on the various revenue bonds the Commonwealth has issued to finance major highway construction projects.

KRS Chapter 175 authorizes the Turnpike Authority of Kentucky to issue revenue bonds to construct, maintain, repair, and operate designated roads of the Toll Road System, the Resource Recovery Road System, and the Economic Development Road System. The first of these systems, the Toll Road System, was constructed during the mid-1960s and early 1970s; most of the related bonds have now been retired, with the last remaining series projected to pay off in the year 2007. The Resource Recovery Road System was begun in the late 1970s. Most of this system's roads were built during the 1980s; the most significant project was KY 80. The Economic Development Road System was established and funded through three series of bond issues: a \$300 million issue sold in 1984; a relatively small sale of \$36.6 million in 1987; and a \$600 million program which was implemented in bond sales during 1990, 1993, and 1995. The projects constructed with the \$600 million series were designated as "Revitalization Projects" and are nearly complete. The most recent issue was \$200 million of Economic Development Road Revenue Bonds authorized by the 1998 General Assembly and sold in 1999.

Through lease agreements with the Turnpike Authority of Kentucky, the Transportation Cabinet provides funds to pay the Toll Road, Resource Recovery Road, and most of the Economic Development Road revenue bonds. In the Debt Service Program, funds are reserved exclusively for semiannual lease rental payments to meet the principal and interest requirements of these outstanding bonds, along with any administrative costs of the Turnpike Authority.

Policy

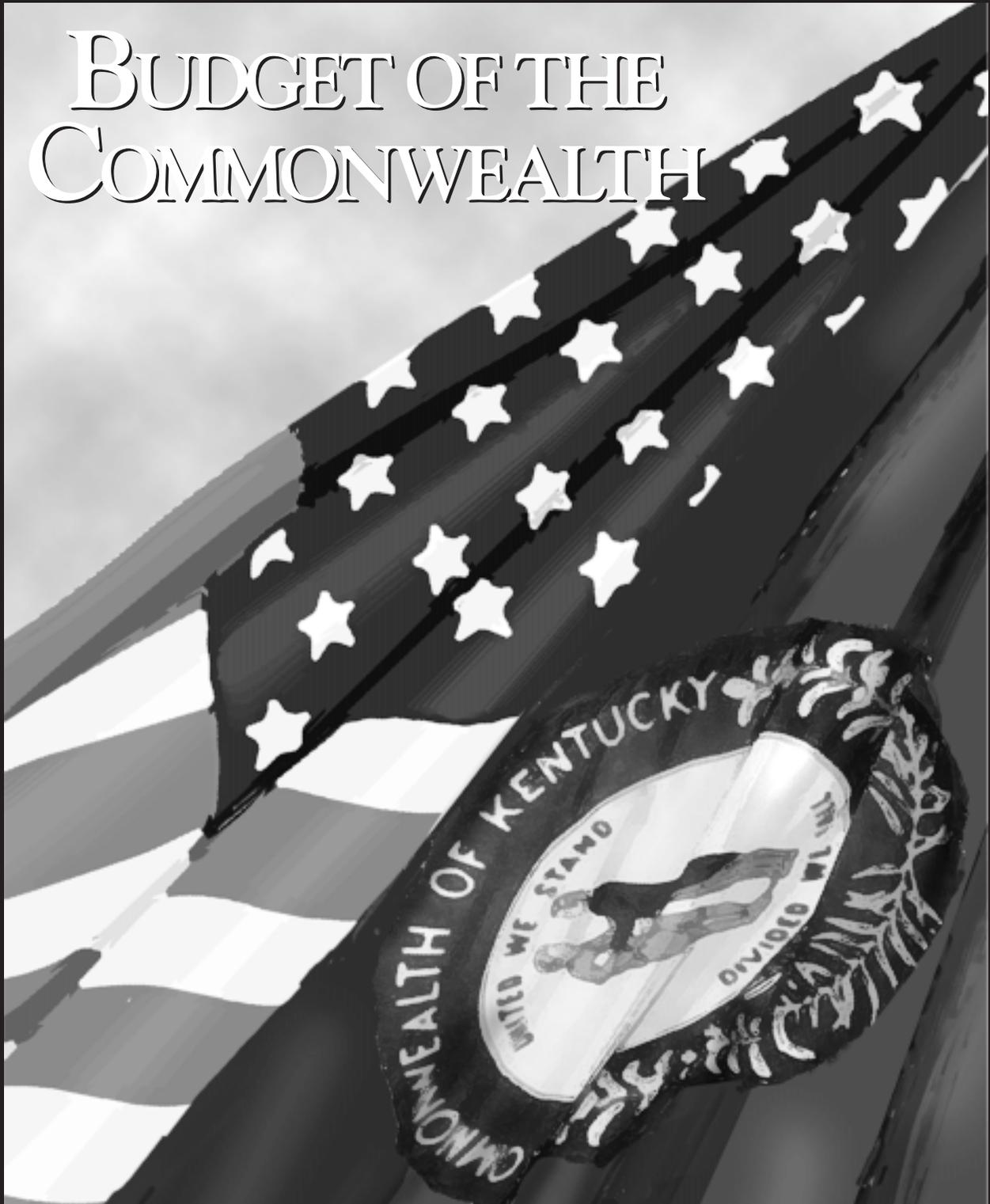
The Debt Service Acceleration Fund account, pursuant to KRS 175.505, is suspended in the Budget of the Commonwealth during the 2002-2004 biennium. The funding made available by this suspension is proposed for use in the State Funded Construction program.



2002-2004

*Workforce
Development*

BUDGET OF THE COMMONWEALTH



Workforce Development

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	64,062,900	66,290,600	52,098,700	52,615,400
Total General Fund	64,062,900	66,290,600	52,098,700	52,615,400
Restricted Funds				
Balance Forward	5,408,400	2,022,500	3,870,100	2,450,000
Current Receipts	9,811,000	9,967,200	9,813,400	10,456,200
Non-Revenue Receipts	36,347,800	40,129,500	38,081,000	38,957,000
Total Restricted Funds	51,567,200	52,119,200	51,764,500	51,863,200
Federal Funds				
Balance Forward	35,300	12,500	8,970,300	8,970,300
Current Receipts	178,679,500	181,355,800	180,761,000	182,200,400
Non-Revenue Receipts	457,260,300	457,260,300	562,260,300	457,260,300
Total Federal Funds	635,975,100	638,628,600	751,991,600	648,431,000
TOTAL SOURCE OF FUNDS	751,605,200	757,038,400	855,854,800	752,909,600
EXPENDITURES BY CLASS				
Personnel Cost	124,068,700	127,190,200	115,201,700	116,649,600
Operating Expenses	33,723,500	32,354,800	38,700,900	31,859,500
Grants, Loans or Benefits	590,275,500	595,466,400	689,029,400	592,817,000
Debt Service				30,000
Capital Outlay	1,502,500	824,300	1,502,500	570,900
TOTAL EXPENDITURES	749,570,200	755,835,700	844,434,500	741,927,000
EXPENDITURES BY FUND SOURCE				
General Fund	64,062,900	66,290,600	52,098,700	52,615,400
Restricted Funds	49,544,700	50,916,500	49,314,500	49,850,900
Federal Funds	635,962,600	638,628,600	743,021,300	639,460,700
TOTAL EXPENDITURES	749,570,200	755,835,700	844,434,500	741,927,000
EXPENDITURES BY UNIT				
General Administration and Program Support	9,263,700	9,605,900	7,967,600	7,987,900
Technical Education	58,336,600	58,665,700	56,824,900	55,860,100
Adult Education and Literacy	35,112,300	37,864,900	34,536,400	37,061,300
Vocational Rehabilitation	60,577,700	63,714,200	57,285,100	58,385,300
Department for the Blind	11,177,100	11,579,200	10,716,200	11,108,300
Teacher's Retirement Employer Contribution	4,845,600	4,942,500	4,627,700	4,743,400
Training and Reemployment	48,530,400	49,350,300	48,530,400	49,350,300
Employment Services	521,726,800	520,113,000	623,946,200	517,430,400
TOTAL EXPENDITURES	749,570,200	755,835,700	844,434,500	741,927,000

The Workforce Development Cabinet, authorized under KRS 151B, aims to align Kentucky's workforce development system more closely with individual and employer needs. Constituents who benefit from Cabinet programs include: private employers; dislocated workers; adults requiring basic education and literacy training; incumbent workers needing upgrade training; individuals making the transition from welfare to work; new job force entrants; persons with disabilities seeking employment; economically disadvantaged youth; youth preparing for postsecondary education or work; career transitioning workers; and other job seekers.

The Cabinet's primary objective is to preserve and advance principles that allow for Kentucky's economic opportunities, standard of living, and quality of life to exceed the national average in 20 years. The Cabinet actively pursues this goal by: emphasizing secondary vocational-technical education through programs at 52 area technology centers; empowering educationally disadvantaged workers through adult education and literacy services and other employment services; responding to permanent changes in traditional economic bases through workforce development, employment, and training activities; committing resources to build up human capital; enabling individuals with disabilities to participate in the workforce; and responding to the federal Workforce Investment Act of 1998, which promotes streamlined training and employment services, universal access to services, and increased accountability to ensure results.

**Workforce Development
General Administration and Program Support**

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	2,682,900	2,721,600	1,116,100	1,116,100
Total General Fund	2,682,900	2,721,600	1,116,100	1,116,100
Restricted Funds				
Balance Forward	430,200	322,700	341,000	
Current Receipts	5,000	5,000	5,000	5,000
Non-Revenue Receipts	6,290,500	6,633,700	6,315,200	6,691,400
Total Restricted Funds	6,725,700	6,961,400	6,661,200	6,696,400
Federal Funds				
Balance Forward	35,300	12,500		
Current Receipts	155,000	175,400	190,300	175,400
Total Federal Funds	190,300	187,900	190,300	175,400
TOTAL SOURCE OF FUNDS	9,598,900	9,870,900	7,967,600	7,987,900
EXPENDITURES BY CLASS				
Personnel Cost	7,223,400	7,434,300	6,150,100	6,162,300
Operating Expenses	1,920,800	2,052,100	1,670,800	1,702,100
Grants, Loans or Benefits	74,500	74,500	101,700	78,500
Capital Outlay	45,000	45,000	45,000	45,000
TOTAL EXPENDITURES	9,263,700	9,605,900	7,967,600	7,987,900
EXPENDITURES BY FUND SOURCE				
General Fund	2,682,900	2,721,600	1,116,100	1,116,100
Restricted Funds	6,403,000	6,696,400	6,661,200	6,696,400
Federal Funds	177,800	187,900	190,300	175,400
TOTAL EXPENDITURES	9,263,700	9,605,900	7,967,600	7,987,900
EXPENDITURES BY UNIT				
General Administration and Program Support	9,263,700	9,605,900	7,967,600	7,987,900
TOTAL EXPENDITURES	9,263,700	9,605,900	7,967,600	7,987,900

General Administration and Program Support provides the central coordination and direction for the overall planning, management and oversight of the agencies within the Cabinet. The program is responsible for the provision of specialized support of Cabinet activities including: policy and budget development and personnel transactions; legal services including legislative and regulatory development and oversight; a communications strategy with the public, business, and industry; economic analysis and research; accounting, purchasing, facilities management, and computer services; and administrative support services. This entity is authorized by KRS 12 and KRS 151B.

The program includes the following units:

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

The Office of the General Counsel is responsible for providing legal advice and representation in all matters involving the Cabinet and its departments. The Office provides legal review and advice on contracts, memoranda of agreements, personnel actions, regulations, legislation, and policy review. The Office represents the Cabinet in federal and state courts and other legislative and administrative bodies.

The Office of Workforce Partnerships, formerly the Office of Development and Industry Relations, is responsible for providing support for a state-level Workforce Partnerships Resource Team, as well as a Services to Individual Customers Team. The office is also responsible for facilitating communication with the state Rapid Response Team. The Office provides support for local One-Stop Partnership Teams. This support will enable the teams to exchange information and share resources and expertise, increasing efficiency. The Office is also responsible for development of interdepartmental strategies to meet various needs.

The Office of Communication Services provides internal and external communications, marketing support, and media advisory services to the Cabinet. The Office interprets and disseminates information about the Cabinet and its components to employees, the media, and the general public. Response to media requests for information and the production and review of all departmental publications are duties of the Office. Specific responsibilities include the composition and distribution of news releases and newsletters; preparation of speeches for the Secretary, commissioners, and agency staff; coordination of media participation in press conferences and special events; and the production of audiovisual materials and videotapes.

The Office of Quality and Human Resource Services, formerly the Office of Personnel Services, is responsible for personnel activities which include processing personnel and payroll documents, providing benefit services to Cabinet employees, preparing an array of staffing reports, developing workshops and training programs for employees, and monitoring compliance with statutes and regulations. Attached to the Office is the ADA Branch. This branch assists people with disabilities and helps employers distill information regarding the federal American Disabilities Act (ADA). It also educates state government agencies and the public about the ADA.

The Office of Budget and Administrative Services (OBAS) provides assistance to the Cabinet Secretary by providing: coordination and analysis for policy formation and Cabinet management; preparation and oversight of the biennial budget; coordination and monitoring of state and federal legislative activities; technical support to departments and offices; internal auditing functions and a variety of programmatic and financial matters. Attached to OBAS are the Facilities Management Branch, the Division of Fiscal Services, and the Client Assistance Branch.

The Facilities Management Branch is responsible for the physical management of all state-owned/state-operated facilities, equipment, and property assigned to agencies within the Cabinet. Specific functions include: programming and planning for new facilities; providing a quality learning and work environment for students, clients, and staff through comprehensive Major Plant Maintenance, Safety, and Insurance programs; managing and accounting for all inventory owned or leased by the Cabinet; coordinating the leasing of space for use by Cabinet personnel and processing related payment documents; and mail and supply service management.

The Cabinet has responsibility for providing maintenance for 26 facilities owned and operated by the Cabinet. The Facilities Maintenance Fund within this unit is a centrally located pool of funds used to address maintenance needs for 24 Department for Employment Services facilities, the Department of Vocational Rehabilitation's Carl D. Perkins Rehabilitation Center, and the Department for the Blind's McDowell Center. These 26 facilities encompass approximately 500,000 gross square feet. This fund supports maintenance projects such as roof and mechanical system repairs/replacements, service contracts, painting, paving repairs, and modifications necessary to meet health and safety standards. In addition to the usual types of building maintenance projects, this fund also supports service contracts for elevators, fire alarm systems, and asbestos abatement projects.

The Division of Fiscal Services is responsible for all: central office purchasing, auditing, and processing financial documents; maintenance of the MARS accounting system; compliance with the Federal Cash Management Act; federal reporting, monitoring and reconciliation of all financial transactions; and compliance with state and federal guidelines.

The Client Assistance Branch has the authority for pursuing administrative, legal, and appropriate remedies to ensure the protection of rights of disabled individuals under the Rehabilitation Act of 1973.

The Office of Technology Services serves as the central location for all Cabinet data processing programs statewide. The Office is responsible for: reviewing all computer hardware and software requests prior to purchase; ordering all computer equipment; and coordinating with all users in development and maintenance of statewide computer systems and independent users. The Office is responsible for all data line connectivity to all central and field offices, and provides technical support for hardware/software.

The Office of Workforce Analysis, formerly the Office of Workforce Analysis and Research, has responsibility for all data collection and analytical research on economic and employment trends. Specific elements to be examined are job demands, supply changes, and other services necessary to ensure availability of comprehensive and integrated data for program and planning decisions of the Cabinet. The Office serves as a clearinghouse for job training information provided to the business community.

Policy

The Governor's enacted budget uses restricted funds to support general administration activities throughout the Cabinet.

Workforce Development Technical Education

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	24,469,000	23,847,400	23,150,300	23,150,300
Total General Fund	24,469,000	23,847,400	23,150,300	23,150,300
Restricted Funds				
Balance Forward	1,483,800	1,078,100	1,577,800	743,800
Current Receipts	1,753,400	1,793,500	2,303,400	1,793,500
Non-Revenue Receipts	18,671,300	19,510,000	17,500,000	17,649,000
Total Restricted Funds	21,908,500	22,381,600	21,381,200	20,186,300
Federal Funds				
Balance Forward			795,500	795,500
Current Receipts	19,950,900	19,950,900	19,950,900	19,950,900
Non-Revenue Receipts	-6,913,700	-6,913,700	-6,913,700	-6,913,700
Total Federal Funds	13,037,200	13,037,200	13,832,700	13,832,700
TOTAL SOURCE OF FUNDS	59,414,700	59,266,200	58,364,200	57,169,300
EXPENDITURES BY CLASS				
Personnel Cost	33,597,800	35,369,300	31,908,400	32,872,400
Operating Expenses	9,863,800	9,106,100	10,038,700	9,123,900
Grants, Loans or Benefits	13,506,000	13,467,300	13,508,800	13,394,200
Capital Outlay	1,369,000	723,000	1,369,000	469,600
TOTAL EXPENDITURES	58,336,600	58,665,700	56,824,900	55,860,100
EXPENDITURES BY FUND SOURCE				
General Fund	24,469,000	23,847,400	23,150,300	23,150,300
Restricted Funds	20,830,400	21,781,100	20,637,400	19,672,600
Federal Funds	13,037,200	13,037,200	13,037,200	13,037,200
TOTAL EXPENDITURES	58,336,600	58,665,700	56,824,900	55,860,100
EXPENDITURES BY UNIT				
School Support and Administration	44,351,200	44,650,300	42,868,800	41,936,400
Equipment	1,807,500	1,807,500	1,807,500	1,607,500
Continuing Education Programs	507,700	545,900	483,400	664,200
Federal Programs	11,643,700	11,635,000	11,643,700	11,635,000
Tech Ed Personnel Board	26,500	27,000	21,500	17,000
TOTAL EXPENDITURES	58,336,600	58,665,700	56,824,900	55,860,100

The Department for Technical Education was established in 1990 by KRS 151B. The Department has two major statewide roles: the management and operation of the 54 Area Technology Centers serving high school students and workers in business and industry; and serving as the sole state agency for federal funds through the Carl D. Perkins Vocational and Applied Technology Education Act of 1998 (Public Law 105-332).

The Department for Technical Education provides occupational specific education and training for Kentucky's citizens in order to develop a skilled and versatile workforce. The main responsibility is providing education and technical training to youth and incumbent workers that match the needs of Kentucky business and industry. Skill training is directed at high school students who go directly to work after leaving high school, while creating an avenue for continued education.

The Department consists of two divisions: the Division for School Services and the Division for Administrative Services.

The *Division for Administrative Services* is responsible for budget preparation and oversight for 54 Area Technology Centers. The Division implements the provisions of the Carl Perkins federal grant for technical education and distributes federal funds to local school districts, Area Technology Centers, Kentucky Community and Technical College System, and public colleges and universities. The division also administers the student information system, all department contracts, the statewide information technology infrastructure, and administrative business offices.

The *Division for School Services* is primarily responsible for curriculum, program supervision, staff development, and programmatic technical assistance to the 54 area technology centers. The Division also has responsibility for liaison activities with local school districts and business and industry.

Area Technology Centers are located throughout the Commonwealth in small- to medium-sized counties. These schools are uniquely positioned to serve business and industries in close cooperation with KCTCS. This provides cost-effective measures for training needs of business and industry, and assists in local economic development initiatives. Area Technology Centers are not only vital in the overall scheme of Kentucky's efforts to better prepare secondary technical students for postsecondary education or employment, but also provide an additional avenue to skill upgrades by incumbent workers in the local businesses and industries.

Policy

The enacted budget provides for \$100,000 in restricted agency funds to be transferred to the credit of the General Fund.

**Workforce Development
Technical Education
School Support and Administration**

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	22,635,000	22,012,900	21,321,300	21,525,800
Total General Fund	22,635,000	22,012,900	21,321,300	21,525,800
Restricted Funds				
Balance Forward	977,600	652,600	1,225,400	447,800
Current Receipts	1,326,400	1,359,400	1,876,400	1,359,400
Non-Revenue Receipts	18,671,300	19,510,000	17,500,000	17,649,000
Total Restricted Funds	20,975,300	21,522,000	20,601,800	19,456,200
Federal Funds				
Balance Forward			21,500	21,500
Current Receipts	1,393,500	1,402,200	1,393,500	1,402,200
Total Federal Funds	1,393,500	1,402,200	1,415,000	1,423,700
TOTAL SOURCE OF FUNDS	45,003,800	44,937,100	43,338,100	42,405,700
EXPENDITURES BY CLASS				
Personnel Cost	32,682,600	34,408,800	31,063,300	31,994,500
Operating Expenses	8,014,700	7,233,400	8,191,600	7,102,200
Grants, Loans or Benefits	2,714,900	2,715,100	2,674,900	2,590,100
Capital Outlay	939,000	293,000	939,000	249,600
TOTAL EXPENDITURES	44,351,200	44,650,300	42,868,800	41,936,400
EXPENDITURES BY FUND SOURCE				
General Fund	22,635,000	22,012,900	21,321,300	21,525,800
Restricted Funds	20,322,700	21,235,200	20,154,000	19,008,400
Federal Funds	1,393,500	1,402,200	1,393,500	1,402,200
TOTAL EXPENDITURES	44,351,200	44,650,300	42,868,800	41,936,400

The Department for Technical Education, under KRS 151B, is responsible for administering the 54 state operated Area Technology Centers. The Department is organized into two divisions: the Division for School Services, and the Division for Administrative Services.

The Division for School Services provides leadership and technical training program management. These duties include: establishing program standards; providing instructional supervision and technical assistance; providing curriculum services including task list development and management; offering staff development including training for newly employed instructors; implementing federal program initiatives; and managing secondary student organizations. The Division for School Services also pursues and maintains articulation agreements with institutions at the secondary and postsecondary levels. Articulation agreements allow students to continue education at a higher level without duplicating previous course work.

The Division for Administrative Services consists of the Federal Programs Branch, the Information Technology Branch, and the Budget and Business Branch. Five Administrative Business Offices are assigned to the Budget and Business Branch to provide accounting, purchasing, and personnel services to schools.

In December 2000, Executive Order 2000-1623 moved the Office of School-to-Work to the Department for Technical Education and created the School-to-Work Branch to be headed by the Adult and Technical Executive Assistant. The responsibility of this branch is to implement the School To Careers system and augment the School-to-Work initiative with the carryover federal funds.

Policy

The enacted budget contains \$350,000 in fiscal year 2003 for the Cabinet to operate the new Jackson County Area Technology Center. The Center opened during the second half of the school year 2002.

In fiscal years 2003 and 2004 respectively, \$1,250,000 and \$521,000 in General Fund is available for operation of the new Lincoln County Area Technology Center. Additionally, \$149,000 in restricted funds is transferred from the Continuing Education program in fiscal year 2004 to support the operation of this program.

The enacted budget utilizes restricted funds to maintain school support and administration for the Jackson and Lincoln County Area Technology Centers.

**Workforce Development
Technical Education
Equipment**

	<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	1,807,500	1,807,500	1,807,500	1,607,500
Total General Fund	<u>1,807,500</u>	<u>1,807,500</u>	<u>1,807,500</u>	<u>1,607,500</u>
TOTAL SOURCE OF FUNDS	1,807,500	1,807,500	1,807,500	1,607,500
EXPENDITURES BY CLASS				
Operating Expenses	1,377,500	1,377,500	1,377,500	1,377,500
Capital Outlay	430,000	430,000	430,000	230,000
TOTAL EXPENDITURES	<u>1,807,500</u>	<u>1,807,500</u>	<u>1,807,500</u>	<u>1,607,500</u>
EXPENDITURES BY FUND SOURCE				
General Fund	1,807,500	1,807,500	1,807,500	1,607,500
TOTAL EXPENDITURES	<u>1,807,500</u>	<u>1,807,500</u>	<u>1,807,500</u>	<u>1,607,500</u>

The Department for Technical Education is responsible for the state-operated system of Kentucky Tech area technology schools, in accordance with KRS 151B. The Department has a line item for equipment procurement and maintaining and/or replacing existing equipment.

The Department for Technical Education maintains and repairs existing equipment and upgrades instructional programs, using equipment funding. Funds are distributed to all Area Technology Centers in the system by a funding formula that considers inventory, age of equipment, number of programs, and enrollment.

**Workforce Development
Technical Education
Continuing Education Programs**

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
Restricted Funds				
Balance Forward	506,200	425,500	352,400	296,000
Current Receipts	427,000	434,100	427,000	434,100
Total Restricted Funds	933,200	859,600	779,400	730,100
TOTAL SOURCE OF FUNDS	933,200	859,600	779,400	730,100
EXPENDITURES BY CLASS				
Personnel Cost	286,600	301,200	262,300	270,500
Operating Expenses	221,100	244,700	221,100	393,700
TOTAL EXPENDITURES	507,700	545,900	483,400	664,200
EXPENDITURES BY FUND SOURCE				
Restricted Funds	507,700	545,900	483,400	664,200
TOTAL EXPENDITURES	507,700	545,900	483,400	664,200

KRS 151B establishes the responsibility of the Kentucky Tech System within the Department for Technical Education. The Kentucky Tech System provides continuing and customized technical education programs on an as-needed basis. This system serves business and industry, as well as adults in the community seeking to enhance their employment opportunities. Area Technology Centers provide opportunities in areas of the Commonwealth where continuing education is not available at a postsecondary institution.

Demand for training programs from business and industry may range from continuing education in computer applications to customized training programs such as robotics.

Training programs are also designed to meet the increasing demands of various state and local regulatory certification requirements. Examples include additional programs in water handling, blood and air borne pathogens, and heating and cooling systems.

Policy

The enacted budget transfers restricted funds totaling \$149,000 in fiscal year 2004 to School Support and Administration.

**Workforce Development
Technical Education
Federal Programs**

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
Federal Funds				
Balance Forward			774,000	774,000
Current Receipts	18,557,400	18,548,700	18,557,400	18,548,700
Non-Revenue Receipts	-6,913,700	-6,913,700	-6,913,700	-6,913,700
Total Federal Funds	11,643,700	11,635,000	12,417,700	12,409,000
TOTAL SOURCE OF FUNDS	11,643,700	11,635,000	12,417,700	12,409,000
EXPENDITURES BY CLASS				
Personnel Cost	616,100	646,300	573,300	594,400
Operating Expenses	236,500	236,500	236,500	236,500
Grants, Loans or Benefits	10,791,100	10,752,200	10,833,900	10,804,100
TOTAL EXPENDITURES	11,643,700	11,635,000	11,643,700	11,635,000
EXPENDITURES BY FUND SOURCE				
Federal Funds	11,643,700	11,635,000	11,643,700	11,635,000
TOTAL EXPENDITURES	11,643,700	11,635,000	11,643,700	11,635,000

The Federal Programs Branch coordinates the state plan for the Carl D. Perkins Vocational and Technical Education Act of 1998 (P. L. 105 332) and the implements the provisions related to the distribution of federal funds. Other functions include: reviewing and approving the local plans; monitoring and evaluating program effectiveness; monitoring and auditing the expenditure of federal funds; implementing and reevaluating the statewide system of accountability; coordinating the development of the annual performance report; assuring compliance with all applicable Federal laws; and providing technical assistance. The Branch serves as the liaison to occupational programs and related services in the community and technical colleges, the universities, and the Department of Education. Programs of leadership and professional development are coordinated and monitored for program effectiveness. An automated student information system, with selected characteristics for technical programs, is used in evaluating the effective preparation of students for continued education, employment, and service in the military. This automated system is a major factor in the accountability requirements of the Act. In addition, the operation and refinement of the Methods of Administration are components of the ongoing program evaluation.

The Act includes two major components: the Basic Grant and Tech Prep. The Basic Grant funds are for program improvement. Tech Prep funds are earmarked for the development of programs that combine at least two years of secondary education with at least two years of postsecondary education in a technical course of study leading to employment or further education. Tech Prep uses work-based and worksite learning where appropriate and available. The Department for Technical Education provides statewide direction, leadership, and supervision for this initiative.

**Workforce Development
Technical Education
Tech Ed Personnel Board**

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	26,500	27,000	21,500	17,000
Total General Fund	26,500	27,000	21,500	17,000
TOTAL SOURCE OF FUNDS	26,500	27,000	21,500	17,000
EXPENDITURES BY CLASS				
Personnel Cost	12,500	13,000	9,500	13,000
Operating Expenses	14,000	14,000	12,000	14,000
Capital Outlay				-10,000
TOTAL EXPENDITURES	26,500	27,000	21,500	17,000
EXPENDITURES BY FUND SOURCE				
General Fund	26,500	27,000	21,500	17,000
TOTAL EXPENDITURES	26,500	27,000	21,500	17,000

The Kentucky Technical Education (KTE) Personnel Board was established by executive order in 2001 and the State Board for Adult and Technical Education was abolished. The Board consists of five representatives from the other departments in the Workforce Development Cabinet.

The KTE Personnel Board has the authority and responsibility to conduct personnel appeals procedures for employees subject to the personnel provisions in KRS Chapter 151B.

The KTE Personnel Board meets as necessary to comply with time frames for conducting personnel appeals, and at such other times as may be called by the chair. The office of the board is attached to the Cabinet for Workforce Development for administrative, budgetary, and support services.

**Workforce Development
Adult Education and Literacy**

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	11,383,500	11,611,200	10,807,600	10,807,600
Total General Fund	11,383,500	11,611,200	10,807,600	10,807,600
Restricted Funds				
Balance Forward			190,400	190,400
Current Receipts	75,000	75,000	75,000	75,000
Non-Revenue Receipts	11,029,300	11,029,300	11,029,300	11,029,300
Total Restricted Funds	11,104,300	11,104,300	11,294,700	11,294,700
Federal Funds				
Balance Forward			151,500	151,500
Current Receipts	12,624,500	15,149,400	12,624,500	15,149,400
Total Federal Funds	12,624,500	15,149,400	12,776,000	15,300,900
TOTAL SOURCE OF FUNDS	35,112,300	37,864,900	34,878,300	37,403,200
EXPENDITURES BY CLASS				
Personnel Cost	2,571,200	2,693,400	2,096,100	2,167,600
Operating Expenses	751,600	769,900	751,600	769,900
Grants, Loans or Benefits	31,789,500	34,401,600	31,688,700	34,123,800
TOTAL EXPENDITURES	35,112,300	37,864,900	34,536,400	37,061,300
EXPENDITURES BY FUND SOURCE				
General Fund	11,383,500	11,611,200	10,807,600	10,807,600
Restricted Funds	11,104,300	11,104,300	11,104,300	11,104,300
Federal Funds	12,624,500	15,149,400	12,624,500	15,149,400
TOTAL EXPENDITURES	35,112,300	37,864,900	34,536,400	37,061,300
EXPENDITURES BY UNIT				
State Program Services	11,383,500	11,611,200	10,807,600	10,807,600
Federal Program Services	12,624,500	15,149,400	12,624,500	15,149,400
GED/Agency Support Services	11,104,300	11,104,300	11,104,300	11,104,300
TOTAL EXPENDITURES	35,112,300	37,864,900	34,536,400	37,061,300

The Department for Adult Education and Literacy (DAEL) was formed in 1993 as a result of the merger of the Kentucky Literacy Commission and the Office of Adult Education. The Department funds a network of local instructional programs statewide to assist adults in acquiring knowledge, and achieving their goals in the workplace, at home, and in society.

The federal Adult Education and Family Literacy Act specifies the administrative responsibilities of the state agency in regard to the supervision of federal adult education funds. KRS 151B governs the administration of adult education and literacy funds and places the responsibility of administering those funds with the Cabinet for Workforce Development. The Department for Adult Education and Literacy is designated to administer the federal adult education funds.

The United States Department of Education requires that the state agency receiving adult education funds submit a five-year state plan that establishes performance measures. The DAEL Commissioner serves as the State Director of Adult Education, prescribes administrative regulations of the Department, oversees activities in the Department, and administers adult education and literacy programs. The Department ensures that federal, state, and local program requirements are met including oversight and reporting.

Senate Bill 1, passed during the 2000 Session of the General Assembly, established a new structure for adult education

services in Kentucky. The legislation required the Council on Postsecondary Education (CPE) to establish a statewide mission for adult education and to develop a 20-year strategy in partnership with DAEL. Further, CPE is charged with leading a statewide marketing campaign, establishing standards for adult literacy, and administering the adult education and literacy trust fund. The legislation authorizes DAEL to carry out the mission and to implement the 20-year strategy. The CPE Board has approved the Adult Education Action Plan and this plan has been included in the revised state plan submitted to the US DOE.

The organizational structure of the Department supports the effective delivery of adult education services. DAEL is organized into three divisions:

The Division of Management Services oversees contracting and fiscal processes, collects and analyzes data, and develops policy recommendations.

The Division of Program Services provides regional consulting, offers curriculum and instructional support, coordinates professional development activities, and administers the General Educational Development (GED) diploma services.

The Division of Workforce Investment assists business and industry in improving the essential workplace skills of their employees and promoting economic growth, and provides leadership to the Workforce Alliance.

**Workforce Development
Adult Education and Literacy
State Program Services**

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	11,383,500	11,611,200	10,807,600	10,807,600
Total General Fund	11,383,500	11,611,200	10,807,600	10,807,600
TOTAL SOURCE OF FUNDS	11,383,500	11,611,200	10,807,600	10,807,600
EXPENDITURES BY CLASS				
Personnel Cost	2,284,500	2,404,000	1,809,400	1,878,200
Operating Expenses	249,600	233,600	249,600	233,600
Grants, Loans or Benefits	8,849,400	8,973,600	8,748,600	8,695,800
TOTAL EXPENDITURES	11,383,500	11,611,200	10,807,600	10,807,600
EXPENDITURES BY FUND SOURCE				
General Fund	11,383,500	11,611,200	10,807,600	10,807,600
TOTAL EXPENDITURES	11,383,500	11,611,200	10,807,600	10,807,600

The Kentucky Adult Literacy Survey (KALS) reports 1 million Kentuckians, age 16 to 65, function at the lowest levels of literacy. This number represents approximately 40 percent of the state's workforce. The lack of literacy skills is interconnected with unemployment, poverty, welfare, crime, health, and substance abuse. There is a strong relationship between low educational attainment and the state's per capita income. Kentucky's education and skill levels will increase along with its economic vitality as more adults engage in life-long learning.

The Department for Adult Education and Literacy (DAEL) administers a statewide, comprehensive adult education system using both federal and state funds. A portion of the state funds allocated to DAEL are devoted to matching the federal funds and providing the required maintenance-of-effort. The Department integrates federal and state adult education funds and grants funds through a competitive grant process open to eligible entities identified by statute. DAEL contracts with the various agencies selected through this process to provide adult education and literacy services in all 120 counties. Among these agencies are local boards of education, community and technical colleges, community-based organizations, education consortia, public and private non-profit organizations, and correctional institutions. DAEL delivers instruction to improve educational skills through several program types: literacy/Adult Basic Education (ABE)/GED; family literacy; workplace education; corrections education; and English as a second language (ESL).

Kentucky has provided funds beyond the required match, to increase program capacity and add service delivery models.

A new web site, Kentucky Virtual Adult Education (KYVAE), has been created to provide information to adult educators and to increase educational options for adult learners.

**Workforce Development
Adult Education and Literacy
Federal Program Services**

	<u>Requested FY 2003</u>	<u>Requested FY 2004</u>	<u>Enacted FY 2003</u>	<u>Enacted FY 2004</u>
SOURCE OF FUNDS				
Federal Funds				
Balance Forward			151,500	151,500
Current Receipts	12,624,500	15,149,400	12,624,500	15,149,400
Total Federal Funds	12,624,500	15,149,400	12,776,000	15,300,900
TOTAL SOURCE OF FUNDS	12,624,500	15,149,400	12,776,000	15,300,900
EXPENDITURES BY CLASS				
Personnel Cost	46,700	49,400	46,700	49,400
Operating Expenses	458,400	491,900	458,400	491,900
Grants, Loans or Benefits	12,119,400	14,608,100	12,119,400	14,608,100
TOTAL EXPENDITURES	12,624,500	15,149,400	12,624,500	15,149,400
EXPENDITURES BY FUND SOURCE				
Federal Funds	12,624,500	15,149,400	12,624,500	15,149,400
TOTAL EXPENDITURES	12,624,500	15,149,400	12,624,500	15,149,400

The federal Adult Education and Family Literacy Act specifies the administrative and oversight responsibilities of the state agency regarding to the federal adult education funds. KRS 151 governs the administration of adult education and literacy funds and places the responsibility of administering those funds with the Workforce Development Cabinet's Department for Adult Education and Literacy (DAEL). Integrating federal and state funds, DAEL administers a comprehensive adult education system designed to meet the varied needs of Kentucky's eligible adult learners.

Pursuant to the federal act, DAEL must provide direct and equitable access to adult education funds through a competitive grant process. DAEL contracts with the various agencies selected through this process to provide adult education and literacy services in all 120 counties. Among these agencies are local boards of education, community and technical colleges, community-based organizations, education consortia, public and private non-profit organizations, and correctional institutions.

The federal allotment is calculated using a formula based on the percentage of the state's population lacking a high school credential. The federal legislation requires DAEL to use not less than 82.5 percent of the federal dollars to fund grants for direct adult education and literacy services. Of this 82.5 percent, not more than 10 percent can be used for corrections education. The legislation allows for not more than 12.5 percent of the funds to be used for state leadership activities (such as professional development) and caps the amount that can be used for administrative expenses at five percent.

**Workforce Development
Adult Education and Literacy
GED/Agency Support Services**

	<u>Requested FY 2003</u>	<u>Requested FY 2004</u>	<u>Enacted FY 2003</u>	<u>Enacted FY 2004</u>
SOURCE OF FUNDS				
Restricted Funds				
Balance Forward			190,400	190,400
Current Receipts	75,000	75,000	75,000	75,000
Non-Revenue Receipts	11,029,300	11,029,300	11,029,300	11,029,300
Total Restricted Funds	<u>11,104,300</u>	<u>11,104,300</u>	<u>11,294,700</u>	<u>11,294,700</u>
TOTAL SOURCE OF FUNDS	11,104,300	11,104,300	11,294,700	11,294,700
EXPENDITURES BY CLASS				
Personnel Cost	240,000	240,000	240,000	240,000
Operating Expenses	43,600	44,400	43,600	44,400
Grants, Loans or Benefits	10,820,700	10,819,900	10,820,700	10,819,900
TOTAL EXPENDITURES	<u>11,104,300</u>	<u>11,104,300</u>	<u>11,104,300</u>	<u>11,104,300</u>
EXPENDITURES BY FUND SOURCE				
Restricted Funds	11,104,300	11,104,300	11,104,300	11,104,300
TOTAL EXPENDITURES	<u>11,104,300</u>	<u>11,104,300</u>	<u>11,104,300</u>	<u>11,104,300</u>

The Department for Adult Education and Literacy (DAEL) uses federal, state and agency funds to provide services to meet the basic educational needs of Kentucky's eligible adult population. This system provides services in a variety of settings and locations using instructional methods to best suit the adult learner's individual needs. Agency funds are derived from two sources-GED fees and the Council on Postsecondary Education's Adult Education Trust Fund.

GED Fees

The Department is the administering agency for the General Educational Development (GED) diploma program. DAEL oversees the GED Testing Program jointly with the GED Testing Service of the American Council on Education. The GED Testing Program provides statewide testing in the areas of: language arts, writing; social studies; science; language arts, reading; and mathematics. These tests measure the educational achievement of adults who have not graduated from high school and compare their competency with that of high school seniors. DAEL's state GED Administrator monitors GED testing centers; acts as liaison to the American Council on Education's GED Testing Service; coordinates training for GED test examiners; reviews applications for special accommodations on the GED tests; provides high school equivalency diplomas to examinees and processes requests for duplicate diplomas/transcripts; and reports Kentucky's annual GED test results. Fees received for duplicate diplomas and transcripts, as well as a portion of the testing fee, help to support some of these activities.

Adult Education Trust Fund

Senate Bill 1, passed during the 2000 Session of the General Assembly, created new statewide opportunities to expand adult education efforts. The Council on Postsecondary Education (CPE) approved An Agenda for Adult Education in Kentucky and the Adult Education Action Plan as directed by SB 1. The agenda establishes a 20-year strategy and statewide mission for adult education in partnership with DAEL. The action plan authorized the release of Adult Education Trust Fund dollars to provide certain activities. DAEL is charged with implementing some of the activities and administering those funds. These activities are:

- Workforce Alliance-funds are available through an application process to facilitate workforce education and training services.
- Family Literacy Programs-Trust Fund dollars are blended with DAEL family literacy state funds to support family literacy programs in every county.

- Basic Grant Foundation Funds-foundation funding increases the allocation to the counties' base formula level. The formula is determined by multiplying a per learner cost by the total number of people residing in the county functioning at Literacy Levels 1 and 2.
- Rewards-local adult education programs that meet or exceed annual enrollment goals and a percentage of the key indicators of performance will receive a financial reward based on the percentage of performance goals met. Rewards are used for non-recurring costs that enhance local adult education services.
- Audits-20 percent of the local adult education programs will be audited annually (both fiscal and programmatic).

**Workforce Development
Vocational Rehabilitation**

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	14,335,900	16,562,900	11,045,200	11,236,400
Total General Fund	14,335,900	16,562,900	11,045,200	11,236,400
Restricted Funds				
Balance Forward	5,900	4,900	136,900	137,800
Current Receipts	2,912,000	2,953,100	2,912,000	2,953,100
Total Restricted Funds	2,917,900	2,958,000	3,048,900	3,090,900
Federal Funds				
Balance Forward			402,000	402,000
Current Receipts	43,253,800	44,118,800	43,253,800	44,118,800
Non-Revenue Receipts	75,000	75,000	75,000	75,000
Total Federal Funds	43,328,800	44,193,800	43,730,800	44,595,800
TOTAL SOURCE OF FUNDS	60,582,600	63,714,700	57,824,900	58,923,100
EXPENDITURES BY CLASS				
Personnel Cost	25,688,700	27,014,700	24,631,100	25,586,400
Operating Expenses	5,479,700	5,430,600	5,479,700	5,430,600
Grants, Loans or Benefits	29,361,300	31,253,900	27,126,300	27,323,300
Debt Service				30,000
Capital Outlay	48,000	15,000	48,000	15,000
TOTAL EXPENDITURES	60,577,700	63,714,200	57,285,100	58,385,300
EXPENDITURES BY FUND SOURCE				
General Fund	14,335,900	16,562,900	11,045,200	11,236,400
Restricted Funds	2,913,000	2,957,500	2,911,100	2,955,100
Federal Funds	43,328,800	44,193,800	43,328,800	44,193,800
TOTAL EXPENDITURES	60,577,700	63,714,200	57,285,100	58,385,300
EXPENDITURES BY UNIT				
Program Planning and Development	2,310,400	2,152,300	2,308,500	2,149,900
Carl D. Perkins Comprehensive Rehab Center	8,197,800	8,400,200	8,171,300	8,366,800
Program Services	47,924,500	50,995,200	44,660,300	45,702,100
Administrative Management	2,145,000	2,166,500	2,145,000	2,166,500
TOTAL EXPENDITURES	60,577,700	63,714,200	57,285,100	58,385,300

The Department of Vocational Rehabilitation provides for and improves the vocational rehabilitation of citizens with physical and mental disabilities. The Department helps eligible persons with disabilities achieve suitable employment.

The Department uses vocational assessments, counseling and guidance services to match workers with disabilities to labor market needs. Job preparation activities include on-the-job training and vocational and classroom instruction. Job development and placement services assist the individual in obtaining and maintaining suitable employment. Transition activities support a move from the classroom to the workplace. Rehabilitation technology adapts the physical environment at work or home to meet employment needs. Follow-up services ensure that employment is progressing satisfactorily.

The Department also provides services for employers. The Department prepares job-qualified applicants, conducts job analyses, recommends job modifications, and conducts disability awareness programs. Other services include disability awareness training programs and affirmative action planning and services to employees with disability related problems.

As a result, employers experience risk reduction, save resources spent on training new hires, and increase cash flow through access to tax incentives.

The Rehabilitation Act of 1973 authorizes and provides federal funding for state vocational rehabilitation programs. KRS 151B.180-210 complies with all provisions of the Acts. The Code of Federal Regulations (CFR Chapter 34) and Title 781 of the Kentucky Administrative Regulations establish functions of the program. The Department also complies with other relevant sections of the Kentucky Department of Education's administrative regulations.

Policy

Program Services Unit contains increased General Fund support of \$200,000 in each year of the biennium to address the extended, supported employment needs of some of Kentucky's most disabled citizens. Further, \$150,000 in each fiscal year is provided for interpreter services for students in postsecondary institutions.

**Workforce Development
Vocational Rehabilitation
Program Planning and Development**

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	40,200	40,800	40,200	40,800
Total General Fund	40,200	40,800	40,200	40,800
Restricted Funds				
Balance Forward			10,900	12,800
Current Receipts	45,000	45,000	45,000	45,000
Total Restricted Funds	45,000	45,000	55,900	57,800
Federal Funds				
Balance Forward			265,200	265,200
Current Receipts	2,225,200	2,066,500	2,225,200	2,066,500
Total Federal Funds	2,225,200	2,066,500	2,490,400	2,331,700
TOTAL SOURCE OF FUNDS	2,310,400	2,152,300	2,586,500	2,430,300
EXPENDITURES BY CLASS				
Personnel Cost	1,218,500	1,257,300	1,160,200	1,179,300
Operating Expenses	224,100	224,100	224,100	224,100
Grants, Loans or Benefits	867,800	670,900	924,200	746,500
TOTAL EXPENDITURES	2,310,400	2,152,300	2,308,500	2,149,900
EXPENDITURES BY FUND SOURCE				
General Fund	40,200	40,800	40,200	40,800
Restricted Funds	45,000	45,000	43,100	42,600
Federal Funds	2,225,200	2,066,500	2,225,200	2,066,500
TOTAL EXPENDITURES	2,310,400	2,152,300	2,308,500	2,149,900

The Rehabilitation Act of 1973, as amended, provides statutory and regulatory authority for the Vocational Rehabilitation Program. Program Planning and Development provides administrative and staff functions to enhance equitable, efficient service delivery to eligible individuals with disabilities. The Division has statewide responsibility for program planning, program evaluation, policy development, human resource development, job development and placement, and development of new and innovative programs. The Division also provides staff support to the Statewide Advisory Council for Vocational Rehabilitation and the Statewide Independent Living Council. Federal regulations require an approved State Plan for Vocational Rehabilitation Services under Title I of the Rehabilitation Act as a condition for receiving federal funds. State plans, administrative regulations and policy development are housed in Planning and Development. Strategic, long-range planning addresses the economic and public policy needs of the identified 346,000 Kentuckians of working age with disabilities who are unemployed, as well as the more than 60,000 children with severe disabilities who will soon enter the vocational rehabilitation service delivery system.

**Workforce Development
Vocational Rehabilitation
Carl D. Perkins Comprehensive Rehab Center**

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	908,400	926,600	881,900	893,200
Total General Fund	908,400	926,600	881,900	893,200
Restricted Funds				
Balance Forward	900	900	104,600	104,600
Current Receipts	202,000	208,100	202,000	208,100
Total Restricted Funds	202,900	209,000	306,600	312,700
Federal Funds				
Current Receipts	7,087,400	7,264,600	7,087,400	7,264,600
Total Federal Funds	7,087,400	7,264,600	7,087,400	7,264,600
TOTAL SOURCE OF FUNDS	8,198,700	8,400,200	8,275,900	8,470,500
EXPENDITURES BY CLASS				
Personnel Cost	6,381,400	6,632,600	6,082,200	6,245,500
Operating Expenses	1,059,400	1,068,600	1,059,400	1,068,600
Grants, Loans or Benefits	709,000	684,000	981,700	1,037,700
Capital Outlay	48,000	15,000	48,000	15,000
TOTAL EXPENDITURES	8,197,800	8,400,200	8,171,300	8,366,800
EXPENDITURES BY FUND SOURCE				
General Fund	908,400	926,600	881,900	893,200
Restricted Funds	202,000	209,000	202,000	209,000
Federal Funds	7,087,400	7,264,600	7,087,400	7,264,600
TOTAL EXPENDITURES	8,197,800	8,400,200	8,171,300	8,366,800

The Carl D. Perkins Comprehensive Rehabilitation Center (CDPCRC) at Thelma, Kentucky, is a multi-disciplinary residential rehabilitation facility located in the Eastern Kentucky Concentrated Program (EKCEP) service delivery area. The proportion of disabilities in the population of Kentucky, as analyzed by Area Development Districts (ADDs), is highest in the ADDs located in southeast Kentucky. Although the majority of referrals to the CDPCRC come from the eastern part of Kentucky, staff of the Center regularly provide services to consumers from the entire Commonwealth.

The CDPCRC operates five major programs: Vocational Evaluation; Work Adjustment; Vocational Training; Physical Restoration/Outpatient Medical Rehabilitation; and Brain Injury Community Re-entry. All programs meet state of the art standards for program quality as documented by accreditation authorities for organizations serving consumers with disabilities (CARF). The CARF is the nationally recognized accreditation authority for organizations serving consumers with disabilities. The CARF standards require that accredited facilities provide consumers with timely, quality services that meet the needs of each individual. Center staff utilize CARF accreditation as a marketing tool to obtain new referrals for all programs. The Center's Outpatient Program is CORF (Comprehensive Outpatient Rehabilitation Facility) licensed.

Within these five programs the following professional services are available: comprehensive vocational assessment; vocational training; physical therapy; occupational therapy; speech therapy; nursing services; physician services; adjustment services; psychological and psychiatric services; adult therapeutic recreation; vocational rehabilitation counseling; social services; assistive technology; transportation; and administrative services. A wide range of educational programs and services including developmental math/reading/GED test preparation, and the External Diploma Program are also available. The CDPCRC offers individualized placement services through PACE (Preparing Adults for Competitive Employment) and an Employment Relations Specialist.

**Workforce Development
Vocational Rehabilitation
Program Services**

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	13,387,300	15,595,500	10,123,100	10,302,400
Total General Fund	13,387,300	15,595,500	10,123,100	10,302,400
Restricted Funds				
Balance Forward	5,000	4,000	21,400	20,400
Current Receipts	2,665,000	2,700,000	2,665,000	2,700,000
Total Restricted Funds	2,670,000	2,704,000	2,686,400	2,720,400
Federal Funds				
Balance Forward			132,000	132,000
Current Receipts	31,796,200	32,621,200	31,796,200	32,621,200
Non-Revenue Receipts	75,000	75,000	75,000	75,000
Total Federal Funds	31,871,200	32,696,200	32,003,200	32,828,200
TOTAL SOURCE OF FUNDS	47,928,500	50,995,700	44,812,700	45,851,000
EXPENDITURES BY CLASS				
Personnel Cost	16,272,100	17,265,600	15,658,100	16,412,900
Operating Expenses	3,867,900	3,830,600	3,867,900	3,830,600
Grants, Loans or Benefits	27,784,500	29,899,000	25,134,300	25,428,600
Debt Service				30,000
TOTAL EXPENDITURES	47,924,500	50,995,200	44,660,300	45,702,100
EXPENDITURES BY FUND SOURCE				
General Fund	13,387,300	15,595,500	10,123,100	10,302,400
Restricted Funds	2,666,000	2,703,500	2,666,000	2,703,500
Federal Funds	31,871,200	32,696,200	31,871,200	32,696,200
TOTAL EXPENDITURES	47,924,500	50,995,200	44,660,300	45,702,100

The Program Services unit provides direct vocational rehabilitation services to eligible individuals who have physical or mental disabilities to enable them to achieve suitable employment. Program Services is responsible for the actual intake and client service delivery efforts of the Department and performs certain administration functions.

The Division implements the federal Rehabilitation Act of 1973 and must make available services appropriate to the needs of individuals with disabilities. The services enumerated in the Rehabilitation Act include: evaluation of vocational rehabilitation potential; counseling and guidance; physical and mental restoration services; vocational and other training services; maintenance; transportation; services to family members; interpreter services and note-taking services for persons who are deaf; reader services and note-taking services for persons who are blind; assistive technology and devices; personal assistance services; recruitment and training services; placement; post-employment services; occupational licenses, equipment, initial stock, and supplies; and other goods and services needed for employment.

**Workforce Development
Vocational Rehabilitation
Administrative Management**

	<u>Requested FY 2003</u>	<u>Requested FY 2004</u>	<u>Enacted FY 2003</u>	<u>Enacted FY 2004</u>
SOURCE OF FUNDS				
Federal Funds				
Balance Forward			4,800	4,800
Current Receipts	2,145,000	2,166,500	2,145,000	2,166,500
Total Federal Funds	<u>2,145,000</u>	<u>2,166,500</u>	<u>2,149,800</u>	<u>2,171,300</u>
TOTAL SOURCE OF FUNDS	<u>2,145,000</u>	<u>2,166,500</u>	<u>2,149,800</u>	<u>2,171,300</u>
EXPENDITURES BY CLASS				
Personnel Cost	1,816,700	1,859,200	1,730,600	1,748,700
Operating Expenses	328,300	307,300	328,300	307,300
Grants, Loans or Benefits			86,100	110,500
TOTAL EXPENDITURES	<u>2,145,000</u>	<u>2,166,500</u>	<u>2,145,000</u>	<u>2,166,500</u>
EXPENDITURES BY FUND SOURCE				
Federal Funds	<u>2,145,000</u>	<u>2,166,500</u>	<u>2,145,000</u>	<u>2,166,500</u>
TOTAL EXPENDITURES	<u>2,145,000</u>	<u>2,166,500</u>	<u>2,145,000</u>	<u>2,166,500</u>

The Administrative Management Division provides all administrative, technical, and budget related services for the Department and is responsive to the needs of the direct service delivery program staff. Responsibilities include budgeting, purchasing, financial reporting, and federal grant accounting. The Division oversees the implementation and administration of the automated case management system and coordinates the development of application programs. Staff in the Division are also responsible for records retention and maintenance of the Department's inventory records.

The Division coordinates the recouping of program income through the Social Security Administration (SSA). This is coordinated with the SSA for reimbursement of paid vocational rehabilitation services for individuals receiving SSI/disability benefits. The Division negotiates on behalf of the Department and certain Community Rehabilitation Programs for the purchase of facility and community-based competitive employment outcomes and vocational evaluations. The staff then monitors the success of purchased services.

**Workforce Development
Department for the Blind**

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	1,737,300	1,904,100	1,282,800	1,492,600
Total General Fund	1,737,300	1,904,100	1,282,800	1,492,600
Restricted Funds				
Balance Forward	888,700	616,800	1,442,200	1,179,100
Current Receipts	1,683,300	1,758,300	1,685,700	1,758,300
Total Restricted Funds	2,572,000	2,375,100	3,127,900	2,937,400
Federal Funds				
Balance Forward			111,000	111,000
Current Receipts	7,484,600	7,636,700	7,484,600	7,636,700
Total Federal Funds	7,484,600	7,636,700	7,595,600	7,747,700
TOTAL SOURCE OF FUNDS	11,793,900	11,915,900	12,006,300	12,177,700
EXPENDITURES BY CLASS				
Personnel Cost	6,687,200	7,039,400	5,931,400	6,203,900
Operating Expenses	1,596,200	1,615,100	1,579,700	1,563,600
Grants, Loans or Benefits	2,853,200	2,883,400	3,164,600	3,299,500
Capital Outlay	40,500	41,300	40,500	41,300
TOTAL EXPENDITURES	11,177,100	11,579,200	10,716,200	11,108,300
EXPENDITURES BY FUND SOURCE				
General Fund	1,737,300	1,904,100	1,282,800	1,492,600
Restricted Funds	1,955,200	2,038,400	1,948,800	1,979,000
Federal Funds	7,484,600	7,636,700	7,484,600	7,636,700
TOTAL EXPENDITURES	11,177,100	11,579,200	10,716,200	11,108,300
EXPENDITURES BY UNIT				
General Blind Services	9,096,700	9,554,600	8,872,100	9,415,700
Business Enterprise Program	1,200,600	1,229,900	1,177,300	1,187,400
Center for Independent Living	594,400	541,200	553,600	505,200
Assistive Technology Service	285,400	253,500	113,200	
TOTAL EXPENDITURES	11,177,100	11,579,200	10,716,200	11,108,300

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

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

- The Department has 11 field offices that provide direct vocational rehabilitation services to individuals with severe visual impairments.
- The Charles McDowell Comprehensive Rehabilitation Center for the Blind is a comprehensive rehabilitation facility in Louisville that provides training in vocational preparation, personal adjustment services, independent living skills, orientation and mobility skills, Braille, assistive technology, career assessment, vocational planning, work adjustment, and work experience.

- In Lexington and Paducah, the Department operates two volunteer recording units that provide audio-recorded materials statewide for blind and visually impaired individuals.
- The Business Enterprise Program trains blind individuals for self-employment at vending facilities located statewide.
- The Independent Living Program provides training to blind and visually impaired individuals in areas that will enable them to live and function independently.

**Workforce Development
Department for the Blind
General Blind Services**

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	1,373,600	1,455,300	1,149,000	1,316,400
Total General Fund	1,373,600	1,455,300	1,149,000	1,316,400
Restricted Funds				
Balance Forward	669,800	479,400	1,175,500	985,100
Current Receipts	494,800	569,800	494,800	569,800
Total Restricted Funds	1,164,600	1,049,200	1,670,300	1,554,900
Federal Funds				
Balance Forward			78,600	78,600
Current Receipts	7,037,900	7,354,300	7,037,900	7,354,300
Total Federal Funds	7,037,900	7,354,300	7,116,500	7,432,900
TOTAL SOURCE OF FUNDS	9,576,100	9,858,800	9,935,800	10,304,200
EXPENDITURES BY CLASS				
Personnel Cost	5,427,700	5,795,400	4,856,400	5,199,900
Operating Expenses	1,205,000	1,217,200	1,188,500	1,200,300
Grants, Loans or Benefits	2,464,000	2,542,000	2,827,200	3,015,500
TOTAL EXPENDITURES	9,096,700	9,554,600	8,872,100	9,415,700
EXPENDITURES BY FUND SOURCE				
General Fund	1,373,600	1,455,300	1,149,000	1,316,400
Restricted Funds	685,200	745,000	685,200	745,000
Federal Funds	7,037,900	7,354,300	7,037,900	7,354,300
TOTAL EXPENDITURES	9,096,700	9,554,600	8,872,100	9,415,700

Pursuant to KRS 163.470 and the Federal Rehabilitation Act of 1973, the General Blind Services program provides vocational rehabilitation to individuals with severe visual disabilities that will result in gainful employment in integrated settings. The Division of Client Services operates statewide offices where qualified staff provide evaluation, vocational counseling, physical and mental restoration, college and vocational training, job placement, and other services which enable the visually disabled individuals to be more productive in the workplace.

The General Blind Services program includes the Charles McDowell Comprehensive Rehabilitation Center for the Blind and the Volunteer Recording Program. The Charles McDowell Comprehensive Rehabilitation Center for the Blind, located in Louisville, is a comprehensive rehabilitation facility that provides vocational preparation, adjustment services, Braille curriculum, assistive technology training, career assessment, and work experience. The Volunteer Recording Program in Lexington and Paducah provides audio-recorded materials needed by individuals throughout the state in vocational training.

**Workforce Development
Department for the Blind
Business Enterprise Program**

	<u>Requested FY 2003</u>	<u>Requested FY 2004</u>	<u>Enacted FY 2003</u>	<u>Enacted FY 2004</u>
SOURCE OF FUNDS				
Restricted Funds				
Balance Forward	179,200	120,500	229,400	194,000
Current Receipts	1,141,900	1,141,900	1,141,900	1,141,900
Total Restricted Funds	<u>1,321,100</u>	<u>1,262,400</u>	<u>1,371,300</u>	<u>1,335,900</u>
TOTAL SOURCE OF FUNDS	1,321,100	1,262,400	1,371,300	1,335,900
EXPENDITURES BY CLASS				
Personnel Cost	632,400	656,900	609,100	614,400
Operating Expenses	317,000	320,600	317,000	320,600
Grants, Loans or Benefits	210,700	211,100	210,700	211,100
Capital Outlay	40,500	41,300	40,500	41,300
TOTAL EXPENDITURES	<u>1,200,600</u>	<u>1,229,900</u>	<u>1,177,300</u>	<u>1,187,400</u>
EXPENDITURES BY FUND SOURCE				
Restricted Funds	1,200,600	1,229,900	1,177,300	1,187,400
TOTAL EXPENDITURES	<u>1,200,600</u>	<u>1,229,900</u>	<u>1,177,300</u>	<u>1,187,400</u>
EXPENDITURES BY UNIT				
Interstate Vending Program	1,050,600	1,103,200	1,027,300	1,060,700
Kentucky Business Enterprise Program	150,000	126,700	150,000	126,700
TOTAL EXPENDITURES	<u>1,200,600</u>	<u>1,229,900</u>	<u>1,177,300</u>	<u>1,187,400</u>

Pursuant to KRS 163.470(12) and the federal Randolph-Sheppard Act, the Division of Business Enterprises Program (BEP) establishes vending facilities on state, federal, and other property to provide remunerative employment for licensed visually impaired merchants. This program provides management services and training to visually impaired individuals, identifies and develops new sites suitable for vending facilities, and repairs and replaces equipment in existing vending facilities.

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

**Workforce Development
Department for the Blind
Center for Independent Living**

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	191,500	195,300	133,800	176,200
Total General Fund	191,500	195,300	133,800	176,200
Restricted Funds				
Balance Forward	33,900	16,900	31,500	
Current Receipts	46,600	46,600	49,000	46,600
Total Restricted Funds	80,500	63,500	80,500	46,600
Federal Funds				
Balance Forward			11,500	11,500
Current Receipts	339,300	282,400	339,300	282,400
Total Federal Funds	339,300	282,400	350,800	293,900
TOTAL SOURCE OF FUNDS	611,300	541,200	565,100	516,700
EXPENDITURES BY CLASS				
Personnel Cost	467,300	425,600	426,500	389,600
Operating Expenses	41,000	42,700	41,000	42,700
Grants, Loans or Benefits	86,100	72,900	86,100	72,900
TOTAL EXPENDITURES	594,400	541,200	553,600	505,200
EXPENDITURES BY FUND SOURCE				
General Fund	191,500	195,300	133,800	176,200
Restricted Funds	63,600	63,500	80,500	46,600
Federal Funds	339,300	282,400	339,300	282,400
TOTAL EXPENDITURES	594,400	541,200	553,600	505,200

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

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

**Workforce Development
Department for the Blind
Assistive Technology Service**

	<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	172,200	253,500		
Total General Fund	<u>172,200</u>	<u>253,500</u>		
Restricted Funds				
Balance Forward	5,800		5,800	
Total Restricted Funds	<u>5,800</u>		<u>5,800</u>	
Federal Funds				
Balance Forward			20,900	20,900
Current Receipts	107,400		107,400	
Total Federal Funds	<u>107,400</u>		<u>128,300</u>	<u>20,900</u>
TOTAL SOURCE OF FUNDS	<u>285,400</u>	<u>253,500</u>	<u>134,100</u>	<u>20,900</u>
EXPENDITURES BY CLASS				
Personnel Cost	159,800	161,500	39,400	
Operating Expenses	33,200	34,600	33,200	
Grants, Loans or Benefits	92,400	57,400	40,600	
TOTAL EXPENDITURES	<u>285,400</u>	<u>253,500</u>	<u>113,200</u>	
EXPENDITURES BY FUND SOURCE				
General Fund	172,200	253,500		
Restricted Funds	5,800		5,800	
Federal Funds	107,400		107,400	
TOTAL EXPENDITURES	<u>285,400</u>	<u>253,500</u>	<u>113,200</u>	

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

Policy

The amount of annual awards to individual states under the Assistive Technology Act of 1998 (P.L.105-394) are determined by a formula administered by the Secretary of the U.S. Department of Education. This Act provided the Kentucky Tech Act Project with a sunset provision for three years funding that ends at the close of fiscal year 2002 with any remaining funds to be expended in fiscal year 2003.

**Workforce Development
Teacher's Retirement Employer Contribution**

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	4,845,600	4,942,500	4,627,700	4,743,400
Total General Fund	4,845,600	4,942,500	4,627,700	4,743,400
TOTAL SOURCE OF FUNDS	4,845,600	4,942,500	4,627,700	4,743,400
EXPENDITURES BY CLASS				
Personnel Cost	4,845,600	4,942,500	4,627,700	4,743,400
TOTAL EXPENDITURES	4,845,600	4,942,500	4,627,700	4,743,400
EXPENDITURES BY FUND SOURCE				
General Fund	4,845,600	4,942,500	4,627,700	4,743,400
TOTAL EXPENDITURES	4,845,600	4,942,500	4,627,700	4,743,400

KRS 161.550 requires each employer to match contributions made to the Teachers' Retirement System by its employees who are members of the System. For those Workforce Development Cabinet employees who are Teachers' Retirement System members, the contribution is 9.855 percent of salary. Additionally, each employer is required to pay a 3.25 percent overmatch to defray the System's unfunded liability.

Policy

The enacted budget includes the employer match for salaries paid to teachers and other Cabinet employees who participate in the System. This match will be forwarded to the Teachers' Retirement System.

Workforce Development Training and Reemployment

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
Restricted Funds				
Balance Forward			700	700
Total Restricted Funds			700	700
Federal Funds				
Balance Forward			34,800	34,800
Current Receipts	48,530,400	49,350,300	48,530,400	49,350,300
Total Federal Funds	48,530,400	49,350,300	48,565,200	49,385,100
TOTAL SOURCE OF FUNDS	48,530,400	49,350,300	48,565,900	49,385,800
EXPENDITURES BY CLASS				
Personnel Cost	2,060,800	2,163,100	1,677,700	1,754,700
Operating Expenses	682,600	696,400	682,600	696,400
Grants, Loans or Benefits	45,787,000	46,490,800	46,170,100	46,899,200
TOTAL EXPENDITURES	48,530,400	49,350,300	48,530,400	49,350,300
EXPENDITURES BY FUND SOURCE				
Federal Funds	48,530,400	49,350,300	48,530,400	49,350,300
TOTAL EXPENDITURES	48,530,400	49,350,300	48,530,400	49,350,300

The Department for Training and Reemployment (DTR) is responsible for the administration and implementation of the Workforce Investment Act of 1998. These responsibilities include:

- Conducting the day-to-day program operation of the Workforce Investment Act (WIA) and providing technical assistance to the local workforce development areas that administer WIA. The Financial and Program Operations Branch performs this duty and ensures compliance with the overall financial management functions required by WIA.
- Conducting oversight and monitoring of Title I of WIA and related activities. This includes annual on-site monitoring reviews of local areas' compliance with uniform administrative standards, the Act, and regulations. The Program Compliance and Support Branch performs these duties along with local board certification, development and issuance of eligibility policies, development and maintenance of a statewide training provider list, implementation of a mandated and optional performance management system, and the development of a Management Information System (MIS).

The Workforce Investment Act specifies three funding streams to the states and local areas: adults, dislocated workers, and youth.

- Of the total adult funds received by the state, 85 percent of the funds are allocated to Kentucky's 11 Workforce Investment Areas, ten percent of the funds are reserved for statewide programs, and five percent is retained for state administrative functions.
- Of the total dislocated worker funds received by the state, 60 percent of the funds are allocated to Kentucky's 11 Workforce Investment Areas, 25 percent of the funds are reserved for State Rapid Response activities, ten percent of the funds are reserved for statewide programs, and five percent is retained for state administrative functions.
- Of the youth funds received by the state, 85 percent of the funds are allocated to Kentucky's 11 Workforce Investment Areas, ten percent of the funds are reserved for statewide programs, and five percent is retained for state administrative functions.

Workforce Development Employment Services

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	4,608,700	4,700,900	69,000	69,000
Total General Fund	4,608,700	4,700,900	69,000	69,000
Restricted Funds				
Balance Forward	2,599,800		181,100	198,200
Current Receipts	3,382,300	3,382,300	2,832,300	3,871,300
Non-Revenue Receipts	356,700	2,956,500	3,236,500	3,587,300
Total Restricted Funds	6,338,800	6,338,800	6,249,900	7,656,800
Federal Funds				
Balance Forward			7,475,500	7,475,500
Current Receipts	46,680,300	44,974,300	48,726,500	45,818,900
Non-Revenue Receipts	464,099,000	464,099,000	569,099,000	464,099,000
Total Federal Funds	510,779,300	509,073,300	625,301,000	517,393,400
TOTAL SOURCE OF FUNDS	521,726,800	520,113,000	631,619,900	525,119,200
EXPENDITURES BY CLASS				
Personnel Cost	41,394,000	40,533,500	38,179,200	37,158,900
Operating Expenses	13,428,800	12,684,600	18,497,800	12,573,000
Grants, Loans or Benefits	466,904,000	466,894,900	567,269,200	467,698,500
TOTAL EXPENDITURES	521,726,800	520,113,000	623,946,200	517,430,400
EXPENDITURES BY FUND SOURCE				
General Fund	4,608,700	4,700,900	69,000	69,000
Restricted Funds	6,338,800	6,338,800	6,051,700	7,443,500
Federal Funds	510,779,300	509,073,300	617,825,500	509,917,900
TOTAL EXPENDITURES	521,726,800	520,113,000	623,946,200	517,430,400
EXPENDITURES BY UNIT				
Employer and Placement Services	22,463,300	22,435,600	21,700,200	20,753,700
Unemployment Insurance	492,124,700	490,538,600	595,124,300	489,553,000
Special Programs	4,182,300	4,182,300	4,165,200	4,167,200
Service Capacity Upgrade	2,956,500	2,956,500	2,956,500	2,956,500
TOTAL EXPENDITURES	521,726,800	520,113,000	623,946,200	517,430,400

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

The majority of the programs in the Department are funded by federal grants, with the principle revenue source derived from the Unemployment Insurance (UI) program. The federal government, through the employer-paid Federal Unemployment Tax (FUTA), provides the Department's operating and capital funding for the two programs.

The Department also receives funds to administer several smaller programs that are related to UI and ES, including: Veterans' Employment and Training Services, Labor Market Information, Alien Labor Certification, Agricultural Wage Surveys, Alien Farmworker Housing Inspections, and Temporary Assistance for Needy Families (TANF). The DES administers training

programs under the Trade Adjustment Assistance program, Title I of the Workforce Investment Act, and the North American Free Trade Agreement-Transitional Adjustment Assistance/Transitional Readjustment Allowances programs. These programs are designed to provide temporary income maintenance through UI to individuals who are unemployed through no fault of their own, and to assist the unemployed, underemployed, and persons who wish to change occupations in finding suitable employment. Additional benefits include the reduction of public burden through the early placement of welfare recipients and UI claimants.

The Department is also responsible for assessing and collecting taxes from employers to distribute benefits to those who qualify for unemployment compensation.

Policy

The Department is authorized to develop and implement a facility replacement and renovation program to improve the quality of Workforce Development Cabinet facilities used by the Department and its clients, and to reduce departmental reliance on lease/rental properties. The Department is directed to coordinate this program with the Secretary of the Finance and Administration Cabinet and the Department for Facilities Management in the Finance and Administration Cabinet. Proceeds acquired from the sale, transfer, or other disposition of existing facilities may be expended toward the purchase, construction, renovation, and equipping and furnishing replacement of these facilities. Expenditures authorized by this provision are limited to the use of funds solely derived from the sale of Cabinet-owned facilities, which equity rights are shared between both the state and the federal government. Any project estimated to cost over \$400,000 shall be reported to the Capital Projects and Bond Oversight Committee by the Secretary of the Finance and Administration Cabinet.

Notwithstanding KRS 341.835, the Department shall use funds from the Unemployment Insurance Penalty and Interest Account during the 2002-2004 biennium for the operation of Employment Services programs.

Funds are appropriated under the Kentucky Social Security Act Section 903 as amended to be used under the direction of the Department for Employment Services for administration of its unemployment compensation law and public employment office.

Notwithstanding KRS 341.835, \$2,250,000 from the Penalty and Interest Fund is transferred to the credit of the General Fund in fiscal year 2003.

**Workforce Development
Employment Services
Employer and Placement Services**

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	2,102,100	2,584,500	69,000	69,000
Total General Fund	2,102,100	2,584,500	69,000	69,000
Restricted Funds				
Balance Forward			181,100	181,100
Current Receipts	3,000,000	3,000,000	2,450,000	3,489,000
Total Restricted Funds	3,000,000	3,000,000	2,631,100	3,670,100
Federal Funds				
Balance Forward			322,400	322,400
Current Receipts	17,361,200	16,851,100	19,181,200	17,195,700
Total Federal Funds	17,361,200	16,851,100	19,503,600	17,518,100
TOTAL SOURCE OF FUNDS	22,463,300	22,435,600	22,203,700	21,257,200
EXPENDITURES BY CLASS				
Personnel Cost	14,670,500	15,302,600	13,653,300	13,576,200
Operating Expenses	5,392,800	4,733,000	5,461,800	4,621,400
Grants, Loans or Benefits	2,400,000	2,400,000	2,585,100	2,556,100
TOTAL EXPENDITURES	22,463,300	22,435,600	21,700,200	20,753,700
EXPENDITURES BY FUND SOURCE				
General Fund	2,102,100	2,584,500	69,000	69,000
Restricted Funds	3,000,000	3,000,000	2,450,000	3,489,000
Federal Funds	17,361,200	16,851,100	19,181,200	17,195,700
TOTAL EXPENDITURES	22,463,300	22,435,600	21,700,200	20,753,700
EXPENDITURES BY UNIT				
Job Placement Services	16,336,900	16,249,500	15,573,800	14,567,600
Special Employment Services	4,388,500	4,448,200	4,388,500	4,448,200
Employment Information Support	1,737,900	1,737,900	1,737,900	1,737,900
TOTAL EXPENDITURES	22,463,300	22,435,600	21,700,200	20,753,700

There are two objectives of the Employer and Placement Services program. The first is to assist individuals who are unemployed, underemployed, or simply seeking to change their employment situation. The second is to assist employers in obtaining qualified workers to fill job openings as quickly as possible. This program provides counseling, employment testing, job development, referral, and placement.

Policy

Notwithstanding KRS 341.835, the budget provides \$3,000,000 in fiscal year 2003 and \$3,489,000 in fiscal year 2004 from the Unemployment Insurance Penalty and Interest Account to maintain current services in Job Placement Services.

**Workforce Development
Employment Services
Unemployment Insurance**

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	2,506,600	2,116,400		
Total General Fund	2,506,600	2,116,400		
Restricted Funds				
Non-Revenue Receipts			280,000	630,800
Total Restricted Funds			280,000	630,800
Federal Funds				
Balance Forward			7,145,800	7,145,800
Current Receipts	25,519,100	24,323,200	25,745,300	24,823,200
Non-Revenue Receipts	464,099,000	464,099,000	569,099,000	464,099,000
Total Federal Funds	489,618,100	488,422,200	601,990,100	496,068,000
TOTAL SOURCE OF FUNDS	492,124,700	490,538,600	602,270,100	496,698,800
EXPENDITURES BY CLASS				
Personnel Cost	21,171,500	21,900,600	19,171,100	20,415,000
Operating Expenses	6,564,200	4,243,100	11,564,200	4,243,100
Grants, Loans or Benefits	464,389,000	464,394,900	564,389,000	464,894,900
TOTAL EXPENDITURES	492,124,700	490,538,600	595,124,300	489,553,000
EXPENDITURES BY FUND SOURCE				
General Fund	2,506,600	2,116,400		
Restricted Funds			280,000	630,800
Federal Funds	489,618,100	488,422,200	594,844,300	488,922,200
TOTAL EXPENDITURES	492,124,700	490,538,600	595,124,300	489,553,000
EXPENDITURES BY UNIT				
Unemployment Insurance Administration	28,025,700	26,439,600	31,025,300	25,454,000
Unemployment Insurance Benefits	464,099,000	464,099,000	564,099,000	464,099,000
TOTAL EXPENDITURES	492,124,700	490,538,600	595,124,300	489,553,000

The purpose of the Unemployment Insurance (UI) program is to provide temporary financial assistance to workers who become unemployed through no fault of their own, in the form of regular UI benefit payments in an amount determined by the claimant's wage history. Regular UI benefits are funded entirely through payment of the state unemployment taxes by employers within the state determined liable under KRS Chapter 341 based upon the size and duration of payroll.

Policy

The enacted budget contains a \$5,625,800 increased appropriation in federal funds to support continuing services within the Department for Employment Services and Unemployment Insurance Administration.

Notwithstanding KRS 341.835, the enacted budget provides for the Department for Employment Services to operate employment and training programs using funds from the Unemployment Insurance Penalty and Interest Account in the Unemployment Compensation Administration Fund during each fiscal year of the biennium.

**Workforce Development
Employment Services
Unemployment Insurance
Unemployment Insurance Administration**

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	2,506,600	2,116,400		
Total General Fund	2,506,600	2,116,400		
Restricted Funds				
Non-Revenue Receipts			280,000	630,800
Total Restricted Funds			280,000	630,800
Federal Funds				
Balance Forward			324,900	324,900
Current Receipts	25,519,100	24,323,200	25,745,300	24,823,200
Non-Revenue Receipts			5,000,000	
Total Federal Funds	25,519,100	24,323,200	31,070,200	25,148,100
TOTAL SOURCE OF FUNDS	28,025,700	26,439,600	31,350,200	25,778,900
EXPENDITURES BY CLASS				
Personnel Cost	21,171,500	21,900,600	19,171,100	20,415,000
Operating Expenses	6,564,200	4,243,100	11,564,200	4,243,100
Grants, Loans or Benefits	290,000	295,900	290,000	795,900
TOTAL EXPENDITURES	28,025,700	26,439,600	31,025,300	25,454,000
EXPENDITURES BY FUND SOURCE				
General Fund	2,506,600	2,116,400		
Restricted Funds			280,000	630,800
Federal Funds	25,519,100	24,323,200	30,745,300	24,823,200
TOTAL EXPENDITURES	28,025,700	26,439,600	31,025,300	25,454,000

The administrative component of the Unemployment Insurance program provides benefit payments based on earnings in a specific transaction period. Revenues for this program are derived from a federal unemployment tax on employers' payrolls.

KRS Chapter 341 provides the statutory authority and structure for the operation of the Unemployment Insurance (UI) program in Kentucky. With regard to most particulars involving worker coverage, benefit entitlement, and employer liability, KRS Chapter 341 conforms to federal unemployment law derived from the Social Security Act of 1935. This state and federal statutory conformity is required in order for Kentucky employers to receive a credit against federal unemployment tax based on state tax payments, and in order for the agency to receive federal administrative funding.

Policy

Notwithstanding KRS 341.835, the enacted budget provides that the Department for Employment Services shall use funds from the Unemployment Insurance Penalty and Interest Account in the Unemployment Compensation Administration Fund during each fiscal year of the biennium.

**Workforce Development
Employment Services
Unemployment Insurance
Unemployment Insurance Benefits**

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
Federal Funds				
Balance Forward			6,820,900	6,820,900
Non-Revenue Receipts	464,099,000	464,099,000	564,099,000	464,099,000
Total Federal Funds	464,099,000	464,099,000	570,919,900	470,919,900
TOTAL SOURCE OF FUNDS	464,099,000	464,099,000	570,919,900	470,919,900
EXPENDITURES BY CLASS				
Grants, Loans or Benefits	464,099,000	464,099,000	564,099,000	464,099,000
TOTAL EXPENDITURES	464,099,000	464,099,000	564,099,000	464,099,000
EXPENDITURES BY FUND SOURCE				
Federal Funds	464,099,000	464,099,000	564,099,000	464,099,000
TOTAL EXPENDITURES	464,099,000	464,099,000	564,099,000	464,099,000

Within the Department, the Division of Unemployment Insurance supports the claims activities initiated in the local offices of the Division of Field Services. In the central office, the Benefit Branch ensures and accounts for the proper payment of regular Unemployment Insurance (UI) and federal program benefits, including the determination of chargeability to a specific employer for the cost of each regular UI claim. In cases where benefits have been drawn in error, the branch pursues restitution and, if fraud is involved, pursues prosecution of the claimant. The Benefits Branch also operates an interstate claims "local office" to serve claimants covered under Kentucky law but filing from other states.

In addition to regular UI benefits, the program also administers payment of federal benefits to unemployed federal employees and discharged military personnel, those affected by changes in international trade, those affected financially in federal disaster areas, and those covered under the Extended Unemployment Compensation program. With the exception of partial payment from State UI funds in the case of some extended benefits, these programs are financed by employer federal unemployment tax collected by the Internal Revenue Service.

**Workforce Development
Employment Services
Special Programs**

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
Restricted Funds				
Balance Forward				17,100
Current Receipts	382,300	382,300	382,300	382,300
Total Restricted Funds	382,300	382,300	382,300	399,400
Federal Funds				
Balance Forward			7,300	7,300
Current Receipts	3,800,000	3,800,000	3,800,000	3,800,000
Total Federal Funds	3,800,000	3,800,000	3,807,300	3,807,300
TOTAL SOURCE OF FUNDS	4,182,300	4,182,300	4,189,600	4,206,700
EXPENDITURES BY CLASS				
Personnel Cost	3,364,000	3,330,300	3,166,800	3,167,700
Operating Expenses	703,300	752,000	703,300	752,000
Grants, Loans or Benefits	115,000	100,000	295,100	247,500
TOTAL EXPENDITURES	4,182,300	4,182,300	4,165,200	4,167,200
EXPENDITURES BY FUND SOURCE				
Restricted Funds	382,300	382,300	365,200	367,200
Federal Funds	3,800,000	3,800,000	3,800,000	3,800,000
TOTAL EXPENDITURES	4,182,300	4,182,300	4,165,200	4,167,200

The Special Projects Program covers three contractual programs which are offered by the Department for Employment Services.

Under Title I of the Workforce Investment Act (WIA), dislocated worker services are funded through 11 workforce investment areas across the state. In two of the areas, the administrative entity has contracted with the Department to provide a full range of applicant services to dislocated workers.

The Department for Employment Services receives funding from the U.S. Department of Labor under a National Reserve Grant to provide services to dislocated workers from the garment industry. The grant was written to serve affected garment workers whose jobs were impacted by foreign trade. Under this grant, the Department provides assessment, counseling, testing, brokers for retraining, and assists in job placement to eligible dislocated workers.

The Department contracts with the Cabinet for Families and Children (CFC) to implement a strategy and program to help adult Kentuckians make the transition from welfare dependency to long term self-sufficiency.

The Department performs an employment assessment on each participant referred by CFC, Department for Community-Based Services, to determine needs and skills. An "Employability Development Plan" is created for each participant that includes an employment goal and a series of activities necessary to reach that goal, including high school and equivalency programs, basic and remedial education, work readiness activities, and job skills training.

**Workforce Development
Employment Services
Service Capacity Upgrade**

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
Restricted Funds				
Balance Forward	2,599,800			
Non-Revenue Receipts	356,700	2,956,500	2,956,500	2,956,500
Total Restricted Funds	2,956,500	2,956,500	2,956,500	2,956,500
TOTAL SOURCE OF FUNDS	2,956,500	2,956,500	2,956,500	2,956,500
EXPENDITURES BY CLASS				
Personnel Cost	2,188,000		2,188,000	
Operating Expenses	768,500	2,956,500	768,500	2,956,500
TOTAL EXPENDITURES	2,956,500	2,956,500	2,956,500	2,956,500
EXPENDITURES BY FUND SOURCE				
Restricted Funds	2,956,500	2,956,500	2,956,500	2,956,500
TOTAL EXPENDITURES	2,956,500	2,956,500	2,956,500	2,956,500

Senate Bill 296 was passed by the Kentucky General Assembly in 1998. The bill cut employer-paid Unemployment Insurance (UI) taxes, increased UI benefit payments for unemployed workers, and provided \$10 million per year over a three-year period to improve the Department for Employment Services' ability to deliver services to Kentucky employers and job seekers. This latter provision is referred to as the Service Capacity Upgrade Fund (SCUF).

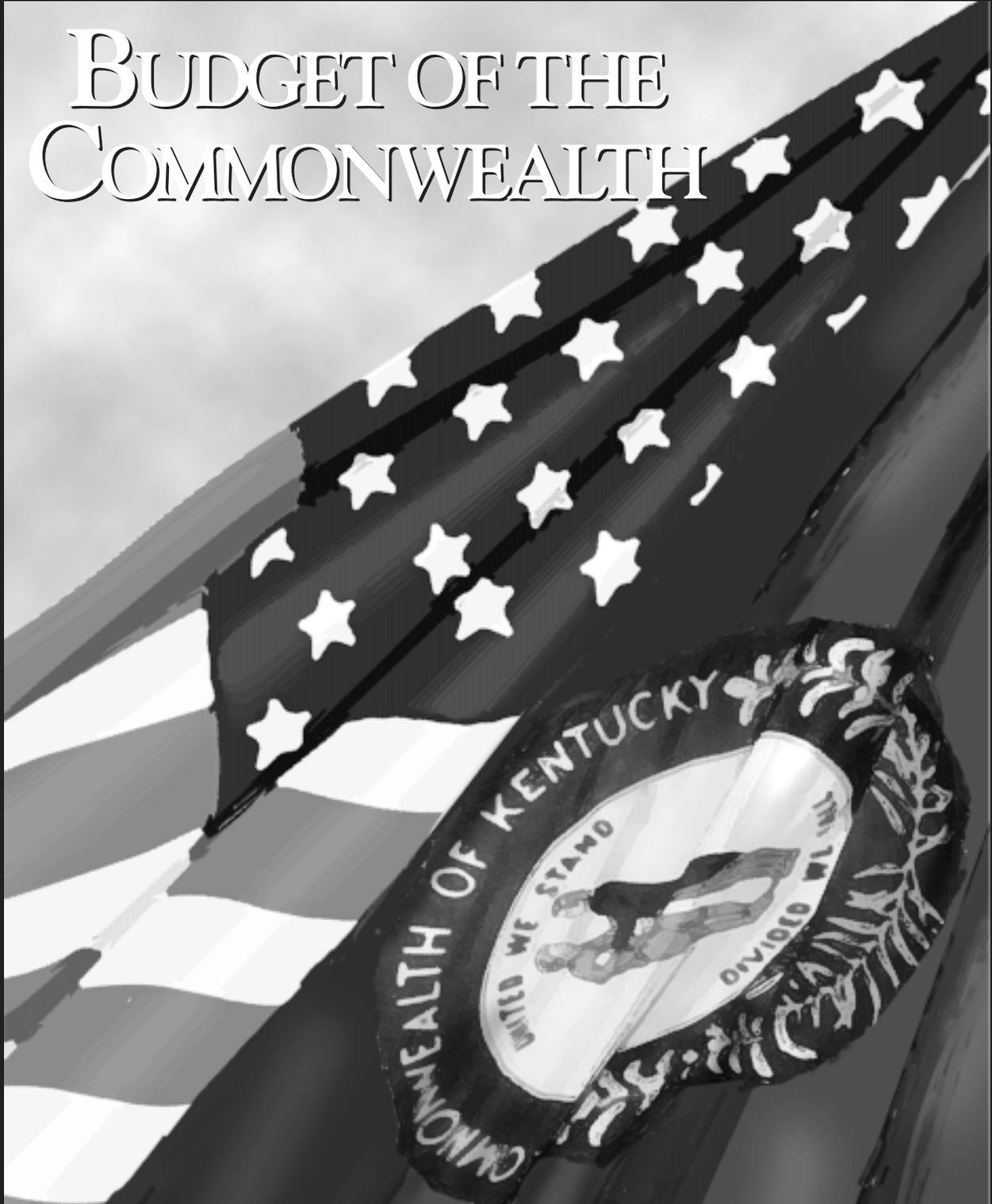
While the bulk of SCUF monies are to be invested in automating unemployment insurance tax collection, benefits claims, work registration, and other processes, funding was also allotted to provide immediate and direct services to job seekers and employers. Specifically, funding was allotted to provide customized recruitment services for employers (Account Management), testing of job seekers to provide the most qualified workers to meet employer needs, and intensive job placement efforts on behalf of UI recipients (Case Management). These services were implemented in April 1999.



2002-2004

Legislative

BUDGET OF THE COMMONWEALTH



Legislative Branch

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	36,450,400	40,616,400	36,450,400	40,616,400
Continuing Appropriation - Gen'l Fund	15,451,000	11,766,200	18,222,200	14,537,400
Total General Fund	51,901,400	52,382,600	54,672,600	55,153,800
Restricted Funds				
Balance Forward	949,200	821,400	969,400	635,100
Current Receipts	65,000	165,000	65,500	165,500
Total Restricted Funds	1,014,200	986,400	1,034,900	800,600
TOTAL SOURCE OF FUNDS	52,915,600	53,369,000	55,707,500	55,954,400
EXPENDITURES BY CLASS				
Personnel Cost	32,894,300	36,544,800	32,894,800	36,544,800
Operating Expenses	7,148,700	8,167,900	7,355,200	8,190,900
Capital Outlay	285,000	295,000	285,000	295,000
TOTAL EXPENDITURES	40,328,000	45,007,700	40,535,000	45,030,700
EXPENDITURES BY FUND SOURCE				
General Fund	40,135,200	44,865,200	40,135,200	44,865,200
Restricted Funds	192,800	142,500	399,800	165,500
TOTAL EXPENDITURES	40,328,000	45,007,700	40,535,000	45,030,700
EXPENDITURES BY UNIT				
General Assembly	12,092,900	14,405,600	12,299,900	14,428,600
Legislative Research Commission	28,235,100	30,602,100	28,235,100	30,602,100
TOTAL EXPENDITURES	40,328,000	45,007,700	40,535,000	45,030,700

The legislative powers of the Commonwealth of Kentucky are vested in the General Assembly and found in Sections 29 through 62 of the Kentucky Constitution. The purpose of the Legislature is to make the state's laws, to determine the duties and services of government, to provide for their execution, and to levy taxes and appropriate funds for the support of government operations.

The General Assembly, as specified by the Constitution, consists of 38 Senators and 100 Representatives, each representing districts as nearly equal as possible as prescribed by Section 33 of the Kentucky Constitution. Members of the House of Representatives are elected for two-year terms. Members of the Senate serve four-year terms, with one-half of the Senate elected every two years.

The Legislative Research Commission is a fact-finding and service agency for the Kentucky General Assembly. It is a statutory body created and maintained since 1948. The Commission is bipartisan and is composed of the leadership of both the House and Senate with the Senate President and House Speaker serving as co-chairman. The LRC staff provides research, bill drafting, and other administrative functions for the legislature.

House Bill 657 authorized funding for the major programs operating within the Legislative Branch of government. The appropriation units are General Assembly and the Legislative Research Commission. The General Assembly appropriation is comprised of three programs, General Assembly, Kentucky Legislative Ethics, and Kentucky Long Term Planning and Research. The Legislative Research Commission appropriation is comprised of a single element, the Legislative Research Commission.

The above appropriation includes funds for the Legislators Retirement Plan in each fiscal year and provides for the continuation of the annual cost of living adjustment authorized for the 2000-2002 biennium. Notwithstanding KRS 6.190, and 6.213, the daily compensation provided by KRS 6.190 and the interim expenses allowance provided by KRS 6.213 for members of the General Assembly shall be authorized for the 2000-2002 biennium and shall continue as adjusted on January 1, 2003, and January 1, 2004, by the all urban consumer price index (CPI-U) not to exceed the cost-of-living provided to state employees in the state/executive branch budget but not less than zero percent per annum. Notwithstanding KRS 6.220, in lieu of stationery, there shall be allowed to each member of the House of Representatives the sum of \$250 and to each member of the Senate the sum of \$500. This allowance shall be paid out of the State Treasury at the beginning of the session.

Notwithstanding the provisions of KRS 45.229, any unexpended balance remaining at the close of fiscal year 2003 shall not lapse but shall continue into the 2004 fiscal year and any unexpended balance in any succeeding fiscal year shall not lapse, but shall continue into the following fiscal year.

Policy

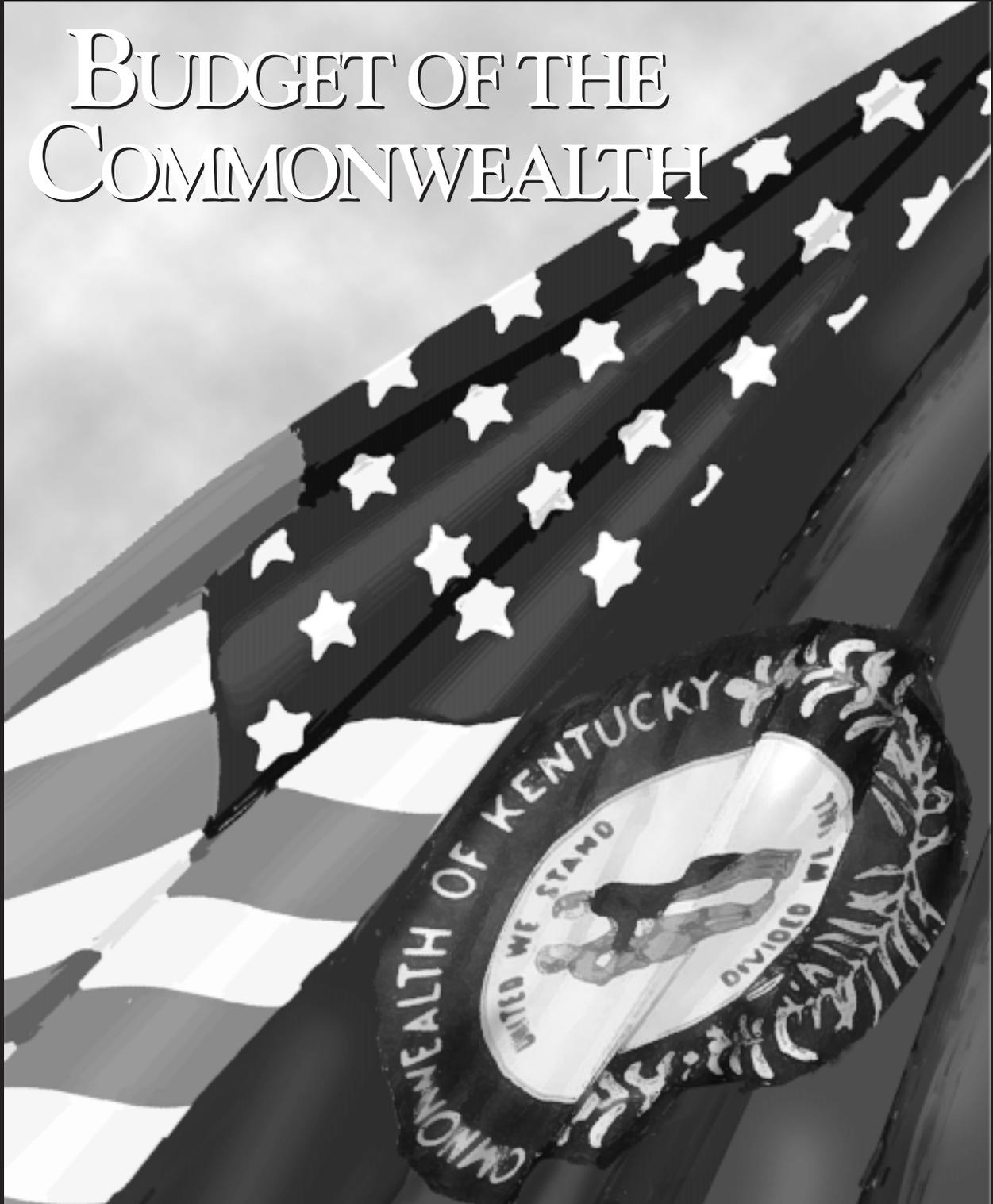
The enacted budget provides that \$1,500,000 from the General Fund Continuing Appropriation from fiscal year 2002 into fiscal year 2003 for the General Assembly shall lapse to the credit of the General Fund Surplus Account.



2002-2004

Judicial

BUDGET OF THE COMMONWEALTH



Judicial Branch

	Requested FY 2003	Requested FY 2004	Enacted FY 2003	Enacted FY 2004
SOURCE OF FUNDS				
General Fund				
Regular Appropriation	223,001,000	260,447,000	196,506,500	210,855,100
Continuing Appropriation - Gen'l Fund			13,902,400	
Total General Fund	223,001,000	260,447,000	210,408,900	210,855,100
Restricted Funds				
Balance Forward	5,751,000	3,097,800	11,002,500	8,297,300
Current Receipts	8,385,800	8,504,900	8,385,800	8,504,900
Non-Revenue Receipts	87,100	98,400	232,100	98,400
Total Restricted Funds	14,223,900	11,701,100	19,620,400	16,900,600
Federal Funds				
Balance Forward	167,600	85,800	75,900	85,800
Current Receipts	226,600	233,400	226,600	233,400
Non-Revenue Receipts	1,103,800	904,600	2,739,500	904,600
Total Federal Funds	1,498,000	1,223,800	3,042,000	1,223,800
TOTAL SOURCE OF FUNDS	238,722,900	273,371,900	233,071,300	228,979,500
EXPENDITURES BY CLASS				
Personnel Cost	149,627,900	160,813,300	144,424,400	150,954,100
Operating Expenses	83,487,400	109,599,700	79,367,800	71,903,000
Grants, Loans or Benefits	75,000	150,000		
Capital Outlay	2,349,000	2,808,900	896,000	922,900
TOTAL EXPENDITURES	235,539,300	273,371,900	224,688,200	223,780,000
EXPENDITURES BY FUND SOURCE				
General Fund	223,001,000	260,447,000	210,408,900	210,855,100
Restricted Funds	11,126,100	11,701,100	11,323,100	11,701,100
Federal Funds	1,412,200	1,223,800	2,956,200	1,223,800
TOTAL EXPENDITURES	235,539,300	273,371,900	224,688,200	223,780,000
EXPENDITURES BY UNIT				
Court of Justice	172,061,100	185,216,200	159,326,900	163,415,300
Local Facilities Fund	60,977,600	85,636,300	62,715,700	57,845,300
Judicial Form Retirement System	2,500,600	2,519,400	2,645,600	2,519,400
TOTAL EXPENDITURES	235,539,300	273,371,900	224,688,200	223,780,000

The judicial powers of the Commonwealth of Kentucky are vested in one Court of Justice under Section 109 of the Kentucky Constitution. Fully implemented in 1978, the Court constitutes a Unified Judicial System for operation and administration. The purpose of the Kentucky Judicial Branch of government is to provide equal justice for all persons who become involved in the Kentucky court system through due process of law, administered without favor, denial or delay, and to carry out all provisions of the Judicial Article of the Constitution.

The Kentucky court system is a four-tiered system of adjudication including a Supreme Court, Court of Appeals, Circuit Court, and District Court. Moreover, in 2002, a constitutional amendment was approved formally sanctioning the creation of Family Courts. The goal of these courts is to hear and determine expeditiously all cases which may come before the Court of Justice to interpret the laws of the Commonwealth, make decisions and issue opinions related thereto.

The Circuit Clerks' offices in each county have as their goal the provision of an effective and manageable system of clerical support and maintenance of court records for the circuit and district courts.

The Administrative Office of the Courts, Juvenile Services, Pretrial Services, State Law Library, the ancillary boards and commissions, and the local court facilities program have the following goals:

To provide the administrative support necessary to carry on the operation of the Court of Justice and to have adequate personnel, facilities, equipment, and operating expenditures to carry out the Judicial Branch's constitutional and statutory responsibilities.

To ensure a system of financial management and accountability for the Court of Justice.

To carry on a continuous survey of the organization, operation, and other aspects of the Court of Justice and to make improvements thereof.

Funding for the Judiciary has been authorized via House Bill 294. House Bill 294 is the Judicial Appropriations Bill authorizing funds for major programs, Court Operations and Administration, Local Facilities Fund, and the Judicial Retirement Plan portion of the Judicial Form Retirement System.

Policy

The enacted budget provides that \$7,500,000 from the General Fund continuing appropriation from fiscal year 2002 into fiscal year 2003 for the Local Facilities Fund shall lapse to the credit of the General Fund Surplus Account within 30 days of enactment.