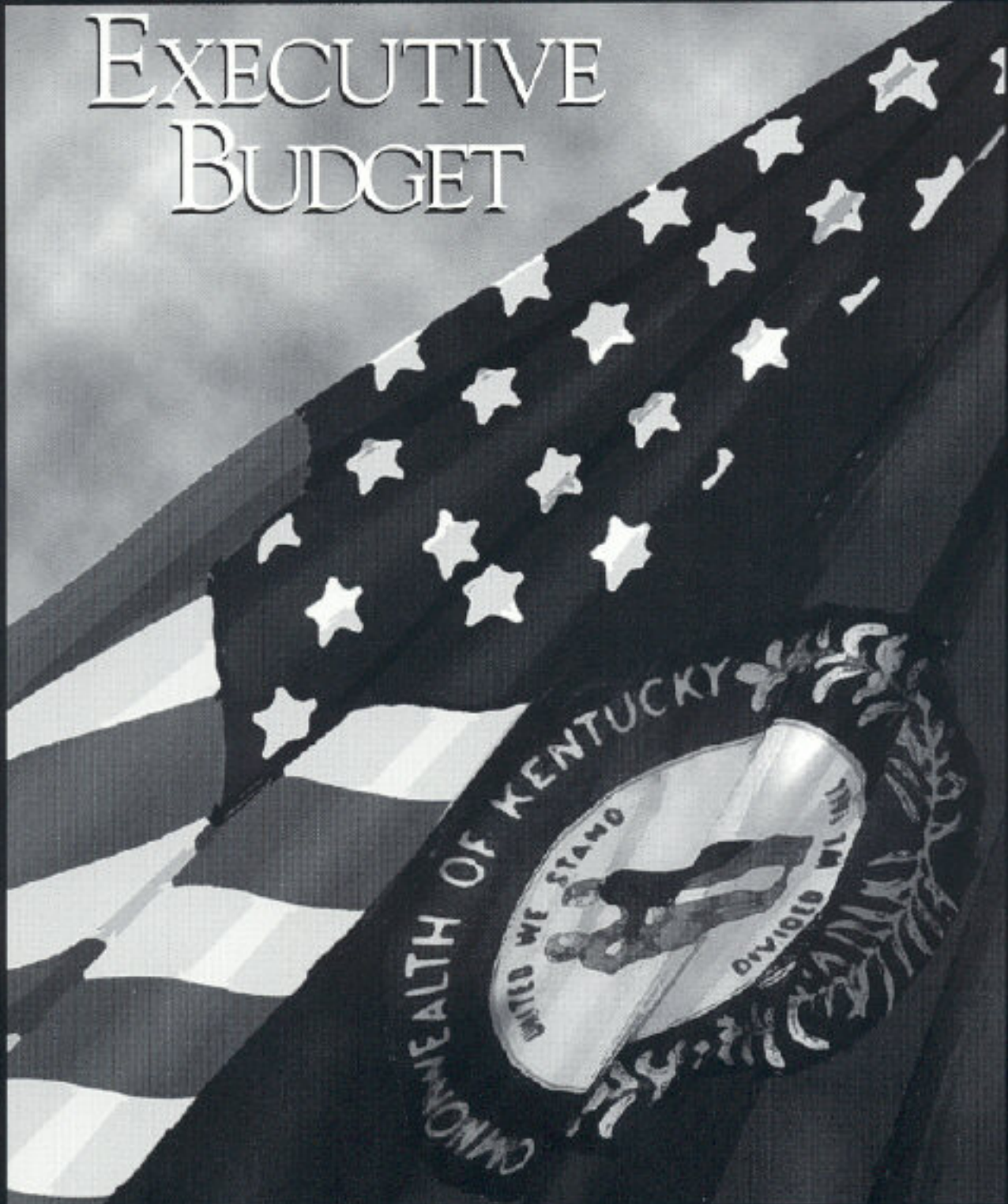




2002-2004

Volume 1

EXECUTIVE BUDGET



PAUL E. PATTON
GOVERNOR

JAMES R. RAMSEY
STATE BUDGET DIRECTOR



2002-2004

EXECUTIVE BUDGET

PAUL E. PATTON
GOVERNOR

JAMES R. RAMSEY
STATE BUDGET DIRECTOR

CRIT LUALLEN
SECRETARY OF THE
EXECUTIVE CABINET

ANDREW "SKIPPER" MARTIN
CHIEF OF STAFF

T. KEVIN FLANERY
SECRETARY
FINANCE AND
ADMINISTRATION CABINET

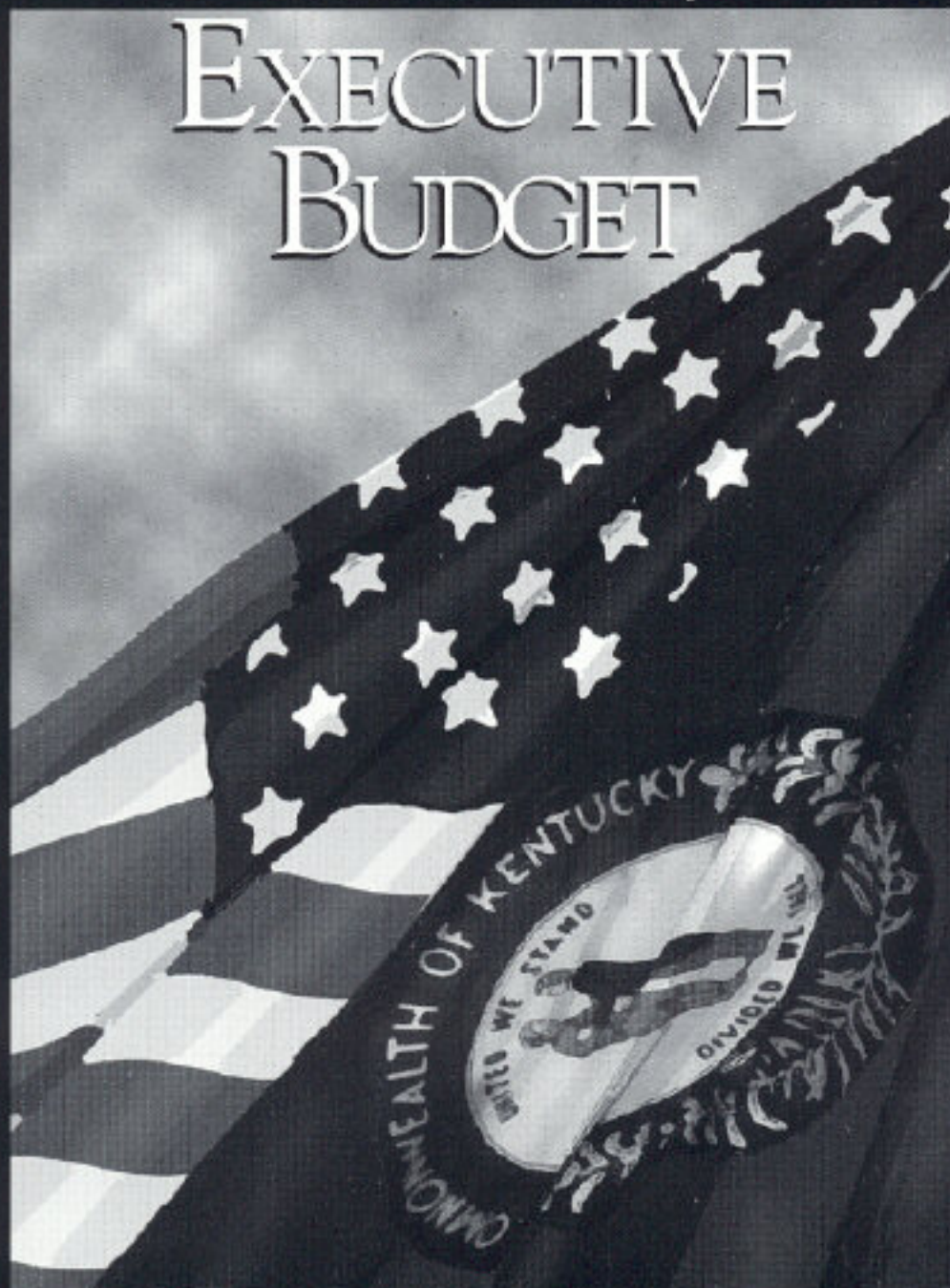


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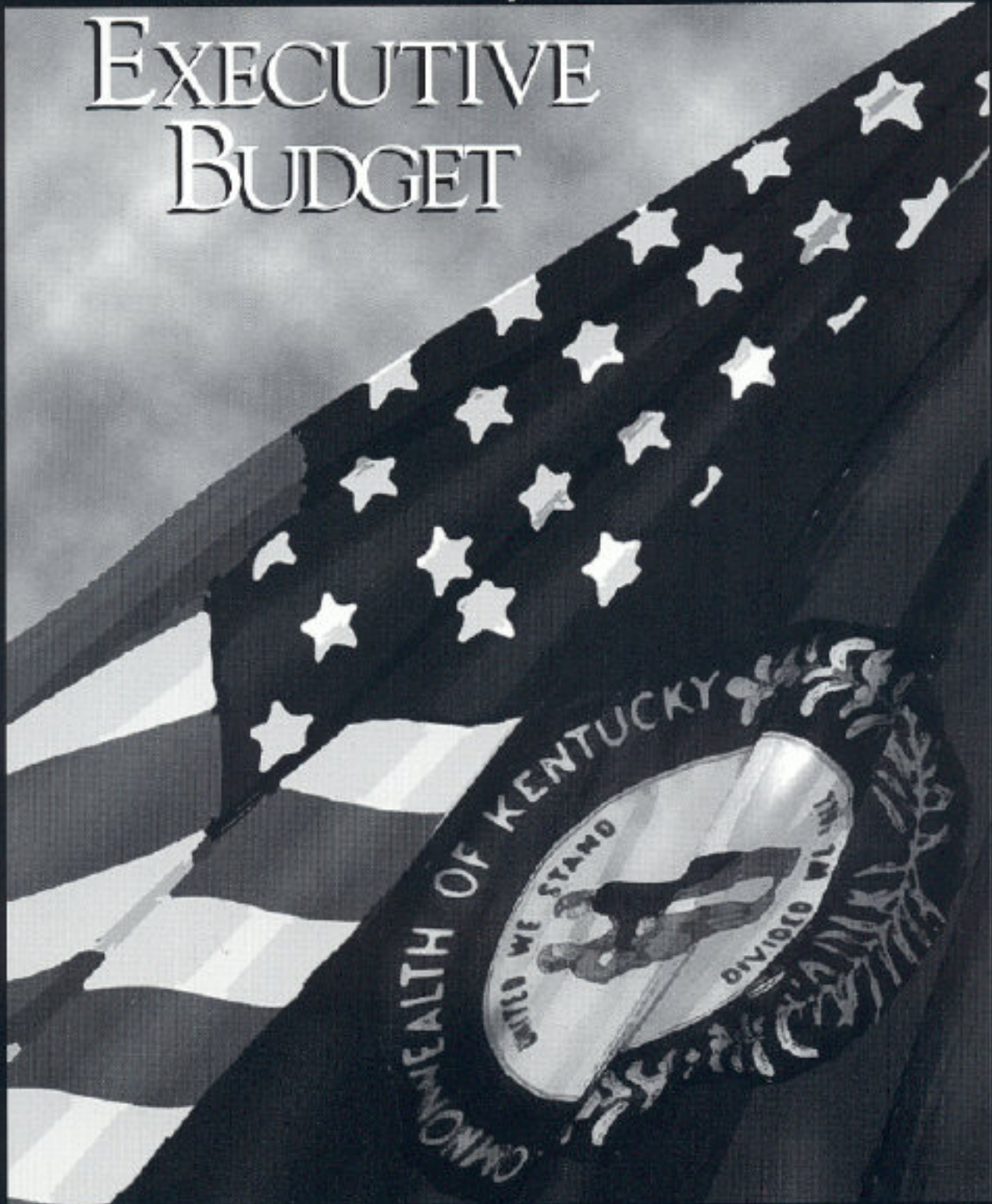
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2002-2004

*Government
Operations*

EXECUTIVE BUDGET



Government Operations
Executive Office of the Governor

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	12,464,100	11,929,300	12,368,700	11,806,000	11,806,000
Continuing Appropriation - Gen'l Fund	539,764				
Budget Reduction	-658,400				
Total General Fund	12,345,464	11,929,300	12,368,700	11,806,000	11,806,000
Restricted Funds					
Balance Forward	2,318,200	1,699,400	1,576,000	1,699,400	1,571,100
Current Receipts	75,000			2,700	
Non-Revenue Receipts	2,681,000	2,725,000	2,774,000	2,703,000	2,723,000
Total Restricted Funds	5,074,200	4,424,400	4,350,000	4,405,100	4,294,100
Federal Funds					
Current Receipts	70,900	71,000	71,000	71,000	71,000
Total Federal Funds	70,900	71,000	71,000	71,000	71,000
TOTAL SOURCE OF FUNDS	17,490,564	16,424,700	16,789,700	16,282,100	16,171,100
EXPENDITURES BY CLASS					
Personnel Cost	11,418,000	11,322,800	12,049,000	10,937,000	11,584,000
Operating Expenses	3,003,164	2,595,900	2,659,500	2,854,000	2,835,000
Grants, Loans or Benefits	920,000	930,000	930,000	920,000	920,000
TOTAL EXPENDITURES	15,341,164	14,848,700	15,638,500	14,711,000	15,339,000
EXPENDITURES BY FUND SOURCE					
General Fund	11,895,464	11,929,300	12,368,700	11,806,000	11,806,000
Restricted Funds	3,374,800	2,848,400	3,198,800	2,834,000	3,462,000
Federal Funds	70,900	71,000	71,000	71,000	71,000
TOTAL EXPENDITURES	15,341,164	14,848,700	15,638,500	14,711,000	15,339,000
EXPENDITURES BY UNIT					
Office of the Governor	9,633,900	9,581,700	9,940,500	9,633,000	9,866,000
Office of State Budget Director	5,217,264	4,767,000	5,198,000	4,588,000	4,983,000
State Planning Fund	490,000	500,000	500,000	490,000	490,000
TOTAL EXPENDITURES	15,341,164	14,848,700	15,638,500	14,711,000	15,339,000

The Governor serves as the chief administrator of the state and, in addition to other powers and duties, acts as Commander-in-Chief of all state military forces, appoints executive officers and members of boards and commissions, and has the power to grant pardons and commutations. As chief administrator of Kentucky, the Governor ensures that state government provides needed services to the citizens of the Commonwealth at minimum cost to the taxpayer.

**Government Operations
Office of the Governor**

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	8,095,800	7,612,500	7,975,500	7,651,000	7,651,000
Budget Reduction	-444,600				
Total General Fund	7,651,200	7,612,500	7,975,500	7,651,000	7,651,000
Restricted Funds					
Balance Forward	1,146,100	1,067,300	954,100	1,067,300	920,100
Current Receipts	75,000			800	
Non-Revenue Receipts	1,758,000	1,785,000	1,814,000	1,763,000	1,763,000
Total Restricted Funds	2,979,100	2,852,300	2,768,100	2,831,100	2,683,100
Federal Funds					
Current Receipts	70,900	71,000	71,000	71,000	71,000
Total Federal Funds	70,900	71,000	71,000	71,000	71,000
TOTAL SOURCE OF FUNDS	10,701,200	10,535,800	10,814,600	10,553,100	10,405,100
EXPENDITURES BY CLASS					
Personnel Cost	7,223,500	7,444,800	7,803,000	7,238,000	7,553,000
Operating Expenses	1,980,400	1,706,900	1,707,500	1,965,000	1,883,000
Grants, Loans or Benefits	430,000	430,000	430,000	430,000	430,000
TOTAL EXPENDITURES	9,633,900	9,581,700	9,940,500	9,633,000	9,866,000
EXPENDITURES BY FUND SOURCE					
General Fund	7,651,200	7,612,500	7,975,500	7,651,000	7,651,000
Restricted Funds	1,911,800	1,898,200	1,894,000	1,911,000	2,144,000
Federal Funds	70,900	71,000	71,000	71,000	71,000
TOTAL EXPENDITURES	9,633,900	9,581,700	9,940,500	9,633,000	9,866,000
EXPENDITURES BY UNIT					
Governor	5,202,500	5,029,900	5,247,100	5,169,000	5,202,000
Governor's Office Expense Allowance	21,000	21,000	21,000	21,000	21,000
Lieutenant Governor	518,700	416,300	434,200	439,000	458,000
Lt. Governor's Expense Allowance	11,500	12,000	12,000	12,000	12,000
Secretary of the Cabinet	756,700	704,300	736,300	681,000	756,000
EMPOWER Kentucky	404,200	485,700	503,000	476,000	492,000
Kentucky Commission on Military Affairs	324,900	360,600	373,500	317,000	326,000
Coal Marketing and Export Council	885,900	926,400	946,600	915,000	933,000
Child Abuse and Domestic Violence Services	334,500	428,500	444,800	418,000	459,000
Kentucky Appalachian Commission	366,000	373,000	381,000	372,000	394,000
Washington DC Office	808,000	824,000	841,000	813,000	813,000
TOTAL EXPENDITURES	9,633,900	9,581,700	9,940,500	9,633,000	9,866,000

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

The Lieutenant Governor is a constitutional officer elected jointly with the Governor. The Lieutenant Governor is to assume the duties and responsibilities of the Office of the Governor should the Governor be impeached or removed from Office, die, fail to qualify, resign, or be unable to discharge the duties of that office. Additional duties of the Lieutenant Governor include serving on various boards and commissions, serving on Kentucky delegations to several interstate compact commissions, and appointing members to various boards.

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

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

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

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

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

**Government Operations
Office of State Budget Director**

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	3,868,300	3,816,800	3,893,200	3,665,000	3,665,000
Continuing Appropriation - Gen'l Fund	539,764				
Budget Reduction	-203,800				
Total General Fund	4,204,264	3,816,800	3,893,200	3,665,000	3,665,000
Restricted Funds					
Balance Forward	1,172,100	632,100	621,900	632,100	651,000
Current Receipts				1,900	
Non-Revenue Receipts	923,000	940,000	960,000	940,000	960,000
Total Restricted Funds	2,095,100	1,572,100	1,581,900	1,574,000	1,611,000
TOTAL SOURCE OF FUNDS	6,299,364	5,388,900	5,475,100	5,239,000	5,276,000
EXPENDITURES BY CLASS					
Personnel Cost	4,194,500	3,878,000	4,246,000	3,699,000	4,031,000
Operating Expenses	1,022,764	889,000	952,000	889,000	952,000
TOTAL EXPENDITURES	5,217,264	4,767,000	5,198,000	4,588,000	4,983,000
EXPENDITURES BY FUND SOURCE					
General Fund	3,754,264	3,816,800	3,893,200	3,665,000	3,665,000
Restricted Funds	1,463,000	950,200	1,304,800	923,000	1,318,000
TOTAL EXPENDITURES	5,217,264	4,767,000	5,198,000	4,588,000	4,983,000

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

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

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

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

Policy

The Governor's recommended budget anticipates \$450,000 in General Fund lapse from the Performance Based Budgeting pilot program in fiscal year 2002.

**Government Operations
State Planning Fund**

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	500,000	500,000	500,000	490,000	490,000
Budget Reduction	-10,000				
Total General Fund	490,000	500,000	500,000	490,000	490,000
TOTAL SOURCE OF FUNDS	490,000	500,000	500,000	490,000	490,000
EXPENDITURES BY CLASS					
Grants, Loans or Benefits	490,000	500,000	500,000	490,000	490,000
TOTAL EXPENDITURES	490,000	500,000	500,000	490,000	490,000
EXPENDITURES BY FUND SOURCE					
General Fund	490,000	500,000	500,000	490,000	490,000
TOTAL EXPENDITURES	490,000	500,000	500,000	490,000	490,000

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

Government Operations
Governors' Office for Agricultural Policy

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
SOURCE OF FUNDS					
General Fund					
Tobacco Settlement - I	44,253,000	51,396,000	43,146,000	47,688,000	39,434,000
Continuing Appropriation - Tobacco Settlement	42,802,800				
Total General Fund	87,055,800	51,396,000	43,146,000	47,688,000	39,434,000
Restricted Funds					
Balance Forward	100				
Non-Revenue Receipts	113,300	155,900	161,000	155,900	161,000
Total Restricted Funds	113,400	155,900	161,000	155,900	161,000
TOTAL SOURCE OF FUNDS	87,169,200	51,551,900	43,307,000	47,843,900	39,595,000
EXPENDITURES BY CLASS					
Personnel Cost	1,126,800	1,407,600	1,462,900	1,407,600	1,462,900
Operating Expenses	504,800	562,700	568,000	562,700	568,000
Grants, Loans or Benefits	85,537,600	49,581,600	41,276,100	45,873,600	37,564,100
TOTAL EXPENDITURES	87,169,200	51,551,900	43,307,000	47,843,900	39,595,000
EXPENDITURES BY FUND SOURCE					
General Fund	87,055,800	51,396,000	43,146,000	47,688,000	39,434,000
Restricted Funds	113,400	155,900	161,000	155,900	161,000
TOTAL EXPENDITURES	87,169,200	51,551,900	43,307,000	47,843,900	39,595,000
EXPENDITURES BY UNIT					
Phase II - Administration	113,400	155,900	161,000	155,900	161,000
State Grants - Phase I	64,257,600	27,601,600	22,183,600	23,893,600	18,471,600
GOAP - Administration	685,900	712,000	734,700	712,000	734,700
KCADE - Administration	832,300	1,102,400	1,135,200	1,102,400	1,135,200
County Grants - Phase I	21,280,000	21,980,000	19,092,500	21,980,000	19,092,500
TOTAL EXPENDITURES	87,169,200	51,551,900	43,307,000	47,843,900	39,595,000

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

GOAP Administration - Phase I

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

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

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

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

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

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

KCADE

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

Administration - Phase II

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

County Grants - Phase I

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

State Grants - Phase I

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

Government Operations
Governors' Office for Early Childhood Development

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	217,900	222,300	226,700	213,500	213,500
Tobacco Settlement - I	3,157,700	2,188,400	2,188,400	2,188,400	2,188,400
Continuing Appropriation - Tobacco Settlement	2,141,300				
Budget Reduction	-445,700				
Total General Fund	5,071,200	2,410,700	2,415,100	2,401,900	2,401,900
Restricted Funds					
Current Receipts	50,000	50,000		50,000	
Total Restricted Funds	50,000	50,000		50,000	
Federal Funds					
Balance Forward	6,200				
Current Receipts	225,000	175,000	175,000	175,000	175,000
Total Federal Funds	231,200	175,000	175,000	175,000	175,000
TOTAL SOURCE OF FUNDS	5,352,400	2,635,700	2,590,100	2,626,900	2,576,900
EXPENDITURES BY CLASS					
Personnel Cost	717,100	748,600	765,300	739,800	752,100
Operating Expenses	329,500	127,100	64,800	127,100	64,800
Grants, Loans or Benefits	3,305,800	1,760,000	1,760,000	1,760,000	1,760,000
TOTAL EXPENDITURES	4,352,400	2,635,700	2,590,100	2,626,900	2,576,900
EXPENDITURES BY FUND SOURCE					
General Fund	4,071,200	2,410,700	2,415,100	2,401,900	2,401,900
Restricted Funds	50,000	50,000		50,000	
Federal Funds	231,200	175,000	175,000	175,000	175,000
TOTAL EXPENDITURES	4,352,400	2,635,700	2,590,100	2,626,900	2,576,900

The 2000 General Assembly established the Office of Early Childhood Development within the Office of the Governor through KRS 12.401. The primary responsibilities of the Office of Early Childhood Development are (a) to provide assistance to the Early Childhood Development Authority; (b) to create and oversee implementation of a strategic plan to design Kentucky's early childhood development efforts toward assisting families and enhancing opportunities for young children to succeed as citizens; (c) to promote coordination and collaboration between Kentucky communities, various levels of state and local government, nonprofit organizations, businesses, health organizations, churches, and parents to provide integrated and comprehensive services for all families that undergird the early development of children; (d) to identify and assess the most common challenges, existing resources, and services within the state and make recommendations to the Governor, state legislature, or other governing bodies regarding the demand and effectiveness of present services and improvements that should be addressed; (e) to develop performance measures that will provide consistent and fair evaluation and accountability regarding the effectiveness of service providers, programs, activities, and services affecting early childhood development; (f) to design information campaigns to raise public awareness and promote citizen engagement regarding the critical nature of early childhood development and to increase the will of citizens to make quality resources and services more widely available to families and children; (g) to create the beginning of a seamless system for youth that will assist them from birth until they begin their careers; and (h) to undertake new and progressive initiatives to improve and enhance the delivery of services affecting early childhood development. Tobacco funds in the amount of \$1,000,000 will lapse to the General Fund Surplus account at the close of fiscal year 2002.

The 2000 General Assembly passed House Bill 502 which appropriated 25 percent of the Tobacco Master Settlement Agreement Phase I payments for various early childhood development initiatives in the Office of the Governor, the Cabinet for Health Services, the Cabinet for Families and Children, and the Kentucky Higher Education Assistance Authority. The Office of Early Childhood Development coordinates the activities of these entities.

Government Operations
Kentucky Agency for Substance Abuse Policy

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	207,300				
Tobacco Settlement - I	2,500,000	2,574,800	2,236,600	2,574,800	2,236,600
Continuing Appropriation - Tobacco Settlement	2,366,100				
Total General Fund	5,073,400	2,574,800	2,236,600	2,574,800	2,236,600
Federal Funds					
Current Receipts	111,700	111,700	111,700	111,700	111,700
Total Federal Funds	111,700	111,700	111,700	111,700	111,700
TOTAL SOURCE OF FUNDS	5,185,100	2,686,500	2,348,300	2,686,500	2,348,300
EXPENDITURES BY CLASS					
Personnel Cost	401,000	409,200	427,700	399,700	416,300
Operating Expenses	207,700	217,700	217,700	442,700	442,700
Grants, Loans or Benefits	3,576,400	2,059,600	1,702,900	1,844,100	1,489,300
TOTAL EXPENDITURES	4,185,100	2,686,500	2,348,300	2,686,500	2,348,300
EXPENDITURES BY FUND SOURCE					
General Fund	4,073,400	2,574,800	2,236,600	2,574,800	2,236,600
Federal Funds	111,700	111,700	111,700	111,700	111,700
TOTAL EXPENDITURES	4,185,100	2,686,500	2,348,300	2,686,500	2,348,300

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

The Champions for a Drug Free Kentucky program will maintain its identity as a separate function in partnership with KY-ASAP. Its primary role is to provide a focus and direction for the mobilization of local community anti-drug coalitions by working with the professional staffs in the Regional Prevention Centers, in partnership with the administrative arm of the Division of Substance Abuse in the Cabinet for Health Services.

Policy

At the close of the state fiscal year 2002, \$1 million of tobacco settlement fund shall lapse to the credit of the General Fund.

Included in the recommended budget is \$225,000 each year to be transferred to the Department for Public Health to support operating costs associated with the upgrade of the Kentucky All Schedule Prescription Electronic Program (KASPER). The upgrade of KASPER comes as a result of the dramatic increases in utilization of the program along with the recommendations of the Oxycontin Task Force.

**Government Operations
Kentucky Infrastructure Authority**

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
SOURCE OF FUNDS					
General Fund					
Regular Appropriation			7,529,000		1,111,000
Total General Fund			7,529,000		1,111,000
Restricted Funds					
Balance Forward	303,100	303,100	303,100	303,100	303,000
Non-Revenue Receipts	6,513,800	2,399,700	2,392,300	2,578,900	2,568,000
Total Restricted Funds	6,816,900	2,702,800	2,695,400	2,882,000	2,871,000
Federal Funds					
Balance Forward	1,400	1,400	1,400	1,400	
Current Receipts	53,311,500	53,310,500	53,311,500	53,311,600	53,312,000
Non-Revenue Receipts	-3,000,000	-3,000,000	-3,000,000	-3,000,000	-3,000,000
Total Federal Funds	50,312,900	50,311,900	50,312,900	50,313,000	50,312,000
TOTAL SOURCE OF FUNDS	57,129,800	53,014,700	60,537,300	53,195,000	54,294,000
EXPENDITURES BY CLASS					
Personnel Cost	2,512,700	2,377,200	2,367,800	2,349,000	2,334,000
Operating Expenses	242,600	50,303,000	50,303,000	513,000	513,000
Grants, Loans or Benefits	54,000,000			50,000,000	50,000,000
Debt Service			7,529,000		1,111,000
Capital Outlay	70,000	30,000	33,000	30,000	33,000
TOTAL EXPENDITURES	56,825,300	52,710,200	60,232,800	52,892,000	53,991,000
EXPENDITURES BY FUND SOURCE					
General Fund			7,529,000		1,111,000
Restricted Funds	6,513,800	2,399,700	2,392,300	2,579,000	2,568,000
Federal Funds	50,311,500	50,310,500	50,311,500	50,313,000	50,312,000
TOTAL EXPENDITURES	56,825,300	52,710,200	60,232,800	52,892,000	53,991,000

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

The Authority is authorized by KRS Chapter 224A to issue notes and bonds to provide loans to governmental agencies and private, investor owned utilities in Kentucky. The provisions of KRS 224A.165 dictate certain limits on the amount of notes and bonds the authority can have outstanding. The purpose of the loans is to assist such entities in financing the construction of infrastructure projects. The following provides a description of the Authority's various programs:

Fund A - Wastewater Revolving Loan Program:

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

Fund B - Infrastructure Revolving Fund Programs:

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

Fund B 2020 Program: This fund was established to support the implementation of the legislation as amended in the 2000 General Assembly. Eligible activities include, but are not limited to, the provision of water service to households in Kentucky which do not have access to safe drinking water, encourage merger and consolidation of systems, encourage the increased financial, managerial, and technical capacity of systems to provide service.

Fund C - Governmental Agencies Program:

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

Fund E - Solid Waste Revolving Loan Program:

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

Fund F - Drinking Water Revolving Loan Fund

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

Policy

Included in the Governor's recommended budget is \$615,000 in fiscal year 2004 for debt service to support \$6,200,000 in bonds to match \$31,000,000 in federal funds for the Federally Assisted Wastewater Revolving Loan Fund program (Fund A).

Included in the Governor's recommended budget is \$496,000 in fiscal year 2004 for debt service to support \$5,000,000 in bonds to match \$25,000,000 in federal funds for the Safe Drinking Water State Revolving Loan Fund program (Fund F).

The Federal Funds for this program are appropriated in the operating budget to comply with the Federal Cash Management Act. The required state matching funds are appropriated as Bond Funds in the capital budget.

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

**Government Operations
Veterans' Affairs**

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	14,073,800	22,070,300	17,718,800	14,436,500	15,153,700
Budget Reduction	-1,545,000				
Total General Fund	12,528,800	22,070,300	17,718,800	14,436,500	15,153,700
Restricted Funds					
Balance Forward	2,934,700	383,600	83,600	183,100	
Current Receipts	11,618,000	18,977,000	20,404,000	18,265,000	19,332,000
Non-Revenue Receipts	-200,500				
Total Restricted Funds	14,352,200	19,360,600	20,487,600	18,448,100	19,332,000
TOTAL SOURCE OF FUNDS	26,881,000	41,430,900	38,206,400	32,884,600	34,485,700
EXPENDITURES BY CLASS					
Personnel Cost	20,564,000	29,307,000	31,035,400	26,240,400	27,767,900
Operating Expenses	5,001,600	6,690,300	6,867,400	6,439,800	6,513,500
Grants, Loans or Benefits	69,300	5,085,000	85,000	69,300	69,300
Capital Outlay	328,000	265,000	135,000	135,100	135,000
Construction	735,000				
TOTAL EXPENDITURES	26,697,900	41,347,300	38,122,800	32,884,600	34,485,700
EXPENDITURES BY FUND SOURCE					
General Fund	12,528,800	22,070,300	17,718,800	14,436,500	15,153,700
Restricted Funds	14,169,100	19,277,000	20,404,000	18,448,100	19,332,000
TOTAL EXPENDITURES	26,697,900	41,347,300	38,122,800	32,884,600	34,485,700
EXPENDITURES BY UNIT					
Commissioner's Office & Field Services	1,438,300	7,484,900	2,787,000	1,597,500	1,717,000
Kentucky Veterans' Centers	25,259,600	33,862,400	35,335,800	31,287,100	32,768,700
TOTAL EXPENDITURES	26,697,900	41,347,300	38,122,800	32,884,600	34,485,700

The Kentucky Department of Veterans' Affairs (KDVA), established by KRS Chapter 36, assists over 350,000 Kentucky veterans and their families in applying for federal, state, and local veteran's benefits. Services include: benefits counseling and claims processing regarding the existence or availability of educational, training, and retraining facilities; health, medical rehabilitation, and housing services and facilities; employment and reemployment services; and provisions of federal, state, and local laws affording rights, privileges, and benefits to eligible veterans and their dependents. These services are supported by a cooperative network of Veterans' Benefits Field Representatives, volunteers, and personal service contracts with numerous major veterans' organizations.

House Bill 90, passed by the 1996 General Assembly, established the KDVA and attached the new department to the Office of the Governor. This bill eliminated the Kentucky Center for Veterans' Affairs, which was then a division in the Department of Military Affairs. During the 1998 Regular Session of the General Assembly, House Bill 360, affirming Executive Order 97-733, established the Office of the Commissioner in the Department of Veterans' Affairs. On October 1, 1998 the KDVA Commissioner was appointed. Senate Bill 22 also required the KDVA to establish and maintain Kentucky state veterans' cemeteries.

The Office of Kentucky Veterans' Centers within the KDVA manages the Kentucky state veterans' nursing homes, which serve the long term nursing care needs of Kentucky's elderly veteran population - approximately 110,000 of Kentucky's 355,000 plus veterans.

The Thomson-Hood Veterans' Center, located in Wilmore in Jessamine County, is a 300-bed long-term nursing care facility specifically for Kentucky's elderly veteran population. There are two in-house physicians, two in-house nurse practitioners, a nursing staff numbering in excess of 200 employees, an in-house pharmacy, rehab therapy department, barber shop, library, gift shop, laundry facility, a dietary department, and an employee child care facility, all of which operate seven days per week.

The 1998 Regular Session of the General Assembly authorized the construction of two new state veterans' nursing homes. One home, located in Perry County, will serve Eastern Kentucky. The other, located in Hopkins County, will serve Western Kentucky. Resident occupancy is expected to begin in February 2002 and full occupancy by October 2002. Each facility will employ approximately 156 full time employees including a physician, a nurse practitioner, a nursing staff numbering nearly 100, and staffing for an in-house pharmacy, rehab therapy department, barber shop, library, gift shop, laundry facility, a dietary department, and an employee child care facility.

Construction of the Kentucky Veterans Cemetery-West was authorized during the 2000 General Assembly. It consists of 73 acres and is located on Highway 41A south of Hopkinsville. Construction will include an administration building (~3600 square feet), a maintenance building (~4400 square feet) with service area, committal facility, a columbarium, appropriate parking, road network, walking path and landscaping. When fully operational it will employ six employees with an annual facility projected operating costs of \$250,000. Construction is expected to be complete by summer 2003. The estimated cost of construction and initial equipment is \$6,205,000 federal construction grant plus \$100,000 state contribution.

Policy

Included in the above General Fund appropriation is \$3,141,200 in fiscal year 2003 and \$3,156,800 in fiscal year 2004 for personnel and operating costs for the Eastern Kentucky Veterans Center; \$2,934,700 in fiscal year 2003 and \$2,841,800 in fiscal year 2004 for personnel and operating costs for the Western Kentucky Veterans Center; \$200,500 in fiscal year 2003 and \$304,500 in fiscal year 2004 for personnel and operating costs for the Western Kentucky Veterans' Cemetery; and \$1,382,300 in fiscal year 2003 and \$935,300 in fiscal year 2004 to support the Special Care Unit at Wilmore. Also included in the above restricted funds appropriation is \$3,245,000 in fiscal year 2003 and \$3,546,000 in fiscal year 2004 for personnel and operating costs for the Eastern Kentucky Veterans Center; and \$3,278,000 in fiscal year 2003 and \$3,730,000 in fiscal year 2004 for the personnel and operating costs for the Western Kentucky Veterans Center.

Government Operations
Governor's Office for Technology

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
SOURCE OF FUNDS					
General Fund					
Regular Appropriation		2,712,500	1,412,500	300,000	300,000
Total General Fund		2,712,500	1,412,500	300,000	300,000
Restricted Funds					
Balance Forward	2,975,400				
Current Receipts	255,200	314,000	253,100	314,000	314,000
Non-Revenue Receipts	61,362,900	64,347,000	65,636,000	61,004,000	61,004,000
Total Restricted Funds	64,593,500	64,661,000	65,889,100	61,318,000	61,318,000
Road Fund					
Regular Appropriation	125,000	125,000	125,000	125,000	125,000
Total Road Fund	125,000	125,000	125,000	125,000	125,000
TOTAL SOURCE OF FUNDS	64,718,500	67,498,500	67,426,600	61,743,000	61,743,000
EXPENDITURES BY CLASS					
Personnel Cost	34,576,500	36,697,000	37,579,500	34,776,000	34,776,000
Operating Expenses	23,861,600	22,079,200	21,979,400	18,961,000	19,621,000
Grants, Loans or Benefits	125,000	125,000	125,000	125,000	125,000
Capital Outlay	2,605,400	2,285,300	2,090,700	1,569,000	1,569,000
Construction	3,550,000	6,312,000	5,652,000	6,312,000	5,652,000
TOTAL EXPENDITURES	64,718,500	67,498,500	67,426,600	61,743,000	61,743,000
EXPENDITURES BY FUND SOURCE					
General Fund		2,712,500	1,412,500	300,000	300,000
Restricted Funds	64,593,500	64,661,000	65,889,100	61,318,000	61,318,000
Road Fund	125,000	125,000	125,000	125,000	125,000
TOTAL EXPENDITURES	64,718,500	67,498,500	67,426,600	61,743,000	61,743,000
EXPENDITURES BY UNIT					
Office of Chief Information Officer	5,270,300	6,381,900	5,155,400	2,938,000	2,938,000
CMRS Telecom Board of Kentucky	439,100	314,000	253,100	314,000	314,000
Consulting and Project Management	14,621,000	15,058,000	15,243,700	14,606,000	14,606,000
Administrative Services	8,611,400	5,397,000	5,582,800	4,260,000	4,260,000
Infrastructure Services	32,196,700	36,696,000	37,467,000	36,167,000	36,167,000
Policy and Customer Relations	3,580,000	3,651,600	3,724,600	3,458,000	3,458,000
TOTAL EXPENDITURES	64,718,500	67,498,500	67,426,600	61,743,000	61,743,000

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

The Governor's Office for Technology (GOT) provides leadership, policy direction, and technical support to all executive branch agencies of state government in the application of information technology and the delivery of information services. This broad statement of responsibility encompasses major information resource functions, such as data center operations, voice, data, and video communications, application development, data and security administration, computer and data communications, hardware selection and installation, and related end user and customer support services. The workload for GOT is highly sensitive to agency programmatic shifts, particularly changes mandated by state and federal legislation.

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

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

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

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

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

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

The Office of Infrastructure Services is responsible for the operation of the enterprise computing environment. This Office includes the daily operation of the Commonwealth Data Center, operation and maintenance of the Kentucky Information Highway, and all communication services, including data, voice, video and wireless. Other responsibilities include providing help desk assistance to end users in the Commonwealth and meeting the demands of tighter security of client information in the areas of electronic commerce and network computing.

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

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

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

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

Policy

Included in the Governor's Recommended Budget is \$300,000 in General Funds in fiscal year 2003 and fiscal year 2004 for the continuation of the telemedicine initiative.

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

Program Mission

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

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

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

<u>FY 2002</u>	<u>FY 2003</u>	<u>FY 2004</u>
99%	99%	99%

Performance Indicator: Decrease the number of outages affecting 25% or more of the state.

<u>FY 2002</u>	<u>FY 2003</u>	<u>FY 2004</u>
12%	9%	6%

Objective: Enhance security awareness through staff development, training, and increased communications.

Performance Indicator: Number of security assessments performed per month.

<u>FY 2002</u>	<u>FY 2003</u>	<u>FY 2004</u>
2%	4%	4%

Performance Indicator: Decrease the percent of passwords not meeting acceptable standards.

<u>FY 2002</u>	<u>FY 2003</u>	<u>FY 2004</u>
10%	5%	2%

Objective: Increase utilization of shared services through proactive education of customers and eliminating redundancies by providing enterprise solutions for all state agencies.

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

<u>FY 2002</u>	<u>FY 2003</u>	<u>FY 2004</u>
20%	36%	36%

Performance Indicator: Reduce the number of personnel using RJE support for the Executive branch of state government.

<u>FY 2002</u>	<u>FY 2003</u>	<u>FY 2004</u>
3%	5%	6%

**Government Operations
Secretary of State**

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	2,491,400	3,208,800	3,346,900	2,360,100	2,360,100
Budget Reduction	-131,300				
Total General Fund	2,360,100	3,208,800	3,346,900	2,360,100	2,360,100
Restricted Funds					
Balance Forward	612,900	736,400	1,327,100	366,400	246,900
Current Receipts	788,500	759,000	875,000	759,000	875,000
Non-Revenue Receipts	-500,000				
Total Restricted Funds	901,400	1,495,400	2,202,100	1,125,400	1,121,900
TOTAL SOURCE OF FUNDS	3,261,500	4,704,200	5,549,000	3,485,500	3,482,000
EXPENDITURES BY CLASS					
Personnel Cost	2,470,300	2,602,800	2,736,600	2,464,300	2,584,400
Operating Expenses	424,800	774,300	782,300	774,300	782,300
TOTAL EXPENDITURES	2,895,100	3,377,100	3,518,900	3,238,600	3,366,700
EXPENDITURES BY FUND SOURCE					
General Fund	2,360,100	3,208,800	3,346,900	2,360,100	2,360,100
Restricted Funds	535,000	168,300	172,000	878,500	1,006,600
TOTAL EXPENDITURES	2,895,100	3,377,100	3,518,900	3,238,600	3,366,700
EXPENDITURES BY UNIT					
General Administration	1,293,800	1,440,300	1,521,200	1,279,400	1,263,100
General Operations	1,022,300	1,724,500	1,781,700	1,036,700	1,053,000
Limited Liability Companies	535,000	168,300	172,000	878,500	1,006,600
Restoration of Land Grant Books	44,000	44,000	44,000	44,000	44,000
TOTAL EXPENDITURES	2,895,100	3,377,100	3,518,900	3,238,600	3,366,700

The Secretary of State is the constitutional officer entrusted with filing, maintaining, and preserving the important documents and records of the Commonwealth. The Secretary also keeps the Seal of the Commonwealth and affixes it to all communications and commissions issued in the name of the state. The Office of the Secretary of State consists of two units: General Administration and Restoration of Land Grant Books.

General Administration

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

The General Administration and Support program is responsible for central policy research, planning, and implementation. The program also prepares and records official documents for the Governor and administers election laws pertaining to the Secretary of State. This program administers Kentucky Notary Public Law, issues commissions, pardons, commutation, and extradition.

The General Operations and Kentucky Business Law Unit is responsible for the administration and incorporation of businesses, both domestic and foreign, profit and non-profit, including the administration of documents of merger, dissolution, name changes, and stock changes. The program administers Kentucky's Uniform Commercial Code Law and laws regarding the service of summonses and complaints, and laws pertaining to trademarks and service marks. The 2000 General Assembly enacted Revised

Article 9 of the Uniform Commercial Code, effective July 1, 2001, (KRS 355, Title 9). This law established the Office of the Secretary of State as the filing office for most personal property liens. The enactment of the law required the Secretary of State to establish a UCC Branch within the Corporation Division and employ filing clerks to file the numerous UCC records that were previously filed with the county clerks.

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

Restoration of Land Grant Books

The objective of the Restoration of Land Grant Books program is to preserve Kentucky land grant records and fulfill daily requests for copies of those records. The Land Grant Division files city annexations and incorporations, state deeds, and new land patents, as well as answering inquiries pertaining to Land Records and providing the public with certified copies of land surveys, grants, and military warrants. The restoration process consists of indexing, de-acidifying, laminating, and bonding, thus safely preserving Kentucky's original land grants.

Policy

Notwithstanding KRS 14.140, an allocation from agency funds received in the Limited Liability Companies program in the amount of \$878,500 in fiscal year 2003 and \$1,006,600 in fiscal year 2004 shall not lapse and be used for the continuation of current activities within the General Administration unit and for the operations and staff of the Uniform Commercial Code Branch within the General Operations Corporation Division.

**Government Operations
Board of Elections**

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	3,945,600	4,793,500	4,907,800	4,739,700	4,832,500
Budget Reduction	-80,200				
Total General Fund	3,865,400	4,793,500	4,907,800	4,739,700	4,832,500
Restricted Funds					
Balance Forward	187,800	167,800	162,800	167,800	94,200
Current Receipts	40,000	35,000	30,000	35,000	30,000
Total Restricted Funds	227,800	202,800	192,800	202,800	124,200
TOTAL SOURCE OF FUNDS	4,093,200	4,996,300	5,100,600	4,942,500	4,956,700
EXPENDITURES BY CLASS					
Personnel Cost	885,100	1,011,300	1,032,100	850,400	855,700
Operating Expenses	579,300	642,600	645,600	662,600	665,600
Grants, Loans or Benefits	2,461,000	3,179,600	3,270,100	3,335,300	3,428,100
TOTAL EXPENDITURES	3,925,400	4,833,500	4,947,800	4,848,300	4,949,400
EXPENDITURES BY FUND SOURCE					
General Fund	3,865,400	4,793,500	4,907,800	4,739,700	4,832,500
Restricted Funds	60,000	40,000	40,000	108,600	116,900
TOTAL EXPENDITURES	3,925,400	4,833,500	4,947,800	4,848,300	4,949,400
EXPENDITURES BY UNIT					
General Administration and Support	1,464,400	1,653,900	1,677,700	1,513,000	1,521,300
State Share of County Election Expenses	1,017,700	1,765,100	1,790,600	1,920,800	1,948,600
State Share of Voter Registration Expenses	1,443,300	1,414,500	1,479,500	1,414,500	1,479,500
TOTAL EXPENDITURES	3,925,400	4,833,500	4,947,800	4,848,300	4,949,400

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

The Board is directed by the Secretary of State, an ex-officio member, with other members appointed by the Governor.

General Administration and Support

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

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

- On-line inquiry which enables the county clerks to view the registration and voting record of each current registrant.

- Daily file maintenance which allows the county clerk to enter new registrants, transfer a registrant, or make the proper registration change on a local level. Once entered, this information is electronically transmitted to the statewide central file at the State Board of Elections in Frankfort.
- Printing and distribution of precinct rosters and alphabetical rosters to the county clerks for use on Election Day. This process (primary election is approximately 500,000 documents and the general election is approximately 275,000 documents) begins when the books are closed and all changes, additions and deletions are made to the file.

Post election activities include giving credit to all voters who voted on Election Day. This data is scanned into the system allowing the agency to update the voter files, produce voter turnout reports, as well as various other reports including vital data to candidates.

State Share of County Election Expenses

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

The state currently has 3,361 precincts with over 2.7 million registered voters. The number of precincts increase as registration totals increase and as reapportionment of county commissioner/magisterial districts and congressional and state redistricting occur.

State Share of Voter Registration Expenses

The State Board of Elections remits payment to the county clerk by the state the amount of twenty-five cents (\$.025) for registration of voters pursuant to KRS 116.145. There is a significant increase of newly registered voters in years that county and presidential candidates are on the ballot.

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

Policy

Included in the General Fund appropriation is \$3,335,300 in fiscal year 2003 and \$3,428,100 in fiscal year 2004 to pay the state's share of county election expenses and the state's share of voter registration expenses. Any unexpended balance remaining at the close of each fiscal year shall lapse to the credit of the General Fund. Any amount that the state is required to pay in excess of the above amounts shall be deemed a Necessary Governmental Expense and shall be paid from the General Fund.

Included in the General Fund appropriation is \$155,700 in fiscal year 2003 and \$158,000 in fiscal year 2004 to provide an increase to all eligible precincts for election expenses. Notwithstanding KRS 117.345 (2), the maximum state payment rate is increased this biennium from \$255 to \$300 per eligible precinct containing at least 350 registered voters and for those precincts containing less than 350 voters with prior approval from the State Board of Elections. Any amount the state is required to pay in excess of the above amounts shall be deemed Necessary Governmental Expenses and shall be paid from the General Fund.

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

Government Operations

Treasury

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	2,402,000	2,277,500	2,375,000	2,275,900	2,275,900
Budget Reduction	-126,100				
Total General Fund	2,275,900	2,277,500	2,375,000	2,275,900	2,275,900
Restricted Funds					
Balance Forward	88,000			65,700	
Non-Revenue Receipts	731,900	823,400	852,100	750,000	834,500
Total Restricted Funds	819,900	823,400	852,100	815,700	834,500
TOTAL SOURCE OF FUNDS	3,095,800	3,100,900	3,227,100	3,091,600	3,110,400
EXPENDITURES BY CLASS					
Personnel Cost	2,169,500	2,219,600	2,324,600	2,141,600	2,207,900
Operating Expenses	845,600	881,300	902,500	950,000	902,500
Construction	15,000				
TOTAL EXPENDITURES	3,030,100	3,100,900	3,227,100	3,091,600	3,110,400
EXPENDITURES BY FUND SOURCE					
General Fund	2,275,900	2,277,500	2,375,000	2,275,900	2,275,900
Restricted Funds	754,200	823,400	852,100	815,700	834,500
TOTAL EXPENDITURES	3,030,100	3,100,900	3,227,100	3,091,600	3,110,400
EXPENDITURES BY UNIT					
General Administration and Support	1,698,700	1,684,800	1,751,700	1,710,700	1,701,200
Disbursements and Accounting	583,000	592,700	623,300	573,000	574,700
Abandoned Property Administration	748,400	823,400	852,100	807,900	834,500
TOTAL EXPENDITURES	3,030,100	3,100,900	3,227,100	3,091,600	3,110,400

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

The State Treasurer, a constitutional officer as provided in Section 91 of the State Constitution, heads the Treasury Department. The Treasurer also serves on the State Investment Commission and serves as chair of the Commonwealth Postsecondary Education Prepaid Tuition Trust Fund. The Treasury Department reviews and records all investment transactions of the Commonwealth.

The General Administration and Support Division provides management support for Treasury including: fiscal control, personnel administration, and policy development and implementation. The Division issues over 7,500,000 checks each year, reconciles the various Commonwealth bank accounts, reconciles daily with the State Depository, administers and records court-ordered withholdings, and produces wire transfers for state government. Pursuant to KRS 164A, the Treasurer administers the Commonwealth Postsecondary Education Prepaid Tuition Trust Fund.

The Disbursements and Accounting Division receives all funds of the Commonwealth including fees, grants, taxes, federal funds, fees from officials in counties over 75,000 in population, and fees from various boards and commissions. This program also receives, balances, and deposits all withholdings and all U. S. Savings Bond deductions from state agency payrolls. A computer analysis is maintained on daily receipts and disbursements, which subsequently is submitted to the Finance and Administration Cabinet for accounting posting.

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

Policy

The 2002-2004 Executive Budget provides restricted funds in accordance with Kentucky Revised Statute 393.250 for the administration of the Unclaimed Property Program in the amount of \$807,900 in fiscal year 2003 and \$834,500 in fiscal year 2004. This action reflects the movement of available off-budget restricted funds to on-budget status to support ongoing activities of the Unclaimed Property Program.

**Government Operations
Attorney General**

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	13,751,400	13,603,400	13,875,500	13,312,100	13,325,500
Budget Reduction	-724,700				
Mandated Allotments	35,000				
Total General Fund	13,061,700	13,603,400	13,875,500	13,312,100	13,325,500
Restricted Funds					
Balance Forward	1,831,300	1,623,000	1,044,300	1,623,000	1,044,300
Current Receipts	1,414,200	1,366,200	1,366,200	1,366,200	1,366,200
Non-Revenue Receipts	4,717,300	4,831,000	4,891,900	4,802,500	4,859,400
Total Restricted Funds	7,962,800	7,820,200	7,302,400	7,791,700	7,269,900
Federal Funds					
Balance Forward	10,000				
Current Receipts	2,341,400	2,351,400	2,351,400	2,351,400	2,351,400
Total Federal Funds	2,351,400	2,351,400	2,351,400	2,351,400	2,351,400
TOTAL SOURCE OF FUNDS	23,375,900	23,775,000	23,529,300	23,455,200	22,946,800
EXPENDITURES BY CLASS					
Personnel Cost	15,416,900	16,472,700	17,297,800	16,152,900	16,715,300
Operating Expenses	2,640,600	2,584,000	2,644,100	2,584,000	2,644,100
Grants, Loans or Benefits	3,655,400	3,674,000	3,587,400	3,674,000	3,587,400
Capital Outlay	40,000				
TOTAL EXPENDITURES	21,752,900	22,730,700	23,529,300	22,410,900	22,946,800
EXPENDITURES BY FUND SOURCE					
General Fund	13,061,700	13,603,400	13,875,500	13,312,100	13,325,500
Restricted Funds	6,339,800	6,775,900	7,302,400	6,747,400	7,269,900
Federal Funds	2,351,400	2,351,400	2,351,400	2,351,400	2,351,400
TOTAL EXPENDITURES	21,752,900	22,730,700	23,529,300	22,410,900	22,946,800
EXPENDITURES BY UNIT					
Administrative Services	2,490,000	2,637,900	2,765,900	2,571,600	2,692,600
Criminal Services	7,922,000	8,338,300	8,614,500	8,168,000	8,318,600
Advocacy Services	4,267,200	4,460,500	4,657,100	4,440,100	4,519,100
Civil Services	2,695,300	2,859,900	2,996,800	2,825,600	2,954,000
Uninsured Employers Fund	4,378,400	4,434,100	4,495,000	4,405,600	4,462,500
TOTAL EXPENDITURES	21,752,900	22,730,700	23,529,300	22,410,900	22,946,800

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

The Administrative Services program area contains the Administrative Services Division and the Prosecutor's Advisory Council Services Division. The Administrative Services Division's duties include: personnel, payroll, fiscal, budget, state and federal grants, and training. The Prosecutors Advisory Council Services Division's duties include: personnel, payroll, fiscal, budget,

state and federal grants, and legal education, related to the Unified Prosecutorial System (UPS), along with the maintenance of child sexual abuse caseload and statistics, and the responsibility for the Victim and Witness Protection Program.

The Criminal Services program area contains the following Divisions: Criminal Appellate, Medicaid Fraud and Abuse Control, Special Investigations, Special Prosecutions, and Financial Integrity Enforcement. The Criminal Appellate Division, as mandated by KRS 15.020, provides representation by the Attorney General for the Commonwealth in all State and Federal criminal appeals in which the Commonwealth has an interest. The Medicaid Fraud and Abuse Control Division investigates and prosecutes cases of Medicaid Provider fraud pursuant to KRS 194.500-900 and KRS 205, and further complaints of abuse, neglect, and exploitation of residents in Medicaid facilities. The Special Investigations Division investigates specialized, primarily white-collar criminal activity and welfare recipient fraud. The Special Prosecutions Division, pursuant to KRS 15.190 - 715, prosecutes complex criminal cases when local prosecutors need assistance or disqualification from the case, prosecutes thefts from the Commonwealth by employees or elected officials, and prosecutes election law violations, and ethics law violations. The Financial Integrity Enforcement Division investigates the fraudulent use of social security numbers and other personal information to obtain cash, goods, or services illegally, and sale of counterfeit items.

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

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

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

**Government Operations
Unified Prosecutorial System**

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	44,588,600	48,985,600	50,708,300	44,771,700	47,416,400
Budget Reduction	-891,800				
Mandated Allotments	50,000				
Total General Fund	43,746,800	48,985,600	50,708,300	44,771,700	47,416,400
Restricted Funds					
Balance Forward	850,600	700,800	488,000	700,800	
Current Receipts	204,800	204,800	204,800	204,800	204,800
Total Restricted Funds	1,055,400	905,600	692,800	905,600	204,800
Federal Funds					
Balance Forward	68,400				
Current Receipts	760,800	1,584,300	1,284,300	1,013,300	1,066,100
Total Federal Funds	829,200	1,584,300	1,284,300	1,013,300	1,066,100
TOTAL SOURCE OF FUNDS	45,631,400	51,475,500	52,685,400	46,690,600	48,687,300
EXPENDITURES BY CLASS					
Personnel Cost	40,713,900	45,301,900	47,273,800	41,640,400	43,657,400
Operating Expenses	3,973,700	5,100,700	4,520,000	4,465,300	4,445,000
Grants, Loans or Benefits	243,000	584,900	584,900	584,900	584,900
TOTAL EXPENDITURES	44,930,600	50,987,500	52,378,700	46,690,600	48,687,300
EXPENDITURES BY FUND SOURCE					
General Fund	43,746,800	48,985,600	50,708,300	44,771,700	47,416,400
Restricted Funds	354,600	417,600	386,100	905,600	204,800
Federal Funds	829,200	1,584,300	1,284,300	1,013,300	1,066,100
TOTAL EXPENDITURES	44,930,600	50,987,500	52,378,700	46,690,600	48,687,300
EXPENDITURES BY UNIT					
Commonwealth's Attorneys	23,963,800	27,880,400	28,353,800	25,533,700	26,570,200
County Attorneys	20,966,800	23,107,100	24,024,900	21,156,900	22,117,100
TOTAL EXPENDITURES	44,930,600	50,987,500	52,378,700	46,690,600	48,687,300

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

The Unified Prosecutorial System is administered by the Prosecutors Advisory Council, which the Attorney General chairs. The Unified Prosecutorial System, comprised of the 56 Commonwealth's Attorneys and 120 County Attorneys, exists for the purpose of prosecuting criminal cases in Kentucky's circuit and district courts.

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

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	23,503,400	26,545,300	27,349,300	24,091,800	25,738,900
Budget Reduction	-470,100				
Mandated Allotments	50,000				
Total General Fund	23,083,300	26,545,300	27,349,300	24,091,800	25,738,900
Restricted Funds					
Balance Forward	758,700	643,300	470,800	643,300	
Current Receipts	200,000	200,000	200,000	200,000	200,000
Total Restricted Funds	958,700	843,300	670,800	843,300	200,000
Federal Funds					
Balance Forward	49,100				
Current Receipts	516,000	962,600	631,300	598,600	631,300
Total Federal Funds	565,100	962,600	631,300	598,600	631,300
TOTAL SOURCE OF FUNDS	24,607,100	28,351,200	28,651,400	25,533,700	26,570,200
EXPENDITURES BY CLASS					
Personnel Cost	20,659,500	23,298,300	24,323,700	21,587,000	22,615,100
Operating Expenses	3,061,300	3,997,200	3,445,200	3,361,800	3,370,200
Grants, Loans or Benefits	243,000	584,900	584,900	584,900	584,900
TOTAL EXPENDITURES	23,963,800	27,880,400	28,353,800	25,533,700	26,570,200
EXPENDITURES BY FUND SOURCE					
General Fund	23,083,300	26,545,300	27,349,300	24,091,800	25,738,900
Restricted Funds	315,400	372,500	373,200	843,300	200,000
Federal Funds	565,100	962,600	631,300	598,600	631,300
TOTAL EXPENDITURES	23,963,800	27,880,400	28,353,800	25,533,700	26,570,200

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

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

The Commonwealth's Attorney program is made up of 56 elected Commonwealth's Attorneys and their staff, one for each circuit. As of January 1, 2002, 45 circuits have full-time Commonwealth's Attorneys, with the remaining being part-time. The prosecution of each felony requires a thorough investigation that involves extensive research and trial preparation by the prosecutor. Witness interviews, motions, conferences, plea-bargaining, case studies, and continuing legal education are a part of each prosecutor's responsibility in representing the Commonwealth and citizens of Kentucky as the state's attorney.

Policy

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

Notwithstanding the provisions of KRS 218A.435(12), second sentence: "the moneys are intended to supplement any funds appropriated to the recipient and shall not supplant other funding of any recipient," funds are recommended for appropriation to support the operations of the Commonwealth's Attorneys.

Each full-time Commonwealth's Attorney is recommended to be provided the sum of \$1,000 each month, which is declared to be the equivalent of the minimum sum that the Commonwealth's Attorney will expend each month in the performance of the official duties directed to be performed for the Commonwealth, notwithstanding KRS 15.755(6).

**Government Operations
Unified Prosecutorial System
County Attorneys**

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	21,085,200	22,440,300	23,359,000	20,679,900	21,677,500
Budget Reduction	-421,700				
Total General Fund	20,663,500	22,440,300	23,359,000	20,679,900	21,677,500
Restricted Funds					
Balance Forward	91,900	57,500	17,200	57,500	
Current Receipts	4,800	4,800	4,800	4,800	4,800
Total Restricted Funds	96,700	62,300	22,000	62,300	4,800
Federal Funds					
Balance Forward	19,300				
Current Receipts	244,800	621,700	653,000	414,700	434,800
Total Federal Funds	264,100	621,700	653,000	414,700	434,800
TOTAL SOURCE OF FUNDS	21,024,300	23,124,300	24,034,000	21,156,900	22,117,100
EXPENDITURES BY CLASS					
Personnel Cost	20,054,400	22,003,600	22,950,100	20,053,400	21,042,300
Operating Expenses	912,400	1,103,500	1,074,800	1,103,500	1,074,800
TOTAL EXPENDITURES	20,966,800	23,107,100	24,024,900	21,156,900	22,117,100
EXPENDITURES BY FUND SOURCE					
General Fund	20,663,500	22,440,300	23,359,000	20,679,900	21,677,500
Restricted Funds	39,200	45,100	12,900	62,300	4,800
Federal Funds	264,100	621,700	653,000	414,700	434,800
TOTAL EXPENDITURES	20,966,800	23,107,100	24,024,900	21,156,900	22,117,100

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

Criminal cases at the district level include felonies (until the case is transferred to circuit court), misdemeanors, juvenile cases, and traffic cases. The County Attorney frequently mediates local complaints so many of the services provided may never appear on a court docket.

Policy

Notwithstanding the provisions of KRS 218A.435(12), second sentence: "the moneys are intended to supplement any funds appropriated to the recipient and shall not supplant other funding of any recipient," funds are recommended for appropriation to support the operations of the County Attorneys.

Each County Attorney is recommended to be provided the sum of \$500 each month, which is declared to be the equivalent of the minimum sum that each County Attorney will expend each month in the performance of official duties directed to be performed for the Commonwealth, notwithstanding KRS 15.765(2).

**Government Operations
Auditor of Public Accounts**

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	5,911,600	5,886,000	6,005,300	5,600,400	5,600,400
Continuing Appropriation - Gen'l Fund	68,500				
Budget Reduction	-311,200				
Total General Fund	5,668,900	5,886,000	6,005,300	5,600,400	5,600,400
Restricted Funds					
Balance Forward	760,000	245,200	304,700	245,200	394,900
Current Receipts	3,890,200	3,890,200	3,890,200	3,890,200	3,890,200
Total Restricted Funds	4,650,200	4,135,400	4,194,900	4,135,400	4,285,100
TOTAL SOURCE OF FUNDS	10,319,100	10,021,400	10,200,200	9,735,800	9,885,500
EXPENDITURES BY CLASS					
Personnel Cost	8,330,100	8,630,200	9,094,800	8,254,400	8,647,100
Operating Expenses	1,227,000	999,900	1,018,800	999,900	1,018,800
Capital Outlay	516,800	86,600	86,600	86,600	86,600
TOTAL EXPENDITURES	10,073,900	9,716,700	10,200,200	9,340,900	9,752,500
EXPENDITURES BY FUND SOURCE					
General Fund	5,668,900	5,886,000	6,005,300	5,600,400	5,600,400
Restricted Funds	4,405,000	3,830,700	4,194,900	3,740,500	4,152,100
TOTAL EXPENDITURES	10,073,900	9,716,700	10,200,200	9,340,900	9,752,500
EXPENDITURES BY UNIT					
Administration	1,888,400	1,900,700	1,988,300	1,847,300	1,859,500
Examination and Information Technology	1,546,300	1,085,000	1,139,100	1,054,400	1,061,100
Financial Audit	5,848,600	6,083,000	6,393,300	5,809,900	6,197,300
Performance Audit	790,600	648,000	679,500	629,300	634,600
TOTAL EXPENDITURES	10,073,900	9,716,700	10,200,200	9,340,900	9,752,500

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

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

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

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

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

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

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

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

Government Operations

Agriculture

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	21,167,400	23,425,300	23,915,800	20,052,400	20,362,400
Continuing Appropriation - Gen'l Fund	81,600				
Budget Reduction	-1,115,000				
Total General Fund	20,134,000	23,425,300	23,915,800	20,052,400	20,362,400
Restricted Funds					
Balance Forward	2,382,000	3,141,718	2,414,218	3,141,600	2,413,600
Current Receipts	2,221,000	2,231,000	2,251,000	2,231,000	2,251,000
Non-Revenue Receipts	1,009,900	195,800	195,800	195,800	195,800
Total Restricted Funds	5,612,900	5,568,518	4,861,018	5,568,400	4,860,400
Federal Funds					
Balance Forward	22,900	22,881	22,881	22,900	22,900
Current Receipts	2,334,800	2,130,000	2,130,000	2,130,000	2,130,000
Total Federal Funds	2,357,700	2,152,881	2,152,881	2,152,900	2,152,900
TOTAL SOURCE OF FUNDS	28,104,600	31,146,699	30,929,699	27,773,700	27,375,700
EXPENDITURES BY CLASS					
Personnel Cost	16,445,400	17,586,700	18,469,500	16,488,100	17,218,000
Operating Expenses	4,115,300	4,424,500	4,490,000	4,255,700	4,263,100
Grants, Loans or Benefits	3,979,400	6,225,000	6,225,000	4,150,000	4,150,000
Capital Outlay		73,400	35,100	43,400	35,100
Construction	400,000	400,000	400,000	400,000	400,000
TOTAL EXPENDITURES	24,940,100	28,709,600	29,619,600	25,337,200	26,066,200
EXPENDITURES BY FUND SOURCE					
General Fund	20,134,000	23,425,300	23,915,800	20,052,400	20,362,400
Restricted Funds	2,471,300	3,154,300	3,573,800	3,154,800	3,573,800
Federal Funds	2,334,800	2,130,000	2,130,000	2,130,000	2,130,000
TOTAL EXPENDITURES	24,940,100	28,709,600	29,619,600	25,337,200	26,066,200
EXPENDITURES BY UNIT					
Strategic Planning and Administration	3,288,600	3,645,000	3,799,800	3,547,800	3,690,200
Motor Fuel Inspection and Testing	175,000	300,000	300,000	300,000	300,000
Environmental Outreach	4,517,600	4,717,900	4,899,800	4,487,200	4,641,000
Consumer and Public Service	5,979,800	6,130,600	6,320,900	5,781,800	5,938,300
State Veterinarian	4,383,900	6,536,500	6,701,300	4,412,000	4,553,000
Universities	803,800	848,500	848,500	848,500	848,500
Rural Rehabilitation Fund	80,000	80,000	80,000	80,000	80,000
Market Promotion and Protection	78,800	78,800	78,800	78,800	78,800
Mexico Office	100,000	100,000	100,000	100,000	100,000
PACE Agricultural Enhancement Fund	400,000	400,000	400,000	400,000	400,000
Agriculture Marketing and Product Promotion	5,132,600	5,872,300	6,090,500	5,301,100	5,436,400
TOTAL EXPENDITURES	24,940,100	28,709,600	29,619,600	25,337,200	26,066,200

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

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

The Office for Environmental Outreach fosters understanding and cooperation between Kentucky's agriculture community and federal and state enforcement entities. This Office is responsible for conducting various pest and noxious weed control programs, enforcing federal and state laws and regulations pertaining to the control of pesticide use and application, and liaison between the regulator and those being regulated.

The Office for Consumer and Public Service directs programs which have a direct bearing on agricultural revenue. The Office conducts the hay grading program, certifies all sales made by solid weight or liquid volume, licenses egg wholesalers, and inspects amusement rides operating within the Commonwealth. Duties include the distribution of commodity foods to qualifying institutions and individuals on behalf of the USDA.

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

The Office for Agricultural Marketing and Product Promotion develops and manages programs which promote Kentucky-produced agricultural products, including grading and inspecting of specific products and commodities and reporting market news. Responsibilities include the research and development of new and expanded outlets for Kentucky's agricultural products, administration of the Kentucky logo labeling program, administration of the Shows and Fairs Promotion Division, and regulation of the ginseng industry through dealer registration and export certification.

Government Operations
Military Affairs

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	11,147,300	17,004,000	17,735,800	10,979,900	10,979,900
Continuing Appropriation - Gen'l Fund	100,000				
Budget Reduction	-587,400				
Mandated Allotments	6,521,100				
Total General Fund	17,181,000	17,004,000	17,735,800	10,979,900	10,979,900
Restricted Funds					
Balance Forward	2,819,800	1,103,700	1,050,400	1,103,700	1,050,400
Current Receipts	19,131,900	17,441,200	17,466,200	17,927,200	18,042,900
Non-Revenue Receipts		700,000	700,000	700,000	700,000
Total Restricted Funds	21,951,700	19,244,900	19,216,600	19,730,900	19,793,300
Federal Funds					
Balance Forward	160,000				
Current Receipts	22,662,000	19,107,500	18,187,800	19,107,500	18,187,800
Total Federal Funds	22,822,000	19,107,500	18,187,800	19,107,500	18,187,800
TOTAL SOURCE OF FUNDS	61,954,700	55,356,400	55,140,200	49,818,300	48,961,000
EXPENDITURES BY CLASS					
Personnel Cost	22,881,900	22,980,500	24,011,000	21,653,800	22,581,700
Operating Expenses	20,984,500	20,465,500	19,592,300	19,136,100	18,151,700
Grants, Loans or Benefits	15,363,500	9,843,400	9,694,800	6,986,400	6,385,500
Capital Outlay	269,100	321,600	150,000	296,600	150,000
Construction	1,352,000	695,000	695,000	695,000	695,000
TOTAL EXPENDITURES	60,851,000	54,306,000	54,143,100	48,767,900	47,963,900
EXPENDITURES BY FUND SOURCE					
General Fund	17,181,000	17,004,000	17,735,800	10,979,900	10,979,900
Restricted Funds	20,848,000	18,194,500	18,219,500	18,680,500	18,796,200
Federal Funds	22,822,000	19,107,500	18,187,800	19,107,500	18,187,800
TOTAL EXPENDITURES	60,851,000	54,306,000	54,143,100	48,767,900	47,963,900
EXPENDITURES BY UNIT					
General Administration and Support	4,283,500	4,255,400	4,269,500	4,115,300	4,110,000
Property Management	8,206,100	9,824,300	9,930,500	8,129,600	8,039,700
Bluegrass Station	6,000,000	6,000,000	6,000,000	6,000,000	6,000,000
General Administration	6,064,900	6,565,600	6,679,400	6,153,300	6,267,100
100% Federal Programs	6,530,000	6,919,700	6,000,000	6,919,700	6,000,000
Kentucky Emergency Response Commission	340,000	340,000	340,000	340,000	340,000
Federal / State Partnership Program	286,300	282,100	282,100	282,100	282,100
DES - Disaster Accounts	8,500,000				
DES - Emergency	621,100				
DES - Kentucky Community Crisis Response Bd	229,900	239,700	249,900	239,700	249,900
Air Transportation	2,261,100	2,225,500	2,303,500	2,225,500	2,308,900
National Guard Statewide Special Event	820,000				
National Guard Emergencies and Disasters	2,380,000				

National Guard Drug Eradication	200,000				
HIDTA	460,000	460,000	460,000	460,000	460,000
Military Burial Honors	100,000	250,000	250,000		
Youth Challenge	2,687,800	3,322,400	3,325,900	3,022,400	3,025,900
Guard Materials Management Center	1,880,300	1,880,300	1,880,300	1,880,300	1,880,300
Central Clothing Distribution Facility	9,000,000	9,000,000	9,000,000	9,000,000	9,000,000
National Guard Tuition Assistance		2,741,000	3,172,000		
TOTAL EXPENDITURES	60,851,000	54,306,000	54,143,100	48,767,900	47,963,900

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

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

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

**Government Operations
Personnel Board**

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	595,400	602,300	614,400	578,500	578,500
Budget Reduction	-16,900				
Total General Fund	578,500	602,300	614,400	578,500	578,500
Restricted Funds					
Balance Forward	7,200				
Current Receipts	1,700	1,700	1,700	1,700	1,700
Non-Revenue Receipts	-7,100				
Total Restricted Funds	1,800	1,700	1,700	1,700	1,700
TOTAL SOURCE OF FUNDS	580,300	604,000	616,100	580,200	580,200
EXPENDITURES BY CLASS					
Personnel Cost	458,400	489,200	510,300	465,400	474,400
Operating Expenses	121,900	114,800	105,800	114,800	105,800
TOTAL EXPENDITURES	580,300	604,000	616,100	580,200	580,200
EXPENDITURES BY FUND SOURCE					
General Fund	578,500	602,300	614,400	578,500	578,500
Restricted Funds	1,800	1,700	1,700	1,700	1,700
TOTAL EXPENDITURES	580,300	604,000	616,100	580,200	580,200

Created by the 1982 General Assembly, the Personnel Board is composed of seven members, five who are appointed by the Governor and two who are classified employees elected by their colleagues. The Board serves in a quasi-judicial capacity and assists the Department of Personnel in the development and amendment of administrative regulations as they pertain to the classified service.

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

**Government Operations
Local Government**

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	11,583,300	12,032,900	12,314,600	11,473,100	11,737,000
Budget Reduction	-254,500				
Total General Fund	11,328,800	12,032,900	12,314,600	11,473,100	11,737,000
Restricted Funds					
Balance Forward	1,565,900	1,362,700	1,133,400	1,362,700	1,133,400
Current Receipts	571,900	556,500	556,500	556,500	556,500
Total Restricted Funds	2,137,800	1,919,200	1,689,900	1,919,200	1,689,900
Federal Funds					
Balance Forward	240,700				
Current Receipts	52,057,700	49,413,400	49,413,400	49,408,900	49,405,800
Total Federal Funds	52,298,400	49,413,400	49,413,400	49,408,900	49,405,800
TOTAL SOURCE OF FUNDS	65,765,000	63,365,500	63,417,900	62,801,200	62,832,700
EXPENDITURES BY CLASS					
Personnel Cost	4,392,600	4,640,400	4,882,500	4,628,400	4,836,500
Operating Expenses	893,100	918,100	936,100	918,100	936,100
Grants, Loans or Benefits	59,116,600	55,223,600	55,061,800	56,121,300	56,022,600
Debt Service		1,450,000	1,500,000		
TOTAL EXPENDITURES	64,402,300	62,232,100	62,380,400	61,667,800	61,795,200
EXPENDITURES BY FUND SOURCE					
General Fund	11,328,800	12,032,900	12,314,600	11,473,100	11,737,000
Restricted Funds	775,100	785,800	652,400	785,800	652,400
Federal Funds	52,298,400	49,413,400	49,413,400	49,408,900	49,405,800
TOTAL EXPENDITURES	64,402,300	62,232,100	62,380,400	61,667,800	61,795,200
EXPENDITURES BY UNIT					
Commissioner	2,495,100	2,983,700	3,021,000	2,402,400	2,448,800
Support Services	1,318,600	1,492,900	1,546,400	1,529,800	1,579,000
Community Programs	54,273,600	51,296,500	51,266,500	51,287,600	51,251,400
Financial Services	1,096,700	856,000	899,800	856,000	884,000
Training and ADD Services	5,218,300	5,603,000	5,646,700	5,592,000	5,632,000
TOTAL EXPENDITURES	64,402,300	62,232,100	62,380,400	61,667,800	61,795,200

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

The Division of Community Development administers most of the agency's grant management functions. The programs assigned to the Division include: Community Development Block Grant-Small Cities Component, Renaissance Kentucky Cities Program and the Disaster Recovery Initiative.

Government Operations
Local Government - Special Funds

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	66,705,000	81,631,300	84,686,100	85,115,000	86,998,600
Budget Reduction	-169,500				
Other	13,037,700				
Total General Fund	79,573,200	81,631,300	84,686,100	85,115,000	86,998,600
TOTAL SOURCE OF FUNDS	79,573,200	81,631,300	84,686,100	85,115,000	86,998,600
EXPENDITURES BY CLASS					
Grants, Loans or Benefits	79,573,200	81,631,300	84,686,100	85,115,000	86,998,600
TOTAL EXPENDITURES	79,573,200	81,631,300	84,686,100	85,115,000	86,998,600
EXPENDITURES BY FUND SOURCE					
General Fund	79,573,200	81,631,300	84,686,100	85,115,000	86,998,600
TOTAL EXPENDITURES	79,573,200	81,631,300	84,686,100	85,115,000	86,998,600
EXPENDITURES BY UNIT					
Local Government Economic Assistance Fund	37,497,000	37,584,600	37,403,900	38,166,200	38,668,900
Local Government Economic Development Fund	41,245,700	42,046,700	45,282,200	46,118,300	47,499,200
Area Development Fund	830,500	2,000,000	2,000,000	830,500	830,500
TOTAL EXPENDITURES	79,573,200	81,631,300	84,686,100	85,115,000	86,998,600

The Special Funds program includes: the Local Government Economic Assistance Fund (LGEAF), the Local Government Economic Development Fund (LGEDF), and the Area Development Fund. Under KRS 42.4585 and KRS 42.4582, quarterly transfers from coal severance tax revenues for these two programs are made after the annual \$19 million severance tax allocation is credited to the Workers' Compensation Funding Commission and funds are set aside for the Osteopathic Medicine Scholarship under a proscribed formula. The application of that formula provides an estimated \$1,407,100 in fiscal year 2003 and \$1,480,200 in fiscal year 2004 for the scholarship program. Grants are awarded to eligible students in an amount equal to the difference between the average of the in-state tuition charged at the University of Kentucky and University of Louisville medical schools and tuition at the Osteopathic School of Medicine in Pikeville. Participants must be Kentucky residents and agree to render one year of service as a primary care physician in Kentucky for every year that they receive grants.

Policy

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

Local Government Economic Assistance Fund (LGEAF) In KRS 42.450-42.495, the 1980 General Assembly created the Local Government Assistance Fund (LGEAF) to return a portion of the coal and minerals severance taxes to local governments in areas where the minerals were extracted. These funds are used to strengthen and diversify the communities' economy and to improve the quality of life of their residents. Counties, and cities within those counties, that are involved in the production of coal or minerals such as natural gas, oil, and stone are eligible to receive LGEAF payments. Likewise, counties and their cities affected by the transportation of coal are eligible to receive a portion of the returned severance taxes.

The Division of Support Services performs agency administrative functions. It has responsibility for personnel administration, payroll, purchasing, and library management, accounting and budgeting for the entire agency. The Division provides information technology support for the Department and to local government units. This Division provides technical assistance and funding to the Local Government Law Center at Northern Kentucky University.

The Division of Local Resources, formerly Training and Area Development (ADD) Services, develops and conducts training programs for local governments across the Commonwealth in conjunction with other governmental agencies, associations and the Area Development Districts. It maintains the Commonwealth's Clearinghouse for all federal grants and administers the Joint Funding Agreement and Appalachian Regional Commission grants. The Division administers of the Land and Water Conservation Fund and the Kentucky Recreational Trails Program.

The Division of Financial Services provides technical assistance on local fiscal matters. It is responsible for the management and distribution of the Local Government Economic Assistance Fund (LGEAF), the Local Government Economic Development Fund (LGEDF) and the County Municipal Road Aid Program. The Division administers Community Development and Coal Severance state grants. Its statutory duties include: the calculation of maximum compensation for elected officials; the dissemination, collection and compilation of uniform financial information from all cities, counties and special taxing districts; the establishment of the standard chart of accounts; and the collection of annual audits and financial statements from all municipalities.

The Commissioner's Office formulates policy that governs programs administered by the Department. Included in the Office are the functions of legal staff, financial management, and budget preparation. The office serves as a liaison with state and federal agencies that deal with each of the Kentucky's 120 counties, 435 cities, 1400 special districts and the 15 Area Development Districts, the functions of legal staff, financial management and budget preparation. The Flood Control Advisory Commission is housed within the Commissioner's Office. The Commission performs floodplain management activities, reviews and approves projects for the Flood Control Matching Fund. In partnership with federal and local agencies, the matching program lessens flood damage losses by providing structural and nonstructural assistance to Kentucky communities. The Fund ensures that matching funds required by the U.S. Army Corp of Engineers, Federal Emergency Management Agency (FEMA), and Natural Resources Conservation Service (NRCS) are available for vital projects. The program provides matching dollars for federal grants for straight sewage pipe removal projects funded by the Personal Responsibility in a Desirable Environment (PRIDE) program.

Policy

The Governor's budget recommendation provides an allocation from the General Fund in the amount of \$250,000 in each year of the biennium for the Knott County Arts and Crafts Grant.

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

Included in the recommended budget is an allocation from the General Fund in the amount of \$1,000,000 in each year of the biennium for the Trover Clinic Grant. NOTE: These General Fund dollars are derived from severance tax collections.

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

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

Severance Tax Dedicated Programs
Using December, 2001 Consensus Forecast

	Revised FY 2002	Recommended FY 2003	Recommended FY 2004
Coal Severance Tax Resources			
Revenue Estimate: 12/01 Forecast			
Coal Severance Tax	162,500,000	162,000,000	158,900,000
<i>Less: Workers' Comp Set Aside (to General Fund)</i>	<i>-19,000,000</i>	<i>-19,000,000</i>	<i>-19,000,000</i>
<i>Less: Osteopathic Medicine Scholarship Program*</i>	<i>-1,379,500</i>	<i>-1,407,100</i>	<i>-1,480,200</i>
<i>Less: Trover Clinic Grant</i>	<i>-1,000,000</i>	<i>-1,000,000</i>	<i>-1,000,000</i>
Total coal severance tax resources to be distributed	142,120,500	140,592,900	137,419,800

Additional Local Government Economic Assistance Fund Resources

Revenue Estimate: 12/01 Forecast			
Minerals Severance	14,000,000	14,000,000	14,000,000
Natural Gas Severance	18,000,000	18,000,000	18,000,000
Oil Production	3,300,000	3,400,000	3,500,000
Total other mineral severance revenue to be distributed	35,300,000	35,400,000	35,500,000

Local Government Economic Assistance Fund (LGEAF) Grand Total

Other severance revenue (50% of revenues)	17,650,000	17,700,000	17,750,000
Coal Severance (14%/14.5%/15%) add \$500,000 in FY 2002	20,756,900	20,386,000	21,113,000
Total LGEAF available for distribution	38,406,900	38,086,000	38,863,000
Distribution to localities after quarter lag	37,497,000	38,166,200	38,668,900

Local Government Economic Development Fund

Coal severance (30%/32.5%/35% of amounts remaining to be distributed)	42,336,200	45,692,700	48,096,900
<i>Less: Secondary Wood Products Corporation</i>	<i>-960,800</i>	<i>-960,800</i>	<i>-960,800</i>
<i>Less: East Kentucky Corporation</i>	<i>-472,000</i>	<i>-472,000</i>	<i>-472,000</i>
<i>Less: West Kentucky Corporation</i>	<i>-467,000</i>	<i>-467,000</i>	<i>-467,000</i>
<i>Less: Coal County Development Office</i>	<i>-811,000</i>	<i>-770,500</i>	<i>-783,600</i>
<i>Less: ARC and related ARC expenditures in the Governor's Office</i>	<i>-550,500</i>	<i>-550,000</i>	<i>-550,000</i>
<i>Less: Kentucky Coal Coalition</i>		<i>-100,000</i>	<i>-100,000</i>
<i>Less: New Economy Pools</i>		<i>-5,000,000</i>	<i>-5,000,000</i>
Dollars available after coal county-related programs are funded	39,074,900	37,372,400	39,763,500
Distribution to localities after quarter lag	37,984,400	37,798,000	39,165,800

*As requested by KHEAA

**Government Operations
Commission on Human Rights**

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	2,088,300	2,171,800	2,270,300	1,978,200	2,078,000
Budget Reduction	-110,100				
Total General Fund	1,978,200	2,171,800	2,270,300	1,978,200	2,078,000
Restricted Funds					
Balance Forward	6,300				
Current Receipts	6,100	24,000	24,000	24,000	24,000
Total Restricted Funds	12,400	24,000	24,000	24,000	24,000
Federal Funds					
Balance Forward	119,100				
Current Receipts	214,400	170,800	170,800	170,800	170,800
Non-Revenue Receipts	39,900				
Total Federal Funds	373,400	170,800	170,800	170,800	170,800
TOTAL SOURCE OF FUNDS	2,364,000	2,366,600	2,465,100	2,173,000	2,272,800
EXPENDITURES BY CLASS					
Personnel Cost	1,954,500	1,952,600	2,072,500	1,769,400	1,903,000
Operating Expenses	409,500	414,000	392,600	403,600	369,800
TOTAL EXPENDITURES	2,364,000	2,366,600	2,465,100	2,173,000	2,272,800
EXPENDITURES BY FUND SOURCE					
General Fund	1,978,200	2,171,800	2,270,300	1,978,200	2,078,000
Restricted Funds	12,400	24,000	24,000	24,000	24,000
Federal Funds	373,400	170,800	170,800	170,800	170,800
TOTAL EXPENDITURES	2,364,000	2,366,600	2,465,100	2,173,000	2,272,800
EXPENDITURES BY UNIT					
General Administration and Support	752,000	790,100	818,500	765,100	765,100
Enforcement Branch	1,026,100	867,300	904,000	823,500	831,600
Research and Information	376,300	401,800	420,600	351,000	376,300
Legal Affairs	209,600	307,400	322,000	233,400	299,800
TOTAL EXPENDITURES	2,364,000	2,366,600	2,465,100	2,173,000	2,272,800

The Kentucky Commission on Human Rights, pursuant to KRS Chapter 344, investigates, litigates, and administratively decides complaints of discrimination in the areas of employment, public accommodation, housing, and credit based on race, religion, national origin, age, disability, sex, smoking (in employment), and familial status (in housing). The Commission also endeavors to foster mutual understanding and respect through education, technical assistance, and report writing. The Commission is divided into four service units including General Administration and Support, Enforcement, Research and Information, and Legal Services.

General Administration and Support performs personnel and fiscal activities and serves as a liaison with the Governor's Office, legislators, and other agencies in state government. The development of internal policy directives and legislative initiatives are also functions of this unit.

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

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

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

**Government Operations
Commission on Women**

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	269,900	299,500	293,200	269,900	269,900
Total General Fund	269,900	299,500	293,200	269,900	269,900
Restricted Funds					
Balance Forward	6,300	4,600	4,600	4,600	4,600
Current Receipts	1,500				
Total Restricted Funds	7,800	4,600	4,600	4,600	4,600
Federal Funds					
Balance Forward	300	200	200	200	200
Total Federal Funds	300	200	200	200	200
TOTAL SOURCE OF FUNDS	278,000	304,300	298,000	274,700	274,700
EXPENDITURES BY CLASS					
Personnel Cost	206,100	226,800	236,100	208,600	220,100
Operating Expenses	67,100	72,700	61,900	61,300	54,600
TOTAL EXPENDITURES	273,200	299,500	298,000	269,900	274,700
EXPENDITURES BY FUND SOURCE					
General Fund	269,900	299,500	293,200	269,900	269,900
Restricted Funds	3,200		4,600		4,600
Federal Funds	100		200		200
TOTAL EXPENDITURES	273,200	299,500	298,000	269,900	274,700
EXPENDITURES BY UNIT					
Commission on Women	273,200	299,500	298,000	269,900	274,700
TOTAL EXPENDITURES	273,200	299,500	298,000	269,900	274,700

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

**Government Operations
Commission on Small Business Advocacy**

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
SOURCE OF FUNDS					
General Fund					
Regular Appropriation		535,800	613,000	75,000	75,000
Total General Fund		535,800	613,000	75,000	75,000
Restricted Funds					
Balance Forward	220,700			90,000	45,000
Total Restricted Funds	220,700			90,000	45,000
TOTAL SOURCE OF FUNDS	220,700	535,800	613,000	165,000	120,000
EXPENDITURES BY CLASS					
Personnel Cost	86,900	252,800	207,200	92,600	96,900
Operating Expenses	38,100	283,000	405,800	27,400	23,100
Capital Outlay	5,700				
TOTAL EXPENDITURES	130,700	535,800	613,000	120,000	120,000
EXPENDITURES BY FUND SOURCE					
General Fund		535,800	613,000	75,000	75,000
Restricted Funds	130,700			45,000	45,000
TOTAL EXPENDITURES	130,700	535,800	613,000	120,000	120,000

The Kentucky Commission on Small Business Advocacy (KCSBA) was established as a result of House Bill 588 in the 2000 Legislative session and codified as KRS 11.200. The KCSBA is an independent agency attached to the Office of the Governor that addresses matters of small business as it relates to government affairs.

The KCSBA works to promote a cooperative and constructive relationship between state agencies and the small business community. The KCSBA coordinates and educates the small business community of federal, state, and local government initiatives; creates a process by which the small business community is consulted in the development of public policy; aids the small business community in navigating the regulatory process; and acts as an advocate as necessary when regulatory implementation is overly burdensome, costly, and harmful to the success and growth of small businesses in the Commonwealth.

Policy

The recommended budget anticipates not less than \$90,000 in restricted funds carrying forward into fiscal year 2003. The recommended budget includes General Fund of \$75,000 each fiscal year to continue the work of the Commission.

**Government Operations
Kentucky Retirement Systems**

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
SOURCE OF FUNDS					
Restricted Funds					
Balance Forward	1,074,900				
Non-Revenue Receipts	12,788,100	14,980,500	15,847,500	13,807,800	14,880,100
Total Restricted Funds	13,863,000	14,980,500	15,847,500	13,807,800	14,880,100
TOTAL SOURCE OF FUNDS	13,863,000	14,980,500	15,847,500	13,807,800	14,880,100
EXPENDITURES BY CLASS					
Personnel Cost	11,050,400	11,587,800	12,591,100	10,911,400	11,935,200
Operating Expenses	2,801,100	3,382,700	3,246,400	2,886,400	2,934,900
Capital Outlay	11,500	10,000	10,000	10,000	10,000
TOTAL EXPENDITURES	13,863,000	14,980,500	15,847,500	13,807,800	14,880,100
EXPENDITURES BY FUND SOURCE					
Restricted Funds	13,863,000	14,980,500	15,847,500	13,807,800	14,880,100
TOTAL EXPENDITURES	13,863,000	14,980,500	15,847,500	13,807,800	14,880,100

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

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

Employers contribute a percentage of gross payroll determined by the actuarial valuation. Employees contribute at a fixed rate set in the statutes. The assets of the system are considered trust funds. All expenses are paid from the trust.

Policy

The 2000 General Assembly appropriated \$2,018,100 in 2002 to the Kentucky Retirement Systems for 65 positions and associated operating costs. Kentucky Retirement Systems did not locate suitable office space to house these authorized employees; consequently, these positions were unfilled in fiscal year 2002. Effective July 2002, the agency will have the necessary office space to hire the previously authorized positions and the 2002 - 2004 Governor's recommendation provides funding for both personnel and operating costs for existing staff and additional authorized personnel.

**Government Operations
Registry of Election Finance**

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	1,557,200	8,636,400	4,367,200	8,475,200	3,475,200
Budget Reduction	-82,000				
Total General Fund	1,475,200	8,636,400	4,367,200	8,475,200	3,475,200
Restricted Funds					
Balance Forward	487,400	542,400	390,600	542,400	362,800
Current Receipts	75,000	23,200	23,200	23,200	23,200
Total Restricted Funds	562,400	565,600	413,800	565,600	386,000
TOTAL SOURCE OF FUNDS	2,037,600	9,202,000	4,781,000	9,040,800	3,861,200
EXPENDITURES BY CLASS					
Personnel Cost	1,152,700	1,101,700	1,158,800	1,068,300	1,095,000
Operating Expenses	342,500	7,709,700	3,383,400	609,700	583,400
Grants, Loans or Benefits				7,000,000	2,000,000
TOTAL EXPENDITURES	1,495,200	8,811,400	4,542,200	8,678,000	3,678,400
EXPENDITURES BY FUND SOURCE					
General Fund	1,475,200	8,636,400	4,367,200	8,475,200	3,475,200
Restricted Funds	20,000	175,000	175,000	202,800	203,200
TOTAL EXPENDITURES	1,495,200	8,811,400	4,542,200	8,678,000	3,678,400
EXPENDITURES BY UNIT					
General Administration and Support	1,475,200	1,536,400	1,567,200	1,475,200	1,475,200
Election Campaign Fund	20,000	7,275,000	2,975,000	7,202,800	2,203,200
TOTAL EXPENDITURES	1,495,200	8,811,400	4,542,200	8,678,000	3,678,400

The Registry of Election Finance provides full public access to campaign financial data and financial disclosure reports and enforces the statutes pertaining to political campaigns and election financing. The Registry consists of two programs: General Administration and Support and the Election Campaign Fund.

Under KRS Chapter 121, the Registry is charged with the administration, regulation, and enforcement of Kentucky's campaign finance laws. KRC Chapter 121A requires the Registry to administer and regulate the public financing scheme for gubernatorial slates.

Kentucky's campaign finance laws apply to ALL candidates for office, including local and statewide candidates, gubernatorial slates, judicial, state, legislative, city and county, and school board candidates, as well as political issues committees, permanent committees (PACs) and state and local executive committees. These agency responsibilities extend to regulating some 15,000-16,000 candidates or entities in some election years.

Regulatory functions include educating candidates and committees on the campaign finance laws, ensuring compliance with campaign finance reporting requirements (including the timely filing of campaign finance reports), by desk reviews and random and mandatory audits, investigating complaints, advising candidates on campaign finance questions, and adjudicating administrative charges of violations of campaign finance laws.

Another responsibility of the agency is the administration of the Public Financing Campaign Act (KRS Chapter 121A), and all regulatory functions associated with the Act.

The agency, per KRS Chapter 61, receives, compiles, and maintains Financial Disclosure Reports from judges, prosecutors, and candidates for those offices.

The agency's public disclosure role is a key component of the campaign finance laws. The agency annually fills 3,500 requests from the public and media for copies of materials, reports, and data it maintains. In response to House Bill 939, legislation passed unanimously by the 2000 General Assembly, the Kentucky Registry of Election Finance has begun development of a web-based searchable database, expected to be up and running by 2002. (See related discussion of project at Operating Budget Report A-2.)

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

Policy

Included in the General Fund appropriation is \$7,000,000 in fiscal year 2003 and \$2,000,000 in fiscal year 2005 to support the state share of gubernatorial campaign financing required for payment under the provisions of KRS 121A.030 and KRS 121A.080. Any amount in excess shall be deemed Necessary Governmental Expenses and shall be paid from the General Fund.

**Government Operations
Boards and Commissions**

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
SOURCE OF FUNDS					
Restricted Funds					
Balance Forward	18,113,485	16,482,000	17,330,000	16,622,000	17,487,000
Current Receipts	14,341,300	17,582,800	14,832,900	17,599,800	14,972,900
Non-Revenue Receipts	-42,285				
Total Restricted Funds	32,412,500	34,064,800	32,162,900	34,221,800	32,459,900
TOTAL SOURCE OF FUNDS	32,412,500	34,064,800	32,162,900	34,221,800	32,459,900
EXPENDITURES BY CLASS					
Personnel Cost	10,636,600	11,462,800	12,026,000	11,462,800	12,026,000
Operating Expenses	4,238,200	4,551,100	4,905,100	4,551,100	4,905,100
Grants, Loans or Benefits	872,200	495,600	496,200	495,600	496,200
Capital Outlay	43,500	225,300	171,000	225,300	171,000
TOTAL EXPENDITURES	15,790,500	16,734,800	17,598,300	16,734,800	17,598,300
EXPENDITURES BY FUND SOURCE					
Restricted Funds	15,790,500	16,734,800	17,598,300	16,734,800	17,598,300
TOTAL EXPENDITURES	15,790,500	16,734,800	17,598,300	16,734,800	17,598,300
EXPENDITURES BY UNIT					
Accountancy	723,900	752,700	782,100	752,700	782,100
Alcohol and Drug Counselors	58,500	62,000	65,000	62,000	65,000
Architects	218,800	272,000	258,300	272,000	258,300
Art Therapists	11,100	11,300	11,400	11,300	11,400
Athletic Commission	145,900	158,500	167,300	158,500	167,300
Auctioneers	351,000	360,200	370,500	360,200	370,500
Barbering	209,000	225,600	231,500	225,600	231,500
Chiropractic Examiners	173,800	182,800	191,400	182,800	191,400
Dentistry	461,500	474,400	504,400	474,400	504,400
Dietitians and Nutritionists	64,000	67,900	71,500	67,900	71,500
Embalmers and Funeral Home Directors	209,900	240,400	249,100	240,400	249,100
Engineers and Land Surveyors	1,134,100	1,291,800	1,354,100	1,291,800	1,354,100
Fee-Based Pastoral Counselors	6,000	6,000	6,000	6,000	6,000
Board of Geologists	130,800	133,000	135,000	133,000	135,000
Hairdressers and Cosmetologists	1,041,300	998,900	1,105,000	998,900	1,105,000
Hearing Instrument Specialists	47,700	50,700	52,700	50,700	52,700
Interpreters for Deaf & Hard of Hearing	25,000	25,000	25,000	25,000	25,000
Landscape Architects	54,200	55,300	57,800	55,300	57,800
Marriage and Family Therapists	72,500	79,200	83,200	79,200	83,200
Medical Licensure	1,827,300	1,992,500	2,099,900	1,992,500	2,099,900
Nursing	4,080,600	4,230,500	4,268,900	4,230,500	4,268,900
Nursing Home Administrators	65,000	69,000	76,200	69,000	76,200
Occupational Therapy	76,600	76,600	86,000	76,600	86,000
Ophthalmic Dispensers	54,200	57,600	62,900	57,600	62,900
Optometric Examiners	143,800	152,400	157,000	152,400	157,000
Pharmacy	786,600	835,000	876,000	835,000	876,000
Physical Therapy	301,100	263,400	280,000	263,400	280,000
Podiatry	13,500	14,500	15,500	14,500	15,500
Professional Counselors	46,800	49,700	51,700	49,700	51,700

Proprietary Education	112,000	123,000	134,300	123,000	134,300
Psychologists	168,700	169,600	176,100	169,600	176,100
Real Estate Appraisers Board	511,700	614,900	631,900	614,900	631,900
Real Estate Commission	1,911,400	2,003,100	2,302,900	2,003,100	2,302,900
Respiratory Care	111,300	182,700	188,600	182,700	188,600
Social Workers	140,000	141,300	145,300	141,300	145,300
Speech Pathologists and Audiologists	78,000	83,000	86,000	83,000	86,000
Veterinary Examiners	222,900	228,300	237,800	228,300	237,800
TOTAL EXPENDITURES	15,790,500	16,734,800	17,598,300	16,734,800	17,598,300

The 37 Occupational and Professional Licensing and Regulatory Boards and Commissions were created to safeguard the life, health, safety, and welfare of the people of the Commonwealth who avail themselves of the services licensed or regulated by the Boards. Appointed by the Governor, board members represent both industry and consumer interests.

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

Government Operations
Educational Professional Standards Board

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	11,511,700	17,428,500	18,929,500	10,433,800	11,097,000
Budget Reduction	-598,700				
Total General Fund	10,913,000	17,428,500	18,929,500	10,433,800	11,097,000
Restricted Funds					
Balance Forward	826,800	826,800	826,800	826,800	226,800
Current Receipts	778,500	778,500	778,500	778,500	778,500
Total Restricted Funds	1,605,300	1,605,300	1,605,300	1,605,300	1,005,300
Federal Funds					
Balance Forward	16,200				
Current Receipts	122,200	122,200	122,200	122,200	122,200
Total Federal Funds	138,400	122,200	122,200	122,200	122,200
TOTAL SOURCE OF FUNDS	12,656,700	19,156,000	20,657,000	12,161,300	12,224,500
EXPENDITURES BY CLASS					
Personnel Cost	3,079,200	3,210,600	3,343,400	3,163,400	3,256,400
Operating Expenses	1,045,500	1,805,600	1,774,600	1,065,900	1,087,200
Grants, Loans or Benefits	7,705,200	13,313,000	14,712,200	7,705,200	7,705,200
TOTAL EXPENDITURES	11,829,900	18,329,200	19,830,200	11,934,500	12,048,800
EXPENDITURES BY FUND SOURCE					
General Fund	10,913,000	17,428,500	18,929,500	10,433,800	11,097,000
Restricted Funds	778,500	778,500	778,500	1,378,500	829,600
Federal Funds	138,400	122,200	122,200	122,200	122,200
TOTAL EXPENDITURES	11,829,900	18,329,200	19,830,200	11,934,500	12,048,800

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

The EPSB administers the requirements for and the issuing, suspending, and revoking of certificates for Kentucky's 45,000 P-12 professional educators, and ensures via an annual review that all professional positions in the state's 176 school districts are appropriately staffed. It is responsible for developing (in cooperation with the KDE and CPE) a statewide data system, for the collection, interpretation, and dissemination of data relative to the quality of educator preparation, supply, demand, and effectiveness. The board establishes performance-based standards for teacher/administrator preparation and induction, and for the accreditation of the 27 preparation programs at Kentucky's public and independent colleges and universities. It oversees the 50-teacher/administrator assessments and the related Title II reporting, and annually publishes the Kentucky Educator Preparation Program Report Card. It administers the Continuing Education Option, in which teachers can use professional development to renew certification and move up in rank; the National Board Certification incentive programs; the supervising teacher stipend program; and alternative routes to certification, including the Troops to Teachers program.

The EPSB provides support to 3000 teacher interns, 300 principal interns, 2,600 supervising teachers, and 75 current and 400 prospective National Board-certified teachers.

Policy

Included within the EPSB biennial budget is a General Fund appropriation of \$184,000 in each year of the biennium. These funds represent a transfer of Teachers' Retirement Match funds previously held by the Kentucky Department of Education. This action completes the intent of the executive order as well as the will of the 2001 General Assembly as expressed in HB 78.

The Governor's recommended budget uses restricted fund balances to help support certification activities. This use is consistent with and authorized by KRS 161.028.

Government Operations
Board of Emergency Medical Services

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
SOURCE OF FUNDS					
General Fund					
Regular Appropriation		2,677,800	2,731,300	2,571,200	2,571,200
Budget Reduction	-135,300				
Reorganization Adjustments	2,706,500				
Total General Fund	2,571,200	2,677,800	2,731,300	2,571,200	2,571,200
Restricted Funds					
Balance Forward	6,300	6,300	6,300	6,300	6,300
Current Receipts	165,000	168,300	171,700	168,300	171,700
Total Restricted Funds	171,300	174,600	178,000	174,600	178,000
Federal Funds					
Current Receipts	329,800	296,800	100,000	296,800	100,000
Total Federal Funds	329,800	296,800	100,000	296,800	100,000
TOTAL SOURCE OF FUNDS	3,072,300	3,149,200	3,009,300	3,042,600	2,849,200
EXPENDITURES BY CLASS					
Personnel Cost	995,700	1,128,500	1,181,800	1,091,200	1,139,800
Operating Expenses	399,500	309,200	356,200	309,200	356,200
Grants, Loans or Benefits	1,670,800	1,661,800	1,465,000	1,592,500	1,346,900
Capital Outlay		43,400		43,400	
TOTAL EXPENDITURES	3,066,000	3,142,900	3,003,000	3,036,300	2,842,900
EXPENDITURES BY FUND SOURCE					
General Fund	2,571,200	2,677,800	2,731,300	2,571,200	2,571,200
Restricted Funds	165,000	168,300	171,700	168,300	171,700
Federal Funds	329,800	296,800	100,000	296,800	100,000
TOTAL EXPENDITURES	3,066,000	3,142,900	3,003,000	3,036,300	2,842,900

The Kentucky Board of Emergency Medical Services (KBEMS) was established as an independent board during the 2000 General Assembly and was transferred to the General Government Cabinet by Executive Order 2000-1625. This board administers and regulates the functions of the state's emergency medical services (EMS) system with respect to all first responders, emergency medical technicians, paramedics, ambulance services, and training institutions for emergency personnel.

Board staff administer licensing for Paramedics, Emergency Medical Technicians, First Responders, and ambulance services. The Board develops and administers regulatory authorities. Field staff inspect and investigate all EMS providers and fire/rescue services throughout the state to ensure compliance with state regulatory statutes. Additionally the Office initiates administrative and technical support for the Emergency Medical Service community by administering grant monies.

**Government Operations
Governmental Services Center**

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
SOURCE OF FUNDS					
Restricted Funds					
Balance Forward	428,900	319,900	185,900	246,000	113,000
Current Receipts	1,329,100	1,408,300	1,436,100	1,329,000	1,403,000
Total Restricted Funds	1,758,000	1,728,200	1,622,000	1,575,000	1,516,000
TOTAL SOURCE OF FUNDS	1,758,000	1,728,200	1,622,000	1,575,000	1,516,000
EXPENDITURES BY CLASS					
Personnel Cost	1,245,300	1,310,500	1,368,100	1,177,000	1,231,000
Operating Expenses	266,700	231,800	205,100	285,000	285,000
TOTAL EXPENDITURES	1,512,000	1,542,300	1,573,200	1,462,000	1,516,000
EXPENDITURES BY FUND SOURCE					
Restricted Funds	1,512,000	1,542,300	1,573,200	1,462,000	1,516,000
TOTAL EXPENDITURES	1,512,000	1,542,300	1,573,200	1,462,000	1,516,000

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

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

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

**Government Operations
Executive Branch Ethics Commission**

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	310,000	376,500	388,800	335,900	340,500
Total General Fund	310,000	376,500	388,800	335,900	340,500
Restricted Funds					
Balance Forward	4,400				
Current Receipts	300	300	2,400	300	2,400
Total Restricted Funds	4,700	300	2,400	300	2,400
TOTAL SOURCE OF FUNDS	314,700	376,800	391,200	336,200	342,900
EXPENDITURES BY CLASS					
Personnel Cost	288,000	323,600	336,900	308,900	315,200
Operating Expenses	26,700	53,200	54,300	27,300	27,700
TOTAL EXPENDITURES	314,700	376,800	391,200	336,200	342,900
EXPENDITURES BY FUND SOURCE					
General Fund	310,000	376,500	388,800	335,900	340,500
Restricted Funds	4,700	300	2,400	300	2,400
TOTAL EXPENDITURES	314,700	376,800	391,200	336,200	342,900

The Executive Branch Ethics Commission, under KRS 11A, is responsible for reviewing the personal financial interests of the constitutional officers and management personnel in state government in order to prevent conflicts of interest .

Government Operations
Appropriations Not Otherwise Classified

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	5,050,500	7,107,500	7,367,500	7,107,500	7,367,500
Mandated Allotments	1,659,000				
Total General Fund	6,709,500	7,107,500	7,367,500	7,107,500	7,367,500
TOTAL SOURCE OF FUNDS	6,709,500	7,107,500	7,367,500	7,107,500	7,367,500
EXPENDITURES BY CLASS					
Personnel Cost	3,887,000	4,275,000	4,535,000	4,275,000	4,535,000
Operating Expenses	2,820,000	2,830,000	2,830,000	2,830,000	2,830,000
Grants, Loans or Benefits	2,500	2,500	2,500	2,500	2,500
TOTAL EXPENDITURES	6,709,500	7,107,500	7,367,500	7,107,500	7,367,500
EXPENDITURES BY FUND SOURCE					
General Fund	6,709,500	7,107,500	7,367,500	7,107,500	7,367,500
TOTAL EXPENDITURES	6,709,500	7,107,500	7,367,500	7,107,500	7,367,500
EXPENDITURES BY UNIT					
Attorney General Expense	225,000	225,000	225,000	225,000	225,000
Board of Claims Award	600,000	600,000	600,000	600,000	600,000
Guardian Ad Litem	3,000,000	3,200,000	3,400,000	3,200,000	3,400,000
Prior Year Claims	400,000	400,000	400,000	400,000	400,000
Unredeemed Checks Refunded	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Involuntary Commitments-ICF/MR	50,000	60,000	60,000	60,000	60,000
Frankfort In Lieu of Taxes	195,000	195,000	195,000	195,000	195,000
Frankfort Cemetery	2,500	2,500	2,500	2,500	2,500
Police and Firefighters Life Insurance	250,000	250,000	250,000	250,000	250,000
Master Commissioner Employers Retirement	264,000	200,000	200,000	200,000	200,000
Master Commissioners Social Security	285,000	313,000	343,000	313,000	343,000
Workers Compensation	288,000	502,000	532,000	502,000	532,000
Insurance Reimbursements	50,000	60,000	60,000	60,000	60,000
Blanket Employee Bonds	100,000	100,000	100,000	100,000	100,000
TOTAL EXPENDITURES	6,709,500	7,107,500	7,367,500	7,107,500	7,367,500

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

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

Government Operations
Appropriations Not Otherwise Classified - Judgments

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
SOURCE OF FUNDS					
General Fund					
Regular Appropriation		10,000,000	10,000,000		
Continuing Appropriation - Gen'l Fund	91,794,900				
Other	-75,000				
Total General Fund	91,719,900	10,000,000	10,000,000		
TOTAL SOURCE OF FUNDS	91,719,900	10,000,000	10,000,000		
EXPENDITURES BY CLASS					
Operating Expenses	91,719,900	10,000,000	10,000,000		
TOTAL EXPENDITURES	91,719,900	10,000,000	10,000,000		
EXPENDITURES BY FUND SOURCE					
General Fund	91,719,900	10,000,000	10,000,000		
TOTAL EXPENDITURES	91,719,900	10,000,000	10,000,000		

The revised fiscal year 2002 appropriation includes contingent liabilities and judgments identified by the Office of the Controller in the Finance and Administration Cabinet. The timing of payments of Judgments is dependent on many factors beyond the control of the Commonwealth. Therefore, it is essential that any funds remaining at the end of fiscal year 2002 and each fiscal year in fiscal biennium 2002-2004 shall not lapse but be allowed to continue into subsequent fiscal years. Notwithstanding any other statute to the contrary, it is also recommended that, should any other Appropriations Not Otherwise Classified account have an insufficient appropriation in fiscal biennium 2002-2004, any unneeded funds in this account may be used before any allocations are made from either the General Fund Surplus or the Budget Reserve Trust Fund. Any additional judgments or contingent liabilities for fiscal biennium 2002-2004, beyond the amount recommended, will be paid from the General Fund Surplus Account (unappropriated surplus) or the Budget Reserve Trust Fund, if necessary.

**Government Operations
Kentucky River Authority**

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	387,000	487,000	471,900	379,000	379,000
Budget Reduction	-7,700				
Total General Fund	379,300	487,000	471,900	379,000	379,000
Restricted Funds					
Balance Forward	4,321,400	4,180,800	2,394,800	4,181,000	2,444,000
Current Receipts	1,566,400	1,528,900	1,411,900	1,529,000	1,412,000
Non-Revenue Receipts	-599,700				
Total Restricted Funds	5,288,100	5,709,700	3,806,700	5,710,000	3,856,000
TOTAL SOURCE OF FUNDS	5,667,400	6,196,700	4,278,600	6,089,000	4,235,000
EXPENDITURES BY CLASS					
Personnel Cost	990,000	1,089,400	1,131,600	987,000	1,022,000
Operating Expenses	187,700	227,500	238,000	198,000	201,000
Grants, Loans or Benefits	286,700	335,000	354,000	335,000	354,000
Capital Outlay	22,000	50,000		25,000	
Construction		2,100,000	2,500,000	2,100,000	2,500,000
TOTAL EXPENDITURES	1,486,400	3,801,900	4,223,600	3,645,000	4,077,000
EXPENDITURES BY FUND SOURCE					
General Fund	379,300	487,000	471,900	379,000	379,000
Restricted Funds	1,107,100	3,314,900	3,751,700	3,266,000	3,698,000
TOTAL EXPENDITURES	1,486,400	3,801,900	4,223,600	3,645,000	4,077,000
EXPENDITURES BY UNIT					
Kentucky River Authority	1,107,100	3,300,200	3,751,700	3,251,000	3,698,000
Locks and Dams Program	379,300	501,700	471,900	394,000	379,000
TOTAL EXPENDITURES	1,486,400	3,801,900	4,223,600	3,645,000	4,077,000

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

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

**Government Operations
Budget Reserve Trust Fund**

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
SOURCE OF FUNDS					
General Fund					
Surplus Expenditure Plan	182,500				
Continuing Appropriation - Gen'l Fund	239,831,800	120,014,383	120,014,383	120,014,300	120,014,300
Budget Reduction	-120,000,000				
Total General Fund	120,014,300	120,014,383	120,014,383	120,014,300	120,014,300
TOTAL SOURCE OF FUNDS	120,014,300	120,014,383	120,014,383	120,014,300	120,014,300

The Budget Reserve Trust Fund has a General Fund appropriation of \$120,014,300 for the three combined fiscal years 2002, 2003, and 2004. These funds are appropriated and available in the event that actual General Fund revenue receipts during fiscal year 2002 or during the next biennium are not sufficient to meet the General Fund appropriation levels authorized in the budget.

In the event that these appropriations are not required and revenue receipts meet or exceed the revenue estimates for the current fiscal year, the \$120,014,300 would be carried forward into the 2002-2004 biennium. It is not an additional \$120,014,300 each year.

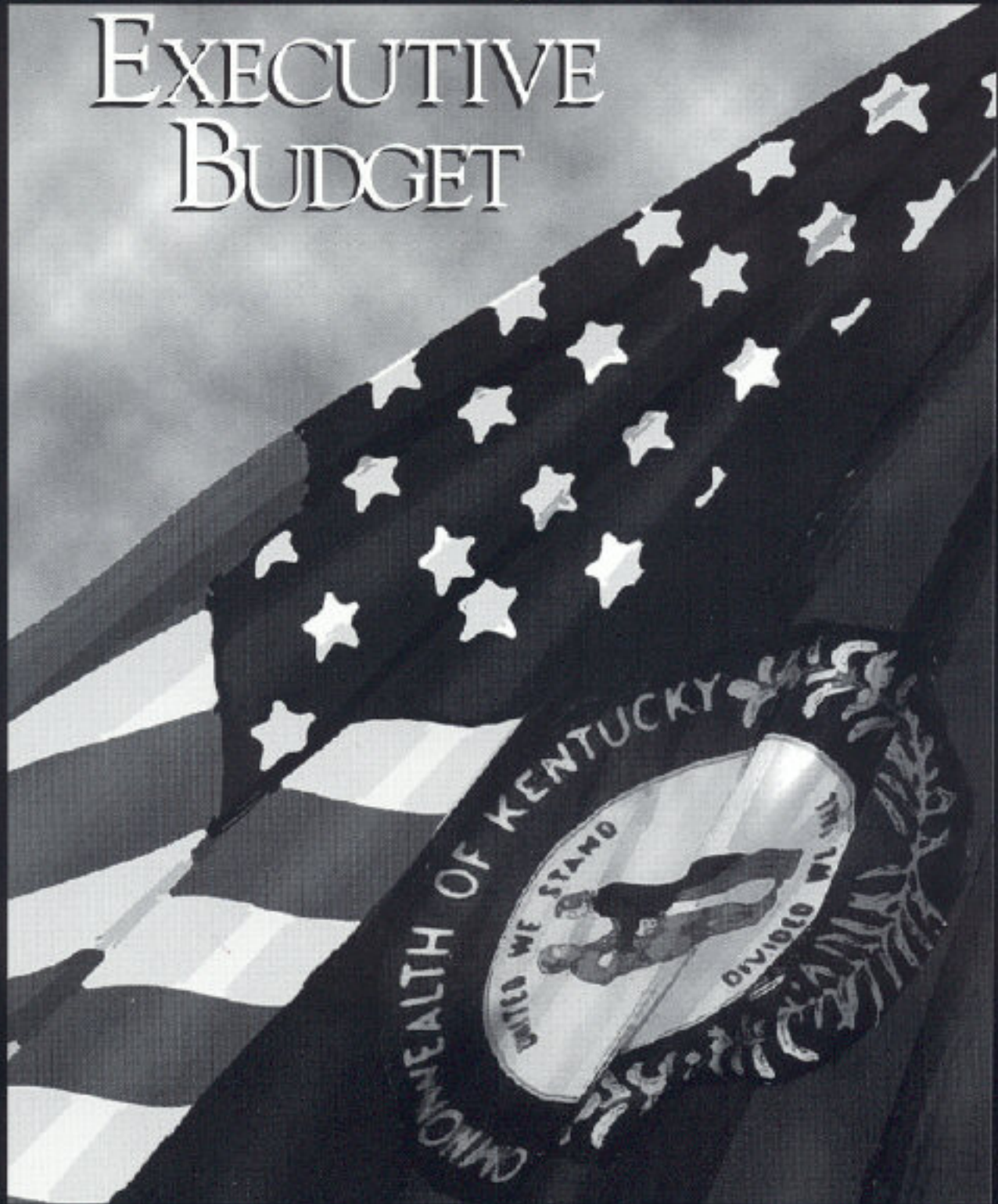
This level of funding (\$120,014,300) represents approximately 1.8 percent of estimated non-Tobacco General Fund revenue receipts in fiscal year 2002.



2002-2004

*Economic
Development*

EXECUTIVE BUDGET



Economic Development

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	12,923,800	15,475,800	16,501,000	12,290,200	12,454,100
Continuing Appropriation - Gen'l Fund	7,393,808	5,648,300	4,155,300	5,648,300	4,155,300
Budget Reduction	-646,200				
Total General Fund	19,671,408	21,124,100	20,656,300	17,938,500	16,609,400
Restricted Funds					
Balance Forward	3,056,300	1,846,200	555,200	1,846,200	1,724,600
Current Receipts	1,415,000	965,000	965,000	925,800	907,700
Non-Revenue Receipts	4,024,700	3,567,000	3,868,800	6,429,200	5,158,000
Total Restricted Funds	8,496,000	6,378,200	5,389,000	9,201,200	7,790,300
Federal Funds					
Balance Forward	14,000				
Current Receipts	146,000	160,000	160,000	157,100	155,400
Total Federal Funds	160,000	160,000	160,000	157,100	155,400
TOTAL SOURCE OF FUNDS	28,327,408	27,662,300	26,205,300	27,296,800	24,555,100
EXPENDITURES BY CLASS					
Personnel Cost	11,312,800	11,631,200	12,089,900	11,345,500	11,688,900
Operating Expenses	2,422,800	2,345,800	2,318,600	2,345,800	2,318,600
Grants, Loans or Benefits	7,079,300	7,685,800	7,685,800	7,725,600	7,725,600
Debt Service		1,289,000	1,289,000		
Capital Outlay	18,000				
TOTAL EXPENDITURES	20,832,900	22,951,800	23,383,300	21,416,900	21,733,100
EXPENDITURES BY FUND SOURCE					
General Fund	14,023,100	16,968,800	17,994,000	13,783,200	13,947,100
Restricted Funds	6,649,800	5,823,000	5,229,300	7,476,600	7,630,600
Federal Funds	160,000	160,000	160,000	157,100	155,400
TOTAL EXPENDITURES	20,832,900	22,951,800	23,383,300	21,416,900	21,733,100
EXPENDITURES BY UNIT					
Secretary	5,506,700	5,979,100	6,047,900	5,967,900	6,029,900
Administration and Support	2,175,700	2,249,000	2,309,500	2,209,700	2,213,400
Business Development	2,767,500	2,828,700	2,900,000	2,766,700	2,832,200
Financial Incentives	7,020,400	7,073,000	7,163,700	7,019,500	7,092,200
Debt Service		1,289,000	1,289,000		
Community Development	3,362,600	3,533,000	3,673,200	3,453,100	3,565,400
TOTAL EXPENDITURES	20,832,900	22,951,800	23,383,300	21,416,900	21,733,100

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

The governing body of the Cabinet, the Kentucky Economic Development Partnership, consists of 11 voting members and two non-voting members. The 11 voting members are the Governor, who is chairman, the Secretary of the Finance and Administration Cabinet, the Secretary of the Natural Resources and Environmental Protection Cabinet, and eight private sector members representing all facets of the economic development community, who are appointed by the Governor. The Secretary of the Cabinet for Economic Development, (nominated by the Economic Development Partnership and appointed by the Governor), and the Secretary of the Tourism Development Cabinet serve as nonvoting members.

The Mission Statement and the Goals for the Commonwealth's economic development programs as defined by the Partnership's Statewide Strategic Plan for Economic Development are as follows:

To Create More and Higher Quality Opportunities for all Kentuckians by Building an Expanding Sustainable Economy

The five goals are:

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

The primary functions of the Cabinet are organized in five major areas: Office of the Secretary, Business Development, Financial Incentives, Administration and Support Services, and Community Development.

**Economic Development
Secretary**

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	1,392,000	2,819,800	3,617,600	1,392,700	1,417,100
Continuing Appropriation - Gen'l Fund	252,500				
Total General Fund	1,644,500	2,819,800	3,617,600	1,392,700	1,417,100
Restricted Funds					
Balance Forward	2,026,700	947,700	88,400	947,700	1,257,800
Non-Revenue Receipts	2,783,200	2,300,000	2,417,300	4,885,300	3,430,400
Total Restricted Funds	4,809,900	3,247,700	2,505,700	5,833,000	4,688,200
TOTAL SOURCE OF FUNDS	6,454,400	6,067,500	6,123,300	7,225,700	6,105,300
EXPENDITURES BY CLASS					
Personnel Cost	2,597,400	2,465,000	2,550,400	2,414,000	2,492,600
Operating Expenses	571,300	494,100	477,500	494,100	477,500
Grants, Loans or Benefits	2,320,000	3,020,000	3,020,000	3,059,800	3,059,800
Capital Outlay	18,000				
TOTAL EXPENDITURES	5,506,700	5,979,100	6,047,900	5,967,900	6,029,900
EXPENDITURES BY FUND SOURCE					
General Fund	1,644,500	2,819,800	3,617,600	1,392,700	1,417,100
Restricted Funds	3,862,200	3,159,300	2,430,300	4,575,200	4,612,800
TOTAL EXPENDITURES	5,506,700	5,979,100	6,047,900	5,967,900	6,029,900
EXPENDITURES BY UNIT					
Executive Policy & Mgmt	3,012,000	3,039,800	3,068,200	3,052,500	3,076,900
New Economy	1,715,900	2,144,900	2,169,400	2,144,900	2,169,400
Coal County Development	778,800	794,400	810,300	770,500	783,600
TOTAL EXPENDITURES	5,506,700	5,979,100	6,047,900	5,967,900	6,029,900

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

Department for Coal County Development

The Office of the Secretary houses the Department for Coal County Development. The administrative unit was initially organized as the Office of Coal County Development, under resolution 97-1 by the Kentucky Economic Development Partnership, and formally established by the 1998 General Assembly, as the primary administrative agency for the Local Government Economic Development Fund (LGEDF). The LGEDF was first funded during the 1992 Regular Session and is governed by KRS 42. 4582-24.465. In July 2000 the Kentucky Economic Development Partnership abolished the Office for Coal County Development and established the Department for Coal County Development. Subsequently, House Bill 91 was approved, establishing DCCD and directing it to administer the LGEDF program with final grant awards reserved for KEDFA.

The Department for Coal County Development is charged with promoting the LGEDF, identifying eligible projects and assisting the LGEDF counties with the administration of grants. Grants are awarded for activities that enable counties to diversify their local economies beyond the coal mining industry and by creating an environment more conducive to business activity. Projects include acquisition of industrial property, construction of water and sewer lines, and construction of industrial buildings.

Office of the Commissioner for the New Economy

The Kentucky Innovation Act, enacted during the 2000 Regular Session of the General Assembly, established the Office of the Commissioner for the New Economy. It is governed under KRS 154-278. Its mission is to lead the statewide initiative to spur the growth of the Knowledge-Based Economy. This will be accomplished by:

- Creating the research and development infrastructure necessary to incubate high-technology companies;
- Developing the intellectual pool necessary to grow and sustain the New Economy;
- Assisting existing companies to compete effectively in the New Economy;
- Growing new, knowledge-based, innovation-driven companies;
- Recruiting knowledge-based, innovation driven companies to the Commonwealth.

The New Economy effort is comprehensive and multi-dimensional. It includes programs in the Cabinet for Economic Development, the Council for Postsecondary Education (CPE), the Kentucky Department for Education (KDE), the Kentucky Workforce Development Cabinet (KWDC) and Kentucky Community and Technical College System (KCTCS). The private sector and the universities also play an active role in the New Economy effort. Among the programs that are fundamental to the development of the New Economy in Kentucky are:

Endowment Match or "Bucks for Brains" Program: A funding mechanism that combines public and private dollars to underwrite endowed chairs, professorships and fellowships at Kentucky's public universities. By increasing the number of first-class professors, the "Bucks for Brains" matching program provides the intellectual infrastructure necessary to build the Commonwealth's basic and applied research capacity. This intellectual infrastructure is essential if Kentucky is to establish and nurture research and development facilities that are fundamental to the incubation of high-tech industries. The Council for Postsecondary Education administers this program.

Experimental Program to Stimulate Competitive Research (EPSCoR): A program of the National Science Foundation (NSF), EPSCoR is designed to improve the competitiveness of state universities' research capacities and to assure broad geographic distribution of merit-reviewed research awards. The intent of the Kentucky program is to build the capacity for basic research in science and engineering at its universities and bring them to nationally competitive levels. The Council for Postsecondary Education and the Kentucky Science and Technology Corporation administer this program.

Kentucky Science and Engineering Foundation (KSEF): A new organization created (but not codified into law) in the *Kentucky Innovation Act*. Its purpose is to build research and development excellence in the Commonwealth, particularly in state-designated research and development priority areas. The KSEF makes peer-reviewed investments in applied research to develop emerging technologies and ideas. The Kentucky Science and Technology Corporation administers this program.

Commercialization Fund: An investment fund that helps universities translate faculty research into marketable products. Eligible applicants may receive up to \$225,000 over three years, not to exceed \$75,000 in any one year. The Kentucky Science and Technology Corporation administers this program.

Research and Development Fund: An investment fund that enables small and medium-sized Kentucky-based firms to undertake research and development work in partnership with Kentucky university researchers. Investments will be made in technology refinement, prototype development and commercial product development. Eligible applicants may receive up to \$200,000 over two years, not to exceed \$100,000 in any one year. The Kentucky Science and Technology Corporation administers this program.

Rural Innovation Fund: An investment fund that enables small, rural-based Kentucky-based firms to undertake research and development work. Funds must be used to contract with a third party. Investments will be made in proof of concept development or early stage prototypes. Eligible applicants may receive up to \$50,000 over two years, not to exceed \$25,000 in any one year. The Kentucky Science and Technology Corporation administers this program.

Workforce Development Trust Fund: A funding mechanism that underwrites workforce training offered through the Kentucky Community and Technical College System. The Council for Postsecondary Education and the Kentucky Community and Technical College System administer this program.

Kentucky Commonwealth Seed Capital Fund, LLC: Venture capital funds will be available through this newly created fund statewide or at the regional level. It will provide early stage investment funds to start-up companies to capitalize on the most promising Kentucky technologies. State funds will be leveraged against private capital to more than double the original \$11 million investment. This program is administered by the Office of the Commissioner for the New Economy under the auspices of the Economic Development Partnership.

High-Tech Construction Pool: A resource that assists universities and public-private partnerships to construct facilities that will increase Kentucky's research and development and commercialization capacity. This infrastructure is fundamental to the incubation of high-tech industries. The Office of the Commissioner for the New Economy administers this program. The Kentucky Economic Development Financing Authority (KEDFA) must approve funding.

High-Tech Investment Pool: A resource that provides grants or loans to be used to build and promote networks or clusters of technology-driven and research-intensive industries. The Office of the Commissioner for the New Economy administers this program. The Kentucky Economic Development Financing Authority (KEDFA) must approve funding.

Connect Kentucky: A three-year statewide initiative designed to assess Kentucky's network infrastructure, access and usage. Each network component will be evaluated on its affordability, quality and range of service. The project will use benchmarks developed by the Computer Systems Policy Project Group (CSPP) for global electronic commerce readiness, a national group composed of leading information technology businesses. The Office of the Commissioner for the New Economy administers this program.

Manufacturing Modernization Project (MMP): This fund under the auspices of the Kentucky Manufacturing Assistance Center (KMAC) assists small and medium-sized Kentucky firms to upgrade the marketability of their product lines. The MMP seeks to deliver services that will add value to existing products and processes, and to create new products and processes. The Kentucky Manufacturing Assistance Center administers this program. KMAC serves as Kentucky's affiliate to the national Manufacturing Extension Program (MEP)

Innovation and Commercialization Centers (ICC): Facilities that will provide business-building and related services to Kentucky entrepreneurs, faculty and scientists across the state and access to the innovation-related funding tools created under the Kentucky Innovation Act. There will be six affiliate centers and 14 satellite centers located across the Commonwealth to assist entrepreneurs and scientists in the innovation and commercialization process for technology-based businesses. The Kentucky Science and Technology Corporation administers this program.

Regional Technology Service Corporations: These corporations that were created by the Kentucky Innovation Act will become satellites in the ICC network. Services offered by the satellites will be geared to meet the special challenges faced by rural communities entering the new economy. The Kentucky Science and Technology Corporation administers this program.

Other New Economy-related infrastructure and initiatives:

Kentucky Innovation Commission: Following the Postsecondary's Strategic Committee on Postsecondary Education (SCOPE) model, this Commission along with the Office of the Commissioner for the New Economy, oversees the activities of the entire new economy system. It provides ongoing advice, direction and policy recommendations to the Governor and General Assembly relating to technology-based businesses, research and development initiatives and related high-skill training and education in the Commonwealth. The Commission is composed of seven ex-officio and eight at-large members and is governed under KRS 164.6015.

Washington Office: Kentucky ranks at, or near the bottom when compared to other state's share of federal research dollars. Kentucky is also one of only two states that do not have a federal research laboratory. As an infusion of federal dollars will be crucial to the success of the *Strategic Plan for the New Economy*, the Commissioner has hired and is overseeing the work of one member of the recently established Kentucky Washington, DC office staff. Their mission will be to boost federal research dollars and to secure a federal research laboratory.

Entrepreneurial Audit. The *Kentucky Innovation Act* mandated that the Kentucky Science and Technology Corporation conduct an entrepreneurial audit. The audit identified practices and policies, both public and private, that impede the commercialization of knowledge and technology and the start-up and growth of innovative companies. The study's findings guide the New Economy legislative package for the 2002 General Assembly and the Strategic Plan for the New Economy.

Strategic Plan for the New Economy. The 2000 General Assembly charged the Commissioner for the New Economy with developing a statewide strategic plan for the New Economy. Led by the Commissioner and members of the Kentucky Innovation Commission, hundreds of scientists, entrepreneurs and public officials contributed to the effort over a nine-month period. Their collaboration produced four regional plans and a statewide plan, *Kentucky Innovation*. The state plan recognizes Kentucky's current position in the new economy, identifies those niches where Kentucky might gain a competitive edge within a decade and establishes the public policy framework necessary to achieve results. The strategic plan also identifies performance indicators against which progress will be measured.

Policy

Included in the Governor's recommend budget is \$420,800 in restricted funds each fiscal year for the Louisville Waterfront Development Corporation. The source of these restricted funds is Economic Development Bond repayments.

Included in the Governor's recommended budget is \$300,000 in restricted funds each fiscal year for the Kentucky Technology Service Grant through the Kentucky Manufacturing Assistance Center (KMAC) program. The source of these restricted funds is Economic Development Bond repayments.

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

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

Included in the Governor's recommended budget is \$1.3 million in agency funds in each year of the biennium for the New Economy Innovation and Commercialization Centers.

Included in the above restricted funds appropriation for fiscal year 20002-2003 is \$1,969,400, and \$1,000,000 in fiscal year 2003-2004, notwithstanding the provisions of KRS 164.6019, 164.6027, 164.6035 and 164.6043. Notwithstanding the provisions of KRS 164.6019, 164.6027, 164.6035 and 164.6043, the unobligated balance of fiscal year 2001-2002 appropriations from the Council on Postsecondary Education, Science and Technology Trust Fund shall be transferred to the Office of the Commissioner for the New Economy within the Cabinet for Economic Development.

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

Included in the Governor's recommended budget is \$100,000 in agency funds in each year of the biennium to fund the Washington, D.C. Office.

**Economic Development
Administration and Support**

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	2,198,700	2,219,200	2,263,600	2,179,900	2,167,500
Budget Reduction	-23,000				
Total General Fund	2,175,700	2,219,200	2,263,600	2,179,900	2,167,500
Restricted Funds					
Balance Forward	84,200	84,200	54,400	84,200	54,400
Total Restricted Funds	84,200	84,200	54,400	84,200	54,400
TOTAL SOURCE OF FUNDS	2,259,900	2,303,400	2,318,000	2,264,100	2,221,900
EXPENDITURES BY CLASS					
Personnel Cost	1,552,000	1,633,500	1,716,600	1,594,200	1,620,500
Operating Expenses	623,700	615,500	592,900	615,500	592,900
TOTAL EXPENDITURES	2,175,700	2,249,000	2,309,500	2,209,700	2,213,400
EXPENDITURES BY FUND SOURCE					
General Fund	2,175,700	2,219,200	2,263,600	2,179,900	2,167,500
Restricted Funds		29,800	45,900	29,800	45,900
TOTAL EXPENDITURES	2,175,700	2,249,000	2,309,500	2,209,700	2,213,400
EXPENDITURES BY UNIT					
Administration and Support	2,175,700	2,249,000	2,309,500	2,209,700	2,213,400
TOTAL EXPENDITURES	2,175,700	2,249,000	2,309,500	2,209,700	2,213,400

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

The Department provides analytical services and economic and community data to support economic development activities in Kentucky. The Department compiles data and publishes an international trade directory, economic statistics, and general information on Kentucky. Original research is also conducted in response to specific requests from within the Cabinet, as well as from industrial prospects, existing businesses, local development groups, and local government officials. These research projects include special tax computations and comparisons, economic impact studies, and detailed economic and community data. The Department compiles and publishes community resource data for approximately 200 communities in the state. "Resources for Economic Development" booklets are prepared for communities with available industrial sites, as determined by the Site Evaluation Division, Department of Business Development. These booklets are used by Cabinet personnel, other state agencies, local economic developers, businesses, and the public.

**Economic Development
Business Development**

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	2,571,800	2,579,900	2,609,400	2,517,900	2,541,600
Budget Reduction	-33,000				
Total General Fund	2,538,800	2,579,900	2,609,400	2,517,900	2,541,600
Restricted Funds					
Balance Forward	279,400	550,700	301,900	550,700	301,900
Current Receipts	500,000				
Total Restricted Funds	779,400	550,700	301,900	550,700	301,900
TOTAL SOURCE OF FUNDS	3,318,200	3,130,600	2,911,300	3,068,600	2,843,500
EXPENDITURES BY CLASS					
Personnel Cost	2,156,500	2,215,600	2,281,900	2,153,600	2,214,100
Operating Expenses	526,000	528,100	533,100	528,100	533,100
Grants, Loans or Benefits	85,000	85,000	85,000	85,000	85,000
TOTAL EXPENDITURES	2,767,500	2,828,700	2,900,000	2,766,700	2,832,200
EXPENDITURES BY FUND SOURCE					
General Fund	2,538,800	2,579,900	2,609,400	2,517,900	2,541,600
Restricted Funds	228,700	248,800	290,600	248,800	290,600
TOTAL EXPENDITURES	2,767,500	2,828,700	2,900,000	2,766,700	2,832,200
EXPENDITURES BY UNIT					
Business Development	2,767,500	2,828,700	2,900,000	2,766,700	2,832,200
TOTAL EXPENDITURES	2,767,500	2,828,700	2,900,000	2,766,700	2,832,200

The Department for Business Development is responsible for coordinating the recruitment of new industries and businesses to Kentucky. This task includes: compiling research data for prospective sites; targeting and contacting specific industries and businesses outside of Kentucky; meeting and corresponding with business representatives; and coordinating site location referrals and visits. This process involves coordinating the exchange of information for specific areas such as financing, training, and regulatory requirements with Cabinet officials, program personnel and local representatives.

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

**Economic Development
Financial Incentives**

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	3,693,200	3,619,500	3,649,200	3,343,800	3,371,900
Continuing Appropriation - Gen'l Fund	7,141,308	5,648,300	4,155,300	5,648,300	4,155,300
Budget Reduction	-351,500				
Total General Fund	10,483,008	9,267,800	7,804,500	8,992,100	7,527,200
Restricted Funds					
Balance Forward	557,700	123,500		123,500	
Current Receipts	900,000	950,000	950,000	913,700	897,300
Non-Revenue Receipts	851,500	887,000	1,071,500	1,145,500	1,330,000
Total Restricted Funds	2,309,200	1,960,500	2,021,500	2,182,700	2,227,300
TOTAL SOURCE OF FUNDS	12,792,208	11,228,300	9,826,000	11,174,800	9,754,500
EXPENDITURES BY CLASS					
Personnel Cost	2,211,900	2,362,500	2,450,600	2,309,000	2,379,100
Operating Expenses	215,500	210,500	213,100	210,500	213,100
Grants, Loans or Benefits	4,593,000	4,500,000	4,500,000	4,500,000	4,500,000
TOTAL EXPENDITURES	7,020,400	7,073,000	7,163,700	7,019,500	7,092,200
EXPENDITURES BY FUND SOURCE					
General Fund	4,834,700	5,112,500	5,142,200	4,836,800	4,864,900
Restricted Funds	2,185,700	1,960,500	2,021,500	2,182,700	2,227,300
TOTAL EXPENDITURES	7,020,400	7,073,000	7,163,700	7,019,500	7,092,200
EXPENDITURES BY UNIT					
Financial Incentives	1,834,000	1,960,500	2,021,500	1,924,200	1,968,800
Bluegrass State Skills	5,186,400	5,112,500	5,142,200	5,095,300	5,123,400
TOTAL EXPENDITURES	7,020,400	7,073,000	7,163,700	7,019,500	7,092,200

The Department of Financial Incentives, established by KRS 154,12-224, coordinates all financial assistance, tax credit and related programs available to business and industry. The Department is charged with the development of new initiatives, as well as streamlining and coordinating existing programs. To see that a balanced, efficient use of state dollars and credits is available for job creation and preservation, the Department worksthrough the Grants Program Division, Tax Incentive Programs Division, Direct Loan Programs Division, Program Servicing Division, and the Bluegrass State Skills Corporation. The Kentucky Economic Development Finance Authority (KEDFA), encourages economic development, business expansion, and job creation by providing financial support for business and industry through an array of financial assistance and tax credit programs.

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

- The Kentucky Job Development Act (KRS 154.24-010)
- The Kentucky Industrial Revitalization Act (KRS 154.26)
- The Kentucky Rural Economic Development Act (KRS 154.22)

- The Kentucky Industrial Development Act (KRS 154.28)
- The Local Government Economic Development Programs (KRS 42.4582-42.4595)
- The Direct Loan program (KRS 154.20-030)
- The Kentucky Tourism Development Act (KRS 154.29-0100)
- The Kentucky Investment Fund Act (KRS 154.20-250)

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

The Enterprise Zone Authority of Kentucky was established in 1982 by the General Assembly to revitalize economically depressed areas of the state. The Department employs staff which serves the Authority and carries out the administrative duties and functions as directed by the Authority. The statutory authority for the Enterprise Zone Authority is found in KRS 154.45-001 through KRS 154.45-120.

**Economic Development
Debt Service**

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
SOURCE OF FUNDS					
General Fund					
Regular Appropriation		1,289,000	1,289,000		
Total General Fund		1,289,000	1,289,000		
TOTAL SOURCE OF FUNDS		1,289,000	1,289,000		
EXPENDITURES BY CLASS					
Debt Service		1,289,000	1,289,000		
TOTAL EXPENDITURES		1,289,000	1,289,000		
EXPENDITURES BY FUND SOURCE					
General Fund		1,289,000	1,289,000		
TOTAL EXPENDITURES		1,289,000	1,289,000		

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

Unexpended authorization may carry forward to succeeding fiscal years if sufficient debt service is appropriated, according to Attorney General Opinion 81-242.

Policy

The Debt Service for the previously authorized portion of the Economic Development Bonds Pool in the amount of \$9,038,000 is authorized in the Finance and Administration Cabinet's budget.

**Economic Development
Community Development**

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	3,068,100	2,948,400	3,072,200	2,855,900	2,956,000
Budget Reduction	-238,700				
Total General Fund	2,829,400	2,948,400	3,072,200	2,855,900	2,956,000
Restricted Funds					
Balance Forward	108,300	140,100	110,500	140,100	110,500
Current Receipts	15,000	15,000	15,000	12,100	10,400
Non-Revenue Receipts	390,000	380,000	380,000	398,400	397,600
Total Restricted Funds	513,300	535,100	505,500	550,600	518,500
Federal Funds					
Balance Forward	14,000				
Current Receipts	146,000	160,000	160,000	157,100	155,400
Total Federal Funds	160,000	160,000	160,000	157,100	155,400
TOTAL SOURCE OF FUNDS	3,502,700	3,643,500	3,737,700	3,563,600	3,629,900
EXPENDITURES BY CLASS					
Personnel Cost	2,795,000	2,954,600	3,090,400	2,874,700	2,982,600
Operating Expenses	486,300	497,600	502,000	497,600	502,000
Grants, Loans or Benefits	81,300	80,800	80,800	80,800	80,800
TOTAL EXPENDITURES	3,362,600	3,533,000	3,673,200	3,453,100	3,565,400
EXPENDITURES BY FUND SOURCE					
General Fund	2,829,400	2,948,400	3,072,200	2,855,900	2,956,000
Restricted Funds	373,200	424,600	441,000	440,100	454,000
Federal Funds	160,000	160,000	160,000	157,100	155,400
TOTAL EXPENDITURES	3,362,600	3,533,000	3,673,200	3,453,100	3,565,400
EXPENDITURES BY UNIT					
Business & Entrepreneurship	816,800	850,100	884,400	834,900	860,300
Executive Policy & Management	382,100	400,900	418,600	391,700	405,500
Small & Minority Business	397,000	414,200	431,600	404,400	418,900
Regional Offices	1,097,000	1,151,600	1,202,000	1,118,600	1,161,700
International Trade	669,700	716,200	736,600	703,500	719,000
TOTAL EXPENDITURES	3,362,600	3,533,000	3,673,200	3,453,100	3,565,400

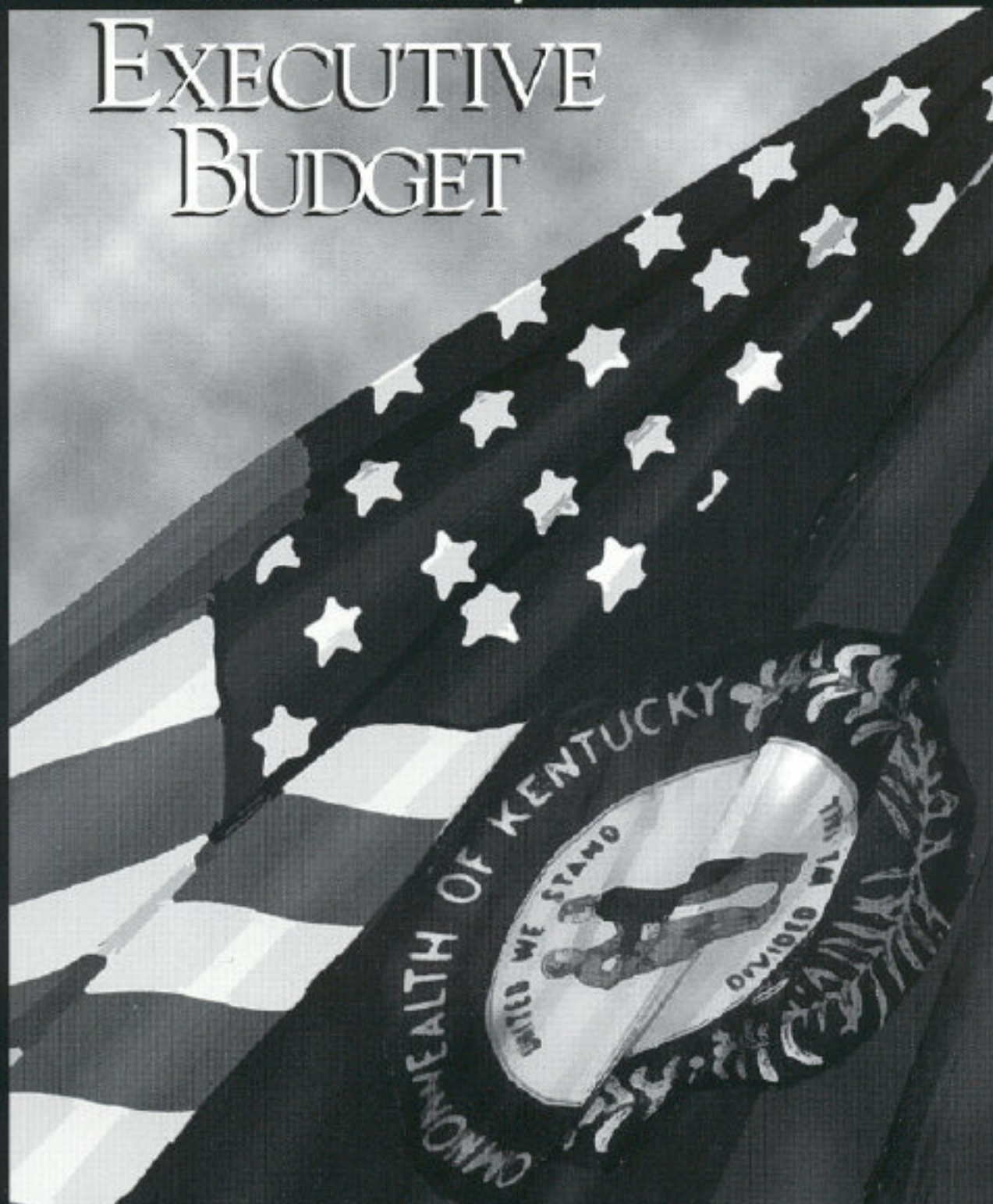
The Department of Community Development is responsible for the retention and expansion of existing businesses. It seeks to expand Kentucky's entrepreneurial capacity and to assist communities to realize their maximum economic growth potential. The Department includes: the International Trade Division,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



2002-2004

Education

EXECUTIVE BUDGET



	Education				
	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	2,848,307,800	2,921,823,700	3,015,538,400	2,809,548,600	2,894,891,400
Continuing Appropriation - Gen'l Fund	517,200				
Budget Reduction	-36,314,500				
Total General Fund	2,812,510,500	2,921,823,700	3,015,538,400	2,809,548,600	2,894,891,400
Restricted Funds					
Balance Forward	3,521,700	3,479,500	1,129,000	3,479,500	1,109,000
Current Receipts	5,484,700	5,000,000	7,315,800	4,977,700	7,288,800
Non-Revenue Receipts	680,800	696,200	748,900	690,400	741,200
Total Restricted Funds	9,687,200	9,175,700	9,193,700	9,147,600	9,139,000
Federal Funds					
Balance Forward	188,300	188,300	188,300	188,300	188,300
Current Receipts	476,475,700	491,799,700	499,003,700	491,623,300	498,568,800
Total Federal Funds	476,664,000	491,988,000	499,192,000	491,811,600	498,757,100
TOTAL SOURCE OF FUNDS	3,298,861,700	3,422,987,400	3,523,924,100	3,310,507,800	3,402,787,500
EXPENDITURES BY CLASS					
Personnel Cost	59,866,600	64,535,900	67,014,800	59,721,200	60,596,200
Operating Expenses	15,888,700	14,971,800	15,041,700	14,644,800	14,632,600
Grants, Loans or Benefits	3,219,438,600	3,342,162,400	3,440,574,200	3,234,844,500	3,326,347,000
TOTAL EXPENDITURES	3,295,193,900	3,421,670,100	3,522,630,700	3,309,210,500	3,401,575,800
EXPENDITURES BY FUND SOURCE					
General Fund	2,812,510,500	2,921,823,700	3,015,538,400	2,809,548,600	2,894,891,400
Restricted Funds	6,207,700	8,046,700	8,088,600	8,038,600	8,115,600
Federal Funds	476,475,700	491,799,700	499,003,700	491,623,300	498,568,800
TOTAL EXPENDITURES	3,295,193,900	3,421,670,100	3,522,630,700	3,309,210,500	3,401,575,800
EXPENDITURES BY UNIT					
Support Education Excellence in Kentucky (SEEK)	2,202,153,600	2,264,403,200	2,315,562,500	2,229,077,400	2,290,296,800
Executive Policy and Management	644,400	726,100	755,200	715,400	735,100
Operation and Support Services	13,610,300	15,530,400	16,499,600	14,293,100	14,661,700
Learning and Results Services	1,078,785,600	1,141,010,400	1,189,813,400	1,065,124,600	1,095,882,200
TOTAL EXPENDITURES	3,295,193,900	3,421,670,100	3,522,630,700	3,309,210,500	3,401,575,800

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

The Department of Education was reorganized in July 2001 by Executive Order 01-975. The reorganization was ratified by the 2000 Regular Session of the General Assembly by passage of HB 79. Under the provisions of the executive order and subsequent legislation, the Department of Education consists of the following major program areas: Executive Policy and Management; Operations and Support Services; and Learning and Results Services.

Policy

The Governor's proposed budget identifies six programs which are each to be modified to permit local school districts additional flexibility in the distribution of program funds across the six programs while still addressing the governing statutes and serving the need and the intended population. The six programs are: Professional Development; Gifted and Talented; Preschool; Extended School Services; Textbooks; and Safe Schools.

The Governor's budget proposal assumes the return of approximately \$12 million in unused local school district flexible spending account monies for calendar 2001 to be used during the 2002-2004 biennium to supplement General Fund appropriations to various KERA strand and other local school district grant programs. The proposed budget further assumes the return of unused flexible spending account monies for calendar 2002 as well as calendar 2003 to be used for the same purpose. In addition, the budget proposal assumes the implementation of a method by which Kentucky will begin receiving federal Medicaid matching funds for those reimbursable functions performed by local school districts on behalf of Medicaid-eligible students. A portion of these funds will be made available to further supplement General Fund support for various KERA strand and other grant programs.

Section 184 of Kentucky's Constitution established an account on behalf of the body now known as the Kentucky Board of Education, the interest from which, along with other resources provided for the state's elementary and secondary schools, is to be available for use on behalf of the state's public schools. The proposed budget makes use of this interest in the amount of \$400,000 in fiscal year 2004 to augment the General Funds to be appropriated on behalf of the schools.

Education
Support Education Excellence in Kentucky (SEEK)

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	2,236,293,600	2,264,403,200	2,315,562,500	2,229,077,400	2,290,296,800
Budget Reduction	-34,140,000				
Total General Fund	2,202,153,600	2,264,403,200	2,315,562,500	2,229,077,400	2,290,296,800
TOTAL SOURCE OF FUNDS	2,202,153,600	2,264,403,200	2,315,562,500	2,229,077,400	2,290,296,800
EXPENDITURES BY CLASS					
Grants, Loans or Benefits	2,202,153,600	2,264,403,200	2,315,562,500	2,229,077,400	2,290,296,800
TOTAL EXPENDITURES	2,202,153,600	2,264,403,200	2,315,562,500	2,229,077,400	2,290,296,800
EXPENDITURES BY FUND SOURCE					
General Fund	2,202,153,600	2,264,403,200	2,315,562,500	2,229,077,400	2,290,296,800
TOTAL EXPENDITURES	2,202,153,600	2,264,403,200	2,315,562,500	2,229,077,400	2,290,296,800
EXPENDITURES BY UNIT					
Base Funding	1,578,737,000	1,969,807,700	2,009,629,500	1,561,687,300	1,614,651,300
Transportation	187,200,000			186,083,500	191,222,300
Equalized Facilities (FSPK)	42,855,200			57,258,000	53,833,700
Tier I Equalization	116,637,100			132,157,200	129,764,700
State-Run Vocational Schools Reimbursement	21,452,600	22,908,400	23,952,600	21,452,600	21,452,600
Vocational Education Transportation	2,416,900	2,400,000	2,400,000	2,416,900	2,416,900
Local District Teachers' Retirement Match	252,854,800	269,287,100	279,580,400	267,421,900	276,355,300
Bd for Prof Teaching Standards Salary Supp Reimb				600,000	600,000
TOTAL EXPENDITURES	2,202,153,600	2,264,403,200	2,315,562,500	2,229,077,400	2,290,296,800

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

Under the SEEK financing program, the state sets a fixed base guarantee amount (\$3,066 in fiscal year 2002) per student in average daily attendance. The amount of revenue per pupil guaranteed by SEEK is then adjusted for each local school district to reflect a set of factors that affect the cost of providing services to pupils.

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

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

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

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

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

Policy

The Governor's proposed budget includes funding to maintain the base SEEK per pupil guarantee amount at \$3,066 in fiscal year 2003 and to increase the guarantee amount to \$3,180 in fiscal year 2004 for the purpose of providing \$73 million in new state funds to offset the cost of providing a 2.7 percent cost of living salary increase for all local school district employees. Local school districts will be required to absorb the cost of a 2.7 percent employee cost of living salary increase in fiscal year 2003. The proposed budget incorporates a consensus estimate reached by the Kentucky Department of Education and the Office of State Budget Director as to the number of pupils in average daily attendance - 566,538 in fiscal 2003 and 565,103 in fiscal 2004. Funding is included for the additional costs associated with educating at-risk and exceptional children. Also included is funding to provide every school district with at least the same amount of state SEEK funding per pupil in both years of the 2002-2004 biennium as was received in fiscal year 1991-92 (a "hold-harmless" guarantee).

The budget proposed by the Governor includes \$132,157,200 in fiscal year 2003 and \$129,764,700 in fiscal year 2004 to provide Tier I equalization funding. This funding is projected to be sufficient to equalize local revenues raised under this program at a level of \$545,000 of assessed valuation per student (150 percent of the projected statewide average per pupil assessment) during the 2002-2004 biennium. The budget proposal incorporates a consensus estimate reached by the Kentucky Revenue Cabinet, the Department of Education and the Office of State Budget Director projecting a statewide assessed valuation of \$200,416,626,200 for fiscal year 2003 and \$210,437,457,500 for fiscal year 2004.

The proposed budget includes funding for pupil transportation of \$186,083,500 in fiscal year 2003 and \$191,222,300 in fiscal year 2004.

The Governor's proposed budget provides state support for the Facilities Support Program of Kentucky of \$57,258,000 in fiscal year 2002 and \$53,833,700 in fiscal year 2004. This funding level is projected to be sufficient to equalize local district revenues raised under this program at a level of \$545,000 of assessed valuation per student.

The budget as proposed provides funding at the current level of \$21,452,600 in both fiscal years to reimburse state-operated vocational facilities for the costs of providing course offerings to students from local school districts. Funding for vocational transportation is recommended to continue at the current level of \$2,416,900 in both fiscal years.

Included within the total recommended for the SEEK program area is \$267,421,900 in fiscal year 2003 and \$276,355,300 in fiscal year 2004 for the Teachers' Retirement employer match on behalf of local school district certified personnel.

Education
Executive Policy and Management

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	657,600	726,100	755,200	715,400	735,100
Budget Reduction	-13,200				
Total General Fund	644,400	726,100	755,200	715,400	735,100
TOTAL SOURCE OF FUNDS	644,400	726,100	755,200	715,400	735,100
EXPENDITURES BY CLASS					
Personnel Cost	512,600	582,400	611,500	571,700	591,400
Operating Expenses	131,800	143,700	143,700	143,700	143,700
TOTAL EXPENDITURES	644,400	726,100	755,200	715,400	735,100
EXPENDITURES BY FUND SOURCE					
General Fund	644,400	726,100	755,200	715,400	735,100
TOTAL EXPENDITURES	644,400	726,100	755,200	715,400	735,100
EXPENDITURES BY UNIT					
Commissioner	546,400	616,100	645,200	605,400	625,100
Kentucky Board of Education	98,000	110,000	110,000	110,000	110,000
TOTAL EXPENDITURES	644,400	726,100	755,200	715,400	735,100

The reorganization of the Department of Education, Executive Order 01-795, created the Executive Policy and Management function consisting of the Commissioner of Education and the Kentucky Board of Education.

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

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

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

Education
Operation and Support Services

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	11,571,700	12,779,800	13,696,900	11,542,700	11,823,500
Budget Reduction	-824,500				
Total General Fund	10,747,200	12,779,800	13,696,900	11,542,700	11,823,500
Restricted Funds					
Balance Forward	428,000	385,800	347,900	385,800	327,900
Current Receipts	1,588,600	1,454,000	1,480,000	1,439,600	1,461,500
Non-Revenue Receipts	680,800	696,200	748,900	690,400	741,200
Total Restricted Funds	2,697,400	2,536,000	2,576,800	2,515,800	2,530,600
Federal Funds					
Balance Forward	25,600	25,600	25,600	25,600	25,600
Current Receipts	551,500	562,500	573,800	562,500	573,800
Total Federal Funds	577,100	588,100	599,400	588,100	599,400
TOTAL SOURCE OF FUNDS	14,021,700	15,903,900	16,873,100	14,646,600	14,953,500
EXPENDITURES BY CLASS					
Personnel Cost	8,769,900	9,894,500	10,305,800	9,223,300	9,534,000
Operating Expenses	4,131,700	4,416,200	4,462,800	4,359,500	4,406,100
Grants, Loans or Benefits	708,700	1,219,700	1,731,000	710,300	721,600
TOTAL EXPENDITURES	13,610,300	15,530,400	16,499,600	14,293,100	14,661,700
EXPENDITURES BY FUND SOURCE					
General Fund	10,747,200	12,779,800	13,696,900	11,542,700	11,823,500
Restricted Funds	2,311,600	2,188,100	2,228,900	2,187,900	2,264,400
Federal Funds	551,500	562,500	573,800	562,500	573,800
TOTAL EXPENDITURES	13,610,300	15,530,400	16,499,600	14,293,100	14,661,700
EXPENDITURES BY UNIT					
BOSS-Deputy Commissioner	189,000	225,200	235,300	220,800	227,600
BOSS-IAS	8,329,300	9,205,700	9,472,800	9,021,300	9,262,400
BOSS-Legal & Leg Serv	1,230,200	1,606,800	1,649,200	1,230,200	1,248,900
BOSS-Communications	2,408,400	2,508,000	2,608,200	2,475,400	2,550,400
BOSS-Results Planning	1,453,400	1,984,700	2,534,100	1,345,400	1,372,400
TOTAL EXPENDITURES	13,610,300	15,530,400	16,499,600	14,293,100	14,661,700

The Operations and Support Services major program area, as a consequence of the 2001 reorganization of the Department via Executive Order 01-795, consists of the Office of Internal Administration and the Office of Legal and Legislative Services. The Deputy Commissioner for Operations and Support Services reports directly to the Commissioner of Education.

Education
Operation and Support Services
Deputy Commissioner

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	192,900	225,200	235,300	220,800	227,600
Budget Reduction	-3,900				
Total General Fund	189,000	225,200	235,300	220,800	227,600
TOTAL SOURCE OF FUNDS	189,000	225,200	235,300	220,800	227,600
EXPENDITURES BY CLASS					
Personnel Cost	159,600	195,200	205,300	190,800	197,600
Operating Expenses	29,400	30,000	30,000	30,000	30,000
TOTAL EXPENDITURES	189,000	225,200	235,300	220,800	227,600
EXPENDITURES BY FUND SOURCE					
General Fund	189,000	225,200	235,300	220,800	227,600
TOTAL EXPENDITURES	189,000	225,200	235,300	220,800	227,600

The Deputy Commissioner and associated support staff provide policy and administrative direction for the Operations and Support Services major program area. Executive Order 01-795 provided for the offices of Internal Administration and Support and Legal and Legislative Services within the Bureau of Operations and Support Services. The Deputy Commissioner reports directly to the Commissioner of Education.

Education
Operation and Support Services
Internal Administration and Support

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	6,805,100	7,327,400	7,557,300	7,163,200	7,373,100
Budget Reduction	-321,100				
Total General Fund	6,484,000	7,327,400	7,557,300	7,163,200	7,373,100
Restricted Funds					
Balance Forward	222,400	180,200	142,300	180,200	142,300
Current Receipts	1,122,300	1,144,200	1,166,600	1,129,800	1,148,100
Non-Revenue Receipts	680,800	696,200	748,900	690,400	741,200
Total Restricted Funds	2,025,500	2,020,600	2,057,800	2,000,400	2,031,600
TOTAL SOURCE OF FUNDS	8,509,500	9,348,000	9,615,100	9,163,600	9,404,700
EXPENDITURES BY CLASS					
Personnel Cost	5,221,800	5,841,900	6,066,000	5,664,200	5,862,300
Operating Expenses	3,107,500	3,363,800	3,406,800	3,357,100	3,400,100
TOTAL EXPENDITURES	8,329,300	9,205,700	9,472,800	9,021,300	9,262,400
EXPENDITURES BY FUND SOURCE					
General Fund	6,484,000	7,327,400	7,557,300	7,163,200	7,373,100
Restricted Funds	1,845,300	1,878,300	1,915,500	1,858,100	1,889,300
TOTAL EXPENDITURES	8,329,300	9,205,700	9,472,800	9,021,300	9,262,400
EXPENDITURES BY UNIT					
BOSS-IAS-Associate Commissioner	450,100	518,700	540,400	507,500	525,100
BOSS-IAS-Budgets	610,400	635,900	666,200	610,900	635,800
BOSS-IAS-Financial & Materials Mgnt	2,571,300	3,173,800	3,266,200	3,133,300	3,219,900
KDOE Teacher Retirement Match	2,472,400	2,573,400	2,624,800	2,503,800	2,553,900
BOSS-IAS-Administrative Services	1,615,500	1,699,400	1,740,700	1,677,600	1,713,800
BOSS-IAS-Human Resources	609,600	604,500	634,500	588,200	613,900
TOTAL EXPENDITURES	8,329,300	9,205,700	9,472,800	9,021,300	9,262,400

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

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

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

The Division of Administrative Services is responsible for insurance; leasing; management of leased property; inventory; telecommunications equipment; copiers; mail; office and furniture moves; receiving and distribution of equipment and materials; printing; and processing of documents to archives. The division is also responsible for capital project planning, budgeting and administration.

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

Education
Operation and Support Services
Legal and Legislative Services

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	1,600,500	1,606,800	1,649,200	1,230,200	1,248,900
Budget Reduction	-370,300				
Total General Fund	1,230,200	1,606,800	1,649,200	1,230,200	1,248,900
TOTAL SOURCE OF FUNDS	1,230,200	1,606,800	1,649,200	1,230,200	1,248,900
EXPENDITURES BY CLASS					
Personnel Cost	911,100	1,283,600	1,326,000	916,400	935,100
Operating Expenses	161,900	166,000	166,000	166,000	166,000
Grants, Loans or Benefits	157,200	157,200	157,200	147,800	147,800
TOTAL EXPENDITURES	1,230,200	1,606,800	1,649,200	1,230,200	1,248,900
EXPENDITURES BY FUND SOURCE					
General Fund	1,230,200	1,606,800	1,649,200	1,230,200	1,248,900
TOTAL EXPENDITURES	1,230,200	1,606,800	1,649,200	1,230,200	1,248,900
EXPENDITURES BY UNIT					
BOSS-Legal & Legislat Serv - Assoc Comm	376,500	606,200	629,400	344,700	355,500
BOSS-Management Assistance Prg	853,700	1,000,600	1,019,800	885,500	893,400
TOTAL EXPENDITURES	1,230,200	1,606,800	1,649,200	1,230,200	1,248,900

The Office of Legal and Legislative Services, located within the Bureau of Operations and Support Services by Executive Order 01-795, provides in-house counsel and advice for the Commissioner of Education, all offices of the Department of Education, and the Kentucky Board of Education. The office provides legal representation for the Department of Education and Kentucky Board of Education before administrative agencies and courts of law. It provides informal legal advice to local school districts and members of the general public. The office serves as the Kentucky Department of Education's liaison with the General Assembly.

The Division of Management Assistance Programs conducts voluntary management assessments at the request of a local school district as well as involuntary management assistance to districts identified as requiring state assistance or management based on criteria established by KRS 158.785. The Division also provides assistance in developing and implementing fiscal resource management plans for districts placed on a financial watch or emergency list. The Division of Management Assistance Programs is responsible for investigating allegations of inappropriate testing practices and reporting findings to a Board of Review. The Division approves and posts all certified teacher and administrator vacancies to insure public access to this information. Monitoring and enforcement of maximum class size limits is also a responsibility of the Division. A new responsibility assigned in fiscal 2002 is facilitating the appointment process to fill school board vacancies for local school districts.

**Education
Operation and Support Services
Communications**

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	1,460,700	1,735,700	1,821,000	1,703,100	1,763,200
Budget Reduction	-29,200				
Total General Fund	1,431,500	1,735,700	1,821,000	1,703,100	1,763,200
Restricted Funds					
Balance Forward	97,200	97,200	97,200	97,200	97,200
Current Receipts	425,400	209,800	213,400	209,800	213,400
Total Restricted Funds	522,600	307,000	310,600	307,000	310,600
Federal Funds					
Balance Forward	25,600	25,600	25,600	25,600	25,600
Current Receipts	551,500	562,500	573,800	562,500	573,800
Total Federal Funds	577,100	588,100	599,400	588,100	599,400
TOTAL SOURCE OF FUNDS	2,531,200	2,630,800	2,731,000	2,598,200	2,673,200
EXPENDITURES BY CLASS					
Personnel Cost	1,492,700	1,620,600	1,705,900	1,588,000	1,648,100
Operating Expenses	364,200	324,900	328,500	324,900	328,500
Grants, Loans or Benefits	551,500	562,500	573,800	562,500	573,800
TOTAL EXPENDITURES	2,408,400	2,508,000	2,608,200	2,475,400	2,550,400
EXPENDITURES BY FUND SOURCE					
General Fund	1,431,500	1,735,700	1,821,000	1,703,100	1,763,200
Restricted Funds	425,400	209,800	213,400	209,800	213,400
Federal Funds	551,500	562,500	573,800	562,500	573,800
TOTAL EXPENDITURES	2,408,400	2,508,000	2,608,200	2,475,400	2,550,400
EXPENDITURES BY UNIT					
BOSS-Communications-Assoc Comm	693,300	744,100	775,200	733,000	755,400
BOSS-Comm-Publications/Web Ser	1,332,400	1,340,300	1,388,400	1,326,800	1,364,400
BOSS-Comm-Video/Multimedia Ser	382,700	423,600	444,600	415,600	430,600
TOTAL EXPENDITURES	2,408,400	2,508,000	2,608,200	2,475,400	2,550,400

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

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

Education
Operation and Support Services
Results Planning

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	1,512,500	1,884,700	2,434,100	1,225,400	1,210,700
Budget Reduction	-100,000				
Total General Fund	1,412,500	1,884,700	2,434,100	1,225,400	1,210,700
Restricted Funds					
Balance Forward	108,400	108,400	108,400	108,400	88,400
Current Receipts	40,900	100,000	100,000	100,000	100,000
Total Restricted Funds	149,300	208,400	208,400	208,400	188,400
TOTAL SOURCE OF FUNDS	1,561,800	2,093,100	2,642,500	1,433,800	1,399,100
EXPENDITURES BY CLASS					
Personnel Cost	984,700	953,200	1,002,600	863,900	890,900
Operating Expenses	468,700	531,500	531,500	481,500	481,500
Grants, Loans or Benefits		500,000	1,000,000		
TOTAL EXPENDITURES	1,453,400	1,984,700	2,534,100	1,345,400	1,372,400
EXPENDITURES BY FUND SOURCE					
General Fund	1,412,500	1,884,700	2,434,100	1,225,400	1,210,700
Restricted Funds	40,900	100,000	100,000	120,000	161,700
TOTAL EXPENDITURES	1,453,400	1,984,700	2,534,100	1,345,400	1,372,400
EXPENDITURES BY UNIT					
BOSS-Results Planning-Assoc Comm	469,700	360,200	377,500	316,600	324,200
BOSS-Results Planning-Virtual Learning	540,900	603,100	616,300	548,000	555,500
BOSS-RP-Data Policy Mgmt Research	442,800	1,021,400	1,540,300	480,800	492,700
TOTAL EXPENDITURES	1,453,400	1,984,700	2,534,100	1,345,400	1,372,400

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

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

Education
Learning and Results Services

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	599,784,900	643,914,600	685,523,800	568,213,100	592,036,000
Continuing Appropriation - Gen'l Fund	517,200				
Budget Reduction	-1,336,800				
Total General Fund	598,965,300	643,914,600	685,523,800	568,213,100	592,036,000
Restricted Funds					
Balance Forward	3,093,700	3,093,700	781,100	3,093,700	781,100
Current Receipts	3,896,100	3,546,000	5,835,800	3,538,100	5,827,300
Total Restricted Funds	6,989,800	6,639,700	6,616,900	6,631,800	6,608,400
Federal Funds					
Balance Forward	162,700	162,700	162,700	162,700	162,700
Current Receipts	475,924,200	491,237,200	498,429,900	491,060,800	497,995,000
Total Federal Funds	476,086,900	491,399,900	498,592,600	491,223,500	498,157,700
TOTAL SOURCE OF FUNDS	1,082,042,000	1,141,954,200	1,190,733,300	1,066,068,400	1,096,802,100
EXPENDITURES BY CLASS					
Personnel Cost	50,584,100	54,059,000	56,097,500	49,926,200	50,470,800
Operating Expenses	11,625,200	10,411,900	10,435,200	10,141,600	10,082,800
Grants, Loans or Benefits	1,016,576,300	1,076,539,500	1,123,280,700	1,005,056,800	1,035,328,600
TOTAL EXPENDITURES	1,078,785,600	1,141,010,400	1,189,813,400	1,065,124,600	1,095,882,200
EXPENDITURES BY FUND SOURCE					
General Fund	598,965,300	643,914,600	685,523,800	568,213,100	592,036,000
Restricted Funds	3,896,100	5,858,600	5,859,700	5,850,700	5,851,200
Federal Funds	475,924,200	491,237,200	498,429,900	491,060,800	497,995,000
TOTAL EXPENDITURES	1,078,785,600	1,141,010,400	1,189,813,400	1,065,124,600	1,095,882,200
EXPENDITURES BY UNIT					
LARS-Deputy Commissioner	16,615,000	16,804,100	16,821,400	15,360,000	14,537,200
LARS-Sp Instrctnl Svcs-Assoc	313,781,800	325,405,400	330,084,700	324,263,100	328,599,300
LARS-L&SI	10,981,900	13,021,800	12,706,100	10,695,100	10,570,500
LARS-Supportive Learning	61,046,800	63,197,900	63,332,300	53,491,800	50,494,600
LARS-Assessment & Accountability	21,184,600	21,363,700	21,431,400	19,417,400	18,240,500
LARS-Academic & Professional Development	116,664,400	123,316,200	123,492,100	117,178,500	115,002,800
LARS-District Support Services	518,699,900	555,100,500	594,151,200	506,961,400	540,707,900
LARS-ED-Technology	19,811,200	22,800,800	27,794,200	17,757,300	17,729,400
TOTAL EXPENDITURES	1,078,785,600	1,141,010,400	1,189,813,400	1,065,124,600	1,095,882,200

Based on the June 2001 reorganization of the Department of Education via Executive Order 01-795, the Learning and Results Services major program area consists of the following offices: Special Instructional Services; Leadership and School Improvement; Supportive Learning Environments; Assessment and Accountability; Academic and Professional Development; and District Support Services and Education Technology. Each office is headed by an associate commissioner.

Education
Learning and Results Services
Deputy Commissioner

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	16,563,600	16,706,800	16,722,100	15,262,700	14,437,900
Budget Reduction	-44,000				
Total General Fund	16,519,600	16,706,800	16,722,100	15,262,700	14,437,900
Federal Funds					
Balance Forward	55,000	55,000	55,000	55,000	55,000
Current Receipts	95,400	97,300	99,300	97,300	99,300
Total Federal Funds	150,400	152,300	154,300	152,300	154,300
TOTAL SOURCE OF FUNDS	16,670,000	16,859,100	16,876,400	15,415,000	14,592,200
EXPENDITURES BY CLASS					
Personnel Cost	352,200	293,900	309,200	289,700	297,000
Operating Expenses	358,300	53,400	53,400	53,400	53,400
Grants, Loans or Benefits	15,904,500	16,456,800	16,458,800	15,016,900	14,186,800
TOTAL EXPENDITURES	16,615,000	16,804,100	16,821,400	15,360,000	14,537,200
EXPENDITURES BY FUND SOURCE					
General Fund	16,519,600	16,706,800	16,722,100	15,262,700	14,437,900
Federal Funds	95,400	97,300	99,300	97,300	99,300
TOTAL EXPENDITURES	16,615,000	16,804,100	16,821,400	15,360,000	14,537,200
EXPENDITURES BY UNIT					
LARS-Deputy Commissioner	200,100	347,300	362,600	335,800	350,400
LARS-Deputy Commissioner-NCES Project	95,400	97,300	99,300	97,300	99,300
LARS-Deputy Comm-Staff Development	15,804,500	15,844,500	15,844,500	14,486,100	13,681,900
LARS-Deputy Comm-Statewide Teacher Recruitment	515,000	515,000	515,000	440,800	405,600
TOTAL EXPENDITURES	16,615,000	16,804,100	16,821,400	15,360,000	14,537,200

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

Policy

The Governor's proposed budget identifies Professional Development as one of six programs to be modified to permit local school districts additional flexibility in the distribution of program funds across the six programs while still addressing the governing statutes and serving the need and the intended population.

Education
Learning and Results Services
Special Instructional Services

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	28,233,200	28,075,200	28,927,600	27,094,100	27,818,100
Budget Reduction	-455,400				
Total General Fund	27,777,800	28,075,200	28,927,600	27,094,100	27,818,100
Restricted Funds					
Balance Forward	449,600	449,600	449,600	449,600	449,600
Current Receipts	849,900	889,700	890,800	882,300	882,900
Total Restricted Funds	1,299,500	1,339,300	1,340,400	1,331,900	1,332,500
Federal Funds					
Balance Forward	91,900	91,900	91,900	91,900	91,900
Current Receipts	285,154,100	296,440,500	300,266,300	296,286,700	299,898,300
Total Federal Funds	285,246,000	296,532,400	300,358,200	296,378,600	299,990,200
TOTAL SOURCE OF FUNDS	314,323,300	325,946,900	330,626,200	324,804,600	329,140,800
EXPENDITURES BY CLASS					
Personnel Cost	20,360,800	20,320,000	21,368,700	19,177,700	19,883,300
Operating Expenses	3,693,100	3,618,200	3,621,500	3,618,200	3,621,500
Grants, Loans or Benefits	289,727,900	301,467,200	305,094,500	301,467,200	305,094,500
TOTAL EXPENDITURES	313,781,800	325,405,400	330,084,700	324,263,100	328,599,300
EXPENDITURES BY FUND SOURCE					
General Fund	27,777,800	28,075,200	28,927,600	27,094,100	27,818,100
Restricted Funds	849,900	889,700	890,800	882,300	882,900
Federal Funds	285,154,100	296,440,500	300,266,300	296,286,700	299,898,300
TOTAL EXPENDITURES	313,781,800	325,405,400	330,084,700	324,263,100	328,599,300
EXPENDITURES BY UNIT					
LARS-Sp Instrctnl Svcs-Assoc	399,300	436,500	458,500	428,500	443,200
LARS-SIS-Exceptional Children Services	75,821,700	88,524,400	89,085,800	88,473,000	89,000,700
LARS-SIS-Career & Tech Ed	20,272,500	21,082,700	21,072,700	20,967,100	20,922,500
LARS-SIS-Federal Program Resources	201,818,000	199,738,400	203,101,400	199,633,600	202,814,100
LARS-KSB-Ky School For The Blind	5,916,200	5,732,800	5,998,600	5,471,100	5,709,500
LARS-Ky School For The Deaf	9,554,100	9,890,600	10,367,700	9,289,800	9,709,300
TOTAL EXPENDITURES	313,781,800	325,405,400	330,084,700	324,263,100	328,599,300

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

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

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	407,500	436,500	458,500	428,500	443,200
Budget Reduction	-8,200				
Total General Fund	399,300	436,500	458,500	428,500	443,200
TOTAL SOURCE OF FUNDS	399,300	436,500	458,500	428,500	443,200
EXPENDITURES BY CLASS					
Personnel Cost	383,300	420,100	442,100	412,100	426,800
Operating Expenses	16,000	16,400	16,400	16,400	16,400
TOTAL EXPENDITURES	399,300	436,500	458,500	428,500	443,200
EXPENDITURES BY FUND SOURCE					
General Fund	399,300	436,500	458,500	428,500	443,200
TOTAL EXPENDITURES	399,300	436,500	458,500	428,500	443,200

The Associate Commissioner for the Office of Special Instructional Services is responsible for five divisions: the Division of Exceptional Children Services, Division of Federal Program Resources; Division of Secondary Vocational Education the Kentucky School for the Blind and the Kentucky School for the Deaf. The Associate Commissioner reports to the Commissioner of Education through the Deputy Commissioner for Learning and Results Services.

Education
Learning and Results Services
Special Instructional Services
Exceptional Children Services

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	314,500	251,600	261,900	249,200	257,500
Budget Reduction	-56,300				
Total General Fund	258,200	251,600	261,900	249,200	257,500
Restricted Funds					
Balance Forward	3,000	3,000	3,000	3,000	3,000
Current Receipts	55,600	56,700	57,800	56,700	57,800
Total Restricted Funds	58,600	59,700	60,800	59,700	60,800
Federal Funds					
Balance Forward	13,200	13,200	13,200	13,200	13,200
Current Receipts	75,507,900	88,216,100	88,766,100	88,167,100	88,685,400
Total Federal Funds	75,521,100	88,229,300	88,779,300	88,180,300	88,698,600
TOTAL SOURCE OF FUNDS	75,837,900	88,540,600	89,102,000	88,489,200	89,016,900
EXPENDITURES BY CLASS					
Personnel Cost	2,419,100	2,080,600	2,181,800	2,029,200	2,096,700
Operating Expenses	55,600	56,700	57,800	56,700	57,800
Grants, Loans or Benefits	73,347,000	86,387,100	86,846,200	86,387,100	86,846,200
TOTAL EXPENDITURES	75,821,700	88,524,400	89,085,800	88,473,000	89,000,700
EXPENDITURES BY FUND SOURCE					
General Fund	258,200	251,600	261,900	249,200	257,500
Restricted Funds	55,600	56,700	57,800	56,700	57,800
Federal Funds	75,507,900	88,216,100	88,766,100	88,167,100	88,685,400
TOTAL EXPENDITURES	75,821,700	88,524,400	89,085,800	88,473,000	89,000,700
EXPENDITURES BY UNIT					
LARS-SIS-Exceptional Children Services	75,675,700	88,393,500	88,951,000	88,342,100	88,865,900
LAR-SIS-Exc Ch-Special Ed Mentors	146,000	130,900	134,800	130,900	134,800
TOTAL EXPENDITURES	75,821,700	88,524,400	89,085,800	88,473,000	89,000,700

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

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

Special Education Mentors -- Mentors work in schools and districts where special education programs are found to be not in compliance with either state or federal requirements. Mentors assist in creating and implementing improvement plans and working to increase the effectiveness of staff and relevant entities in improving a program's performance.

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

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

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

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

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	11,868,100	11,963,700	12,040,900	11,855,500	11,898,600
Budget Reduction	-30,400				
Total General Fund	11,837,700	11,963,700	12,040,900	11,855,500	11,898,600
Restricted Funds					
Balance Forward	126,000	126,000	126,000	126,000	126,000
Current Receipts	498,600	525,000	525,000	517,600	517,100
Total Restricted Funds	624,600	651,000	651,000	643,600	643,100
Federal Funds					
Balance Forward	2,600	2,600	2,600	2,600	2,600
Current Receipts	7,936,200	8,594,000	8,506,800	8,594,000	8,506,800
Total Federal Funds	7,938,800	8,596,600	8,509,400	8,596,600	8,509,400
TOTAL SOURCE OF FUNDS	20,401,100	21,211,300	21,201,300	21,095,700	21,051,100
EXPENDITURES BY CLASS					
Personnel Cost	1,464,700	1,588,600	1,665,800	1,473,000	1,515,600
Operating Expenses	675,400	703,900	703,900	703,900	703,900
Grants, Loans or Benefits	18,132,400	18,790,200	18,703,000	18,790,200	18,703,000
TOTAL EXPENDITURES	20,272,500	21,082,700	21,072,700	20,967,100	20,922,500
EXPENDITURES BY FUND SOURCE					
General Fund	11,837,700	11,963,700	12,040,900	11,855,500	11,898,600
Restricted Funds	498,600	525,000	525,000	517,600	517,100
Federal Funds	7,936,200	8,594,000	8,506,800	8,594,000	8,506,800
TOTAL EXPENDITURES	20,272,500	21,082,700	21,072,700	20,967,100	20,922,500

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

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

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

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

Education
Learning and Results Services
Special Instructional Services
Federal Program Resources

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
SOURCE OF FUNDS					
Restricted Funds					
Balance Forward	13,500	13,500	13,500	13,500	13,500
Current Receipts	108,000	108,000	108,000	108,000	108,000
Total Restricted Funds	121,500	121,500	121,500	121,500	121,500
Federal Funds					
Balance Forward	75,800	75,800	75,800	75,800	75,800
Current Receipts	201,710,000	199,630,400	202,993,400	199,525,600	202,706,100
Total Federal Funds	201,785,800	199,706,200	203,069,200	199,601,400	202,781,900
TOTAL SOURCE OF FUNDS	201,907,300	199,827,700	203,190,700	199,722,900	202,903,400
EXPENDITURES BY CLASS					
Personnel Cost	2,222,300	2,218,500	2,323,900	2,113,700	2,036,600
Operating Expenses	1,347,200	1,230,000	1,232,200	1,230,000	1,232,200
Grants, Loans or Benefits	198,248,500	196,289,900	199,545,300	196,289,900	199,545,300
TOTAL EXPENDITURES	201,818,000	199,738,400	203,101,400	199,633,600	202,814,100
EXPENDITURES BY FUND SOURCE					
Restricted Funds	108,000	108,000	108,000	108,000	108,000
Federal Funds	201,710,000	199,630,400	202,993,400	199,525,600	202,706,100
TOTAL EXPENDITURES	201,818,000	199,738,400	203,101,400	199,633,600	202,814,100
EXPENDITURES BY UNIT					
LARS-SIS-Program Resource-Title 1	151,954,500	154,991,400	158,089,100	154,936,700	157,947,900
LARS-SIS-Federal Program Res-Title VI	26,866,100	28,283,400	28,831,500	28,280,900	28,775,200
LARS-SIS-FPR-Other Federal Programs	15,552,500	15,863,600	16,180,800	15,817,500	16,091,000
LARS-SIS-Goals 2000-Admin	7,444,900	600,000		598,500	
TOTAL EXPENDITURES	201,818,000	199,738,400	203,101,400	199,633,600	202,814,100

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

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

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

Other grant programs administered by this division include: Drug-Free Schools and Communities program; Dwight D. Eisenhower Mathematics and Science Education Program; the Reading Excellence Act; and HIV/AIDS Prevention Education.

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

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	5,974,800	5,682,800	5,948,600	5,421,100	5,659,500
Budget Reduction	-135,200				
Total General Fund	5,839,600	5,682,800	5,948,600	5,421,100	5,659,500
Restricted Funds					
Balance Forward	5,300	5,300	5,300	5,300	5,300
Current Receipts	76,600	50,000	50,000	50,000	50,000
Total Restricted Funds	81,900	55,300	55,300	55,300	55,300
Federal Funds					
Balance Forward	300	300	300	300	300
Total Federal Funds	300	300	300	300	300
TOTAL SOURCE OF FUNDS	5,921,800	5,738,400	6,004,200	5,476,700	5,715,100
EXPENDITURES BY CLASS					
Personnel Cost	5,250,200	5,093,400	5,359,200	4,831,700	5,070,100
Operating Expenses	666,000	639,400	639,400	639,400	639,400
TOTAL EXPENDITURES	5,916,200	5,732,800	5,998,600	5,471,100	5,709,500
EXPENDITURES BY FUND SOURCE					
General Fund	5,839,600	5,682,800	5,948,600	5,421,100	5,659,500
Restricted Funds	76,600	50,000	50,000	50,000	50,000
TOTAL EXPENDITURES	5,916,200	5,732,800	5,998,600	5,471,100	5,709,500

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

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

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

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

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

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

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

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	9,668,300	9,740,600	10,217,700	9,139,800	9,559,300
Budget Reduction	-225,300				
Total General Fund	9,443,000	9,740,600	10,217,700	9,139,800	9,559,300
Restricted Funds					
Balance Forward	301,800	301,800	301,800	301,800	301,800
Current Receipts	111,100	150,000	150,000	150,000	150,000
Total Restricted Funds	412,900	451,800	451,800	451,800	451,800
TOTAL SOURCE OF FUNDS	9,855,900	10,192,400	10,669,500	9,591,600	10,011,100
EXPENDITURES BY CLASS					
Personnel Cost	8,621,200	8,918,800	9,395,900	8,318,000	8,737,500
Operating Expenses	932,900	971,800	971,800	971,800	971,800
TOTAL EXPENDITURES	9,554,100	9,890,600	10,367,700	9,289,800	9,709,300
EXPENDITURES BY FUND SOURCE					
General Fund	9,443,000	9,740,600	10,217,700	9,139,800	9,559,300
Restricted Funds	111,100	150,000	150,000	150,000	150,000
TOTAL EXPENDITURES	9,554,100	9,890,600	10,367,700	9,289,800	9,709,300

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

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

The Kentucky School for the Deaf also supports an outreach program which provides consultative, technical, and evaluative support to local school districts on how to educate effectively provide educational services to deaf children attending school in a local district. The 1998 General Assembly designated KSD as the Statewide Educational Resource Center on Deafness.

Education
Learning and Results Services
Leadership and School Improvement

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	10,873,600	12,170,200	11,854,500	9,843,500	9,718,900
Budget Reduction	-82,900				
Total General Fund	10,790,700	12,170,200	11,854,500	9,843,500	9,718,900
Restricted Funds					
Current Receipts	14,600	25,000	25,000	25,000	25,000
Total Restricted Funds	14,600	25,000	25,000	25,000	25,000
Federal Funds					
Current Receipts	176,600	826,600	826,600	826,600	826,600
Total Federal Funds	176,600	826,600	826,600	826,600	826,600
TOTAL SOURCE OF FUNDS	10,981,900	13,021,800	12,706,100	10,695,100	10,570,500
EXPENDITURES BY CLASS					
Personnel Cost	6,821,800	7,197,100	7,381,400	6,284,600	6,310,100
Operating Expenses	1,229,600	1,244,200	1,244,200	1,244,200	1,244,200
Grants, Loans or Benefits	2,930,500	4,580,500	4,080,500	3,166,300	3,016,200
TOTAL EXPENDITURES	10,981,900	13,021,800	12,706,100	10,695,100	10,570,500
EXPENDITURES BY FUND SOURCE					
General Fund	10,790,700	12,170,200	11,854,500	9,843,500	9,718,900
Restricted Funds	14,600	25,000	25,000	25,000	25,000
Federal Funds	176,600	826,600	826,600	826,600	826,600
TOTAL EXPENDITURES	10,981,900	13,021,800	12,706,100	10,695,100	10,570,500
EXPENDITURES BY UNIT					
LARS-Ldrshp & Sch Impr-Associate Commissioner	768,900	818,900	839,500	811,200	825,200
LARS LSI Leadership Development	841,800	1,505,200	1,532,900	1,496,800	1,514,300
LARS-LSI-School Improvement	9,278,500	10,601,800	10,235,900	8,291,200	8,133,200
LARS-Commonwealth Inst For Teachers	92,700	95,900	97,800	95,900	97,800
TOTAL EXPENDITURES	10,981,900	13,021,800	12,706,100	10,695,100	10,570,500

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

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

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	776,400	818,900	839,500	811,200	825,200
Budget Reduction	-7,500				
Total General Fund	768,900	818,900	839,500	811,200	825,200
TOTAL SOURCE OF FUNDS	768,900	818,900	839,500	811,200	825,200
EXPENDITURES BY CLASS					
Personnel Cost	339,600	389,000	409,600	381,300	395,300
Operating Expenses	29,300	29,900	29,900	29,900	29,900
Grants, Loans or Benefits	400,000	400,000	400,000	400,000	400,000
TOTAL EXPENDITURES	768,900	818,900	839,500	811,200	825,200
EXPENDITURES BY FUND SOURCE					
General Fund	768,900	818,900	839,500	811,200	825,200
TOTAL EXPENDITURES	768,900	818,900	839,500	811,200	825,200

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

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

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	661,900	653,600	681,300	645,200	662,700
Budget Reduction	-11,300				
Total General Fund	650,600	653,600	681,300	645,200	662,700
Restricted Funds					
Current Receipts	14,600	25,000	25,000	25,000	25,000
Total Restricted Funds	14,600	25,000	25,000	25,000	25,000
Federal Funds					
Current Receipts	176,600	826,600	826,600	826,600	826,600
Total Federal Funds	176,600	826,600	826,600	826,600	826,600
TOTAL SOURCE OF FUNDS	841,800	1,505,200	1,532,900	1,496,800	1,514,300
EXPENDITURES BY CLASS					
Personnel Cost	526,600	529,100	556,800	520,700	538,200
Operating Expenses	41,100	52,000	52,000	52,000	52,000
Grants, Loans or Benefits	274,100	924,100	924,100	924,100	924,100
TOTAL EXPENDITURES	841,800	1,505,200	1,532,900	1,496,800	1,514,300
EXPENDITURES BY FUND SOURCE					
General Fund	650,600	653,600	681,300	645,200	662,700
Restricted Funds	14,600	25,000	25,000	25,000	25,000
Federal Funds	176,600	826,600	826,600	826,600	826,600
TOTAL EXPENDITURES	841,800	1,505,200	1,532,900	1,496,800	1,514,300

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

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

Education
Learning and Results Services
Leadership and School Improvement
School Improvement

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	9,341,300	10,601,800	10,235,900	8,291,200	8,133,200
Budget Reduction	-62,800				
Total General Fund	9,278,500	10,601,800	10,235,900	8,291,200	8,133,200
TOTAL SOURCE OF FUNDS	9,278,500	10,601,800	10,235,900	8,291,200	8,133,200
EXPENDITURES BY CLASS					
Personnel Cost	5,930,600	6,252,100	6,386,200	5,355,700	5,347,800
Operating Expenses	1,091,500	1,093,300	1,093,300	1,093,300	1,093,300
Grants, Loans or Benefits	2,256,400	3,256,400	2,756,400	1,842,200	1,692,100
TOTAL EXPENDITURES	9,278,500	10,601,800	10,235,900	8,291,200	8,133,200
EXPENDITURES BY FUND SOURCE					
General Fund	9,278,500	10,601,800	10,235,900	8,291,200	8,133,200
TOTAL EXPENDITURES	9,278,500	10,601,800	10,235,900	8,291,200	8,133,200
EXPENDITURES BY UNIT					
School Improvement	383,800	1,469,700	989,900	462,300	475,000
Commonwealth School Improvement-KERA	2,518,300	2,512,900	2,522,900	2,054,200	1,908,700
Highly Skilled Educators-KERA	6,376,400	6,619,200	6,723,100	5,774,700	5,749,500
TOTAL EXPENDITURES	9,278,500	10,601,800	10,235,900	8,291,200	8,133,200

The Division of School Improvement monitors the Kentucky Highly Skilled Educators program; oversees the implementation of the School Transformation, Assistance and Renewal (STAR) Program; and assists those schools identified by the CATS assessment and the Kentucky Board of Education as low-performing schools. Part of such assistance is provided by the Commonwealth School Improvement Fund. Funds are provided schools to assist in developing and implementing strategies to raise a school's performance level.

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

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	94,000	95,900	97,800	95,900	97,800
Budget Reduction	-1,300				
Total General Fund	92,700	95,900	97,800	95,900	97,800
TOTAL SOURCE OF FUNDS	92,700	95,900	97,800	95,900	97,800
EXPENDITURES BY CLASS					
Personnel Cost	25,000	26,900	28,800	26,900	28,800
Operating Expenses	67,700	69,000	69,000	69,000	69,000
TOTAL EXPENDITURES	92,700	95,900	97,800	95,900	97,800
EXPENDITURES BY FUND SOURCE					
General Fund	92,700	95,900	97,800	95,900	97,800
TOTAL EXPENDITURES	92,700	95,900	97,800	95,900	97,800

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

Education
Learning and Results Services
Supportive Learning Environments

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	59,115,200	61,813,400	61,924,800	52,107,300	49,087,100
Budget Reduction	-110,300				
Other	232,500				
Total General Fund	59,237,400	61,813,400	61,924,800	52,107,300	49,087,100
Restricted Funds					
Balance Forward	246,100	246,100	246,100	246,100	246,100
Current Receipts	683,300	235,800	235,800	235,800	235,800
Total Restricted Funds	929,400	481,900	481,900	481,900	481,900
Federal Funds					
Balance Forward	13,300	13,300	13,300	13,300	13,300
Current Receipts	1,126,100	1,148,700	1,171,700	1,148,700	1,171,700
Total Federal Funds	1,139,400	1,162,000	1,185,000	1,162,000	1,185,000
TOTAL SOURCE OF FUNDS	61,306,200	63,457,300	63,591,700	53,751,200	50,754,000
EXPENDITURES BY CLASS					
Personnel Cost	1,679,700	1,796,300	1,889,600	1,510,800	1,561,700
Operating Expenses	966,200	547,900	567,900	547,900	567,900
Grants, Loans or Benefits	58,400,900	60,853,700	60,874,800	51,433,100	48,365,000
TOTAL EXPENDITURES	61,046,800	63,197,900	63,332,300	53,491,800	50,494,600
EXPENDITURES BY FUND SOURCE					
General Fund	59,237,400	61,813,400	61,924,800	52,107,300	49,087,100
Restricted Funds	683,300	235,800	235,800	235,800	235,800
Federal Funds	1,126,100	1,148,700	1,171,700	1,148,700	1,171,700
TOTAL EXPENDITURES	61,046,800	63,197,900	63,332,300	53,491,800	50,494,600
EXPENDITURES BY UNIT					
LARS-Supportive Learning-Assoc Comm	242,300	323,900	339,800	257,400	265,700
LARS-SLS-Educator Recruitment & Retent	2,111,000	3,033,600	3,053,000	1,993,400	2,001,200
LARS-SLE-Equity	549,700	1,129,100	1,148,200	458,900	467,800
LARS-SLE-Student-Fam & Com Supp Ser	58,143,800	58,711,300	58,791,300	50,782,100	47,759,900
TOTAL EXPENDITURES	61,046,800	63,197,900	63,332,300	53,491,800	50,494,600

The Office of Supportive Learning Environments authorized by Executive Order 01-795, consists of the Division of Educator Recruitment and Retention, the Division of Equity, and the Division of Student, Family and Community Support Services.

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

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	247,200	323,900	339,800	257,400	265,700
Budget Reduction	-4,900				
Total General Fund	242,300	323,900	339,800	257,400	265,700
TOTAL SOURCE OF FUNDS	242,300	323,900	339,800	257,400	265,700
EXPENDITURES BY CLASS					
Personnel Cost	222,700	303,900	319,800	237,400	245,700
Operating Expenses	19,600	20,000	20,000	20,000	20,000
TOTAL EXPENDITURES	242,300	323,900	339,800	257,400	265,700
EXPENDITURES BY FUND SOURCE					
General Fund	242,300	323,900	339,800	257,400	265,700
TOTAL EXPENDITURES	242,300	323,900	339,800	257,400	265,700

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

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

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	2,119,500	3,033,600	3,053,000	1,993,400	2,001,200
Budget Reduction	-8,500				
Total General Fund	2,111,000	3,033,600	3,053,000	1,993,400	2,001,200
TOTAL SOURCE OF FUNDS	2,111,000	3,033,600	3,053,000	1,993,400	2,001,200
EXPENDITURES BY CLASS					
Personnel Cost	352,900	374,200	393,600	234,000	241,800
Operating Expenses	61,900	63,200	63,200	63,200	63,200
Grants, Loans or Benefits	1,696,200	2,596,200	2,596,200	1,696,200	1,696,200
TOTAL EXPENDITURES	2,111,000	3,033,600	3,053,000	1,993,400	2,001,200
EXPENDITURES BY FUND SOURCE					
General Fund	2,111,000	3,033,600	3,053,000	1,993,400	2,001,200
TOTAL EXPENDITURES	2,111,000	3,033,600	3,053,000	1,993,400	2,001,200

The Division of Educator Recruitment and Retention, established in Executive Order 01-795, administers and funds programs to increase the percentage of minority educators in the Commonwealth as well as to help retain existing minority educators. One component of this effort is the Minority Educator Recruitment and Retention Scholarship program. The Division also works to identify and recruit worthy candidates for the Administrative Leadership Institute, which trains minority administrators.

Education
Learning and Results Services
Supportive Learning Environments
Equity

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	583,800	1,113,300	1,132,400	443,100	452,000
Budget Reduction	-49,900				
Total General Fund	533,900	1,113,300	1,132,400	443,100	452,000
Restricted Funds					
Balance Forward	500	500	500	500	500
Current Receipts	15,800	15,800	15,800	15,800	15,800
Total Restricted Funds	16,300	16,300	16,300	16,300	16,300
TOTAL SOURCE OF FUNDS	550,200	1,129,600	1,148,700	459,400	468,300
EXPENDITURES BY CLASS					
Personnel Cost	385,400	362,800	381,900	292,600	301,500
Operating Expenses	74,300	76,300	76,300	76,300	76,300
Grants, Loans or Benefits	90,000	690,000	690,000	90,000	90,000
TOTAL EXPENDITURES	549,700	1,129,100	1,148,200	458,900	467,800
EXPENDITURES BY FUND SOURCE					
General Fund	533,900	1,113,300	1,132,400	443,100	452,000
Restricted Funds	15,800	15,800	15,800	15,800	15,800
TOTAL EXPENDITURES	549,700	1,129,100	1,148,200	458,900	467,800

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

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

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	56,164,700	57,342,600	57,399,600	49,413,400	46,368,200
Budget Reduction	-47,000				
Other	232,500				
Total General Fund	56,350,200	57,342,600	57,399,600	49,413,400	46,368,200
Restricted Funds					
Balance Forward	245,600	245,600	245,600	245,600	245,600
Current Receipts	667,500	220,000	220,000	220,000	220,000
Total Restricted Funds	913,100	465,600	465,600	465,600	465,600
Federal Funds					
Balance Forward	13,300	13,300	13,300	13,300	13,300
Current Receipts	1,126,100	1,148,700	1,171,700	1,148,700	1,171,700
Total Federal Funds	1,139,400	1,162,000	1,185,000	1,162,000	1,185,000
TOTAL SOURCE OF FUNDS	58,402,700	58,970,200	59,050,200	51,041,000	48,018,800
EXPENDITURES BY CLASS					
Personnel Cost	718,700	755,400	794,300	746,800	772,700
Operating Expenses	810,400	388,400	408,400	388,400	408,400
Grants, Loans or Benefits	56,614,700	57,567,500	57,588,600	49,646,900	46,578,800
TOTAL EXPENDITURES	58,143,800	58,711,300	58,791,300	50,782,100	47,759,900
EXPENDITURES BY FUND SOURCE					
General Fund	56,350,200	57,342,600	57,399,600	49,413,400	46,368,200
Restricted Funds	667,500	220,000	220,000	220,000	220,000
Federal Funds	1,126,100	1,148,700	1,171,700	1,148,700	1,171,700
TOTAL EXPENDITURES	58,143,800	58,711,300	58,791,300	50,782,100	47,759,900
EXPENDITURES BY UNIT					
LARS-SLE-SFCSS-Program Support	680,800	793,200	822,700	785,500	804,200
LARS-SLE-Dropout Prevention	975,900	996,000	1,016,000	859,600	814,700
LARS-SLE-FRYSC	51,858,200	52,751,900	52,754,800	46,532,500	43,620,900
LARS-SLE-Student/Family-Comm Ed	2,172,700	2,280,200	2,287,800	1,722,000	1,622,200
LARS-SLE-SFCS-Jobs for Am. Graduates	2,303,200	1,790,000	1,810,000	788,500	803,900
LARS-SLE-Student/Family-Alcohol, Tob & Drug	13,000				
LARS-SLE-Student/Family-Child Assault Prevention	100,000	100,000	100,000	94,000	94,000
LARS-SLE-Student/Family-Southgate Independent	40,000				
TOTAL EXPENDITURES	58,143,800	58,711,300	58,791,300	50,782,100	47,759,900

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

Policy

The Governor's recommended budget funds the work of the Jobs for Kentucky's Graduates program through the use of \$1 million in Workforce Investment Act funds in both FY 2003 and FY 2004.

Education
Learning and Results Services
Assessment and Accountability

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	21,336,200	21,363,700	21,431,400	19,417,400	18,240,500
Budget Reduction	-151,600				
Total General Fund	21,184,600	21,363,700	21,431,400	19,417,400	18,240,500
TOTAL SOURCE OF FUNDS	21,184,600	21,363,700	21,431,400	19,417,400	18,240,500
EXPENDITURES BY CLASS					
Personnel Cost	9,542,000	9,718,300	9,786,000	8,712,000	8,145,600
Operating Expenses	1,380,100	1,382,900	1,382,900	1,382,900	1,382,900
Grants, Loans or Benefits	10,262,500	10,262,500	10,262,500	9,322,500	8,712,000
TOTAL EXPENDITURES	21,184,600	21,363,700	21,431,400	19,417,400	18,240,500
EXPENDITURES BY FUND SOURCE					
General Fund	21,184,600	21,363,700	21,431,400	19,417,400	18,240,500
TOTAL EXPENDITURES	21,184,600	21,363,700	21,431,400	19,417,400	18,240,500
EXPENDITURES BY UNIT					
LARS-Assess & Acct-Accos Comm	395,500	494,200	518,000	423,800	437,400
LARS-A&A-Assessment Implementation	8,649,800	8,662,600	8,689,300	7,731,900	7,140,400
LARS-A&A-Validation & Research	12,139,300	12,206,900	12,224,100	11,261,700	10,662,700
TOTAL EXPENDITURES	21,184,600	21,363,700	21,431,400	19,417,400	18,240,500

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

Education
Learning and Results Services
Assessment and Accountability
Associate Commissioner

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	403,500	494,200	518,000	423,800	437,400
Budget Reduction	-8,000				
Total General Fund	395,500	494,200	518,000	423,800	437,400
TOTAL SOURCE OF FUNDS	395,500	494,200	518,000	423,800	437,400
EXPENDITURES BY CLASS					
Personnel Cost	354,400	452,300	476,100	381,900	395,500
Operating Expenses	41,100	41,900	41,900	41,900	41,900
TOTAL EXPENDITURES	395,500	494,200	518,000	423,800	437,400
EXPENDITURES BY FUND SOURCE					
General Fund	395,500	494,200	518,000	423,800	437,400
TOTAL EXPENDITURES	395,500	494,200	518,000	423,800	437,400

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

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

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	8,686,500	8,662,600	8,689,300	7,731,900	7,140,400
Budget Reduction	-36,700				
Total General Fund	8,649,800	8,662,600	8,689,300	7,731,900	7,140,400
TOTAL SOURCE OF FUNDS	8,649,800	8,662,600	8,689,300	7,731,900	7,140,400
EXPENDITURES BY CLASS					
Personnel Cost	8,591,000	8,602,600	8,629,300	7,671,900	7,080,400
Operating Expenses	58,800	60,000	60,000	60,000	60,000
TOTAL EXPENDITURES	8,649,800	8,662,600	8,689,300	7,731,900	7,140,400
EXPENDITURES BY FUND SOURCE					
General Fund	8,649,800	8,662,600	8,689,300	7,731,900	7,140,400
TOTAL EXPENDITURES	8,649,800	8,662,600	8,689,300	7,731,900	7,140,400
EXPENDITURES BY UNIT					
LARS-A&A-Assessment Implementation	549,800	562,600	589,300	555,600	571,700
LARS-A&A-Assessment	8,100,000	8,100,000	8,100,000	7,176,300	6,568,700
TOTAL EXPENDITURES	8,649,800	8,662,600	8,689,300	7,731,900	7,140,400

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

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

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	12,246,200	12,206,900	12,224,100	11,261,700	10,662,700
Budget Reduction	-106,900				
Total General Fund	12,139,300	12,206,900	12,224,100	11,261,700	10,662,700
TOTAL SOURCE OF FUNDS	12,139,300	12,206,900	12,224,100	11,261,700	10,662,700
EXPENDITURES BY CLASS					
Personnel Cost	596,600	663,400	680,600	658,200	669,700
Operating Expenses	1,280,200	1,281,000	1,281,000	1,281,000	1,281,000
Grants, Loans or Benefits	10,262,500	10,262,500	10,262,500	9,322,500	8,712,000
TOTAL EXPENDITURES	12,139,300	12,206,900	12,224,100	11,261,700	10,662,700
EXPENDITURES BY FUND SOURCE					
General Fund	12,139,300	12,206,900	12,224,100	11,261,700	10,662,700
TOTAL EXPENDITURES	12,139,300	12,206,900	12,224,100	11,261,700	10,662,700
EXPENDITURES BY UNIT					
LARS-A&A-Validation & Research	338,800	406,400	423,600	401,200	412,700
LARS-A&A-Assess-Longitudinal Assessment	850,000	850,000	850,000	850,000	850,000
LARS-A&A-Val & Res-Val & Documentation(Expansion	300,000	300,000	300,000	300,000	300,000
LARS-A&A-Assess Impl-Alternate Portfilio	257,500	257,500	257,500	257,500	257,500
LARS-A&A Assess Imp-Report Cards	393,000	393,000	393,000	393,000	393,000
LARS-A&A School Rewards	10,000,000	10,000,000	10,000,000	9,060,000	8,449,500
TOTAL EXPENDITURES	12,139,300	12,206,900	12,224,100	11,261,700	10,662,700

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

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

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

Education
Learning and Results Services
Academic and Professional Development

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	101,337,500	103,972,100	104,255,600	97,842,300	95,785,600
Continuing Appropriation - Gen'l Fund	517,200				
Budget Reduction	-267,000				
Total General Fund	101,587,700	103,972,100	104,255,600	97,842,300	95,785,600
Restricted Funds					
Balance Forward	2,336,500	2,336,500	23,900	2,336,500	23,900
Current Receipts	1,887,400	1,887,400	4,176,100	1,886,900	4,175,500
Total Restricted Funds	4,223,900	4,223,900	4,200,000	4,223,400	4,199,400
Federal Funds					
Balance Forward	2,500	2,500	2,500	2,500	2,500
Current Receipts	13,189,300	15,144,100	15,036,500	15,136,700	15,017,800
Total Federal Funds	13,191,800	15,146,600	15,039,000	15,139,200	15,020,300
TOTAL SOURCE OF FUNDS	119,003,400	123,342,600	123,494,600	117,204,900	115,005,300
EXPENDITURES BY CLASS					
Personnel Cost	7,293,600	8,698,700	9,010,800	8,154,700	8,278,700
Operating Expenses	2,814,100	2,318,900	2,318,900	2,048,600	1,966,500
Grants, Loans or Benefits	106,556,700	112,298,600	112,162,400	106,975,200	104,757,600
TOTAL EXPENDITURES	116,664,400	123,316,200	123,492,100	117,178,500	115,002,800
EXPENDITURES BY FUND SOURCE					
General Fund	101,587,700	103,972,100	104,255,600	97,842,300	95,785,600
Restricted Funds	1,887,400	4,200,000	4,200,000	4,199,500	4,199,400
Federal Funds	13,189,300	15,144,100	15,036,500	15,136,700	15,017,800
TOTAL EXPENDITURES	116,664,400	123,316,200	123,492,100	117,178,500	115,002,800
EXPENDITURES BY UNIT					
LARS-Academic & Professional Dev- Assoc Comm	349,000	388,100	407,000	381,100	393,200
LARS-A&PD-Leadership & Mentor Fund	500,000	500,000	500,000	428,000	393,800
LARS-A&PD-Teacher Academies	2,100,000	2,100,000	2,100,000	1,797,600	1,653,800
LARS-A&PD-Regional Service Cntrs 1- 8	3,446,300	4,562,700	4,705,000	4,499,500	4,618,900
LARS-A&PD-Curriculum Development	9,946,500	10,640,800	10,706,500	9,296,100	8,949,600
LARS-A&PD-Professional Growth Fund	1,767,200	1,250,000	1,250,000	1,070,000	984,400
LSS-A&PD-Extended Learning Services	98,555,400	103,874,600	103,823,600	99,706,200	98,009,100
TOTAL EXPENDITURES	116,664,400	123,316,200	123,492,100	117,178,500	115,002,800

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

Education
Learning and Results Services
Academic and Professional Development
Associate Commissioner

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	356,100	388,100	407,000	381,100	393,200
Budget Reduction	-7,100				
Total General Fund	349,000	388,100	407,000	381,100	393,200
TOTAL SOURCE OF FUNDS	349,000	388,100	407,000	381,100	393,200
EXPENDITURES BY CLASS					
Personnel Cost	325,600	364,200	383,100	357,200	369,300
Operating Expenses	23,400	23,900	23,900	23,900	23,900
TOTAL EXPENDITURES	349,000	388,100	407,000	381,100	393,200
EXPENDITURES BY FUND SOURCE					
General Fund	349,000	388,100	407,000	381,100	393,200
TOTAL EXPENDITURES	349,000	388,100	407,000	381,100	393,200

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

Education
Learning and Results Services
Academic and Professional Development
Leadership and Mentor Fund

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	500,000	500,000	500,000	428,000	393,800
Total General Fund	500,000	500,000	500,000	428,000	393,800
TOTAL SOURCE OF FUNDS	500,000	500,000	500,000	428,000	393,800
EXPENDITURES BY CLASS					
Grants, Loans or Benefits	500,000	500,000	500,000	428,000	393,800
TOTAL EXPENDITURES	500,000	500,000	500,000	428,000	393,800
EXPENDITURES BY FUND SOURCE					
General Fund	500,000	500,000	500,000	428,000	393,800
TOTAL EXPENDITURES	500,000	500,000	500,000	428,000	393,800

Under the provisions of KRS 157.390, the Professional Development Leadership and Mentor Fund provides competitive grants to pay teachers and administrators to develop and implement an action plan for improving the reading performance of students in the middle and high school grades. A request for proposals was sent to 46 schools where at least 20 percent of students scored Novice in reading. Faculty from 12 of those schools responded and received grants. KDE provides professional development for the reading mentors on a quarterly basis.

Education
Learning and Results Services
Academic and Professional Development
Teacher Academies

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	2,100,000	2,100,000	2,100,000	1,797,600	1,653,800
Total General Fund	2,100,000	2,100,000	2,100,000	1,797,600	1,653,800
TOTAL SOURCE OF FUNDS	2,100,000	2,100,000	2,100,000	1,797,600	1,653,800
EXPENDITURES BY CLASS					
Personnel Cost	700,000	700,000	700,000	599,200	551,300
Operating Expenses	700,000	700,000	700,000	599,200	551,300
Grants, Loans or Benefits	700,000	700,000	700,000	599,200	551,200
TOTAL EXPENDITURES	2,100,000	2,100,000	2,100,000	1,797,600	1,653,800
EXPENDITURES BY FUND SOURCE					
General Fund	2,100,000	2,100,000	2,100,000	1,797,600	1,653,800
TOTAL EXPENDITURES	2,100,000	2,100,000	2,100,000	1,797,600	1,653,800

The Kentucky Department of Education (KDE) Teacher Academies were established in 1999 to provide intensive, content-based professional development to teachers, particularly teachers who are teaching core discipline courses for which they do not have a college major or minor. Teacher Academies are located in the Office of Academic and Professional Development by Executive Order 01-795. Academies are coordinated by the eight KDE Regional Service Centers in collaboration with postsecondary and community educational partners. The academy experience includes a pre-academy day in which teachers identify topics of study, the five-day academy, and two follow-up days during the school year. Participants are expected to commit to 3 years of participation. The number of academies has increased each year. In Summer 2001, middle grades academies for reading, science, social studies, and mathematics were held in all eight regions; practical living/vocational studies academies were held in two locations; and arts and humanities academies were held in five locations, coordinated by the Kentucky Center for the Arts or the Kentucky Arts Council.

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

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	3,538,100	4,562,700	4,705,000	4,499,500	4,618,900
Budget Reduction	-91,800				
Total General Fund	3,446,300	4,562,700	4,705,000	4,499,500	4,618,900
TOTAL SOURCE OF FUNDS	3,446,300	4,562,700	4,705,000	4,499,500	4,618,900
EXPENDITURES BY CLASS					
Personnel Cost	2,734,300	3,840,200	3,982,500	3,777,000	3,896,400
Operating Expenses	512,000	522,500	522,500	522,500	522,500
Grants, Loans or Benefits	200,000	200,000	200,000	200,000	200,000
TOTAL EXPENDITURES	3,446,300	4,562,700	4,705,000	4,499,500	4,618,900
EXPENDITURES BY FUND SOURCE					
General Fund	3,446,300	4,562,700	4,705,000	4,499,500	4,618,900
TOTAL EXPENDITURES	3,446,300	4,562,700	4,705,000	4,499,500	4,618,900

The Kentucky Department of Education Regional Service Centers (RSCs) were established in 1992 by KRS156.017 to provide technical assistance and professional development to schools and districts in core discipline areas and related programs. The centers are located strategically throughout the state to provide accessibility to all stakeholders. The RSC staff coordinates the KDE summer teacher academies in several content areas and assist schools with planning, facilitating curriculum development, conducting Scholastic Reviews, and training teachers in content and using effective instructional practices. Each RSC designs projects or initiatives based on needs in the region, and collaborates with other service providers, consortia, and universities to meet those needs. The RSCs also plan and host meetings for teachers, parents, administrators, and professional organizations. Staff members serve as liaisons between KDE and other educational partners. RSCs are communication and resource centers and maintain electronic and face-to-face networks for teachers and administrators.

Education
Learning and Results Services
Academic and Professional Development
Curriculum Development

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	10,027,900	10,640,800	10,706,500	9,296,100	8,949,600
Budget Reduction	-81,400				
Total General Fund	9,946,500	10,640,800	10,706,500	9,296,100	8,949,600
TOTAL SOURCE OF FUNDS	9,946,500	10,640,800	10,706,500	9,296,100	8,949,600
EXPENDITURES BY CLASS					
Personnel Cost	1,233,700	1,421,800	1,487,500	1,286,300	1,328,700
Operating Expenses	316,300	322,500	322,500	225,000	225,000
Grants, Loans or Benefits	8,396,500	8,896,500	8,896,500	7,784,800	7,395,900
TOTAL EXPENDITURES	9,946,500	10,640,800	10,706,500	9,296,100	8,949,600
EXPENDITURES BY FUND SOURCE					
General Fund	9,946,500	10,640,800	10,706,500	9,296,100	8,949,600
TOTAL EXPENDITURES	9,946,500	10,640,800	10,706,500	9,296,100	8,949,600
EXPENDITURES BY UNIT					
LARS-A&PD-Curriculum Development	2,253,200	2,946,800	3,012,500	2,196,100	2,183,600
LARS APD Cur Dev Gift & Talented	7,351,500	7,351,500	7,351,500	6,774,800	6,440,800
LARS APD Gift & Tal Advis Council	53,800	54,500	54,500	54,500	54,500
LARS-A&PD-Middle Sch Demo Network	288,000	288,000	288,000	270,700	270,700
TOTAL EXPENDITURES	9,946,500	10,640,800	10,706,500	9,296,100	8,949,600

KRS 158.5451 (4) of the Kentucky Education Reform Act of 1990 directed that a curriculum framework be developed by the Department of Education. The Division of Curriculum Development has developed the Program of Studies. Accompanying technical assistance and professional development is provided to schools and districts through Regional Service Centers. The Division is comprised of three branches: the Humanities Branch, the Learning Strategies Branch, and the Sciences Branch.

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

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

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

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

Policy

The Governor's proposed budget includes Gifted and Talented as one of six programs to be modified to permit local school districts additional flexibility in the distribution of program funds across the six programs while still addressing the governing statutes and serving the need and the intended population.

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

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	1,250,000	1,250,000	1,250,000	1,070,000	984,400
Continuing Appropriation - Gen'l Fund	517,200				
Total General Fund	1,767,200	1,250,000	1,250,000	1,070,000	984,400
TOTAL SOURCE OF FUNDS	1,767,200	1,250,000	1,250,000	1,070,000	984,400
EXPENDITURES BY CLASS					
Personnel Cost	750,000	750,000	750,000	642,000	590,600
Operating Expenses	1,017,200	500,000	500,000	428,000	393,800
TOTAL EXPENDITURES	1,767,200	1,250,000	1,250,000	1,070,000	984,400
EXPENDITURES BY FUND SOURCE					
General Fund	1,767,200	1,250,000	1,250,000	1,070,000	984,400
TOTAL EXPENDITURES	1,767,200	1,250,000	1,250,000	1,070,000	984,400

Section 2 of Senate Bill 77, enacted by the 2000 Regular Session of the General Assembly, establishes the Teachers' Professional Growth Fund to provide teachers with high quality professional development in content knowledge and teaching methodologies in the core disciplines of mathematics, science, language arts and social studies. KRS 156.553 targeted funding during the 2000-2002 biennium to middle school mathematics teachers. Eventually, funds will be available to teachers at all grade levels in these core disciplines.

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

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	83,565,400	84,530,500	84,587,100	80,370,000	78,791,900
Budget Reduction	-86,700				
Total General Fund	83,478,700	84,530,500	84,587,100	80,370,000	78,791,900
Restricted Funds					
Balance Forward	2,336,500	2,336,500	23,900	2,336,500	23,900
Current Receipts	1,887,400	1,887,400	4,176,100	1,886,900	4,175,500
Total Restricted Funds	4,223,900	4,223,900	4,200,000	4,223,400	4,199,400
Federal Funds					
Balance Forward	2,500	2,500	2,500	2,500	2,500
Current Receipts	13,189,300	15,144,100	15,036,500	15,136,700	15,017,800
Total Federal Funds	13,191,800	15,146,600	15,039,000	15,139,200	15,020,300
TOTAL SOURCE OF FUNDS	100,894,400	103,901,000	103,826,100	99,732,600	98,011,600
EXPENDITURES BY CLASS					
Personnel Cost	1,550,000	1,622,500	1,707,700	1,493,000	1,542,400
Operating Expenses	245,200	250,000	250,000	250,000	250,000
Grants, Loans or Benefits	96,760,200	102,002,100	101,865,900	97,963,200	96,216,700
TOTAL EXPENDITURES	98,555,400	103,874,600	103,823,600	99,706,200	98,009,100
EXPENDITURES BY FUND SOURCE					
General Fund	83,478,700	84,530,500	84,587,100	80,370,000	78,791,900
Restricted Funds	1,887,400	4,200,000	4,200,000	4,199,500	4,199,400
Federal Funds	13,189,300	15,144,100	15,036,500	15,136,700	15,017,800
TOTAL EXPENDITURES	98,555,400	103,874,600	103,823,600	99,706,200	98,009,100
EXPENDITURES BY UNIT					
LSS-A&PD-Extended Learning Services	36,479,300	36,525,700	36,551,800	33,440,500	31,844,900
LARS-A&PD-Ext Learning Early Childhood	60,072,800	63,030,700	62,951,200	61,948,000	61,844,200
LARS-A&PD-Bilingual Education	115,900	118,200	120,600	118,200	120,600
LARS-A&PD Early Reading Incent	1,887,400	4,200,000	4,200,000	4,199,500	4,199,400
TOTAL EXPENDITURES	98,555,400	103,874,600	103,823,600	99,706,200	98,009,100

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

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

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

Policy

The Governor's proposed budget identifies Extended School Services and the Early Childhood/Preschool program as two of six programs to be modified to permit local districts additional flexibility in the distribution of program funds across the six programs while still addressing the governing statutes and serving the need and the intended population.

Education
Learning and Results Services
District Support Services

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	344,973,200	377,470,500	412,971,700	329,346,600	359,576,600
Budget Reduction	-143,600				
Other	-232,500				
Total General Fund	344,597,100	377,470,500	412,971,700	329,346,600	359,576,600
Restricted Funds					
Balance Forward	61,500	61,500	61,500	61,500	61,500
Current Receipts	102,800	150,000	150,000	150,000	150,000
Total Restricted Funds	164,300	211,500	211,500	211,500	211,500
Federal Funds					
Current Receipts	174,000,000	177,480,000	181,029,500	177,464,800	180,981,300
Total Federal Funds	174,000,000	177,480,000	181,029,500	177,464,800	180,981,300
TOTAL SOURCE OF FUNDS	518,761,400	555,162,000	594,212,700	507,022,900	540,769,400
EXPENDITURES BY CLASS					
Personnel Cost	2,763,700	4,203,000	4,426,700	4,008,500	4,134,100
Operating Expenses	325,600	377,300	377,300	377,300	377,300
Grants, Loans or Benefits	515,610,600	550,520,200	589,347,200	502,575,600	536,196,500
TOTAL EXPENDITURES	518,699,900	555,100,500	594,151,200	506,961,400	540,707,900
EXPENDITURES BY FUND SOURCE					
General Fund	344,597,100	377,470,500	412,971,700	329,346,600	359,576,600
Restricted Funds	102,800	150,000	150,000	150,000	150,000
Federal Funds	174,000,000	177,480,000	181,029,500	177,464,800	180,981,300
TOTAL EXPENDITURES	518,699,900	555,100,500	594,151,200	506,961,400	540,707,900
EXPENDITURES BY UNIT					
LARS-District Support Services-Assoc Comm	467,000	615,400	641,700	524,500	527,400
LARS-Dist Sup Ser-School Finance	326,175,500	358,466,100	394,198,900	311,814,500	342,498,400
LARS-DSS-Facilities Management	541,800	580,600	609,600	570,300	589,200
LARS-DSS-Pupil Transportation	1,461,600	1,870,900	1,568,400	1,538,500	1,553,100
LARS-DSS-Safe Schools	12,000,000	12,000,000	12,000,000	10,961,300	10,455,400
LARS-DSS-Schools & Community Nutrition	178,054,000	181,567,500	185,132,600	181,552,300	185,084,400
TOTAL EXPENDITURES	518,699,900	555,100,500	594,151,200	506,961,400	540,707,900

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

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

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	473,500	615,400	641,700	524,500	527,400
Budget Reduction	-6,500				
Total General Fund	467,000	615,400	641,700	524,500	527,400
TOTAL SOURCE OF FUNDS	467,000	615,400	641,700	524,500	527,400
EXPENDITURES BY CLASS					
Personnel Cost	292,500	440,400	466,700	371,100	384,300
Operating Expenses	24,500	25,000	25,000	25,000	25,000
Grants, Loans or Benefits	150,000	150,000	150,000	128,400	118,100
TOTAL EXPENDITURES	467,000	615,400	641,700	524,500	527,400
EXPENDITURES BY FUND SOURCE					
General Fund	467,000	615,400	641,700	524,500	527,400
TOTAL EXPENDITURES	467,000	615,400	641,700	524,500	527,400
EXPENDITURES BY UNIT					
LARS-District Support Services Assoc Comm	317,000	465,400	491,700	396,100	409,300
LARS-DSS-Jefferson Co Literacy	150,000	150,000	150,000	128,400	118,100
TOTAL EXPENDITURES	467,000	615,400	641,700	524,500	527,400

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

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

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	326,488,400	358,466,100	394,198,900	311,814,500	342,498,400
Budget Reduction	-80,400				
Other	-232,500				
Total General Fund	326,175,500	358,466,100	394,198,900	311,814,500	342,498,400
TOTAL SOURCE OF FUNDS	326,175,500	358,466,100	394,198,900	311,814,500	342,498,400
EXPENDITURES BY CLASS					
Personnel Cost	1,305,700	1,451,100	1,528,000	1,358,800	1,401,700
Operating Expenses	132,200	134,900	134,900	134,900	134,900
Grants, Loans or Benefits	324,737,600	356,880,100	392,536,000	310,320,800	340,961,800
TOTAL EXPENDITURES	326,175,500	358,466,100	394,198,900	311,814,500	342,498,400
EXPENDITURES BY FUND SOURCE					
General Fund	326,175,500	358,466,100	394,198,900	311,814,500	342,498,400
TOTAL EXPENDITURES	326,175,500	358,466,100	394,198,900	311,814,500	342,498,400
EXPENDITURES BY UNIT					
LARS-Dist Sup Ser-School Finance	1,437,900	1,586,000	1,662,900	1,493,700	1,536,600
LARS-Dist Sup Ser-Sch Fin-Out of Dist	10,800,000	11,059,200	11,324,600	10,800,000	10,800,000
LARS-Dist Sup Ser-Sch Fin-Dist Audits	446,500	446,500	446,500	419,700	419,700
LARS-Dist Sup Ser-Sch Fin-Textbooks	23,643,000	23,643,000	23,643,000	21,704,100	20,622,700
LARS-Dist Sup Ser-Sch Fin-Life Ins	3,176,700	3,526,100	3,914,000	3,526,100	3,914,000
LARS-Dist Sup Ser-Sch Fin-Health Ins	286,671,400	318,205,300	353,207,900	273,870,900	305,205,400
TOTAL EXPENDITURES	326,175,500	358,466,100	394,198,900	311,814,500	342,498,400

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

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

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

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

Policy

The Governor's proposed budget provides General Fund support for the Out-of-District program at current - \$10.8 million annually - funding levels. This program assists with the cost of educating children living in state day treatment and residential facilities as well as children students in private care facilities.

The proposed budget includes \$273,870,900 in fiscal year 2003 and \$305,205,400 in fiscal year 2004 to provide health insurance coverage for local school district employees. The budget is based on a policy change under which, beginning with fiscal year 2003, local school districts will be responsible for providing health insurance coverage for federally funded employees in program areas other than school food services. This policy change will provide consistent treatment by state government of employees whose compensation is derived from federal funding.

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

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

The budget as proposed includes General Fund support in the amount of \$94,000 in both fiscal year 2003 and fiscal year 2004 for Child Assault Prevention (CAPS) programs.

The proposed budget identifies Textbooks as one of six programs to be modified to permit local school districts additional flexibility in the distribution of program funds across the six programs while still addressing the governing statutes and serving the need and intended population.

Education
Learning and Results Services
District Support Services
Facilities Management

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	552,900	580,600	609,600	570,300	589,200
Budget Reduction	-11,100				
Total General Fund	541,800	580,600	609,600	570,300	589,200
TOTAL SOURCE OF FUNDS	541,800	580,600	609,600	570,300	589,200
EXPENDITURES BY CLASS					
Personnel Cost	507,500	545,600	574,600	535,300	554,200
Operating Expenses	34,300	35,000	35,000	35,000	35,000
TOTAL EXPENDITURES	541,800	580,600	609,600	570,300	589,200
EXPENDITURES BY FUND SOURCE					
General Fund	541,800	580,600	609,600	570,300	589,200
TOTAL EXPENDITURES	541,800	580,600	609,600	570,300	589,200

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

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

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	1,387,300	1,720,900	1,418,400	1,388,500	1,403,100
Budget Reduction	-28,500				
Total General Fund	1,358,800	1,720,900	1,418,400	1,388,500	1,403,100
Restricted Funds					
Balance Forward	61,500	61,500	61,500	61,500	61,500
Current Receipts	102,800	150,000	150,000	150,000	150,000
Total Restricted Funds	164,300	211,500	211,500	211,500	211,500
TOTAL SOURCE OF FUNDS	1,523,100	1,932,400	1,629,900	1,600,000	1,614,600
EXPENDITURES BY CLASS					
Personnel Cost	386,900	423,400	445,900	416,000	430,600
Operating Expenses	134,600	182,400	182,400	182,400	182,400
Grants, Loans or Benefits	940,100	1,265,100	940,100	940,100	940,100
TOTAL EXPENDITURES	1,461,600	1,870,900	1,568,400	1,538,500	1,553,100
EXPENDITURES BY FUND SOURCE					
General Fund	1,358,800	1,720,900	1,418,400	1,388,500	1,403,100
Restricted Funds	102,800	150,000	150,000	150,000	150,000
TOTAL EXPENDITURES	1,461,600	1,870,900	1,568,400	1,538,500	1,553,100
EXPENDITURES BY UNIT					
LARS-DSS-Pupil Transportation	791,600	1,200,900	898,400	868,500	883,100
LARS-DSS-Pupil Transportation Blind/Deaf	670,000	670,000	670,000	670,000	670,000
TOTAL EXPENDITURES	1,461,600	1,870,900	1,568,400	1,538,500	1,553,100

The Division of Pupil Transportation provides technical assistance as well as regulatory and coordinating services to local school districts to facilitate the safe and efficient transporting of pupils to and from school. The Division also sets forth the procedures for centralized purchasing of school buses through established price contract agreements. The Division trains instructors, bus inspectors, and drivers.

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

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	12,000,000	12,000,000	12,000,000	10,961,300	10,455,400
Total General Fund	12,000,000	12,000,000	12,000,000	10,961,300	10,455,400
TOTAL SOURCE OF FUNDS	12,000,000	12,000,000	12,000,000	10,961,300	10,455,400
EXPENDITURES BY CLASS					
Grants, Loans or Benefits	12,000,000	12,000,000	12,000,000	10,961,300	10,455,400
TOTAL EXPENDITURES	12,000,000	12,000,000	12,000,000	10,961,300	10,455,400
EXPENDITURES BY FUND SOURCE					
General Fund	12,000,000	12,000,000	12,000,000	10,961,300	10,455,400
TOTAL EXPENDITURES	12,000,000	12,000,000	12,000,000	10,961,300	10,455,400

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

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

Policy

The Governor's proposed budget identifies Safe Schools as one of six programs to be modified to permit local school districts additional flexibility in the distribution of program funds across the six programs while still addressing the governing statutes and serving the need and the intended population.

Education
Learning and Results Services
District Support Services
School and Community Nutrition

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	4,071,100	4,087,500	4,103,100	4,087,500	4,103,100
Budget Reduction	-17,100				
Total General Fund	4,054,000	4,087,500	4,103,100	4,087,500	4,103,100
Federal Funds					
Current Receipts	174,000,000	177,480,000	181,029,500	177,464,800	180,981,300
Total Federal Funds	174,000,000	177,480,000	181,029,500	177,464,800	180,981,300
TOTAL SOURCE OF FUNDS	178,054,000	181,567,500	185,132,600	181,552,300	185,084,400
EXPENDITURES BY CLASS					
Personnel Cost	271,100	1,342,500	1,411,500	1,327,300	1,363,300
Grants, Loans or Benefits	177,782,900	180,225,000	183,721,100	180,225,000	183,721,100
TOTAL EXPENDITURES	178,054,000	181,567,500	185,132,600	181,552,300	185,084,400
EXPENDITURES BY FUND SOURCE					
General Fund	4,054,000	4,087,500	4,103,100	4,087,500	4,103,100
Federal Funds	174,000,000	177,480,000	181,029,500	177,464,800	180,981,300
TOTAL EXPENDITURES	178,054,000	181,567,500	185,132,600	181,552,300	185,084,400

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

Education
Learning and Results Services
Education Technology

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	17,352,400	22,342,700	27,436,100	17,299,200	17,371,300
Budget Reduction	-82,000				
Total General Fund	17,270,400	22,342,700	27,436,100	17,299,200	17,371,300
Restricted Funds					
Current Receipts	358,100	358,100	358,100	358,100	358,100
Total Restricted Funds	358,100	358,100	358,100	358,100	358,100
Federal Funds					
Current Receipts	2,182,700	100,000		100,000	
Total Federal Funds	2,182,700	100,000		100,000	
TOTAL SOURCE OF FUNDS	19,811,200	22,800,800	27,794,200	17,757,300	17,729,400
EXPENDITURES BY CLASS					
Personnel Cost	1,770,300	1,831,700	1,925,100	1,788,200	1,860,300
Operating Expenses	858,200	869,100	869,100	869,100	869,100
Grants, Loans or Benefits	17,182,700	20,100,000	25,000,000	15,100,000	15,000,000
TOTAL EXPENDITURES	19,811,200	22,800,800	27,794,200	17,757,300	17,729,400
EXPENDITURES BY FUND SOURCE					
General Fund	17,270,400	22,342,700	27,436,100	17,299,200	17,371,300
Restricted Funds	358,100	358,100	358,100	358,100	358,100
Federal Funds	2,182,700	100,000		100,000	
TOTAL EXPENDITURES	19,811,200	22,800,800	27,794,200	17,757,300	17,729,400
EXPENDITURES BY UNIT					
LARS-ED-Technology-Assoc Comm	2,359,100	368,100	281,000	360,800	270,400
LARS-ED TECH-School Info Tech	1,201,000	1,105,400	1,134,600	1,092,800	1,114,600
LARS-ED TECH-School Network Services	916,500	904,700	937,800	886,700	913,300
LARS-ED TECH-School Instructional Tech	334,600	422,600	440,800	417,000	431,100
LARS-ED TECH-KERA	15,000,000	20,000,000	25,000,000	15,000,000	15,000,000
TOTAL EXPENDITURES	19,811,200	22,800,800	27,794,200	17,757,300	17,729,400

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

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

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	180,000	268,100	281,000	260,800	270,400
Budget Reduction	-3,600				
Total General Fund	176,400	268,100	281,000	260,800	270,400
Federal Funds					
Current Receipts	2,182,700	100,000		100,000	
Total Federal Funds	2,182,700	100,000		100,000	
TOTAL SOURCE OF FUNDS	2,359,100	368,100	281,000	360,800	270,400
EXPENDITURES BY CLASS					
Personnel Cost	161,700	253,100	266,000	245,800	255,400
Operating Expenses	14,700	15,000	15,000	15,000	15,000
Grants, Loans or Benefits	2,182,700	100,000		100,000	
TOTAL EXPENDITURES	2,359,100	368,100	281,000	360,800	270,400
EXPENDITURES BY FUND SOURCE					
General Fund	176,400	268,100	281,000	260,800	270,400
Federal Funds	2,182,700	100,000		100,000	
TOTAL EXPENDITURES	2,359,100	368,100	281,000	360,800	270,400

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

Education
Learning and Results Services
Education Technology
School Information Technology

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	860,100	747,300	776,500	734,700	756,500
Budget Reduction	-17,200				
Total General Fund	842,900	747,300	776,500	734,700	756,500
Restricted Funds					
Current Receipts	358,100	358,100	358,100	358,100	358,100
Total Restricted Funds	358,100	358,100	358,100	358,100	358,100
TOTAL SOURCE OF FUNDS	1,201,000	1,105,400	1,134,600	1,092,800	1,114,600
EXPENDITURES BY CLASS					
Personnel Cost	647,300	547,700	576,900	535,100	556,900
Operating Expenses	553,700	557,700	557,700	557,700	557,700
TOTAL EXPENDITURES	1,201,000	1,105,400	1,134,600	1,092,800	1,114,600
EXPENDITURES BY FUND SOURCE					
General Fund	842,900	747,300	776,500	734,700	756,500
Restricted Funds	358,100	358,100	358,100	358,100	358,100
TOTAL EXPENDITURES	1,201,000	1,105,400	1,134,600	1,092,800	1,114,600

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

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

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	970,900	904,700	937,800	886,700	913,300
Budget Reduction	-54,400				
Total General Fund	916,500	904,700	937,800	886,700	913,300
TOTAL SOURCE OF FUNDS	916,500	904,700	937,800	886,700	913,300
EXPENDITURES BY CLASS					
Personnel Cost	646,300	628,300	661,400	610,300	636,900
Operating Expenses	270,200	276,400	276,400	276,400	276,400
TOTAL EXPENDITURES	916,500	904,700	937,800	886,700	913,300
EXPENDITURES BY FUND SOURCE					
General Fund	916,500	904,700	937,800	886,700	913,300
TOTAL EXPENDITURES	916,500	904,700	937,800	886,700	913,300

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

Education
Learning and Results Services
Education Technology
School Instructional Technology

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	341,400	422,600	440,800	417,000	431,100
Budget Reduction	-6,800				
Total General Fund	334,600	422,600	440,800	417,000	431,100
TOTAL SOURCE OF FUNDS	334,600	422,600	440,800	417,000	431,100
EXPENDITURES BY CLASS					
Personnel Cost	315,000	402,600	420,800	397,000	411,100
Operating Expenses	19,600	20,000	20,000	20,000	20,000
TOTAL EXPENDITURES	334,600	422,600	440,800	417,000	431,100
EXPENDITURES BY FUND SOURCE					
General Fund	334,600	422,600	440,800	417,000	431,100
TOTAL EXPENDITURES	334,600	422,600	440,800	417,000	431,100

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

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

	Revised FY 2002	Requested FY 2003	Requested FY 2004	Recommended FY 2003	Recommended FY 2004
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	15,000,000	20,000,000	25,000,000	15,000,000	15,000,000
Total General Fund	15,000,000	20,000,000	25,000,000	15,000,000	15,000,000
TOTAL SOURCE OF FUNDS	15,000,000	20,000,000	25,000,000	15,000,000	15,000,000
EXPENDITURES BY CLASS					
Grants, Loans or Benefits	15,000,000	20,000,000	25,000,000	15,000,000	15,000,000
TOTAL EXPENDITURES	15,000,000	20,000,000	25,000,000	15,000,000	15,000,000
EXPENDITURES BY FUND SOURCE					
General Fund	15,000,000	20,000,000	25,000,000	15,000,000	15,000,000
TOTAL EXPENDITURES	15,000,000	20,000,000	25,000,000	15,000,000	15,000,000

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