



2004-2006
Executive Budget

Ernie Fletcher

Governor

Bradford L. Cowgill

State Budget Director

Budget in Brief



2004-2006 Executive Budget

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PREFACE

The Executive Budget for the 2004-2006 biennium is the financial plan for Kentucky State Government as enacted by the Regular Session of the 2003 General Assembly. It is published by the Office of the State Budget Director, Governor's Office for Policy and Management in accordance with KRS Chapter 48.

The 2004-2006 budget is presented in three volumes:

- **Volume I:** State agency program budget detail
- **Volume II:** Capital projects
- **Budget in Brief:** Budget overview and summary data

These documents provide the detail to support the budget in legislative form as presented in the budget bill.



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Bradford L. Cowgill
State Budget Director

Governor's Office for Policy and Management
Governor's Office for Economic Analysis
Governor's Office for Policy Research

January 26, 2004

Honorable Ernie Fletcher
100 Capitol Building
Frankfort, KY 40601

Dear Governor Fletcher:

The budget is the ultimate expression of the Commonwealth's plans, principles and priorities.

The unifying objective of this budget is to make Kentucky competitive. It will achieve that objective partly by resolving budgetary shortfalls without burdening the people and businesses of Kentucky with higher taxes. It will also achieve through programs and projects strategically targeted in education, healthcare and economic empowerment.

I want to thank those who have assisted in this process. The staff of the Governor's Office for Policy and Management has played a pivotal role. Under the dedicated leadership of Bill Hintze, Beth Jurek and Mary Lassiter, staff has worked many nights and many weekends to put these budget recommendations together, often putting aside personal and family obligations. In addition to my personal thanks to each staff member, I would like to thank their families for their patience and understanding.

Additionally, I would like to thank the staff of the Governor's Office for Economic Analysis and the Governor's Office for Policy Research for their diligence in assisting with the economic forecasting as well as assistance in population forecasting as it relates to some of our person-driven program expenditures such as Corrections, Education and Medicaid. They have been an invaluable source of assistance and knowledge regarding Kentucky's revenue and tax structure.

I wish to extend my appreciation to the Finance and Administration Cabinet for ongoing and continuing support, and most especially, to the Office of Financial Management, Division of Printing and the Division of Creative Services for their assistance in making production of this budget possible.

Honorable Ernie Fletcher

January 26, 2004

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Thank you to each of our Cabinet Secretaries for their assistance and patience throughout this process. I especially want to thank their budget staffs with whom we worked so closely and who, without their support, we would not be able to do our jobs. Finally, thank you to all of the Governor's Office staff for the patience, diligence, and support throughout this process.

Sincerely,



Bradford L. Cowgill

Fiscal Year 2004 – 2006 Executive Budget Executive Summary

Introduction

The Executive Budget for fiscal year 2004–2006 is the first budget recommendation submitted by Governor Ernie Fletcher who was inaugurated as the Commonwealth's 60th governor on December 9, 2003. It reflects the Fletcher Administration's core values of personal and fiscal integrity. The goals of the recommended budget are to make the Commonwealth competitive through fiscal discipline and new directions in education and economic opportunity.

The budget is balanced without increasing taxes. It reduces the Commonwealth's reliance on non-recurring revenue sources, and redirects spending toward essential services. Every agency of state government is required to become more efficient in its operations to maintain essential services in a fiscal atmosphere of limited dollars and increasing costs.

Fiscal Year 2004 Budget Reduction and Stability Initiative

In fiscal year 2004, the Commonwealth faced a budget shortfall of \$302.6 million, which represents 4.1 percent of enacted appropriations. On January 5, 2004, Governor Fletcher executed a Budget Reduction Order to reduce authorized spending to match available resources. This marked the fourth straight year in which revenues upon which authorized spending was based fell short of predictions. Moreover, revenue projections for fiscal year 2005 predicted insufficient growth in revenues to support current levels of spending in fiscal year 2004, even after the budget reductions mandated in the Order.

In response to the austere budget outlook for fiscal year 2005, Governor Fletcher established a target for all state agencies to reduce spending and identify funds to result in additional savings of \$100 million in fiscal year 2004. This effort was labeled his Stability Initiative, the goal of which was to save \$100 million in fiscal year 2004 which would then be available for expenditure in fiscal year 2005. This would allow state government to have approximately the same amount of funding available in each of the two years, creating a level amount of spending as opposed to a significant decrease in fiscal year 2005.

The Stability Initiative resulted in an estimated ending balance of \$110.4 million for fiscal year 2004 which is recommended for spending in fiscal year 2005. The Governor's Cabinet Secretaries have committed the Executive Branch to more efficient operations, realizing savings from reorganization, and decreasing administrative costs to live within the reduced funding available.

The Budget Reduction Order as well as the Stability Initiative established the Governor's funding priorities early in his administration. The SEEK (Support Education Excellence in Kentucky) formula for funding elementary and secondary education was not reduced in either of the budget balancing actions. In addition, funds for Medicaid benefits were not reduced.

Budget Approach for Fiscal Years 2005 and 2006

While projected revenue growth for the General Fund for fiscal years 2005 and 2006 is 4.7 percent and 4.2 percent, respectively, appropriations must be reduced since the budget can no longer rely on the large amounts of non-recurring monies upon which previous budgets were based. As a result of several years of poorly performing revenues, the Commonwealth has relied heavily on one-time sources of funding to avoid significant reductions in spending. The recommended budget for fiscal year 2005 and 2006 relies significantly less on non-recurring sources of revenue. The structural imbalance in the General Fund budget will be reduced significantly.

Most executive branch cabinets and agencies will have the same General Fund base appropriations in fiscal years 2005 and 2006 as they will have in fiscal year 2004, after the Budget Reduction Order and the Stability Initiative. Fiscal discipline and increased efficiency of operations will be required, as agencies will need to manage within the same funding base and absorb increased personnel and operating costs.

Principal cost drivers of agency budgets include personnel salary and fringe benefit costs. Salary increases, health insurance cost increases, and the cost of employer contributions for retirement are three important cost drivers in agency budgets. The Executive Budget recommends salary increases of 1.5 percent in fiscal year 2005 and 3.0 percent in fiscal year 2006 for state employees. Health insurance costs are budgeted to increase 4.5 percent in fiscal year 2005 and 6.5 percent in fiscal year 2006. Employer contributions for the Kentucky Retirement System are budgeted to remain at rates as enacted in the fiscal year 2002-2004 Budget of the Commonwealth. All of these increased costs will be absorbed within the base budgets of state agencies through a variety of aggressive and comprehensive personnel management strategies by the Executive Cabinet.

In recognition of increased demands on state employees to become more efficient, and despite the fiscal constraints of a continuation budget, the Governor is recommending salary increases of 1.5 percent and 3.0 percent for fiscal years 2005 and 2006, respectively. In addition, the increased salaries are provided in recognition that health care costs for employees will increase over the next two years.

Estimates of the increased costs of health insurance as provided in agency budget requests were that costs would increase 16 percent in fiscal year 2005 and 19 percent in fiscal year 2006. This level of increase was determined to be unaffordable and unsustainable. The administration plans to redesign the health insurance program for state employees to mitigate the cost increases in the upcoming biennium and in the longer term to reduce health care costs overall.

The increased employer contribution recommended by the Kentucky Retirement System for state employees likewise was determined to be unaffordable given the fiscal condition of the Commonwealth. The Executive Budget recommends that the employer rates for fiscal years 2005 and 2006 be maintained at 2004 levels.

Funding Priorities Above the Baseline

All of state government will be challenged to accomplish statutory goals and missions with limited funding. In good fiscal times it is appropriate for additional funding to be invested in priority areas that will yield long-term returns to the Commonwealth. Likewise, in lean times it is important to protect and invest the limited few available new dollars in those same priority areas. Governor Fletcher is committed to increasing economic opportunity for Kentuckians and has placed his funding priorities on education, economic development and the efficient operation of state government to grow the economy and move the Commonwealth forward.

- ***Education: Elementary and Secondary***

The Executive Budget places its highest priority on elementary and secondary education. Governor Fletcher is committed to increasing teacher pay and recommends that classroom teachers and classified school personnel receive a 1.5 percent raise in fiscal year 2005 and a 3.0 percent raise in fiscal year 2006.

In these tight economic times, the Governor is calling upon local school districts to find the resources, including fund balances and reserves if necessary, to cover the cost of the raises in fiscal year 2005, and the Commonwealth will cover the cost of the raises in fiscal year 2006, including the recurring costs of the 2005 raises. Basic per pupil funding in the SEEK formula is increased in fiscal year 2006 to \$3,198, in part to offset the cost of the raises. In recognition that some school districts may not have adequate reserves to afford such raises in fiscal year 2005, funds have been set aside to assure that all teachers receive equal treatment for these pay raises.

The Governor is committed to seeing that state funds are used directly in the classroom and less emphasis is placed on administrative costs. To that end

he is focusing the state pay raise dollars on classroom teachers and directs the Office of Education Accountability to develop a report that recommends standard definitions for local school expenditure codes and ratios that would constitute standards for allocating administrative and classroom monies.

The Executive Budget recommends new funding for Governor Fletcher's Read to Achieve Initiative. The Governor strongly believes that reading proficiency is the gateway skill necessary for students to achieve the academic goals established by KERA and to be successful in life. The "Read to Achieve Act of 2004" creates the framework that will enable all students to read at grade level by the end of the primary program.

Debt Service is provided to honor the school construction needs recognized by the 2003 General Assembly. One hundred million dollars in bonds will be issued by the School Facilities Construction Commission (SFCC) to honor the offers of assistance previously made.

- ***Education: Postsecondary***

Governor Fletcher is convinced that postsecondary education is a core driver of economic growth and opportunity for the Commonwealth. The majority of the Governor's recommended capital investment program is the investment in research, technology, healthcare, science, and teaching facilities at the universities and community and technical colleges. The Executive Budget includes \$5 million in fiscal year 2006 to add to base funding for the universities to recognize disproportionate significant growth in student populations among the institutions over the past several years. Eleven million dollars is provided in fiscal year 2006 to the institutions to provide for operation and maintenance funds for previously authorized and constructed facilities.

One hundred million and seven hundred thousand dollars is provided in fiscal year 2005 and \$2.4 million is provided in fiscal year 2006 for Kentucky State University to meet its land grant match with the Federal Government. In addition, the capital projects for Kentucky State University (KSU), renovation of Young and Hathaway Halls, place the Commonwealth in full compliance with the Partnership Agreement with the U.S. Department of Education's Office of Civil Rights.

Significant economic development related capital project investments are proposed in the capital budget for postsecondary institutions totaling \$275 million in General Fund-supported bonds and \$112 million in agency fund-supported bonds.

The Executive Budget includes increased funds for student financial aid, both need and merit based in accordance with statutory dedications of Lottery

funds which, beginning in fiscal year 2006, dedicate 100 percent of Lottery funds to education investments. Increased funds in the amount of \$5.9 million in fiscal year 2005 and \$17.9 million in fiscal year 2006 are provided compared to fiscal year 2004 levels. Additional funding of \$1.2 million is provided in both years of the biennium to fund increases for the National Guard Tuition Assistance Program, a significant recruitment and retention tool for the National Guard, and an incentive to individuals serving the Commonwealth to continue their education.

- ***Economic Development and Commerce***

Prosperity for our state depends upon the growth and development of the Kentucky economy. Governor Fletcher believes that every dollar spent by the Commonwealth should be measured by the ultimate impact it may have on the state's future economic prosperity.

The Executive Budget not only provides for new investments that will yield economic benefits to the Commonwealth, it also sends a strong message that just like families and businesses in the Commonwealth, Kentucky state government is going to live within its means.

The Executive Budget recommends \$10 million in additional economic development bond funds to serve as incentives for the attraction and retention of industries to Kentucky. Five million dollars in Bond Funds are provided to aid the Louisville International Airport in relocating homeowners disadvantaged by the airport expansion project.

Planning funds are provided to attract a federal research lab to Kentucky, and \$22 million in funding is provided to support the continued development of the New Economy. Key strategic components of the budget will continue existing efforts on energy and environmental issues; cardiovascular, pharmaceutical and cancer research; safety and security issues; natural products alliances; advanced manufacturing; and technology infrastructure. New focus and attention will be placed on the advancement of clean coal technology initiatives, including seed money to position Kentucky to compete for a billion dollar federal pilot plant; the development of a coal bed methane initiative, and the implementation of a New Economy recruitment project in Northern Kentucky.

The capital investment program recommended to the General Assembly for bond-funded projects has economic development as its foundation. The Executive Budget recommends that the Commonwealth continue to invest approximately six percent of its revenues in the future economic growth of the state. The recommended bond program includes \$580.8 million in General Fund-supported bonds and \$113.7 million in agency fund-supported bonds. Of these amounts, \$386 million represent investments in postsecondary

education infrastructure; \$67 million represent direct investments in economic development, tourism, and agricultural development efforts; \$66 million represent development of water and sewer projects throughout the state; and \$173 million represent investments in necessary state government infrastructure to efficiently deliver cost effective services to businesses, communities, and citizens. All of these important efforts serve to support and grow the Kentucky economy.

The Executive Budget keeps the promise to the agricultural community that 50 percent of the Phase I Master Settlement Agreement proceeds will be set aside for investment in the diversification of the agricultural economy of the Commonwealth.

- ***Efficient Operation of Government***

Governor Fletcher is committed to bringing better business practices to the operation of state government so that the taxpayers' dollars are stretched as far as possible to best meet the needs of the citizens, businesses, and communities that depend on it.

The safety net that government provides for those individuals who need additional care and support beyond their means must be provided in the most efficient manner possible. The Executive Budget recommends new investment in human service and public safety programs, as well as new approaches to the delivery of some of these programs to maximize their productivity.

- ***Health and Family Services***

The Medicaid Budget is being approached with a strong management objective to redesign the program from top to bottom. Efficiencies will be identified in both administrative and care delivery components of the program to make the program affordable and sustainable, and to improve the health and lives of Kentuckians who depend on the services provided by the system.

The Medicaid Budget as introduced will be balanced in fiscal year 2005, but will continue to reflect a deficit in fiscal year 2006, currently estimated to be \$336 million. Continued efforts and focus on maximizing efficiencies through cost containment measures and proactive initiatives to improve care delivery and health of beneficiaries will be vigorously pursued throughout the biennium to close this structural budget gap in the Medicaid program. Efforts will be focused in three key areas: Care Management, Benefit Management, and Cash Management.

The Executive Budget includes \$6 million in capital projects to help begin the process of replacing the antiquated KAMES (Kentucky Automated Management & Eligibility System) technology which is used for determining eligibility for Medicaid, TANF, Food Stamps, and State Supplementation. Two million dollars is provided to develop swipe/smart card technology, replacing the need to produce and mail medical cards each month.

Five million and five hundred thousand dollars is provided in fiscal year 2006 to help cover the cost of expanding the Supports for Community Living Program (\$8.2 million total funds) and a small increase in the acquired brain injury program (\$1 million total funds).

The Alternatives for Children program faces significant challenges. The Executive Budget includes \$15 million to mitigate a projected shortfall of \$40 million. With associated matching funds, the program deficit is estimated to be \$8 million fiscal year 2006. Programmatic changes or additional resources will need to be identified over the biennium to address the projected shortfall.

The capital budget provides for bond funds to upgrade the Safeguarding Children at Risk (TWIST) system, and to enhance the child support enforcement system.

- ***Justice and Public Safety***

Poor economic times result in increased costs to public safety areas of government services and responsibilities. Increased populations in both adult and juvenile detention facilities result in increased costs which must be provided. The Fletcher Administration is committed to providing these public safety services in the most programmatic and cost effective manner possible.

Additional funding is provided to open the Elliott County prison, however at significantly reduced costs than previously estimated. The Department of Corrections will work vigorously to open that facility at the least cost to the Commonwealth by seeking private management through a competitive process. Additional funds are also provided to open and operate three new previously authorized juvenile detention centers in Boyd, Fayette, and Hardin Counties.

- ***Finance and Administration***

Many of the core administrative functions of state government are provided by the Finance and Administration Cabinet. The ability of state government to keep administrative costs under control depends on this

cabinet having the tools and infrastructure necessary to maximize efficiencies.

The Executive Budget recommends new funding for the Revenue Department to aggressively collect debts owed to the Commonwealth, including those owed to the General Fund and to other agencies. Both staff resources as well as technology resources are bolstered which will result in the collection of an additional \$10 million in fiscal year 2005 and \$20 million in fiscal year 2006. Fourteen million dollars million in bond funds are provided to revamp the information systems needed to implement changes to the sales tax systems required for the Commonwealth to benefit from the Streamlined Sales Tax Project. This is the interstate coordinated effort to simplify and streamline the taxation of remote sales across the states. The Commonwealth stands to benefit greatly over time as a result of this effort.

Up to date technology is key to efficient delivery of services. The Executive Budget includes several information technology investments for the upgrade and replacement of important but antiquated systems including the state's personnel and payroll system, the public safety communications infrastructure system (KEWS), and the Unified Criminal Justice Information System (UCJIS).

- ***Transportation***

The Transportation Cabinet will increase efficiency of operations which will result in a decrease in base funding for administrative costs by approximately \$4.5 million in the first year and \$4 million in the second year and redirect those funds to be spent on state construction projects.

To maximize the funding for state construction projects, federal project funding will be matched with Toll Credits instead of Road Fund cash. This approach supports approximately \$108 million in additional state construction over the biennium.

The Executive Budget continues the cash management program to fund projects with available cash flow and recommends authorization of \$116 million in GARVEE bonds (Grant Anticipation Revenue Vehicles) which will allow the Commonwealth to begin construction on major widening and reconstruction of sections of Interstates 64, 65, and 75 by advancing federal highway administration dollars to the upcoming biennium. These bonds will be payable with future federal receipts and will not be counted against the state's debt capacity.

- ***Environmental and Public Protection***

The reorganization of three prior Cabinets into one administrative organization will create the opportunity for significant efficiencies. Centralizing the regulatory functions of state government will result in better service for businesses and communities that depend on these services.

The Executive Budget does not propose significant funding increases for programs in this Cabinet. Recognition is given that programs in this Cabinet are sacrificing funding for the benefit of the priority areas of education, economic development, and public safety. As has been the case in recent budgets and times of budget shortfalls, funds are transferred from restricted accounts to the General Fund from the Department of Financial Institutions, the Department of Insurance, the Kentucky Access program, the Kentucky Horse Racing Authority, and the Petroleum Storage Tank Environmental Assurance Fund. Careful analysis has been conducted to assure that each of these programs can continue to meet its obligations and service requirements over the biennium despite the loss of these funds.

- ***Other Branches of Government***

While the Executive Branch does not recommend a budget for the Legislative or Judicial Branches of government, funds must be set aside when the Executive Branch Budget is formulated to properly accommodate funding needs in the other branches. The Executive Budget makes allowance for a set aside of funds in an amount that would provide additional funding for the Judicial Branch in recognition of increased construction and occupancy costs for previously authorized court houses, salary and fringe benefit increases, and the replacement of federal funds for already functioning drug courts. In addition, a major expansion of the Drug Court program is provided for in fiscal year 2006 which would expand the program to 61 additional counties. This expansion compliments the new public safety initiatives being pursued by the Justice and Public Safety Cabinet.

Conclusion

Governor Fletcher's first Executive Budget reflects his goal of increasing economic opportunity for Kentuckians by making the Commonwealth more competitive. The Executive Budget is balanced without increasing taxes, and is built upon a foundation of more efficient management of the state's resources.



CRIT LUALLEN
Auditor of Public Accounts

January 23, 2004

Members of the General Assembly
Commonwealth of Kentucky
Capitol Annex
Frankfort, Kentucky 40601

Ladies and Gentlemen:

In accordance with KRS 43.050(2)(i), we have examined the estimates of resources available for appropriation, the revised estimates of revenue receipts for fiscal year ending June 30, 2004, and the detailed estimates of revenue receipts for fiscal years ending June 30, 2005 and June 30, 2006, for the general fund, the road fund, agency funds, and federal funds. We also reviewed the Tobacco Master Settlement Agreement (TMSA) forecast amounts and growth percentages.

The consensus forecasting group developed detailed revenue estimates for the general fund and the road fund in a consensus revenue forecast, in accordance with KRS 48.115. The Governor's Office for Policy and Management provided the agency and federal funds estimates, while the consensus forecasting group and the Governor's Office for Economic Analysis provided the TMSA forecast amounts and growth percentages.

The consensus forecasting group made its forecast in January 2004 using data obtained from the December 2003 U.S. Forecast Summary prepared by Global Insight, Inc. In addition, the consensus forecasting group consulted the U.S. Bureau of Economic Analysis, Economy.Com, and the Governor's Office for Economic Analysis for economic data.

Table I depicts the growth percentages of economic indicators, general fund and road fund resources, along with the amounts and growth percentages of TMSA funds.

TABLE I

| | <u>FY03</u> <u>(Actual)</u> | <u>FY04</u> <u>(Revised)</u> | <u>FY05</u> <u>(Estimates)</u> | <u>FY06</u> <u>(Estimates)</u> |
|------------------------|--------------------------------|---------------------------------|-----------------------------------|-----------------------------------|
| U.S. Personal Income | 3.1% | 4.1% | 5.6% | 5.5% |
| U.S. Non-Ag Employment | -0.5% | 0.1% | 2.1% | 1.9% |
| KY Personal Income | 3.9% | 3.4% | 5.1% | 5.2% |
| KY Non-Ag Employment | -0.5% | 0.1% | 2.0% | 1.7% |
| KY General Fund | 3.4% | 0.8% | 4.7% | 4.2% |
| KY Road Fund | 0.4% | 0.0% | 1.7% | 1.8% |



Honorable Members of the General Assembly
January 23, 2004
Page Two

| | <u>FY03</u> <u>(Actual)</u> | <u>FY04</u> <u>(Revised)</u> | <u>FY05</u> <u>(Estimates)</u> | <u>FY06</u> <u>(Estimates)</u> |
|---------------------------|--------------------------------|---------------------------------|-----------------------------------|-----------------------------------|
| KY MSA Payments | \$130,829,000 | \$110,200,000 | \$108,800,000 | \$108,600,000 |
| KY MSA Growth Percentages | -1.5 % | -15.8% | -1.3% | -0.2% |

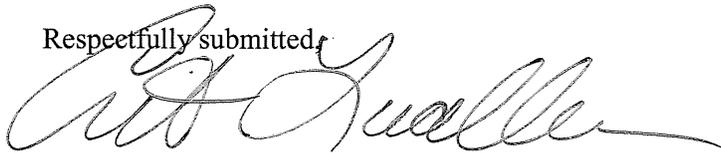
In addition, we examined the following estimates of agency funds and federal funds:

Table II

| | <u>FY04</u> | <u>FY05</u> | <u>FY06</u> |
|------------------------|-----------------|-----------------|-----------------|
| Agency Fund Resources | \$4,163,086,552 | \$4,189,646,900 | \$4,314,286,550 |
| Federal Fund Resources | \$6,698,666,818 | \$6,359,147,200 | \$6,289,849,500 |

We do not express an opinion on the accuracy of the revenue estimates for FY 05 and 06. However, our examination of the assumptions and methodology used in making the revenue estimates disclosed no evidence which indicates the revenue estimates are not based on reasonable assumptions or methodology as prescribed by Chapter 48 of the Kentucky Revised Statutes. Our review does not consider the impact of any budgetary or other legislative actions, which may be taken by the 2004 General Assembly.

Respectfully submitted,



Crit Luallen
Auditor of Public Accounts

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Acknowledgements

The cost of printing the budget was paid for from state funds pursuant to KRS 57.375.
These documents are printed entirely on recycled paper.

2004-2006 BUDGET SUMMARY OF THE GENERAL FUND

| | Recommended 2004 | Recommended 2005 | Recommended 2006 |
|---|-----------------------------|-----------------------------|-----------------------------|
| RESOURCES | | | |
| Beginning Balance | 162,478,329 | 110,419,300 | |
| Consensus Revenue Forecast | 6,835,200,000 | 7,153,800,000 | 7,457,000,000 |
| Tobacco Settlement - Phase I | 110,200,000 | 108,800,000 | 108,600,000 |
| Other Resources | 10,000,000 | 21,771,600 | 33,451,200 |
| Federal Fiscal Relief | 68,720,606 | | |
| Fund Transfers | 229,262,772 | 28,751,500 | 81,359,300 |
| Total Revenue | 7,415,861,707 | 7,423,542,400 | 7,680,410,500 |
| Continued Appropriations Reserve | | | |
| Budget Reserve Trust Fund | 5,087,400 | 50,764,800 | 50,764,800 |
| Tobacco Settlement - Phase I | 76,356,199 | 21,945,100 | 5,252,400 |
| Executive Branch | 71,586,266 | 27,596,300 | 3,441,000 |
| Legislative Branch | 16,252,784 | 10,878,500 | 6,251,800 |
| Judicial Branch | 9,234,584 | 0 | 0 |
| Reserve Subtotal | 178,517,233 | 111,184,700 | 65,710,000 |
| TOTAL RESOURCES | 7,594,378,940 | 7,534,727,100 | 7,746,120,500 |
| APPROPRIATIONS | | | |
| Executive Branch: | | | |
| Regular Operating | 7,102,306,400 | 7,056,352,400 | 7,293,246,300 |
| Tobacco Settlement - Phase I | 90,985,049 | 108,800,000 | 108,600,000 |
| Current Year Appropriation | 4,685,000 | | |
| Budget Reductions | (102,882,280) | | |
| Base Deduct | (59,499,300) | | |
| Necessary Governmental Expenses | 20,000,000 | | |
| Management Savings Lapse | 0 | | |
| Partial Year Debt Service Lapse | (20,694,000) | | |
| Other Budgeted Lapse | (5,860,000) | | |
| Other | 2,684,300 | | |
| Capital Projects | 400,000 | | 8,000,000 |
| Subtotal | 7,032,125,169 | 7,165,152,400 | 7,409,846,300 |
| Judicial Branch: | | | |
| Regular Operating | 210,855,100 | 217,773,600 | 229,947,800 |
| Base Deduct | (1,931,800) | | |
| Judicial Branch | 208,923,300 | 217,773,600 | 229,947,800 |
| Legislative Branch: | | | |
| Regular Operating | 40,616,400 | 40,616,400 | 40,616,400 |
| Base Deduct | (1,000,000) | | |
| Legislative Branch | 39,616,400 | 40,616,400 | 40,616,400 |
| TOTAL APPROPRIATIONS | 7,280,664,869 | 7,423,542,400 | 7,680,410,500 |
| BALANCE | 313,714,071 | 111,184,700 | 65,710,000 |
| Continued Appropriations Reserve | | | |
| Budget Reserve Trust Fund | 50,764,829 | 50,764,800 | 50,764,800 |
| Tobacco Settlement - Phase I | 70,664,008 | 21,945,100 | 5,252,400 |
| Executive Branch | 56,378,566 | 27,596,300 | 3,441,000 |
| Legislative Branch | 16,252,784 | 10,878,500 | 6,251,800 |
| Judicial Branch | 9,234,584 | 0 | 0 |
| Reserve Subtotal | 203,294,771 | 111,184,700 | 65,710,000 |
| ENDING BALANCE | 110,419,300 | 0 | 0 |

2004-2006 BUDGET SUMMARY OF THE ROAD FUND

| | <u>Revised 2003-2004</u> | <u>Recommended FY 2004-2005</u> | <u>Recommended FY 2005-2006</u> |
|------------------------------------|------------------------------|-------------------------------------|-------------------------------------|
| RESOURCES | | | |
| Beginning Balance | | | |
| Official Revenue Estimate | 1,122,601,600 | 1,141,409,100 | 1,162,506,700 |
| Non-Revenue Receipts | | | |
| Fund Transfers | <u>1,300,000</u> | | |
| TOTAL RESOURCES | 1,123,901,600 | 1,141,409,100 | 1,162,506,700 |
| APPROPRIATIONS | | | |
| Transportation Cabinet | | | |
| Revenue Sharing | 221,530,700 | 228,298,300 | 231,976,100 |
| Highways | 592,524,700 | 644,836,700 | 660,625,300 |
| Vehicle Regulation | 28,628,500 | 16,084,000 | 16,148,000 |
| Debt Service | 160,847,100 | 116,113,500 | 125,170,000 |
| General Administration and Support | 71,738,500 | 66,655,900 | 67,240,200 |
| Capital Construction | <u>8,284,000</u> | <u>12,199,000</u> | <u>4,248,000</u> |
| Subtotal | 1,083,553,500 | 1,084,187,400 | 1,105,407,600 |
| Justice and Public Safety Cabinet | 35,000,000 | 52,215,700 | 52,518,100 |
| Finance and Administration Cabinet | 5,348,100 | 4,756,000 | 4,331,000 |
| Kentucky State Treasury | | <u>250,000</u> | <u>250,000</u> |
| TOTAL APPROPRIATIONS | 1,123,901,600 | 1,141,409,100 | 1,162,506,700 |

**2004-2006 EXECUTIVE BUDGET
CAPITAL CONSTRUCTION SUMMARY**

| SOURCE OF FUNDS | FY 2004 | FY 2005 | FY 2006 | New Authorization |
|-------------------------------------|----------------|----------------------|--------------------|--------------------------|
| Executive Branch | | | | |
| General Fund | | | 8,000,000 | 8,000,000 |
| Restricted Funds | | 1,730,581,800 | 108,767,000 | 1,839,348,800 |
| Federal Funds | 563,000 | 176,793,700 | 60,964,000 | 238,320,700 |
| Bond Fund | | 580,825,000 | | 580,825,000 |
| Road Fund | | 12,199,000 | 4,248,000 | 16,447,000 |
| Agency Bond Fund | | 113,675,000 | | 113,675,000 |
| Capital Construction | | 880,000 | 63,000 | 943,000 |
| Surplus | | | | |
| Investment Income | 400,000 | 33,224,700 | 19,895,000 | 53,519,700 |
| Other Funds | | 21,800,000 | 4,300,000 | 26,100,000 |
| TOTAL SOURCE OF FUNDS | 963,000 | 2,669,979,200 | 206,237,000 | 2,877,179,200 |
| EXPENDITURES BY CABINET | | | | |
| Executive Branch | | | | |
| General Government | | 215,143,000 | 6,723,000 | 221,866,000 |
| Commerce | | 50,092,000 | 14,612,000 | 64,704,000 |
| Economic Development | | 28,825,000 | 10,985,000 | 39,810,000 |
| Department of Education | | 4,165,000 | 675,000 | 4,840,000 |
| Education Cabinet | 563,000 | 2,695,000 | 2,560,000 | 5,818,000 |
| Environmental and Public Protection | | 9,550,000 | 7,950,000 | 17,500,000 |
| Finance and Administration | 400,000 | 178,158,000 | 14,799,000 | 193,357,000 |
| Health and Family Services | | 21,682,400 | 65,761,000 | 87,443,400 |
| Justice and Public Safety | | 11,944,000 | 2,600,000 | 14,544,000 |
| Postsecondary Education | | 2,135,525,800 | 75,324,000 | 2,210,849,800 |
| Transportation | | 12,199,000 | 4,248,000 | 16,447,000 |
| TOTAL EXPENDITURES | 963,000 | 2,699,979,200 | 206,237,000 | 2,877,179,200 |

Capital Construction Overview

The Commonwealth's capital construction program for the Executive Branch for the 2004-2006 biennium is set out in this single volume – Volume II of the Executive Budget. This overview section of the volume focuses on the capital construction priorities, policies, and fund sources recommended to be appropriated for the next two years.

Policy Emphasis – Bonds for Education, Economic Development, and Infrastructure

The capital budget for the Executive Branch includes \$694,500,000 in bond funded capital projects supported by \$58,473,000 from General Fund debt service with the remainder to be financed with agency/restricted fund debt service. The largest proportion of new project activity, including bond-financed activity, is directed to Postsecondary Education. Collectively, the universities received authorization for \$274,518,000 in new General Fund bond support as well as \$111,902,000 for agency bond projects and pools for a total of \$386,420,000. These efforts reflect support for the top capital construction priorities at each of the eight public universities and the Kentucky Community and Technical College System (KCTCS). Particular emphasis has been placed on research supporting facilities that complement the Bucks for Brains initiative launched shortly after the Postsecondary

Improvement Act was approved in the 1997 Special Session. Both the University of Kentucky and the University of Louisville received state support and a matching authorization for agency bond support for their top projects – the Biological/Pharmaceutical Complex at the University of Kentucky (\$42 million) and the Health Sciences Center Research Facility – Phase 3 at the University of Louisville (\$38 million), respectively. Major funding was also provided for the Business and Technology Center (\$27 million) at Eastern Kentucky University; the Science Center Renovation (\$27 million) at Western Kentucky University; the New Science Complex (\$15 million) at Murray State University, the NASA Space Science Center (\$7.2 million plus anticipated federal funding) at Morehead State University; support for two projects at Kentucky State University related to the long-standing U.S. Office of Civil Rights agreement – Young Hall Renovation (\$5,339,000) and Hathaway Hall Renovation – Phase II (\$7.4 million) – the University’s top two priorities; and Northern Kentucky University is recommended for a Regional Special Events Center (\$42 million) to meet a long-standing community priority and university need. Enhancing economic development activity in numerous regions of the state is the priority for the KCTCS projects including the Ashland Technical Center (\$12,066,000), Owensboro Technical Center (\$13,088,000); Franklin Technical Center (\$4 million); Warren County Technical Center (\$5.5 million); Somerset Aviation Facility (\$1.5 million); Madisonville Technical Center (\$7 million); Expansion of the Gateway Campus at Edgewood (\$14,070,000); and a new classroom/laboratory building at the burgeoning Lexington Community College (\$28,855,000). Other Postsecondary Education projects receiving support include the Math and Science Academy at Western Kentucky University (\$2.5 million in General Fund bonds and \$4 million in agency fund bonds); the first phase of the new Hospital Patient Bed Tower at the University of Kentucky (\$25 million in agency bonds); and significant support (\$15 million) for a Capital Renewal and Maintenance Pool and a university/agency fund-supported bond pool (\$42,902,000) for which the Council on Postsecondary Education will recommend specific projects.

The second largest commitment of support is for local school construction which was previously authorized and encouraged, but not fully funded. The School Facilities Construction Commission (SFCC), which aids local school districts in new construction and renovation projects, received \$104.6 million in new bonds from the 2003 General Assembly to support offers of assistance to local school districts. In addition, two new bond programs under the auspices of the SFCC were authorized – an Urgent Need School Trust Fund (\$55,284,000) and a similarly sized program entitled Category 5 Buildings, which was predominantly for coal-producing counties, also targeted schools of the most urgent need as defined by the School Building Assessment program administered by the Department of Education. The 2004-2006 Executive Budget recommendation includes the necessary debt service support to fund the Offers of Assistance, Urgent Need, and Category 5 programs previously authorized. This funding moves the local school construction and renovation projects from the planning stage to the construction stage of development.

A \$50 million Water and Sewer Resource Development Fund is recommended which will be administered by the Kentucky Infrastructure Authority (KIA). The program is directed toward coal-producing counties and is funded by a combination of Single County and Multi-County Coal Severance Local Government Economic Development funds. (This is the same approach approved for a new Water and Sewer program authorized by the 2003 General Assembly.) In addition, both the Federally Assisted Wastewater Matching program and the Federally Assisted Drinking Water Resources program (KIA Funds A and F) received appropriations of \$8.4 million and \$7.6 million in General Fund-supported debt, respectively, in order to continue to attract federal financial assistance.

Economic Development authorizations include \$10 million in new Economic Development bond authorizations, and a \$22 million pool for “New Economy” initiatives to be underwritten by previously issued Kentucky Economic Development Funding Authority (KEDFA) bond proceeds and Coal Severance Tax receipts. These authorizations were provided to “recapitalize” the Economic Development pools which had been depleted in budget balancing efforts as well as in support of the Office of the New Economy projects. Bonds are also authorized in order to support necessary finishing work on the new or expanded State Park golf courses financed by previous bond issues from the 1998, 2000, and 2003 General Assemblies. This investment will permit the golf courses and State Park system to generate income which will more than offset the cost of operations. It will help complete the new courses in terms of all of the appurtenances and amenities which are ultimately needed. In total, \$35 million in parks improvements and renovation projects are recommended with approximately \$25 million of this total concentrated in coal-producing counties housing state parks and tourism facilities. The specific projects to be pursued include the golf courses, campground improvements, and other income-generating activities.

Another significant investment is proposed for information technology programs and upgraded business systems. In contemporary society, governments, businesses, and individual citizens are dependent upon and daily users of

information technology systems (IT). State government IT systems need to keep pace and, in many cases, the IT system replacements recommended in this budget replace IT systems dating back ten, twenty, or more years. These include the public safety communications infrastructure known as KEWS (Kentucky Emergency Warning System) which was developed in the wake of the 1974 tornadoes that rampaged through Kentucky (\$26,768,000); the first phase of a replacement personnel and payroll system for the Commonwealth (\$25 million), replacing a system dating to the 1970s; upgrading the KASPER pharmaceutical/law enforcement tracking system through the Department of Public Health (\$5 million); keeping the MARS system current (\$3.5 million); upgrading the TWIST system to safeguard children at risk (\$1,227,000); upgrading the Child Enforcement System (\$2,040,000); and the Military Affairs/Department of Emergency Management Radio System (\$1.4 million). The latter projects all may also attract federal funding support. Information Technology improvements are also absolutely essential in the criminal justice system and the recommendations include the next phase of development in the Criminal History System project (\$2 million), the e-Warrant System for Criminal Justice Improvements (\$4.5 million); and the Electronic Offender Management System (\$3 million). Moreover, two critical systems to enhance revenue collection and administration, including the National Streamlined Sales Tax Simplification System (\$14.062 million) and the Business Refund Offset System (\$1,750,000), are recommended.

A number of other projects were also authorized from General Fund-supported bonds including \$17 million for the Agricultural Development Finance Authority involving a taxable bond issue which fully replaces tobacco funds previously needed to defray a revenue shortfall earlier this fiscal year; renovation of the State Office Building currently being vacated by the Transportation Cabinet in Frankfort (\$46 million); design funding for the renovation of the Capital Plaza Tower which will be renovated upon completion of the State Office Building (\$5.5 million); the next phase of the Capitol Complex Restoration and Renovation project including design of the necessary upgrades in the Capitol and Capitol Annex for Executive and Legislative use (\$18.5 million); construction of a State Police Records Retrieval and Evidence Building replacing a trailer and substandard facility in Franklin County (\$5.5 million); renovation at the School for the Deaf; continued work on the Kentucky River dams and water storage project; expansion of the Emergency Operations Center at the Boone Center; repair and replacement work at the Glasgow Mental Health/Mental Retardation facility; the Oakwood Mental Health/Mental Retardation facility; and the Perkins Rehabilitation Center in Johnson County. In addition, \$5 million is being recommended to continue and accelerate the voluntary relocation of neighborhood residents adversely affected by the Louisville International Airport expansion project.

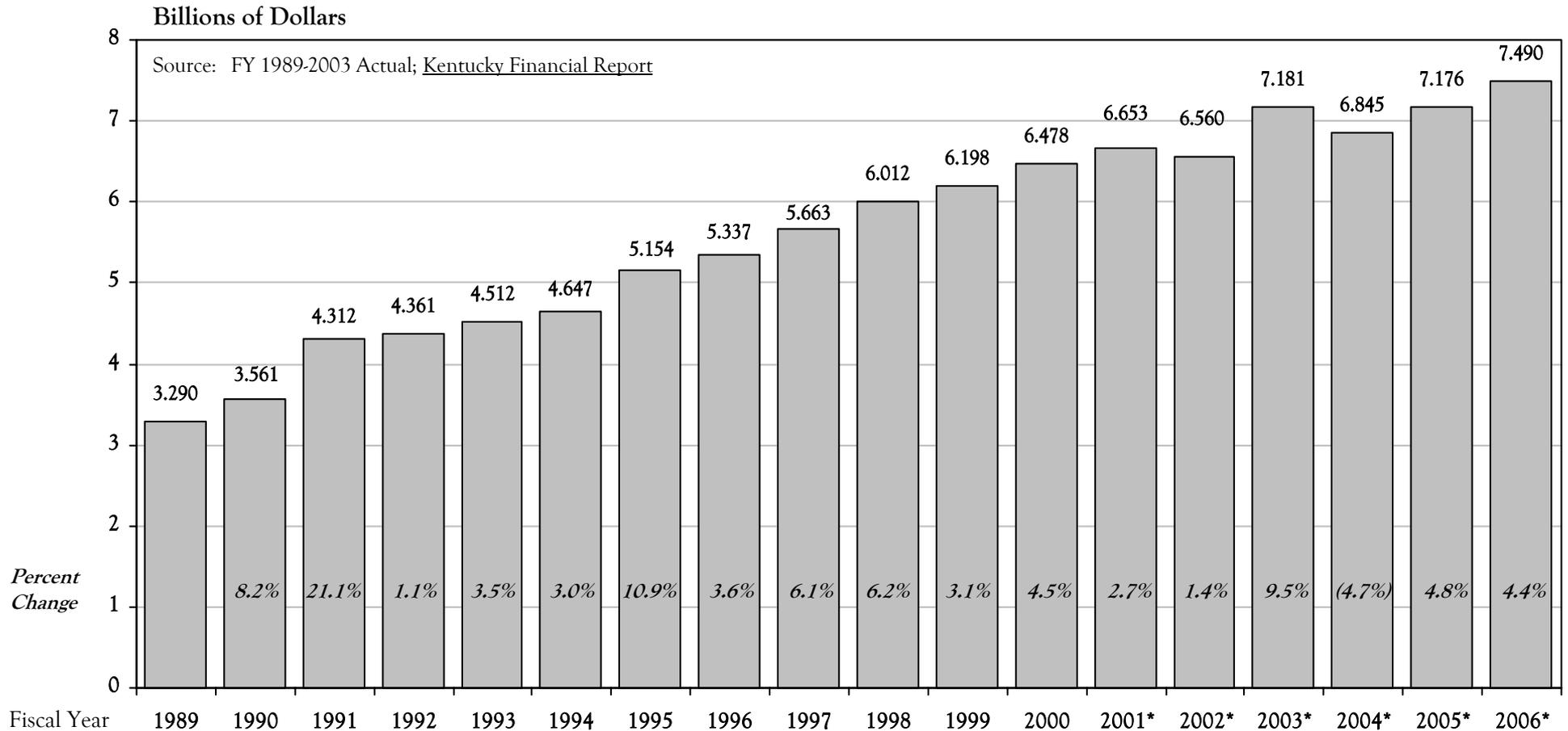
The Governor's recommendation also includes a renewed emphasis on maintaining and restoring state owned assets following the Capital Planning Advisory Board's recommendation to increase the maintenance and repair of existing public assets and to protect existing investments in important facilities. Maintenance pools fund construction projects costing less than \$400,000 each and can keep minor problems from escalating into more costly major maintenance or renovation needs.

NOTE: The preceding discussion does not include reference to a new bond program for interstate highway construction. This \$116 million GARVEE bond program is discussed in Volume I of the Executive Budget documents in the Kentucky Transportation Cabinet description.

General Fund Revenue Receipts

Fiscal Years 1989-2006

(Billions of dollars – rounded)

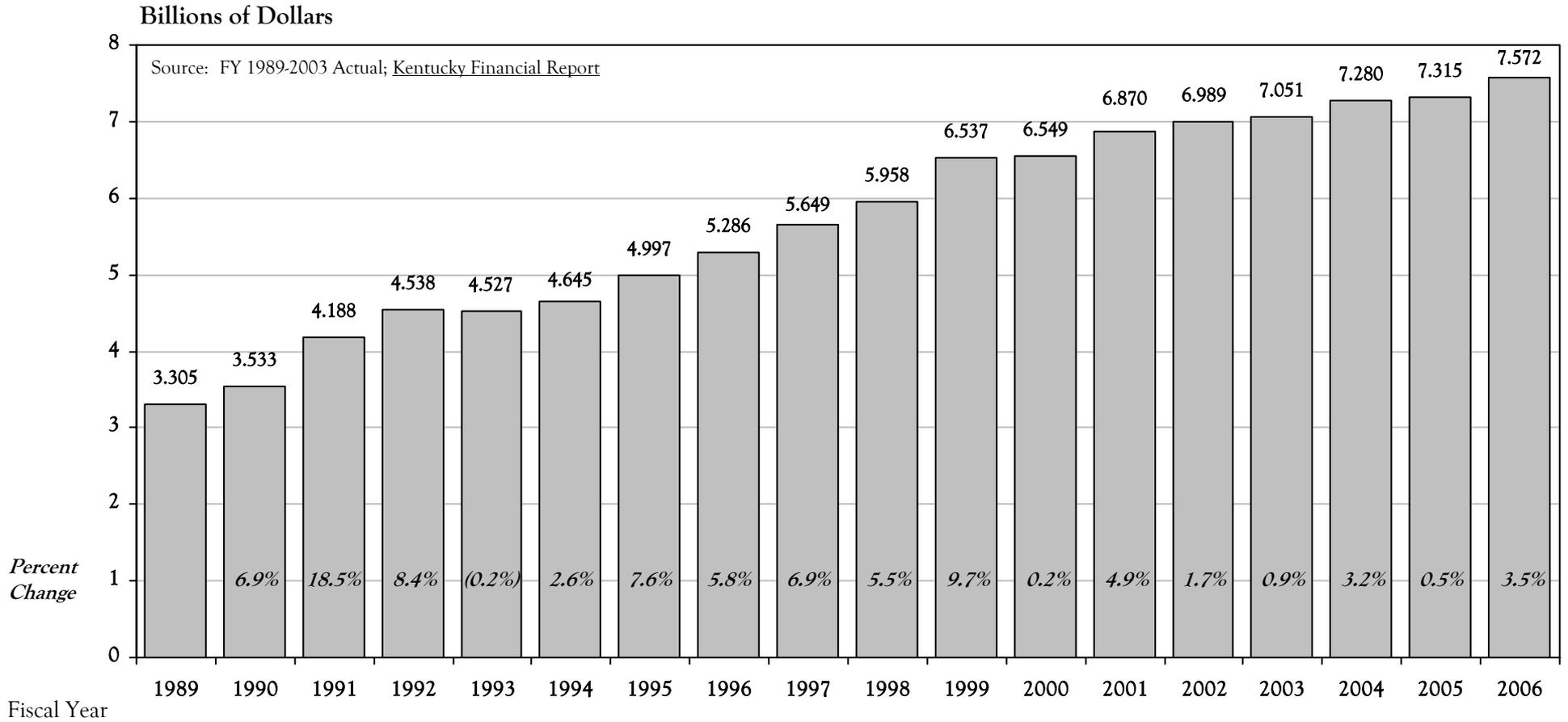


* Excludes Tobacco Settlement – Phase I Funds
Excludes Fund Transfers

General Fund Expenditures

Fiscal Years 1989-2006

(Billions of dollars - rounded)



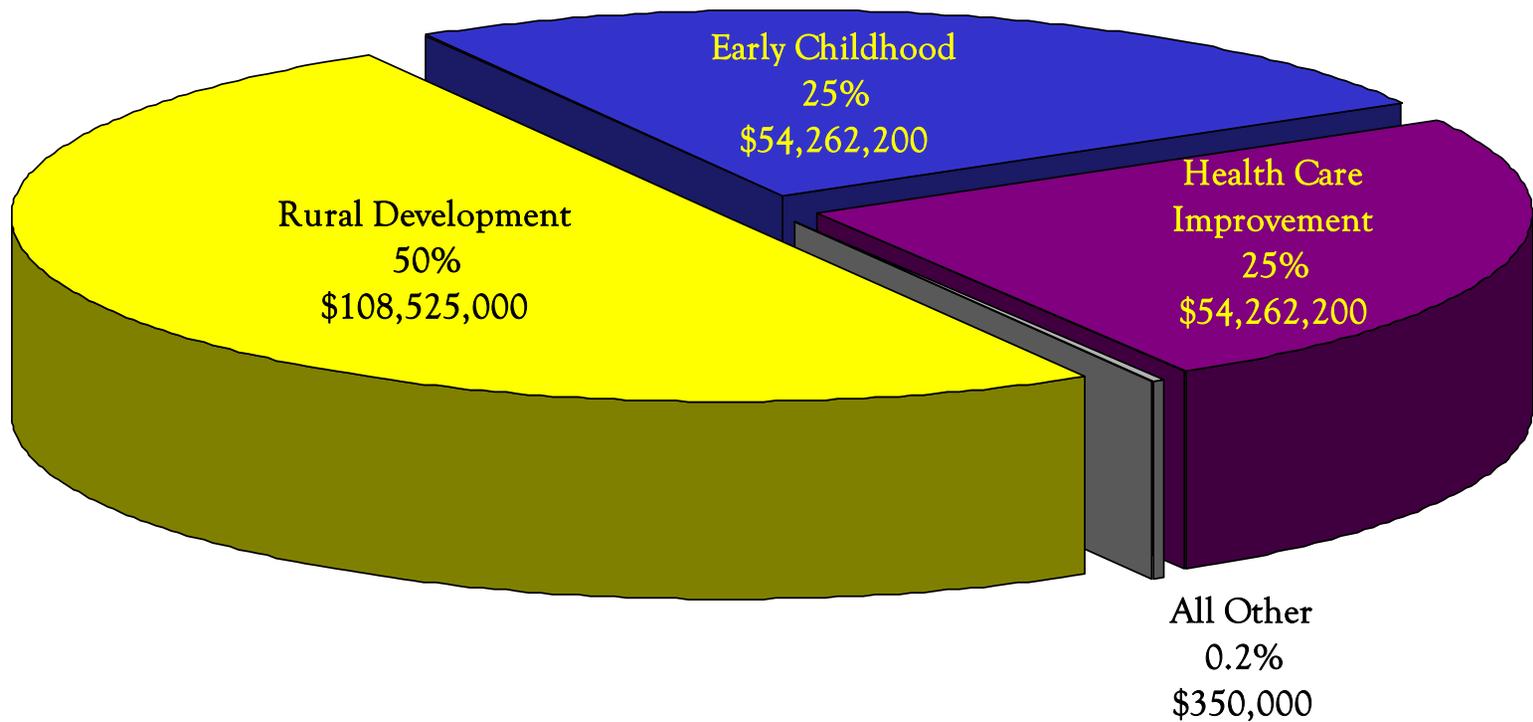
Excludes Tobacco Settlement - Phase I Funds

TOBACCO SETTLEMENT - PHASE I

| | FY 2005 | FY 2006 |
|--|--------------------|--------------------|
| Revenue Cabinet * | 175,000 | 175,000 |
| | | |
| Rural Development - (50%) | | |
| Governor's Office of Agricultural Policy | 39,195,900 | 39,099,300 |
| Finance and Administration - | | |
| Kentucky Infrastructure Authority Debt Service | 6,116,600 | 6,113,200 |
| Environmental and Public Protection - | | |
| Natural Resources | 9,000,000 | 9,000,000 |
| | | |
| Subtotal | 54,312,500 | 54,212,500 |
| | | |
| Health Improvement - (25%) | | |
| Kentucky Agency for Substance Abuse Policy (ASAP) | 2,226,800 | 2,222,700 |
| Health and Family Services - Public Health | 2,715,600 | 2,710,600 |
| Council on Postsecondary Education - | | |
| Lung Cancer Research Program | 5,431,300 | 5,421,300 |
| | | |
| Environmental and Public Protection - Insurance (Kentucky Access) | 16,782,600 | 16,751,700 |
| | | |
| Subtotal | 27,156,300 | 27,106,300 |
| | | |
| Early Childhood Development - (25%) | | |
| Division of Early Childhood Development Services | 1,888,400 | 1,888,400 |
| Health and Family Services - Community Based Services | 7,500,400 | 7,500,400 |
| Health and Family Services - Public Health | 14,512,400 | 14,462,400 |
| Health and Family Services - Mental Health/Mental Retardation | 900,000 | 900,000 |
| Health and Family Services - Children with Special Health Care Needs | 1,455,000 | 1,455,000 |
| Postsecondary Education - | | |
| Kentucky Higher Education Assistance Authority | 900,000 | 900,000 |
| | | |
| Subtotal | 27,156,200 | 27,106,200 |
| | | |
| TOTAL TOBACCO SETTLEMENT - PHASE I | 108,800,000 | 108,600,000 |

* House Bill 390, as enacted by the 2003 General Assembly, appropriated \$175,000 of Phase I Tobacco Funds to carry out the provisions of KRS 131. This amount is deducted before the allocations to Rural Development, Health Improvement, and Early Childhood are made.

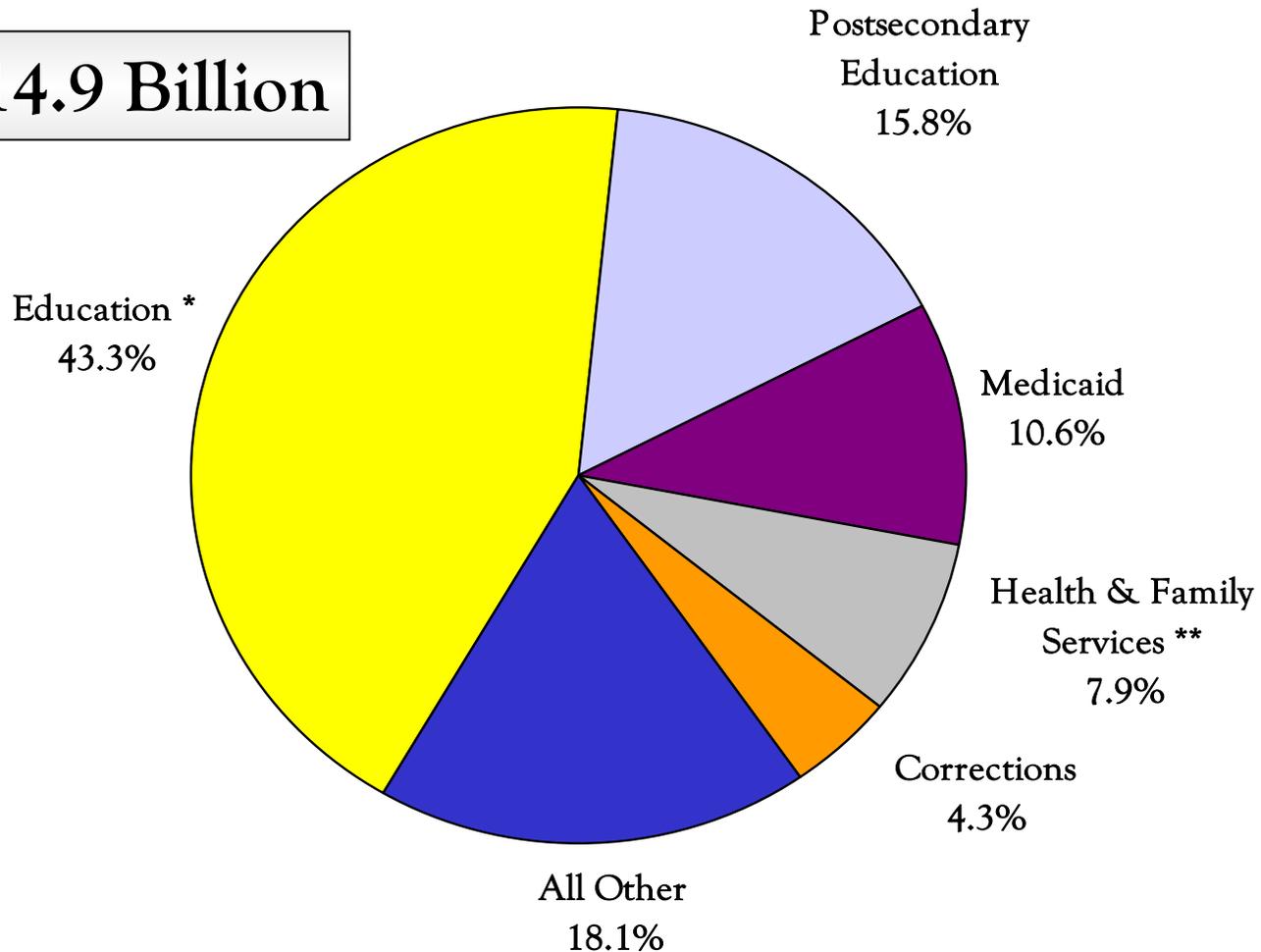
2004-2006 Biennium
Tobacco Settlement Appropriations – Phase I
\$217,400,000



2004-2006 Biennium

Distribution of General Fund Appropriations

Total = \$14.9 Billion



Excludes Tobacco Settlement - Phase I

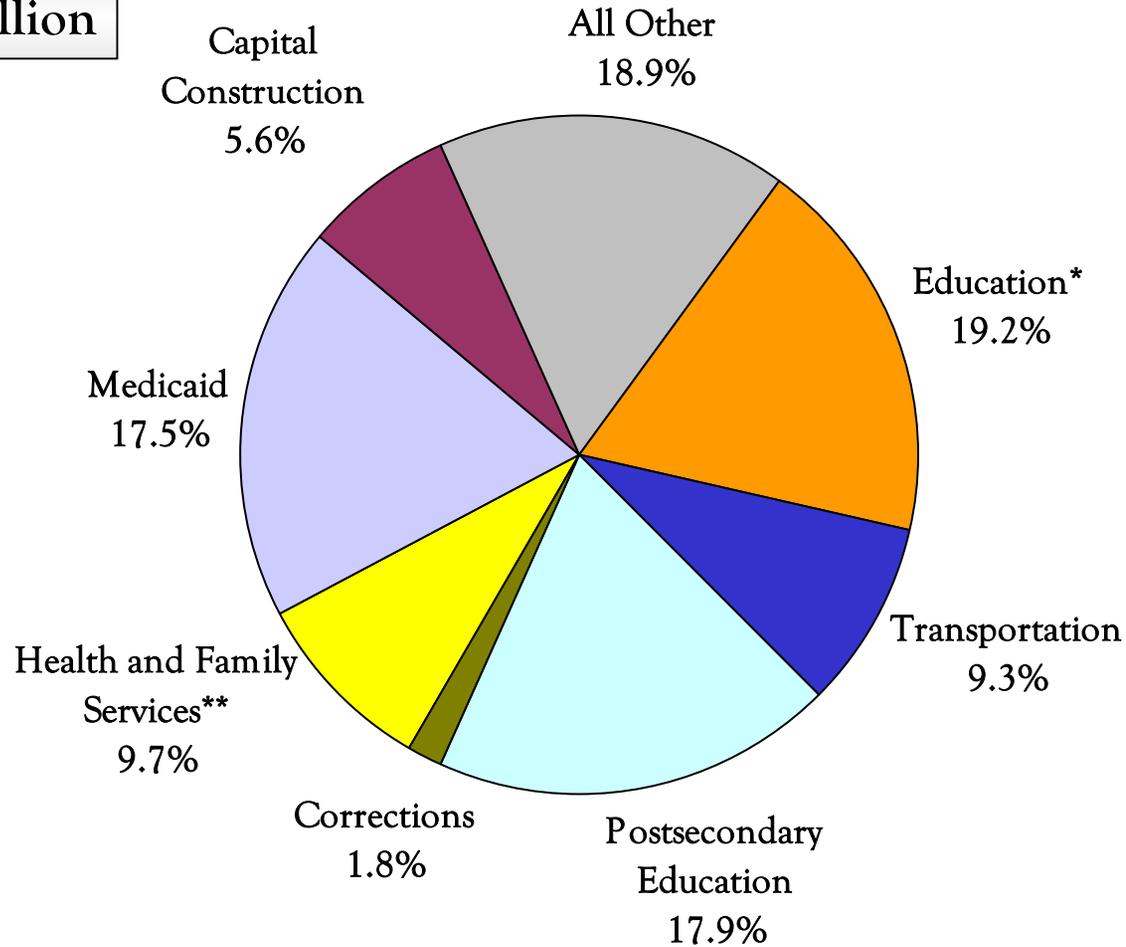
* Education includes the Department of Education, Teachers' Retirement System, School Facilities Construction Commission, and Educational Professional Standards Board

** Health and Family Services, net of Medicaid

2004-2006 Biennium

Distribution of All Funds Appropriations

Total = \$40.5 Billion



* Education includes the Department of Education, Teachers' Retirement System, School Facilities Construction Commission, and Educational Professional Standards Board

** Health and Family Services, net of Medicaid

Authorized Personnel Levels 2004-2006 Biennium

| | Full Time | Part-time | Interim | Total |
|--|---------------|------------|--------------|---------------|
| Commerce Cabinet | 2,296 | 18 | 1,385 | 3,699 |
| Economic Development | 122 | 2 | | 124 |
| Education | | | | |
| Department of Education | 689 | 8 | 31 | 728 |
| Council on Postsecondary Education | 88 | 4 | 2 | 94 |
| Balance of Education Cabinet | 2,352 | 149 | 55 | 2,556 |
| Environmental and Public Protection | 3,456 | 6 | 43 | 3,505 |
| Finance and Administration | 2,063 | 11 | 9 | 2,083 |
| Health and Family Services | 9,273 | 62 | 42 | 9,377 |
| Justice and Public Safety | 7,513 | 11 | 10 | 7,534 |
| Transportation | 5,452 | 15 | 83 | 5,550 |
| General Government | | | | |
| Office of the Governor | 84 | 2 | 1 | 87 |
| Office of State Budget Director | 43 | | 1 | 44 |
| Governor's Office of Agricultural Policy | 18 | | | 18 |
| Kentucky Infrastructure Authority | 12 | | | 12 |
| Department of Personnel | 190 | | 4 | 194 |
| Department for Veteran's Affairs | 785 | 10 | 6 | 801 |
| Secretary of State | 45 | | | 45 |
| Board of Elections | 18 | | | 18 |
| State Treasurer | 36 | | 2 | 38 |
| Attorney General | 231 | 4 | | 235 |
| Unified Prosecutorial System | 557 | 506 | | 1,063 |
| Auditor of Public Accounts | 127 | | 1 | 128 |
| Agriculture | 292 | 1 | 13 | 306 |
| Registry of Election Finance | 19 | | | 19 |
| Military Affairs | 555 | 26 | 9 | 590 |
| Local Government | 63 | | | 63 |
| Personnel Board | 6 | | | 6 |
| Emergency Medical Services | 16 | | | 16 |
| Boards and Commissions | 136 | 16 | 1 | 153 |
| Executive Branch Ethics Commission | 4 | 1 | | 5 |
| Commission on Human Rights | 35 | | 1 | 36 |
| Commission on Women | 4 | | | 4 |
| Governmental Services Center | 18 | | | 18 |
| Total General Government | 3,294 | 566 | 39 | 3,899 |
| TOTAL STATE GOVERNMENT | 36,598 | 852 | 1,699 | 39,149 |

* Includes Kentucky River Authority, Governor's Office of Technology, and School Facilities Construction Commission

** Includes Military Affairs Commission

Figures do not include Kentucky Higher Education Assistance Authority or Kentucky Retirement Systems (237) or Property Valuation Administrators.



Summary Data



General Fund

GENERAL FUND - ALL APPROPRIATIONS

| <u>Capital / Agency</u> | <u>FY 2004</u> | <u>FY 2005</u> | <u>FY 2006</u> |
|---|--------------------|--------------------|--------------------|
| Executive Office of the Governor | | | |
| Office of the Governor | 5,962,900 | 5,950,800 | 7,385,700 |
| Office of State Budget Director | 3,248,400 | 2,285,500 | 4,323,800 |
| State Planning Fund | | 500,000 | 500,000 |
| Subtotal | <u>9,211,300</u> | <u>8,736,300</u> | <u>12,209,500</u> |
| Personnel | 3,203,600 | 3,203,600 | 6,765,600 |
| Governor's Office of Agricultural Policy | | | 1,796,000 |
| Kentucky Infrastructure Authority | | | 6,296,000 |
| Veterans' Affairs | 15,209,200 | 15,188,800 | 15,188,800 |
| Secretary of State | 2,224,000 | 2,224,000 | 2,224,000 |
| Board of Elections | 4,934,300 | 5,464,700 | 3,046,400 |
| Treasury | 2,118,100 | 2,047,700 | 2,067,300 |
| Attorney General | 12,703,200 | 13,026,200 | 13,026,200 |
| Unified Prosecutorial System | | | |
| Commonwealth's Attorneys | 26,367,300 | 27,842,100 | 28,138,300 |
| County Attorneys | 22,043,000 | 22,979,900 | 23,514,100 |
| Subtotal | <u>48,410,300</u> | <u>50,822,000</u> | <u>51,652,400</u> |
| Auditor of Public Accounts | 5,280,800 | 5,780,800 | 5,530,800 |
| Agriculture | 18,876,500 | 18,876,500 | 18,876,500 |
| Military Affairs | 21,288,100 | 10,572,700 | 10,997,700 |
| Personnel Board | 543,500 | 543,500 | 543,500 |
| Local Government | 8,308,200 | 10,308,200 | 10,308,200 |
| Local Government - Special Funds | 72,566,700 | 63,119,100 | 58,257,200 |
| Commission on Human Rights | 1,904,300 | 1,904,300 | 1,904,300 |
| Commission on Women | 263,200 | 263,200 | 263,200 |
| Registry of Election Finance | 1,409,500 | 1,409,500 | 1,409,500 |
| Board of Emergency Medical Services | 2,382,100 | 2,391,600 | 2,391,600 |
| Executive Branch Ethics Commission | 351,500 | 351,500 | 351,500 |
| Appropriations Not Otherwise Classified - Judgments | 19,958,400 | 20,697,500 | 10,975,000 |
| Appropriations Not Otherwise Classified - Miscellaneous | 11,639,500 | 10,980,000 | 10,980,000 |
| Kentucky River Authority | 369,500 | 369,500 | 369,500 |
| Total | <u>263,155,800</u> | <u>248,281,200</u> | <u>247,430,700</u> |
| COMMERCE | | | |
| Secretary | 1,741,400 | 1,741,400 | 1,741,400 |
| Breaks Interstate Park | 191,100 | 191,100 | 191,100 |
| Artisans Center | 280,800 | 273,800 | 273,800 |
| Travel | 6,329,400 | 6,329,400 | 6,329,400 |
| Parks | 28,613,100 | 28,613,100 | 31,950,100 |
| Kentucky Horse Park | 2,171,200 | 1,621,200 | 1,621,200 |
| Kentucky State Fair Board | 396,800 | 396,800 | 396,800 |
| Kentucky Historical Society | 5,871,800 | 5,871,800 | 5,871,800 |
| Kentucky Arts Council | 4,210,900 | 4,210,900 | 4,210,900 |
| Kentucky Heritage Council | 888,800 | 888,800 | 888,800 |
| Kentucky Center for the Arts | 588,600 | 588,600 | |
| Commission on Small Business Advocacy | 73,100 | | |
| Total | <u>51,357,000</u> | <u>50,726,900</u> | <u>53,475,300</u> |

GENERAL FUND - ALL APPROPRIATIONS

| <u>Capital / Agency</u> | <u>FY 2004</u> | <u>FY 2005</u> | <u>FY 2006</u> |
|---|----------------------|----------------------|----------------------|
| ECONOMIC DEVELOPMENT | | | |
| Secretary | 6,350,500 | 8,998,500 | 9,548,400 |
| Administration and Support | 1,844,700 | 1,944,700 | 1,944,700 |
| Business Development | 2,093,600 | 2,093,600 | 2,093,600 |
| Financial Incentives | 4,758,700 | 4,811,700 | 6,261,300 |
| Community Development | 2,652,300 | 2,652,300 | 2,652,300 |
| Total | 17,699,800 | 20,500,800 | 22,500,300 |
| DEPARTMENT OF EDUCATION | | | |
| Support Education Excellence in Kentucky (SEEK) | 2,362,379,000 | 2,379,656,200 | 2,460,722,900 |
| Executive Policy and Management | 1,172,300 | 687,900 | 687,900 |
| Operations and Support Services | 10,459,400 | 10,288,600 | 10,673,400 |
| Learning and Results Services | 561,007,600 | 564,768,000 | 577,600,700 |
| Total | 2,935,018,300 | 2,955,400,700 | 3,049,684,900 |
| EDUCATION CABINET | | | |
| General Administration and Support | 3,683,200 | 3,739,900 | 3,739,900 |
| Kentucky Educational Television | 14,145,200 | 14,145,200 | 14,145,200 |
| School Facilities Construction Commission | 77,922,900 | 95,042,400 | 102,844,300 |
| Deaf and Hard of Hearing | 821,100 | 821,100 | 821,100 |
| Libraries and Archives | | | |
| General Operations | 6,637,500 | 6,722,000 | 6,868,600 |
| Direct Local Aid | 6,332,000 | 6,247,500 | 6,100,900 |
| Subtotal | 12,969,500 | 12,969,500 | 12,969,500 |
| Teachers' Retirement System | 97,489,000 | 102,794,600 | 113,123,600 |
| Educational Professional Standards Board | 10,412,000 | 9,870,800 | 10,312,000 |
| Technical Education | 22,399,600 | 25,298,700 | 26,098,700 |
| Vocational Rehabilitation | 10,725,400 | 12,294,300 | 12,477,300 |
| Department for the Blind | 1,290,300 | 1,290,300 | 1,306,300 |
| Teacher's Retirement Employer Contribution | 4,513,300 | | |
| Total | 256,371,500 | 278,266,800 | 297,837,900 |
| ENVIRONMENTAL AND PUBLIC PROTECTION | | | |
| General Administration and Program Support | 10,328,400 | 10,328,400 | 10,328,400 |
| Natural Resources | 13,247,800 | 13,247,800 | 13,247,800 |
| Environmental Protection | 22,843,500 | 23,593,500 | 23,593,500 |
| Surface Mining Reclamation and Enforcement | 10,259,400 | 10,509,400 | 10,509,400 |
| Environmental Quality Commission | | 150,000 | 150,000 |
| Kentucky Nature Preserves Commission | 1,049,300 | 1,049,300 | 1,049,300 |
| Claims/Crime Victims' Compensation | 813,000 | 813,000 | 813,000 |
| Alcoholic Beverage Control | 1,380,800 | 1,380,800 | 1,380,800 |
| Kentucky Racing Commission | 435,900 | 509,700 | 509,700 |
| Housing, Buildings, and Construction | 2,296,700 | 2,296,700 | 2,296,700 |
| Mines and Minerals | 8,635,200 | 9,035,200 | 9,035,200 |
| Public Advocacy | 25,264,400 | 25,264,400 | 25,264,400 |
| Public Service Commission | 9,967,100 | 11,154,100 | 11,409,800 |
| Tax Appeals | 486,100 | 486,100 | 486,100 |
| Workplace Standards | 1,954,000 | 1,953,800 | 1,953,800 |
| Total | 108,961,600 | 111,772,200 | 112,027,900 |

GENERAL FUND - ALL APPROPRIATIONS

| <u>Capital / Agency</u> | <u>FY 2004</u> | <u>FY 2005</u> | <u>FY 2006</u> |
|---|----------------------|----------------------|----------------------|
| FINANCE AND ADMINISTRATION | | | |
| General Administration | 8,194,600 | 8,304,600 | 8,304,600 |
| Office of the Controller | 5,668,600 | 5,768,600 | 5,768,600 |
| Debt Service | 243,167,120 | 274,329,600 | 282,680,400 |
| Administration | 3,397,500 | 3,397,500 | 3,397,500 |
| Facilities Management | 7,475,600 | 7,475,600 | 7,475,600 |
| County Costs | 19,726,600 | 22,926,600 | 22,926,600 |
| Governor's Office for Technology | 292,500 | 292,500 | 292,500 |
| Revenue | 63,966,500 | 67,173,500 | 68,114,900 |
| Property Valuation Administrators | 27,587,600 | 28,019,600 | 28,832,600 |
| Total | 379,476,620 | 417,688,100 | 427,793,300 |
| HEALTH AND FAMILY SERVICES | | | |
| General Administration and Program Support | 36,570,300 | 36,238,500 | 36,712,500 |
| Children with Special Health Care Needs | 16,200,100 | 16,200,100 | 17,100,100 |
| Medicaid Services | | | |
| Administration | 18,028,200 | 18,028,200 | 18,028,200 |
| Benefits | 761,865,500 | 761,755,500 | 767,255,500 |
| Subtotal | 779,893,700 | 779,783,700 | 785,283,700 |
| Mental Health/Mental Retardation | 167,582,300 | 167,683,800 | 168,073,800 |
| Public Health | 54,526,300 | 54,751,300 | 55,466,300 |
| Certificate of Need | 117,700 | 117,700 | 117,700 |
| Aging Services | 26,122,100 | 26,122,100 | 26,122,100 |
| Community Based Services | 275,916,800 | 274,693,100 | 289,793,100 |
| Total | 1,356,929,300 | 1,355,590,300 | 1,378,669,300 |
| JUSTICE AND PUBLIC SAFETY | | | |
| Justice Administration | 7,153,500 | 7,153,500 | 7,690,600 |
| State Police | 75,719,500 | 70,719,500 | 71,248,500 |
| Juvenile Justice | 80,574,200 | 82,574,100 | 83,374,100 |
| Corrections | 303,581,928 | 319,464,300 | 325,730,300 |
| Corrections Management | 15,624,800 | 15,624,800 | 16,381,500 |
| Adult Correctional Institutions | 191,733,700 | 201,982,000 | 202,160,200 |
| Community Services and Local Facilities | 80,419,000 | 86,581,400 | 91,912,500 |
| Local Jail Support | 15,804,428 | 15,276,100 | 15,276,100 |
| Kentucky Agency for Substance Abuse Policy | 1,035,700 | | |
| Total | 468,064,828 | 479,911,400 | 488,043,500 |
| POSTSECONDARY EDUCATION | | | |
| Council on Postsecondary Education | 120,673,100 | 111,516,600 | 142,001,100 |
| Kentucky Higher Education Assistance Authority | 70,822,200 | 76,403,400 | 89,781,600 |
| Eastern Kentucky University | 71,448,100 | 71,047,200 | 72,888,300 |
| Kentucky State University | 22,079,100 | 23,414,900 | 22,517,800 |
| Morehead State University | 41,599,300 | 41,579,700 | 41,834,900 |
| Murray State University | 50,141,800 | 50,203,000 | 51,434,200 |
| Northern Kentucky University | 45,127,300 | 45,068,500 | 45,823,600 |
| University of Kentucky | 285,445,300 | 304,016,300 | 306,986,400 |
| University of Louisville | 168,409,900 | 172,263,200 | 174,188,800 |
| Western Kentucky University | 68,643,700 | 68,878,400 | 70,348,900 |
| Kentucky Community and Technical College System | 184,493,000 | 183,224,700 | 184,823,800 |
| Total | 1,128,882,800 | 1,147,615,900 | 1,202,629,400 |

GENERAL FUND - ALL APPROPRIATIONS

| Capital / Agency | FY 2004 | FY 2005 | FY 2006 |
|---------------------------------------|----------------------|----------------------|----------------------|
| TRANSPORTATION | | | |
| Public Transportation | 5,464,700 | 4,753,400 | 4,753,400 |
| STATEWIDE | | | |
| Budget Reserve Trust Fund | 400,000 | 10,000,000 | 10,000,000 |
| Necessary Government Expenses | | 10,000,000 | 10,000,000 |
| Total | <u>400,000</u> | <u>20,000,000</u> | <u>20,000,000</u> |
| Grand Total - EXECUTIVE BRANCH | <u>6,971,782,248</u> | <u>7,080,507,700</u> | <u>7,294,845,900</u> |

GENERAL FUND - REGULAR APPROPRIATION

| Cabinet / Agency | FY 2004 | FY2005 | FY 2006 |
|---|--------------------|--------------------|--------------------|
| GENERAL GOVERNMENT | | | |
| Executive Office of the Governor | | | |
| Office of the Governor | 6,916,900 | 5,950,800 | 7,385,700 |
| Office of State Budget Director | 3,365,000 | 2,285,500 | 4,323,800 |
| State Planning Fund | | 500,000 | 500,000 |
| Subtotal | <u>10,281,900</u> | <u>8,736,300</u> | <u>12,209,500</u> |
| Personnel | 14,747,400 | 3,203,600 | 6,765,600 |
| Governor's Office of Agricultural Policy | | | 1,796,000 |
| Kentucky Infrastructure Authority | | | 6,296,000 |
| Veterans' Affairs | 15,163,700 | 15,188,800 | 15,188,800 |
| Secretary of State | 2,260,100 | 2,224,000 | 2,224,000 |
| Board of Elections | 4,925,800 | 4,991,000 | 3,046,400 |
| Treasury | 2,216,700 | 2,047,700 | 2,067,300 |
| Attorney General | 12,932,500 | 13,026,200 | 13,026,200 |
| Unified Prosecutorial System | | | |
| Commonwealth's Attorneys | 26,545,300 | 27,842,100 | 28,138,300 |
| County Attorneys | <u>22,177,500</u> | <u>22,979,900</u> | <u>23,514,100</u> |
| Subtotal | <u>48,722,800</u> | <u>50,822,000</u> | <u>51,652,400</u> |
| Auditor of Public Accounts | 5,235,000 | 5,780,800 | 5,530,800 |
| Agriculture | 19,199,900 | 18,876,500 | 18,876,500 |
| Military Affairs | 10,694,400 | 10,572,700 | 10,997,700 |
| Personnel Board | 578,500 | 543,500 | 543,500 |
| Local Government | 8,537,800 | 10,308,200 | 10,308,200 |
| Local Government - Special Funds | 73,223,000 | 63,119,100 | 58,257,200 |
| Commission on Human Rights | 1,926,800 | 1,904,300 | 1,904,300 |
| Commission on Women | 269,900 | 263,200 | 263,200 |
| Registry of Election Finance | 1,436,800 | 1,409,500 | 1,409,500 |
| Board of Emergency Medical Services | 2,504,300 | 2,391,600 | 2,391,600 |
| Executive Branch Ethics Commission | 325,900 | 351,500 | 351,500 |
| Appropriations Not Otherwise Classified - Judgments | | | 10,877,100 |
| Appropriations Not Otherwise Classified - Miscellaneous | 7,367,500 | 10,980,000 | 10,980,000 |
| Kentucky River Authority | <u>379,000</u> | <u>369,500</u> | <u>369,500</u> |
| Total | <u>242,929,700</u> | <u>227,110,000</u> | <u>247,332,800</u> |
| COMMERCE | | | |
| Secretary | 1,781,900 | 1,741,400 | 1,741,400 |
| Breaks Interstate Park | 196,000 | 191,100 | 191,100 |
| Artisans Center | 280,800 | 273,800 | 273,800 |
| Travel | 6,900,200 | 6,329,400 | 6,329,400 |
| Parks | 28,857,100 | 28,613,100 | 31,950,100 |
| Kentucky Horse Park | 1,650,000 | 1,621,200 | 1,621,200 |
| Kentucky State Fair Board | 407,000 | 396,800 | 396,800 |
| Kentucky Historical Society | 6,185,200 | 5,871,800 | 5,871,800 |
| Kentucky Arts Council | 4,523,800 | 4,210,900 | 4,210,900 |
| Kentucky Heritage Council | 921,100 | 888,800 | 888,800 |
| Kentucky Center for the Arts | 603,700 | 588,600 | |
| Commission on Small Business Advocacy | <u>75,000</u> | | |
| Total | <u>52,381,800</u> | <u>50,726,900</u> | <u>53,475,300</u> |

GENERAL FUND - REGULAR APPROPRIATION

| Cabinet / Agency | FY 2004 | FY2005 | FY 2006 |
|---|----------------------|----------------------|----------------------|
| ECONOMIC DEVELOPMENT | | | |
| Secretary | 6,380,300 | 8,998,500 | 9,548,400 |
| Administration and Support | 2,111,100 | 1,944,700 | 1,944,700 |
| Business Development | 2,475,500 | 2,093,600 | 2,093,600 |
| Financial Incentives | 3,225,800 | 3,327,600 | 4,759,600 |
| Community Development | 2,879,100 | 2,652,300 | 2,652,300 |
| Total | 17,071,800 | 19,016,700 | 20,998,600 |
| DEPARTMENT OF EDUCATION | | | |
| Support Education Excellence in Kentucky (SEEK) | 2,372,391,000 | 2,379,656,200 | 2,460,722,900 |
| Executive Policy and Management | 1,184,900 | 687,900 | 687,900 |
| Operations and Support Services | 10,389,300 | 10,288,600 | 10,673,400 |
| Learning and Results Services | 574,116,400 | 564,768,000 | 577,600,700 |
| Total | 2,958,081,600 | 2,955,400,700 | 3,049,684,900 |
| EDUCATION CABINET | | | |
| General Administration and Support | 3,878,500 | 3,739,900 | 3,739,900 |
| Kentucky Educational Television | 14,548,100 | 14,145,200 | 14,145,200 |
| School Facilities Construction Commission | 84,928,600 | 95,042,400 | 102,844,300 |
| Deaf and Hard of Hearing | 885,500 | 821,100 | 821,100 |
| Libraries and Archives | | | |
| General Operations | 7,257,400 | 6,722,000 | 6,868,600 |
| Direct Local Aid | 6,380,200 | 6,247,500 | 6,100,900 |
| Subtotal | 13,637,600 | 12,969,500 | 12,969,500 |
| Teachers' Retirement System | 97,489,000 | 102,794,600 | 113,123,600 |
| Educational Professional Standards Board | 10,679,000 | 9,870,800 | 10,312,000 |
| Technical Education | 23,150,300 | 25,298,700 | 26,098,700 |
| Vocational Rehabilitation | 11,206,400 | 12,294,300 | 12,477,300 |
| Department for the Blind | 1,492,600 | 1,290,300 | 1,306,300 |
| Teacher's Retirement Employer Contribution | 4,743,400 | | |
| Employment Services | 69,000 | | |
| Total | 266,708,000 | 278,266,800 | 297,837,900 |
| ENVIRONMENTAL AND PUBLIC PROTECTION | | | |
| General Administration and Program Support | 10,314,600 | 10,328,400 | 10,328,400 |
| Natural Resources | 13,318,900 | 13,247,800 | 13,247,800 |
| Environmental Protection | 22,683,100 | 23,593,500 | 23,593,500 |
| Surface Mining Reclamation and Enforcement | 10,493,700 | 10,509,400 | 10,509,400 |
| Environmental Quality Commission | | 150,000 | 150,000 |
| Kentucky Nature Preserves Commission | 1,053,100 | 1,049,300 | 1,049,300 |
| Claims/Crime Victims' Compensation | 857,300 | 813,000 | 813,000 |
| Alcoholic Beverage Control | 1,663,000 | 1,380,800 | 1,380,800 |
| Kentucky Racing Commission | 522,800 | 509,700 | 509,700 |
| Housing, Buildings, and Construction | 2,318,300 | 2,296,700 | 2,296,700 |
| Mines and Minerals | 9,365,000 | 9,035,200 | 9,035,200 |
| Public Advocacy | 25,389,800 | 25,264,400 | 25,264,400 |
| Public Service Commission | 11,752,100 | 11,154,100 | 11,409,800 |
| Tax Appeals | 498,600 | 486,100 | 486,100 |

GENERAL FUND - REGULAR APPROPRIATION

| Cabinet / Agency | FY 2004 | FY2005 | FY 2006 |
|--|----------------------|----------------------|----------------------|
| Workplace Standards | 2,013,300 | 1,953,800 | 1,953,800 |
| Total | 112,243,600 | 111,772,200 | 112,027,900 |
| FINANCE AND ADMINISTRATION | | | |
| General Administration | 8,632,300 | 8,304,600 | 8,304,600 |
| Office of the Controller | 5,939,400 | 5,768,600 | 5,768,600 |
| Debt Service | 278,760,000 | 274,329,600 | 282,680,400 |
| Administration | 3,513,000 | 3,397,500 | 3,397,500 |
| Facilities Management | 7,589,500 | 7,475,600 | 7,475,600 |
| County Costs | 21,926,600 | 22,926,600 | 22,926,600 |
| Governor's Office for Technology | 300,000 | 292,500 | 292,500 |
| Revenue | 66,032,000 | 67,173,500 | 68,114,900 |
| Property Valuation Administrators | 28,222,300 | 28,019,600 | 28,832,600 |
| Total | 420,915,100 | 417,688,100 | 427,793,300 |
| HEALTH AND FAMILY SERVICES | | | |
| General Administration and Program Support | 39,214,700 | 36,238,500 | 36,712,500 |
| Children with Special Health Care Needs | 16,709,500 | 16,200,100 | 17,100,100 |
| Medicaid Services | | | |
| Administration | 18,028,200 | 18,028,200 | 18,028,200 |
| Benefits | 761,755,500 | 761,755,500 | 767,255,500 |
| Subtotal | 779,783,700 | 779,783,700 | 785,283,700 |
| Mental Health/Mental Retardation | 171,886,900 | 167,683,800 | 168,073,800 |
| Public Health | 56,081,700 | 54,751,300 | 55,466,300 |
| Certificate of Need | 134,100 | 117,700 | 117,700 |
| Aging Services | 26,821,800 | 26,122,100 | 26,122,100 |
| Community Based Services | 284,364,400 | 274,693,100 | 289,793,100 |
| Total | 1,374,996,800 | 1,355,590,300 | 1,378,669,300 |
| JUSTICE AND PUBLIC SAFETY | | | |
| Justice Administration | 7,826,000 | 7,153,500 | 7,690,600 |
| State Police | 82,074,900 | 70,719,500 | 71,248,500 |
| Juvenile Justice | 83,790,100 | 82,574,100 | 83,374,100 |
| Corrections | | | |
| Corrections Management | 15,823,800 | 15,624,800 | 16,381,500 |
| Adult Correctional Institutions | 197,583,900 | 201,982,000 | 202,160,200 |
| Community Services and Local Facilities | 81,400,400 | 86,581,400 | 91,912,500 |
| Local Jail Support | 15,276,100 | 15,276,100 | 15,276,100 |
| Subtotal | 310,084,200 | 319,464,300 | 325,730,300 |
| Kentucky Agency for Substance Abuse Policy | 1,250,000 | | |
| Total | 485,025,200 | 479,911,400 | 488,043,500 |
| POSTSECONDARY EDUCATION | | | |
| Council on Postsecondary Education | 113,191,000 | 111,516,600 | 142,001,100 |
| Kentucky Higher Education Assistance Authority | 71,828,300 | 74,903,400 | 89,781,600 |
| Eastern Kentucky University | 73,515,900 | 71,047,200 | 72,888,300 |
| Kentucky State University | 22,631,500 | 23,414,900 | 22,517,800 |
| Morehead State University | 42,738,200 | 41,579,700 | 41,834,900 |

GENERAL FUND - REGULAR APPROPRIATION

| Cabinet / Agency | FY 2004 | FY2005 | FY 2006 |
|---|----------------------|----------------------|----------------------|
| Murray State University | 51,472,900 | 50,203,000 | 51,434,200 |
| Northern Kentucky University | 47,092,700 | 45,068,500 | 45,823,600 |
| University of Kentucky | 308,519,200 | 304,016,300 | 306,986,400 |
| University of Louisville | 174,950,000 | 172,263,200 | 174,188,800 |
| Western Kentucky University | 72,040,100 | 68,878,400 | 70,348,900 |
| Kentucky Community and Technical College System | 189,097,700 | 183,224,700 | 184,823,800 |
| Total | 1,167,077,500 | 1,146,115,900 | 1,202,629,400 |
| TRANSPORTATION | | | |
| Public Transportation | 4,875,300 | 4,753,400 | 4,753,400 |
| STATEWIDE | | | |
| Budget Reserve Trust Fund | | | |
| Necessary Government Expenses | | 10,000,000 | 10,000,000 |
| Total | 26,321,800 | 10,000,000 | 10,000,000 |
| Grand Total - EXECUTIVE BRANCH | 7,128,628,200 | 7,056,352,400 | 7,293,246,300 |

GENERAL FUND - CURRENT YEAR APPROPRIATION

| Cabinet / Agency | FY 2004 | FY 2005 | FY 2006 |
|---------------------------------------|------------------|----------------|----------------|
| GENERAL GOVERNMENT | | | |
| Executive Branch Ethics Commission | 25,000 | | |
| COMMERCE | | | |
| Kentucky Horse Park | 550,000 | | |
| HEALTH AND FAMILY SERVICES | | | |
| Benefits | 110,000 | | |
| POSTSECONDARY EDUCATION | | | |
| Council on Postsecondary Education | 4,000,000 | | |
| Grand Total - EXECUTIVE BRANCH | 4,685,000 | | |

GENERAL FUND - CONTINUING APPROPRIATION

| <u>Cabinet / Agency</u> | <u>FY 2004</u> | <u>FY 2005</u> | <u>FY 2006</u> |
|---|-------------------|-------------------|-------------------|
| GENERAL GOVERNMENT | | | |
| Veterans' Affairs | 20,400 | | |
| Board of Elections | 1,100,000 | 968,400 | 494,700 |
| Attorney General | 30,000 | | |
| Agriculture | 10,100 | | |
| Appropriations Not Otherwise Classified - Judgments | 51,853,800 | 20,795,400 | 97,900 |
| Total | <u>53,014,300</u> | <u>21,763,800</u> | <u>592,600</u> |
| ECONOMIC DEVELOPMENT | | | |
| Financial Incentives | 7,325,500 | 4,332,500 | 2,848,400 |
| DEPARTMENT OF EDUCATION | | | |
| Learning and Results Services | 902,900 | | |
| EDUCATION CABINET | | | |
| Technical Education | 10,300 | | |
| ENVIRONMENTAL AND PUBLIC PROTECTION | | | |
| Public Service Commission | 2,777,700 | | |
| JUSTICE AND PUBLIC SAFETY | | | |
| Adult Correctional Institutions | 2,200,000 | | |
| Local Jail Support | 528,328 | | |
| Total | <u>2,728,328</u> | | |
| POSTSECONDARY EDUCATION | | | |
| Council on Postsecondary Education | 3,621,900 | | |
| Kentucky Higher Education Assistance Authority | 493,900 | 1,500,000 | |
| Total | <u>4,115,800</u> | <u>1,500,000</u> | |
| TRANSPORTATION | | | |
| Public Transportation | 711,300 | | |
| STATEWIDE | | | |
| Budget Reserve Trust Fund | 5,087,400 | 50,764,800 | 50,764,800 |
| Grand Total - EXECUTIVE BRANCH | <u>76,673,528</u> | <u>78,361,100</u> | <u>54,205,800</u> |

GENERAL FUND - MANDATED APPROPRIATIONS

| Cabinet / Agency | FY 2004 | FY 2005 | FY 2006 |
|---|-------------------|----------------|----------------|
| GENERAL GOVERNMENT | | | |
| Unified Prosecutorial System | | | |
| Commonwealth's Attorneys | 35,000 | | |
| Military Affairs | 10,715,400 | | |
| Appropriations Not Otherwise Classified - Miscellaneous | 4,272,000 | | |
| Total | 15,059,800 | | |
| FINANCE AND ADMINISTRATION | | | |
| County Costs | 1,300,000 | | |
| Grand Total - EXECUTIVE BRANCH | 16,359,800 | | |

GENERAL FUND - SURPLUS EXPENDITURE APPROPRIATION

| Cabinet / Agency | FY 2004 | FY 2005 | FY 2006 |
|---------------------------------------|-------------------|----------------|----------------|
| STATEWIDE | | | |
| Budget Reserve Trust Fund | 23,755,600 | | |
| Grand Total - EXECUTIVE BRANCH | <u>23,755,600</u> | | |

GENERAL FUND - BUDGET REDUCTION

| Cabinet / Agency | FY 2004 | FY2005 | FY 2006 |
|---|--------------------|---------------|----------------|
| GENERAL GOVERNMENT | | | |
| Executive Office of the Governor | | | |
| Office of the Governor | -54,000 | | |
| Office of State Budget Director | -50,000 | | |
| Subtotal | <u>-104,000</u> | | |
| Personnel | -3,944,900 | | |
| Treasury | -55,900 | | |
| Attorney General | -390,400 | | |
| Unified Prosecutorial System | | | |
| Commonwealth's Attorneys | -100,000 | | |
| County Attorneys | -135,000 | | |
| Subtotal | <u>-235,000</u> | | |
| Personnel Board | -20,500 | | |
| Local Government | -43,800 | | |
| Board of Emergency Medical Services | -68,900 | | |
| Appropriations Not Otherwise Classified - Judgments | -11,100,000 | | |
| Total | <u>-15,963,400</u> | | |
| COMMERCE | | | |
| Travel | -90,000 | | |
| Kentucky Historical Society | -208,800 | | |
| Kentucky Arts Council | -210,500 | | |
| Kentucky Heritage Council | -16,000 | | |
| Total | <u>-525,300</u> | | |
| ECONOMIC DEVELOPMENT | | | |
| Secretary | -20,300 | | |
| Administration and Support | -215,600 | | |
| Business Development | -118,800 | | |
| Financial Incentives | -1,561,900 | | |
| Community Development | -61,900 | | |
| Total | <u>-1,978,500</u> | | |
| DEPARTMENT OF EDUCATION | | | |
| Support Education Excellence in Kentucky (SEEK) | -10,012,000 | | |
| Executive Policy and Management | -15,600 | | |
| Learning and Results Services | -14,350,000 | | |
| Total | <u>-24,377,600</u> | | |
| EDUCATION CABINET | | | |
| General Administration and Support | -112,900 | | |
| Kentucky Educational Television | -131,000 | | |
| School Facilities Construction Commission | -5,650,000 | | |
| Deaf and Hard of Hearing | -48,000 | | |
| Libraries and Archives | | | |
| General Operations | -400,000 | | |
| Subtotal | <u>-400,000</u> | | |

GENERAL FUND - BUDGET REDUCTION

| Cabinet / Agency | FY 2004 | FY2005 | FY 2006 |
|--|--------------------|---------------|----------------|
| Technical Education | -431,700 | | |
| Vocational Rehabilitation | -202,100 | | |
| Department for the Blind | -165,000 | | |
| Employment Services | -69,000 | | |
| Total | -7,209,700 | | |
| ENVIRONMENTAL AND PUBLIC PROTECTION | | | |
| General Administration and Program Support | -36,800 | | |
| Surface Mining Reclamation and Enforcement | -137,400 | | |
| Alcoholic Beverage Control | -170,600 | | |
| Mines and Minerals | -400,000 | | |
| Public Service Commission | -3,598,400 | | |
| Workplace Standards | -30,000 | | |
| Total | -4,373,200 | | |
| FINANCE AND ADMINISTRATION | | | |
| General Administration | -140,000 | | |
| Office of the Controller | -136,000 | | |
| Debt Service | -18,748,880 | | |
| Administration | -60,000 | | |
| County Costs | -3,500,000 | | |
| Revenue | -500,000 | | |
| Property Valuation Administrators | -50,000 | | |
| Total | -23,134,880 | | |
| HEALTH AND FAMILY SERVICES | | | |
| General Administration and Program Support | -2,008,100 | | |
| Mental Health/Mental Retardation | -124,500 | | |
| Public Health | -153,400 | | |
| Certificate of Need | -13,000 | | |
| Aging Services | -29,200 | | |
| Community Based Services | -3,000,000 | | |
| Total | -5,328,200 | | |
| JUSTICE AND PUBLIC SAFETY | | | |
| Justice Administration | -512,000 | | |
| State Police | -5,117,700 | | |
| Juvenile Justice | -1,791,700 | | |
| Corrections | | | |
| Corrections Management | -63,400 | | |
| Adult Correctional Institutions | -2,591,100 | | |
| Community Services and Local Facilities | -126,900 | | |
| Subtotal | -2,781,400 | | |
| Kentucky Agency for Substance Abuse Policy | -183,000 | | |
| Total | -10,385,800 | | |
| POSTSECONDARY EDUCATION | | | |
| Council on Postsecondary Education | -407,400 | | |
| Eastern Kentucky University | -2,067,800 | | |

GENERAL FUND - BUDGET REDUCTION

| <u>Cabinet / Agency</u> | <u>FY 2004</u> | <u>FY2005</u> | <u>FY 2006</u> |
|---|---------------------|---------------|----------------|
| Kentucky State University | -552,400 | | |
| Morehead State University | -1,138,900 | | |
| Murray State University | -1,331,100 | | |
| Northern Kentucky University | -1,965,400 | | |
| University of Kentucky | -5,971,600 | | |
| University of Louisville | -3,377,700 | | |
| Western Kentucky University | -3,396,400 | | |
| Kentucky Community and Technical College System | -4,604,700 | | |
| Total | <u>-24,813,400</u> | | |
| STATEWIDE | | | |
| Budget Reserve Trust Fund | -4,000,000 | | |
| Total | <u>-4,000,000</u> | | |
| Grand Total - EXECUTIVE BRANCH | <u>-122,089,980</u> | | |

GENERAL FUND - BASE REDUCTIONS

| Cabinet / Agency | FY 2004 | FY2005 | FY 2006 |
|---|-------------------|---------------|----------------|
| GENERAL GOVERNMENT | | | |
| Executive Office of the Governor | | | |
| Office of the Governor | -153,300 | | |
| Office of State Budget Director | -84,600 | | |
| Subtotal | <u>-237,900</u> | | |
| Personnel | -82,100 | | |
| Veterans' Affairs | -389,500 | | |
| Secretary of State | -57,000 | | |
| Board of Elections | -123,100 | | |
| Treasury | -55,700 | | |
| Unified Prosecutorial System | | | |
| Commonwealth's Attorneys | -190,000 | | |
| County Attorneys | -190,000 | | |
| Subtotal | <u>-380,000</u> | | |
| Agriculture | -483,800 | | |
| Military Affairs | -271,100 | | |
| Personnel Board | -14,500 | | |
| Local Government | -214,200 | | |
| Local Government - Special Funds | -20,800 | | |
| Commission on Human Rights | -48,800 | | |
| Commission on Women | -6,700 | | |
| Registry of Election Finance | -36,100 | | |
| Board of Emergency Medical Services | -62,800 | | |
| Kentucky River Authority | -9,500 | | |
| Total | <u>-2,493,600</u> | | |
| COMMERCE | | | |
| Secretary | -44,600 | | |
| Breaks Interstate Park | -4,900 | | |
| Travel | -519,100 | | |
| Parks | -733,700 | | |
| Kentucky Horse Park | -41,600 | | |
| Kentucky State Fair Board | -10,200 | | |
| Kentucky Historical Society | -155,900 | | |
| Kentucky Arts Council | -113,400 | | |
| Kentucky Heritage Council | -23,200 | | |
| Kentucky Center for the Arts | -15,100 | | |
| Commission on Small Business Advocacy | -1,900 | | |
| Total | <u>-1,663,600</u> | | |
| ECONOMIC DEVELOPMENT | | | |
| Secretary | -50,000 | | |
| Administration and Support | -10,000 | | |
| Business Development | -254,200 | | |
| Community Development | -113,600 | | |
| Total | <u>-427,800</u> | | |
| EDUCATION CABINET | | | |
| General Administration and Support | -97,300 | | |
| Kentucky Educational Television | -366,100 | | |
| School Facilities Construction Commission | -6,300 | | |

GENERAL FUND - BASE REDUCTIONS

| Cabinet / Agency | FY 2004 | FY2005 | FY 2006 |
|--|--------------------|---------------|----------------|
| Deaf and Hard of Hearing | -22,300 | | |
| Libraries and Archives | | | |
| General Operations | -294,600 | | |
| Direct Local Aid | -48,200 | | |
| Subtotal | <u>-342,800</u> | | |
| Educational Professional Standards Board | -267,000 | | |
| Technical Education | -585,200 | | |
| Vocational Rehabilitation | -280,200 | | |
| Department for the Blind | -37,300 | | |
| Teacher's Retirement Employer Contribution | -115,700 | | |
| Total | <u>-2,120,200</u> | | |
| ENVIRONMENTAL AND PUBLIC PROTECTION | | | |
| General Administration and Program Support | -24,100 | | |
| Natural Resources | -212,500 | | |
| Environmental Protection | -65,300 | | |
| Surface Mining Reclamation and Enforcement | -177,300 | | |
| Kentucky Nature Preserves Commission | -3,800 | | |
| Claims/Crime Victims' Compensation | -44,300 | | |
| Alcoholic Beverage Control | -111,600 | | |
| Kentucky Racing Commission | -86,900 | | |
| Housing, Buildings, and Construction | -73,000 | | |
| Mines and Minerals | -408,000 | | |
| Public Advocacy | -151,400 | | |
| Public Service Commission | -964,300 | | |
| Tax Appeals | -12,500 | | |
| Workplace Standards | -49,000 | | |
| Total | <u>-2,384,000</u> | | |
| FINANCE AND ADMINISTRATION | | | |
| General Administration | -216,500 | | |
| Office of the Controller | -148,800 | | |
| Administration | -88,700 | | |
| Facilities Management | -191,700 | | |
| Governor's Office for Technology | -7,500 | | |
| Revenue | -1,653,000 | | |
| Property Valuation Administrators | -708,700 | | |
| Total | <u>-3,014,900</u> | | |
| HEALTH AND FAMILY SERVICES | | | |
| General Administration and Program Support | -648,900 | | |
| Children with Special Health Care Needs | -509,400 | | |
| Mental Health/Mental Retardation | -4,811,500 | | |
| Public Health | -1,402,000 | | |
| Certificate of Need | -3,400 | | |
| Aging Services | -670,500 | | |
| Community Based Services | -5,896,600 | | |
| Total | <u>-13,942,300</u> | | |
| JUSTICE AND PUBLIC SAFETY | | | |
| Justice Administration | -196,600 | | |
| State Police | -2,072,700 | | |

GENERAL FUND - BASE REDUCTIONS

| Cabinet / Agency | FY 2004 | FY2005 | FY 2006 |
|--|--------------------|---------------|----------------|
| Juvenile Justice | -2,111,900 | | |
| Corrections | | | |
| Corrections Management | -160,000 | | |
| Adult Correctional Institutions | -6,300,300 | | |
| Community Services and Local Facilities | -933,500 | | |
| Local Jail Support | -7,393,800 | | |
| Subtotal | <u>-14,787,600</u> | | |
| Kentucky Agency for Substance Abuse Policy | -31,300 | | |
| Total | <u>-11,806,300</u> | | |
| POSTSECONDARY EDUCATION | | | |
| Council on Postsecondary Education | -1,260,000 | | |
| University of Kentucky | -17,102,300 | | |
| University of Louisville | -3,162,400 | | |
| Total | <u>-21,524,700</u> | | |
| TRANSPORTATION | | | |
| Public Transportation | -121,900 | | |
| Grand Total - EXECUTIVE BRANCH | <u>-59,499,300</u> | | |

GENERAL FUND - REORGANIZATION ADJUSTMENTS

| Cabinet / Agency | FY 2004 | FY 2005 | FY 2006 |
|--|----------------|----------------|----------------|
| EDUCATION CABINET | | | |
| Teacher's Retirement Employer Contribution | -140,000 | | |
| POSTSECONDARY EDUCATION | | | |
| Council on Postsecondary Education | 140,000 | | |
| Grand Total - EXECUTIVE BRANCH | <u>0</u> | | |

GENERAL FUND - OTHER

| Cabinet / Agency | FY 2004 | FY 2004 | FY2004 |
|---------------------------------------|------------------|----------------|---------------|
| GENERAL GOVERNMENT | | | |
| Local Government - Special Funds | 1,364,300 | | |
| ECONOMIC DEVELOPMENT | | | |
| Secretary | 36,800 | | |
| Administration and Support | -48,800 | | |
| Business Development | -19,700 | | |
| Financial Incentives | 97,800 | | |
| Community Development | -66,100 | | |
| Total | | | |
| POSTSECONDARY EDUCATION | | | |
| Council on Postsecondary Education | 1,320,000 | | |
| Grand Total - EXECUTIVE BRANCH | | | |
| | <u>2,684,300</u> | | |

TOBACCO SETTLEMENT - PHASE 1 - ALL APPROPRIATIONS

| Cabinet / Agency | FY 2004 | FY 2005 | FY 2006 |
|--|--------------------|--------------------|--------------------|
| GENERAL GOVERNMENT | | | |
| Governor's Office of Agricultural Policy | 75,244,700 | 61,141,000 | 44,351,700 |
| DEPARTMENT OF EDUCATION | | | |
| Learning and Results Services | 2,336,600 | 1,888,400 | 1,888,400 |
| ENVIRONMENTAL AND PUBLIC PROTECTION | | | |
| Natural Resources | 15,169,800 | 9,000,000 | 9,000,000 |
| Insurance | 16,855,900 | 16,782,600 | 16,751,700 |
| Total | 32,025,700 | 25,782,600 | 25,751,700 |
| FINANCE AND ADMINISTRATION | | | |
| Debt Service | 9,826,100 | 6,116,600 | 6,113,200 |
| Revenue | 175,000 | 175,000 | 175,000 |
| Total | 10,001,100 | 6,291,600 | 6,288,200 |
| HEALTH AND FAMILY SERVICES | | | |
| Children with Special Health Care Needs | 1,600,000 | 1,455,000 | 1,455,000 |
| Mental Health/Mental Retardation | 1,000,000 | 900,000 | 900,000 |
| Public Health | 22,457,300 | 17,228,000 | 17,173,000 |
| Community Based Services | 7,990,900 | 7,500,400 | 7,500,400 |
| Total | 33,048,200 | 27,083,400 | 27,028,400 |
| JUSTICE AND PUBLIC SAFETY | | | |
| Kentucky Agency for Substance Abuse Policy | 2,702,900 | 2,226,800 | 2,222,700 |
| POSTSECONDARY EDUCATION | | | |
| Council on Postsecondary Education | 5,455,000 | 5,431,300 | 5,421,300 |
| Kentucky Higher Education Assistance Authority | 834,900 | 900,000 | 900,000 |
| Total | 6,289,900 | 6,331,300 | 6,321,300 |
| Grand Total - EXECUTIVE BRANCH | 161,649,100 | 130,745,100 | 113,852,400 |

TOBACCO SETTLEMENT - PHASE 1

| Cabinet / Agency | FY 2004 | FY 2005 | FY2006 |
|--|--------------------|--------------------|--------------------|
| GENERAL GOVERNMENT | | | |
| Governor's Office of Agricultural Policy | 34,434,000 | 39,195,900 | 39,099,300 |
| DEPARTMENT OF EDUCATION | | | |
| Learning and Results Services | 2,188,400 | 1,888,400 | 1,888,400 |
| ENVIRONMENTAL AND PUBLIC PROTECTION | | | |
| Natural Resources | 9,000,000 | 9,000,000 | 9,000,000 |
| Insurance | 16,855,900 | 16,782,600 | 16,751,700 |
| Total | 25,855,900 | 25,782,600 | 25,751,700 |
| FINANCE AND ADMINISTRATION | | | |
| Debt Service | 11,116,000 | 6,116,600 | 6,113,200 |
| Revenue | 175,000 | 175,000 | 175,000 |
| Total | 11,291,000 | 6,291,600 | 6,288,200 |
| HEALTH AND FAMILY SERVICES | | | |
| Children with Special Health Care Needs | 1,600,000 | 1,455,000 | 1,455,000 |
| Mental Health/Mental Retardation | 1,000,000 | 900,000 | 900,000 |
| Public Health | 20,882,800 | 17,228,000 | 17,173,000 |
| Community Based Services | 3,581,300 | 7,500,400 | 7,500,400 |
| Total | 27,064,100 | 27,083,400 | 27,028,400 |
| JUSTICE AND PUBLIC SAFETY | | | |
| Kentucky Agency for Substance Abuse Policy | 2,236,600 | 2,226,800 | 2,222,700 |
| POSTSECONDARY EDUCATION | | | |
| Council on Postsecondary Education | 5,455,000 | 5,431,300 | 5,421,300 |
| Kentucky Higher Education Assistance Authority | 750,000 | 900,000 | 900,000 |
| Total | 5,455,000 | 5,431,300 | 5,421,300 |
| Grand Total - EXECUTIVE BRANCH | 109,275,000 | 108,800,000 | 108,600,000 |

TOBACCO SETTLEMENT - PHASE I - CONTINUING APPROPRIATION

| Cabinet / Agency | FY 2004 | FY 2005 | FY 2006 |
|--|-------------------|-------------------|------------------|
| GENERAL GOVERNMENT | | | |
| Governor's Office of Agricultural Policy | 57,810,700 | 21,945,100 | 5,252,400 |
| DEPARTMENT OF EDUCATION | | | |
| Learning and Results Services | 148,200 | | |
| ENVIRONMENTAL AND PUBLIC PROTECTION | | | |
| Natural Resources | 6,169,800 | | |
| FINANCE AND ADMINISTRATION | | | |
| Debt Service | 233,600 | | |
| HEALTH AND FAMILY SERVICES | | | |
| Children with Special Health Care Needs | 24,600 | | |
| Mental Health/Mental Retardation | 22,900 | | |
| Public Health | 6,774,400 | | |
| Community Based Services | 4,566,300 | | |
| Total | <u>11,388,200</u> | | |
| JUSTICE AND PUBLIC SAFETY | | | |
| Kentucky Agency for Substance Abuse Policy | 520,800 | | |
| POSTSECONDARY EDUCATION | | | |
| Kentucky Higher Education Assistance Authority | 84,900 | | |
| Grand Total - EXECUTIVE BRANCH | <u>76,356,200</u> | <u>21,945,100</u> | <u>5,252,400</u> |

TOBACCO SETTLEMENT - PHASE I - BUDGET REDUCTION

| <u>Cabinet / Agency</u> | <u>FY 2004</u> | <u>FY 2005</u> | <u>FY 2006</u> |
|--|--------------------|----------------|----------------|
| GENERAL GOVERNMENT | | | |
| Governor's Office of Agricultural Policy | -17,000,000 | | |
| FINANCE AND ADMINISTRATION | | | |
| Debt Service | -1,523,500 | | |
| HEALTH AND FAMILY SERVICES | | | |
| Children with Special Health Care Needs | -24,600 | | |
| Mental Health/Mental Retardation | -22,900 | | |
| Public Health | -5,199,900 | | |
| Community Based Services | -156,700 | | |
| Total | <u>-5,404,100</u> | | |
| JUSTICE AND PUBLIC SAFETY | | | |
| Kentucky Agency for Substance Abuse Policy | -54,500 | | |
| Grand Total - EXECUTIVE BRANCH | <u>-23,982,100</u> | | |



Restricted Funds

RESTRICTED FUNDS - AVAILABLE

| Cabinet / Agency | FY 2004 | FY 2005 | FY 2006 |
|--|--------------------|--------------------|--------------------|
| GENERAL GOVERNMENT | | | |
| Executive Office of the Governor | | | |
| Office of the Governor | 1,915,300 | 1,311,100 | |
| Office of State Budget Director | 3,160,000 | 1,842,000 | |
| Subtotal | <u>5,075,300</u> | <u>3,153,100</u> | |
| Personnel | 43,680,400 | 46,110,000 | 47,764,700 |
| Governor's Office of Agricultural Policy | 282,500 | 643,100 | 638,100 |
| Kentucky Infrastructure Authority | 3,701,500 | 4,896,800 | 4,058,800 |
| Veterans' Affairs | 20,474,400 | 21,657,000 | 22,417,000 |
| Secretary of State | 2,321,100 | 2,914,500 | 2,411,600 |
| Board of Elections | 218,900 | 142,000 | 164,900 |
| Treasury | 939,900 | 778,600 | 793,300 |
| Attorney General | 8,762,500 | 8,837,300 | 8,237,800 |
| Unified Prosecutorial System | | | |
| Commonwealth's Attorneys | 605,700 | 505,700 | 391,800 |
| County Attorneys | 73,000 | 80,600 | 88,200 |
| Subtotal | <u>678,700</u> | <u>586,300</u> | <u>480,000</u> |
| Auditor of Public Accounts | 3,406,500 | 3,096,500 | 3,306,000 |
| Agriculture | 10,018,400 | 5,606,400 | 3,448,000 |
| Military Affairs | 30,456,700 | 60,297,600 | 62,688,800 |
| Personnel Board | 4,900 | 3,400 | 5,100 |
| Local Government | 3,410,100 | 2,520,200 | 1,995,800 |
| Commission on Human Rights | 5,200 | 5,500 | 10,500 |
| Commission on Women | 31,700 | 35,800 | 13,000 |
| Kentucky Retirement Systems | 15,847,500 | 15,921,900 | 16,194,400 |
| Registry of Election Finance | 975,600 | 986,600 | 358,400 |
| Boards and Commissions | 30,257,722 | 29,719,600 | 26,435,500 |
| Board of Emergency Medical Services | 200,600 | 171,700 | 171,700 |
| Governmental Services Center | 1,792,700 | 1,652,500 | 1,561,100 |
| Executive Branch Ethics Commission | 4,400 | 3,400 | 2,400 |
| Kentucky River Authority | 7,712,400 | 5,768,200 | 1,815,700 |
| Total | <u>190,259,622</u> | <u>215,508,000</u> | <u>204,972,600</u> |
| COMMERCE | | | |
| Secretary | 840,900 | | |
| Artisans Center | 800,000 | 1,297,600 | 1,297,600 |
| Travel | 826,600 | 2,000,000 | 0 |
| Parks | 52,569,300 | 56,580,600 | 58,781,700 |
| Kentucky Horse Park | 6,119,300 | 5,630,100 | 5,636,300 |
| Kentucky State Fair Board | 34,634,000 | 35,993,200 | 37,368,500 |
| Fish and Wildlife Resources | 58,190,600 | 54,417,600 | 51,910,900 |
| Kentucky Historical Society | 1,014,600 | 864,000 | 727,300 |
| Kentucky Arts Council | 853,400 | 914,000 | 619,600 |
| Kentucky Heritage Council | 692,900 | 366,500 | 368,600 |
| Commission on Small Business Advocacy | 90,500 | | |
| Total | <u>156,632,100</u> | <u>158,063,600</u> | <u>156,710,500</u> |
| ECONOMIC DEVELOPMENT | | | |
| Secretary | 6,660,300 | 2,899,600 | 1,237,800 |

RESTRICTED FUNDS - AVAILABLE

| Cabinet / Agency | FY 2004 | FY 2005 | FY 2006 |
|--|-------------------|-------------------|-------------------|
| Administration and Support | 55,500 | 9,600 | 9,600 |
| Business Development | 747,400 | 646,800 | 580,000 |
| Financial Incentives | 2,227,500 | 2,240,300 | 2,266,700 |
| Community Development | 544,500 | 439,200 | 440,600 |
| Total | 10,235,200 | 6,235,500 | 4,534,700 |
| DEPARTMENT OF EDUCATION | | | |
| Operations and Support Services | 2,846,200 | 2,886,400 | 2,354,400 |
| Learning and Results Services | 1,896,400 | 1,896,400 | 1,801,200 |
| Total | 4,742,600 | 4,782,800 | 4,155,600 |
| EDUCATION CABINET | | | |
| General Administration and Support | 6,095,200 | 5,727,200 | 5,727,200 |
| Kentucky Educational Television | 1,336,700 | 1,039,600 | 1,075,700 |
| School Facilities Construction Commission | 2,290,000 | | |
| Deaf and Hard of Hearing | 347,500 | 252,000 | 252,000 |
| Environmental Education Council | 270,300 | 270,300 | 270,300 |
| Libraries and Archives | | | |
| General Operations | 2,171,800 | 2,020,600 | 1,955,700 |
| Direct Local Aid | 27,500 | 19,000 | 10,500 |
| Subtotal | 2,199,300 | 2,039,600 | 1,966,200 |
| Teachers' Retirement System | 6,623,000 | 6,623,000 | 6,623,000 |
| Educational Professional Standards Board | 1,847,300 | 1,847,300 | 1,847,300 |
| Technical Education | 21,382,400 | 20,118,200 | 19,762,800 |
| Vocational Rehabilitation | 3,071,200 | 2,981,100 | 2,893,200 |
| Department for the Blind | 2,879,500 | 2,141,300 | 1,926,800 |
| Training and Reemployment | 700 | 700 | |
| Employment Services | 7,443,500 | 4,869,300 | 3,393,900 |
| Total | 55,786,600 | 47,909,600 | 45,738,400 |
| ENVIRONMENTAL AND PUBLIC PROTECTION | | | |
| General Administration and Program Support | 8,895,100 | 7,431,100 | 7,222,500 |
| Natural Resources | 11,216,400 | 9,000,200 | 5,544,800 |
| Environmental Protection | 44,689,600 | 53,614,800 | 54,915,200 |
| Surface Mining Reclamation and Enforcement | 29,997,000 | 28,965,000 | 28,145,100 |
| Environmental Quality Commission | 223,300 | | |
| Kentucky Nature Preserves Commission | 941,900 | 986,700 | 946,500 |
| Claims/Crime Victims' Compensation | 3,982,700 | 3,542,000 | 3,211,100 |
| Alcoholic Beverage Control | 5,542,800 | 4,963,000 | 5,348,700 |
| Financial Institutions | 17,584,800 | 10,669,400 | 12,343,100 |
| Insurance | 40,875,800 | 36,964,000 | 46,073,400 |
| Kentucky Racing Commission | 17,612,300 | 16,148,300 | 15,622,100 |
| Housing, Buildings, and Construction | 19,013,600 | 14,765,700 | 13,727,200 |
| Mines and Minerals | 2,536,400 | 1,929,700 | 2,232,000 |
| Public Advocacy | 7,456,500 | 7,187,800 | 5,793,000 |
| Public Service Commission | 1,187,100 | 1,187,100 | 1,187,100 |
| Charitable Gaming | 4,796,700 | 4,502,900 | 4,205,800 |
| Petroleum Storage Tank Assurance Fund | 29,711,400 | 46,751,800 | 66,704,800 |
| Athletic Commission | 167,300 | 129,700 | 129,700 |
| Workplace Standards | 128,691,000 | 114,187,700 | 112,072,700 |

RESTRICTED FUNDS - AVAILABLE

| Cabinet / Agency | FY 2004 | FY 2005 | FY 2006 |
|---|--------------------|--------------------|--------------------|
| Workers Claims | 17,093,300 | 14,591,600 | 14,561,800 |
| KY Occupational Safety and Health Review Commission | 479,300 | 479,300 | 447,500 |
| Workers' Compensation Funding Commission | 164,042,500 | 143,442,700 | 139,118,900 |
| Total | 556,736,800 | 521,440,500 | 539,553,000 |
| FINANCE AND ADMINISTRATION | | | |
| General Administration | 3,790,200 | 3,225,800 | 2,949,400 |
| Office of the Controller | 610,100 | 365,000 | 290,700 |
| Administration | 10,878,400 | 10,738,000 | 10,576,900 |
| Facilities Management | 28,932,900 | 30,636,400 | 29,573,900 |
| County Costs | 2,033,100 | 1,979,000 | 1,925,000 |
| Governor's Office for Technology | 59,988,300 | 60,150,500 | 60,294,000 |
| Revenue | 5,360,900 | 4,195,600 | 4,184,500 |
| Property Valuation Administrators | 5,355,700 | 4,909,900 | 4,760,000 |
| Total | 116,949,600 | 116,200,200 | 114,554,400 |
| HEALTH AND FAMILY SERVICES | | | |
| General Administration and Program Support | 14,578,700 | 11,942,300 | 10,376,800 |
| Children with Special Health Care Needs | 23,262,900 | 23,469,300 | 24,395,300 |
| Medicaid Services | | | |
| Administration | 20,806,000 | 18,306,000 | 18,306,000 |
| Benefits | 358,005,000 | 394,865,900 | 351,174,600 |
| Subtotal | 378,811,000 | 413,171,900 | 369,480,600 |
| Mental Health/Mental Retardation | 197,484,000 | 182,341,300 | 180,029,600 |
| Public Health | 69,601,600 | 53,521,800 | 50,944,800 |
| Certificate of Need | 264,300 | 217,400 | 158,800 |
| Aging Services | 759,200 | 61,900 | 59,900 |
| Disability Determinations | 65,800 | 65,800 | 65,800 |
| Community Based Services | 168,509,000 | 141,463,000 | 115,139,200 |
| Total | 853,336,500 | 826,254,700 | 750,650,800 |
| JUSTICE AND PUBLIC SAFETY | | | |
| Justice Administration | 2,253,100 | 997,300 | 878,400 |
| State Police | 14,852,100 | 12,259,100 | 12,175,000 |
| Juvenile Justice | 15,691,600 | 12,200,000 | 12,200,000 |
| Criminal Justice Training | 47,908,600 | 56,155,900 | 54,476,500 |
| Corrections | | | |
| Corrections Management | 14,087,500 | 13,494,800 | 13,494,800 |
| Adult Correctional Institutions | 5,609,000 | 5,609,000 | 5,609,000 |
| Community Services and Local Facilities | 729,330 | 371,000 | 371,000 |
| Subtotal | 20,425,829 | 19,474,800 | 19,474,800 |
| Kentucky Agency for Substance Abuse Policy | 29,300 | | |
| Vehicle Enforcement | 975,700 | 397,900 | 444,000 |
| Total | 102,136,229 | 101,485,000 | 99,648,700 |
| POSTSECONDARY EDUCATION | | | |
| Council on Postsecondary Education | 15,136,200 | 2,717,300 | 1,508,400 |
| Kentucky Higher Education Assistance Authority | 94,590,700 | 101,915,100 | 104,012,300 |
| Eastern Kentucky University | 90,413,000 | 99,016,500 | 108,857,500 |

RESTRICTED FUNDS - AVAILABLE

| Cabinet / Agency | FY 2004 | FY 2005 | FY 2006 |
|---|----------------------|----------------------|----------------------|
| Kentucky State University | 14,176,500 | 14,176,500 | 14,176,500 |
| Morehead State University | 53,548,600 | 58,397,300 | 58,585,200 |
| Murray State University | 52,743,700 | 60,392,600 | 64,150,700 |
| Northern Kentucky University | 84,713,600 | 92,525,000 | 101,001,000 |
| University of Kentucky | 917,060,400 | 957,076,400 | 995,223,100 |
| University of Louisville | 325,006,800 | 357,507,500 | 390,008,200 |
| Western Kentucky University | 107,303,900 | 126,586,000 | 138,009,000 |
| Kentucky Community and Technical College System | 189,945,000 | 204,586,100 | 221,238,000 |
| Total | 1,944,638,400 | 2,074,896,300 | 2,196,769,900 |
| TRANSPORTATION | | | |
| General Administration and Support | 32,614,900 | 24,912,000 | 24,542,000 |
| Air Transportation | 7,597,600 | 5,600,000 | 5,600,000 |
| Public Transportation | 500,000 | 500,000 | 508,900 |
| Highways | 128,293,500 | 86,961,700 | 157,325,000 |
| Vehicle Regulation | 6,608,000 | 7,151,100 | 7,862,700 |
| Total | 175,614,000 | 125,124,800 | 195,838,600 |
| Grand Total - EXECUTIVE BRANCH | 4,167,067,651 | 4,197,901,000 | 4,313,127,200 |

RESTRICTED FUNDS - APPROPRIATED

| Cabinet / Agency | FY 2004 | FY 2005 | FY 2006 |
|--|--------------------|--------------------|--------------------|
| GENERAL GOVERNMENT | | | |
| Executive Office of the Governor | | | |
| Office of the Governor | 604,200 | 1,311,100 | |
| Office of State Budget Director | 1,318,000 | 1,842,000 | |
| Subtotal | <u>1,922,200</u> | <u>3,153,100</u> | |
| Personnel | 36,658,000 | 42,173,600 | 46,537,000 |
| Governor's Office of Agricultural Policy | 156,000 | 520,600 | 515,600 |
| Kentucky Infrastructure Authority | 2,568,000 | 3,726,500 | 3,714,200 |
| Veterans' Affairs | 19,959,300 | 21,657,000 | 22,417,000 |
| Secretary of State | 802,900 | 802,900 | 802,900 |
| Board of Elections | 114,000 | 57,100 | 57,100 |
| Treasury | 809,300 | 778,600 | 793,300 |
| Attorney General | 6,329,500 | 7,298,000 | 7,448,800 |
| Unified Prosecutorial System | | | |
| Commonwealth's Attorneys | 190,000 | 203,900 | 204,500 |
| County Attorneys | 4,800 | 4,800 | 4,800 |
| Subtotal | <u>194,800</u> | <u>208,700</u> | <u>209,300</u> |
| Auditor of Public Accounts | 3,406,500 | 3,096,500 | 3,306,000 |
| Agriculture | 6,000,000 | 4,855,200 | 3,305,200 |
| Military Affairs | 24,742,500 | 55,536,600 | 57,911,400 |
| Local Government | 1,402,400 | 1,072,000 | 639,600 |
| Commission on Human Rights | 5,200 | 5,500 | 10,500 |
| Commission on Women | 30,900 | 22,800 | 13,000 |
| Kentucky Retirement Systems | 15,847,500 | 15,921,900 | 16,194,400 |
| Registry of Election Finance | 19,500 | 89,200 | 118,000 |
| Boards and Commissions | 17,195,400 | 17,315,600 | 17,385,500 |
| Board of Emergency Medical Services | 195,600 | 171,700 | 171,700 |
| Governmental Services Center | 1,478,100 | 1,467,200 | 1,494,000 |
| Executive Branch Ethics Commission | 2,400 | 2,400 | 2,400 |
| Kentucky River Authority | 3,370,600 | 5,372,800 | 1,582,200 |
| Total | <u>143,210,600</u> | <u>185,305,500</u> | <u>184,629,100</u> |
| COMMERCE | | | |
| Secretary | 694,000 | | |
| Artisans Center | 770,000 | 1,297,600 | 1,297,600 |
| Travel | 824,900 | 2,000,000 | |
| Parks | 50,476,900 | 55,428,300 | 58,506,800 |
| Kentucky Horse Park | 5,861,700 | 5,522,800 | 5,529,000 |
| Kentucky State Fair Board | 32,652,000 | 35,003,200 | 36,170,500 |
| Fish and Wildlife Resources | 28,658,000 | 27,941,700 | 27,941,700 |
| Kentucky Historical Society | 557,100 | 633,800 | 727,300 |
| Kentucky Arts Council | 665,400 | 755,500 | 553,500 |
| Kentucky Heritage Council | 676,700 | 366,500 | 368,600 |
| Commission on Small Business Advocacy | 45,000 | | |
| Total | <u>121,881,700</u> | <u>128,949,400</u> | <u>131,095,000</u> |
| ECONOMIC DEVELOPMENT | | | |
| Secretary | 5,403,500 | 2,899,600 | 1,237,800 |
| Administration and Support | 45,900 | | 9,600 |

RESTRICTED FUNDS - APPROPRIATED

| Cabinet / Agency | FY 2004 | FY 2005 | FY 2006 |
|---|-------------------|-------------------|-------------------|
| Business Development | 150,600 | 366,800 | 580,000 |
| Financial Incentives | 2,079,100 | 2,240,300 | 2,266,700 |
| Community Development | 454,000 | 438,600 | 440,600 |
| Total | 8,133,100 | 5,945,300 | 4,534,700 |
| DEPARTMENT OF EDUCATION | | | |
| Operations and Support Services | 2,162,800 | 2,886,400 | 2,354,400 |
| Learning and Results Services | 1,801,200 | 1,896,400 | 1,801,200 |
| Total | 3,964,000 | 4,782,800 | 4,155,600 |
| EDUCATION CABINET | | | |
| General Administration and Support | 5,923,500 | 5,727,200 | 5,727,200 |
| Kentucky Educational Television | 1,244,500 | 1,039,600 | 1,075,700 |
| Deaf and Hard of Hearing | 281,000 | 252,000 | 252,000 |
| Environmental Education Council | 187,200 | 187,200 | 187,200 |
| Libraries and Archives | | | |
| General Operations | 1,784,800 | 1,827,600 | 1,896,200 |
| Direct Local Aid | 9,000 | 9,000 | 9,000 |
| Subtotal | 1,793,800 | 1,836,600 | 1,905,200 |
| Teachers' Retirement System | 6,623,000 | 6,623,000 | 6,623,000 |
| Educational Professional Standards Board | 808,900 | 829,600 | 829,600 |
| Technical Education | 20,157,800 | 19,832,800 | 19,570,500 |
| Vocational Rehabilitation | 2,881,200 | 2,952,900 | 2,893,200 |
| Department for the Blind | 2,370,900 | 1,847,200 | 1,833,900 |
| Training and Reemployment | | 700 | |
| Employment Services | 7,443,500 | 4,869,300 | 3,393,900 |
| Total | 49,715,300 | 45,998,100 | 44,291,400 |
| ENVIRONMENTAL AND PUBLIC PROTECTION | | | |
| General Administration and Program Support | 7,581,600 | 7,118,700 | 7,222,500 |
| Natural Resources | 3,802,700 | 6,269,200 | 5,526,200 |
| Environmental Protection | 33,087,900 | 47,676,900 | 50,867,600 |
| Surface Mining Reclamation and Enforcement | 5,689,000 | 6,622,500 | 6,944,700 |
| Environmental Quality Commission | 222,000 | | |
| Kentucky Nature Preserves Commission | 255,800 | 304,600 | 333,100 |
| Claims/Crime Victims' Compensation | 2,936,900 | 2,834,300 | 2,856,400 |
| Alcoholic Beverage Control | 3,862,600 | 4,468,100 | 4,499,200 |
| Financial Institutions | 8,941,500 | 8,992,700 | 9,221,900 |
| Insurance | 22,179,000 | 24,535,400 | 25,332,100 |
| Kentucky Racing Commission | 13,414,900 | 13,521,600 | 13,311,400 |
| Housing, Buildings, and Construction | 10,444,800 | 11,859,000 | 12,141,100 |
| Mines and Minerals | 2,469,400 | 1,597,000 | 2,231,700 |
| Public Advocacy | 4,646,300 | 5,793,000 | 5,793,000 |
| Public Service Commission | 1,024,000 | 1,024,000 | 1,024,000 |
| Charitable Gaming | 3,412,600 | 3,607,200 | 3,664,000 |
| Petroleum Storage Tank Assurance Fund | 28,989,400 | 28,413,000 | 28,788,000 |
| Athletic Commission | 163,100 | 129,700 | 129,700 |
| Workplace Standards | 124,691,000 | 110,187,700 | 108,072,700 |
| Workers Claims | 17,093,300 | 14,591,600 | 14,561,800 |
| KY Occupational Safety and Health Review Commission | 479,300 | 479,300 | 447,500 |

RESTRICTED FUNDS - APPROPRIATED

| <u>Cabinet / Agency</u> | <u>FY 2004</u> | <u>FY 2005</u> | <u>FY 2006</u> |
|--|--------------------|--------------------|--------------------|
| Workers' Compensation Funding Commission | 153,419,000 | 135,755,800 | 133,407,200 |
| Total | 448,806,100 | 435,781,300 | 436,375,800 |
| FINANCE AND ADMINISTRATION | | | |
| General Administration | 2,600,900 | 2,649,600 | 2,649,600 |
| Office of the Controller | 403,600 | 243,200 | 250,600 |
| Administration | 7,455,000 | 7,780,300 | 7,658,200 |
| Facilities Management | 25,118,400 | 28,587,000 | 28,332,500 |
| County Costs | 1,625,000 | 1,925,000 | 1,925,000 |
| Governor's Office for Technology | 55,535,200 | 56,453,700 | 56,597,200 |
| Revenue | 4,015,500 | 3,953,000 | 3,915,900 |
| Property Valuation Administrators | 4,352,500 | 4,760,000 | 4,760,000 |
| Total | 101,106,100 | 106,351,800 | 106,089,000 |
| HEALTH AND FAMILY SERVICES | | | |
| General Administration and Program Support | 11,109,000 | 10,470,800 | 10,376,800 |
| Children with Special Health Care Needs | 22,822,000 | 23,469,300 | 24,395,300 |
| Medicaid Services | | | |
| Administration | 20,285,800 | 18,306,000 | 18,306,000 |
| Benefits | 343,077,700 | 394,865,900 | 351,174,600 |
| Subtotal | 363,363,500 | 413,171,900 | 369,480,600 |
| Mental Health/Mental Retardation | 193,045,400 | 182,341,300 | 180,029,600 |
| Public Health | 64,266,200 | 51,997,300 | 50,586,000 |
| Certificate of Need | 147,100 | 162,900 | 158,800 |
| Aging Services | 735,300 | 59,400 | 59,900 |
| Disability Determinations | 64,200 | 65,800 | 65,800 |
| Community Based Services | 130,892,300 | 135,166,400 | 115,139,200 |
| Total | 786,445,000 | 816,905,100 | 750,292,000 |
| JUSTICE AND PUBLIC SAFETY | | | |
| Justice Administration | 1,474,900 | 991,500 | 878,400 |
| State Police | 9,684,000 | 8,852,700 | 8,774,000 |
| Juvenile Justice | 11,298,600 | 12,200,000 | 12,193,900 |
| Criminal Justice Training | 37,941,400 | 37,941,400 | 37,941,400 |
| Corrections | 19,402,330 | 19,274,800 | 19,274,800 |
| Corrections Management | | | |
| Adult Correctional Institutions | 5,528,200 | 5,609,000 | 5,609,000 |
| Community Services and Local Facilities | 488,830 | 371,000 | 371,000 |
| Subtotal | 13,385,300 | 13,294,800 | 13,294,800 |
| Vehicle Enforcement | 950,100 | 329,200 | 329,200 |
| Total | 80,751,330 | 79,589,600 | 79,391,700 |
| POSTSECONDARY EDUCATION | | | |
| Council on Postsecondary Education | 10,535,100 | 2,677,800 | 1,468,900 |
| Kentucky Higher Education Assistance Authority | 94,417,800 | 101,896,700 | 104,012,300 |
| Eastern Kentucky University | 87,997,300 | 99,016,500 | 108,857,500 |
| Kentucky State University | 13,589,900 | 14,176,500 | 14,176,500 |
| Morehead State University | 52,047,300 | 58,397,300 | 58,585,200 |
| Murray State University | 51,110,800 | 60,392,600 | 64,150,700 |

RESTRICTED FUNDS - APPROPRIATED

| Cabinet / Agency | FY 2004 | FY 2005 | FY 2006 |
|---|----------------------|----------------------|----------------------|
| Northern Kentucky University | 82,762,000 | 92,525,000 | 101,001,000 |
| University of Kentucky | 917,060,400 | 957,076,400 | 995,223,100 |
| University of Louisville | 320,606,800 | 357,507,500 | 390,008,200 |
| Western Kentucky University | 104,922,300 | 126,586,000 | 138,009,000 |
| Kentucky Community and Technical College System | 184,079,400 | 195,586,100 | 217,738,000 |
| Total | 1,919,129,100 | 2,065,838,400 | 2,193,230,400 |
| TRANSPORTATION | | | |
| General Administration and Support | 23,931,400 | 24,307,200 | 24,542,000 |
| Air Transportation | 6,797,600 | 5,500,000 | 5,500,000 |
| Public Transportation | 500,000 | 500,000 | 508,900 |
| Highways | 128,190,600 | 86,858,800 | 157,222,100 |
| Vehicle Regulation | 2,774,200 | 3,868,000 | 4,040,400 |
| Total | 162,193,800 | 121,034,000 | 191,813,400 |
| Grand Total - EXECUTIVE BRANCH | 3,825,336,130 | 3,996,481,300 | 4,125,898,100 |



Federal Funds

FEDERAL FUND - AVAILABLE

| Cabinet / Agency | FY 2004 | FY 2005 | FY 2006 |
|--|--------------------|--------------------|--------------------|
| GENERAL GOVERNMENT | | | |
| Kentucky Infrastructure Authority | 51,633,600 | 50,322,000 | 50,339,000 |
| Board of Elections | 16,887,000 | 14,312,200 | 5,362,200 |
| Attorney General | 2,149,300 | 2,382,900 | 2,449,000 |
| Unified Prosecutorial System | | | |
| Commonwealth's Attorneys | 577,100 | 605,200 | 633,200 |
| County Attorneys | 371,500 | 391,700 | 391,700 |
| Subtotal | <u>948,600</u> | <u>996,900</u> | <u>1,024,900</u> |
| Agriculture | 4,464,400 | 4,162,200 | 4,162,200 |
| Military Affairs | 111,972,200 | 59,327,000 | 61,870,500 |
| Local Government | 52,430,800 | 52,430,800 | 52,430,800 |
| Commission on Human Rights | 378,200 | 212,900 | 212,900 |
| Commission on Women | 200 | | |
| Board of Emergency Medical Services | 749,700 | 436,500 | 436,500 |
| Total | <u>241,614,000</u> | <u>184,583,400</u> | <u>178,288,000</u> |
| COMMERCE | | | |
| Fish and Wildlife Resources | 13,381,800 | 15,260,800 | 15,294,800 |
| Kentucky Historical Society | 360,000 | 342,000 | 325,000 |
| Kentucky Arts Council | 769,600 | 701,500 | 685,500 |
| Kentucky Heritage Council | 654,100 | 587,800 | 587,800 |
| Total | <u>15,165,500</u> | <u>16,892,100</u> | <u>16,893,100</u> |
| ECONOMIC DEVELOPMENT | | | |
| Community Development | 155,400 | 155,400 | 155,400 |
| DEPARTMENT OF EDUCATION | | | |
| Operations and Support Services | 573,800 | 27,800 | 27,800 |
| Learning and Results Services | 524,905,200 | 525,064,200 | 525,223,100 |
| Total | <u>525,479,000</u> | <u>525,092,000</u> | <u>525,250,900</u> |
| EDUCATION CABINET | | | |
| General Administration and Support | 175,400 | 185,000 | 190,000 |
| Kentucky Educational Television | 791,000 | 700,000 | 700,000 |
| Libraries and Archives | | | |
| General Operations | 1,836,800 | 1,950,100 | 1,955,300 |
| Direct Local Aid | 424,000 | 424,000 | 424,000 |
| Subtotal | <u>2,260,800</u> | <u>2,374,100</u> | <u>2,379,300</u> |
| Educational Professional Standards Board | 4,441,900 | 4,441,900 | 4,430,000 |
| Technical Education | 15,179,700 | 15,179,700 | 15,179,700 |
| Vocational Rehabilitation | 44,200,800 | 45,513,000 | 47,194,000 |
| Department for the Blind | 8,012,400 | 8,210,400 | 8,638,400 |
| Training and Reemployment | 64,025,000 | 64,231,800 | 64,345,200 |
| Employment Services | 735,687,300 | 733,305,800 | 734,092,000 |
| Total | <u>874,774,300</u> | <u>874,141,700</u> | <u>877,148,600</u> |
| ENVIRONMENTAL AND PUBLIC PROTECTION | | | |
| General Administration and Program Support | 1,538,900 | 1,560,500 | 1,581,500 |
| Natural Resources | 7,565,900 | 9,743,900 | 9,872,100 |

FEDERAL FUND - AVAILABLE

| Cabinet / Agency | FY 2004 | FY 2005 | FY 2006 |
|--|----------------------|----------------------|----------------------|
| Environmental Protection | 16,731,600 | 16,065,200 | 15,602,900 |
| Surface Mining Reclamation and Enforcement | 16,811,200 | 16,832,700 | 17,007,900 |
| Abandoned Mine Lands Reclamation Projects | 22,000,000 | 22,000,000 | 22,000,000 |
| Kentucky Nature Preserves Commission | 70,500 | 70,500 | 70,500 |
| Claims/Crime Victims' Compensation | 562,700 | 545,000 | 545,000 |
| Housing, Buildings, and Construction | 84,800 | | |
| Mines and Minerals | 603,300 | 608,100 | 603,300 |
| Public Advocacy | 2,091,600 | 1,961,200 | 2,056,800 |
| Public Service Commission | 558,600 | 566,000 | 573,700 |
| Workplace Standards | 3,280,500 | 3,379,700 | 3,379,700 |
| Total | 71,899,600 | 73,332,800 | 73,293,400 |
| FINANCE AND ADMINISTRATION | | | |
| Office of the Controller | 4,000,000 | 3,250,000 | 2,250,000 |
| Governor's Office for Technology | 1,815,300 | 771,800 | 628,300 |
| Total | 5,815,300 | 4,021,800 | 2,878,300 |
| HEALTH AND FAMILY SERVICES | | | |
| General Administration and Program Support | 51,995,600 | 44,976,400 | 45,306,000 |
| Children with Special Health Care Needs | 10,461,400 | 10,300,000 | 10,274,000 |
| Medicaid Services | | | |
| Administration | 52,221,700 | 42,047,100 | 42,047,100 |
| Benefits | 3,010,695,000 | 2,694,243,300 | 2,592,220,200 |
| Subtotal | 3,062,916,700 | 2,736,290,400 | 2,634,267,300 |
| Mental Health/Mental Retardation | 41,665,100 | 41,045,500 | 39,368,800 |
| Public Health | 152,620,500 | 148,315,300 | 148,294,700 |
| Aging Services | 21,373,200 | 21,214,900 | 21,143,700 |
| Disability Determinations | 42,376,900 | 42,243,800 | 42,692,200 |
| Community Based Services | 484,337,100 | 470,437,700 | 478,203,800 |
| Total | 3,867,746,500 | 3,514,824,000 | 3,419,550,500 |
| JUSTICE AND PUBLIC SAFETY | | | |
| Justice Administration | 12,738,400 | 11,472,900 | 8,725,400 |
| State Police | 18,728,200 | 13,833,400 | 13,502,400 |
| Juvenile Justice | 17,250,000 | 16,989,000 | 15,069,000 |
| Criminal Justice Training | 2,700,000 | 2,700,000 | 2,700,000 |
| Corrections | | | |
| Corrections Management | 1,009,618 | 921,600 | 50,000 |
| Adult Correctional Institutions | 315,200 | 315,200 | 315,200 |
| Community Services and Local Facilities | 10,000 | | |
| Subtotal | 1,334,818 | 1,236,800 | 365,200 |
| Kentucky Agency for Substance Abuse Policy | 111,700 | 111,700 | 111,700 |
| Vehicle Enforcement | 2,020,400 | 3,614,800 | 3,787,100 |
| Total | 54,883,518 | 49,958,600 | 44,260,800 |
| POSTSECONDARY EDUCATION | | | |
| Council on Postsecondary Education | 19,099,400 | 19,099,400 | 19,099,400 |
| Kentucky Higher Education Assistance Authority | 1,158,000 | 1,714,900 | 1,726,000 |
| Eastern Kentucky University | 43,489,200 | 45,655,400 | 47,929,900 |

FEDERAL FUND - AVAILABLE

| Cabinet / Agency | FY 2004 | FY 2005 | FY 2006 |
|---|----------------------|----------------------|----------------------|
| Kentucky State University | 13,259,000 | 13,259,000 | 13,259,000 |
| Morehead State University | 41,673,900 | 36,752,900 | 36,674,500 |
| Murray State University | 14,796,900 | 13,393,300 | 13,393,300 |
| Northern Kentucky University | 11,130,700 | 11,130,700 | 11,130,700 |
| University of Kentucky | 166,028,000 | 170,696,000 | 175,533,600 |
| University of Louisville | 73,182,300 | 80,500,500 | 87,818,700 |
| Western Kentucky University | 32,444,000 | 35,600,000 | 39,071,000 |
| Kentucky Community and Technical College System | 101,806,800 | 114,023,700 | 129,987,000 |
| Total | 518,068,200 | 541,825,800 | 575,623,100 |
| TRANSPORTATION | | | |
| Air Transportation | 9,400 | 15,000 | 9,700 |
| Public Transportation | 27,517,000 | 27,227,600 | 27,230,900 |
| Highways | 496,114,400 | 542,692,700 | 542,976,700 |
| Vehicle Regulation | 805,800 | 842,700 | 894,700 |
| Total | 524,446,600 | 570,778,000 | 571,112,000 |
| Grand Total - EXECUTIVE BRANCH | 6,700,047,918 | 6,355,605,600 | 6,284,454,100 |

FEDERAL FUND - APPROPRIATED

| Cabinet / Agency | FY 2004 | FY 2005 | FY 2006 |
|--|--------------------|--------------------|--------------------|
| GENERAL GOVERNMENT | | | |
| Kentucky Infrastructure Authority | 50,312,000 | 50,322,000 | 50,339,000 |
| Board of Elections | 2,669,800 | 9,000,000 | 1,000,000 |
| Attorney General | 2,149,300 | 2,382,900 | 2,449,000 |
| Unified Prosecutorial System | | | |
| Commonwealth's Attorneys | 577,100 | 605,200 | 633,200 |
| County Attorneys | 371,500 | 391,700 | 391,700 |
| Subtotal | <u>948,600</u> | <u>996,900</u> | <u>1,024,900</u> |
| Auditor of Public Accounts | | | |
| Agriculture | 4,464,200 | 4,162,000 | 4,162,000 |
| Military Affairs | 111,972,200 | 59,327,000 | 61,870,500 |
| Local Government | 52,430,800 | 52,430,800 | 52,430,800 |
| Commission on Human Rights | 378,200 | 212,900 | 212,900 |
| Commission on Women | 200 | | |
| Board of Emergency Medical Services | 749,700 | 436,500 | 436,500 |
| Total | <u>226,075,000</u> | <u>179,271,000</u> | <u>173,925,600</u> |
| COMMERCE | | | |
| Fish and Wildlife Resources | 8,951,000 | 10,830,000 | 10,864,000 |
| Kentucky Historical Society | 360,000 | 342,000 | 325,000 |
| Kentucky Arts Council | 734,100 | 691,000 | 685,500 |
| Kentucky Heritage Council | 654,100 | 587,800 | 587,800 |
| Total | <u>10,699,200</u> | <u>12,450,800</u> | <u>12,462,300</u> |
| ECONOMIC DEVELOPMENT | | | |
| Community Development | 155,400 | 155,400 | 155,400 |
| DEPARTMENT OF EDUCATION | | | |
| Operations and Support Services | 573,800 | 27,800 | 27,800 |
| Learning and Results Services | 524,820,000 | 525,064,200 | 525,223,100 |
| Total | <u>525,393,800</u> | <u>525,092,000</u> | <u>525,250,900</u> |
| EDUCATION CABINET | | | |
| General Administration and Support | 175,400 | 185,000 | 190,000 |
| Kentucky Educational Television | 791,000 | 700,000 | 700,000 |
| Libraries and Archives | | | |
| General Operations | 1,836,800 | 1,950,100 | 1,955,300 |
| Direct Local Aid | 424,000 | 424,000 | 424,000 |
| Subtotal | <u>2,260,800</u> | <u>2,374,100</u> | <u>2,379,300</u> |
| Educational Professional Standards Board | 4,371,700 | 4,379,200 | 4,379,200 |
| Technical Education | 15,179,700 | 15,179,700 | 15,179,700 |
| Vocational Rehabilitation | 44,200,800 | 45,513,000 | 47,194,000 |
| Department for the Blind | 8,012,400 | 8,210,400 | 8,638,400 |
| Training and Reemployment | 64,025,000 | 64,231,800 | 64,345,200 |
| Employment Services | 735,687,300 | 733,305,800 | 734,092,000 |
| Total | <u>874,704,100</u> | <u>874,079,000</u> | <u>877,097,800</u> |
| ENVIRONMENTAL AND PUBLIC PROTECTION | | | |
| General Administration and Program Support | 1,538,900 | 1,560,500 | 1,581,500 |

FEDERAL FUND - APPROPRIATED

| Cabinet / Agency | FY 2004 | FY 2005 | FY 2006 |
|--|----------------------|----------------------|----------------------|
| Natural Resources | 7,565,900 | 9,743,900 | 9,872,100 |
| Environmental Protection | 16,731,600 | 16,065,200 | 15,602,900 |
| Surface Mining Reclamation and Enforcement | 16,811,200 | 16,832,700 | 17,007,900 |
| Abandoned Mine Lands Reclamation Projects | 22,000,000 | 22,000,000 | 22,000,000 |
| Kentucky Nature Preserves Commission | 70,500 | 70,500 | 70,500 |
| Claims/Crime Victims' Compensation | 557,800 | 540,100 | 540,100 |
| Housing, Buildings, and Construction | 84,800 | | |
| Mines and Minerals | 598,500 | 608,100 | 603,300 |
| Public Advocacy | 1,609,400 | 1,474,000 | 1,569,600 |
| Public Service Commission | 242,200 | 249,600 | 257,300 |
| Workplace Standards | 3,280,500 | 3,379,700 | 3,379,700 |
| Total | 71,091,300 | 72,524,300 | 72,484,900 |
| FINANCE AND ADMINISTRATION | | | |
| Office of the Controller | 4,000,000 | 3,250,000 | 2,250,000 |
| Governor's Office for Technology | 1,815,300 | 771,800 | 628,300 |
| Total | 5,815,300 | 4,021,800 | 2,878,300 |
| HEALTH AND FAMILY SERVICES | | | |
| General Administration and Program Support | 51,995,500 | 44,976,400 | 45,306,000 |
| Children with Special Health Care Needs | 10,461,400 | 10,300,000 | 10,274,000 |
| Medicaid Services | | | |
| Administration | 52,221,700 | 42,047,100 | 42,047,100 |
| Benefits | 3,010,695,000 | 2,694,243,300 | 2,592,220,200 |
| Subtotal | 3,062,916,700 | 2,736,290,400 | 2,634,267,300 |
| Mental Health/Mental Retardation | 41,665,100 | 41,045,500 | 39,368,800 |
| Public Health | 152,620,500 | 148,315,300 | 148,294,700 |
| Aging Services | 21,373,200 | 21,214,900 | 21,143,700 |
| Disability Determinations | 42,376,900 | 42,243,800 | 42,692,200 |
| Community Based Services | 484,337,100 | 470,437,700 | 478,203,800 |
| Total | 3,867,746,400 | 3,514,824,000 | 3,419,550,500 |
| JUSTICE AND PUBLIC SAFETY | | | |
| Justice Administration | 12,687,700 | 11,472,900 | 8,725,400 |
| State Police | 18,728,200 | 13,814,700 | 13,444,700 |
| Juvenile Justice | 17,250,000 | 16,989,000 | 15,069,000 |
| Criminal Justice Training | 2,700,000 | 2,700,000 | 2,700,000 |
| Corrections | | | |
| Corrections Management | 1,009,618 | 921,600 | 50,000 |
| Adult Correctional Institutions | 315,200 | 315,200 | 315,200 |
| Community Services and Local Facilities | 10,000 | | |
| Subtotal | 1,334,818 | 1,236,800 | 365,200 |
| Kentucky Agency for Substance Abuse Policy | 111,700 | 111,700 | 111,700 |
| Vehicle Enforcement | 2,020,400 | 3,614,800 | 3,787,100 |
| Total | 54,832,818 | 49,939,900 | 44,203,100 |
| POSTSECONDARY EDUCATION | | | |
| Council on Postsecondary Education | 19,099,400 | 19,099,400 | 19,099,400 |
| Kentucky Higher Education Assistance Authority | 1,158,000 | 1,714,900 | 1,726,000 |

FEDERAL FUND - APPROPRIATED

| Cabinet / Agency | FY 2004 | FY 2005 | FY 2006 |
|---|----------------------|----------------------|----------------------|
| Eastern Kentucky University | 43,489,200 | 45,655,400 | 47,929,900 |
| Kentucky State University | 13,259,000 | 13,259,000 | 13,259,000 |
| Morehead State University | 41,673,900 | 36,752,900 | 36,674,500 |
| Murray State University | 14,796,900 | 13,393,300 | 13,393,300 |
| Northern Kentucky University | 11,130,700 | 11,130,700 | 11,130,700 |
| University of Kentucky | 166,028,000 | 170,696,000 | 175,533,600 |
| University of Louisville | 73,182,300 | 80,500,500 | 87,818,700 |
| Western Kentucky University | 32,444,000 | 35,600,000 | 39,071,000 |
| Kentucky Community and Technical College System | 101,806,800 | 114,023,700 | 129,987,000 |
| Total | 518,068,200 | 541,825,800 | 575,623,100 |
| TRANSPORTATION | | | |
| Air Transportation | 9,400 | 15,000 | 9,700 |
| Public Transportation | 27,517,000 | 27,227,600 | 27,230,900 |
| Highways | 496,114,400 | 542,692,700 | 542,976,700 |
| Vehicle Regulation | 805,800 | 842,700 | 894,700 |
| Total | 524,446,600 | 570,778,000 | 571,112,000 |
| Grand Total - EXECUTIVE BRANCH | 6,679,028,118 | 6,344,962,000 | 6,274,743,900 |



Road Funds

ROAD FUND - REGULAR APPROPRIATION

| Cabinet / Agency | FY 2004 | FY 2005 | FY 2006 |
|---------------------------------------|----------------------|----------------------|----------------------|
| GENERAL GOVERNMENT | | | |
| Treasury | | 250,000 | 250,000 |
| FINANCE AND ADMINISTRATION | | | |
| Debt Service | 3,664,000 | 2,930,000 | 2,505,000 |
| Administration | 283,000 | 283,000 | 283,000 |
| Governor's Office for Technology | 125,000 | 125,000 | 125,000 |
| Revenue | 1,418,000 | 1,418,000 | 1,418,000 |
| Total | 5,490,000 | 4,756,000 | 4,331,000 |
| JUSTICE AND PUBLIC SAFETY | | | |
| State Police | 35,000,000 | 40,000,000 | 40,000,000 |
| Vehicle Enforcement | 12,260,900 | 12,215,700 | 12,518,100 |
| Total | 47,260,900 | 52,215,700 | 52,518,100 |
| TRANSPORTATION | | | |
| General Administration and Support | 75,914,900 | 66,655,900 | 67,240,200 |
| Revenue Sharing | 224,762,500 | 228,298,300 | 231,976,100 |
| Highways | 597,113,200 | 644,836,700 | 660,625,300 |
| Vehicle Regulation | 19,072,900 | 16,084,000 | 16,148,000 |
| Debt Service | 161,312,100 | 116,113,500 | 125,170,000 |
| Total | 1,078,175,600 | 1,071,988,400 | 1,101,159,600 |
| Grand Total - EXECUTIVE BRANCH | 1,130,926,500 | 1,129,210,100 | 1,158,258,700 |

ROAD FUND - SURPLUS

| Cabinet / Agency | FY 2004 | FY 2005 | FY 2006 |
|---------------------------------------|----------------|----------------|----------------|
| TRANSPORTATION | | | |
| Highways | 23,619,400 | | |
| Grand Total - EXECUTIVE BRANCH | 23,619,400 | | |

ROAD FUND - BUDGET REDUCTION

| Cabinet / Agency | FY 2004 | FY 2005 | FY 2006 |
|---------------------------------------|--------------------|----------------|----------------|
| FINANCE AND ADMINISTRATION | -141,900 | | |
| Governor's Office for Technology | -125,000 | | |
| Revenue | -16,900 | | |
| Total | <u>-141,900</u> | | |
| TRANSPORTATION | | | |
| General Administration and Support | -4,176,400 | | |
| Revenue Sharing | -3,231,800 | | |
| Highways | -4,588,500 | | |
| Vehicle Regulation | -2,705,300 | | |
| Debt Service | -465,000 | | |
| Total | <u>-15,167,000</u> | | |
| Grand Total - EXECUTIVE BRANCH | -15,308,900 | | |



Capital Construction

GENERAL FUND - CAPITAL

| Cabinet / Agency | Revised FY 2004 | Recommended FY2005 | Recommended FY 2006 |
|--|----------------------------|-------------------------------|--------------------------------|
| HEALTH AND FAMILY SERVICES | | | |
| General Administration and Program Support | | | 6,000,000 |
| Mental Health/Mental Retardation | | | <u>2,000,000</u> |
| Total | | | <u>8,000,000</u> |
| Grand Total - EXECUTIVE BRANCH | | | <u>8,000,000</u> |

RESTRICTED FUNDS - CAPITAL

| Cabinet / Agency | Revised FY 2004 | Recommended FY2005 | Recommended FY 2006 |
|---|----------------------------|-------------------------------|--------------------------------|
| GENERAL GOVERNMENT | | | |
| Personnel | | 500,000 | 750,000 |
| Military Affairs | | 3,000,000 | 2,500,000 |
| Local Government | | 1,500,000 | 1,500,000 |
| Kentucky River Authority | | 1,227,000 | 500,000 |
| Total | | <u>6,227,000</u> | <u>5,250,000</u> |
| COMMERCE | | | |
| Kentucky State Fair Board | | 3,275,000 | 2,787,000 |
| Fish and Wildlife Resources | | 6,750,000 | 6,100,000 |
| Total | | <u>10,025,000</u> | <u>8,887,000</u> |
| ECONOMIC DEVELOPMENT | | | |
| Secretary | | 11,575,000 | 10,985,000 |
| Financial Incentives | | 2,250,000 | |
| Total | | <u>13,825,000</u> | <u>10,985,000</u> |
| EDUCATION CABINET | | | |
| Teachers' Retirement System | | | 2,000,000 |
| ENVIRONMENTAL AND PUBLIC PROTECTION | | | |
| Environmental Protection | | 5,600,000 | 5,600,000 |
| FINANCE AND ADMINISTRATION | | | |
| Office of the Controller | | 3,500,000 | |
| Administration | | 300,000 | |
| Facilities Management | | 124,000 | 124,000 |
| Governor's Office for Technology | | 12,410,000 | 3,950,000 |
| Total | | <u>16,334,000</u> | <u>4,074,000</u> |
| POSTSECONDARY EDUCATION | | | |
| Kentucky Higher Education Assistance Authority | | 140,000 | |
| Eastern Kentucky University | | 30,619,000 | 13,600,000 |
| Kentucky State University | | 37,394,000 | 17,050,000 |
| Morehead State University | | 11,632,000 | |
| Murray State University | | 30,917,800 | |
| Northern Kentucky University | | 89,385,000 | |
| University of Kentucky | | 1,174,566,000 | |
| University of Louisville | | 211,745,000 | 41,321,000 |
| Western Kentucky University | | 60,882,000 | |
| Kentucky Community and Technical College System | | 31,290,000 | |
| Total | | <u>1,678,570,800</u> | <u>71,971,000</u> |
| Grand Total - EXECUTIVE BRANCH | | <u>1,730,581,800</u> | <u>108,767,000</u> |

FEDERAL FUNDS - CAPITAL

| Cabinet / Agency | Revised FY 2004 | Recommended FY2005 | Recommended FY 2006 |
|--|----------------------------|-------------------------------|--------------------------------|
| GENERAL GOVERNMENT | | | |
| Kentucky Infrastructure Authority | | 80,000,000 | |
| Military Affairs | | 12,408,000 | |
| Total | | <u>92,408,000</u> | |
| EDUCATION CABINET | | | |
| Employment Services | 563,000 | | |
| ENVIRONMENTAL AND PUBLIC PROTECTION | | | |
| Environmental Protection | | 1,150,000 | 1,350,000 |
| FINANCE AND ADMINISTRATION | | | |
| Governor's Office for Technology | | 7,446,000 | |
| HEALTH AND FAMILY SERVICES | | | |
| General Administration and Program Support | | 5,254,700 | 56,261,000 |
| POSTSECONDARY EDUCATION | | | |
| Kentucky State University | | | 3,353,000 |
| Morehead State University | | 5,000,000 | |
| University of Kentucky | | 65,535,000 | |
| Total | | <u>70,535,000</u> | <u>3,353,000</u> |
| Grand Total - EXECUTIVE BRANCH | <u>563,000</u> | <u>176,793,700</u> | <u>60,964,000</u> |

ROAD FUND - CAPITAL

| Cabinet / Agency | Revised FY 2004 | Recommended FY2005 | Recommended FY 2006 |
|---------------------------------------|----------------------------|-------------------------------|--------------------------------|
| TRANSPORTATION | | | |
| General Administration and Support | | 12,199,000 | 4,248,000 |
| Grand Total - EXECUTIVE BRANCH | | <u>12,199,000</u> | <u>4,248,000</u> |

BOND FUND - CAPITAL

| Cabinet / Agency | Revised FY 2004 | Recommended FY2005 | Recommended FY 2006 |
|---|----------------------------|-------------------------------|--------------------------------|
| GENERAL GOVERNMENT | | | |
| Personnel | | 25,000,000 | |
| Governor's Office of Agricultural Policy | | 17,000,000 | |
| Kentucky Infrastructure Authority | | 66,000,000 | |
| Military Affairs | | 3,675,000 | |
| Total | | <u>111,675,000</u> | |
| COMMERCE | | | |
| Parks | | 35,000,000 | |
| ECONOMIC DEVELOPMENT | | | |
| Financial Incentives | | 15,000,000 | |
| DEPARTMENT OF EDUCATION | | | |
| Operations and Support Services | | 3,490,000 | |
| EDUCATION CABINET | | | |
| Vocational Rehabilitation | | 1,200,000 | |
| FINANCE AND ADMINISTRATION | | | |
| Facilities Management | | 70,073,000 | |
| Governor's Office for Technology | | 33,268,000 | |
| Revenue | | 15,812,000 | |
| Total | | <u>119,153,000</u> | |
| HEALTH AND FAMILY SERVICES | | | |
| General Administration and Program Support | | 8,267,000 | |
| Mental Health/Mental Retardation | | 4,000,000 | |
| Total | | <u>12,267,000</u> | |
| JUSTICE AND PUBLIC SAFETY | | | |
| State Police | | 5,522,000 | |
| Corrections Management | | 3,000,000 | |
| Total | | <u>8,522,000</u> | |
| POSTSECONDARY EDUCATION | | | |
| Council on Postsecondary Education | | 15,000,000 | |
| Eastern Kentucky University | | 27,000,000 | |
| Kentucky State University | | 12,739,000 | |
| Morehead State University | | 7,200,000 | |
| Murray State University | | 15,000,000 | |
| Northern Kentucky University | | 42,000,000 | |
| University of Kentucky | | 49,855,000 | |
| University of Louisville | | 19,000,000 | |
| Western Kentucky University | | 29,500,000 | |
| Kentucky Community and Technical College System | | 57,224,000 | |
| Total | | <u>274,518,000</u> | |
| Grand Total - EXECUTIVE BRANCH | | <u>580,825,000</u> | |

AGENCY BOND FUND

| Cabinet / Agency | Revised FY 2004 | Recommended FY2005 | Recommended FY 2006 |
|---------------------------------------|----------------------------|-------------------------------|--------------------------------|
| GENERAL GOVERNMENT | | | |
| Kentucky River Authority | | 1,773,000 | |
| POSTSECONDARY EDUCATION | | | |
| Council on Postsecondary Education | | 42,902,000 | |
| University of Kentucky | | 46,000,000 | |
| University of Louisville | | 19,000,000 | |
| Western Kentucky University | | 4,000,000 | |
| Total | | <u>111,902,000</u> | |
| Grand Total - EXECUTIVE BRANCH | | <u>113,675,000</u> | |

CAPITAL CONSTRUCTION SURPLUS

| Cabinet / Agency | Revised FY 2004 | Recommended FY2005 | Recommended FY 2006 |
|---------------------------------------|----------------------------|-------------------------------|--------------------------------|
| GENERAL GOVERNMENT | | | |
| Treasury | | 63,000 | 63,000 |
| Military Affairs | | 237,000 | |
| Total | | <u>300,000</u> | |
| COMMERCE | | | |
| Kentucky Historical Society | | 250,000 | |
| HEALTH AND FAMILY SERVICES | | | |
| Public Health | | 330,000 | |
| Grand Total - EXECUTIVE BRANCH | | <u>880,000</u> | <u>63,000</u> |

INVESTMENT INCOME - CAPITAL

| Cabinet / Agency | Revised FY 2004 | Recommended FY2005 | Recommended FY 2006 |
|--|----------------------------|-------------------------------|--------------------------------|
| GENERAL GOVERNMENT | | | |
| Veterans' Affairs | | 100,000 | 100,000 |
| Military Affairs | | 2,660,000 | 1,310,000 |
| Total | | <u>2,760,000</u> | <u>1,410,000</u> |
| COMMERCE | | | |
| Parks | | 3,990,000 | 3,990,000 |
| Kentucky Horse Park | | 575,000 | 575,000 |
| Kentucky Center for the Arts | | 252,000 | 160,000 |
| Total | | <u>4,817,000</u> | <u>4,725,000</u> |
| DEPARTMENT OF EDUCATION | | | |
| Operations and Support Services | | 675,000 | 675,000 |
| EDUCATION CABINET | | | |
| General Administration and Program Support | | 395,000 | 460,000 |
| Kentucky Educational Television | | 1,100,000 | 100,000 |
| Total | | <u>1,495,000</u> | <u>560,000</u> |
| ENVIRONMENTAL AND PUBLIC PROTECTION | | | |
| General Administration and Program Support | | 1,000,000 | 200,000 |
| Environmental Protection | | 1,500,000 | 500,000 |
| Total | | <u>2,500,000</u> | <u>700,000</u> |
| FINANCE AND ADMINISTRATION | | | |
| Office of the Controller | | 3,500,000 | |
| Facilities Management | 400,000 | 8,725,000 | 7,725,000 |
| Revenue | | 1,500,000 | |
| Total | <u>400,000</u> | <u>13,725,000</u> | <u>7,725,000</u> |
| HEALTH AND FAMILY SERVICES | | | |
| General Administration and Program Support | | 1,030,700 | |
| Mental Health/Mental Retardation | | 2,450,000 | 1,500,000 |
| Public Health | | 350,000 | |
| Total | | <u>3,830,700</u> | <u>1,500,000</u> |
| JUSTICE AND PUBLIC SAFETY | | | |
| State Police | | 300,000 | 300,000 |
| Juvenile Justice | | 450,000 | 450,000 |
| Corrections Management | | 2,672,000 | 1,850,000 |
| Total | | <u>3,422,000</u> | <u>2,600,000</u> |
| Grand Total - EXECUTIVE BRANCH | <u>400,000</u> | <u>33,224,700</u> | <u>19,895,000</u> |

OTHER FUNDS - CAPITAL

| Cabinet / Agency | Revised FY 2004 | Recommended FY2005 | Recommended FY 2006 |
|--|----------------------------|-------------------------------|--------------------------------|
| COMMERCE | | | |
| Kentucky Horse Park | | | 1,000,000 |
| ENVIRONMENTAL AND PUBLIC PROTECTION | | | |
| Kentucky Nature Preserves Commission | | 300,000 | 300,000 |
| FINANCE AND ADMINISTRATION | | | |
| Kentucky Lottery Corporation | | 21,500,000 | 3,000,000 |
| Grand Total - EXECUTIVE BRANCH | | <u>21,800,000</u> | <u>4,300,000</u> |



Revenue Estimates

Fiscal Years

2004 - 2006

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 Majority Whip

Ken Upchurch
 Minority Whip

January 12, 2004

Mr. Bradford L. Cowgill
 State Budget Director
 Office of the State Budget Director
 Room 284, Capitol Annex
 Frankfort, Kentucky 40601

Mr. Robert Sherman, Director
 Legislative Research Commission
 Room 300, State Capitol
 Frankfort, Kentucky 40601

Ms. Cicely Lambert, Director
 Administrative Office of the Courts
 100 Millcreek Park
 Frankfort, Kentucky 40601

Dear Mr. Cowgill, Mr. Sherman, and Ms. Lambert:

Pursuant to KRS 48.120 and KRS 48.115, the attached report includes the Consensus Forecasting Group's official detailed revenue estimates for the General Fund, Road Fund, and Phase I Master Settlement Agreement (MSA) for Fiscal Years 2005 and 2006. The revenue estimates for the upcoming biennium, which were determined at the January 9, 2004, meeting of the Consensus Forecasting Group, are as follows:

| <u>Fiscal Year</u> | <u>General Fund</u> | <u>Road Fund</u> |
|--------------------|---------------------|------------------|
| 2005 | \$7,153,800,000 | \$1,141,400,000 |
| 2006 | \$7,457,000,000 | \$1,162,500,000 |

The official forecast reflects a 4.7 percent increase in General Fund receipts in FY 2005, when compared to FY 2004. Fiscal Year 2006 General Fund receipts are expected to exceed FY 2005 receipts by 4.2 percent. Increases in the Road Fund are estimated to be 1.7 percent and 1.8 percent for FY 2005 and FY 2006, respectively.

Compared to the October 15, 2003 preliminary estimates, the FY 2005 January official estimate for the General Fund has been increased by \$43.5 million, followed by \$64.3 million in FY 2006. The January official Road Fund estimate has been reduced by \$5.2 million and \$7.4 million for FY 2005 and FY 2006, respectively.

In addition to providing estimates for the General Fund and the Road Fund, the Consensus Forecasting Group has provided estimates pertaining to revenues the Commonwealth may realize from the Phase I Master Settlement Agreement. The estimates below represent the MSA revenue estimates and are not included in either the General Fund or Road Fund totals.

| <u>Fiscal Year</u> | <u>MSA Revenue</u> |
|--------------------|--------------------|
| 2005 | \$108,800,000 |
| 2006 | \$108,600,000 |

The Consensus Forecasting Group consisted of Dr. Merl Hackbart, Dr. Jim McCabe, Dr. Frank O'Connor, Mr. Terry Jones, Mr. Jim Street, and me. Support was provided by the Governor's Office for Economic Analysis, the LRC, and representatives of the Kentucky Revenue Cabinet.

In summary, the General Fund, Road Fund, and MSA estimates prepared by the Consensus Forecasting Group represent an agreement as to the most likely outcome for revenues for the upcoming biennium, given the available information by January 9, 2004.

Detailed estimates for each account and summary tables for the General Fund and the Road Fund are attached.

Sincerely,



Lawrence K. Lynch
Acting Chairman, Consensus Forecasting Group

Attachments



Section I

Executive Summary

Executive Summary

Revised revenue estimates for the General Fund and the Road Fund for FY04 and budget estimates for FY05 and FY06 are transmitted by Section IV of this report.

On December 22, 2003 the Consensus Forecasting Group revised the General Fund forecast for FY04 to \$6,835.2 million. This estimate was confirmed on January 9, 2004, and at that time the budget revenue estimate for FY05 was set at \$7,153.8 million, and FY06 was estimated to be \$7,457.0 million.

These estimates reflect the consensus forecasting process authorized by Kentucky Revised Statute 48.115. Consensus forecasting is a joint effort by the executive and legislative branches, assisted by selected academic economists.

Since most General Fund taxes relate in some way to the performance of the state's economy, the first step in the revenue estimating process is deciding upon a reasonable outlook for the national and state economies. As a preliminary step, the Governor's Office for Economic Analysis (GOEA) constructed three different outlooks based on possible national economic scenarios provided by Global Insight, a national economic consulting firm. These scenarios were reviewed by the Consensus Forecasting Group. The group decided that the control scenario was the most probable outcome.

The national economy entered a recession in the spring of 2001 and officially resumed expansion in the fall of that year. Nevertheless, the years since have seen very slow economic growth—particularly in Kentucky, which has been hit harder by downturns in certain industrial sectors. The forecast for the next biennium is that growth will resume in the final half of the current fiscal year, and will continue in the upcoming biennium. Real gross domestic product (GDP), which is expected to grow at an annual 4.1 percent rate in FY04, will grow 4.0 percent in FY05, and 3.3 percent in FY06. Employment is forecasted to grow by a very slight 0.1 percent in FY04, rising to 2.1 percent growth in FY05, and 1.9 percent in FY06.

As a reflection of its heavy manufacturing base, Kentucky's economy is projected to slightly lag the U.S. economy during the next biennium. Personal income is estimated to be \$110.5 billion in FY04, and will grow 3.4 percent from FY03. For the approaching biennium, growth is expected to rise to 5.1 percent and 5.2 percent in FY05 and FY06, respectively. Employment in nonagricultural industries is expected to be 1,784,400 workers in the current fiscal year. Growth in FY05 should be 2.0 percent, and the growth rate in FY06 is forecasted to be 1.7 percent.

Table 1
Economic Assumptions Used in Revenue Forecasts

| | FY03 | FY04 | FY05 | FY06 |
|--------------------------------------|-------------|-------------|-------------|-------------|
| KY Nonagricultural Employment (Thou) | 1,782.2 | 1,784.4 | 1,819.3 | 1,850.1 |
| Percent Change (%) | -0.5 | 0.1 | 2.0 | 1.7 |
| Kentucky Personal Income (Bil\$) | 106.8 | 110.5 | 116.2 | 122.2 |
| Percent Change (%) | 3.9 | 3.4 | 5.1 | 5.2 |

Recent General Fund revenue growth has been slower than the growth in the economy. Revenues rose by 3.4 percent in FY03, lower than the growth in personal income. Even this low growth was achieved only through the infusion of several one-time payments from tax amnesty and other non-economic events. Without these events, growth would have been less than one-half of one percent.

The outlook for the remainder of FY04 is for General Fund collections to total \$6,835.2 million, a growth rate of 0.8 percent from the previous year. For FY05, General Fund revenues are estimated to be \$7,153.8 million, a growth rate of 4.7 percent. The growth rate should be 4.2 percent in FY06, for General Fund collections of \$7,457.0 million.

Table 2
General Fund Revenue
FY03 Actual, FY04-FY06 Estimates

| | FY03 Actual (\$Mil) | FY04 Estimate (\$Mil) | FY05 Estimate (\$Mil) | FY06 Estimate (\$Mil) |
|--------------------|------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|
| Total Receipts | 6,783.5 | 6,835.2 | 7,153.8 | 7,457.0 |
| Percent Change (%) | 3.4 | 0.8 | 4.7 | 4.2 |
| New Dollars | 223.3 | 51.7 | 318.6 | 303.2 |

Road Fund collections are summarized in Table 3. Road Fund revenue should be \$1,122.6 million in FY04. This is forecasted to rise 1.7 percent in FY05 to yield \$1,141.4 million. In FY06, growth of 1.8 percent is forecasted, producing revenues of \$1,162.5 million. The primary sources of growth forecasted in the Road Fund for the FY04 to FY06 period are the motor vehicle usage tax, motor fuels taxes, and the weight distance tax. Higher revenue from this source is offset by declines in investment income and toll revenues.

Table 3
Road Fund Revenue
FY03 Actual, FY04-FY06 Estimates

| | FY03 Actual (\$Mil) | FY04 Estimate (\$Mil) | FY05 Estimate (\$Mil) | FY06 Estimate (\$Mil) |
|--------------------|------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|
| Total Receipts | 1,123.1 | 1,122.6 | 1,141.4 | 1,162.5 |
| Percent Change (%) | 0.4 | 0.0 | 1.7 | 1.8 |
| New Dollars | 4.1 | -0.5 | 18.8 | 21.1 |



Section II

Economic Outlook

Economic Outlook

NATIONAL OUTLOOK

Forecasting Methodology

In formulating Kentucky's General Fund and Road Fund estimate the Governor's Office for Economic Analysis (GOEA) used a variety of forecasting techniques. These included simultaneous equation econometric models, simple regression models, vector autoregression, time-series analysis, and judgment based on familiarity with the administrative rules governing revenue receipts and tax laws.

The first step in the revenue forecasting process was deciding upon a reasonable view of how the national and state economies will evolve over the forecast period. The U.S. economic outlook upon which the estimate is based was provided by Global Insight, a nationally recognized economic consulting firm. As a preliminary step, a national economic scenario was agreed upon for the forecast period. The Consensus Forecasting Group reviewed scenarios developed by Global Insight and GOEA in November 2003. The Consensus Forecasting Group determined that the Control scenario contained the most plausible assumptions about the national economy.

Assumptions

The forecasting process always has some degree of uncertainty. This becomes more problematic if the forecaster is anticipating a turning point in an economic cycle. Both the strength and timing of the recovery have to be forecasted. The difficulty is compounded by trying to ascertain the impact of both monetary and fiscal policies on the recovery. The current recovery has been different from typical recoveries in past cycles. Even though output has surged, employment losses have persisted well beyond the end of the recession. Last year an added uncertainty was injected with the war in Iraq and the funding required to maintain troops in the Middle East. However, some robust assumptions can be made about the U.S. economy. These assumptions are not sensitive to changes in the details to the overall forecast.

The pivotal assumption reached in December was that the national job recovery that seems to have begun in the first quarter of FY04 (July to September 2003) will expand to Kentucky in the second half of the fiscal year. The delayed recovery for Kentucky is related to the dominance of manufacturing in the employment mix. Energy prices are expected to be moderate with crude oil in the \$23 per barrel range even as the world economy expands and the demand for oil increases. The main reason is the assumption that OPEC is unsuccessful in convincing non-cartel members to cut production.

Short-term interest rates as expressed in the federal funds rate are expected to remain low and the first rate increases are anticipated to take place in mid-FY05. Inflation is expected to continue to be under two percent during the next biennium.

Forecast

The most recent recession that disrupted economic growth ended two years ago. Even though this was the official beginning of an expansion, the growth in output was tepid. Industrial production declined in some quarters, and the economy continued to lose jobs.

Real gross domestic product (GDP) is an inflation-adjusted measure of the total output of goods and services produced in the United States. During the first quarter of the expansion—October-to-December 2001—real GDP grew by 2.7 percent, followed by two years of erratic growth. During much of this period economic growth teetered from 1.4 percent to 5.0 percent and there was a very real fear that it would slip into another recession. The specter of a double-dip recession was finally laid to rest in the first quarter of FY04 with real GDP growth initially reported at 7.2 percent (this was later revised up to 8.2 percent). The economy is not expected to sustain this growth rate, but to pursue a more moderate and sustainable path during the rest of FY04. For FY04, real GDP is expected to increase by 4.1 percent. During the first year of the next biennium growth is expected to be 4.0 percent followed by 3.3 percent in FY06.

Consumers have been the main driver for both the national and Kentucky economies. In spite of the muted recovery, national consumption patterns have not changed substantially. Two-thirds of real GDP is comprised of consumption expenditures. Total real consumption increased by 6.6 percent in the first quarter, and the overall growth for FY04 is expected to be 3.6 percent. During the next biennium consumption is forecasted to increase by 3.6 percent in FY05 followed by slightly slower growth of 3.0 percent in FY06. During the current year the primary source for the expansion of consumption is in durable goods, particularly the automobile sector. Zero-percent financing and other rebates continue to accelerate auto sales and overall consumption. Spurred by that, durable goods consumption is expected to rise by 7.6 percent in FY04, and then slow to 4.3 percent in FY05.

During the first two years of the recovery, business confidence had been lacking as evidenced by tepid growth in investment. A surge in investment has characterized the first half of FY04 and overall growth is forecasted at 7.7 percent. Investment growth for the next two years is expected to be 6.6 percent and 3.8 percent. The investment forecast is strong not so much because of recovery in traditional bricks-and-machinery investments, but because of computers and software. These now constitute 30 percent of all investment activity. This in turn has led to higher productivity and growth in the U.S. economy.

U.S. personal income grew by an annual average of 4.8 percent during the last five years. Inflation during this period was just 2.4 percent. Growth in personal income during FY04 is expected to be 4.1 percent with inflation at 1.7 percent. During the next biennium personal income growth is forecasted to increase by 5.6 percent in FY05 and 5.5 percent in FY06. The biggest damper to the growth rate in the current year is the lack of growth in wage and salary income as a result of weak employment gains.

The employment news has been disappointing. During the two years of the U.S. recovery, from November 2001 to November 2003, over three-quarters of a million jobs have been lost, causing some economists to describe this as a “job-loss recovery.” The turnaround seems to have finally occurred during the first half of this fiscal year, and nonagricultural employment is expected to turn slightly positive with growth of 0.1 percent. As the economy accelerates, employment is expected to grow by 2.1 percent in FY05 followed by 1.9 percent in FY06.

KENTUCKY OUTLOOK

Forecasting Methodology

On the advice of the Consensus Forecasting Group, Global Insight's November 2003 Control forecast of the U.S. economy was used as the backdrop for forecasting the Kentucky economy for the current fiscal year and the next biennium. At the heart of the revenue estimation process is a dynamic response econometric model that forecasts the economic environment in which revenue collection will occur. The model estimates the effect of changes in the national economic outlook on the Kentucky economy. The U.S. economy is considered to be a "driver" for the state economy to the extent that certain fundamental economic factors are common to both and that the state economy is demand driven. As an example, interest rates and energy prices are common to both economies. The demand for goods in the larger economy is assumed to drive the production of goods in Kentucky and the composition of Kentucky's employment.

Economic Forecast

The Kentucky economy was hit hard during the recession, and continued to suffer during the two years of "recovery" after November 2001. Both nationally and in the state, economic recovery occurred in terms of output of goods and services. But sharp gains in productivity and the increased outsourcing of jobs abroad meant that employment actually declined during this period. Since the recession was global it idled production activity in low-wage countries, too. During the initial stages of recovery, the increased demand for goods benefitted the low-wage factories off-shore first. An important difference from past recoveries was that not only did goods-producing jobs migrate overseas, but so did many white-collar service industry jobs. Domestically, job growth was further delayed by a phenomenal increase in productivity. During the first quarter of FY04 productivity was up 9.0 percent. Both these factors suppressed employment and income growth in Kentucky more than the nation because Kentucky workers were in direct competition for lower-wage manufacturing and service jobs that had migrated abroad.

Kentucky's personal income is estimated to be \$110.5 billion in FY04 for an increase of 3.4 percent from a year ago. In comparison, U.S. personal income is forecasted to grow by 4.1 percent in the same period. As the recovery becomes more widespread and business investment increases, personal income is expected to go up sharply in FY05 by 5.1 percent followed by 5.2 percent in FY06. Most of the growth will be from wage and salary income which accounts for over half of personal income. With the further expansion of the economy and the low dollar, the demand for domestic goods is expected to rise and that for imports decrease somewhat. Both of these effects should result in an increase of wage and salary income.

Employment data is commonly used to gauge the strength of the state's economy. Nonagricultural employment in Kentucky has declined steadily since March 2000. There was a modest uptick in early FY03, but that was erased within two quarters. Since September 2003 employment has begun to rise in Kentucky. The gains are not enough to counterbalance the losses from a year ago, but they are a positive sign. A modest gain of 0.1 percent in employment is forecasted for FY04, followed by more robust increases of 2.0 percent and 1.7 percent in FY05 and FY06. Even with these gains Kentucky's employment is not expected to reach the high achieved in 2000 until the final quarter of FY05.

During the last recession Kentucky's employment mix exacerbated the economic situation. In FY00 manufacturing accounted for 17 percent of all Kentucky employment compared to 13 percent

nationally. As the national economy deteriorated the demand for goods dropped, resulting in a decline for Kentucky's manufacturing industries. In FY04 manufacturing jobs are about 15 percent of Kentucky's employment base compared to 11 percent nationally. Jobs in this sector are expected to increase by next year as a result of both the economic recovery and the lower dollar which effectively makes U.S. goods cheaper in other countries. Much of the employment gains are expected to come from business services (up 2.5 percent in the current year, followed by growth rates of 5.8 and 3.6 percent in the next two years). Other sectors like construction and trade will also contribute strongly to the growth during the next three years. The only area that will continue to decline is the mining sector which is dominated by coal mining and has been contracting for over fifteen years.

**Table 4 - Selected U.S. and Kentucky Economic Indicators
KY2003 Model - November 2003**

| | FY02 | FY03 | FY04 | FY05 | FY06 |
|--|-------------|-------------|-------------|-------------|-------------|
| OUTPUT | | | | | |
| US Real GDP (Bil 1996\$) | 9,298 | 9,546 | 9,936 | 10,332 | 10,670 |
| % chg | 0.8 | 2.7 | 4.1 | 4.0 | 3.3 |
| Industrial Production Index, Manufacturing (%) | -4.3 | 0.2 | 1.8 | 6.4 | 5.6 |
| Industrial Production Index, Durables (%) | -5.9 | 0.7 | 3.5 | 8.3 | 7.1 |
| INCOME | | | | | |
| KY Personal Income (Mil\$) | 102,857 | 106,843 | 110,468 | 116,154 | 122,157 |
| % chg | 2.8 | 3.9 | 3.4 | 5.1 | 5.2 |
| KY Wage & Salary Income (Mil\$) | 56,275 | 57,632 | 58,924 | 62,157 | 65,348 |
| % chg | 2.1 | 2.4 | 2.2 | 5.5 | 5.1 |
| KY Other Labor Income (Mil\$) | 7,723 | 8,405 | 8,891 | 9,541 | 10,317 |
| % chg | 5.1 | 8.8 | 5.8 | 7.3 | 8.1 |
| KY Proprietors' Income (Mil\$) | 7,253 | 7,587 | 7,743 | 8,214 | 8,559 |
| % chg | 0.3 | 4.6 | 2.1 | 6.1 | 4.2 |
| KY Dividend, Interest, & Rent (Mil\$) | 18,200 | 18,400 | 18,845 | 19,620 | 20,890 |
| % chg | -0.1 | 1.1 | 2.4 | 4.1 | 6.5 |
| KY Transfer Payments (Mil\$) | 18,649 | 20,101 | 21,525 | 22,360 | 23,061 |
| % chg | 8.2 | 7.8 | 7.1 | 3.9 | 3.1 |
| US Personal Income (Bil\$) | 8,781 | 9,052 | 9,426 | 9,955 | 10,505 |
| % chg | 2.1 | 3.1 | 4.1 | 5.6 | 5.5 |
| EMPLOYMENT | | | | | |
| KY Nonagricultural Employment (Thous) | 1,790.6 | 1,782.2 | 1,784.4 | 1,819.3 | 1,850.1 |
| % chg | -1.6 | -0.5 | 0.1 | 2.0 | 1.7 |
| US Nonagricultural Employment (Mil) | 130.9 | 130.2 | 130.3 | 133.0 | 135.6 |
| % chg | -1.0 | -0.5 | 0.1 | 2.1 | 1.9 |
| KY Manufacturing Employment (Thou) | 281.6 | 272.2 | 266.9 | 269.5 | 274.1 |
| % chg | -7.4 | -3.4 | -1.9 | 1.0 | 1.7 |
| US Manufacturing Employment (Mil) | 15.7 | 15.0 | 14.5 | 14.5 | 14.6 |
| % chg | -7.6 | -4.7 | -3.6 | 0.2 | 1.0 |
| OTHER KEY MEASURES | | | | | |
| Consumer Sentiment Index (Univ of Michigan) | 90.2 | 85.1 | 90.7 | 93.4 | 90.4 |
| CPI, Rate of Inflation (%) | 1.8 | 2.2 | 1.7 | 1.6 | 1.9 |
| US Retail Sales (%) | 3.0 | 4.0 | 5.2 | 4.4 | 4.3 |
| US Corporate Profits(%) | -12.9 | 6.5 | 18.7 | 17.2 | 15.9 |
| Three-month Treasury Bills (%) | 2.2 | 1.3 | 0.9 | 1.3 | 2.1 |
| Oil Price, average composite (\$/barrel) | 21.39 | 27.58 | 24.78 | 22.86 | 23.17 |

Table 5
Employment in Kentucky
CONTROL Scenario: November 2003

| | FY02 | FY03 | FY04 | FY05 | FY06 |
|-----------------------------------|-------------|-------------|-------------|-------------|-------------|
| KENTUCKY (thousands) | | | | | |
| Total Nonagricultural | 1,790.6 | 1,782.2 | 1,784.4 | 1,819.3 | 1,850.1 |
| Contract Construction | 85.4 | 83.0 | 85.4 | 88.3 | 89.6 |
| Mining | 21.1 | 19.8 | 19.4 | 19.1 | 18.5 |
| Manufacturing | 281.6 | 272.2 | 266.9 | 269.5 | 274.1 |
| Trade, Transportation, Utilities | 374.8 | 368.4 | 371.3 | 380.7 | 387.0 |
| Information | 32.1 | 31.7 | 30.8 | 31.0 | 31.2 |
| Finance | 84.6 | 85.2 | 85.9 | 87.2 | 88.8 |
| Business Services | 153.4 | 154.8 | 158.6 | 167.7 | 173.8 |
| Educational & Health Services | 217.5 | 225.5 | 226.7 | 231.3 | 236.1 |
| Leisure & Hospitality Services | 152.7 | 154.3 | 155.6 | 158.5 | 161.1 |
| Other Services | 74.9 | 75.1 | 73.3 | 74.9 | 76.9 |
| Government | 312.6 | 312.3 | 310.6 | 311.0 | 312.9 |
| KENTUCKY (annual % change) | | | | | |
| Total Nonagricultural | -1.6 | -0.5 | 0.1 | 2.0 | 1.7 |
| Contract Construction | -2.3 | -2.8 | 2.9 | 3.5 | 1.5 |
| Mining | 9.3 | -6.1 | -2.2 | -1.4 | -3.2 |
| Manufacturing | -7.4 | -3.4 | -1.9 | 1.0 | 1.7 |
| Trade, Transportation, Utilities | -4.1 | -1.7 | 0.8 | 2.5 | 1.6 |
| Information | -4.0 | -1.3 | -3.0 | 0.9 | 0.6 |
| Finance | 1.4 | 0.7 | 0.8 | 1.6 | 1.8 |
| Business Services | -5.1 | 0.9 | 2.5 | 5.8 | 3.6 |
| Educational & Health Services | 4.6 | 3.7 | 0.6 | 2.0 | 2.1 |
| Leisure & Hospitality Services | -0.3 | 1.1 | 0.8 | 1.9 | 1.6 |
| Other Services | 4.5 | 0.3 | -2.3 | 2.1 | 2.7 |
| Government | 2.0 | -0.1 | -0.5 | 0.1 | 0.6 |



Section III

General Fund and Road Fund Receipts

Fiscal Year 2003 and First Half of Fiscal Year 2004

Receipts

General Fund & Road Fund

Fiscal Year 2003

Total receipts for the General Fund and the Road Fund increased by 3.0 percent in FY03 when compared to the prior year. The growth in the General Fund was 3.4 percent. The Road Fund grew by 0.4 percent when compared to FY02. The growth rate and total receipts for both the General Fund and the Road Fund are shown in Table 6.

Table 6
Total Receipts
(\$Mil)

| | FY02 | FY03 | Percent Change |
|-----------------|------------------|------------------|---------------------------|
| General Fund | \$6,560.2 | \$6,783.5 | 3.4 |
| Road Fund | <u>1,119.0</u> | <u>1,123.1</u> | <u>0.4</u> |
| COMBINED | \$7,679.2 | \$7,906.6 | 3.0 |

Within the General Fund, total sales and use tax receipts grew by 2.8 percent with collections of \$2,364.2 million during FY03. This compares to \$2,300.0 million collected in FY02.

The individual income tax generated receipts of \$2,746.4 million during FY03, which is an increase of 1.6 percent over the \$2,702.5 million collected in the previous year.

Corporation income and license tax receipts increased by 32.5 percent during FY03. A total of \$430.6 million was collected during FY03, compared to \$324.9 million during FY02.

Coal severance collections declined, with an 11.5 percent drop in receipts from FY02 to FY03. Receipts were \$141.7 million for FY03 and \$160.2 million for FY02.

Property tax collections grew by 0.4 percent for FY03. The amounts collected were \$434.8 million for FY03, and \$433.0 million for FY02.

Lottery receipts were up 1.2 percent from the previous year, with collections at \$171.0 million in FY03 compared to \$169.0 million in the previous year.

Table 7 contains the growth rates for the major tax categories in the General Fund, for the four quarters of FY03 and the year as a whole.

Table 7
General Fund Growth Rates for the Four Quarters and the Full Year, FY03
(percent)

| | First Quarter (%) | Second Quarter (%) | Third Quarter (%) | Fourth Quarter (%) | Total FY03 (%) |
|-----------------------|----------------------------------|-----------------------------------|----------------------------------|-----------------------------------|-------------------------------|
| Sales and Use | 9.8 | 3.0 | -1.9 | 0.2 | 2.8 |
| Individual Income | -1.8 | 3.4 | 10.2 | -2.9 | 1.6 |
| Corporate Inc./Lic. | 28.5 | 80.2 | 61.5 | 12.8 | 32.5 |
| Coal Severance | -13.9 | -10.4 | -16.1 | -5.4 | -11.5 |
| Property | 21.4 | -3.5 | 3.7 | -4.6 | 0.4 |
| Lottery | 2.6 | -18.4 | 28.2 | -2.4 | 1.2 |
| All Other | <u>7.3</u> | <u>40.7</u> | <u>8.1</u> | <u>-11.2</u> | <u>5.1</u> |
| Total Receipts | 5.0 | 5.1 | 5.3 | -1.2 | 3.4 |

The Road Fund was up by a small 0.4 percent for FY03. Motor fuels taxes grew by 2.2 percent with receipts of \$454.0 million. Motor vehicle usage tax generated receipts of \$432.9 million for growth of 0.8 percent from the \$429.3 million collected in FY02. Weight distance tax receipts were up 2.1 percent, with receipts of \$76.9 million in FY03 compared to \$75.3 million in FY02.

Table 8 contains the growth rates for the major tax categories in the Road Fund for the four quarters of FY03 and the year as a whole.

Table 8
Road Fund Growth Rates for the Four Quarters and the Full Year, FY03
(percent)

| | First Quarter (%) | Second Quarter (%) | Third Quarter (%) | Fourth Quarter (%) | Total FY03 (%) |
|-----------------------|----------------------------------|-----------------------------------|----------------------------------|-----------------------------------|-------------------------------|
| Motor Fuels | 5.5 | 5.4 | -5.2 | 2.5 | 2.2 |
| Motor Vehicle Usage | 14.8 | -10.0 | -3.5 | 3.0 | 0.8 |
| Weight Distance | 2.8 | 4.0 | 0.6 | 0.9 | 2.1 |
| Other | 17.1 | -17.0 | 1.9 | -14.8 | -5.4 |
| Total Receipts | 10.4 | -4.3 | -3.0 | -0.9 | 0.4 |

First Half, Fiscal Year 2004

Total General Fund receipts for the first half of FY04 were \$3,452.9 million, which is a 0.3 percent increase over the first half of FY03, when \$3,441.9 million was generated.

Sales and use tax collections totaled \$1,226.2 million. This is a 0.6 percent decline over the \$1,233.0 million collected in the first half of FY03.

Individual income tax receipts grew by 3.7 percent during the first half of FY04 with receipts of \$1,403.5 million. Collections for the first half of FY03 were \$1,353.2 million.

Corporation income tax receipts declined by 10.0 percent during the first half of FY04. Collections during the period were \$150.4 million, compared to \$167.2 million during the first half of FY03.

Coal severance receipts declined by 4.9 percent for the first half of the year. Collections for the current period totaled \$69.6 million compared to \$73.2 million for the first half of FY03.

Property tax collections fell by 0.3 percent during the first half of FY04. Collections for the period were \$265.5 million compared to \$266.4 million during the first half of FY03. The decline was due primarily to timing differences for tax payments that are normally paid in January.

Lottery receipts of \$82.8 million represented growth of 3.5 percent over the \$80.0 million collected during the first half of FY03.

Total Road Fund receipts declined by 0.5 percent to \$551.9 million. Collections for the first half of FY03 were \$554.5 million.

Motor fuels taxes decreased by 1.3 percent. Receipts were \$220.9 million during the first half of FY04 compared to \$223.7 million during the same period of FY03.

Motor vehicle usage tax receipts grew by 0.2 percent with collections of \$216.5 million, compared to \$216.2 million received in the first six months of the previous fiscal year.

During the first half of FY04 the weight distance tax declined by 0.1 percent. Collections for the first half of FY04 were \$39.3 million.



Section IV

Detailed

Revenue Estimates

Fiscal Years

2004, 2005, and 2006

Revenue Estimates

Detailed for FY04, FY05, & FY06

The Consensus Forecasting Group (CFG) produces revenue estimates for the General Fund and the Road Fund. On October 15 of each odd-numbered year (such as 2003), a preliminary detailed revenue estimate for the upcoming two fiscal years must be presented to the heads of the budget agencies for each branch of state government. Then in the following January, by the 15th day of the legislative session, a revised estimate is required.

The Consensus Forecasting Group relies heavily upon input from the Governor's Office for Economic Analysis (GOEA). To fulfill its mandate to provide accurate and timely revenue forecasts, GOEA uses several forecasting techniques, ranging from simple trend models to the latest econometric models. GOEA uses output from Macroeconomic Model of Kentucky (MAK) in the estimation of several revenue sources. MAK is a structural forecasting model of the Kentucky economy that uses the Global Insight forecast for the national economy in its underlying estimation. This model provides, among other things, estimates for future income and employment for the Commonwealth of Kentucky.

In addition to data from the MAK model, the revenue forecasting models use past values for the various categories of revenue and other economic or financial data. Some revenue forecasts use detailed, highly theoretical estimating techniques with several data inputs. Other forecasts use more intuitive equations with basic data. Regardless of the method or data inputs, each estimate is carefully weighed against the forecaster's knowledge of economic events, past revenue trends, and administrative considerations. Analysts from the Transportation Cabinet and the Revenue Department may provide additional information about the administration of various taxes. After GOEA's analysis is completed, the revenue estimates are presented to the CFG for further analysis. The CFG is a select group of distinguished economists and budgetary experts who examine and may modify the estimates based on their own experience and consideration of the relevant facts.

General Fund: Major Accounts

The CFG met early in December 2003 to choose an economic outlook upon which to build the revenue estimates. The economic forecast was then considered over the following week. During this period GOEA prepared preliminary revenue estimates including the November revenue receipts and other events and suggestions from the CFG. The group reconvened December 13 to consider the initial revenue estimate prepared by GOEA. At the request of the State Budget Director, the CFG met again on December 22 to officially revise the forecast for FY04. The revenue estimates for the upcoming biennium were determined on January 9, 2004, after the December receipts could be incorporated into the forecast. After examining and discussing the General Fund forecast in great detail, the CFG agreed upon the forecast that is presented in this report.

Individual Income Tax

During the first half of FY04 individual income tax receipts grew by a moderate 3.7 percent. Growth during the same period a year ago was 0.8 percent. Individual income tax revenue was forecasted with ordinary least squares (OLS) analysis, using Kentucky wages and salaries as well as Kentucky nonagricultural employment as regressors. The growth rate for individual income tax generated by this approach was used in the official estimate.

For FY04 individual income tax revenues are forecasted to be \$2,733.5 million, a decline of 0.5 percent brought about by extraordinary gains in this tax during FY03. In FY05 and FY06 the forecasted amounts are \$2,889.2 million and \$3,042.3 million, with corresponding growth rates of 5.7 percent and 5.3 percent.

Sales and Use Tax

During the first six months of FY04, the sales and use tax fell by 0.6 percent, affected (just as the individual income tax) by extraordinary gains in the first half of FY03. The sales tax was estimated through OLS as described above for the income tax. The regressors used in the estimate were Kentucky wages and salaries, and the Consumer Sentiment Index as maintained by the University of Michigan. Adjustments were made to account for the impact of the one-time gains in FY03. Projected sales tax revenues were increased to account for anticipated expiration of certain Kentucky Enterprise Zones.

The current forecast is for sales tax receipts to increase by 1.6 percent in FY04 to \$2,402.7 million. During the next two years growth is estimated at 6.6 percent for FY05 with receipts of \$2,560.5 million and \$2,684.5 million in FY06 with a growth rate of 4.8 percent.

Corporation Income and License Taxes

The corporation income tax revenue model was estimated with an autoregressive/integrated moving average (ARIMA) model. The time series of income tax receipts was adjusted to reflect the one-time amnesty money received in FY03. Corporation license tax receipts were also estimated using ARIMA techniques. Results from these models were adjusted up to reflect estimated revenues received as a result of the Illinois Tool Works (ITW) court decision.

The corporation income tax is plagued by a somewhat erratic history of receipts. This historical variation makes the estimating process more complicated. The forecast calls for corporate income and license tax receipts to total \$414.9 million in FY04, down 3.7 percent from the \$430.6 million collected in FY03. Strong growth is expected for FY05 as further impacts of ITW are realized. Revenues are expected to be \$468.9 million and \$474.0 million in fiscal years 2005 and 2006, respectively.

Coal Severance Tax

In previous forecasts, GOEA has relied on third-party forecasts of coal production and price to forecast coal severance taxes. Due to the unavailability of this data, the current analysis is based on an ARIMA (Box-Jenkins) model. Recently coal severance revenues have resumed their downward drift after the sharp increase during FY02. Collections for FY03 totaled \$141.7 million, an 11.5 percent

decline compared with FY02. The forecast calls for a decrease of 3.9 percent in FY04, with modest reductions continuing in FY05 and FY06. FY04 receipts are expected to total \$136.1 million. The biennium forecast predicts receipts of \$132.6 million in FY05 and \$128.7 million in FY06.

Property Taxes

Property taxes are forecasted based on historical property tax assessments, the Kentucky economic outlook, statutory and judicial changes, and administrative factors. The last consideration, administrative factors, carries a higher importance in property tax estimation, since House Bill 44 constrains the annual growth in real property revenue to 4.0 percent.

In formulating the forecast, the first step was to examine the detailed forecast prepared by the property tax division of the Kentucky Revenue Department. After careful consideration, the taxes are aggregated and the estimates are considered by the CFG. Collections are expected to total \$446.5 million in FY04, 2.7 percent growth over FY03. Receipts of \$459.8 million and \$480.5 million are expected in the two years of next biennium.

Kentucky Lottery

For the upcoming biennium, revenues from the Kentucky Lottery will be significantly impacted by the inauguration of a lottery in Tennessee. The estimate for FY04 is \$163.8 million, with \$160.5 million and \$157.8 million as the estimates for FY05 and FY06, respectively. These forecasts include funds available due to the expiration of statutes redirecting unclaimed prize money into a college scholarship fund for FY04. The estimates factor in potential risks to lottery participation, such as competition from increased gaming opportunities in neighboring states.

Other Revenue Sources

The capacious "Other" category contains an eclectic collage of over 100 revenue accounts. Despite their aggregation for display purposes, the line items in the "Other" category are estimated separately. In most cases, estimates were derived based on trend analyses of data from FY90 to FY03. In all cases the estimates are scrutinized to ensure a proper accounting for administrative and legal anomalies. Some of the larger accounts, notably pari-mutuel taxes, inheritance taxes, and investment income, were estimated in close consultation with the administrators of each revenue source.

After tallying all of the accounts, the forecast calls for revenues of \$537.7 million in FY04, an increase of 8.7 percent compared to FY03. Inheritance tax revenue is expected to fall sharply due to changes in the federal estate tax, and a change in the treatment of abandoned property should raise FY04 revenue sharply while reducing it in the following biennium. The net result of these changes will offset the growth in many of the smaller accounts in FY05, and will retard the growth in FY06. In the next biennium, expectations are for collections of \$482.2 million and \$489.2 million, a decline of 10.3 percent followed by a growth of 1.5 percent.

Road Fund: Major Accounts

Motor Fuels (Normal, Normal Use Tax, and Fuels Surtax)

Motor fuels taxes are estimated independently by GOEA and the Transportation Cabinet. The estimates are then compared and an agreement between the two entities is reached before the estimates are presented to the CFG. Normal fuels taxes and the surtax are estimated with different equations, since gasoline and diesel fuel consumption are not always congruous. Normal fuels and the surtax are then added after estimation to get the fuels estimate. The forecasted growth rate for FY04 is 1.1 percent, representing total collections of \$458.8 million. Slightly higher growth rates are expected in the biennial forecast. Collections are expected to total \$472.9 million in FY05 and \$480.6 million in FY06.

Motor Vehicle Usage

Much like the motor fuels taxes, GOEA and the Transportation Cabinet prepare separate forecasts for the motor vehicle usage tax. The GOEA model consists of a single-equation OLS model that includes consumer sentiment and spending on light vehicles as regressors. Motor vehicle usage receipts have decelerated in FY03 and the first half of FY04. Receipts in FY04 are expected to total \$437.4 million, 1.0 percent more than in FY03. Growth is expected to remain moderate in the approaching biennium. The forecast predicts receipts of \$446.8 million and \$454.2 million in FY05 and FY06, respectively.

Other Revenue Sources

The Transportation Cabinet monitors most of these revenue sources. The estimates incorporate historical growth patterns, recent statutory changes, and administrative factors that influence the flow of revenues. The biggest change was predicted in investment income, as the investment balances decline due to an accelerated schedule of road projects. The CFG considered the estimates and accepted them without revision.

General Fund
Consensus Forecast: January 2004
(millions of dollars)

| | <u>FY03</u> | | <u>FY04</u> | | <u>FY05</u> | | <u>FY06</u> | |
|---------------------------|------------------|-------------|------------------|-------------|------------------|-------------|------------------|-------------|
| | <u>Actual</u> | <u>%Chg</u> | <u>Estimate</u> | <u>%Chg</u> | <u>Estimate</u> | <u>%Chg</u> | <u>Estimate</u> | <u>%Chg</u> |
| Sales & Use | 2,364.2 | 2.8 | 2,402.7 | 1.6 | 2,560.5 | 6.6 | 2,684.5 | 4.8 |
| Individual Income | 2,746.4 | 1.6 | 2,733.5 | -0.5 | 2,889.2 | 5.7 | 3,042.3 | 5.3 |
| Corporation Income & Lic. | 430.6 | 32.6 | 414.9 | -3.7 | 468.9 | 13.0 | 474.0 | 1.1 |
| Coal Severance | 141.7 | -11.5 | 136.1 | -3.9 | 132.6 | -2.6 | 128.7 | -3.0 |
| Property | 434.8 | 0.4 | 446.5 | 2.7 | 459.8 | 3.0 | 480.5 | 4.5 |
| Lottery | 171.0 | 1.2 | 163.8 | -4.2 | 160.5 | -2.0 | 157.8 | -1.7 |
| Other | 494.8 | 5.1 | 537.7 | 8.7 | 482.2 | -10.3 | 489.2 | 1.5 |
| Total General Fund | \$6,783.5 | 3.4 | \$6,835.2 | 0.8 | \$7,153.8 | 4.7 | \$7,457.0 | 4.2 |

General Fund Revenue (Actual and Estimated) Consensus Forecasting Group: January 2004

| <u>Source</u> | <u>Actual 2001-02</u> | <u>Actual 2002-03</u> | <u>Estimate 2003-04</u> | <u>Estimate 2004-05</u> | <u>Estimate 2005-06</u> |
|---|---------------------------|---------------------------|-----------------------------|-----------------------------|-----------------------------|
| <u>Selected Sales and Gross Receipts Taxes</u> | | | | | |
| Sales & Use | \$2,299,990,621 | \$2,364,182,478 | \$2,402,700,000 | \$2,560,500,000 | \$2,684,500,000 |
| Cigarette | 13,943,208 | 16,367,947 | 17,000,000 | 17,900,000 | 18,900,000 |
| Distilled Spirits Case Sales | 81,923 | 85,601 | 100,000 | 100,000 | 200,000 |
| Insurance Tax Foreign Companies | 36,058,437 | 36,904,903 | 37,400,000 | 38,300,000 | 39,200,000 |
| Insurance Tax Companies Other Than Life | 65,899,201 | 74,529,362 | 78,300,000 | 82,900,000 | 87,600,000 |
| Insurance Tax Fire Prevention Fund | 3,145,313 | 3,554,526 | 4,000,000 | 4,200,000 | 4,400,000 |
| Pari-Mutuel | 5,179,952 | 5,953,247 | 3,600,000 | 3,600,000 | 5,500,000 |
| Race Track Admission | 260,232 | 193,114 | 200,000 | 200,000 | 200,000 |
| Beer Consumption | 6,286,734 | 6,334,169 | 6,400,000 | 6,500,000 | 6,600,000 |
| Distilled Spirits Consumption | 8,266,005 | 8,680,833 | 9,100,000 | 9,400,000 | 10,000,000 |
| Wine Consumption | 1,786,985 | 1,902,818 | 2,000,000 | 2,200,000 | 2,300,000 |
| Beer Wholesale | 34,596,592 | 35,969,890 | 36,400,000 | 36,800,000 | 39,300,000 |
| Distilled Spirits Wholesale | 15,129,147 | 16,088,048 | 16,600,000 | 17,100,000 | 18,600,000 |
| Wine Wholesale | 6,396,603 | 6,795,935 | 7,100,000 | 7,400,000 | 7,700,000 |
| TOTAL SEL. SALES AND GROSS RECEIPTS TAXES | \$2,497,020,953 | \$2,577,542,871 | \$2,621,000,000 | \$2,787,000,000 | \$2,925,100,000 |
| <u>License and Privilege Taxes</u> | | | | | |
| Coal Severance Tax | \$160,160,116 | \$141,664,981 | \$136,100,000 | \$132,600,000 | \$128,700,000 |
| Mineral Severance Tax | 12,355,174 | 12,580,912 | 12,900,000 | 13,000,000 | 13,100,000 |
| Natural Gas Severance Tax | 12,301,781 | 14,713,486 | 15,400,000 | 15,400,000 | 15,700,000 |
| Oil Production | 2,590,722 | 3,116,954 | 3,300,000 | 3,100,000 | 3,300,000 |
| Corporate License | 117,500,770 | 152,595,257 | 146,700,000 | 194,700,000 | 196,300,000 |
| Cigarette License | 134,707 | 108,325 | 100,000 | 100,000 | 100,000 |
| Amusement Machine License | 0 | 0 | 0 | 0 | 0 |
| Race Track License | 37,423 | 322,825 | 300,000 | 300,000 | 400,000 |
| Marijuana and Controlled Substance Tax | 84,227 | 84,327 | 0 | 0 | 0 |
| Bank Franchise Tax | 50,549,168 | 53,747,906 | 52,000,000 | 52,000,000 | 52,000,000 |
| Corporation Organization | 144,233 | 190,494 | 200,000 | 200,000 | 200,000 |
| Cir. Ct. Clk. - Driver License Receipts | 505,187 | 499,003 | 500,000 | 500,000 | 500,000 |
| Sand and Gravel License | 7,675 | 5,325 | 0 | 0 | 0 |
| Relicensure Fees (Driver's License) | 0 | 0 | 0 | 0 | 0 |
| Alcoholic Beverage License Suspension | 220,800 | 227,850 | 200,000 | 200,000 | 300,000 |
| Convention Center Caterer License | 0 | 0 | 0 | 0 | 0 |
| TOTAL LICENSE AND PRIVILEGE TAXES | \$356,591,983 | \$379,857,645 | \$367,700,000 | \$412,100,000 | \$410,500,000 |

General Fund Revenue (Actual and Essus Forecasting Group: January 2004

| <u>Source</u> | <u>Actual 2001-02</u> | <u>Actual 2002-03</u> | <u>Estimate 2003-04</u> | <u>Estimate 2004-05</u> | <u>Estimate 2005-06</u> |
|--------------------------------------|---------------------------|---------------------------|-----------------------------|-----------------------------|-----------------------------|
| <u>Income Taxes</u> | | | | | |
| Corporation Income Tax | \$207,353,777 | \$278,035,794 | \$268,200,000 | \$274,200,000 | \$277,700,000 |
| Individual Income Tax | 2,702,510,022 | 2,746,386,944 | 2,733,500,000 | 2,889,200,000 | 3,042,300,000 |
| Total Income Tax | \$2,909,863,799 | \$3,024,422,738 | \$3,001,700,000 | \$3,163,400,000 | \$3,320,000,000 |
| <u>Property Taxes</u> | | | | | |
| General - Real | \$179,678,051 | \$186,000,177 | \$193,400,000 | \$201,100,000 | \$209,100,000 |
| General - Tangible Personal | 151,308,795 | 149,426,286 | 57,900,000 | 61,100,000 | 64,500,000 |
| General - Intangible Personal | 23,113,567 | 25,883,197 | 26,100,000 | 27,500,000 | 28,800,000 |
| General - Motor Vehicle | 0 | 0 | 92,900,000 | 94,000,000 | 99,200,000 |
| Bank Deposits | 460,335 | 456,527 | 600,000 | 700,000 | 600,000 |
| Distilled Spirits Ad Valorem | 363,410 | 442,092 | 500,000 | 500,000 | 500,000 |
| Marginal Accounts | 84,000 | 64,988 | 100,000 | 100,000 | 100,000 |
| Omitted Property Tax | 20,021,804 | 14,191,378 | 13,800,000 | 12,600,000 | 13,200,000 |
| Delinquent Tax - Prior Year | 5,627,788 | 6,177,245 | 6,400,000 | 6,500,000 | 6,600,000 |
| Apportioned Vehicles | 0 | 0 | 4,000,000 | 4,200,000 | 4,400,000 |
| Public Service Company | 49,991,359 | 48,836,372 | 48,000,000 | 49,000,000 | 51,000,000 |
| Domestic Life Insurance | 130,250 | 107,990 | 0 | 0 | 0 |
| Retirement Plans | 301 | 624 | 0 | 0 | 0 |
| Building & Loan Assoc. Capital Stock | 2,249,927 | 3,181,373 | 2,800,000 | 2,500,000 | 2,500,000 |
| TOTAL PROPERTY TAXES | \$433,029,587 | \$434,768,249 | \$446,500,000 | \$459,800,000 | \$480,500,000 |
| <u>Inheritance Taxes</u> | | | | | |
| Inheritance Tax | \$83,359,872 | \$95,864,480 | \$69,100,000 | \$45,300,000 | \$30,100,000 |
| TOTAL INHERITANCE TAXES | \$83,359,872 | \$95,864,480 | \$69,100,000 | \$45,300,000 | \$30,100,000 |

General Fund Revenue (Actual and Estimated) Consensus Forecasting Group: January 2004

| <u>Source</u> | <u>Actual 2001-02</u> | <u>Actual 2002-03</u> | <u>Estimate 2003-04</u> | <u>Estimate 2004-05</u> | <u>Estimate 2005-06</u> |
|---|---------------------------|---------------------------|-----------------------------|-----------------------------|-----------------------------|
| <u>Departmental Fees, Sales and Rentals</u> | | | | | |
| Public Service Commission Assessments- Insurance - Retaliatory Taxes & Fees- | \$10,455,826 | \$8,702,466 | \$12,700,000 | \$11,900,000 | \$12,000,000 |
| Sec. of State - Process Agents Fees | 782,413 | 995,980 | 900,000 | 900,000 | 1,000,000 |
| Circuit Court Clk. - Civil Filing Fee Receipts- | 2,379,091 | 2,058,051 | 2,000,000 | 2,000,000 | 2,200,000 |
| Circuit Court Clk. - Bond Filing Fee- | 8,225,087 | 10,143,841 | 10,500,000 | 11,000,000 | 11,500,000 |
| Circuit Court Clk. - 10% Bond Fee- | 536,451 | 511,556 | 500,000 | 500,000 | 400,000 |
| Circuit Court Clk. - Receipts for Services- | 639,408 | 690,745 | 700,000 | 700,000 | 700,000 |
| Strip Mining & Reclamation Fees- | 2,707,579 | 3,334,440 | 3,000,000 | 3,100,000 | 3,400,000 |
| Strip Mining & Reclamation - Fines Coll. | 1,361,074 | 1,137,775 | 1,200,000 | 1,200,000 | 1,200,000 |
| Master Commissioner Sales- | 780,310 | 614,799 | 700,000 | 700,000 | 700,000 |
| Miscellaneous - Pub Advoc; Sec State Fee | 542,927 | 817,390 | 500,000 | 400,000 | 600,000 |
| | 1,615,776 | 1,678,220 | 1,700,000 | 1,800,000 | 2,100,000 |
| TOTAL DEPARTMENT FEES, SALES AND RENTALS | \$30,025,942 | \$30,685,263 | \$34,400,000 | \$34,200,000 | \$35,800,000 |
| <u>Investment Receipts</u> | | | | | |
| General Depository Investment Income ** | \$8,246,672 | (\$8,121,213) | \$0 | \$0 | \$0 |
| Circuit Court Clk. - Interest Income | 1,403,291 | 963,509 | 1,500,000 | 1,500,000 | 1,500,000 |
| Interest on Investments - Withholding Accounts | 3,692,665 | 0 | 0 | 0 | 0 |
| Ky Asset/Liab - TRAN | 0 | 0 | 0 | 0 | 0 |
| TOTAL INVESTMENT RECEIPTS | \$13,342,628 | (\$7,157,704) | \$1,500,000 | \$1,500,000 | \$1,500,000 |

General Fund Revenue (Actual and Estimated) Consensus Forecasting Group: January 2004

| <u>Source</u> | <u>Actual 2001-02</u> | <u>Actual 2002-03</u> | <u>Estimate 2003-04</u> | <u>Estimate 2004-05</u> | <u>Estimate 2005-06</u> |
|--|---------------------------|---------------------------|-----------------------------|-----------------------------|-----------------------------|
| <u>Miscellaneous Revenue</u> | | | | | |
| Lottery | \$169,000,000 | \$171,000,000 | \$163,800,000 | \$160,500,000 | \$157,800,000 |
| Legal Process - Clk. Supreme Court | 110,921 | 117,550 | 100,000 | 100,000 | 100,000 |
| Legal Process - Clk. Court of Appeals | 29,641 | 6,962 | 0 | 0 | 0 |
| Dept. of Rev. Legal Process Taxes - Co. Clk. | 3,311,157 | 3,365,438 | 3,400,000 | 3,500,000 | 3,500,000 |
| Dept. of Rev. Penalty & Int. of Co. Officials | (43,338) | (27,368) | 0 | 0 | 0 |
| Legal Process - Attorney General's Office | 1,854,641 | 1,153,141 | 1,100,000 | 1,100,000 | 1,100,000 |
| Judgment Fees for Delinquent Taxes | 0 | 0 | 0 | 0 | 0 |
| TVA - In Lieu of Taxes - State Portion | 6,814,492 | 7,660,437 | 6,900,000 | 6,800,000 | 7,800,000 |
| F.H.A. - In Lieu of Taxes | 28,117 | 46,777 | 0 | 0 | 0 |
| R.E.C.C. and R.T.C.C. In Lieu of Taxes | 310 | 313 | 0 | 0 | 0 |
| Business Development - In Lieu of Taxes | 32,322 | 0 | 0 | 0 | 0 |
| Abandoned Property | 5,208,916 | 8,194,816 | 26,000,000 | 1,500,000 | 1,500,000 |
| | | | | | |
| Circuit Court Clk. - Fish & Wildlife Fines | 80,972 | 91,470 | 100,000 | 100,000 | 100,000 |
| Cir. Ct. Clk. - Criminal/Traffic Fines & Costs | 38,211,614 | 43,959,833 | 47,600,000 | 48,600,000 | 50,600,000 |
| Circuit Court Clk. - Bond Forfeitures | 1,221,367 | 1,466,658 | 1,500,000 | 1,800,000 | 2,400,000 |
| Fines Dept Insurance | 555,589 | 638,927 | 700,000 | 700,000 | 700,000 |
| NREP - Haz. Material & Waste - Fines & Pen. | 0 | 0 | 0 | 0 | 0 |
| Fines for Air Pollution Emission | 0 | 0 | 0 | 0 | 0 |
| Sale of NOx Credits | 0 | 0 | 16,200,000 | 0 | 0 |
| Unclassified Receipts | 19,737 | 54,651 | 0 | 0 | 0 |
| Other Fines & Unhonored Checks | 2,799,560 | 3,138,781 | 3,100,000 | 3,000,000 | 3,000,000 |
| | | | | | |
| TOTAL MISCELLANEOUS REVENUE | \$229,236,018 | \$240,868,386 | \$270,600,000 | \$227,700,000 | \$228,700,000 |
| | | | | | |
| MISC. NOT IN REVENUE ESTIMATES | \$7,745,769 | \$6,606,367 | \$8,000,000 | \$8,000,000 | \$10,000,000 |
| | | | | | |
| TAX AMNESTY ADJUSTMENT - see note | \$0 | \$0 | \$7,000,000 | \$7,000,000 | \$7,000,000 |
| NET NEW ENFORCEMENT REVENUE - see note | \$0 | \$0 | \$7,800,000 | \$7,800,000 | \$7,800,000 |
| | | | | | |
| TOTAL GENERAL FUND | \$6,560,216,551 | \$6,783,458,295 | \$6,835,300,000 | \$7,153,800,000 | \$7,457,000,000 |

General Fund Revenue (Actual and Estimated) Consensus Forecasting Group: January 2004

Sub-totals may not add up to numbers displayed due to rounding of some estimates.

**Investment income is shown in this report at the net effect of the expense of generating that income.

Note: The Tax Amnesty program is included as a separate line item for FY04 and forward. Amnesty Receipts for FY03 have been identified and recorded in the appropriate tax category.

Note: Net New Enforcement Revenue is the result of additional funds allocated to the Revenue Cabinet by the 2003 General Assembly. These projected receipts are recognized as a separate item for estimation purposes, but actual receipts will be credited to the appropriate receipts account when received.

Road Fund
Consensus Forecast: January 2004
(millions of dollars)

| | <u>FY03</u> | | <u>FY04</u> | | <u>FY05</u> | | <u>FY06</u> | |
|--------------------------------|------------------|-------------|------------------|-------------|------------------|-------------|------------------|-------------|
| | <u>Actual</u> | <u>%Chg</u> | <u>Estimate</u> | <u>%Chg</u> | <u>Estimate</u> | <u>%Chg</u> | <u>Estimate</u> | <u>%Chg</u> |
| Motor Fuels & MF Use/Surtax | 454.0 | 2.2 | 458.8 | 1.1 | 472.9 | 3.1 | 480.6 | 1.6 |
| Motor Vehicle Usage & Rental | 432.9 | 0.8 | 437.4 | 1.0 | 446.8 | 2.1 | 454.2 | 1.7 |
| License & Privilege (excl. WD) | 95.6 | -8.0 | 108.7 | 13.7 | 108.6 | -0.1 | 109.7 | 1.0 |
| Weight Distance Tax/Surtax | 76.9 | 2.1 | 79.2 | 3.0 | 82.7 | 4.4 | 86.1 | 4.1 |
| Tolls | 13.3 | -3.6 | 7.0 | -47.4 | 6.2 | -11.4 | 6.5 | 4.8 |
| Investment | 29.1 | -9.6 | 10.8 | -62.9 | 2.5 | -76.9 | 3.5 | 40.0 |
| Other | 21.3 | 5.4 | 20.7 | -2.8 | 21.7 | 4.8 | 21.9 | 0.9 |
| Total Road Fund | \$1,123.1 | 0.4 | \$1,122.6 | 0.0 | \$1,141.4 | 1.7 | \$1,162.5 | 1.8 |

Road Fund Revenue (Actual and Estimated) Consensus Forecasting Group: January 2004

| <u>Source</u> | <u>Actual 2001-02</u> | <u>Actual 2002-03</u> | <u>Estimated 2003-04</u> | <u>Estimated 2004-05</u> | <u>Estimated 2005-06</u> |
|---|---------------------------|---------------------------|------------------------------|------------------------------|------------------------------|
| <u>Sales and Gross Receipts Taxes</u> | | | | | |
| Motor Fuels Normal and Normal Use | \$443,933,200 | \$453,534,065 | \$458,400,000 | \$472,450,000 | \$480,100,000 |
| Motor Vehicle Usage | 381,398,175 | 388,959,153 | 392,390,000 | 400,500,000 | 406,450,000 |
| Motor Vehicle Rental Usage | 47,840,870 | 43,877,656 | 45,000,000 | 46,275,000 | 47,700,000 |
| Truck Trip Permits | 383,460 | 371,406 | 390,000 | 440,000 | 500,000 |
| Sales and Use | 0 | 31,073 | 10,000 | 10,000 | 10,000 |
| Usage Tax on Buses | 64,173 | 35,415 | 40,000 | 45,000 | 50,000 |
| Supplemental Fuel Surtax | 3,128 | 255 | 7,000 | 8,000 | 8,000 |
| Usage Tax on Historical Vehicles | 0 | 0 | 0 | 0 | 0 |
| TOTAL SALES AND GROSS RECEIPTS TAX | \$873,623,006 | \$886,809,023 | \$896,237,000 | \$919,728,000 | \$934,818,000 |
| <u>License and Privilege Taxes</u> | | | | | |
| Drive Away Utility Trailer Permits | \$6,170 | \$5,265 | \$5,300 | \$5,400 | \$5,500 |
| Amateur Radio Plate | 8,772 | 22,731 | 23,000 | 22,000 | 23,500 |
| Passenger Car License | 22,734,325 | 22,097,048 | 23,000,000 | 21,800,000 | 22,200,000 |
| Truck License - State Share | 21,000,668 | 21,786,155 | 25,700,000 | 26,200,000 | 26,900,000 |
| Motorcycle License | 310,884 | 358,523 | 385,000 | 385,000 | 385,000 |
| Motorcycle License-Program GA19 | 249,880 | 287,452 | 290,000 | 290,000 | 290,000 |
| Dealers License | 283,715 | 286,286 | 290,000 | 295,000 | 300,000 |
| Transfer License | 558,197 | 557,414 | 560,000 | 565,000 | 570,000 |
| Trailer License | 1,319,936 | 1,368,086 | 1,350,000 | 1,400,000 | 1,450,000 |
| County Clerk Penalty | -51,779 | 52,938 | 55,000 | 55,000 | 57,000 |
| Bus License - Except City | 44,719 | 19,398 | 25,000 | 27,000 | 29,000 |
| Bus Certificates and Permits | 2,666 | 1,363 | 1,500 | 1,500 | 2,000 |
| Taxi License | 29,790 | 21,306 | 25,000 | 25,000 | 26,000 |
| Truck Permits | 72,560 | 74,635 | 76,000 | 76,500 | 77,000 |
| Contract Taxicab Permit | 15,905 | 18,856 | 18,000 | 18,500 | 18,500 |
| Motor Vehicle Operator's License | 3,712,024 | 3,505,875 | 3,650,000 | 3,650,000 | 3,650,000 |
| Motor Vehicle Operator's License-Program GA19 | 227,481 | 241,035 | 250,000 | 250,000 | 275,000 |
| Highway Special Permits | 6,298,572 | 5,793,947 | 6,050,000 | 6,100,000 | 6,300,000 |
| U-Drive-It Permits | 11,450 | 14,367 | 20,000 | 22,000 | 24,000 |
| U-Drive-Licenses | 2,488,915 | 1,992,421 | 2,250,000 | 2,300,000 | 2,350,000 |
| Junk Yard License | 1,715 | 5,867 | 6,000 | 6,500 | 7,000 |

Road Fund Revenue (Actual and Estimated) Consensus Forecasting Group: January 2004

| <u>Source</u> | <u>Actual 2001-02</u> | <u>Actual 2002-03</u> | <u>Estimated 2003-04</u> | <u>Estimated 2004-05</u> | <u>Estimated 2005-06</u> |
|---|---------------------------|---------------------------|------------------------------|------------------------------|------------------------------|
| <u>License and Privilege Taxes</u> | | | | | |
| Historic Vehicle License | \$170,753 | \$180,513 | \$180,000 | \$181,000 | \$182,000 |
| Operator's License-Driver Education | 603,190 | 585,809 | 600,000 | 610,000 | 620,000 |
| Truck Proportional Registration | 33,306,638 | 24,453,378 | 31,950,000 | 32,429,000 | 31,860,000 |
| Operator's License - Photography Program | 1,339,710 | 1,278,109 | 1,400,000 | 1,500,000 | 1,600,000 |
| Industrial Hauling Permits | 4,400 | 14,937 | 9,500 | 10,000 | 11,000 |
| General Assembly License Plates | 1,830 | 4,799 | 2,000 | 2,100 | 2,200 |
| Pearl Harbor Survivor Plates | 58 | 414 | 26 | 27 | 27 |
| Collegiate Plates | 182,618 | 541,231 | 610,000 | 520,000 | 530,000 |
| Personalized License Plates | 979,542 | 995,373 | 910,000 | 900,000 | 950,000 |
| Army Reserve Plates | 172,975 | 231,863 | 210,000 | 220,000 | 200,000 |
| Purple Heart Plates | 25,211 | 25,596 | 26,000 | 27,000 | 27,000 |
| Judicial License Plates | 776 | 1,911 | 1,750 | 1,000 | 1,000 |
| Civil Air Patrol Plates | 298 | 525 | 600 | 600 | 700 |
| National Guard License Plates | 8,795 | 17,781 | 18,000 | 19,000 | 19,000 |
| Civic Event Plates | 648 | 1,485 | 1,500 | 1,500 | 1,600 |
| Street Rod Plates | 2,016 | 4,485 | 4,000 | 4,000 | 4,000 |
| Fraternal Order of Police Plates | 101,638 | 261,293 | 250,000 | 240,000 | 230,000 |
| Environmental License Plate | 747,359 | 940,638 | 950,000 | 960,000 | 970,000 |
| Dealer Demonstrator Tags | 5,803 | 5,100 | 5,500 | 5,500 | 6,000 |
| Volunteer Fireman License Tags | 37,865 | 44,524 | 45,500 | 40,000 | 40,000 |
| P.O.W. License Plates | 161 | 2,156 | 3,250 | 1,000 | 1,000 |
| Motor Carrier Identification Cards | 5,266,711 | 5,552,860 | 5,550,000 | 5,450,000 | 5,550,000 |
| Weight Distance Tax | 75,265,638 | 76,851,210 | 79,200,000 | 82,700,000 | 86,100,000 |
| DES License Plates | 7,205 | 12,743 | 7,700 | 8,000 | 8,200 |
| Child Victims License Plates | 64,559 | 131,711 | 133,000 | 134,000 | 135,000 |
| Masonic License Plates | 34,806 | 63,996 | 36,000 | 37,000 | 38,000 |
| Horse Council | 0 | 414,230 | 425,000 | 430,000 | 435,000 |
| Temporary Tags | 554,346 | 485,098 | 480,000 | 485,000 | 490,000 |
| Nonreciprocal Permits | 206,715 | 198,925 | 215,000 | 220,000 | 230,000 |
| Overweight Coal Truck Permit | 807,089 | 673,481 | 675,000 | 670,000 | 660,000 |
| TOTAL LICENSE AND PRIVILEGE TAX | \$179,225,918 | \$172,487,142 | \$187,929,126 | \$191,300,127 | \$195,841,227 |

Road Fund Revenue (Actual and Estimated) Consensus Forecasting Group: January 2004

| <u>Source</u> | <u>Actual FY 2002</u> | <u>Actual FY 2003</u> | <u>Estimated FY 2004</u> | <u>Estimated FY 2005</u> | <u>Estimated FY 2006</u> |
|--|---------------------------|---------------------------|------------------------------|------------------------------|------------------------------|
| <u>Departmental Fees, Sales and Rentals</u> | | | | | |
| Proposal Sales | \$89,353 | \$63,878 | \$165,000 | \$165,000 | \$166,000 |
| Specification and Blue Print Sales | 389,076 | 310,681 | 300,000 | 310,000 | 320,000 |
| Miscellaneous Rentals | 427,651 | 447,465 | 540,000 | 550,000 | 550,000 |
| MVL Computer Services | 414,829 | 421,143 | 450,000 | 455,000 | 460,000 |
| Fines and Forfeitures | 1,679 | 1,626 | 1,500 | 1,500 | 2,000 |
| Traffic Offenders School Fees | 1,960,686 | 1,374,668 | 1,620,000 | 1,800,000 | 1,100,000 |
| Highway Sign Logo Rental | 542,110 | 538,121 | 600,000 | 600,000 | 650,000 |
| Driving History Record Fee | 5,483,192 | 5,718,503 | 5,700,000 | 5,700,000 | 5,900,000 |
| Operator's License Reinstatement Fees | 1,165,566 | 1,176,506 | 1,300,000 | 1,500,000 | 1,500,000 |
| Operator's License Name Sales | 0 | 0 | 90,000 | 90,000 | 90,000 |
| Penalty & Interest - Weight and Use Taxes | 1,592,624 | 1,692,030 | 1,650,000 | 1,700,000 | 1,750,000 |
| Medical Alert Stickers | 310 | 236 | 500 | 500 | 500 |
| Motor Vehicle Title Receipts | 4,535,787 | 4,706,886 | 4,550,000 | 4,600,000 | 4,700,000 |
| Proceeds from Asset Disposition | 282,268 | 2,655,655 | 250,000 | 260,000 | 270,000 |
| Coal Road Recovery Fines | 3,064 | 2,729 | 3,500 | 3,500 | 4,000 |
| U-Drive-It Penalty and Interest | 209,935 | 694,537 | 550,000 | 500,000 | 550,000 |
| TOTAL DEPARTMENT FEES, SALES & RENTALS | \$17,098,130 | \$19,804,664 | \$17,770,500 | \$18,235,500 | \$18,012,500 |
| <u>Toll Facility Income</u> | | | | | |
| Audubon Parkway | \$1,383,946 | \$1,742,746 | \$2,050,000 | \$1,650,000 | \$1,800,000 |
| Daniel Boone Parkway | 3,348,575 | 2,836,890 | 0 | 0 | 0 |
| Cumberland Parkway | 4,478,500 | 4,062,665 | 0 | 0 | 0 |
| Green River Parkway | 4,574,463 | 4,621,126 | 4,950,000 | 4,550,000 | 4,700,000 |
| TOTAL TOLL FACILITY INCOME | \$13,785,484 | \$13,263,427 | \$7,000,000 | \$6,200,000 | \$6,500,000 |
| <u>Investment Income</u> | | | | | |
| Investment Income | \$32,156,652 | \$29,115,310 | \$10,800,000 | \$2,500,000 | \$3,500,000 |
| TOTAL INVESTMENT INCOME | \$32,156,652 | \$29,115,310 | \$10,800,000 | \$2,500,000 | \$3,500,000 |

Road Fund Revenue (Actual and Estimated) Consensus Forecasting Group: January 2004

| <u>Source</u> | <u>Actual FY 2002</u> | <u>Actual FY 2003</u> | <u>Estimated FY 2004</u> | <u>Estimated FY 2005</u> | <u>Estimated FY 2006</u> |
|-------------------------------------|---------------------------|---------------------------|------------------------------|------------------------------|------------------------------|
| <u>Miscellaneous Income</u> | | | | | |
| Property Damage | \$658,050 | \$414,227 | \$500,000 | \$550,000 | \$600,000 |
| Highway Loss Claims | 0 | 0 | 0 | 0 | 0 |
| Highway Miscellaneous Receipts | 107,039 | 82,086 | 140,000 | 140,000 | 160,000 |
| Cold Check Account | 0 | 0 | 0 | 0 | 0 |
| Motor Carrier - Misc. | 0 | 0 | 0 | 0 | 0 |
| Gain on Disposition of Investment | 0 | 0 | 0 | 0 | 0 |
| Other State Grants | 147,632 | 0 | 0 | 0 | 0 |
| Mass Transit - Local Grants | 0 | 0 | 0 | 0 | 0 |
| Off-Systems Local Grants | 0 | 0 | 0 | 0 | 0 |
| Toll Credit Card Receipts | 118,745 | 109,648 | 75,000 | 75,500 | 75,000 |
| Tax Clearing Account | 0 | 0 | 0 | 0 | 0 |
| Higher Education Equine Fund | 0 | 0 | 0 | 0 | 0 |
| Coal Severance | 0 | 0 | 0 | 0 | 0 |
| Legal Processs - County Court Clerk | 0 | 0 | 0 | 0 | 0 |
| Inheritance and Estate Tax | 0 | 0 | 0 | 0 | 0 |
| Individual Income Tax | 0 | 0 | 0 | 0 | 0 |
| TOTAL MISCELLANEOUS INCOME | \$1,031,466 | \$605,961 | \$715,000 | \$765,500 | \$835,000 |
| MISC. NOT IN REVENUE ESTIMATES | \$2,084,661 | \$1,017,577 | \$2,150,000 | \$2,680,000 | \$3,000,000 |
| TOTAL ROAD FUND REVENUE | \$1,119,005,317 | \$1,123,103,104 | \$1,122,601,626 | \$1,141,409,127 | \$1,162,506,727 |



Section V

**Tobacco Master
Settlement Agreement**

Tobacco Master Settlement Agreement

Estimates (\$Million)

| | |
|-------------------------|---------|
| Official FY04 Estimate: | \$110.2 |
| Official FY05 Estimate | \$108.8 |
| Official FY06 Estimate: | \$108.6 |

Background

In November 1998, the attorneys general of forty-six states, five commonwealths and territories, and the District of Columbia reached an agreement with four major tobacco companies, representing 97.5 percent of the cigarette market. Worth approximately \$229 billion over the twenty-six years, the Master Settlement Agreement (MSA) provides payments to states according to a population-based formula developed by the attorneys general. Four additional states – Florida, Minnesota, Mississippi, and Texas – previously settled with the tobacco industry for more than \$40 billion.

In the early years of the agreement, the participating states received initial payments, which are distinct from the annual payments. The initial payments totaled \$12.7 billion disbursed over five years: 1998 and 2000 through 2003. The last of these payments to Kentucky was deposited into the General Fund in January 2003. The annual payments commenced in 2000 and continue indefinitely. They tally \$207.9 billion through 2025. The third and final type of payment made to states is the “strategic contribution fund” payment, which begins in 2008 and sunsets in 2017. This category was included to reward states for contributions to the tobacco settlement. The sum total of these payments comes to \$8.6 billion over the ten-year span. The following table shows all payments received by Kentucky to date.

Kentucky MSA Receipts: FY2001-FY2004

| <u>Year</u> | <u>Actual</u> |
|--------------|----------------------|
| FY2000 | \$142,251,741 |
| FY2001 | 105,727,663 |
| FY2002 | 132,777,390 |
| FY2003 | <u>130,829,140</u> |
| Total | \$511,585,934 |

Risks to the MSA Revenue Stream

The MSA contains several caveats and reduction factors that could potentially diminish payments to the states. In addition, the financial instability of the cigarette manufacturers has threatened the timing of payments and may affect the amount of payments in the future.

Volume Adjustment

The volume adjustment is applied to both the initial and annual payment to account for declines in the national level of tobacco consumption. Several points stand out when considering the formula for the volume adjustment. First, in the event that actual volume falls below the 1997 base volume, a two percent automatic reduction occurs before multiplying the resultant by the volume ratio. Each payment received to date has included a volume adjustment, since total U.S. domestic shipments have never come close to the 475.7 billion cigarettes shipped in the base year. It should be noted that the volume adjustment was based on an abnormally high base year, since tobacco companies made unusually high shipments in December 1997, in anticipation of future volume adjustments and a price increase in January 1998. Second, volume adjustments are growing rapidly and will continue to erode state payments in the future. Since the base volume never changes (and was a historically high figure for the aforementioned reasons), consistent declines in domestic shipments will further increase the volume adjustments for future payments.

Current trends project volume adjustments of 6.0 percent in April 2004, with an additional 5.25 percent and 4.0 percent projected for April 2005 and 2006 respectively. It is important to note that because volume adjustments are based on total domestic shipment, not state-by-state volume totals, tax laws and cigarette laws in other states affect Kentucky payments through the volume adjustment.

OPM: “Original participating manufacturers” means

- Brown & Williamson Tobacco Corporation (B&W)
- Lorillard Tobacco Company, (LTC)
- Philip Morris Incorporated (PM)
- R. J. Reynolds Tobacco Company (RJR), and the respective successors of each of them.

SPM: “Subsequent participating manufacturers” means tobacco product manufacturers that have become signatories to the Master Settlement Agreement but that are not original participating manufacturers, and the respective successors of each of them.

NPM: “Non-participating manufacturer” means a tobacco product manufacturer that is neither an OPM nor an SPM.

Other variables that could affect consumption rates and/or state payments include:

- ◆ A \$289 billion federal lawsuit filed by the Department of Justice (DOJ) against tobacco companies to recover Medicare and other smoking related federal health costs. It should be noted that the MSA settled all state-specific claims regarding the health consequences of smoking, but the federal government did not waive the right to pursue health-related litigation;
- ◆ A possible increase in the federal cigarette tax (which currently stands at \$0.39 per pack of 20 cigarettes). The dramatic increase in state excise taxes also contributes to a steadily declining consumption of cigarettes;
- ◆ Possible Food and Drug Administration regulation of tobacco products and the pending Supreme Court case on this issue;
- ◆ The proliferation of counterfeit cigarettes, which have a profoundly detrimental impact on the volume adjustment. Counterfeit cigarettes do not show up on shipment data, so every counterfeit cigarette reduces the legal shipment levels on a stick-for-stick basis. At a recent National Association of Attorneys General (NAAG) conference, US Customs officials identified

counterfeit cigarette smuggling as the greatest threat to the financial viability of major tobacco companies. Estimates are as high as one-out-of-four Marlboro cigarettes sold at retail in Southern California being counterfeit product shipped from overseas; and

- ◆ The impact of the national smoking prevention and public education campaign and MSA marketing, advertising, and lobbying restrictions.

NPM Adjustment

The most notable of the remaining reductions is the **Non-Participating Manufacturers' (NPM) Adjustment**. As part of the original MSA, participating manufacturers may recover a portion of their MSA payments in the event that a.) an OPM experienced a decline in market share from their relative market share in 1997; and b.) NPM volume and the MSA was a significant factor in their reduction of market share. This provision was meant to level the playing field between OPMs and NPMs. States passing and diligently enforcing the model statute are afforded a safe haven from NPM adjustments, so a company making a future NPM adjustment in Kentucky would need to demonstrate that the MSA was a significant factor in their loss of market share, and that Kentucky has failed to diligently enforce its MS laws.

As part of the B&W settlement that took place in June 2003, the participating tobacco companies have waived their rights to an NPM adjustment until the April 15, 2006 payment (FY 2006). Agreements have been made with the OPMs and SPMs to place all payments into the disbursement account and not into a disputed account pending an NPM hearing. As a practical matter, for the April 2006 payment, affected companies (primarily B&W and RJR) could hypothetically place a portion of their April 2006 payment into a disputed account pending resolution of an NPM proceeding. The consensus forecast assumes that this would not affect Kentucky because we have an excellent record of MSA enforcement.

Financial Condition of Manufacturers

Legal problems with OPMs have brought bankruptcy issues to the forefront. In April 2003, Philip Morris USA announced that the large appeal bond from litigation in Illinois might prevent them from making the annual payment in a timely manner. Philip Morris accounts for nearly half of the payments to states under the MSA. Although the matter was in doubt until the very last minute, Philip Morris ultimately paid its MSA obligation in a timely manner. In future years the entire MSA amount on which the appropriations are based will come in April. Therefore, expenditures are made with the expectation that funds will be received in the last quarter of the fiscal year, which causes significant anxiety as expenditures are made in advance of known receipts. The uncertainty surrounding the most recent payment will likely be a harbinger of similar payment concerns in the future. RJ Reynolds is facing litigation similar to the recent Illinois case against Philip Morris involving allegedly misleading claims made about light cigarettes. Many cigarette companies do not have the financial reserves of Philip Morris, so similar rulings against the smaller companies may once again raise the specter of bankruptcies and delinquent MSA payments.

Recently RJR announced a layoff of 40 percent of its US workforce, and industry speculation centered on the announced merger between RJR and B&W. Rising state and federal excise taxes, coupled with a growing sentiment against the use of tobacco products, have all contributed to a reduction in demand. This trend seems to have stabilized somewhat, but the outlook for manufactured tobacco products remains rather bleak.

Tobacco analysts continue to point toward a “potential” bankruptcy of one or two of the major US cigarette manufacturers. None of these analysts has assigned a probability to such an event, and the Consensus Forecasting Group has not made an explicit adjustment to the MSA forecast, which places an expected value on the likelihood of revenue. As a source of revenue for the state, one must fully recognize that the risk of bankruptcy in the cigarette industry has risen. Furthermore, because MSA payments are unsecured debts, and states’ claims to MSA revenues would fall behind all secured obligations in the queue of recovery from the bankrupt firm. It should also be recognized that bankruptcy of a tobacco company need not imply a stoppage of business activities and production; therefore, the bankrupt company could hypothetically remain in operation, produce and sell cigarettes, but have the courts forgive its MSA obligation in a bankruptcy proceeding. These and other factors make the MSA tobacco revenues less certain than other sources of General Fund revenue.



Appendix A

**Receipts
First Half of
Fiscal Year 2004**

Appendix A
KENTUCKY STATE GOVERNMENT REVENUE
GENERAL FUND REVENUE

| | Second Quarter 2003 - 2004 | Second Quarter 2002 - 2003 | % | Year-to Date 2003 - 2004 | Year-to Date 2002 - 2003 | % |
|---------------------------------|-------------------------------|-------------------------------|--------------|-----------------------------|-----------------------------|--------------|
| | | | Change | | | Change |
| TOTAL GENERAL FUND | \$1,824,676,249 | \$1,802,002,556 | 1.3% | \$3,452,905,759 | \$3,441,908,644 | 0.3% |
| Tax Receipts | \$1,737,578,017 | \$1,740,126,732 | -0.1% | \$3,297,045,119 | \$3,319,582,463 | -0.7% |
| Sales and Gross Receipts | \$656,430,520 | \$633,238,977 | 3.7% | \$1,309,513,530 | \$1,314,502,944 | -0.4% |
| Beer Consumption | 1,420,429 | 1,488,505 | -4.6 | 3,132,643 | 3,302,257 | -5.1 |
| Beer Wholesale | 8,515,185 | 8,549,279 | -0.4 | 18,905,033 | 18,768,499 | 0.7 |
| Cigarette | 4,177,808 | 3,871,211 | 7.9 | 8,227,463 | 7,967,921 | 3.3 |
| Distilled Spirits Case Sales | 21,904 | 22,112 | -0.9 | 43,585 | 42,740 | 2.0 |
| Distilled Spirits Consumption | 2,245,393 | 2,235,053 | 0.5 | 4,465,676 | 4,309,826 | 3.6 |
| Distilled Spirits Wholesale | 4,265,040 | 4,171,295 | 2.2 | 8,324,867 | 7,936,522 | 4.9 |
| Insurance Premium | 12,265,054 | 9,979,195 | 22.9 | 34,762,400 | 32,343,470 | 7.5 |
| Pari-Mutuel | 750,121 | 1,606,037 | -53.3 | 750,109 | 2,414,389 | -68.9 |
| Race Track Admission | 58,931 | 63,044 | -6.5 | 188,841 | 163,397 | 15.6 |
| Sales and Use | 620,269,287 | 598,930,386 | 3.6 | 1,226,196,446 | 1,233,043,225 | -0.6 |
| Wine Consumption | 515,892 | 496,412 | 3.9 | 982,315 | 927,933 | 5.9 |
| Wine Wholesale | 1,925,476 | 1,826,447 | 5.4 | 3,534,153 | 3,282,766 | 7.7 |
| License and Privilege | \$59,422,242 | \$72,274,558 | -17.8 | \$113,664,779 | \$143,738,788 | -20.9 |
| Alc. Bev. License Suspension | 41,200 | 38,050 | 8.3 | 122,450 | 79,300 | 54.4 |
| Coal Severance | 35,408,561 | 36,941,223 | -4.1 | 69,581,015 | 73,160,985 | -4.9 |
| Corporation License | 13,212,753 | 26,774,932 | -50.7 | 23,581,697 | 54,689,224 | -56.9 |
| Corporation Organization | 58,213 | 35,475 | 64.1 | 77,173 | 135,504 | -43.0 |
| Occupational Licenses | 14,676 | 18,364 | -20.1 | 54,150 | 63,505 | -14.7 |
| Oil Production | 755,416 | 727,947 | 3.8 | 1,571,230 | 1,485,660 | 5.8 |
| Race Track License | 118,925 | 126,600 | -6.1 | 284,125 | 281,475 | — |
| Bank Franchise Tax | (1,853) | (19,801) | — | (454,538) | (597,223) | — |
| Driver License Fees | 122,441 | 117,729 | 4.0 | 256,583 | 258,146 | -0.6 |
| Minerals Severance | 4,413,171 | 3,834,412 | 15.1 | 8,242,744 | 7,190,347 | 14.6 |
| Natural Gas Severance | 5,278,739 | 3,679,626 | 43.5 | 10,348,150 | 6,991,865 | 48.0 |
| | 0 | | | | | |
| Income | \$771,085,907 | \$767,091,006 | 0.5 | \$1,553,883,369 | \$1,520,354,570 | 2.2 |
| Corporation | 71,354,496 | 84,437,566 | -15.5 | 150,405,835 | 167,150,580 | -10.0 |
| Individual | 699,731,411 | 682,653,440 | 2.5 | 1,403,477,534 | 1,353,203,990 | 3.7 |

| | Second Quarter 2003 - 2004 | Second Quarter 2002 - 2003 | % Change | Year-to Date 2003 - 2004 | Year-to Date 2002 - 2003 | % Change |
|---------------------------------|-------------------------------|-------------------------------|---------------|-----------------------------|-----------------------------|---------------|
| Property | \$224,439,004 | \$219,271,132 | 2.4% | \$265,451,957 | \$266,375,595 | -0.3% |
| Bank Deposits | (279) | - | — | (279) | 260 | -207.4 |
| Building & Loan Association | - | (90,023) | — | 36,375 | 32,769 | 11.0 |
| Distilled Spirits | 234,935 | 385,444 | -39.0 | 264,670 | 424,974 | -37.7 |
| General - Intangible | 21,550,380 | 19,508,783 | 10.5 | 21,477,621 | 19,490,979 | 10.2 |
| General - Real | 122,776,207 | 117,682,909 | 4.3 | 122,831,185 | 117,469,974 | 4.6 |
| General - Tangible | 61,055,235 | 56,548,318 | 8.0 | 76,958,174 | 72,175,803 | 6.6 |
| Omitted & Delinquent | 3,008,775 | 15,994,632 | -81.2 | 5,817,451 | 17,379,523 | -66.5 |
| Public Service | 15,762,469 | 9,144,986 | 72.4 | 38,003,455 | 39,294,265 | -3.3 |
| Other | 51,283 | 96,083 | -46.6 | 63,304 | 107,048 | -40.9 |
| Inheritance | \$17,417,289 | \$39,732,455 | -56.2% | \$36,566,560 | \$60,725,188 | -39.8% |
| Miscellaneous | \$8,783,054 | \$8,518,605 | 3.1% | \$17,964,923 | \$13,885,378 | 29.4% |
| Legal Process | 6,603,950 | 6,458,684 | 2.2 | 13,849,486 | 10,075,897 | 37.5 |
| T. V. A. In Lieu Payments | 2,156,929 | 2,038,210 | 5.8 | 4,093,262 | 3,787,771 | 8.1 |
| Other | 22,175 | 21,710 | 2.1 | 22,175 | 21,710 | 2.1 |
| Nontax Receipts | \$85,360,274 | \$60,966,351 | 40.0 | \$148,973,899 | \$119,127,876 | 25.1% |
| Departmental Fees | 5,170,194 | 5,158,791 | 0.2 | 11,141,417 | 10,340,702 | 7.7 |
| PSC Assessment Fee | 1,754 | 28,524 | -93.9 | 5,446,193 | 2,762,286 | 97.2 |
| Fines & Forfeitures | 7,733,579 | 6,869,520 | 12.6 | 14,494,560 | 16,412,107 | -11.7 |
| Interest on Investments | 351,311 | 258,315 | 36.0 | 598,821 | 517,671 | 15.7 |
| Lottery | 40,000,000 | 40,000,000 | 0.0 | 82,800,000 | 80,000,000 | 3.5 |
| Sale of NOx Credits | 2,433,075 | - | | 5,364,325 | | |
| Miscellaneous | 29,670,361 | 8,651,201 | 243.0 | 29,128,582 | 9,095,110 | 220.3 |
| Redeposit of State Funds | \$1,737,959 | \$909,473 | 91.1 | \$6,886,742 | \$3,198,306 | 115.3% |

**KENTUCKY STATE GOVERNMENT REVENUE
ROAD FUND REVENUE**

| | Second Quarter 2003 - 2004 | Second Quarter 2002 - 2003 | % Change | Year-to Date 2003 - 2004 | Year-to Date 2002 - 2003 | % Change |
|---------------------------------|-------------------------------|-------------------------------|---------------|-----------------------------|-----------------------------|---------------|
| TOTAL ROAD FUND | \$258,345,178 | \$265,624,388 | -2.7% | \$551,918,494 | \$554,498,710 | -0.5% |
| Tax Receipts | \$251,812,298 | \$251,449,245 | 0.1% | \$531,996,155 | \$522,492,707 | 1.8% |
| Sales and Gross Receipts | \$211,973,554 | \$213,880,342 | -0.9% | \$447,445,775 | \$447,404,826 | 0.0% |
| Motor Fuels Taxes | 108,681,999 | 110,594,610 | -1.7 | 220,850,733 | 223,711,971 | -1.3 |
| Motor Fuels Use & Surtax | 5,269,623 | 4,072,639 | 29.4 | 9,897,977 | 7,342,056 | 34.8 |
| Truck Trip Permits (fuel) | 106,600 | 99,200 | 7.5 | 204,120 | 183,840 | 11.0 |
| Motor Vehicle Usage | 97,915,332 | 99,113,893 | -1.2 | 216,492,946 | 216,166,959 | 0.2 |
| License and Privilege | \$39,838,744 | \$37,568,903 | 6.0% | \$84,550,380 | \$75,087,881 | 12.6% |
| Motor Vehicles | 15,422,496 | 13,162,258 | 17.2 | 36,733,066 | 27,563,771 | 33.3 |
| Motor Vehicle Operators | 1,392,199 | 1,405,671 | -1.0 | 2,809,168 | 2,864,326 | -1.9 |
| Weight Distance | 19,630,044 | 19,720,530 | -0.5 | 39,308,177 | 39,342,670 | -0.1 |
| Truck Decal Fees | 19,717 | 14,287 | 38.0 | 52,511 | 51,024 | 2.9 |
| Other Special Fees | 3,374,287 | 3,266,157 | 3.3 | 5,647,458 | 5,266,090 | 7.2 |
| Nontax Receipts | \$6,036,427 | \$14,059,638 | -57.1% | \$19,156,931 | \$31,423,858 | -39.0% |
| Departmental Fees | 3,295,291 | 4,497,443 | -26.7% | 7,218,718 | | |



Appendix B

**Summary Statistics for
General and Road Funds**

**Major Revenue Sources
Fiscal Years 1994-2003**

**APPENDIX B
SUMMARY STATISTICS FOR GENERAL AND ROAD FUNDS
MAJOR REVENUE SOURCES
FISCAL YEARS 1994-2003**

GENERAL FUND

| GENERAL FUND Total Receipts | | | ALCOHOLIC BEVERAGE TAXES Malt Beverage | | |
|--|------------------|---------------------------|---|-----------------|---------------------------|
| Fiscal Year | Receipts | Percent Change | Fiscal Year | Receipts | Percent Change |
| 1993-94 | \$ 4,647,078,322 | 3.0 | 1993-94 | \$ 32,553,876 | 4.4 |
| 1994-95 | 5,154,077,980 | 10.9 | 1994-95 | 33,812,169 | 3.9 |
| 1995-96 | 5,336,883,824 | 3.5 | 1995-96 | 34,489,349 | 2.0 |
| 1996-97 | 5,663,553,824 | 6.1 | 1996-97 | 34,830,419 | 1.0 |
| 1997-98 | 6,011,806,561 | 6.1 | 1997-98 | 35,937,878 | 3.2 |
| 1998-99 | 6,198,387,525 | 3.1 | 1998-99 | 36,870,323 | 2.6 |
| 1999-00 | 6,478,385,032 | 4.5 | 1999-00 | 38,385,890 | 4.1 |
| 2000-01 | 6,653,897,653 | 2.7 | 2000-01 | 38,854,920 | 1.2 |
| 2001-02 | 6,560,216,551 | -1.4 | 2001-02 | 40,883,326 | 5.2 |
| 2002-03 | 6,783,458,295 | 3.4 | 2002-03 | 42,304,059 | 3.5 |

**GENERAL FUND
TOTAL TAX RECEIPTS**

| GENERAL FUND TOTAL TAX RECEIPTS | | | Distilled Spirits | | |
|--|--------------------|---------------------------|--------------------------|-----------------|---------------------------|
| Fiscal Year | Receipts | Percent Change | Fiscal Year | Receipts | Percent Change |
| 1993-94 | \$ 4,459,648,594 * | 3.0 | 1993-94 | \$ 19,960,515 | 0.2 |
| 1994-95 | 4,931,201,083 | 10.6 | 1994-95 | 19,897,599 | -0.3 |
| 1995-96 | 5,095,157,184 | 3.3 | 1995-96 | 20,493,441 | 3.0 |
| 1996-97 | 5,408,832,505 | 6.2 | 1996-97 | 20,548,503 | 0.3 |
| 1997-98 | 5,722,452,608 | 5.8 | 1997-98 | 20,979,849 | 2.1 |
| 1998-99 | 5,917,216,645 | 3.4 | 1998-99 | 21,432,736 | 2.2 |
| 1999-00 | 6,200,475,504 | 4.8 | 1999-00 | 22,349,780 | 4.3 |
| 2000-01 | 6,377,917,219 | 2.9 | 2000-01 | 23,077,057 | 3.3 |
| 2001-02 | 6,292,004,457 | -1.3 | 2001-02 | 23,477,073 | 1.7 |
| 2002-03 | 6,543,157,657 | 4.0 | 2002-03 | 24,854,482 | 5.9 |

* Adjusted for small math error.

Wine

| Fiscal Year | Receipts | Percent Change |
|--------------------|-----------------|-----------------------|
| 1993-94 | \$ 4,492,841 | 0.9 |
| 1994-95 | 4,847,726 * | 7.9 |
| 1995-96 | 5,610,308 | 15.7 |
| 1996-97 | 6,085,828 | 8.5 |
| 1997-98 | 6,551,316 | 7.6 |
| 1998-99 | 7,049,136 | 7.6 |
| 1999-00 | 7,672,648 | 8.8 |
| 2000-01 | 7,846,391 | 2.3 |
| 2001-02 | 8,183,587 | 4.3 |
| 2002-03 | 8,698,754 | 6.3 |

COAL SEVERANCE TAX

| Fiscal Year | Receipts | Percent Change |
|--------------------|-----------------|-----------------------|
| 1993-94 | \$ 179,844,327 | -0.2 |
| 1994-95 | 179,116,944 | -0.4 |
| 1995-96 | 166,101,045 | -7.3 |
| 1996-97 | 163,545,844 | -1.5 |
| 1997-98 | 163,731,038 | 0.1 |
| 1998-99 | 154,476,772 | -5.7 |
| 1999-00 | 145,139,909 | -6.0 |
| 2000-01 | 141,553,087 | -2.5 |
| 2001-02 | 160,160,116 | 13.1 |
| 2002-03 | 141,664,981 | -11.5 |

* Adjusted for small math error

CIGARETTE TAX*

| Fiscal Year | Receipts | Percent Change |
|--------------------|-----------------|-----------------------|
| 1993-94 | \$ 14,285,746 | 2.1 |
| 1994-95 | 15,126,270 | 5.9 |
| 1995-96 | 15,680,704 | 3.7 |
| 1996-97 | 16,044,967 | 2.3 |
| 1997-98 | 15,130,443 | -5.7 |
| 1998-99 | 14,673,839 | -3.0 |
| 1999-00 | 14,184,888 | -3.3 |
| 2000-01 | 14,007,582 | -1.2 |
| 2001-02 | 13,943,208 | -0.5 |
| 2002-03 | 16,367,947 | 17.4 |

CORPORATION INCOME TAX

| Fiscal Year | Receipts | Percent Change |
|--------------------|-----------------|-----------------------|
| 1993-94 | \$ 269,067,231 | 5.6 |
| 1994-95 | 340,912,408 | 26.7 |
| 1995-96 | 284,732,573 | -16.5 |
| 1996-97 | 292,753,126 | 2.8 |
| 1997-98 | 333,666,393 | 14.0 |
| 1998-99 | 312,066,675 | -6.5 |
| 1999-00 | 306,442,050 | -1.8 |
| 2000-01 | 289,931,017 | -5.4 |
| 2001-02 | 207,353,777 | -28.5 |
| 2002-03 | 278,035,794 | 34.1 |

*The cigarette tax is levied at the rate of 3 cents per pack. These totals reflect the 2.5 cents per pack that are deposited into the General Fund. The remaining 0.5 cent per pack is dedicated to tobacco research and is deposited in the Tobacco Research Trust Fund.

CORPORATION LICENSE TAX

| Fiscal Year | Receipts | Percent Change |
|--------------------|-----------------|-----------------------|
| 1993-94 | \$ 82,031,324 * | -5.8 |
| 1994-95 | 97,449,950 * | 18.8 |
| 1995-96 | 90,515,183 ** | -7.1 |
| 1996-97 | 107,498,746 | 18.8 |
| 1997-98 | 112,763,161 | 4.9 |
| 1998-99 | 125,912,523 | 11.7 |
| 1999-00 | 139,127,819 | 10.5 |
| 2000-01 | 147,515,402 | 6.0 |
| 2001-02 | 117,500,770 | -20.3 |
| 2002-03 | 152,595,257 | 29.9 |

* Adjusted for small math error.

** Corrected for posting error.

INHERITANCE AND ESTATE TAX

| Fiscal Year | Receipts | Percent Change |
|--------------------|-----------------|-----------------------|
| 1993-94 | \$ 76,135,351 | 7.3 |
| 1994-95 | 79,511,634 | 4.4 |
| 1995-96 | 81,441,427 * | 2.4 |
| 1996-97 | 95,287,282 | 17.0 |
| 1997-98 | 105,538,130 | 10.8 |
| 1998-99 | 81,483,083 | -22.8 |
| 1999-00 | 74,489,981 | -8.6 |
| 2000-01 | 83,461,499 | 12.0 |
| 2001-02 | 83,359,872 | -0.1 |
| 2002-03 | 95,864,480 | 15.0 |

* Phase-in of Class A beneficiary exemption began July 1, 1995.

INDIVIDUAL INCOME TAX

| Fiscal Year | Receipts | Percent Change |
|--------------------|-----------------|-----------------------|
| 1993-94 | \$1,729,182,293 | -0.2 |
| 1994-95 | 1,964,843,490 | 13.6 |
| 1995-96 | 2,074,572,167 | 5.6 |
| 1996-97 | 2,205,022,964 | 6.3 |
| 1997-98 | 2,418,144,438 | 9.7 |
| 1998-99 | 2,532,005,348 | 4.7 |
| 1999-00 | 2,701,613,908 | 6.7 |
| 2000-01 | 2,778,541,444 | 2.8 |
| 2001-02 | 2,702,510,022 | -2.7 |
| 2002-03 | 2,746,386,944 | 1.6 |

**INSURANCE PREMIUMS TAX
Foreign Life Insurance Companies**

| Fiscal Year | Receipts | Percent Change |
|--------------------|-----------------|-----------------------|
| 1993-94 | \$ 38,057,960 | 11.1 |
| 1994-95 | 33,966,941 | -10.7 |
| 1995-96 | 36,165,049 | 6.5 |
| 1996-97 | 33,086,032 | -8.5 |
| 1997-98 | 35,116,933 | 6.1 |
| 1998-99 | 33,085,292 | -5.8 |
| 1999-00 | 35,909,807 | 8.5 |
| 2000-01 | 34,775,487 | -3.2 |
| 2001-02 | 36,058,437 | 3.7 |
| 2002-03 | 36,904,902 | 2.3 |

Insurance Companies Other than Life

| Fiscal Year | Receipts | Percent Change |
|--------------------|-----------------|-----------------------|
| 1993-94 | \$ 42,720,970 | 5.1% |
| 1994-95 | 45,515,163 | 6.5% |
| 1995-96 | 48,687,419 | 7.0% |
| 1996-97 | 50,318,931 | 3.4% |
| 1997-98 | 52,600,230 | 4.5% |
| 1998-99 | 54,431,503 | 3.5% |
| 1999-00 | 57,000,964 | 4.7% |
| 2000-01 | 59,118,323 | 3.7% |
| 2001-02 | 65,899,201 | 11.5% |
| 2002-03 | 74,529,362 | 13.1% |

MINERALS AND NATURAL GAS TAX

| Fiscal Year | Receipts | Percent Change |
|--------------------|-----------------|-----------------------|
| 1993-94 | \$ 16,718,727 | 8.1% |
| 1994-95 | 14,783,614 | -11.6% |
| 1995-96 | 17,378,785 | 17.6% |
| 1996-97 | 20,051,609 | 15.4% |
| 1997-98 | 20,192,086 | 0.7% |
| 1998-99 | 18,954,883 | -6.1% |
| 1999-00 | 22,369,419 | 18.0% |
| 2000-01 | 30,030,552 | 34.2% |
| 2001-02 | 24,656,955 | -17.9% |
| 2002-03 | 27,294,398 | 10.7% |

LOTTERY RECEIPTS

| Fiscal Year | Receipts | Percent Change |
|--------------------|-----------------|-----------------------|
| 1993-94 | \$ 114,000,000 | 14.0% |
| 1994-95 | 136,000,000 | 19.3% |
| 1995-96 | 147,000,000 | 8.1% |
| 1996-97 | 151,000,000 | 2.7% |
| 1997-98 | 153,000,000 | 1.3% |
| 1998-99 | 153,800,000 | 0.5% |
| 1999-00 | 156,300,000 | 1.6% |
| 2000-01 | 157,030,000 | 0.5% |
| 2001-02 | 169,000,000 | 7.6% |
| 2002-03 | 171,000,000 | 1.2% |

OIL PRODUCTION TAX

| Fiscal Year | Receipts | Percent Change |
|--------------------|-----------------|-----------------------|
| 1993-94 | \$ 2,697,560 | -38.9% |
| 1994-95 | 2,784,562 | 3.2% |
| 1995-96 | 2,644,656 | -5.0% |
| 1996-97 | 3,044,497 | 15.1% |
| 1997-98 | 2,135,211 | -29.9% |
| 1998-99 | 1,344,942 | -37.0% |
| 1999-00 | 2,967,395 | 120.6% |
| 2000-01 | 3,358,036 | 13.2% |
| 2001-02 | 2,590,722 | -22.9% |
| 2002-03 | 3,116,954 | 20.3% |

PARI-MUTUEL TAX

| Fiscal Year | Receipts | Percent Change |
|--------------------|-----------------|-----------------------|
| 1993-94 | \$ 6,134,317 | -1.8% |
| 1994-95 | 7,256,986 | 18.3% |
| 1995-96 | 7,148,951 | -1.5% |
| 1996-97 | 5,911,958 | -17.3% |
| 1997-98 | 4,845,921 | -18.0% |
| 1998-99 | 7,179,163 | 48.1% |
| 1999-00 | 6,645,098 | -7.4% |
| 2000-01 | 6,182,083 | -7.0% |
| 2001-02 | 5,179,952 | -16.2% |
| 2002-03 | 5,953,247 | 14.9% |

Property Taxes - Real Estate

| Fiscal Year | Receipts | Percent Change |
|--------------------|-----------------|-----------------------|
| 1993-94 | \$ 132,125,477 | 4.6% |
| 1994-95 | 133,200,108 | 0.8% |
| 1995-96 | 142,728,406 | 7.2% |
| 1996-97 | 170,063,059 * | 19.2% |
| 1997-98 | 154,245,453 | -9.3% |
| 1998-99 | 161,723,137 | 4.8% |
| 1999-00 | 167,326,472 | 3.5% |
| 2000-01 | 171,524,695 | 2.5% |
| 2001-02 | 179,678,050 | 4.8% |
| 2002-03 | 186,000,177 | 3.5% |

* Some tangible property tax receipts were erroneously credited to real property receipts accounts.

TOTAL PROPERTY TAXES

| Fiscal Year | Receipts | Percent Change |
|--------------------|-----------------|-----------------------|
| 1993-94 | \$ 370,199,709 | 4.4% |
| 1994-95 | 395,324,665 | 6.8% |
| 1995-96 | 409,176,706 | 3.5% |
| 1996-97 | 414,858,124 | 1.4% |
| 1997-98 | 362,792,501 | -12.6% |
| 1998-99 | 370,404,549 | 2.1% |
| 1999-00 | 387,257,800 | 4.5% |
| 2000-01 | 407,494,858 | 5.2% |
| 2001-02 | 433,029,587 | 6.3% |
| 2002-03 | 434,768,249 | 0.4% |

Property Taxes - Tangible

| Fiscal Year | Receipts | Percent Change |
|--------------------|-----------------|-----------------------|
| 1993-94 | \$ 104,501,822 | 10.8% |
| 1994-95 | 114,122,717 | 9.2% |
| 1995-96 | 137,812,773 | 20.8% |
| 1996-97 | 124,637,468 * | -9.6% |
| 1997-98 | 125,753,465 | 0.9% |
| 1998-99 | 125,564,658 | -0.2% |
| 1999-00 | 130,960,896 | 4.3% |
| 2000-01 | 140,466,295 | 7.3% |
| 2001-02 | 151,308,795 | 7.7% |
| 2002-03 | 149,426,286 | -1.2% |

* Some tangible property tax receipts were erroneously credited to real property receipts accounts.

Property Taxes - Intangible

| Fiscal Year | Receipts | Percent Change |
|--------------------|-----------------|-----------------------|
| 1993-94 | \$ 77,393,521 | -0.5% |
| 1994-95 | 83,479,482 | 7.9% |
| 1995-96 | 66,489,089 | -20.4% |
| 1996-97 | 46,631,437 * | -29.9% |
| 1997-98 | 21,129,328 * | -54.7% |
| 1998-99 | 18,103,920 | -14.3% |
| 1999-00 | 22,721,743 | 25.5% |
| 2000-01 | 22,551,153 | -0.8% |
| 2001-02 | 23,113,567 | 2.5% |
| 2002-03 | 25,883,197 | 12.0% |

* Shares of stock were exempted from property tax.

BANK FRANCHISE TAX*

| Fiscal Year | Receipts | Percent Change |
|--------------------|-----------------|-----------------------|
| 1996-97 | \$ 40,878,664 | ----- |
| 1997-98 | 35,059,801 | -14.2% |
| 1998-99 | 47,059,959 | 34.2% |
| 1999-00 | 53,061,789 | 12.8% |
| 2000-01 | 49,610,220 | -6.5% |
| 2001-02 | 50,549,168 | 1.9% |
| 2002-03 | 53,747,906 | 6.3% |

* Kentucky's bank franchise tax was instituted in July 1996.

SALES AND USE TAX

| Fiscal Year | Receipts | Percent Change |
|--------------------|------------------|-----------------------|
| 1993-94 | \$ 1,560,085,519 | 6.7% |
| 1994-95 | 1,680,520,815 | 7.7% |
| 1995-96 | 1,783,881,316 | 6.2% |
| 1996-97 | 1,882,681,995 | 5.5% |
| 1997-98 | 1,981,297,580 | 5.2% |
| 1998-99 | 2,085,899,677 | 5.3% |
| 1999-00 | 2,171,397,969 | 4.1% |
| 2000-01 | 2,248,471,100 | 3.5% |
| 2001-02 | 2,299,990,621 | 2.3% |
| 2002-03 | 2,364,182,478 | 2.8% |

ROAD FUND STATISTICS

ROAD FUND TOTAL RECEIPTS

| Fiscal Year | Receipts | Percent Change |
|--------------------|-----------------|-----------------------|
| 1993-94 | \$ 862,826,425 | 5.2% |
| 1994-95 | 900,619,387 | 4.4% |
| 1995-96 | 939,910,490 | 4.4% |
| 1996-97 | 960,183,780 | 2.2% |
| 1997-98 | 1,011,789,675 | 5.4% |
| 1998-99 | 1,056,596,153 | 4.4% |
| 1999-00 | 1,090,777,822 | 3.2% |
| 2000-01 | 1,064,181,565 | -2.4% |
| 2001-02 | 1,119,005,317 | 5.2% |
| 2002-03 | 1,123,103,133 | 0.4% |

MOTOR VEHICLE USAGE TAX

| Fiscal Year | Receipts | Percent Change |
|--------------------|-----------------|-----------------------|
| 1993-94 | \$ 278,157,347 | 19.1% |
| 1994-95 | 283,820,829 | 2.0% |
| 1995-96 | 298,585,859 | 5.2% |
| 1996-97 | 304,868,491 | 2.1% |
| 1997-98 | 325,308,554 | 6.7% |
| 1998-99 | 331,187,817 | 1.8% |
| 1999-00 | 359,437,723 | 8.5% |
| 2000-01 | 345,120,799 | -4.0% |
| 2001-02 | 381,398,176 | 10.5% |
| 2002-03 | 388,959,153 | 2.0% |

ROAD FUND TOTAL TAX RECEIPTS

| Fiscal Year | Receipts | Percent Change |
|--------------------|-----------------|-----------------------|
| 1993-94 | \$ 836,526,817 | 5.5% |
| 1994-95 | 868,711,393 | 3.8% |
| 1995-96 | 899,036,284 | 3.5% |
| 1996-97 | 919,796,955 | 2.3% |
| 1997-98 | 961,522,616 | 4.5% |
| 1998-99 | 1,013,091,830 | 5.4% |
| 1999-00 | 1,055,295,426 | 4.2% |
| 2000-01 | 1,013,143,743 | -4.0% |
| 2001-02 | 1,052,848,911 | 3.9% |
| 2002-03 | 1,059,296,184 | 0.6% |

MOTOR FUELS TAXES Motor Fuels Normal

| Fiscal Year | Receipts | Percent Change |
|--------------------|-----------------|-----------------------|
| 1993-94 | \$ 358,435,307 | 1.4% |
| 1994-95 | 373,316,977 | 4.2% |
| 1995-96 | 378,142,941 | 1.3% |
| 1996-97 | 390,688,336 | 3.3% |
| 1997-98 | 396,123,781 | 1.4% |
| 1998-99 | 427,848,100 | 8.0% |
| 1999-00 | 423,876,351 | -0.9% |
| 2000-01 | 408,801,115 | -3.6% |
| 2001-02 | 429,812,296 | 5.1% |
| 2002-03 | 438,564,438 | 2.0% |

Motor Fuels Normal Use and Surtax

| Fiscal Year | Receipts | Percent Change |
|--------------------|-----------------|-----------------------|
| 1993-94 | \$ 21,399,126 | 3.9% |
| 1994-95 | 23,052,951 | 7.7% |
| 1995-96 | 22,554,473 | -2.2% |
| 1996-97 | 15,316,702 | -32.1% |
| 1997-98 | 17,473,744 | 14.1% |
| 1998-99 | 16,853,163 | -3.6% |
| 1999-00 | 15,905,613 | -5.6% |
| 2000-01 | 15,492,738 | -2.6% |
| 2001-02 | 14,124,035 | -8.8% |
| 2002-03 | 14,969,884 | 6.0% |

**MOTOR VEHICLE REGISTRATIONS
Passenger Car Registration**

| Fiscal Year | Receipts | Percent Change |
|--------------------|-----------------|-----------------------|
| 1993-94 | \$ 23,473,690 | 1.7% |
| 1994-95 | 23,398,303 | -0.3% |
| 1995-96 | 23,389,132 | 0.0% |
| 1996-97 | 23,276,395 | -0.5% |
| 1997-98 | 23,604,679 | 1.4% |
| 1998-99 | 23,356,526 | -1.1% |
| 1999-00 | 23,485,625 | 0.6% |
| 2000-01 | 23,162,962 | -1.4% |
| 2001-02 | 25,355,086 | 9.5% |
| 2002-03 | 25,793,836 | 1.7% |

**MOTOR VEHICLE
OPERATOR'S LICENSE**

| Fiscal Year | Receipts | Percent Change |
|--------------------|-----------------|-----------------------|
| 1993-94 | \$ 5,358,710 | 6.7% |
| 1994-95 | 5,170,423 | -3.5% |
| 1995-96 | 5,110,387 | -1.2% |
| 1996-97 | 5,355,648 | 4.8% |
| 1997-98 | 5,241,595 | -2.1% |
| 1998-99 | 5,400,685 | 3.0% |
| 1999-00 | 5,689,329 | 5.3% |
| 2000-01 | 5,592,769 | -1.7% |
| 2001-02 | 5,564,009 | -0.5% |
| 2002-03 | 5,610,829 | 0.8% |

**MOTOR VEHICLE
RENTAL USAGE TAX**

| Fiscal Year | Receipts | Percent Change |
|--------------------|-----------------|-----------------------|
| 1993-94 | \$ 17,055,319 | 40.7% |
| 1994-95 | 22,966,441 | 34.7% |
| 1995-96 | 29,054,964 | 26.5% |
| 1996-97 | 36,593,748 | 25.9% |
| 1997-98 | 41,450,720 | 13.3% |
| 1998-99 | 44,465,916 | 7.3% |
| 1999-00 | 49,957,851 | 12.4% |
| 2000-01 | 51,619,167 | 3.3% |
| 2001-02 | 47,840,871 | -7.3% |
| 2002-03 | 43,877,657 | -8.3% |



Capital Financing Analysis



Section I

Executive Summary

Executive Summary

The Governor proposes \$694.5 million in new debt-financed projects. The proposal for the 2004-2006 biennium is compared to previous biennia in Table 9 and is described in more detail in Appendix C.

The **Capital Financing Analysis** provides an overview of the structure of debt issuance in the Commonwealth. In addition, historical information about the status of the debt program is provided in the Appendices. This information is required pursuant to KRS 42.410.



Section II

Assumptions

Assumptions

This analysis is premised on the following assumptions:

- FY04-06 General Fund revenues are based on the January 9, 2004, Consensus Forecasting Group's Official Revenue Estimates. FY05 and FY06 are projected using 4.7 percent and 4.2 percent growth rates respectively.
- FY04-06 Road Fund revenues are based on the Official Revenue Estimates. FY05 and FY06 are projected using 1.7 percent and 1.8 percent growth rates respectively.
- Agency Fund revenues are based on actual FY03 revenue from the supplement to the FY03 Comprehensive Annual Financial Report (CAFR) with no implied growth rate for FY05 and FY06.
- Tobacco Settlement Funds are included in the General Fund revenue.
- All remaining authorized but unissued debt is assumed to be issued by June 30, 2004, at the template rates except for School Facilities Construction Commission (SFCC) debt that is authorized at a lower level.
- Two percent (2%) Cost of Issuance.
- Where actual debt service is unknown, required debt service is estimated from amortization schedules using the debt service template rates.

**Table 9
DEBT AUTHORIZED BY RECENT
SESSIONS OF THE
GENERAL ASSEMBLY**

| <u>Fiscal Year</u> | <u>Principal Debt Authorized</u> | <u>Fiscal Year</u> | <u>Principal Debt Authorized</u> |
|--------------------|----------------------------------|--------------------|----------------------------------|
| 1984 | 535,929,000 | 1996 ² | \$ 313,575,000 |
| 1986 | 494,721,100 | 1998 ³ | 1,168,030,000 |
| 1988 | 364,171,900 | 2000 ⁴ | 1,046,927,600 |
| 1990 | 1,148,218,400 | 2003 ⁵ | 835,188,380 |
| 1992 ¹ | 439,375,100 | 2004 ⁶ | 694,500,000 |
| 1994 ¹ | 429,575,900 | | |

¹ This includes debt authorized in the 1995 Extraordinary Session of the General Assembly and debt authorized by the Surplus Expenditure Plan.

² Enacted in the 1996-98 Budget of the Commonwealth, and subsequent May 1997 Extraordinary Session of the Kentucky General Assembly. Includes all new authorized debt and all reauthorized debt for the 1996-1998 Biennium.

Reauthorized: \$69,393,000 General Fund and \$2,000,000 Agency Fund
New Authorization: \$103,796,000 General Fund and \$35,000,000 Agency Fund
May 1997 Extraordinary Session: Includes \$103,386,000 of Bond Funded Projects

Excludes the \$60,000,000 of Agency Bonds in the Finance Cabinet (KIA leveraging). Pursuant to KRS 56.870 (3), legislative authorization is required when revolving fund repayments are used to support bonds. This authorization was never acted upon or reauthorized.

³ Debt Enacted in the 1998-2000 Budget of the Commonwealth.

Reauthorized: \$74,102,000 General Fund and \$2,000,000 Agency Fund
New Authorizations: \$600,830,000 General Fund; \$268,100,000 Road Fund; and \$96,100,000 Agency Fund
\$126,898,000 was authorized in the General Fund Surplus Expenditure Plan
\$201,000,000 was authorized for SFCC, however, debt service is appropriated for only \$108,130,000 in FY00

⁴ Debt Enacted in the 2000-2002 Budget of the Commonwealth.

| | |
|-----------------------------|---------------|
| General Fund Authorization: | \$901,202,600 |
| Road Fund Authorization: | \$ 28,200,000 |
| Agency Fund Authorization: | \$117,525,000 |

The 2000 Session of the Kentucky General Assembly authorized \$1,053,015,600 of debt. The Secretary of the Finance and Administration Cabinet determined that \$6,088,000 of debt authorized projects would be funded with General Fund cash, thereby reducing the authorized amount to \$1,046,927,600.

⁵ Debt Enacted in the 2002-2004 Executive Budget of the Commonwealth.

| | |
|-----------------------------|---------------|
| General Fund Authorization: | \$628,188,380 |
| Agency Fund Authorization: | \$207,000,000 |

⁶ \$694,500,000 New Debt Recommended in the 2004-2006 Executive Budget of the Commonwealth.



Section III

Debt Capacity Analysis

Debt Capacity Analysis

Purpose

This report provides a review of pertinent historical information about the Commonwealth's debt and debt management goals. The Governor's recommendation for new debt-financed capital projects for the FY04-06 biennium is evaluated against various measures of debt affordability and previous biennial authorizations.

The goals of the debt management program of the Commonwealth are:

1. Maintain debt at levels that eliminate questions concerning the state's willingness or ability to make timely payments on appropriation supported obligations.
2. Issue debt only for those projects that will provide benefits equal to or longer than the amortization period of the obligation.
3. Maintain or improve the state's current Aa3/A+/AA- State Property and Buildings Commission General Fund lease appropriation debt rating by Moody's Investors Service, Standard & Poor's and Fitch respectively.
4. Initiate reviews of debt management processes that are consistent with reviews by external entities such as rating agencies.
5. Continue to develop the program to manage the net interest expense of the Commonwealth.
6. Use debt to finance projects prudently, while addressing the capital investment needs of the state.
7. Continually strive to reduce the expense of debt through ongoing management of outstanding debt and analysis of low-cost alternatives.
8. Use tax-exempt rather than taxable funding sources for project financing whenever possible to minimize overall governmental operating costs.

These goals continue to be important to the assessment by outside entities of the use of debt by the Commonwealth and provide an appropriate backdrop for any discussion about long-term capital expenditures.

Structure

The Commonwealth's indebtedness is classified as either appropriation supported or non-appropriation supported debt.

Appropriation supported debt carries the name of the Commonwealth and is either (i) a general obligation of the state, or (ii) a project revenue obligation of one of the debt-issuing agencies created by the Kentucky General Assembly to finance various projects which is subject to state appropriations for all or a portion of the debt service on the bonds.

General obligation bonds pledge the full faith, credit and taxing power of the Commonwealth for the repayment of debt. The Kentucky Constitution requires voter approval by general referendum prior to the issuance of general obligation bonds in amounts exceeding \$500,000. Kentucky has not issued general obligation bonds since 1966. The Commonwealth has no general obligation bonds outstanding.

Project revenue notes and bonds are issued by various debt-issuing authorities of the Commonwealth. The revenues produced by the projects funded by the debt are pledged as security for repayment of the debt. Project revenues are not a direct obligation of the Commonwealth. Project revenues are, in some cases, derived partially or solely from biennial appropriations of the General Assembly. In other cases, the direct revenues generated from the project funded constitute the entire source of payment.

Non-appropriation or moral obligation debt carries the name of the Commonwealth for the benefit and convenience of other entities within the state. This type of indebtedness is a special obligation of the issuer, secured and payable solely from the sources pledged for the payment thereof and do not constitute a debt, liability, obligation or a pledge of the faith and credit of the Commonwealth. The General Assembly does not intend to appropriate any funds to fulfill the financial obligations represented by these types of indebtedness. In the event of a shortfall, the issuer covenants to request from the Governor and the General Assembly sufficient amounts to pay debt service.

**Chart 1
ACTIVE DEBT ISSUING ENTITIES**

| ENTITY | STATUTORY AUTHORITY/ PURPOSE | DEBT LIMITATIONS | Ratings* |
|---|--|---|-----------------|
| State Property and Bldgs. Commission | KRS 56.450 Provide financing for capital construction projects and financing programs approved by the General Assembly. | Cannot incur debt without prior approval of projects and appropriation of debt service by the General Assembly. | Aa3/A+/AA- |
| Kentucky Asset/Liability Commission | KRS 56.860 Provide interim financing of capital projects and cash flow borrowings to meet working capital needs of the state. | Cannot incur debt without prior approval of projects and appropriation of debt service by the General Assembly, exclusive of cash flow borrowings within a fiscal year. | Varies |
| Turnpike Authority of Kentucky | KRS 175.410-175.990 Construct, maintain, repair and operate Turnpike projects, resource recovery roads, and economic development roads. | Cannot incur debt without prior approval of projects and appropriation of debt service by the General Assembly. | Aa3/A+/AA- |
| The State Universities (consisting of nine) | KRS 56.495 Construct educational buildings and housing and dining facilities. | Cannot incur debt without prior approval of projects and appropriation of debt service by the General Assembly. | Varies |
| Kentucky Housing Corp. | KRS 198A Make low interest mortgage loans and construction loans to increase the supply of housing for low and moderate income residents in the State. | Limited to \$2.5 billion of debt outstanding. | Aaa/AAA |
| Kentucky Infrastructure Authority | KRS 224A Provide financial assistance to local governments for the construction or refinancing of infrastructure facilities and to provide loans to industries for construction of pollution control facilities. | Revolving Fund programs cannot incur debt without appropriation of debt service by the General Assembly. Without legislative approval, other programs are limited to debt outstanding of \$500 million. | Aa3/A+/AA- |
| Kentucky Higher Education Student Loan Corporation | KRS 164A Make guaranteed student loans to residents of the state to attend post-secondary institutions and to make loans to students attending post-secondary schools within the State. | Limited to \$1.95 billion of debt outstanding. | Aaa/AA- |
| School Facilities Constr. Commission | KRS 157.611-157.665 Assist local school districts with the financing and construction of school buildings. Finance the construction of vocational education facilities. | Cannot incur debt without appropriation of debt service by General Assembly. | Aa3/A+/A |
| Kentucky Economic Development Finance Authority | KRS 154 Issue industrial revenue bonds on behalf of industries, hospitals, and commercial enterprises in the state. Provide low interest loans to developing businesses. Provide financing and tax credits to manufacturing entities expanding or locating facilities in the state. | None | Varies |
| Kentucky Local Correctional Facilities Construction Authority | KRS 441.605-441.695 Provide an alternative method of constructing, improving, repairing, and financing local jails. | Limited to the level of debt service supported by court fees pledged as repayment for the bonds. | AAA (Insured) |

*Ratings, where applicable, include Moody's, Standard & Poors, and Fitch. Standard & Poors rates the Kentucky Infrastructure Authority Moral Obligation Bonds A-. Certain State Property and Buildings Commission Agency Fund Revenue Bonds may have ratings different than those identified above.

Definitions

Debt service is defined as all debt service appropriated by the General Assembly. This includes debt service on all bond issues of the State Property and Buildings Commission, the Kentucky Asset/Liability Commission, state universities (consolidated educational buildings revenue bonds, hospital revenue bonds, community college revenue bonds, and housing and dining system revenue bonds), the Turnpike Authority of Kentucky, and the state appropriation-supported portion of both the School Facilities Construction Commission and the Kentucky Infrastructure Authority.

Revenue is defined to include the General Fund, Road Fund, and Agency Fund and is reported on an actual cash (budgetary) basis. Although the state adopted a modified accrual basis of accounting in 1983, the use of the cash basis allows for an analysis of debt for a longer time period. Revenues for the General Fund and Road Fund for FY03 are actual and those for FY04 through FY06 are based upon the Consensus Forecasting Group's January 9, 2004 Official Revenue Estimates. Agency Fund estimates are based upon actual results for FY03 and are held constant for the time frame of this analysis. Historical revenue figures and debt service levels were obtained from the **Kentucky Comprehensive Annual Financial Report** and the supplementary information reports for the various years.

Debt capacity is the total amount of new asset bonds that can be supported by a calculated amount of state appropriations (assuming a 20-year long-term tax-exempt interest rate of 6.80 percent or other applicable rates). Asset bonds equate to project costs plus cost of issuance. It assumes no debt service reserves, except in the case of university bonds.

Historical Information

Table 10 shows the historical comparison of debt outstanding in current and constant dollars.

Table 11 shows the comparison of debt outstanding and required debt service as a percent of assessed property, personal income, and on a per capita basis.

Table 12 provides the historical comparison of total appropriation required debt service as a percentage of total revenue. This is the key indicator of debt affordability for the Commonwealth and is used to assess the impact of any capital program.

Table 13 provides an update of Table 12 to include the Governor's proposed debt financed projects.

Table 10
APPROPRIATION SUPPORTED DEBT
PRINCIPAL DEBT OUTSTANDING
(000,000)

| Fiscal Year | Current | Percent Change | CPI Constant Dollar Adjustment | Constant (1984) | Percent Change |
|--------------------|----------------|-----------------------|---------------------------------------|------------------------|-----------------------|
| 1984 | 2,100.72 | 17.90 | 1.0181 | 2,063.37 | 11.55 |
| 1985 | 2,098.89 | -0.09 | 1.0580 | 1,983.83 | -3.86 |
| 1986 | 2,197.98 | 4.72 | 1.0888 | 2,018.72 | 1.76 |
| 1987 | 2,627.29 | 19.53 | 1.1131 | 2,360.34 | 16.92 |
| 1988 | 2,771.07 | 5.47 | 1.1593 | 2,390.30 | 1.27 |
| 1989 | 2,726.69 | -1.60 | 1.2123 | 2,249.19 | -5.90 |
| 1990 | 2,736.18 | 0.35 | 1.2703 | 2,153.96 | -4.23 |
| 1991 | 3,253.56 | 18.91 | 1.3401 | 2,427.85 | 12.72 |
| 1992 | 3,537.60 | 8.73 | 1.3828 | 2,558.29 | 5.37 |
| 1993 | 3,837.66 | 8.48 | 1.4259 | 2,691.39 | 5.20 |
| 1994 | 3,785.78 | -1.35 | 1.4628 | 2,588.04 | -3.84 |
| 1995 | 3,809.20 | 0.62 | 1.5041 | 2,532.54 | -2.14 |
| 1996 | 3,775.38 | -0.89 | 1.5451 | 2,443.45 | -3.52 |
| 1997 | 3,557.74 | -5.76 | 1.5890 | 2,238.98 | -8.37 |
| 1998 | 3,600.08 | 1.19 | 1.6175 | 2,225.71 | -0.59 |
| 1999 | 3,589.95 | -0.28 | 1.6454 | 2,181.81 | -1.97 |
| 2000 | 3,556.97 | -0.92 | 1.6929 | 2,101.11 | -3.70 |
| 2001 | 3,966.22 | 11.51 | 1.7509 | 2,265.24 | 7.81 |
| 2002 | 4,423.93 | 10.54 | 1.7817 | 2,482.98 | 9.61 |
| 2003 | 4,102.63 | -7.26 | 1.8211 | 2,252.83 | -9.27 |
| 2004* | 4,559.20 | 11.13 | 1.8519 | 2,461.90 | 9.28 |
| 2005* | 4,213.32 | -7.59 | 1.8822 | 2,238.51 | -9.07 |
| 2006* | 3,873.37 | -8.07 | 1.9185 | 2,018.96 | -9.81 |

* Estimated. Assumes all authorized debt will be issued by June 30, 2004.
Assumes no additional debt authorization for the 2004-2006 Biennium.

Table 11
APPROPRIATION SUPPORTED DEBT
KENTUCKY ECONOMIC DEBT INDICATORS
(Current Dollars)

| Fiscal Year | Debt as a % of Assessed Property | Required Debt Service as a % of Assessed Property | Debt as a % of Personal Income | Required Debt Service as a % of Personal Income | Debt Per Capita (\$) | Required Debt Service Per Capita (\$) |
|--------------------|---|--|---------------------------------------|--|-----------------------------|--|
| 1984 | 1.69 | 0.16 | 5.44 | 0.52 | 568.46 | 54.40 |
| 1985 | 1.59 | 0.18 | 5.23 | 0.58 | 568.06 | 63.31 |
| 1986 | 1.54 | 0.17 | 5.24 | 0.59 | 596.01 | 67.08 |
| 1987 | 1.69 | 0.16 | 5.89 | 0.55 | 713.29 | 67.17 |
| 1988 | 1.71 | 0.17 | 5.85 | 0.59 | 753.01 | 75.46 |
| 1989 | 1.50 | 0.16 | 5.40 | 0.58 | 741.49 | 79.38 |
| 1990 | 1.41 | 0.16 | 5.08 | 0.56 | 742.14 | 82.57 |
| 1991 | 1.57 | 0.15 | 5.70 | 0.55 | 875.86 | 84.71 |
| 1992 | 1.62 | 0.18 | 5.81 | 0.65 | 941.76 | 105.00 |
| 1993 | 1.71 | 0.18 | 5.97 | 0.61 | 1,006.68 | 103.55 |
| 1994 | 1.56 | 0.16 | 5.64 | 0.59 | 983.55 | 102.87 |
| 1995 | 1.49 | 0.17 | 5.38 | 0.60 | 979.88 | 109.24 |
| 1996 | 1.48 | 0.17 | 5.06 | 0.58 | 963.22 | 111.17 |
| 1997 | 1.51 | 0.19 | 4.55 | 0.59 | 900.07 | 116.26 |
| 1998 | 1.43 | 0.18 | 4.36 | 0.55 | 903.32 | 114.78 |
| 1999 | 1.36 | 0.17 | 4.19 | 0.54 | 893.46 | 114.50 |
| 2000 | 1.29 | 0.20 | 3.75 | 0.59 | 878.52 | 137.44 |
| 2001 | 1.35 | 0.19 | 3.97 | 0.55 | 974.78 | 135.95 |
| 2002 | 1.34 | 0.16 | 4.30 | 0.51 | 1,080.88 | 128.75 |
| 2003 | 1.19 | 0.17 | 3.84 | 0.56 | 996.27 | 145.25 |
| 2004* | 1.26 | 0.17 | 4.13 | 0.55 | 1,101.79 | 147.18 |
| 2005* | 1.11 | 0.16 | 3.63 | 0.52 | 1,012.57 | 143.88 |
| 2006* | 0.97 | 0.15 | 3.17 | 0.49 | 925.76 | 143.56 |

* Estimated. Assumes all authorized debt will be issued by June 30, 2004.
Assumes no additional debt authorization for the 2004-2006 Biennium.

Table 12
APPROPRIATION SUPPORTED DEBT SERVICE
AS A PERCENT OF TOTAL REVENUE
(000,000)

| <u>Fiscal Year</u> | <u>Revenue (\$)</u> | <u>Debt Service (\$)</u> | <u>Debt Service/ Revenue (%)</u> |
|--------------------|---------------------|--------------------------|----------------------------------|
| 1984 | 3,738.28 | 201.02 | 5.38 |
| 1985 | 3,959.25 | 233.91 | 5.91 |
| 1986 | 4,248.04 | 247.38 | 5.82 |
| 1987 | 4,934.00 | 247.42 | 5.01 |
| 1988 | 5,134.54 | 277.69 | 5.41 |
| 1989 | 5,407.11 | 291.89 | 5.40 |
| 1990 | 5,814.85 | 304.43 | 5.24 |
| 1991 | 6,120.63 | 314.66 | 5.14 |
| 1992 | 6,383.17 | 394.44 | 6.18 |
| 1993 | 6,588.49 | 394.76 | 5.99 |
| 1994 | 6,716.11 | 395.95 | 5.90 |
| 1995 | 7,447.43 | 424.65 | 5.70 |
| 1996 | 7,759.59 | 435.72 | 5.62 |
| 1997 | 8,188.69 | 459.56 | 5.61 |
| 1998 | 8,675.09 | 457.44 | 5.27 |
| 1999 | 9,104.41 | 460.08 | 5.05 |
| 2000 | 9,427.31 | 556.47 | 5.90 |
| 2001 | 9,920.62 | 553.15 | 5.58 |
| 2002 | 10,172.25 | 526.97 | 5.18 |
| 2003 | 10,499.22 | 598.16 | 5.70 |
| 2004* | 10,454.45 | 609.02 | 5.83 |
| 2005* | 10,790.46 | 598.70 | 5.55 |
| 2006* | 11,114.47 | 600.66 | 5.40 |

* Estimated. Assumes all authorized debt will be issued by June 30, 2004.
Assumes no additional debt authorization for the 2004-2006 Biennium.

Table 13
APPROPRIATION SUPPORTED DEBT SERVICE
AS A PERCENT OF TOTAL REVENUE (%)

| Fiscal Year | Assuming No New Authorization | \$694,500,000 Executive Budget Recommended New Authorization |
|--------------------|--------------------------------------|---|
| 1984 | 5.38 | |
| 1985 | 5.91 | |
| 1986 | 5.82 | |
| 1987 | 5.01 | |
| 1988 | 5.41 | |
| 1989 | 5.40 | |
| 1990 | 5.24 | |
| 1991 | 5.14 | |
| 1992 | 6.18 | |
| 1993 | 5.99 | |
| 1994 | 5.90 | |
| 1995 | 5.70 | |
| 1996 | 5.62 | |
| 1997 | 5.61 | |
| 1998 | 5.27 | |
| 1999 | 5.05 | |
| 2000 | 5.90 | |
| 2001 | 5.58 | |
| 2002 | 5.18 | |
| 2003 | 5.70 | |
| 2004 | 5.83 | |
| 2005 | 5.55 | |
| 2006 | 5.40 | 6.0 |



Appendix A

Economic Indicators

Appendix B

Fiscal Debt Indicators

Appendix C

**Recommended New
Authorization**

Appendix D

**University Rating
Agency Information**

Appendix E

Charts & Graphs

Appendix A – Economic Indicators

The following data reflect Kentucky's debt and debt service in comparison with various economic indicators or measures of wealth. Appropriation supported debt and three categories of debt service are presented in terms of the economic variables of assessed property values, personal income and population.

Tables A-1, A-2 and A-3 show the annual debt and debt service in three different categories: required, appropriated and actual. "Required debt service" is the debt service that is actually due to the bondholders regardless of source of revenue. Debt service may be paid from interest earnings on the debt service reserve funds as well as by direct appropriations or projected revenues. The "required debt service" category is the most accurate reflection of the Commonwealth's liability.

"Appropriated debt service" reflects those funds that were appropriated in the various budgets for debt service. In many cases, these figures are estimated in advance of debt being issued or refinanced. These figures are neither an accurate nor consistent reflection of the Commonwealth's debt liability and are presented pursuant to KRS 42.410.

"Actual debt service" reflects those funds that flowed through the Debt Service Fund within the state's accounting system. These figures include not only debt service but also proceeds from refundings, costs of issuance and accrued interest on newly issued bonds, rebate and arbitrage penalty payments and trustee fees. These data are not an accurate reflection of the Commonwealth's debt liability, but are being presented pursuant to KRS 42.410.

Table A-4 reflects Kentucky's non-appropriation supported debt in relation to the economic variables of assessed property value, personal income and population. Non-appropriation supported debt is the debt of those authorities for which appropriation of state funds is not used to pay the debt service. The authorities include the Kentucky Higher Education Student Loan Corporation, Kentucky Housing Corporation, certain debt of the Kentucky Infrastructure Authority, Kentucky Local Correctional Facilities Construction Authority, Kentucky Agricultural Finance Corporation and Kentucky Economic Development Finance Authority (formerly Kentucky Development Finance Authority). The total debt and debt service shows a significant decrease in FY93 due to a change in reporting methodology. Project revenue debt is included for only the Kentucky Local Correctional Facilities Construction Authority. The industrial development bonds ("IDBs") of the Kentucky Economic Development Finance Authority, certain obligations of the Kentucky Infrastructure Authority and the Kentucky Agricultural Finance Corporation are no longer included in the Comprehensive Annual Financial Report.

Table A-1
APPROPRIATION SUPPORTED DEBT AND DEBT SERVICE
AS A PERCENT OF ASSESSED PROPERTY
(Current Dollars)

| Fiscal Year | Debt as a % of Assessed Property | Required Debt Service as a % of Assessed Property | Appropriated Debt Service as a % of Assessed Property | Actual Debt Service as a % of Assessed Property |
|--------------------|---|--|--|--|
| 1992 | 1.62 | 0.18 | 0.20 | 0.19 |
| 1993 | 1.71 | 0.18 | 0.18 | 0.13 |
| 1994 | 1.56 | 0.16 | 0.18 | 0.15 |
| 1995 | 1.49 | 0.17 | 0.16 | 0.16 |
| 1996 | 1.48 | 0.17 | 0.17 | 0.15 |
| 1997 | 1.51 | 0.19 | 0.19 | 0.14 |
| 1998 | 1.43 | 0.18 | 0.18 | 0.17 |
| 1999 | 1.36 | 0.17 | 0.17 | 0.14 |
| 2000 | 1.29 | 0.20 | 0.20 | 0.11 |
| 2001 | 1.35 | 0.19 | 0.19 | 0.14 |
| 2002 | 1.34 | 0.16 | 0.17 | 0.10 |
| 2003 | 1.19 | 0.17 | 0.18 | 0.13 |

Table A-2
APPROPRIATION SUPPORTED DEBT AND DEBT SERVICE
AS A PERCENT OF PERSONAL INCOME
(Current Dollars)

| Fiscal Year | Debt as a % of Personal Income | Debt Service as a % of Personal Income | Appropriated Debt Service as a % of Personal Income | Actual Debt Service % of Personal Income |
|--------------------|---------------------------------------|---|--|---|
| 1992 | 5.81 | 0.65 | 0.72 | 0.68 |
| 1993 | 5.97 | 0.61 | 0.61 | 0.44 |
| 1994 | 5.64 | 0.59 | 0.65 | 0.53 |
| 1995 | 5.38 | 0.60 | 0.58 | 0.59 |
| 1996 | 5.06 | 0.58 | 0.58 | 0.53 |
| 1997 | 4.55 | 0.59 | 0.59 | 0.42 |
| 1998 | 4.36 | 0.55 | 0.55 | 0.53 |
| 1999 | 4.19 | 0.54 | 0.54 | 0.42 |
| 2000 | 3.75 | 0.59 | 0.59 | 0.32 |
| 2001 | 3.97 | 0.55 | 0.55 | 0.41 |
| 2002 | 4.30 | 0.51 | 0.55 | 0.33 |
| 2003 | 3.84 | 0.56 | 0.57 | 0.43 |

Table A-3
APPROPRIATION SUPPORTED DEBT AND DEBT SERVICE
AS A PERCENT OF POPULATION
(Current Dollars)

| <u>Year</u> | <u>Debt Per Capita (\$)</u> | <u>Required Debt Service Per Capita (\$)</u> | <u>Appropriated Debt Service Per Capita (\$)</u> | <u>Actual Debt Service Per Capita (\$)</u> |
|-------------|-----------------------------|--|--|--|
| 1992 | 941.76 | 105.00 | 116.12 | 110.07 |
| 1993 | 1,006.68 | 103.55 | 103.35 | 74.58 |
| 1994 | 983.55 | 102.87 | 113.30 | 92.78 |
| 1995 | 979.88 | 109.24 | 105.11 | 107.21 |
| 1996 | 963.22 | 111.17 | 109.73 | 100.05 |
| 1997 | 900.07 | 116.26 | 116.26 | 84.02 |
| 1998 | 903.32 | 114.78 | 114.78 | 109.91 |
| 1999 | 893.46 | 114.50 | 114.50 | 89.02 |
| 2000 | 878.52 | 137.44 | 137.42 | 74.76 |
| 2001 | 974.78 | 135.95 | 135.84 | 100.78 |
| 2002 | 1,080.88 | 128.75 | 139.27 | 82.47 |
| 2003 | 996.27 | 145.25 | 146.90 | 111.77 |

Table A-4
NON-APPROPRIATION SUPPORTED DEBT
KENTUCKY ECONOMIC DEBT INDICATORS

| <u>Fiscal Year</u> | <u>Debt as a % of Assessed Property</u> | <u>Debt as a % of Personal Income</u> | <u>Debt Per Capita Debt (\$)</u> |
|--------------------|---|---------------------------------------|----------------------------------|
| 1992 | 1.15 | 4.13 | 669.27 |
| 1993 | 0.62 | 2.17 | 365.50 |
| 1994 | 0.53 | 1.91 | 333.56 |
| 1995 | 0.51 | 1.86 | 339.28 |
| 1996 | 0.54 | 1.85 | 351.19 |
| 1997 | 0.66 | 1.99 | 393.50 |
| 1998 | 0.62 | 1.89 | 391.54 |
| 1999 | 0.63 | 1.94 | 413.46 |
| 2000 | 0.68 | 1.99 | 466.68 |
| 2001 | 0.66 | 1.94 | 475.93 |
| 2002 | 0.61 | 1.97 | 495.29 |
| 2003 | 0.68 | 2.19 | 568.56 |

Appendix B: Fiscal Debt Indicators

In the following table, total appropriated revenue is shown in terms of the three categories of debt service as described in Appendix A. Appropriated revenue is the revenue of the General Fund, Road Fund and Agency Fund. Table B-1 compares required, appropriated and actual debt service to total revenue.

Table B-2 reflects the three categories of debt service in terms of “available appropriated revenues.” This form of revenue is revenue from the same sources as described above less funds that are statutorily dedicated to a specific purpose. In the case of the General Fund: Base Court Revenue, Surface Mining County Acreage and Permit Fees, Local Government Economic Assistance Fund and Public Service Commission Administrative Assessments are subtracted to the degree the expenditures can be identified in the Comprehensive Annual Financial Report. In the case of the Road Fund (Table B-3), the following receipts are subtracted: County Road Aid, Rural Secondary Road Aid, Municipal Road Aid within the Motor Fuels Normal and Motor Fuels Normal Use accounts, Kentucky Transportation Center Funds, Coal Haul Cooperative Agreements, Extended Weight and Coal Haul Fines, Drivers Education Program and Drivers License Photo Program.

The Agency Fund receipts include those agency funds that are actually applied to debt service. These include primarily the debt service for university housing and dining and hospital issues. In addition, certain university consolidated educational buildings revenue bonds and State Property and Buildings Commission bonds are supported by Agency Fund appropriations.

Table B-1
APPROPRIATED DEBT SERVICE
AS A PERCENT OF TOTAL REVENUE
(Budget Basis)

| Fiscal Year | Total Revenue (\$Millions) | Required Debt Service/ Revenue (%) | Appropriated Debt Service/ Revenue (%) | Actual Debt Service/ Revenue (%) |
|--------------------|-----------------------------------|---|---|---|
| 1992 | 6,383.17 | 6.18 | 6.83 | 6.48 |
| 1993 | 6,588.49 | 5.99 | 5.98 | 4.32 |
| 1994 | 6,716.11 | 5.90 | 6.49 | 5.32 |
| 1995 | 7,447.43 | 5.70 | 5.49 | 5.60 |
| 1996 | 7,759.59 | 5.62 | 5.54 | 5.05 |
| 1997 | 8,188.69 | 5.61 | 5.61 | 4.06 |
| 1998 | 8,675.09 | 5.27 | 5.27 | 5.05 |
| 1999 | 9,104.41 | 5.05 | 5.05 | 3.93 |
| 2000 | 9,427.31 | 5.90 | 5.90 | 3.21 |
| 2001 | 9,920.62 | 5.58 | 5.57 | 4.13 |
| 2002 | 10,172.25 | 5.18 | 5.60 | 3.32 |
| 2003 | 10,499.22 | 5.70 | 5.76 | 4.38 |

Table B-2
APPROPRIATED DEBT SERVICE
AS A PERCENT OF AVAILABLE REVENUE
(Budget Basis)

| Fiscal Year | Total Revenue (\$Millions) | Required Debt Service/ Revenue (%) | Appropriated Debt Service/ Revenue (%) | Actual Debt Service/ Revenue (%) |
|--------------------|-----------------------------------|---|---|---|
| 1992 | 4,945.61 | 7.98 | 8.82 | 8.36 |
| 1993 | 5,126.13 | 7.70 | 7.69 | 5.55 |
| 1994 | 5,293.20 | 7.48 | 8.24 | 6.75 |
| 1995 | 5,832.88 | 7.28 | 7.01 | 7.14 |
| 1996 | 6,059.21 | 7.19 | 7.10 | 6.47 |
| 1997 | 6,397.46 | 7.18 | 7.18 | 5.19 |
| 1998 | 6,797.47 | 6.73 | 6.73 | 6.44 |
| 1999 | 7,000.79 | 6.57 | 6.57 | 5.11 |
| 2000 | 7,320.03 | 7.60 | 7.60 | 4.14 |
| 2001 | 7,582.85 | 7.29 | 7.29 | 5.41 |
| 2002 | 7,572.36 | 6.96 | 7.53 | 4.46 |
| 2003 | 7,866.31 | 7.60 | 7.69 | 5.85 |

Table B-3
ROAD FUND DEBT SERVICE
AS A PERCENT OF REVENUE
(000,000)

| Fiscal Year | Available Road Fund Revenue | Debt Service | Debt Service as a Percent of Available Revenue |
|--------------------|------------------------------------|---------------------|---|
| 1984 | 366.47 | 112.89 | 30.81 |
| 1985 | 394.07 | 137.14 | 34.80 |
| 1986 | 398.29 | 134.90 | 33.87 |
| 1987 | 505.67 | 130.03 | 25.71 |
| 1988 | 464.35 | 134.67 | 29.00 |
| 1989 | 555.71 | 126.13 | 22.70 |
| 1990 | 579.76 | 129.11 | 22.27 |
| 1991 | 594.36 | 155.46 | 26.16 |
| 1992 | 604.94 | 154.37 | 25.52 |
| 1993 | 635.27 | 141.08 | 22.21 |
| 1994 | 674.77 | 145.90 | 21.62 |
| 1995 | 705.97 | 152.34 | 21.58 |
| 1996 | 743.94 | 155.65 | 20.92 |
| 1997 | 760.41 | 160.96 | 21.17 |
| 1998 | 807.63 | 152.19 | 18.84 |
| 1999 | 829.84 | 151.79 | 18.29 |
| 2000 | 875.38 | 168.50 | 19.25 |
| 2001 | 856.39 | 154.31 | 18.02 |
| 2002 | 904.27 | 169.20 | 18.71 |
| 2003 | 901.91 | 167.30 | 18.55 |
| 2004* | 898.92 | 171.40 | 19.07 |
| 2005* | 910.85 | 126.14 | 13.85 |
| 2006* | 928.16 | 134.78 | 14.52 |

* Estimated based on the January 9, 2004, official estimates for the Road Fund less proportional revenue sharing and dedicated funds.

Appendix C: Recommended New Authorization

| Cabinet/Agency | Project Title | General Fund Project/Pool Bond Authorization | Agency Fund Project/Pool Bond Authorization |
|----------------------------------|--|--|---|
| Agriculture Policy | Replace Tobacco Funds | \$ 17,000,000 | \$ |
| Commerce - Parks | Parks Renovation Pool | 35,000,000 | |
| Corrections | Replace Electronic Offender MGT Systems-Phase 1 | 3,000,000 | |
| Economic Development | EDBs | 10,000,000 | |
| Economic Development | Airport Relocation Assistance | 5,000,000 | |
| Education KY School for the Deaf | Renovate New Lee Hall | 3,490,000 | |
| Education-Workforce | Replace Roof-Carl Perkins Rehab Center | 1,200,000 | |
| Finance | Renovate KY State Office Building | 46,000,000 | |
| Finance | Renovation of Capital Plaza Tower - Design | 5,573,000 | |
| Finance | Ky Capitol Complex-Improve Site Infrastructure | 18,500,000 | |
| Finance-GOT | UCJIS - Criminal History | 2,000,000 | |
| Finance-GOT | UCJIS-Court Improvements (E-Warrants) | 4,500,000 | |
| Finance-GOT | Replace Public Safety Communications Infrastructure-KEWS | 26,768,000 | |
| Finance-Revenue | Streamlined Sales Tax Simplification System | 14,062,000 | |
| Finance-Revenue | Business Refund Offset System | 1,750,000 | |
| Health & Family Services-FC | Safeguarding Children at Risk-Twist System Upgrade | 1,227,000 | |
| Health & Family Services-FC | Child Support Enforcement | 2,040,000 | |
| Health & Family Services-HS | Upgrade HVAC Pipes & Electric - Glasgow | 2,000,000 | |
| Health & Family Services-HS | Replace Roof - Oakwood | 2,000,000 | |
| Health & Family Services-HS | Upgrade Kasper System - DPH | 5,000,000 | |
| Justice-State Police | Replace Records, Retrieval & Secure Evidence Bldg. | 5,522,000 | |
| KY Infrastructure Authority | Fund A - Wastewater | 8,400,000 | |
| KY Infrastructure Authority | Fund F - Drinking Water | 7,600,000 | |
| KY Infrastructure Authority | Coal Supported Water Program | 50,000,000 | |
| KY River Authority | River Water Storage Enhancements | | 1,773,000 |
| Military Affairs | Expand State Emergency Operations Center | 2,275,000 | |
| Military Affairs | Upgrade Statewide Radio System | 1,400,000 | |
| Personnel | Replace Commonwealth's Personnel & Payroll Sys-Phase 1 | 25,000,000 | |
| Council on Postsecondary Edu | Capital Renewal and Maintenance | 15,000,000 | |
| Council on Postsecondary Edu | University Bond Pool | | 42,902,000 |
| Eastern Kentucky University | Business/Technology Center | 27,000,000 | |
| Kentucky State University | Hathaway Hall Renovation-Phase 2 | 7,400,000 | |
| Kentucky State University | Young Hall Renovation | 5,339,000 | |
| KCTCS | Expand Edgewood Campus | 14,070,000 | |
| KCTCS | Ashland Technology Center | 12,066,000 | |
| KCTCS | Owensboro Technology Center | 13,088,000 | |
| KCTCS | Madisonville Technology Center | 7,000,000 | |
| KCTCS | Franklin Technology Center | 4,000,000 | |
| KCTCS | Warren Co Technology Center | 5,500,000 | |
| KCTCS | Somerset Aviation | 1,500,000 | |
| Morehead State University | NASA Space Science Center | 7,200,000 | |
| Murray State University | New Science Complex | 15,000,000 | |
| Northern Kentucky University | Regional Special Events Center | 42,000,000 | |
| University of Kentucky | UK Biological/Pharmaceutical Complex | 21,000,000 | 21,000,000 |
| University of Kentucky | Lexington Community College Classrm/Class Lab Bldg. | 28,855,000 | |
| University of Kentucky | Hospital Patient Bed Tower-Design & Infrastructure | | 25,000,000 |
| University of Louisville | Health Science Campus Research Facility-Phase 3 | 19,000,000 | 19,000,000 |
| Western Kentucky University | Renovate Science Campus - Phase 2 | 27,000,000 | |
| Western Kentucky University | Math & Science Academy | 2,500,000 | 4,000,000 |
| Total | | \$ 580,825,000 | \$ 113,675,000 |

Appendix D: University Rating Agency Information

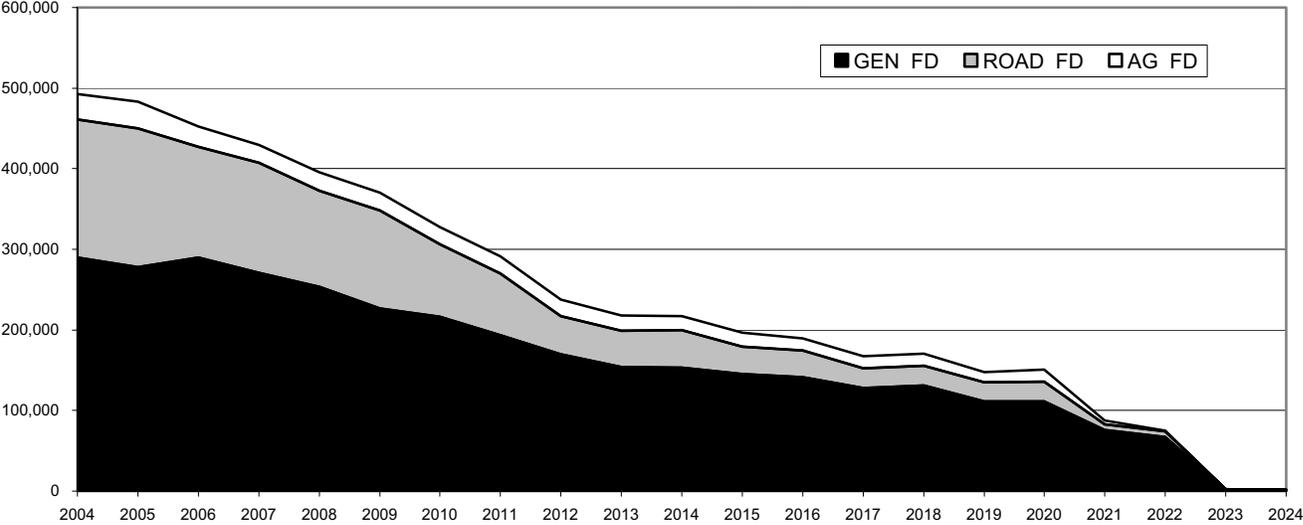
| | MOODY'S | STANDARD & POOR'S |
|-------------------------------|----------------|------------------------------|
| CONSOLIDATED EDUCATION | | |
| Eastern Kentucky University | A3 | A |
| Kentucky State University | A3 | NR |
| Morehead State University | A2 | A |
| Murray State University | A2 | A |
| Northern Kentucky University | A2 | A- |
| University of Kentucky | Aa3 | NR |
| University of Louisville | Aa3 | AA- |
| Western Kentucky University | A2 | A- |
| HOUSING AND DINING | | |
| Eastern Kentucky University | A3 | BBB+ |
| Kentucky State University | Baa1 | NR |
| Morehead State University | A3 | NR |
| Murray State University | NR | A- |
| Northern Kentucky University | A3 | NR |
| University of Kentucky | Aa3 | NR |
| University of Louisville | A1 | A |
| Western Kentucky University | NR | NR |
| COMMUNITY COLLEGE* | | |
| University of Kentucky | NR | NR |
| HOSPITAL | | |
| University of Kentucky | Aa2 | AA- |

Legend: NR-Not Rated per Rating Agency

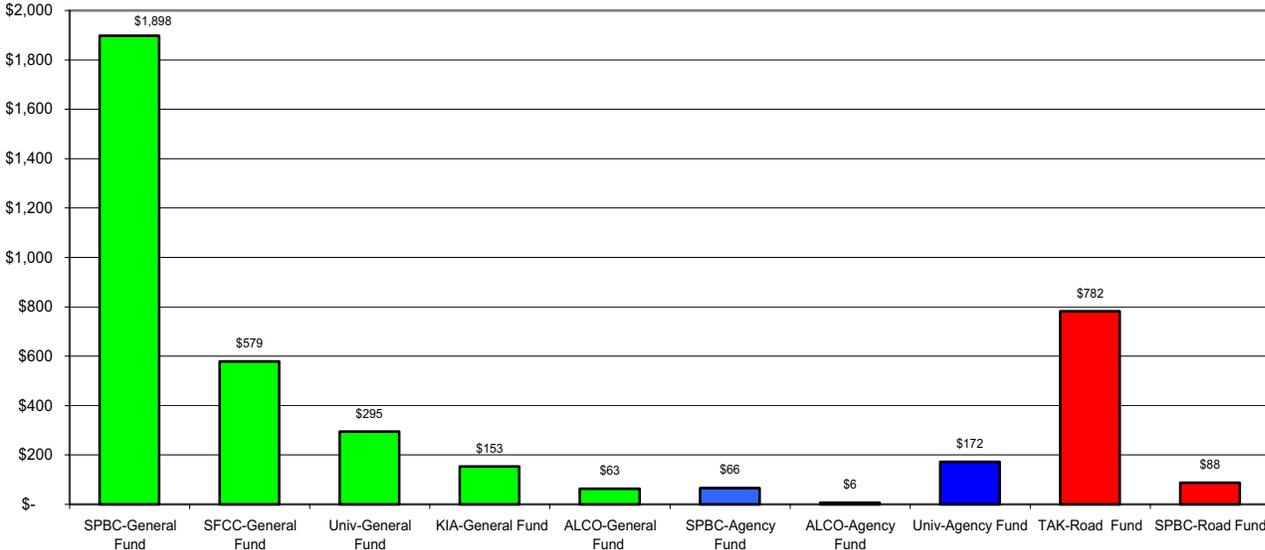
* The obligations of the Community College System were transferred to the Kentucky Community and Technical College system in 1997 and are supported by General Fund appropriations. In August 2003 certain obligations of the Community College System were refunded by the State Property and Buildings Commission. It is expected the remaining obligations will be refunded by SPBC in January 2004.

Appendix E: Appropriation Supported Debt Service - Appropriation Debt Principal Outstanding

Appropriation Supported Debt Service by Fund Source as of 06/30/03* (000)



Appropriation Debt Principal Outstanding by Fund Source as of 06/30/03* (000,000)



* Includes \$22,695,000 of ALCo 1999 General Fund Notes and \$150,810,000 SPBC 55 bonds that were refunded by June 11, 2003, sale, with July 17, 2003 delivery, and TAK \$12,915,000 Toll Road 1986 Series principal defeased on June 5, 2003, (FHWA grant) but not called until July 1, 2003.

ACKNOWLEDGMENTS

| OFFICE OF STATE BUDGET DIRECTOR | |
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