



2004-2006
Executive Budget

Ernie Fletcher
Governor

Bradford L. Cowgill
State Budget Director

Volume I



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Executive Budget

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Bradford L. Cowgill
State Budget Director

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Secretary of the Executive Cabinet

Daniel Groves
Chief of Staff

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Secretary of the Finance and Administration Cabinet

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Executive Branch

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	7,128,628,200	8,248,643,100	8,910,529,800	7,056,352,400	7,293,246,300
Surplus Expenditure Plan	23,755,600				
Current Year Appropriation	4,685,000				
Continuing Appropriation	76,673,528	89,781,200	68,342,000	78,361,100	54,205,800
Budget Reduction	-122,089,980				
Base Deduction	-59,499,300				
Mandated Allotments	16,359,800				
Other	2,684,300				
Total General Fund	7,071,197,148	8,338,424,300	8,978,871,800	7,134,713,500	7,347,452,100
Tobacco Settlement-Phase I					
Tobacco Settlement - I	109,275,000	113,704,800	114,790,100	108,800,000	108,600,000
Continuing Appropriation	76,356,200	35,349,200	38,208,600	21,945,100	5,252,400
Budget Reduction	-23,982,100				
Total Tobacco Settlement-Phase I	161,649,100	149,054,000	152,998,700	130,745,100	113,852,400
Restricted Funds					
Balance Forward	424,079,826	264,988,147	210,800,594	237,130,900	173,654,400
Current Receipts	3,112,567,938	3,316,154,200	3,418,759,400	3,317,366,900	3,477,715,100
Non-Revenue Receipts	630,419,887	659,504,600	684,724,200	643,403,200	661,758,200
Fund Transfers	-104,602,900			-27,765,300	-65,716,000
Total Restricted Funds	4,062,464,751	4,240,646,947	4,314,284,194	4,170,135,700	4,247,411,700
Federal Funds					
Balance Forward	41,070,783	22,715,099	12,386,199	21,019,800	10,643,600
Current Receipts	6,014,157,022	6,053,252,000	6,298,242,400	5,685,794,000	5,626,026,700
Non-Revenue Receipts	644,820,113	648,742,200	647,695,700	648,791,800	647,783,800
Total Federal Funds	6,700,047,918	6,724,709,299	6,958,324,299	6,355,605,600	6,284,454,100
Road Fund					
Regular Appropriation	1,130,926,500	1,146,605,100	1,169,931,700	1,129,210,100	1,158,258,700
Surplus Expenditure Plan	23,619,400				
Budget Reduction	-15,308,900				
Total Road Fund	1,139,237,000	1,146,605,100	1,169,931,700	1,129,210,100	1,158,258,700
TOTAL SOURCE OF FUNDS	19,134,595,917	20,599,439,646	21,574,410,693	18,920,410,000	19,151,429,000
EXPENDITURES BY CLASS					
Personnel Cost	4,114,419,053	4,576,127,503	4,895,215,274	4,271,720,300	4,390,840,800
Operating Expenses	1,884,472,795	2,079,940,950	2,133,080,050	1,930,489,300	1,975,477,900
Grants, Loans or Benefits	11,183,390,628	11,958,054,500	12,480,495,200	10,859,894,200	10,835,923,200
Debt Service	587,281,120	642,408,700	749,526,500	608,523,600	678,230,500
Capital Outlay	138,565,100	156,816,300	154,237,700	139,238,100	138,950,800
Construction	842,909,800	853,949,100	846,135,600	866,788,300	947,686,500
TOTAL EXPENDITURES	18,751,038,496	20,267,297,053	21,258,690,324	18,676,653,800	18,967,109,700
EXPENDITURES BY FUND SOURCE					
General Fund	6,971,782,248	8,270,082,300	8,918,546,700	7,080,507,700	7,294,845,900
Tobacco Settlement-Phase I	135,655,000	110,855,400	111,452,500	125,492,700	113,363,100
Restricted Funds	3,825,336,130	4,030,788,953	4,117,489,324	3,996,481,300	4,125,898,100
Federal Funds	6,679,028,118	6,709,163,400	6,941,377,400	6,344,962,000	6,274,743,900
Road Fund	1,139,237,000	1,146,605,100	1,169,931,700	1,129,210,100	1,158,258,700
TOTAL EXPENDITURES	18,751,038,496	20,267,495,153	21,258,797,624	18,676,653,800	18,967,109,700

EXPENDITURES BY UNIT

General Government	685,741,000	705,917,553	730,353,124	668,996,300	650,097,800
Commerce	183,937,900	216,451,300	236,710,700	192,127,100	197,032,600
Economic Development	25,988,300	32,615,900	33,325,800	26,601,500	27,190,400
Department of Education	3,466,712,700	3,913,292,600	4,023,999,300	3,487,163,900	3,580,979,800
Education Cabinet	1,180,790,900	1,261,951,200	1,273,791,900	1,198,343,900	1,219,227,100
Environmental and Public Protection	660,884,700	731,778,000	750,108,000	645,860,400	646,640,300
Finance and Administration	499,247,220	572,282,700	592,264,700	539,109,300	547,379,800
Health and Family Services	6,044,119,900	6,344,196,300	6,703,390,200	5,714,402,800	5,575,540,200
Justice and Public Safety	652,112,776	777,916,400	827,520,700	663,883,400	666,379,100
Postsecondary Education	3,572,370,000	3,939,977,800	4,291,384,800	3,761,611,400	3,977,804,200
Transportation	1,778,733,100	1,771,115,400	1,795,948,400	1,768,553,800	1,868,838,400
Statewide	400,000			10,000,000	10,000,000
TOTAL EXPENDITURES	18,751,038,496	20,267,495,153	21,258,797,624	18,676,653,800	18,967,109,700



2004-2006
Executive Budget

General Government

General Government

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	242,929,700	284,188,400	322,222,900	227,110,000	247,332,800
Current Year Appropriation	25,000				
Continuing Appropriation	53,014,300	26,857,600	6,961,400	21,763,800	592,600
Budget Reduction	-15,963,400				
Salary Compensation Fund	-6,266,700				
Base Deduction	-2,493,600				
Mandated Allotments	15,059,800				
Other	1,364,300				
Total General Fund	287,669,400	311,046,000	329,184,300	248,873,800	247,925,400
Tobacco Settlement-Phase I					
Tobacco Settlement - I	34,434,000	37,599,500	38,156,500	39,195,900	39,099,300
Continuing Appropriation	57,810,700	29,945,100	32,804,500	21,945,100	5,252,400
Budget Reduction	-17,000,000				
Total Tobacco Settlement-Phase I	75,244,700	67,544,600	70,961,000	61,141,000	44,351,700
Restricted Funds					
Balance Forward	52,415,422	53,062,147	44,115,994	42,008,600	28,002,500
Current Receipts	111,817,500	150,993,300	155,280,900	149,173,200	153,192,300
Non-Revenue Receipts	26,026,700	27,387,200	27,006,900	24,326,200	23,777,800
Fund Transfers	-5,088,200			-2,200,000	-1,000,000
Total Restricted Funds	185,171,422	231,442,647	226,403,794	213,308,000	203,972,600
Federal Funds					
Balance Forward	7,711,700	17,208,799	6,978,799	15,539,000	5,312,400
Current Receipts	237,017,700	172,086,900	176,657,900	171,607,900	175,539,100
Non-Revenue Receipts	-3,115,400	-2,560,700	-2,556,000	-2,563,500	-2,563,500
Total Federal Funds	241,614,000	186,734,999	181,080,699	184,583,400	178,288,000
Road Fund					
Regular Appropriation				250,000	250,000
Total Road Fund				250,000	250,000
TOTAL SOURCE OF FUNDS	789,699,522	796,768,246	807,629,793	708,156,200	674,787,700
EXPENDITURES BY CLASS					
Personnel Cost	232,284,235	271,041,903	292,740,574	247,687,300	255,827,700
Operating Expenses	90,256,465	127,415,650	122,409,650	122,557,900	114,856,900
Grants, Loans or Benefits	356,797,700	295,894,200	289,910,800	290,794,700	262,977,600
Debt Service		3,210,000	20,861,000		12,253,000
Capital Outlay	2,226,100	2,386,200	2,426,000	1,986,900	2,177,600
Construction	4,176,500	5,969,500	2,005,000	5,969,500	2,005,000
TOTAL EXPENDITURES	685,741,000	705,917,453	730,353,024	668,996,300	650,097,800
EXPENDITURES BY FUND SOURCE					
General Fund	263,155,800	304,084,600	328,689,600	248,281,200	247,430,700
Tobacco Settlement-Phase I	53,299,600	34,750,100	34,818,900	55,888,600	43,862,400
Restricted Funds	143,210,600	187,326,653	191,784,224	185,305,500	184,629,100
Federal Funds	226,075,000	179,756,200	175,060,400	179,271,000	173,925,600
Road Fund				250,000	250,000
TOTAL EXPENDITURES	685,741,000	705,917,553	730,353,124	668,996,300	650,097,800

**General Government
Executive Office of the Governor**

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	10,281,900	13,194,600	13,504,400	8,736,300	12,209,500
Budget Reduction	-104,000				
Salary Compensation Fund	21,300				
Base Deduction	-237,900				
Total General Fund	9,961,300	13,194,600	13,504,400	8,736,300	12,209,500
Restricted Funds					
Balance Forward	3,704,300	3,153,100	1,843,800	3,153,100	
Non-Revenue Receipts	1,371,000	238,900	156,000		
Total Restricted Funds	5,075,300	3,392,000	1,999,800	3,153,100	
TOTAL SOURCE OF FUNDS	15,036,600	16,586,600	15,504,200	11,889,400	12,209,500
EXPENDITURES BY CLASS					
Personnel Cost	8,541,900	11,549,300	11,831,400	9,177,000	9,527,300
Operating Expenses	2,574,600	2,876,500	2,830,200	2,194,700	2,164,200
Grants, Loans or Benefits	17,000	317,000	317,000	517,700	518,000
TOTAL EXPENDITURES	11,133,500	14,742,800	14,978,600	11,889,400	12,209,500
EXPENDITURES BY FUND SOURCE					
General Fund	9,211,300	13,194,600	13,504,400	8,736,300	12,209,500
Restricted Funds	1,922,200	1,548,200	1,474,200	3,153,100	
TOTAL EXPENDITURES	11,133,500	14,742,800	14,978,600	11,889,400	12,209,500
EXPENDITURES BY UNIT					
Office of the Governor	6,567,100	9,387,900	9,418,500	7,261,900	7,385,700
Office of State Budget Director	4,566,400	5,054,900	5,260,100	4,127,500	4,323,800
State Planning Fund		300,000	300,000	500,000	500,000
TOTAL EXPENDITURES	11,133,500	14,742,800	14,978,600	11,889,400	12,209,500

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

**General Government
Executive Office of the Governor
Office of the Governor**

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	6,916,900	8,783,700	8,814,300	5,950,800	7,385,700
Budget Reduction	-54,000				
Salary Compensation Fund	3,300				
Base Deduction	-153,300				
Total General Fund	6,712,900	8,783,700	8,814,300	5,950,800	7,385,700
Restricted Funds					
Balance Forward	1,504,300	1,311,100	945,800	1,311,100	
Non-Revenue Receipts	411,000	238,900	156,000		
Total Restricted Funds	1,915,300	1,550,000	1,101,800	1,311,100	
TOTAL SOURCE OF FUNDS	8,628,200	10,333,700	9,916,100	7,261,900	7,385,700
EXPENDITURES BY CLASS					
Personnel Cost	4,879,500	7,398,400	7,478,700	5,856,500	6,010,800
Operating Expenses	1,672,600	1,974,500	1,924,800	1,390,400	1,359,900
Grants, Loans or Benefits	15,000	15,000	15,000	15,000	15,000
TOTAL EXPENDITURES	6,567,100	9,387,900	9,418,500	7,261,900	7,385,700
EXPENDITURES BY FUND SOURCE					
General Fund	5,962,900	8,783,700	8,814,300	5,950,800	7,385,700
Restricted Funds	604,200	604,200	604,200	1,311,100	
TOTAL EXPENDITURES	6,567,100	9,387,900	9,418,500	7,261,900	7,385,700
EXPENDITURES BY UNIT					
Governor	4,493,400	6,504,000	6,816,000	5,184,200	5,299,700
Governor's Office Expense Allowance	21,000	21,000	21,000	21,000	21,000
Lieutenant Governor	395,400	434,000	461,200	395,400	395,400
Lt. Governor's Expense Allowance	12,000	12,000	12,000	12,000	12,000
Secretary of the Cabinet	847,700	1,039,400	1,090,900	967,000	992,600
Governor's Office of Efficiency	479,700	504,700	518,800	364,400	347,100
Kentucky Commission on Military Affairs	317,900	872,800	498,600	317,900	317,900
TOTAL EXPENDITURES	6,567,100	9,387,900	9,418,500	7,261,900	7,385,700

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

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

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

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

Policy

The Governor's recommended budget restores coal severance tax funds previously transferred to the Governor's Office from the Local Government Economic Development Fund and the Local Government Economic Development Multi-County Fund for the benefit of the Governor's Read to Achieve initiative.

The Kentucky Coal Council and the Office of Coal Marketing and Export (KRS 154.12-250) were transferred from the Governor's Office to the Commerce Cabinet by Executive Order 2003-064.

The Kentucky Appalachian Commission (KRS 11.180) was transferred from the Governor's Office to the Commerce Cabinet by Executive Order 2003-064.

The Governor's Office of Child Abuse and Domestic Violence Services (KRS 12.350) was transferred from the Governor's Office to the Health and Family Services Cabinet by Executive Order 2003-064.

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

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	3,365,000	4,110,900	4,390,100	2,285,500	4,323,800
Budget Reduction	-50,000				
Salary Compensation Fund	18,000				
Base Deduction	-84,600				
Total General Fund	3,248,400	4,110,900	4,390,100	2,285,500	4,323,800
Restricted Funds					
Balance Forward	2,200,000	1,842,000	898,000	1,842,000	
Non-Revenue Receipts	960,000				
Total Restricted Funds	3,160,000	1,842,000	898,000	1,842,000	
TOTAL SOURCE OF FUNDS	6,408,400	5,952,900	5,288,100	4,127,500	4,323,800
EXPENDITURES BY CLASS					
Personnel Cost	3,662,400	4,150,900	4,352,700	3,320,500	3,516,500
Operating Expenses	902,000	902,000	905,400	804,300	804,300
Grants, Loans or Benefits	2,000	2,000	2,000	2,700	3,000
TOTAL EXPENDITURES	4,566,400	5,054,900	5,260,100	4,127,500	4,323,800
EXPENDITURES BY FUND SOURCE					
General Fund	3,248,400	4,110,900	4,390,100	2,285,500	4,323,800
Restricted Funds	1,318,000	944,000	870,000	1,842,000	
TOTAL EXPENDITURES	4,566,400	5,054,900	5,260,100	4,127,500	4,323,800
EXPENDITURES BY UNIT					
Budget & Policy Analysis	3,093,400	3,831,400	3,961,400	3,022,500	3,192,800
Gov Office for Policy Research	405,000	432,800	463,300	407,000	421,000
Gov Office for Economic Analysis	1,068,000	790,700	835,400	698,000	710,000
TOTAL EXPENDITURES	4,566,400	5,054,900	5,260,100	4,127,500	4,323,800

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

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

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

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

Policy

The Office of State Budget Director previously received its restricted funds from the Office of Financial Management (OFM) in the Finance and Administration Cabinet. OFM generates this income by managing various investment funds throughout state government. Due to the decreasing fund balances in these investment funds, OFM will no longer be able to make this transfer after fiscal year 2004. The Governor's recommended budget reflects a complete exhaustion of all available restricted funds in fiscal year 2005 and reinstates the General Fund base in fiscal year 2006 in the absence of recurring restricted funds.

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

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
General Fund					
Regular Appropriation		300,000	300,000	500,000	500,000
Total General Fund		300,000	300,000	500,000	500,000
TOTAL SOURCE OF FUNDS		300,000	300,000	500,000	500,000
EXPENDITURES BY CLASS					
Grants, Loans or Benefits		300,000	300,000	500,000	500,000
TOTAL EXPENDITURES		300,000	300,000	500,000	500,000
EXPENDITURES BY FUND SOURCE					
General Fund		300,000	300,000	500,000	500,000
TOTAL EXPENDITURES		300,000	300,000	500,000	500,000

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

Policy

The Governor's recommended budget reinstates funding for the State Planning Fund beginning in fiscal year 2005 and fiscal year 2006.

**General Government
Personnel**

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	14,747,400	3,285,700	3,285,700	3,203,600	6,765,600
Budget Reduction	-3,944,900				
Salary Compensation Fund	-7,516,800				
Base Deduction	-82,100				
Total General Fund	3,203,600	3,285,700	3,285,700	3,203,600	6,765,600
Restricted Funds					
Balance Forward	7,199,100	5,696,900	4,437,100	5,696,900	3,936,400
Current Receipts	34,807,400	41,004,000	45,356,800	39,910,800	43,828,300
Non-Revenue Receipts	1,673,900	1,325,400		502,300	
Fund Transfers	-1,325,500				
Total Restricted Funds	42,354,900	48,026,300	49,793,900	46,110,000	47,764,700
TOTAL SOURCE OF FUNDS	45,558,500	51,312,000	53,079,600	49,313,600	54,530,300
EXPENDITURES BY CLASS					
Personnel Cost	32,441,900	39,881,400	44,561,900	38,522,100	42,586,500
Operating Expenses	6,996,300	6,683,200	6,889,800	6,574,800	6,753,900
Debt Service					3,562,000
Capital Outlay	423,400	310,300	400,200	280,300	400,200
TOTAL EXPENDITURES	39,861,600	46,874,900	51,851,900	45,377,200	53,302,600
EXPENDITURES BY FUND SOURCE					
General Fund	3,203,600	3,285,700	3,285,700	3,203,600	6,765,600
Restricted Funds	36,658,000	43,589,200	48,566,200	42,173,600	46,537,000
TOTAL EXPENDITURES	39,861,600	46,874,900	51,851,900	45,377,200	53,302,600
EXPENDITURES BY UNIT					
General Operations	16,101,300	16,850,400	17,962,000	15,577,200	19,722,500
Public Employees Deferred Compensation Authority	5,622,100	5,337,000	5,912,300	5,133,200	5,648,600
Workers' Compensation Benefits and Reserve	18,138,200	24,687,500	27,977,600	24,666,800	27,931,500
TOTAL EXPENDITURES	39,861,600	46,874,900	51,851,900	45,377,200	53,302,600

The Department of Personnel provides human resources management for Kentucky state government agencies.

The General Operations appropriation unit includes all of Personnel except for the Kentucky Public Employees Deferred Compensation Authority and the Commonwealth's self-insured Workers' Compensation program.

The Commissioner provides policy and management support to the offices and units of the Department, promulgates administrative regulations, advises the Personnel Board on matters pertaining to the classified service, and conducts investigations on all matters relating to personnel statutes and regulations.

The Office of Administrative and Legal Services' responsibilities include overseeing internal operations, providing all legal services, and managing the Commonwealth's affirmative action plan. The office includes the Department's General Counsel, Administrative Services Branch, the State Equal Employment Opportunity Coordinator, the Chief Information Officer, and information systems management staff.

The Office of Public Employee Health Insurance program manages health insurance coverage for state employees, local boards of education, local health departments, and other public and quasi-public agencies. It manages the Commonwealth Choice 125 benefit program for state employees and provides administrative support for the Group Health Insurance Board under KRS 18A.226 and 18A.227.

The Office of Employee Relations program includes two units, Employee Benefits and Communications and Recognition. The program administers the Kentucky Employee Assistance Program, which provides assistance to troubled employees, life insurance benefits for state employees, the employee suggestion system, the Commonwealth Communique newsletter, a mediation program to help resolve employment problems, the state safety program, and the self-insured Workers' Compensation program. The Workers' Compensation program provides benefits to workers injured on the job and manages a return-to-work program. The program provides coverage for state employees, most regional universities, volunteer firemen, volunteer ambulance personnel, and various local government entities.

The Office of Personnel Administration consists of four units: Classification and Compensation, Employee Records, Staffing Services, and Performance Management. The responsibilities of this program include recruiting, counseling, testing, and certifying persons for employment with the Commonwealth; maintaining the classification and compensation system; auditing and certifying state payrolls; preparing and maintaining the official personnel and payroll records; and coordinating and implementing employee performance evaluation systems.

The Kentucky Public Employees Deferred Compensation Authority administers deferred compensation plans as established in the U.S. Internal Revenue Codes 457, 401(k), and 403 (b) and KRS 18A.230-18A.350 as a tax-sheltered, supplemental retirement savings program as an optional benefit for Kentucky's public employees.

Policy

Executive Order 2003 - 064, executed on December 23, 2003, abolished the Personnel Cabinet and authorized the creation of the Department of Personnel attached to the Office of the Governor. The departments formerly identified as the Department for Personnel Administration and the Department for Employee Relations are renamed the Office for Personnel Administration and the Office for Employee Relations.

The Governor's recommended budget provides additional restricted fund support of \$325,000 in fiscal year 2005 and \$500,000 in fiscal year 2006 for the Deferred Compensation 403(b) Plan and an IRA plan. The funding will provide the support to the Deferred Compensation Authority for an escalating number of participants joining the group and costs associated with third party administration.

The Executive Budget recommendation provides General Fund support totaling \$3,562,000 in fiscal year 2006 for debt service on the new personnel and payroll system.

General Government
Governor's Office of Agricultural Policy

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
General Fund					
Regular Appropriation					1,796,000
Total General Fund					1,796,000
Tobacco Settlement-Phase I					
Tobacco Settlement - I	34,434,000	37,599,500	38,156,500	39,195,900	39,099,300
Continuing Appropriation	57,810,700	29,945,100	32,804,500	21,945,100	5,252,400
Budget Reduction	-17,000,000				
Total Tobacco Settlement-Phase I	75,244,700	67,544,600	70,961,000	61,141,000	44,351,700
Restricted Funds					
Balance Forward	182,500	122,500	122,500	122,500	122,500
Current Receipts	100,000	520,600	515,600	520,600	515,600
Fund Transfers	-4,000				
Total Restricted Funds	278,500	643,100	638,100	643,100	638,100
TOTAL SOURCE OF FUNDS	75,523,200	68,187,700	71,599,100	61,784,100	46,785,800
EXPENDITURES BY CLASS					
Personnel Cost	1,117,100	1,162,500	1,231,300	1,109,700	1,118,500
Operating Expenses	258,500	290,100	285,100	290,100	285,100
Grants, Loans or Benefits	52,080,000	33,818,100	33,818,100	55,009,400	42,974,400
Debt Service					1,796,000
TOTAL EXPENDITURES	53,455,600	35,270,700	35,334,500	56,409,200	46,174,000
EXPENDITURES BY FUND SOURCE					
General Fund					1,796,000
Tobacco Settlement-Phase I	53,299,600	34,750,100	34,818,900	55,888,600	43,862,400
Restricted Funds	156,000	520,600	515,600	520,600	515,600
TOTAL EXPENDITURES	53,455,600	35,270,700	35,334,500	56,409,200	46,174,000

The Governor's Office of Agricultural Policy (GOAP) provides the Governor a direct link to the Commonwealth's agricultural industry. The Kentucky Agricultural Development Board, the Kentucky Tobacco Settlement Trust Corporation, the Governor's Commission on Family Farms, the Kentucky Aquaculture Infrastructure Development Fund, the Kentucky Agricultural Resource Development Authority, the Governor's Tobacco Marketing and Export Advisory Council, and the Kentucky Agricultural Finance Corporation are staffed by the employees in this Office.

The Kentucky Agricultural Development Board, authorized in KRS 248.707, distributes funds received by the Commonwealth from the Tobacco Master Settlement Agreement (Phase I money). The Board invests in innovative proposals that increase net farm income and assists tobacco farmers and tobacco-impacted communities by stimulating markets, finding new ways to add value to existing products, and promoting diversification of Kentucky's agricultural economy.

The Agricultural Development Board has fifteen members, described in KRS 248.707(2). They are the Governor, Commissioner of Agriculture, secretary of the Cabinet for Economic Development, and director of the UK Cooperative Extension Service, along with eleven members appointed by the Governor to staggered terms. Those appointees include representatives of the Kentucky Farm Bureau, the Kentucky Chamber of Commerce, an attorney, an agricultural lender, and seven active farmers.

Half of Kentucky's tobacco settlement receipts are allocated to the Agricultural Development Fund. That amount is further divided between a Counties account, which receives 35% of the funds, and a State account that receives the remaining 65%.

From the State account, the General Assembly has appropriated debt service for bonds to support farmland preservation and safe drinking water, and funding for land conservation programs.

Funds in the Counties account are allocated to the 118 tobacco impacted counties according to a formula that considers a county's share of the statewide tobacco quota, the number of tobacco farms, and the proportion of the county's personal income that has historically been attributable to tobacco farming. Each county has a council of local agriculture leaders who consider applications for grants from the county's share of funds and prioritizes them for the Agricultural Development Board, which has the final grant authority for each county's funds. The Board has developed several model programs in which counties may participate. Models have been developed for diversification of products, cattle genetics improvement, handling and storage facilities, fencing, forage improvement, and water resources. Funds are provided as matching grants.

In addition to Phase I, Kentucky tobacco farmers receive annual payments from the National Tobacco Grower Settlement Trust Agreement (Phase II). Phase II money is paid through 2010 to tobacco growers and quota owners to compensate them for their loss of tobacco income due to declining cigarette consumption. More than 172,000 Kentucky farmers have received Phase II payments, computed according to a formula that considers last year's crop and average quotas since 1998. The Kentucky Tobacco Settlement Trust Corporation is the public agency responsible for receiving and distributing Kentucky's share of the Phase II money. As codified in KRS 248.480, the Corporation is administratively attached to the Finance and Administration Cabinet. However, the Governor's Office of Agricultural Policy provides staffing for the Corporation and assists in processing the applications from quota owners and growers.

The General Assembly wanted to insure that growers and quota owners would receive adequate compensation. To that end, they directed in KRS 248.705 that if in any year the payment from the National Tobacco Grower Settlement Trust Agreement (Phase II) was less than \$114 million, funds would be allocated to the growers from the Agriculture Development Fund (the Phase I money) to make up the difference. There is a threshold in that the shortfalls must accumulate to at least \$20 million to trigger the requirement for supplemental payments. In the event that Phase II funding does decline in the future, the Kentucky Revenue Cabinet will be responsible for disbursing the supplement to all of the growers and quota owners who have qualified to receive the reduced Phase II payments. That means the amount available to support the Agricultural Development Board's activities, the various bond issues, and the other direct appropriations made by the General Assembly may be further reduced.

The Kentucky Agricultural Finance Corporation is a *de jure* municipal corporation created in KRS 247.944 to provide access to capital for farmers and other agricultural enterprises. It is administratively attached to the Department of Agriculture, although by agreement, staff support is provided by GOAP. The Governor appoints all of the board members.

In addition to their work with Phase I and Phase II, the staff of GOAP assists the Governor's Commission on Family Farms and the Kentucky Agricultural Resource Development Authority (KARDA). The KARDA is created in KRS 11.170 as an organization of representatives from various commodity groups who inform and advise the governor on issues related to the Kentucky's agricultural economy. The Commission on Family Farms was created by executive order in April 1998 to advise the Governor on issues related to farm families and rural communities.

The Kentucky Center for Agricultural Development and Entrepreneurship (KCADE), created in KRS 248.719, provides business and technical feasibility assistance to farmers and works to build entrepreneurial capacity in the agricultural economy. The KCADE accomplishes its educational objectives through a partnership with the University of Kentucky Cooperative Extension Service and the Kentucky Small Business Development Centers.

Policy

Pursuant to General Fund Budget Reduction Order 04-01, the General Fund - Tobacco appropriation for fiscal year 2004 was reduced \$17,000,000. The governor's recommendation for fiscal year 2005 includes a return of \$17,000,000 to the Agricultural Development Fund from a taxable bond issue in the Capital Budget (Volume II). General Fund supported debt service of \$1,796,000 is recommended in fiscal year 2006.

The Governor's recommendation includes funding from tobacco funds in fiscal year 2005 and fiscal year 2006 for sufficient staff to carry out the multiple missions of the Office. Dedicated staff for the Kentucky Agricultural Finance Corporation is funded with restricted fund receipts, including interest earned on loans made by the Agricultural Development Board and Corporation funds.

**General Government
Kentucky Infrastructure Authority**

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
General Fund					
Regular Appropriation			17,980,000		6,296,000
Total General Fund			17,980,000		6,296,000
Restricted Funds					
Balance Forward	1,133,500	1,133,500	1,033,100	1,133,500	1,170,300
Non-Revenue Receipts	2,568,000	3,763,300	2,888,500	3,763,300	2,888,500
Total Restricted Funds	3,701,500	4,896,800	3,921,600	4,896,800	4,058,800
Federal Funds					
Balance Forward	1,321,600	1,321,600		1,321,600	
Current Receipts	53,312,000	52,000,400	53,339,000	52,000,400	53,339,000
Non-Revenue Receipts	-3,000,000	-3,000,000	-3,000,000	-3,000,000	-3,000,000
Total Federal Funds	51,633,600	50,322,000	50,339,000	50,322,000	50,339,000
TOTAL SOURCE OF FUNDS	55,335,100	55,218,800	72,240,600	55,218,800	60,693,800
EXPENDITURES BY CLASS					
Personnel Cost	2,334,000	2,821,600	2,896,300	2,684,400	2,688,900
Operating Expenses	513,000	301,000	301,200	301,000	301,200
Grants, Loans or Benefits	50,000,000	51,033,100	51,033,100	51,033,100	51,033,100
Debt Service			17,980,000		6,296,000
Capital Outlay	33,000	30,000	30,000	30,000	30,000
TOTAL EXPENDITURES	52,880,000	54,185,700	72,240,600	54,048,500	60,349,200
EXPENDITURES BY FUND SOURCE					
General Fund			17,980,000		6,296,000
Restricted Funds	2,568,000	3,863,700	3,921,600	3,726,500	3,714,200
Federal Funds	50,312,000	50,322,000	50,339,000	50,322,000	50,339,000
TOTAL EXPENDITURES	52,880,000	54,185,700	72,240,600	54,048,500	60,349,200

Per Executive Order 2003-064, the Kentucky Infrastructure Authority (KIA) is attached to the Office of the Governor. KIA's expanded mission was authorized by Senate Bill 409 of the 2000 General Assembly and codified in KRS Chapter 224a. That Act authorized the KIA to establish and coordinate regional infrastructure planning to promote higher levels of technical, managerial, and financial capacity of water based utilities, and to actively pursue the achievement of economies of scale among and between utilities to the best interest of consumers. Additionally, the Authority's more traditional role of providing infrastructure financing for governmental agencies was expanded to include investor owned, private utilities. The General Assembly supported the new initiatives set out in the legislation with the creation of a new account, the 2020 account, through which the Authority provides grants and subsidized loan incentives in addition to its existing programs. Most recently, the 2003 General Assembly authorized the sale of over \$110 million for the water and wastewater projects across the Commonwealth to be administered by the Authority.

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

Fund A - Wastewater Revolving Loan Program

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

-market interest rates. The Commonwealth appropriates an amount equal to this fund's debt service to make its bond payments.

Fund B - Infrastructure Revolving Fund Programs

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

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

Fund C - Governmental Agencies Program

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

Fund E - Solid Waste Revolving Loan Program

This fund was established to assist local government units in the financing of solid waste projects. Financial assistance is available for the useful life of the project or thirty years, whichever is shorter. Grants are also available from this fund. Jointly administered by the Natural Resources Cabinet, the fund provides grants up to \$75,000 per project per funding cycle to defray capital costs associated with solid waste management activities. The 2002 General Assembly repealed authorization for the program.

Fund F - Drinking Water Revolving Loan Fund

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

Coal Development and Tobacco Development Funds

These funds, each in a capital amount of \$54,765,000, were authorized by the 2003 General Assembly for an array of water and sewer projects selected from the Water Resource Information System and project database (maintained by KIA) and included in the budget by specific designation. The Authority coordinates the process of implementation and provides project administration for some 267 projects (\$113,933,300) funded in these programs.

Policy

Included in the General Fund appropriation is \$802,000 in fiscal year 2006 for debt service to support \$8,400,000 in bonds to match \$42,000,000 in federal funds for the Federally Assisted Wastewater Revolving Loan Fund program (Fund A).

Included in the General Fund appropriation is \$727,000 in fiscal year 2006 for debt service to support \$7,600,000 in bonds to match \$38,000,000 in federal funds for the Safe Drinking Water State Revolving Loan Fund program (Fund F). The Federal Funds for this program are appropriated in the operating budget to comply with the Federal Cash Management Act. The required state matching funds are appropriated as Bond Funds in the capital budget.

Included in the Governor's recommended budget is \$210,000 in fiscal year 2005 and \$210,000 in fiscal year 2006 to be transferred to the Natural Resources and Environmental Protection Cabinet to assist that agency with costs incurred to support the overall mission of the Kentucky Infrastructure Authority.

Included in the General Fund appropriation is \$4,767,000 in fiscal year 2006 for debt service to support an additional \$50 million in state bonds for the Water and Sewer Resource Development Fund. The debt service is derived from Coal Severance Tax receipts in the same manner as the previous Coal County Water and Sewer Resource Development Bonds approved by the 2003 General Assembly.

**General Government
Veterans' Affairs**

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	15,163,700	19,638,100	22,461,500	15,188,800	15,188,800
Continuing Appropriation	20,400				
Salary Compensation Fund	414,600				
Base Deduction	-389,500				
Total General Fund	15,209,200	19,638,100	22,461,500	15,188,800	15,188,800
Restricted Funds					
Balance Forward	639,400	623,000	1,058,800		
Current Receipts	19,835,000	21,979,400	22,528,100	21,657,000	22,417,000
Fund Transfers	-515,100				
Total Restricted Funds	19,959,300	22,602,400	23,586,900	21,657,000	22,417,000
TOTAL SOURCE OF FUNDS	35,168,500	42,240,500	46,048,400	36,845,800	37,605,800
EXPENDITURES BY CLASS					
Personnel Cost	28,553,700	33,829,000	36,746,400	29,563,800	30,363,900
Operating Expenses	6,420,800	6,998,200	7,188,000	7,134,400	7,149,400
Grants, Loans or Benefits	67,500	219,300	219,300	67,500	67,500
Capital Outlay	25,000	135,200	135,200	80,100	25,000
Construction	101,500				
TOTAL EXPENDITURES	35,168,500	41,181,700	44,288,900	36,845,800	37,605,800
EXPENDITURES BY FUND SOURCE					
General Fund	15,209,200	19,638,100	22,461,500	15,188,800	15,188,800
Restricted Funds	19,959,300	21,543,600	21,827,400	21,657,000	22,417,000
TOTAL EXPENDITURES	35,168,500	41,181,700	44,288,900	36,845,800	37,605,800
EXPENDITURES BY UNIT					
Commissioner's Office, Field Serv's & Cemeteries	2,126,500	2,838,800	3,190,000	2,374,000	2,374,000
Kentucky Veterans' Centers	33,042,000	38,342,900	41,098,900	34,471,800	35,231,800
TOTAL EXPENDITURES	35,168,500	41,181,700	44,288,900	36,845,800	37,605,800

The Kentucky Department of Veterans' Affairs (KDVA), established by KRS 40.300, assists over 360,000 Kentucky veterans and their families in applying for federal, state, and local veteran's benefits. Services include: benefits counseling and claims processing regarding the existence or availability of educational, training, and retraining facilities; health, medical rehabilitation, and housing services and facilities; employment and reemployment services; and provisions of federal, state, and local laws affording rights, privileges, and benefits to eligible veterans and their dependents. These services are supported by a cooperative network of Veterans' Benefits Field Representatives, volunteers, and personal service contracts with major veterans' organizations.

Pursuant to KRS 40.325, the Office of Kentucky Veterans' Centers within the KDVA manages Kentucky's three state veterans' nursing homes, which serve the long-term nursing care needs of Kentucky's elderly veteran population, who are about 110,000 of Kentucky's veterans.

The Thomson-Hood Veterans' Center, located in Wilmore in Jessamine County, is a 300-bed long-term nursing care facility specifically for Kentucky's elderly veteran population. The Eastern and Western Kentucky Veterans Centers, located in Hazard (Perry County), and Hanson (Hopkins County), opened in 2002. Each is a 120-bed facility that includes in-house

physician care, nurse practitioners, 24-hour nursing staff, and staffing for a rehab therapy department, barbershop, library, gift shop, laundry facility, a dietary department, and an employee child care facility.

The KDVA is required by KRS 40.315 to establish and maintain Kentucky state veterans' cemeteries. The Kentucky Veterans' Cemetery-West consists of 73 acres and is located on Highway 41A south of Hopkinsville. The facility includes an administration building, a maintenance building with service area, committal facility, a columbarium, appropriate parking, road network, walking path and landscaping.

Policy

Notwithstanding KRS 45.229, the unexpended balance of the General Fund appropriation provided to the Eastern Kentucky Veterans' Center, the Western Kentucky Veterans' Center, and the Thompson-Hood Veterans' Center in fiscal year 2004 shall not lapse and shall be carried forward into fiscal year 2005.

In fiscal year 2004, restricted funds in the amount of \$306,700 shall be transferred to the credit of the General Fund in support of the Stability Initiative.

While no operating funds are needed immediately, it is clearly acknowledged and recognized that the Commonwealth intends to provide the necessary funding for operation of the Northern Kentucky and the Central Kentucky State Veterans' Cemeteries upon completion. The 2003 General Assembly authorized their construction with predominantly federal funds.

**General Government
Secretary of State**

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	2,260,100	2,586,800	2,732,900	2,224,000	2,224,000
Salary Compensation Fund	20,900				
Base Deduction	-57,000				
Total General Fund	2,224,000	2,586,800	2,732,900	2,224,000	2,224,000
Restricted Funds					
Balance Forward	921,100	1,314,500	2,244,700	1,314,500	611,600
Current Receipts	1,400,000	1,629,000	1,864,100	1,600,000	1,800,000
Fund Transfers	-203,700			-1,500,000	-1,000,000
Total Restricted Funds	2,117,400	2,943,500	4,108,800	1,414,500	1,411,600
TOTAL SOURCE OF FUNDS	4,341,400	5,530,300	6,841,700	3,638,500	3,635,600
EXPENDITURES BY CLASS					
Personnel Cost	2,373,900	2,552,900	2,731,300	2,367,900	2,412,600
Operating Expenses	653,000	732,700	735,500	659,000	614,300
TOTAL EXPENDITURES	3,026,900	3,285,600	3,466,800	3,026,900	3,026,900
EXPENDITURES BY FUND SOURCE					
General Fund	2,224,000	2,586,800	2,732,900	2,224,000	2,224,000
Restricted Funds	802,900	698,800	733,900	802,900	802,900
TOTAL EXPENDITURES	3,026,900	3,285,600	3,466,800	3,026,900	3,026,900
EXPENDITURES BY UNIT					
General Administration	1,336,600	1,536,100	1,624,000	1,327,800	1,327,800
General Operations	843,400	1,006,700	1,064,900	852,200	852,200
Limited Liability Companies	802,900	698,800	733,900	802,900	802,900
Restoration of Land Grant Books	44,000	44,000	44,000	44,000	44,000
TOTAL EXPENDITURES	3,026,900	3,285,600	3,466,800	3,026,900	3,026,900

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

General Administration

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

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

The General Operations and Kentucky Business Law Unit is responsible for the registration and incorporation of businesses, both domestic and foreign, profit and non-profit, including the administration of documents of merger, dissolution, and name changes. The program administers Kentucky's Uniform Commercial Code Law, laws regarding the service of summonses and complaints, and laws pertaining to trademarks and service marks. The 2000 General Assembly enacted Revised Article 9 of the Uniform Commercial Code, effective July 1, 2001, (KRS 355, Title 9). This law established the Office of the Secretary

of State as the filing office for most personal property liens. The enactment of the law required the Secretary of State to establish a UCC Branch within the Corporation Division and employ clerks to file the numerous UCC records that were previously filed with the county clerks.

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

Restoration of Land Grant Books

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

Policy

Notwithstanding KRS 14.140, an allocation from agency funds received in the Limited Liability Companies program in the amount of \$802,900 in fiscal year 2005 and \$802,900 in fiscal year 2006 shall not lapse and shall be used for the continuation of current activities within the General Administration unit and for the operations and staff of the Uniform Commercial Code Branch within the General Operations Corporation Division.

Notwithstanding KRS 14.140, \$1,500,000 in fiscal year 2005 and \$1,000,000 in fiscal year 2006 shall be transferred to the General Fund.

**General Government
Board of Elections**

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	4,925,800	5,265,800	3,303,500	4,991,000	3,046,400
Continuing Appropriation	1,100,000	968,400	494,700	968,400	494,700
Base Deduction	-123,100				
Total General Fund	5,902,700	6,234,200	3,798,200	5,959,400	3,541,100
Restricted Funds					
Balance Forward	164,900	102,000	82,000	102,000	84,900
Current Receipts	54,000	40,000	80,000	40,000	80,000
Fund Transfers	-2,900				
Total Restricted Funds	216,000	142,000	162,000	142,000	164,900
Federal Funds					
Balance Forward	5,155,700	15,887,000	6,982,000	14,217,200	5,312,200
Current Receipts	11,731,300	95,000	50,000	95,000	50,000
Total Federal Funds	16,887,000	15,982,000	7,032,000	14,312,200	5,362,200
TOTAL SOURCE OF FUNDS	23,005,700	22,358,200	10,992,200	20,413,600	9,068,200
EXPENDITURES BY CLASS					
Personnel Cost	1,079,400	1,115,200	1,153,600	1,065,500	1,089,100
Operating Expenses	509,500	724,100	705,600	654,800	588,400
Grants, Loans or Benefits	6,129,200	12,960,200	2,504,300	12,801,500	2,426,000
TOTAL EXPENDITURES	7,718,100	14,799,500	4,363,500	14,521,800	4,103,500
EXPENDITURES BY FUND SOURCE					
General Fund	4,934,300	5,739,500	3,303,500	5,464,700	3,046,400
Restricted Funds	114,000	60,000	60,000	57,100	57,100
Federal Funds	2,669,800	9,000,000	1,000,000	9,000,000	1,000,000
TOTAL EXPENDITURES	7,718,100	14,799,500	4,363,500	14,521,800	4,103,500
EXPENDITURES BY UNIT					
General Administration and Support	1,481,900	1,728,300	1,805,700	1,609,300	1,624,000
State Share of County Election Expenses	1,955,300	2,113,200		1,955,300	
State Share of Voter Registration Expenses	1,479,500	1,480,300	1,557,800	1,479,500	1,479,500
Presidential Electors		4,000		4,000	
Election Fund	2,801,400	9,473,700	1,000,000	9,473,700	1,000,000
TOTAL EXPENDITURES	7,718,100	14,799,500	4,363,500	14,521,800	4,103,500

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

The Board is chaired by the Secretary of State. Six other members are appointed by the Governor.

General Administration and Support

The General Administration and Support program objectives are to maintain an up-to-date computerized record of registered

voters in the state, certify election results, produce precinct rosters, issue certification of nomination and election, train county clerks in election duties, and conduct a nonpartisan voter education program.

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

- On-line inquiry which enables the county clerks to view the registration and voting record of each current registrant.
- Daily file maintenance which allows the county clerk to enter new registrants, transfer a registrant, or make the proper registration change on a local level. Once entered, this information is electronically transmitted to the statewide central file at the State Board of Elections in Frankfort.
- Printing and distribution of precinct rosters and alphabetical rosters to the county clerks for use on Election Day. This process begins when the books are closed and all changes, additions, and deletions are made to the file. The primary election is approximately 500,000 documents and the general election is approximately 275,000 documents. Post election activities include giving credit to all voters who voted on Election Day. This data is scanned into the system allowing the agency to update the voter files, produce voter turnout reports, and various other reports including vital data to candidates.

State Share of County Election Expenses

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

The state currently has 3,473 precincts with over 2.7 million registered voters. The number of precincts increases as registration totals increase and as reapportionment of county commissioner/magisterial districts and congressional and state redistricting occur.

State Share of Voter Registration Expenses

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

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

Policy

Included in the General Fund appropriation is \$3,434,800 in fiscal year 2005 and \$1,479,500 in fiscal year 2006 to pay the state's share of county election expenses and the state's share of voter registration expenses. Any unexpended balance remaining at the close of each fiscal year shall lapse to the credit of the General Fund. Any amount that the state is required to pay in excess of the above amounts shall be deemed a Necessary Governmental Expense and shall be paid from the General Fund.

Notwithstanding KRS 117.345 (2), the maximum state payment rate is increased this biennium from \$255 to \$300 for each precinct containing a voting machine. Any amount the state is required to pay in excess of the above amounts shall be deemed Necessary Governmental Expenses and shall be paid from the General Fund.

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

The Help America Vote Act (HAVA) (P.L. 107-252), passed in October 2002, imposed new election requirements on states and called for the upgrade of voting machines. Congress authorized funds in fiscal year 2003 and will soon authorize funds in fiscal year 2004 to help states' election reform efforts. The Board of Elections will be responsible for the administration and disbursement of these funds. Notwithstanding KRS 45.229, any unexpended General Fund funds appropriated for HAVA shall not lapse and shall carry forward into the following fiscal year. Amounts in excess of \$1,100,000 for this purpose, not to exceed \$1,000,000, shall be deemed Necessary Governmental Expenses.

Pursuant to KRS 117.025 (1), the State Board of Elections shall appoint an executive Director who shall be the Chief Administrative Officer for the Board. Pursuant to KRS 117.025 (2), the Board shall employ, on a bipartisan basis, a staff sufficient to carry out the duties assigned the Board, including legal counsel. The General Fund appropriation includes \$184,000 in fiscal year 2005 and \$199,000 in fiscal year 2006 to fund the Executive Director and Legal Counsel positions.

The Help America Vote Act, Section 254 (7), passed October 2002, requires the state to maintain the expenditures of the state for activities funded by the payment at a level that is not less than the level of such expenditures maintained by the state for the fiscal year ending prior to November 2000. Kentucky's maintenance of effort requirement is \$1,303,200. Any funding below this amount would result in loss of federal funds.

**General Government
Treasury**

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	2,216,700	2,405,100	2,549,500	2,047,700	2,067,300
Budget Reduction	-55,900				
Salary Compensation Fund	13,000				
Base Deduction	-55,700				
Total General Fund	2,118,100	2,405,100	2,549,500	2,047,700	2,067,300
Restricted Funds					
Balance Forward	105,400	121,100		95,600	
Non-Revenue Receipts	834,500	690,400	862,700	683,000	793,300
Fund Transfers	-35,000				
Total Restricted Funds	904,900	811,500	862,700	778,600	793,300
Road Fund					
Regular Appropriation				250,000	250,000
Total Road Fund				250,000	250,000
TOTAL SOURCE OF FUNDS	3,023,000	3,216,600	3,412,200	3,076,300	3,110,600
EXPENDITURES BY CLASS					
Personnel Cost	2,224,500	2,340,800	2,505,000	2,203,100	2,206,500
Operating Expenses	702,900	875,800	907,200	873,200	904,100
TOTAL EXPENDITURES	2,927,400	3,216,600	3,412,200	3,076,300	3,110,600
EXPENDITURES BY FUND SOURCE					
General Fund	2,118,100	2,405,100	2,549,500	2,047,700	2,067,300
Restricted Funds	809,300	811,500	862,700	778,600	793,300
Road Fund				250,000	250,000
TOTAL EXPENDITURES	2,927,400	3,216,600	3,412,200	3,076,300	3,110,600
EXPENDITURES BY UNIT					
General Administration and Support	1,467,900	1,740,900	1,836,300	1,674,500	1,693,300
Disbursements and Accounting	650,200	664,200	713,200	623,200	624,000
Abandoned Property Administration	809,300	811,500	862,700	778,600	793,300
TOTAL EXPENDITURES	2,927,400	3,216,600	3,412,200	3,076,300	3,110,600

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

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

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

The Disbursements and Accounting Division receives all funds of the Commonwealth including fees, grants, taxes, federal funds, fees from officials in counties over 75,000 in population, and fees from various boards and commissions. This program also receives, balances, and deposits all withholdings and U. S. Savings Bond deductions from state agency

payrolls. A computer analysis is maintained on daily receipts and disbursements, which subsequently is submitted to the Finance and Administration Cabinet for accounting posting.

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

Policy

Restricted funds are provided in accordance with KRS 393.250 for the administration of the Unclaimed Property Program in the amount of \$778,600 in fiscal year 2005 and \$793,300 in fiscal year 2006. This action reflects the movement of available off-budget restricted funds to on-budget status to support ongoing activities of the Unclaimed Property Program.

Road Fund in the amount of \$250,000 each year of the biennium is included to support the central check writing system and other central administrative responsibilities of state government.

The Governor's recommendation includes \$125,700 in fiscal year 2004-05 and \$139,200 in fiscal year 2005-06 for maintenance and supplies required for check printing and check sealing equipment which were previously provided under the terms of the lease purchase agreements.

**General Government
Attorney General**

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	12,932,500	15,977,800	17,340,300	13,026,200	13,026,200
Continuing Appropriation	30,000				
Budget Reduction	-390,400				
Salary Compensation Fund	93,700				
Mandated Allotments	37,400				
Total General Fund	12,703,200	15,977,800	17,340,300	13,026,200	13,026,200
Restricted Funds					
Balance Forward	2,522,400	2,433,000	2,026,100	2,433,000	1,539,300
Current Receipts	1,579,700	1,578,700	1,587,100	1,578,700	1,587,100
Non-Revenue Receipts	4,660,400	4,825,600	5,111,400	4,825,600	5,111,400
Total Restricted Funds	8,762,500	8,837,300	8,724,600	8,837,300	8,237,800
Federal Funds					
Balance Forward	800				
Current Receipts	2,148,500	2,382,900	2,449,000	2,382,900	2,449,000
Total Federal Funds	2,149,300	2,382,900	2,449,000	2,382,900	2,449,000
TOTAL SOURCE OF FUNDS	23,615,000	27,198,000	28,513,900	24,246,400	23,713,000
EXPENDITURES BY CLASS					
Personnel Cost	14,802,900	18,457,900	20,351,100	16,233,800	16,300,100
Operating Expenses	2,636,600	2,959,800	3,039,600	2,719,100	2,798,900
Grants, Loans or Benefits	3,742,500	3,754,200	3,825,000	3,754,200	3,825,000
TOTAL EXPENDITURES	21,182,000	25,171,900	27,215,700	22,707,100	22,924,000
EXPENDITURES BY FUND SOURCE					
General Fund	12,703,200	15,977,800	17,340,300	13,026,200	13,026,200
Restricted Funds	6,329,500	6,811,200	7,426,400	7,298,000	7,448,800
Federal Funds	2,149,300	2,382,900	2,449,000	2,382,900	2,449,000
TOTAL EXPENDITURES	21,182,000	25,171,900	27,215,700	22,707,100	22,924,000
EXPENDITURES BY UNIT					
Administrative Services	2,490,700	2,658,600	2,835,900	2,544,900	2,542,500
Criminal Services	7,185,900	9,800,600	10,457,300	7,581,500	7,647,600
Advocacy Services	4,414,300	4,708,500	4,988,300	4,430,600	4,439,900
Civil Services	2,628,600	3,399,500	4,171,900	3,545,400	3,531,700
Uninsured Employers Fund	4,462,500	4,604,700	4,762,300	4,604,700	4,762,300
TOTAL EXPENDITURES	21,182,000	25,171,900	27,215,700	22,707,100	22,924,000

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

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

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

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

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

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

Policy

The Governor's recommended budget provides additional restricted funds in the amount of \$466,400 in fiscal year 2005 and \$489,800 in fiscal year 2006 to support five additional attorneys and two paralegals assigned to Medicaid dollar recoupment litigation for the Commonwealth and legal services pursuing the collection of debts owed to the Commonwealth.

The Governor's recommended budget provides additional restricted funds in the amount of \$402,800 in fiscal year 2005 and \$429,700 in fiscal year 2006 to provide an 11 percent salary adjustment for merit attorneys.

**General Government
Unified Prosecutorial System**

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	48,722,800	54,660,500	58,077,000	50,822,000	51,652,400
Budget Reduction	-235,000				
Salary Compensation Fund	267,500				
Base Deduction	-380,000				
Mandated Allotments	35,000				
Total General Fund	48,410,300	54,660,500	58,077,000	50,822,000	51,652,400
Restricted Funds					
Balance Forward	576,300	483,900	353,400	483,900	377,600
Current Receipts	102,400	102,400	102,400	102,400	102,400
Total Restricted Funds	678,700	586,300	455,800	586,300	480,000
Federal Funds					
Balance Forward	28,200				
Current Receipts	920,400	996,900	1,024,900	996,900	1,024,900
Total Federal Funds	948,600	996,900	1,024,900	996,900	1,024,900
TOTAL SOURCE OF FUNDS	50,037,600	56,243,700	59,557,700	52,405,200	53,157,300
EXPENDITURES BY CLASS					
Personnel Cost	44,602,100	50,518,600	54,175,700	46,766,700	47,515,700
Operating Expenses	4,921,600	5,336,700	5,126,000	5,225,900	5,335,900
Grants, Loans or Benefits	30,000	35,000	35,000	35,000	35,000
TOTAL EXPENDITURES	49,553,700	55,890,300	59,336,700	52,027,600	52,886,600
EXPENDITURES BY FUND SOURCE					
General Fund	48,410,300	54,660,500	58,077,000	50,822,000	51,652,400
Restricted Funds	194,800	232,900	234,800	208,700	209,300
Federal Funds	948,600	996,900	1,024,900	996,900	1,024,900
TOTAL EXPENDITURES	49,553,700	55,890,300	59,336,700	52,027,600	52,886,600
EXPENDITURES BY UNIT					
Commonwealth's Attorneys	27,134,400	30,898,600	32,648,300	28,651,200	28,976,000
County Attorneys	22,419,300	24,991,700	26,688,400	23,376,400	23,910,600
TOTAL EXPENDITURES	49,553,700	55,890,300	59,336,700	52,027,600	52,886,600

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

The Unified Prosecutorial System is administered by the Prosecutors Advisory Council, which the Attorney General chairs. The Unified Prosecutorial System, comprised of the 57 Commonwealth's Attorneys and 120 County Attorneys, prosecutes criminal cases in Kentucky's circuit and district courts.

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

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	26,545,300	30,079,400	31,799,200	27,842,100	28,138,300
Budget Reduction	-100,000				
Salary Compensation Fund	77,000				
Base Deduction	-190,000				
Mandated Allotments	35,000				
Total General Fund	26,367,300	30,079,400	31,799,200	27,842,100	28,138,300
Restricted Funds					
Balance Forward	515,700	415,700	291,700	415,700	301,800
Current Receipts	90,000	90,000	90,000	90,000	90,000
Total Restricted Funds	605,700	505,700	381,700	505,700	391,800
Federal Funds					
Balance Forward	28,200				
Current Receipts	548,900	605,200	633,200	605,200	633,200
Total Federal Funds	577,100	605,200	633,200	605,200	633,200
TOTAL SOURCE OF FUNDS	27,550,100	31,190,300	32,814,100	28,953,000	29,163,300
EXPENDITURES BY CLASS					
Personnel Cost	23,281,100	26,633,300	28,596,000	24,566,800	24,786,600
Operating Expenses	3,823,300	4,230,300	4,017,300	4,049,400	4,154,400
Grants, Loans or Benefits	30,000	35,000	35,000	35,000	35,000
TOTAL EXPENDITURES	27,134,400	30,898,600	32,648,300	28,651,200	28,976,000
EXPENDITURES BY FUND SOURCE					
General Fund	26,367,300	30,079,400	31,799,200	27,842,100	28,138,300
Restricted Funds	190,000	214,000	215,900	203,900	204,500
Federal Funds	577,100	605,200	633,200	605,200	633,200
TOTAL EXPENDITURES	27,134,400	30,898,600	32,648,300	28,651,200	28,976,000

The Commonwealth's Attorney program is made up of 57 elected Commonwealth's Attorneys and their staff, one for each circuit. As of January 1, 2004, 49 circuits have full-time Commonwealth's Attorneys, with the remaining being part-time. Commonwealth Attorneys are responsible for felony prosecutions, including those prosecutions in which the penalty of death may be imposed upon the defendant. The prosecution of each felony requires a thorough investigation that involves extensive research and trial preparation by the prosecutor. Witness interviews, motions, conferences, plea-bargaining, case studies, and continuing legal education are a part of each prosecutor's responsibility in representing the Commonwealth and citizens of Kentucky as the state's attorney.

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

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

Policy

The Governor's recommended budget provides additional General Fund resources in the amount of \$1,219,800 in fiscal year 2005 and \$1,516,000 in fiscal year 2006 to fully fund the cost of a 1.5 percent salary increase in fiscal year 2005 and a three percent salary increase in fiscal year 2006.

**General Government
Unified Prosecutorial System
County Attorneys**

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	22,177,500	24,581,100	26,277,800	22,979,900	23,514,100
Budget Reduction	-135,000				
Salary Compensation Fund	190,500				
Base Deduction	-190,000				
Total General Fund	22,043,000	24,581,100	26,277,800	22,979,900	23,514,100
Restricted Funds					
Balance Forward	60,600	68,200	61,700	68,200	75,800
Current Receipts	12,400	12,400	12,400	12,400	12,400
Total Restricted Funds	73,000	80,600	74,100	80,600	88,200
Federal Funds					
Current Receipts	371,500	391,700	391,700	391,700	391,700
Total Federal Funds	371,500	391,700	391,700	391,700	391,700
TOTAL SOURCE OF FUNDS	22,487,500	25,053,400	26,743,600	23,452,200	23,994,000
EXPENDITURES BY CLASS					
Personnel Cost	21,321,000	23,885,300	25,579,700	22,199,900	22,729,100
Operating Expenses	1,098,300	1,106,400	1,108,700	1,176,500	1,181,500
TOTAL EXPENDITURES	22,419,300	24,991,700	26,688,400	23,376,400	23,910,600
EXPENDITURES BY FUND SOURCE					
General Fund	22,043,000	24,581,100	26,277,800	22,979,900	23,514,100
Restricted Funds	4,800	18,900	18,900	4,800	4,800
Federal Funds	371,500	391,700	391,700	391,700	391,700
TOTAL EXPENDITURES	22,419,300	24,991,700	26,688,400	23,376,400	23,910,600

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

Criminal cases at the district level include felonies (until the case is transferred to circuit court), misdemeanors, juvenile cases, and traffic cases. Additionally, some counties have Family Court and Drug Court requiring representation from the Office of the County Attorney. The County Attorney frequently mediates local complaints so many of the services provided may never appear on a court docket.

Policy

The Governor's recommended budget provides additional General Fund resources in the amount of \$611,900 in fiscal year 2005 and \$1,146,100 in fiscal year 2006 to fully fund the cost of a 1.5 percent salary increase in fiscal year 2005 and a three percent salary increase in fiscal year 2006.

**General Government
Auditor of Public Accounts**

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	5,235,000	6,780,900	7,326,400	5,780,800	5,530,800
Salary Compensation Fund	45,800				
Total General Fund	5,280,800	6,780,900	7,326,400	5,780,800	5,530,800
Restricted Funds					
Balance Forward	488,300				
Current Receipts	2,918,200	3,032,000	3,143,500	3,096,500	3,306,000
Total Restricted Funds	3,406,500	3,032,000	3,143,500	3,096,500	3,306,000
TOTAL SOURCE OF FUNDS	8,687,300	9,812,900	10,469,900	8,877,300	8,836,800
EXPENDITURES BY CLASS					
Personnel Cost	7,581,900	8,748,800	9,419,200	7,986,500	8,013,900
Operating Expenses	1,018,800	1,019,500	1,018,100	858,200	790,300
Capital Outlay	86,600	44,600	32,600	32,600	32,600
TOTAL EXPENDITURES	8,687,300	9,812,900	10,469,900	8,877,300	8,836,800
EXPENDITURES BY FUND SOURCE					
General Fund	5,280,800	6,780,900	7,326,400	5,780,800	5,530,800
Restricted Funds	3,406,500	3,032,000	3,143,500	3,096,500	3,306,000
TOTAL EXPENDITURES	8,687,300	9,812,900	10,469,900	8,877,300	8,836,800
EXPENDITURES BY UNIT					
Administration	1,735,400	2,018,700	2,154,400	1,773,500	1,776,500
Examination and Information Technology	1,151,600	1,236,700	1,328,700	1,188,700	1,186,300
Financial Audit	5,152,600	5,809,000	6,183,400	5,250,300	5,209,200
Performance Audit	647,700	748,500	803,400	664,800	664,800
TOTAL EXPENDITURES	8,687,300	9,812,900	10,469,900	8,877,300	8,836,800

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

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

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

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

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

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

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

**General Government
Agriculture**

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	19,199,900	20,840,200	23,464,700	18,876,500	18,876,500
Continuing Appropriation	10,100				
Salary Compensation Fund	150,300				
Base Deduction	-483,800				
Total General Fund	18,876,500	20,840,200	23,464,700	18,876,500	18,876,500
Restricted Funds					
Balance Forward	3,391,500	3,864,736	1,656,836	2,959,600	751,200
Current Receipts	6,432,900	2,450,000	2,500,000	2,450,000	2,500,000
Non-Revenue Receipts	194,000	196,800	196,800	196,800	196,800
Fund Transfers	-1,058,800				
Total Restricted Funds	8,959,600	6,511,536	4,353,636	5,606,400	3,448,000
Federal Funds					
Balance Forward	255,600	199	-3,201	200	200
Current Receipts	4,208,800	4,162,000	4,162,000	4,162,000	4,162,000
Total Federal Funds	4,464,400	4,162,199	4,158,799	4,162,200	4,162,200
TOTAL SOURCE OF FUNDS	32,300,500	31,513,935	31,977,135	28,645,100	26,486,700
EXPENDITURES BY CLASS					
Personnel Cost	18,699,900	19,956,500	21,213,600	18,281,800	17,752,800
Operating Expenses	5,435,700	5,423,700	5,258,200	5,265,800	4,244,800
Grants, Loans or Benefits	4,805,100	3,946,100	3,946,100	3,946,100	3,946,100
Capital Outlay	400,000	534,000	440,000	400,000	400,000
TOTAL EXPENDITURES	29,340,700	29,860,300	30,857,900	27,893,700	26,343,700
EXPENDITURES BY FUND SOURCE					
General Fund	18,876,500	20,840,200	23,464,700	18,876,500	18,876,500
Restricted Funds	6,000,000	4,854,700	3,222,700	4,855,200	3,305,200
Federal Funds	4,464,200	4,165,400	4,170,500	4,162,000	4,162,000
TOTAL EXPENDITURES	29,340,700	29,860,300	30,857,900	27,893,700	26,343,700
EXPENDITURES BY UNIT					
Strategic Planning and Administration	3,501,700	3,996,700	4,231,400	3,713,500	3,713,500
Motor Fuel Inspection and Testing	300,000	249,600	261,400	200,000	200,000
Environmental Outreach	4,615,000	4,834,000	5,092,900	4,597,100	4,497,100
Consumer and Public Service	6,683,200	7,297,700	7,552,700	6,707,000	6,707,000
State Veterinarian	3,732,200	3,869,000	4,174,800	3,392,900	3,392,900
Universities	848,500	848,500	848,500	848,500	848,500
Rural Rehabilitation Fund	80,000	80,000	80,000	80,000	80,000
Market Promotion and Protection	78,800	82,400	87,700	78,800	78,800
Mexico Office	100,100	100,000	100,000	100,000	100,000
PACE Agricultural Enhancement Fund	400,000	400,000	400,000	400,000	400,000
Agriculture Marketing and Product Promotion	9,001,200	8,102,400	8,028,500	7,775,900	6,325,900
TOTAL EXPENDITURES	29,340,700	29,860,300	30,857,900	27,893,700	26,343,700

The Department of Agriculture, as defined in KRS Chapter 246, is headed by the Commissioner of Agriculture, a Constitutional Officer. The State Board of Agriculture, appointed by the Governor, acts as an advisory body to the elected Commissioner.

The Office of the Commissioner includes the Division of Public Relations. Leadership and management of the Department is provided by the Commissioner and the Office of the Chief Executive Officer.

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

The Office for Consumer and Environmental Protection directs programs which have a direct bearing on agricultural revenue. The Office conducts the hay grading program, certifies all sales made by solid weight or liquid volume, licenses egg wholesalers, and inspects amusement rides operating within the Commonwealth. Duties include the distribution of commodity foods to qualifying institutions and individuals on behalf of the United States Department of Agriculture. This Office is responsible for conducting various pest and noxious weed control programs, enforcing federal and state laws and regulations pertaining to the control of pesticide use and application, and liaison between the regulator and those being regulated.

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

The Office for Agricultural Marketing and Product Promotion develops and manages programs which promote Kentucky-produced agricultural products, including grading and inspecting of specific products and commodities and reporting market news. Responsibilities include the research and development of new and expanded outlets for Kentucky's agricultural products, agricultural education, farm safety, administration of the Shows and Fairs Promotion Division, and farmland preservation.

Policy

Pursuant to General Fund Budget Reduction Order 04-01, restricted funds of \$905,000 were transferred to the General Fund.

Executive Order 04-01, signed by the Commissioner on January 5, 2004, abolished the Office of Environmental Outreach. The personnel, records, files, equipment, and funds of that Office were assigned to other Offices in the Department.

The display of Expenditures by Unit reflects the historical configuration of expenditures in detail. The allocation of funds between and among these units may be altered by proposed legislation being considered by the 2004 General Assembly.

**General Government
Military Affairs**

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	10,694,400	24,578,000	25,374,400	10,572,700	10,997,700
Salary Compensation Fund	149,400				
Base Deduction	-271,100				
Mandated Allotments	10,715,400				
Total General Fund	21,288,100	24,578,000	25,374,400	10,572,700	10,997,700
Restricted Funds					
Balance Forward	4,827,500	13,460,500	13,466,100	4,755,400	4,761,000
Current Receipts	27,521,200	58,096,400	60,487,800	58,090,700	60,476,300
Non-Revenue Receipts	-1,892,000	-2,548,500	-2,548,500	-2,548,500	-2,548,500
Fund Transfers	-958,800				
Total Restricted Funds	29,497,900	69,008,400	71,405,400	60,297,600	62,688,800
Federal Funds					
Balance Forward	574,800				
Current Receipts	111,972,200	59,703,100	62,825,500	59,327,000	61,870,500
Non-Revenue Receipts	-574,800				
Total Federal Funds	111,972,200	59,703,100	62,825,500	59,327,000	61,870,500
TOTAL SOURCE OF FUNDS	162,758,200	153,289,500	159,605,300	130,197,300	135,557,000
EXPENDITURES BY CLASS					
Personnel Cost	25,224,700	31,801,600	34,566,300	29,005,200	30,809,800
Operating Expenses	22,475,200	55,409,400	59,422,700	53,998,600	57,153,300
Grants, Loans or Benefits	108,126,900	49,168,700	49,819,100	40,297,000	40,143,100
Debt Service		1,140,000			425,000
Capital Outlay	676,000	803,700	814,700	635,500	748,400
Construction	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000
TOTAL EXPENDITURES	158,002,800	139,823,400	146,122,800	125,436,300	130,779,600
EXPENDITURES BY FUND SOURCE					
General Fund	21,288,100	24,578,000	25,374,400	10,572,700	10,997,700
Restricted Funds	24,742,500	55,542,300	57,922,900	55,536,600	57,911,400
Federal Funds	111,972,200	59,703,100	62,825,500	59,327,000	61,870,500
TOTAL EXPENDITURES	158,002,800	139,823,400	146,122,800	125,436,300	130,779,600
EXPENDITURES BY UNIT					
Statutory State Operations	8,950,900	12,640,900	13,270,400	8,709,600	9,134,600
National Guard Operations	24,700	7,010,400	7,699,500	193,600	201,000
Emergency & Public Safety Operations	1,735,000				
Self-Sustaining Operations	23,361,900	54,933,700	56,548,700	54,193,700	56,548,700
Federal & Grant Operations	123,930,300	65,238,400	68,604,200	62,339,400	64,895,300
TOTAL EXPENDITURES	158,002,800	139,823,400	146,122,800	125,436,300	130,779,600

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

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

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

Policy

Included in the above federal fund appropriation is \$11,969,200 in fiscal year 2005 and \$11,753,300 in fiscal year 2006 for Department of Homeland Security, State Homeland Security Grant Program grant activities.

In fiscal year 2004, restricted funds in the amount of \$453,700 shall be transferred to the credit of the General Fund in support of the Stability Initiative.

Included in the above restricted fund appropriation is \$5,946,300 in fiscal year 2004, \$31,890,600 in fiscal year 2005 and \$32,195,100 in fiscal year 2006, for expanded federal defense contract activity at Bluegrass Station, including the Central Clothing Distribution Facility.

Included in the above General Fund appropriation is \$425,000 in fiscal year 2006 for debt service to support a bond issue that includes \$2,275,000 to expand the Emergency Operations Center and \$1,400,000 to begin upgrade of the statewide radio system.

**General Government
Personnel Board**

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	578,500	621,000	652,100	543,500	543,500
Budget Reduction	-20,500				
Base Deduction	-14,500				
Total General Fund	543,500	621,000	652,100	543,500	543,500
Restricted Funds					
Balance Forward	3,200	4,900	6,600	1,700	3,400
Current Receipts	1,700	1,700	1,700	1,700	1,700
Fund Transfers	-3,200				
Total Restricted Funds	1,700	6,600	8,300	3,400	5,100
TOTAL SOURCE OF FUNDS	545,200	627,600	660,400	546,900	548,600
EXPENDITURES BY CLASS					
Personnel Cost	472,400	513,550	543,450	471,600	471,500
Operating Expenses	71,100	107,450	108,650	71,900	72,000
TOTAL EXPENDITURES	543,500	621,000	652,100	543,500	543,500
EXPENDITURES BY FUND SOURCE					
General Fund	543,500	621,000	652,100	543,500	543,500
TOTAL EXPENDITURES	543,500	621,000	652,100	543,500	543,500

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

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

**General Government
Local Government**

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	8,537,800	17,374,900	17,657,800	10,308,200	10,308,200
Budget Reduction	-43,800				
Salary Compensation Fund	28,400				
Base Deduction	-214,200				
Total General Fund	8,308,200	17,374,900	17,657,800	10,308,200	10,308,200
Restricted Funds					
Balance Forward	2,862,500	2,007,700	1,483,300	1,972,600	1,448,200
Current Receipts	547,600	548,900	550,400	547,600	547,600
Fund Transfers	-35,100				
Total Restricted Funds	3,375,000	2,556,600	2,033,700	2,520,200	1,995,800
Federal Funds					
Current Receipts	52,430,800	52,533,700	52,594,600	52,430,800	52,430,800
Total Federal Funds	52,430,800	52,533,700	52,594,600	52,430,800	52,430,800
TOTAL SOURCE OF FUNDS	64,114,000	72,465,200	72,286,100	65,259,200	64,734,800
EXPENDITURES BY CLASS					
Personnel Cost	4,722,000	5,371,600	5,745,400	5,106,000	5,106,000
Operating Expenses	717,800	1,031,100	1,002,600	833,800	833,800
Grants, Loans or Benefits	56,701,600	62,509,200	62,089,600	57,871,200	57,438,800
Debt Service		2,070,000	2,070,000		
TOTAL EXPENDITURES	62,141,400	70,981,900	70,907,600	63,811,000	63,378,600
EXPENDITURES BY FUND SOURCE					
General Fund	8,308,200	17,374,900	17,657,800	10,308,200	10,308,200
Restricted Funds	1,402,400	1,073,300	655,200	1,072,000	639,600
Federal Funds	52,430,800	52,533,700	52,594,600	52,430,800	52,430,800
TOTAL EXPENDITURES	62,141,400	70,981,900	70,907,600	63,811,000	63,378,600
EXPENDITURES BY UNIT					
Commissioner	2,278,000	3,204,200	3,271,100	3,778,000	3,778,000
Support Services	1,434,900	1,738,400	1,771,900	1,434,900	1,434,900
Community Programs	44,563,800	48,874,700	48,980,400	44,714,300	44,714,300
Financial Services	776,500	1,005,600	1,082,000	857,000	857,000
Local Resources	13,088,200	16,159,000	15,802,200	13,026,800	12,594,400
TOTAL EXPENDITURES	62,141,400	70,981,900	70,907,600	63,811,000	63,378,600

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

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

The Division of Support Services performs agency administrative functions. It has responsibility for personnel administration,

payroll, purchasing, library management, accounting, and budgeting for the entire agency. The Division provides information technology support for the Department and to local government units. This Division provides technical assistance and funding to the Local Government Law Center at Northern Kentucky University.

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

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

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

Policy

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

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

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

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

Included in the recommended budget are \$1.5 million in each year of the biennium for the Flood Control Matching Program. These funds are derived from the Local Government Economic Development Program and will be used to provide local matching dollars on behalf of coal counties to complete flood control and PRIDE projects.

**General Government
Local Government - Special Funds**

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	73,223,000	75,561,500	79,732,400	63,119,100	58,257,200
Base Deduction	-20,800				
Other	1,364,300				
Total General Fund	74,566,500	75,561,500	79,732,400	63,119,100	58,257,200
TOTAL SOURCE OF FUNDS	74,566,500	75,561,500	79,732,400	63,119,100	58,257,200
EXPENDITURES BY CLASS					
Grants, Loans or Benefits	72,566,700	75,561,500	79,732,400	63,119,100	58,257,200
TOTAL EXPENDITURES	72,566,700	75,561,500	79,732,400	63,119,100	58,257,200
EXPENDITURES BY FUND SOURCE					
General Fund	72,566,700	75,561,500	79,732,400	63,119,100	58,257,200
TOTAL EXPENDITURES	72,566,700	75,561,500	79,732,400	63,119,100	58,257,200
EXPENDITURES BY UNIT					
Local Government Economic Assistance Fund	33,110,400	31,532,400	31,532,400	32,451,700	32,157,200
Local Government Economic Development Fund	38,646,600	37,029,100	41,200,000	29,857,700	25,290,300
Area Development Fund	809,700	7,000,000	7,000,000	809,700	809,700
TOTAL EXPENDITURES	72,566,700	75,561,500	79,732,400	63,119,100	58,257,200

The Special Funds program includes: the Local Government Economic Assistance Fund (LGEAF), the Local Government Economic Development Fund (LGEDF), and the Area Development Fund. Under KRS 42.4585 and KRS 42.4582, quarterly transfers from coal severance tax revenues for these two programs are made after the annual \$19 million severance tax allocation is credited to the Workers' Compensation Funding Commission and funds are set aside for the Osteopathic Medicine Scholarship under a formula proscribed by KRS 164.7891. Grants are awarded to eligible students in an amount equal to the difference between the average of the in-state tuition charged at the University of Kentucky and University of Louisville medical schools and tuition at the Osteopathic School of Medicine in Pikeville. Participants must be Kentucky residents and agree to render one year of service as a primary care physician in Kentucky for every year that they receive grants.

Policy

The Executive Budget provides that the annual \$19 million severance tax allocation that is credited to the Workers' Compensation Funding Commission will instead be directed to the General Fund in fiscal years 2004-2005 through 2005-2006.

The application of the Osteopathic Medicine Scholarship funding formula provides an estimated \$1,255,300 in fiscal year 2004-2005 and \$1,318,500 in fiscal year 2005-2006 for the scholarship program.

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

The coal severance tax program currently returns funds to 70 counties and approximately 320 cities at the end of each fiscal quarter. Quarterly allocations are made according to such criteria as population, income, the amount and distance coal is transported over local areas, and taxes collected from the county.

The minerals severance tax program currently returns funds to 100 counties and approximately 360 cities at the end of each fiscal quarter. An amount equal to 50 percent of the taxes collected annually on the sale and processing of minerals, exclusive of coal, is transferred into the LGEAF for subsequent allocation and distribution to local governments. Quarterly payments to counties are determined by the amounts of mineral taxes paid. Distribution to cities is based on relative population.

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

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

The Executive Budget continues to provide funding for debt service on School Facilities Construction Commission bonds in the amount of \$3,232,500 in fiscal year 2004-2005 and \$4,617,900 in fiscal year 2005-2006 from the LGEDF before funds are distributed to localities.

The recommendation includes funding for debt service on a second \$50 million Water and Sewer Resources Development Fund for coal counties. Following established practice, a portion of the funding will be provided from the LGEDF in the amount of \$1,906,800. The remainder will be derived from the multi-county funds in the amount of \$2,860,200. These dollars will be made available in fiscal year 2005-2006.

Included in the recommendation is funding to provide local match dollars for the Flood Control Matching Program in the amount of \$1.5 million in each year of the biennium from the LGEDF. These funds will be used for coal counties only.

The recommendation provides an allocation of \$3,625,000 in fiscal year 2004-2005 and \$3,500,000 in fiscal year 2005-2006 from the LGEDF for projects and programs recommended by the Office of the Commissioner for the New Economy. The projects identified are limited to research and development, commercialization, or workforce-related initiatives consistent with the goals of the New Economy Strategic Plan. Projects must be targeted solely to Kentucky's LGEDF eligible counties.

The Executive Budget authorizes the Cabinet for Economic Development to transfer \$2 million to the Kentucky Commerce Cabinet to fund a Tourism Market Program from the multi-county fund in fiscal year 2004-2005.

In addition, the recommendation authorizes funding of \$2 million in each year of the biennium from the multi-county fund to support the Governor's Early Reading Program in coal counties.

The recommendation also continues the practice of providing \$467,000 in each year of the biennium for the West Kentucky Corporation from the multi-county fund.

In accordance with KRS 42.485, the continuing appropriation amount from fiscal year 2002 to fiscal year 2003 and from fiscal 2003 to fiscal year 2004 will equal the cash balance in the LGEDF and LGEAF accounts at the close of the preceding fiscal year.

Since payments from the LGEAF and LGEDF to local governments are made on a quarterly basis after collection of the taxes, fiscal year 2005 allocations include one quarterly payment from the last three months of fiscal year 2004 collections and three payments from collections made during the first nine months of fiscal year 2005. This process continues in fiscal year 2006 with that year including a payment from the last three months of fiscal year 2005 collections and three payments from the collections made during first nine months of fiscal year 2006.

The amounts reflected above for the LGEAF and the LGEDF are calculated using January 2004 revenue estimates and the enacted rate and transfer policy (see chart on following page). LGEDF appropriations for both fiscal year 2004-2005 and fiscal year 2005-2006 reflect dollars available to localities after the programs described in the preceding paragraphs are funded. In fiscal year 2004, \$850,000 in Coal Severance Funds were appropriated to provide support to offices and initiatives administratively attached to the Governor's Office. In both fiscal year 2005 and fiscal year 2006, no Coal Severance Funds are diverted for this purpose. All such funds remain within the LGEDF and the multi-county fund. Notwithstanding KRS 42.350, the recommendation allocates \$809,700 from the General Fund to the Area Development Fund in each year of the biennium.

**Severance Tax Dedicated Programs
Governor's Recommended Budget**

	Projected FY 2004	Estimated FY 2005	Estimated FY 2006
Coal Severance Tax Resources			
Revenue Estimate: 01/04 Forecast		Includes 3 Quarters of Actual Data	
Coal Severance Tax	138,544,400	132,600,000	128,700,000
<i>Less: Workers' Comp Set Aside (to General Fund)</i>	<i>-19,000,000</i>	<i>-19,000,000</i>	<i>-19,000,000</i>
<i>Less: Osteopathic Medicine Scholarship Program*</i>	<i>-1,480,200</i>	<i>-1,255,300</i>	<i>-1,318,500</i>
<i>Less: Trover Clinic Grant</i>	<i>-1,000,000</i>	<i>-1,000,000</i>	<i>-1,000,000</i>
Total coal severance tax resources to be distributed	117,064,200	111,344,700	107,381,500

Additional Local Government Economic Assistance Fund Resources

Revenue Estimate: 01/04 Forecast			
Minerals Severance	13,393,200	13,000,000	13,100,000
Natural Gas Severance	17,031,100	15,400,000	15,700,000
Oil Production	3,383,400	3,100,000	3,300,000
Total other mineral severance revenue to be distributed	33,807,700	31,500,000	32,100,000

Local Government Economic Assistance Fund (LGEAF) Grand Total

Other severance revenue	16,903,900	15,750,000	16,050,000
Coal Severance (15% of Revenues to be Distributed)	17,559,600	16,701,700	16,107,200
Total LGEAF available for distribution	34,463,500	32,451,700	32,157,200

Local Government Economic Development Fund (LGEDF)

LGEDF (35% of Coal Revenues to be Distributed)	40,972,500	38,970,600	37,583,500
<i>Less: Kentucky Infrastructure Authority-Debt Service on Bonds for Water and Sewer Resources Development Fund for Coal Producing Counties-Phase 1</i>	<i>-1,999,800</i>		
<i>Less: Regional Development Office</i>	<i>-783,600</i>	<i>-755,400</i>	<i>-768,500</i>
<i>Less: ARC and Related ARC Expenditures</i>	<i>-550,000</i>		
<i>Less: New Economy Pool-includes \$1.5 million each year for Clean Coal Technology Projects</i>	<i>-1,250,000</i>	<i>-3,625,000</i>	<i>-3,500,000</i>
<i>Less: School Facilities Construction Commission-Debt Service</i>	<i>-2,290,000</i>	<i>-3,232,500</i>	<i>-4,617,900</i>
<i>Less: Kentucky Infrastructure Authority-Debt Service on Bonds for Water and Sewer Resources Development Fund for Coal Producing Counties-Phase 2</i>			<i>-1,906,800</i>
<i>Less: Flood Control Matching Fund for Coal Counties</i>		<i>-1,500,000</i>	<i>-1,500,000</i>
Dollars available after coal county-related programs are funded	34,099,100	29,857,700	25,290,300

Local Government Economic Development Fund (LGEDF) Multi-County Fund

Multi-County Allocation (33.3% of LGEDF County Distribution)	11,365,200	9,951,600	8,429,300
<i>Less: Kentucky Infrastructure Authority-Debt Service on Bonds for Water and Sewer Resources Development Fund for Coal Producing Counties-Phase 1</i>	<i>-3,000,200</i>		
<i>Less: West Kentucky Corporation</i>	<i>-467,000</i>	<i>-467,000</i>	<i>-467,000</i>
<i>Less: Transfer to Coal Export Council</i>	<i>-300,000</i>		
<i>Less: Governor's Early Reading Program</i>		<i>-2,000,000</i>	<i>-2,000,000</i>
<i>Less: Tourism Marketing</i>		<i>-2,000,000</i>	
<i>Less: Kentucky Infrastructure Authority-Debt Service on Bonds for Water and Sewer Resources Development Fund for Coal Producing Counties-Phase 2</i>			<i>-2,860,200</i>
<i>Less: Transfer to Parks Renovation Pool</i>			<i>-2,384,000</i>

*As requested by KHEAA

**General Government
Commission on Human Rights**

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	1,926,800	2,709,500	2,832,400	1,904,300	1,904,300
Salary Compensation Fund	26,300				
Base Deduction	-48,800				
Total General Fund	1,904,300	2,709,500	2,832,400	1,904,300	1,904,300
Restricted Funds					
Current Receipts	5,200	5,500	10,500	5,500	10,500
Total Restricted Funds	5,200	5,500	10,500	5,500	10,500
Federal Funds					
Balance Forward	84,500				
Current Receipts	293,700	212,900	212,900	212,900	212,900
Total Federal Funds	378,200	212,900	212,900	212,900	212,900
TOTAL SOURCE OF FUNDS	2,287,700	2,927,900	3,055,800	2,122,700	2,127,700
EXPENDITURES BY CLASS					
Personnel Cost	1,966,600	2,382,900	2,559,500	1,874,000	1,914,400
Operating Expenses	321,100	545,000	496,300	248,700	213,300
TOTAL EXPENDITURES	2,287,700	2,927,900	3,055,800	2,122,700	2,127,700
EXPENDITURES BY FUND SOURCE					
General Fund	1,904,300	2,709,500	2,832,400	1,904,300	1,904,300
Restricted Funds	5,200	5,500	10,500	5,500	10,500
Federal Funds	378,200	212,900	212,900	212,900	212,900
TOTAL EXPENDITURES	2,287,700	2,927,900	3,055,800	2,122,700	2,127,700
EXPENDITURES BY UNIT					
General Administration and Support	732,400	1,019,400	1,007,600	683,500	658,100
Enforcement Branch	766,200	915,200	983,900	735,200	751,600
Research and Information	483,700	552,600	596,600	422,400	431,500
Legal Affairs	305,400	440,700	467,700	281,600	286,500
TOTAL EXPENDITURES	2,287,700	2,927,900	3,055,800	2,122,700	2,127,700

The Kentucky Commission on Human Rights, pursuant to KRS Chapter 344, investigates, litigates, and administratively decides complaints of discrimination in the areas of employment, public accommodation, housing, and credit based on race, religion, national origin, age, disability, sex, smoking (in employment), and familial status (in housing). The Commission has four service units: General Administration and Support, Enforcement, Research and Information, and Legal Affairs.

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

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

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

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

**General Government
Commission on Women**

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	269,900	325,800	369,300	263,200	263,200
Base Deduction	-6,700				
Total General Fund	263,200	325,800	369,300	263,200	263,200
Restricted Funds					
Balance Forward	31,700			800	13,000
Current Receipts		35,000		35,000	
Total Restricted Funds	31,700	35,000		35,800	13,000
Federal Funds					
Balance Forward	200				
Total Federal Funds	200				
TOTAL SOURCE OF FUNDS	295,100	360,800	369,300	299,000	276,200
EXPENDITURES BY CLASS					
Personnel Cost	225,500	279,600	300,500	244,700	238,800
Operating Expenses	68,800	81,200	68,800	41,300	37,400
TOTAL EXPENDITURES	294,300	360,800	369,300	286,000	276,200
EXPENDITURES BY FUND SOURCE					
General Fund	263,200	325,800	369,300	263,200	263,200
Restricted Funds	30,900	35,000		22,800	13,000
Federal Funds	200				
TOTAL EXPENDITURES	294,300	360,800	369,300	286,000	276,200

The Commission on Women, authorized in KRS 344.510, promotes women's interests by advising state agencies, the Governor, the General Assembly, and the private sector. It supports research and discussion about issues of interest to women such as health care, employment, and families.

**General Government
Kentucky Retirement Systems**

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
Restricted Funds					
Balance Forward	505,600				
Non-Revenue Receipts	15,341,900	17,784,300	19,065,000	15,921,900	16,194,400
Total Restricted Funds	15,847,500	17,784,300	19,065,000	15,921,900	16,194,400
TOTAL SOURCE OF FUNDS	15,847,500	17,784,300	19,065,000	15,921,900	16,194,400
EXPENDITURES BY CLASS					
Personnel Cost	12,307,300	14,037,600	15,205,000	12,438,600	12,711,100
Operating Expenses	3,108,800	3,315,300	3,396,700	3,051,900	3,051,900
Capital Outlay	431,400	431,400	463,300	431,400	431,400
TOTAL EXPENDITURES	15,847,500	17,784,300	19,065,000	15,921,900	16,194,400
EXPENDITURES BY FUND SOURCE					
Restricted Funds	15,847,500	17,784,300	19,065,000	15,921,900	16,194,400
TOTAL EXPENDITURES	15,847,500	17,784,300	19,065,000	15,921,900	16,194,400

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

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

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

Policy

Executive Order 2003 - 064, executed on December 23, 2003, transferred the Kentucky Retirement Systems from the Government Operations unit of the Executive Branch and placed it, for administrative purposes, under the Finance and Administration Cabinet.

Restricted funds provided for the operations of the Kentucky Retirement Systems in the Governor's recommended budget are transferred from trust funds held by the System for the benefit of members and beneficiaries. The trust funds include investment earnings, employee contributions, and employer contributions from agencies supported by the General Fund, the Road Fund, federal funds, and agency funds.

**General Government
Registry of Election Finance**

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	1,436,800	3,555,600	3,650,900	1,409,500	1,409,500
Salary Compensation Fund	8,800				
Base Deduction	-36,100				
Total General Fund	1,409,500	3,555,600	3,650,900	1,409,500	1,409,500
Restricted Funds					
Balance Forward	855,000	955,641	926,641	955,600	197,400
Current Receipts	120,600	31,000	161,000	31,000	161,000
Fund Transfers	-500			-700,000	
Total Restricted Funds	975,100	986,641	1,087,641	286,600	358,400
TOTAL SOURCE OF FUNDS	2,384,600	4,542,241	4,738,541	1,696,100	1,767,900
EXPENDITURES BY CLASS					
Personnel Cost	1,097,200	1,186,700	1,282,000	1,115,900	1,144,700
Operating Expenses	331,800	2,428,900	2,428,900	382,800	382,800
TOTAL EXPENDITURES	1,429,000	3,615,600	3,710,900	1,498,700	1,527,500
EXPENDITURES BY FUND SOURCE					
General Fund	1,409,500	3,555,600	3,650,900	1,409,500	1,409,500
Restricted Funds	19,500	60,000	60,000	89,200	118,000
TOTAL EXPENDITURES	1,429,000	3,615,600	3,710,900	1,498,700	1,527,500
EXPENDITURES BY UNIT					
General Administration and Support	1,409,500	1,555,600	1,650,900	1,409,500	1,409,500
Election Campaign Fund	19,500	2,060,000	2,060,000	89,200	118,000
TOTAL EXPENDITURES	1,429,000	3,615,600	3,710,900	1,498,700	1,527,500

The role of the Kentucky Registry of Election Finance is to assure the integrity of the Commonwealth's electoral process by making certain there is full public access to campaign financial data and financial disclosure reports, and by administering Kentucky's campaign finance laws, including the public financing program for gubernatorial slates.

The Registry ensures that information reports pertinent to election campaign financing are filed on a timely basis and reviews this information for completeness, accuracy, and compliance with campaign finance laws. The Registry's regulatory function includes tracking of candidate and committee election finance activities, audit functions, investigations, review of and response to requests for Advisory Opinions, and adjudication of administrative charges of violations of campaign finance laws.

Under KRS Chapter 121, Kentucky's campaign finance laws apply to ALL candidates for office, including local and statewide candidates, gubernatorial slates, judicial, statewide, legislative, city and county, and school board candidates, as well as political issues committees, permanent committees (PACs) and state and local party executive committees.

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

The Registry also receives, compiles, and maintains Financial Disclosure Reports of elected officials and candidates for specified offices as provided in KRS Chapter 61.

The Registry annually fills an average of 2,500 requests from the public and media for copies of the reports it maintains. The Registry maintains an information retrieval system to make information accessible to the public and publishes a summary of election financial transactions in the form of an Annual Report.

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

House Bill 939 passed by the 2000 General Assembly and now codified in KRS 121 required the Registry to develop an Internet-based electronic filing system for candidates' campaign finance reports, and accompanying web-based searchable database. The legislation further required that filer software be provided at no cost to candidates. The Registry has implemented the electronic filing and disclosure system, and it has been operational and successfully received since January 2002.

Policy

Notwithstanding KRS Chapter 121 and KRS Chapter 121A, \$500 in fiscal year 2004 and \$700,000 in fiscal year 2005 shall be transferred from the Registry of Election Finance agency funds to the General Fund.

**General Government
Boards and Commissions**

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
Restricted Funds					
Balance Forward	15,778,722	13,051,070	12,828,417	12,293,800	12,404,000
Current Receipts	14,524,000	18,122,900	14,668,600	17,764,000	14,209,600
Non-Revenue Receipts	-45,000	-209,000	-45,000	-338,200	-178,100
Fund Transfers	-816,300				
Total Restricted Funds	29,441,422	30,964,970	27,452,017	29,719,600	26,435,500
TOTAL SOURCE OF FUNDS	29,441,422	30,964,970	27,452,017	29,719,600	26,435,500
EXPENDITURES BY CLASS					
Personnel Cost	11,779,735	12,416,153	13,112,624	11,805,900	12,119,300
Operating Expenses	4,727,965	4,936,300	4,582,000	4,725,700	4,469,200
Grants, Loans or Benefits	562,000	712,000	712,000	712,000	712,000
Capital Outlay	125,700	72,000	85,000	72,000	85,000
TOTAL EXPENDITURES	17,195,400	18,136,453	18,491,624	17,315,600	17,385,500
EXPENDITURES BY FUND SOURCE					
Restricted Funds	17,195,400	18,136,553	18,491,724	17,315,600	17,385,500
TOTAL EXPENDITURES	17,195,400	18,136,553	18,491,724	17,315,600	17,385,500
EXPENDITURES BY UNIT					
Accountancy	782,100	588,900	625,800	571,200	604,000
Alcohol and Drug Counselors	65,000	69,000	71,000	65,200	67,200
Architects	258,300	300,400	315,600	262,500	265,000
Art Therapists	11,400	11,400	11,400	11,400	11,400
Auctioneers	370,500	400,900	403,800	398,800	397,300
Barbering	231,500	254,400	258,800	230,300	236,600
Chiropractic Examiners	191,400	207,400	216,000	194,400	200,500
Dentistry	504,400	587,000	582,000	613,800	618,200
Dietitians and Nutritionists	71,500	74,500	77,500	74,500	77,500
Embalmers and Funeral Home Directors	249,100	257,653	269,224	249,100	249,100
Engineers and Land Surveyors	1,354,100	1,520,900	1,458,600	1,363,600	1,379,400
Fee-Based Pastoral Counselors	7,500	7,500	7,500	7,500	7,500
Board of Geologists	135,000	135,000	135,000	135,000	135,000
Hairdressers and Cosmetologists	705,600	811,600	859,100	673,800	713,500
Hearing Instrument Specialists	52,700	56,000	60,000	51,500	55,200
Interpreters for Deaf & Hard of Hearing	31,000	31,000	31,000	31,000	31,000
Landscape Architects	57,800	58,500	58,600	58,500	58,600
Marriage and Family Therapists	83,200	83,200	83,200	83,200	83,200
Medical Licensure	2,099,900	2,227,700	2,317,800	2,110,900	2,119,900
Nursing	4,428,900	4,903,200	5,023,400	4,705,300	4,674,200
Nursing Home Administrators	76,200	76,200	76,200	76,200	76,200
Occupational Therapy	86,000	86,000	86,000	86,000	86,000
Ophthalmic Dispensers	62,900	62,900	62,900	62,900	62,900
Optometric Examiners	156,900	160,000	165,200	159,700	164,100
Pharmacy	871,000	916,600	966,900	883,200	896,700
Physical Therapy	280,000	268,600	275,400	263,100	264,700
Podiatry	15,500	21,100	21,700	21,100	21,700
Board of Private Investigators	55,000	66,700	69,400	63,500	64,200
Professional Counselors	51,700	54,700	57,700	53,700	56,200
Proprietary Education	134,300	144,300	149,300	144,300	149,300

Psychologists	176,100	176,100	176,100	176,100	176,100
Real Estate Appraisers Board	631,900	593,800	621,100	578,400	589,000
Real Estate Commission	2,302,900	2,278,100	2,240,100	2,251,100	2,179,400
Respiratory Care	135,000	173,200	183,300	132,700	139,600
Social Workers	145,300	145,300	145,300	145,300	145,300
Speech Pathologists and Audiologists	86,000	89,000	92,000	89,000	92,000
Veterinary Examiners	237,800	237,800	237,800	237,800	237,800
TOTAL EXPENDITURES	17,195,400	18,136,553	18,491,724	17,315,600	17,385,500

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

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

Policy

In fiscal year 2004, restricted funds in the amount of \$815,700 are transferred to the credit of the General Fund.

**General Government
Board of Emergency Medical Services**

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	2,504,300	2,729,400	2,805,100	2,391,600	2,391,600
Budget Reduction	-68,900				
Salary Compensation Fund	9,500				
Base Deduction	-62,800				
Total General Fund	2,382,100	2,729,400	2,805,100	2,391,600	2,391,600
Restricted Funds					
Balance Forward	28,900				
Current Receipts	171,700	171,700	171,700	171,700	171,700
Fund Transfers	-5,000				
Total Restricted Funds	195,600	171,700	171,700	171,700	171,700
Federal Funds					
Balance Forward	290,300				
Non-Revenue Receipts	459,400	439,300	444,000	436,500	436,500
Total Federal Funds	749,700	439,300	444,000	436,500	436,500
TOTAL SOURCE OF FUNDS	3,327,400	3,340,400	3,420,800	2,999,800	2,999,800
EXPENDITURES BY CLASS					
Personnel Cost	1,052,500	1,132,800	1,213,200	1,069,700	1,104,200
Operating Expenses	608,200	650,300	650,300	599,200	594,200
Grants, Loans or Benefits	1,666,700	1,557,300	1,557,300	1,330,900	1,301,400
TOTAL EXPENDITURES	3,327,400	3,340,400	3,420,800	2,999,800	2,999,800
EXPENDITURES BY FUND SOURCE					
General Fund	2,382,100	2,729,400	2,805,100	2,391,600	2,391,600
Restricted Funds	195,600	171,700	171,700	171,700	171,700
Federal Funds	749,700	439,300	444,000	436,500	436,500
TOTAL EXPENDITURES	3,327,400	3,340,400	3,420,800	2,999,800	2,999,800

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

The Board licenses Paramedics, Emergency Medical Technicians, First Responders, and ambulance services. Field staff inspect all EMS providers and fire/rescue services throughout the state to ensure compliance with state regulatory statutes. The Board provides administrative and technical support for the Emergency Medical Service community by administering grant monies and providing consultative services.

**General Government
Governmental Services Center**

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
Restricted Funds					
Balance Forward	432,900	276,700	185,300	276,700	185,300
Current Receipts	39,800	129,400	129,400	55,800	55,800
Non-Revenue Receipts	1,320,000	1,320,000	1,320,000	1,320,000	1,320,000
Fund Transfers	-37,900				
Total Restricted Funds	1,754,800	1,726,100	1,634,700	1,652,500	1,561,100
TOTAL SOURCE OF FUNDS	1,754,800	1,726,100	1,634,700	1,652,500	1,561,100
EXPENDITURES BY CLASS					
Personnel Cost	1,193,100	1,255,800	1,349,700	1,182,200	1,209,000
Operating Expenses	285,000	285,000	285,000	285,000	285,000
TOTAL EXPENDITURES	1,478,100	1,540,800	1,634,700	1,467,200	1,494,000
EXPENDITURES BY FUND SOURCE					
Restricted Funds	1,478,100	1,540,800	1,634,700	1,467,200	1,494,000
TOTAL EXPENDITURES	1,478,100	1,540,800	1,634,700	1,467,200	1,494,000

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

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

Administratively attached to the Finance Cabinet, the Center provides government-wide quality services in training, consultation, and organization development to support and strengthen the work of individuals and agencies in continuous improvement, strategic planning, performance measurement, and excellence in public service.

Policy

In fiscal year 2004, restricted funds in the amount of \$37,900 shall be transferred to the credit of the General Fund.

**General Government
Executive Branch Ethics Commission**

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	325,900	509,300	544,000	351,500	351,500
Current Year Appropriation	25,000				
Salary Compensation Fund	600				
Total General Fund	351,500	509,300	544,000	351,500	351,500
Restricted Funds					
Balance Forward	2,900	2,000	1,000	2,000	1,000
Current Receipts	1,500	1,400	1,400	1,400	1,400
Total Restricted Funds	4,400	3,400	2,400	3,400	2,400
TOTAL SOURCE OF FUNDS	355,900	512,700	546,400	354,900	353,900
EXPENDITURES BY CLASS					
Personnel Cost	351,500	467,100	501,100	345,700	353,400
Operating Expenses	2,400	44,600	45,300	8,200	500
TOTAL EXPENDITURES	353,900	511,700	546,400	353,900	353,900
EXPENDITURES BY FUND SOURCE					
General Fund	351,500	509,300	544,000	351,500	351,500
Restricted Funds	2,400	2,400	2,400	2,400	2,400
TOTAL EXPENDITURES	353,900	511,700	546,400	353,900	353,900

In accordance with KRS 11A, the Executive Branch Ethics Commission is responsible for reviewing the personal financial interests of the constitutional officers and management personnel in state government in order to prevent conflicts of interest. Additionally, the Commission issues advisory opinions with regard to ethical conduct; investigates possible violations and enforces the Code; and provides a registration mechanism for executive agency lobbyists.

General Government
Appropriations Not Otherwise Classified - Judgments

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
General Fund					
Regular Appropriation			4,233,300		10,877,100
Continuing Appropriation	51,853,800	25,889,200	6,466,700	20,795,400	97,900
Budget Reduction	-11,100,000				
Total General Fund	40,753,800	25,889,200	10,700,000	20,795,400	10,975,000
TOTAL SOURCE OF FUNDS	40,753,800	25,889,200	10,700,000	20,795,400	10,975,000
EXPENDITURES BY CLASS					
Operating Expenses	19,958,400	19,422,500	10,700,000	20,697,500	10,975,000
TOTAL EXPENDITURES	19,958,400	19,422,500	10,700,000	20,697,500	10,975,000
EXPENDITURES BY FUND SOURCE					
General Fund	19,958,400	19,422,500	10,700,000	20,697,500	10,975,000
TOTAL EXPENDITURES	19,958,400	19,422,500	10,700,000	20,697,500	10,975,000

The revised fiscal year 2004 appropriation includes contingent liabilities and judgments identified by the Office of the Controller in the Finance and Administration Cabinet. The timing of payments of Judgments is dependent on many factors beyond the control of the Commonwealth. Therefore, it is essential that any funds remaining at the end of fiscal year 2004 and each fiscal year in fiscal biennium 2004-2006 shall not lapse but be allowed to continue into subsequent fiscal years. Notwithstanding any other statute to the contrary, should any other Appropriations Not Otherwise Classified account have an insufficient appropriation in fiscal biennium 2004-2006, any unneeded funds in this account may be used before any allocations are made from either the General Fund Surplus or the Budget Reserve Trust Fund. Any additional judgments or contingent liabilities for fiscal biennium 2004-2006, beyond the amount recommended, will be paid from the General Fund Surplus Account (unappropriated surplus) or the Budget Reserve Trust Fund, if necessary.

General Government
Appropriations Not Otherwise Classified - Miscellaneous

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	7,367,500	11,194,500	11,435,500	10,980,000	10,980,000
Mandated Allotments	4,272,000				
Total General Fund	11,639,500	11,194,500	11,435,500	10,980,000	10,980,000
TOTAL SOURCE OF FUNDS	11,639,500	11,194,500	11,435,500	10,980,000	10,980,000
EXPENDITURES BY CLASS					
Personnel Cost	6,907,000	6,462,000	6,703,000	6,325,000	6,325,000
Operating Expenses	4,730,000	4,730,000	4,730,000	4,655,000	4,655,000
Grants, Loans or Benefits	2,500	2,500	2,500		
TOTAL EXPENDITURES	11,639,500	11,194,500	11,435,500	10,980,000	10,980,000
EXPENDITURES BY FUND SOURCE					
General Fund	11,639,500	11,194,500	11,435,500	10,980,000	10,980,000
TOTAL EXPENDITURES	11,639,500	11,194,500	11,435,500	10,980,000	10,980,000
EXPENDITURES BY UNIT					
Attorney General Expense	225,000	300,000	300,000	225,000	225,000
Board of Claims Award	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Guardian Ad Litem	5,700,000	5,800,000	6,000,000	5,700,000	5,700,000
Prior Year Claims	400,000	400,000	400,000	400,000	400,000
Unredeemed Checks Refunded	2,300,000	2,300,000	2,300,000	2,300,000	2,300,000
Involuntary Commitments-ICF/MR	60,000	60,000	60,000	60,000	60,000
Frankfort In Lieu of Taxes	195,000	195,000	195,000	195,000	195,000
Frankfort Cemetery	2,500	2,500	2,500		
Police and Firefighters Life Insurance	325,000	250,000	250,000	250,000	250,000
Master Commissioner Employers Retirement	200,000	200,000	200,000	200,000	200,000
Master Commissioners Social Security	365,000	402,000	443,000	365,000	365,000
Workers Compensation	582,000				
Insurance Reimbursements	185,000	185,000	185,000	185,000	185,000
Blanket Employee Bonds	100,000	100,000	100,000	100,000	100,000
TOTAL EXPENDITURES	11,639,500	11,194,500	11,435,500	10,980,000	10,980,000

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

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

Policy

The Governor's recommended budget does not include funding for workers' compensation costs for county clerks, sheriffs, and jailers in counties having a population of 70,000 or more.

The Governor's recommended budget does not include funding for the Frankfort cemetery.

**General Government
Kentucky River Authority**

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	379,000	393,400	909,800	369,500	369,500
Base Deduction	-9,500				
Total General Fund	369,500	393,400	909,800	369,500	369,500
Restricted Funds					
Balance Forward	6,057,800	4,255,400	360,300	4,255,400	395,400
Current Receipts	1,654,600	1,513,300	1,420,800	1,512,800	1,420,300
Fund Transfers	-86,400				
Total Restricted Funds	7,626,000	5,768,700	1,781,100	5,768,200	1,815,700
TOTAL SOURCE OF FUNDS	7,995,500	6,162,100	2,690,900	6,137,700	2,185,200
EXPENDITURES BY CLASS					
Personnel Cost	631,500	800,000	842,000	740,500	744,700
Operating Expenses	208,600	207,300	207,900	207,300	203,000
Grants, Loans or Benefits	300,000	300,000	300,000	300,000	300,000
Debt Service			811,000		174,000
Capital Outlay	25,000	25,000	25,000	25,000	25,000
Construction	2,575,000	4,469,500	505,000	4,469,500	505,000
TOTAL EXPENDITURES	3,740,100	5,801,800	2,690,900	5,742,300	1,951,700
EXPENDITURES BY FUND SOURCE					
General Fund	369,500	393,400	909,800	369,500	369,500
Restricted Funds	3,370,600	5,408,400	1,781,100	5,372,800	1,582,200
TOTAL EXPENDITURES	3,740,100	5,801,800	2,690,900	5,742,300	1,951,700
EXPENDITURES BY UNIT					
Kentucky River Authority	3,370,600	5,379,200	1,772,800	5,354,500	1,564,000
Locks and Dams Program	369,500	422,600	918,100	387,800	387,700
TOTAL EXPENDITURES	3,740,100	5,801,800	2,690,900	5,742,300	1,951,700

The Kentucky River Authority codified in KRS151.700-730 is composed of 12 members. The Secretary of the Environmental and Public Protection Cabinet and the Secretary of the Finance and Administration Cabinet are ex-officio members and the other 10 members are appointed by the Governor. The Authority is attached to the Finance and Administration Cabinet for administrative purposes. Its primary duty is to manage the water supplies of the Kentucky River Watershed and the lock and dam structures on the River between Carrollton and Beattyville.

Operation of the Authority is financed by a fee imposed on water used from the Kentucky River Basin. Capital improvements to the lock and dam structures are financed by an additional fee on water from the main stem of the Kentucky River. Revenue bonds may be used to leverage these fee receipts.

Policy

Included in the fiscal year 2006 restricted fund appropriation is \$174,000 for debt service to support \$1,773,000 in agency bonds for the Kentucky River Water Storage Enhancement project. Further details about the 2004-2006 agenda for the KRA are outlined in Volume II of the Capital Construction budget document.



2004-2006
Executive Budget

Commerce

Commerce

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	52,381,800	76,276,200	92,492,000	50,726,900	53,475,300
Current Year Appropriation	550,000				
Budget Reduction	-525,300				
Salary Compensation Fund	614,100				
Base Deduction	-1,663,600				
Total General Fund	51,357,000	76,276,200	92,492,000	50,726,900	53,475,300
Restricted Funds					
Balance Forward	35,733,100	33,821,600	28,970,400	31,996,400	29,114,200
Current Receipts	125,608,300	129,269,300	131,017,400	132,565,500	133,444,600
Non-Revenue Receipts	-4,709,300	-6,396,200	-5,663,300	-6,498,300	-5,848,300
Fund Transfers	-2,708,500				
Total Restricted Funds	153,923,600	156,694,700	154,324,500	158,063,600	156,710,500
Federal Funds					
Balance Forward	4,604,200	4,466,300	4,441,300	4,466,300	4,441,300
Current Receipts	10,589,800	12,425,800	12,451,800	12,425,800	12,451,800
Non-Revenue Receipts	-28,500				
Total Federal Funds	15,165,500	16,892,100	16,893,100	16,892,100	16,893,100
TOTAL SOURCE OF FUNDS	220,446,100	249,863,000	263,709,600	225,682,600	227,078,900
EXPENDITURES BY CLASS					
Personnel Cost	111,993,200	127,831,200	136,929,900	118,420,300	120,359,600
Operating Expenses	58,560,500	60,262,000	61,179,900	58,779,400	59,140,900
Grants, Loans or Benefits	7,372,600	10,039,100	9,997,400	6,789,400	6,564,800
Debt Service	2,350,000	11,992,000	22,269,600	4,012,300	7,349,900
Capital Outlay	3,661,600	6,327,000	6,333,900	3,537,100	3,617,400
Construction				588,600	
TOTAL EXPENDITURES	183,937,900	216,451,300	236,710,700	192,127,100	197,032,600
EXPENDITURES BY FUND SOURCE					
General Fund	51,357,000	76,276,200	92,492,000	50,726,900	53,475,300
Restricted Funds	121,881,700	127,724,300	131,756,400	128,949,400	131,095,000
Federal Funds	10,699,200	12,450,800	12,462,300	12,450,800	12,462,300
TOTAL EXPENDITURES	183,937,900	216,451,300	236,710,700	192,127,100	197,032,600
EXPENDITURES BY UNIT					
Secretary	2,435,400	3,400,700	3,747,900	1,741,400	1,741,400
Breaks Interstate Park	191,100	275,000	225,000	191,100	191,100
Artisans Center	1,050,800	1,635,000	1,715,000	1,571,400	1,571,400
Travel	7,154,300	8,225,200	8,452,000	8,329,400	6,329,400
Parks	79,090,000	91,055,800	102,540,400	84,041,400	90,456,900
Kentucky Horse Park	8,032,900	7,961,300	11,767,200	7,144,000	7,150,200
Kentucky State Fair Board	33,048,800	44,606,900	46,153,500	35,400,000	36,567,300
Fish and Wildlife Resources	37,609,000	40,095,000	42,297,000	38,771,700	38,805,700
Kentucky Historical Society	6,788,900	8,148,600	8,497,900	6,847,600	6,924,100
Kentucky Arts Council	5,610,400	6,077,100	5,957,400	5,657,400	5,449,900
Kentucky Heritage Council	2,219,600	3,778,200	3,861,900	1,843,100	1,845,200
Kentucky Center for the Arts	588,600	703,700	970,700	588,600	
Commission on Small Business Advocacy	118,100	488,800	524,800		

TOTAL EXPENDITURES	183,937,900	216,451,300	236,710,700	192,127,100	197,032,600
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Executive Order 2003-064 created the Commerce Cabinet combining the former Tourism Development Cabinet and elements of the Education, Arts, and Humanities Cabinet. The Commerce Cabinet's mission (KRS 148.522) is to promote the tourism industry in Kentucky. The Cabinet estimates tourism spending in excess of \$8.8 billion annually, making tourism Kentucky's third-largest industry. The tourism industry, Kentucky's second-largest private employer, provides employment for approximately 163,000 Kentuckians. In addition, tourism related industries and businesses generate approximately \$917 million of state and local tax revenues in the Commonwealth.

Policy

Executive Order 2003-064 transferred the following entities from the Education, Arts, and Humanities Cabinet to the Commerce Cabinet:

- The Kentucky Arts Council
- The Kentucky Historical Society
- The Kentucky Center for the Arts
- The Kentucky Craft Marketing program
- The Governor's School for the Arts
- The Kentucky African -American Heritage Commission
- The Kentucky Heritage Council

Executive Order 2003-064 transferred the following entity from the Governor's Office to the Commerce Cabinet:

- The Kentucky Coal Council and the Office of Coal Marketing and Export
- The Commission on Small Business Advocacy

The Kentucky Coal Council and the Office of Coal Marketing and Export are transferred to the Commerce Cabinet for purposes of historical display.

**Commerce
Secretary**

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	1,781,900	2,306,700	2,653,900	1,741,400	1,741,400
Salary Compensation Fund	4,100				
Base Deduction	-44,600				
Total General Fund	1,741,400	2,306,700	2,653,900	1,741,400	1,741,400
Restricted Funds					
Balance Forward	570,900	146,000	63,100		
Current Receipts	-169,000				
Non-Revenue Receipts	439,000	1,011,100	1,094,000		
Fund Transfers	-146,900				
Total Restricted Funds	694,000	1,157,100	1,157,100		
TOTAL SOURCE OF FUNDS	2,435,400	3,463,800	3,811,000	1,741,400	1,741,400
EXPENDITURES BY CLASS					
Personnel Cost	1,512,300	1,785,700	1,920,100	1,180,700	1,180,700
Operating Expenses	273,900	285,500	293,800	181,500	181,500
Grants, Loans or Benefits	649,200	1,329,500	1,534,000	379,200	379,200
TOTAL EXPENDITURES	2,435,400	3,400,700	3,747,900	1,741,400	1,741,400
EXPENDITURES BY FUND SOURCE					
General Fund	1,741,400	2,306,700	2,653,900	1,741,400	1,741,400
Restricted Funds	694,000	1,094,000	1,094,000		
TOTAL EXPENDITURES	2,435,400	3,400,700	3,747,900	1,741,400	1,741,400
EXPENDITURES BY UNIT					
Executive Policy and Management	1,246,100	1,480,700	1,571,300	1,246,100	1,246,100
Administrative Services	116,100	127,300	133,800	116,100	116,100
Coal Marketing and Export Council	300,000	718,100	740,400		
Kentucky Appalachian Commission	394,000	415,100	438,400		
Governor's School for the Arts	379,200	659,500	864,000	379,200	379,200
TOTAL EXPENDITURES	2,435,400	3,400,700	3,747,900	1,741,400	1,741,400

Executive Order 2003-064 created the Commerce Cabinet combining the former Tourism Development Cabinet and elements of the Education, Arts, and Humanities Cabinet. The Office of the Secretary of the Commerce Cabinet coordinates the various agencies within the Cabinet.

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

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

The Governor's School for the Arts is located within the Office of the Secretary and continues to serve student artists from across the Commonwealth. The program supports the Kentucky Education Reform Act's mission to recognize the widest possible range of learning styles and capabilities. In addition to its unique role in gifted and talented education, the Governor's

School for the Arts further provides instruction at the highest level for this exceptional and often unrecognized group of young Kentuckians. Many of its students come from rural areas of Kentucky where specialized arts instruction is not available. These students are often artistically and intellectually isolated. This program fosters excellence among a uniquely talented group of students and is an incentive for achievement. Participation in the Governor's School for the Arts is the highest honor bestowed upon Kentucky's young artists.

Policy

The Kentucky Coal Council and the Office of Coal Marketing and Export (KRS 154.12-250) is transferred from the Governor's Office to the Commerce Cabinet. The Governor's recommended budget restores coal severance tax funds previously transferred to the Office of Coal Marketing and Export from the Local Government Economic Development Multi County Fund for the benefit of the Governor's "Read to Achieve" initiative. Notwithstanding KRS 132.020(9) or any other statute or provision of law to the contrary, funds are not provided to the Coal Marketing and Export Council from the property tax on unmined coal. The Governor's recommended budget discontinues funding for this office.

Executive Order 2003-064 transferred the Kentucky Appalachian Commission (KRS 11.180) from the Governor's Office to the Commerce Cabinet. The Governor's recommended budget restores coal severance tax funds previously transferred to the Kentucky Appalachian Commission from the Local Government Economic Development Fund for the benefit of the Governor's "Read to Achieve" initiative. The Governor's recommended budget discontinues funding for this office.

Executive Order 2003-064 transferred the Governor's School for the Arts (KRS 12.020(2)(k)) from the Education, Arts, and Humanities Cabinet to the Commerce Cabinet.

The Governor's recommended budget discontinues funding for outdoor drama grants.

Commerce
Breaks Interstate Park

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	196,000	275,000	225,000	191,100	191,100
Base Deduction	-4,900				
Total General Fund	191,100	275,000	225,000	191,100	191,100
TOTAL SOURCE OF FUNDS	191,100	275,000	225,000	191,100	191,100
EXPENDITURES BY CLASS					
Grants, Loans or Benefits	191,100	275,000	225,000	191,100	191,100
TOTAL EXPENDITURES	191,100	275,000	225,000	191,100	191,100
EXPENDITURES BY FUND SOURCE					
General Fund	191,100	275,000	225,000	191,100	191,100
TOTAL EXPENDITURES	191,100	275,000	225,000	191,100	191,100

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

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

**Commerce
Artisans Center**

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	280,800	635,000	705,000	273,800	273,800
Total General Fund	280,800	635,000	705,000	273,800	273,800
Restricted Funds					
Current Receipts	800,000	1,000,000	1,010,000	967,600	967,600
Non-Revenue Receipts				330,000	330,000
Fund Transfers	-30,000				
Total Restricted Funds	770,000	1,000,000	1,010,000	1,297,600	1,297,600
TOTAL SOURCE OF FUNDS	1,050,800	1,635,000	1,715,000	1,571,400	1,571,400
EXPENDITURES BY CLASS					
Personnel Cost	578,100	704,700	758,500	582,400	595,000
Operating Expenses	472,700	930,300	956,500	989,000	976,400
TOTAL EXPENDITURES	1,050,800	1,635,000	1,715,000	1,571,400	1,571,400
EXPENDITURES BY FUND SOURCE					
General Fund	280,800	635,000	705,000	273,800	273,800
Restricted Funds	770,000	1,000,000	1,010,000	1,297,600	1,297,600
TOTAL EXPENDITURES	1,050,800	1,635,000	1,715,000	1,571,400	1,571,400

The Kentucky Artisans Center at Berea is an icon for Kentucky's nationally known arts and crafts products and serves as a gateway for travelers to quality Kentucky arts, crafts, music, and other artisan products and authentic heritage experiences. The Center also provides exemplary hospitality and rest stop services.

The Kentucky Artisan's Center Gateway Authority (KRS 148.560 - 569) was created to direct operations of the center and is attached to the Commerce Cabinet for administrative purposes.

Policy

The non-revenue receipts reflected in the Artisans Center budget originate as investment income on the Artisans Center's capital construction project proceeds. This source of income is exhausted at the end of fiscal year 2006.

**Commerce
Travel**

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	6,900,200	8,225,200	8,452,000	6,329,400	6,329,400
Budget Reduction	-90,000				
Salary Compensation Fund	38,300				
Base Deduction	-519,100				
Total General Fund	6,329,400	8,225,200	8,452,000	6,329,400	6,329,400
Restricted Funds					
Balance Forward	826,600	1,700	1,700		
Current Receipts				2,000,000	
Fund Transfers	-1,700				
Total Restricted Funds	824,900	1,700	1,700	2,000,000	
Federal Funds					
Balance Forward	28,500				
Non-Revenue Receipts	-28,500				
Total Federal Funds					
TOTAL SOURCE OF FUNDS	7,154,300	8,226,900	8,453,700	8,329,400	6,329,400
EXPENDITURES BY CLASS					
Personnel Cost	4,377,700	6,136,400	6,364,200	6,240,600	4,241,600
Operating Expenses	1,946,600	1,258,800	1,257,800	1,258,800	1,257,800
Grants, Loans or Benefits	830,000	830,000	830,000	830,000	830,000
TOTAL EXPENDITURES	7,154,300	8,225,200	8,452,000	8,329,400	6,329,400
EXPENDITURES BY FUND SOURCE					
General Fund	6,329,400	8,225,200	8,452,000	6,329,400	6,329,400
Restricted Funds	824,900			2,000,000	
TOTAL EXPENDITURES	7,154,300	8,225,200	8,452,000	8,329,400	6,329,400
EXPENDITURES BY UNIT					
Executive Policy and Management	707,900	939,700	995,800	707,900	707,900
Tourism Services	2,565,800	1,903,100	2,033,900	1,740,900	1,740,900
Marketing and Advertising	3,880,600	5,382,400	5,422,300	5,880,600	3,880,600
TOTAL EXPENDITURES	7,154,300	8,225,200	8,452,000	8,329,400	6,329,400

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

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

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

The Marketing and Advertising Division develops and coordinates state tourism advertising and tourism media placement; coordinates and produces tourism brochures and sales promotion materials; assists non-profit private sector groups with advertising and promotion costs through matching funds and cooperative advertising programs; develops and maintains the department's website (www.kytourism.com); and develops and maintains a marketing and research data base on Kentucky's tourism industry. The goal of this program is to develop, coordinate, and maintain a comprehensive advertising campaign to promote Kentucky as a tourism destination.

Policy

The Governor's recommended budget includes \$2,000,000 in restricted funds in fiscal year 2005 for tourism marketing and development on behalf of the coal producing counties. The source of the restricted funds is the Local Government Economic Development Fund - Multi-County Fund.

**Commerce
Parks**

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	28,857,100	39,446,100	50,402,700	28,613,100	31,950,100
Salary Compensation Fund	489,700				
Base Deduction	-733,700				
Total General Fund	28,613,100	39,446,100	50,402,700	28,613,100	31,950,100
Restricted Funds					
Balance Forward	914,900	892,400	482,700	836,700	1,152,300
Current Receipts	50,226,900	50,950,000	51,475,000	54,543,900	56,429,400
Non-Revenue Receipts	1,427,500	250,000	250,000	1,200,000	1,200,000
Fund Transfers	-1,255,700				
Total Restricted Funds	51,313,600	52,092,400	52,207,700	56,580,600	58,781,700
Federal Funds					
Balance Forward	13,600				
Current Receipts	-13,600				
Total Federal Funds					
TOTAL SOURCE OF FUNDS	79,926,700	91,538,500	102,610,400	85,193,700	90,731,800
EXPENDITURES BY CLASS					
Personnel Cost	48,996,600	57,392,900	61,673,300	52,071,400	54,596,600
Operating Expenses	29,283,200	30,656,200	31,189,000	31,202,100	31,675,100
Debt Service			6,585,000		3,337,000
Capital Outlay	810,200	3,006,700	3,093,100	767,900	848,200
TOTAL EXPENDITURES	79,090,000	91,055,800	102,540,400	84,041,400	90,456,900
EXPENDITURES BY FUND SOURCE					
General Fund	28,613,100	39,446,100	50,402,700	28,613,100	31,950,100
Restricted Funds	50,476,900	51,609,700	52,137,700	55,428,300	58,506,800
TOTAL EXPENDITURES	79,090,000	91,055,800	102,540,400	84,041,400	90,456,900
EXPENDITURES BY UNIT					
General Administration and Support	9,185,900	12,881,900	13,658,300	9,485,900	9,485,900
Resort Parks	54,390,900	61,123,400	64,339,200	56,490,900	59,090,900
Recreation Parks and Historic Sites	14,493,400	16,128,600	16,940,200	15,893,400	16,293,400
Cafeterias	1,019,800	921,900	1,017,700	2,171,200	2,249,700
Debt Service			6,585,000		3,337,000
TOTAL EXPENDITURES	79,090,000	91,055,800	102,540,400	84,041,400	90,456,900

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

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

Policy

Notwithstanding the provisions of KRS 148.800-810 or any other statute or provision of law to the contrary, the Governor's

recommended budget includes the use of the Park Capital Maintenance and Renovation Fund for any ongoing cost of the Department of Parks. Specifically, \$1,200,000 in fiscal year 2005 and \$1,200,000 in fiscal year 2006 is included from this fund to support the ongoing operations of the State's park system. Should these amounts prove to be insufficient to support the continuation of other recommended programs of the Department, this account is available as an authorized source of funds to be used for any unanticipated restricted funds revenue shortfall and/or unanticipated expenditure upon approval of the State Budget Director and reporting to the Interim Joint Committee Appropriations and Revenue Committee and the Capital Projects and Bond Oversight Committee.

Included in the Governor's recommended budget is funding for the operation of new cafeterias in the new Transportation Cabinet building and the Health and Family Services Cabinet building. The new cafeterias are expected to be 100 percent self-supporting.

Included in the Governor's recommended budget are rate increases consistent with local markets for key park facilities including accommodations, campgrounds, food, golf courses, site admissions and recreational activities.

**Commerce
Parks
General Administration and Support**

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	9,015,000	12,631,900	13,408,300	8,935,900	8,935,900
Salary Compensation Fund	150,000				
Base Deduction	-229,100				
Total General Fund	8,935,900	12,631,900	13,408,300	8,935,900	8,935,900
Restricted Funds					
Balance Forward	22,500				
Non-Revenue Receipts	227,500	250,000	250,000	550,000	550,000
Total Restricted Funds	250,000	250,000	250,000	550,000	550,000
Federal Funds					
Balance Forward	13,600				
Current Receipts	-13,600				
Total Federal Funds					
TOTAL SOURCE OF FUNDS	9,185,900	12,881,900	13,658,300	9,485,900	9,485,900
EXPENDITURES BY CLASS					
Personnel Cost	6,900,600	9,363,900	10,100,000	6,959,700	6,959,700
Operating Expenses	2,060,100	3,054,000	3,088,200	2,301,000	2,301,000
Capital Outlay	225,200	464,000	470,100	225,200	225,200
TOTAL EXPENDITURES	9,185,900	12,881,900	13,658,300	9,485,900	9,485,900
EXPENDITURES BY FUND SOURCE					
General Fund	8,935,900	12,631,900	13,408,300	8,935,900	8,935,900
Restricted Funds	250,000	250,000	250,000	550,000	550,000
TOTAL EXPENDITURES	9,185,900	12,881,900	13,658,300	9,485,900	9,485,900

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

Policy

Notwithstanding the provisions of KRS 148.800-810 or any other statute or provision of law to the contrary, the Governor's recommended budget includes the use of the Park Capital Maintenance and Renovation Fund for any ongoing cost of the Department of Parks. Specifically, \$300,000 in fiscal year 2005 and \$300,000 in fiscal year 2006 is included from this fund for general administration and support.

**Commerce
Parks
Resort Parks**

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	13,324,000	18,753,100	21,518,900	12,990,900	12,990,900
Base Deduction	-333,100				
Total General Fund	12,990,900	18,753,100	21,518,900	12,990,900	12,990,900
Restricted Funds					
Balance Forward	640,600	640,600	320,300	584,900	534,900
Current Receipts	41,400,000	42,050,000	42,500,000	43,700,000	45,400,000
Non-Revenue Receipts	1,200,000			-250,000	350,000
Fund Transfers	-1,255,700				
Total Restricted Funds	41,984,900	42,690,600	42,820,300	44,034,900	46,284,900
TOTAL SOURCE OF FUNDS	54,975,800	61,443,700	64,339,200	57,025,800	59,275,800
EXPENDITURES BY CLASS					
Personnel Cost	32,036,200	36,595,500	39,361,500	33,613,000	35,763,200
Operating Expenses	21,854,700	22,150,400	22,520,100	22,500,400	22,870,100
Capital Outlay	500,000	2,377,500	2,457,600	377,500	457,600
TOTAL EXPENDITURES	54,390,900	61,123,400	64,339,200	56,490,900	59,090,900
EXPENDITURES BY FUND SOURCE					
General Fund	12,990,900	18,753,100	21,518,900	12,990,900	12,990,900
Restricted Funds	41,400,000	42,370,300	42,820,300	43,500,000	46,100,000
TOTAL EXPENDITURES	54,390,900	61,123,400	64,339,200	56,490,900	59,090,900

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

Barren River Resort Park - Barren County	Kenlake Resort Park - Marshall County
Blue Licks Battlefield State Park - Robertson County	Kentucky Dam Village Resort - Marshall County
Buckhorn Lake Resort Park - Perry County	Lake Barkley Resort Park - Trigg County
Carter Caves Resort Park - Carter County	Lake Cumberland Resort Park - Russell County
Cumberland Falls Resort Park - Whitley County	Natural Bridge Resort Park - Powell County
Dale Hollow Resort Park - Cumberland and Clinton Counties	Pennyrile Forest Resort Park - Christian County
General Butler Resort Park - Carroll County	Pine Mountain Resort Park - Bell County
Greenbo Lake Resort Park - Greenup County	Rough River Resort Park - Grayson County
Jenny Wiley Resort Park - Floyd County	

The Department estimates that in fiscal year 2005, the resort parks will provide overnight accommodations for 620,000 guests and serve 1.6 million meals.

Policy

Included in the Governor's recommended budget are rate increases consistent with local markets for key park facilities including accommodations, campgrounds, food, golf courses, site admissions and recreational activities.

Notwithstanding the provisions of KRS 148.800-810 or any other statute or provision of law to the contrary, the Governor's recommended budget includes the use of the Park Capital Maintenance and Renovation Fund for any ongoing cost of the Department of Parks. Specifically, \$0 in fiscal year 2005 and \$600,000 in fiscal year 2006 is included from this fund for the resort parks.

**Commerce
Parks
Recreation Parks and Historic Sites**

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	6,115,100	7,473,600	8,260,200	6,293,400	6,293,400
Salary Compensation Fund	339,700				
Base Deduction	-161,400				
Total General Fund	6,293,400	7,473,600	8,260,200	6,293,400	6,293,400
Restricted Funds					
Balance Forward	178,100	178,100	98,100	178,100	553,100
Current Receipts	8,200,000	8,575,000	8,600,000	9,075,000	9,185,000
Non-Revenue Receipts				900,000	300,000
Total Restricted Funds	8,378,100	8,753,100	8,698,100	10,153,100	10,038,100
TOTAL SOURCE OF FUNDS	14,671,500	16,226,700	16,958,300	16,446,500	16,331,500
EXPENDITURES BY CLASS					
Personnel Cost	9,679,000	10,955,000	11,692,400	10,735,900	11,110,900
Operating Expenses	4,739,400	5,023,600	5,097,800	5,007,500	5,032,500
Capital Outlay	75,000	150,000	150,000	150,000	150,000
TOTAL EXPENDITURES	14,493,400	16,128,600	16,940,200	15,893,400	16,293,400
EXPENDITURES BY FUND SOURCE					
General Fund	6,293,400	7,473,600	8,260,200	6,293,400	6,293,400
Restricted Funds	8,200,000	8,655,000	8,680,000	9,600,000	10,000,000
TOTAL EXPENDITURES	14,493,400	16,128,600	16,940,200	15,893,400	16,293,400

The Recreation Parks and Historic Sites program encourages tourism and economic development in Kentucky by providing modern recreational and camping facilities and preserving significant scenic and historic landmarks, as well as operating museums and shrines. In fiscal year 2005, the camping areas will attract approximately 300,000 visitors and museums will host 305,000.

Park Facilities

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

Historic Sites

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

Jefferson Davis Monument State Shrine - Todd County

William Whitley House State Shrine - Lincoln County

Policy

Included in the Governor's recommended budget are rate increases consistent with local markets for key park facilities including accommodations, campgrounds, food, golf courses, site admissions and recreational activities.

Notwithstanding the provisions of KRS 148.800-810 or any other statute or provision of law to the contrary, the Governor's recommended budget includes the use of the Park Capital Maintenance and Renovation Fund for any ongoing cost of the Department of Parks. Specifically, \$900,000 in fiscal year 2005 and \$300,000 in fiscal year 2006 is included from this fund for the recreation parks and historic sites.

**Commerce
Parks
Cafeterias**

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	403,000	587,500	630,300	392,900	392,900
Base Deduction	-10,100				
Total General Fund	392,900	587,500	630,300	392,900	392,900
Restricted Funds					
Balance Forward	73,700	73,700	64,300	73,700	64,300
Current Receipts	626,900	325,000	375,000	1,768,900	1,844,400
Total Restricted Funds	700,600	398,700	439,300	1,842,600	1,908,700
TOTAL SOURCE OF FUNDS	1,093,500	986,200	1,069,600	2,235,500	2,301,600
EXPENDITURES BY CLASS					
Personnel Cost	380,800	478,500	519,400	762,800	762,800
Operating Expenses	629,000	428,200	482,900	1,393,200	1,471,500
Capital Outlay	10,000	15,200	15,400	15,200	15,400
TOTAL EXPENDITURES	1,019,800	921,900	1,017,700	2,171,200	2,249,700
EXPENDITURES BY FUND SOURCE					
General Fund	392,900	587,500	630,300	392,900	392,900
Restricted Funds	626,900	334,400	387,400	1,778,300	1,856,800
TOTAL EXPENDITURES	1,019,800	921,900	1,017,700	2,171,200	2,249,700

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

Policy

Included in the Governor's recommended budget is funding for the operation of new cafeterias in the new Transportation Cabinet building and the Health and Family Services Cabinet building. The new cafeterias are expected to be 100 percent self-supporting.

**Commerce
Parks
Debt Service**

	<u>Revised FY 2004</u>	<u>Requested FY 2005</u>	<u>Requested FY 2006</u>	<u>Recommended FY 2005</u>	<u>Recommended FY 2006</u>
SOURCE OF FUNDS					
General Fund					
Regular Appropriation			6,585,000		3,337,000
Total General Fund			<u>6,585,000</u>		<u>3,337,000</u>
TOTAL SOURCE OF FUNDS			6,585,000		3,337,000
EXPENDITURES BY CLASS					
Debt Service			6,585,000		3,337,000
TOTAL EXPENDITURES			<u>6,585,000</u>		<u>3,337,000</u>
EXPENDITURES BY FUND SOURCE					
General Fund			6,585,000		3,337,000
TOTAL EXPENDITURES			<u>6,585,000</u>		<u>3,337,000</u>

All currently authorized General Fund debt service costs is budgeted in the Finance and Administration Cabinet in the 2004-2006 biennium.

Policy

Included in the Governor's recommended budget is \$3,337,000 in General Funds in fiscal year 2006 for debt service on the Parks Renovation Pool project. The debt service for \$25 million of the pool will originate with the Local Government Economic Development Fund - Multi-County Fund and will be used on projects in the coal producing counties. The other \$10 million will be supported with General Funds.

**Commerce
Kentucky Horse Park**

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	1,650,000	2,438,500	6,238,200	1,621,200	1,621,200
Current Year Appropriation	550,000				
Salary Compensation Fund	12,800				
Base Deduction	-41,600				
Total General Fund	2,171,200	2,438,500	6,238,200	1,621,200	1,621,200
Restricted Funds					
Balance Forward	107,300	107,300	107,300	107,300	107,300
Current Receipts	6,012,000	5,522,800	5,529,000	5,522,800	5,529,000
Fund Transfers	-150,300				
Total Restricted Funds	5,969,000	5,630,100	5,636,300	5,630,100	5,636,300
TOTAL SOURCE OF FUNDS	8,140,200	8,068,600	11,874,500	7,251,300	7,257,500
EXPENDITURES BY CLASS					
Personnel Cost	4,391,500	4,933,500	5,313,800	4,258,800	4,265,000
Operating Expenses	3,626,400	2,982,800	2,982,800	2,885,200	2,885,200
Debt Service			3,425,600		
Capital Outlay	15,000	45,000	45,000		
TOTAL EXPENDITURES	8,032,900	7,961,300	11,767,200	7,144,000	7,150,200
EXPENDITURES BY FUND SOURCE					
General Fund	2,171,200	2,438,500	6,238,200	1,621,200	1,621,200
Restricted Funds	5,861,700	5,522,800	5,529,000	5,522,800	5,529,000
TOTAL EXPENDITURES	8,032,900	7,961,300	11,767,200	7,144,000	7,150,200

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

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

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

Policy

The Governor's recommended budget includes a \$550,000 General Fund appropriation in the current year to offset expenses carried forward from prior fiscal years.

Commerce
Kentucky State Fair Board

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	407,000	7,070,000	7,070,000	396,800	396,800
Base Deduction	-10,200				
Total General Fund	396,800	7,070,000	7,070,000	396,800	396,800
Restricted Funds					
Balance Forward	3,137,500	2,482,000	2,599,000	982,000	990,000
Current Receipts	35,410,000	38,653,900	40,229,400	36,382,200	37,749,500
Non-Revenue Receipts	-3,913,500	-1,000,000	-1,000,000	-1,371,000	-1,371,000
Fund Transfers	-1,000,000				
Total Restricted Funds	33,634,000	40,135,900	41,828,400	35,993,200	37,368,500
TOTAL SOURCE OF FUNDS	34,030,800	47,205,900	48,898,400	36,390,000	37,765,300
EXPENDITURES BY CLASS					
Personnel Cost	18,089,400	19,507,700	20,683,400	19,038,900	20,284,600
Operating Expenses	10,983,500	11,293,700	11,655,800	10,722,900	10,643,900
Grants, Loans or Benefits	1,500,400	1,543,900	1,545,200	1,500,400	1,500,400
Debt Service	2,350,000	11,992,000	11,992,000	4,012,300	4,012,900
Capital Outlay	125,500	269,600	277,100	125,500	125,500
TOTAL EXPENDITURES	33,048,800	44,606,900	46,153,500	35,400,000	36,567,300
EXPENDITURES BY FUND SOURCE					
General Fund	396,800	7,070,000	7,070,000	396,800	396,800
Restricted Funds	32,652,000	37,536,900	39,083,500	35,003,200	36,170,500
TOTAL EXPENDITURES	33,048,800	44,606,900	46,153,500	35,400,000	36,567,300
EXPENDITURES BY UNIT					
Kentucky Fair and Exposition Center	26,132,800	27,965,300	29,303,100	26,738,100	27,896,800
Kentucky International Convention Center	4,566,000	4,649,600	4,858,400	4,649,600	4,657,600
Debt Service	2,350,000	11,992,000	11,992,000	4,012,300	4,012,900
TOTAL EXPENDITURES	33,048,800	44,606,900	46,153,500	35,400,000	36,567,300

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

Commerce
Kentucky State Fair Board
Kentucky Fair and Exposition Center

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	407,000	407,000	407,000	396,800	396,800
Base Deduction	-10,200				
Total General Fund	396,800	407,000	407,000	396,800	396,800
Restricted Funds					
Balance Forward	2,546,300	1,928,800	1,461,800	803,800	803,800
Current Receipts	27,782,000	28,091,300	29,552,700	27,712,300	29,173,700
Non-Revenue Receipts	-3,413,500	-1,000,000	-1,000,000	-1,371,000	-1,371,000
Fund Transfers	-375,000				
Total Restricted Funds	26,539,800	29,020,100	30,014,500	27,145,100	28,606,500
TOTAL SOURCE OF FUNDS	26,936,600	29,427,100	30,421,500	27,541,900	29,003,300
EXPENDITURES BY CLASS					
Personnel Cost	15,288,400	16,618,700	17,581,700	16,149,900	17,308,600
Operating Expenses	9,291,800	9,606,400	9,972,400	9,035,600	9,035,600
Grants, Loans or Benefits	1,500,400	1,543,900	1,545,200	1,500,400	1,500,400
Capital Outlay	52,200	196,300	203,800	52,200	52,200
TOTAL EXPENDITURES	26,132,800	27,965,300	29,303,100	26,738,100	27,896,800
EXPENDITURES BY FUND SOURCE					
General Fund	396,800	407,000	407,000	396,800	396,800
Restricted Funds	25,736,000	27,558,300	28,896,100	26,341,300	27,500,000
TOTAL EXPENDITURES	26,132,800	27,965,300	29,303,100	26,738,100	27,896,800

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

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

Policy

Funding of \$396,800 from the General Fund is provided each year of the biennium for the North American International Livestock Exposition program.

Commerce
Kentucky State Fair Board
Kentucky International Convention Center

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
Restricted Funds					
Balance Forward	591,200	553,200	1,137,200	178,200	186,200
Current Receipts	4,778,000	5,233,600	5,347,700	4,657,600	4,562,900
Non-Revenue Receipts	-500,000				
Fund Transfers	-125,000				
Total Restricted Funds	4,744,200	5,786,800	6,484,900	4,835,800	4,749,100
TOTAL SOURCE OF FUNDS	4,744,200	5,786,800	6,484,900	4,835,800	4,749,100
EXPENDITURES BY CLASS					
Personnel Cost	2,801,000	2,889,000	3,101,700	2,889,000	2,976,000
Operating Expenses	1,691,700	1,687,300	1,683,400	1,687,300	1,608,300
Capital Outlay	73,300	73,300	73,300	73,300	73,300
TOTAL EXPENDITURES	4,566,000	4,649,600	4,858,400	4,649,600	4,657,600
EXPENDITURES BY FUND SOURCE					
Restricted Funds	4,566,000	4,649,600	4,858,400	4,649,600	4,657,600
TOTAL EXPENDITURES	4,566,000	4,649,600	4,858,400	4,649,600	4,657,600

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

The Center includes approximately 200,000 square feet of exhibit space, a 30,000 square foot ballroom and nearly 70,000 square feet of meeting space along both sides of Third Street. The exhibit and meeting areas are linked by public concourses spanning Third Street.

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

**Commerce
Kentucky State Fair Board
Debt Service**

	<u>Revised FY 2004</u>	<u>Requested FY 2005</u>	<u>Requested FY 2006</u>	<u>Recommended FY 2005</u>	<u>Recommended FY 2006</u>
SOURCE OF FUNDS					
General Fund					
Regular Appropriation		6,663,000	6,663,000		
Total General Fund		6,663,000	6,663,000		
Restricted Funds					
Current Receipts	2,850,000	5,329,000	5,329,000	4,012,300	4,012,900
Fund Transfers	-500,000				
Total Restricted Funds	2,350,000	5,329,000	5,329,000	4,012,300	4,012,900
TOTAL SOURCE OF FUNDS	2,350,000	11,992,000	11,992,000	4,012,300	4,012,900
EXPENDITURES BY CLASS					
Debt Service	2,350,000	11,992,000	11,992,000	4,012,300	4,012,900
TOTAL EXPENDITURES	2,350,000	11,992,000	11,992,000	4,012,300	4,012,900
EXPENDITURES BY FUND SOURCE					
General Fund		6,663,000	6,663,000		
Restricted Funds	2,350,000	5,329,000	5,329,000	4,012,300	4,012,900
TOTAL EXPENDITURES	2,350,000	11,992,000	11,992,000	4,012,300	4,012,900

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

Restricted funds in the amount of \$4,012,300 in fiscal year 2005 and \$4,012,900 in fiscal year 2006 are included for Project 81 debt service payments. Project 81 provided funding for an expansion of South Wing C.

All currently authorized General Fund debt service costs are budgeted in the Finance and Administration Cabinet in the 2004-2006 biennium.

Commerce
Fish and Wildlife Resources

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
Restricted Funds					
Balance Forward	29,240,600	29,532,600	25,152,600	29,532,600	26,475,900
Current Receipts	31,750,000	31,635,000	31,535,000	31,635,000	31,535,000
Non-Revenue Receipts	-2,800,000	-6,750,000	-6,100,000	-6,750,000	-6,100,000
Total Restricted Funds	58,190,600	54,417,600	50,587,600	54,417,600	51,910,900
Federal Funds					
Balance Forward	4,430,800	4,430,800	4,430,800	4,430,800	4,430,800
Current Receipts	8,951,000	10,830,000	10,864,000	10,830,000	10,864,000
Total Federal Funds	13,381,800	15,260,800	15,294,800	15,260,800	15,294,800
TOTAL SOURCE OF FUNDS	71,572,400	69,678,400	65,882,400	69,678,400	67,205,700
EXPENDITURES BY CLASS					
Personnel Cost	27,948,700	30,260,200	32,549,100	29,111,400	29,145,300
Operating Expenses	6,966,600	7,054,100	7,054,200	7,016,600	7,016,700
Capital Outlay	2,693,700	2,780,700	2,693,700	2,643,700	2,643,700
TOTAL EXPENDITURES	37,609,000	40,095,000	42,297,000	38,771,700	38,805,700
EXPENDITURES BY FUND SOURCE					
Restricted Funds	28,658,000	29,265,000	31,433,000	27,941,700	27,941,700
Federal Funds	8,951,000	10,830,000	10,864,000	10,830,000	10,864,000
TOTAL EXPENDITURES	37,609,000	40,095,000	42,297,000	38,771,700	38,805,700
EXPENDITURES BY UNIT					
Administration and Support	4,828,000	5,091,700	5,376,400	4,707,300	4,707,300
Wildlife Management	9,658,000	10,899,400	11,397,800	10,585,000	10,619,000
Fisheries Management	5,485,000	5,978,400	6,366,600	6,357,900	6,357,900
Information and Education	5,521,000	5,916,900	6,215,700	5,262,900	5,262,900
Law Enforcement	12,117,000	12,208,600	12,940,500	11,858,600	11,858,600
TOTAL EXPENDITURES	37,609,000	40,095,000	42,297,000	38,771,700	38,805,700

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

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

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

The Department consists of 5 program areas: Administration and Support, Wildlife Management, Fisheries Management, Information and Education, and Law Enforcement.

Three separate Divisions are included in the Administration and Support program area. The Division of Administration and Support manages the day-to-day operations of the Department including maintaining accounting records, ensuring proper purchasing and inventory procedures are followed, and administering hunting and fishing license sales and revenue collections. The Public Affairs Division facilitates public involvement in departmental policy and regulations. The Engineering Division provides the labor and technical engineering services required for the Department's small construction projects. Duties include building small bridges, buildings, boat ramps, and roads. In addition, Engineering is responsible for surveying all property owned or being purchased by the Department.

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

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

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

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

Commerce
Kentucky Historical Society

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	6,185,200	7,280,200	7,656,500	5,871,800	5,871,800
Budget Reduction	-208,800				
Salary Compensation Fund	51,300				
Base Deduction	-155,900				
Total General Fund	5,871,800	7,280,200	7,656,500	5,871,800	5,871,800
Restricted Funds					
Balance Forward	534,600	443,200	396,800	366,900	230,200
Current Receipts	480,000	480,000	480,000	497,100	497,100
Fund Transfers	-90,600				
Total Restricted Funds	924,000	923,200	876,800	864,000	727,300
Federal Funds					
Balance Forward	11,100				
Current Receipts	348,900	342,000	325,000	342,000	325,000
Total Federal Funds	360,000	342,000	325,000	342,000	325,000
TOTAL SOURCE OF FUNDS	7,155,800	8,545,400	8,858,300	7,077,800	6,924,100
EXPENDITURES BY CLASS					
Personnel Cost	3,542,100	4,164,900	4,492,300	3,538,500	3,593,200
Operating Expenses	3,078,100	3,517,200	3,539,100	3,157,600	3,179,400
Grants, Loans or Benefits	151,500	246,500	246,500	151,500	151,500
Capital Outlay	17,200	220,000	220,000		
TOTAL EXPENDITURES	6,788,900	8,148,600	8,497,900	6,847,600	6,924,100
EXPENDITURES BY FUND SOURCE					
General Fund	5,871,800	7,280,200	7,656,500	5,871,800	5,871,800
Restricted Funds	557,100	526,400	516,400	633,800	727,300
Federal Funds	360,000	342,000	325,000	342,000	325,000
TOTAL EXPENDITURES	6,788,900	8,148,600	8,497,900	6,847,600	6,924,100
EXPENDITURES BY UNIT					
Oral History and Educational Outreach	1,113,500	1,333,700	1,355,100	1,075,100	1,063,200
Research and Publications	1,065,800	1,215,800	1,301,300	1,060,700	1,082,900
Museums	1,144,200	1,350,100	1,443,600	1,128,600	1,153,500
Administration	3,465,400	4,249,000	4,397,900	3,583,200	3,624,500
TOTAL EXPENDITURES	6,788,900	8,148,600	8,497,900	6,847,600	6,924,100

The Society's mission, pursuant to KRS 171.311, is to collect and preserve for future generations materials and information regarding Kentucky's past; to disseminate knowledge and understanding of the state's history; and to produce for people of all backgrounds an increased awareness of, and appreciation for, the Commonwealth and its heritage. The agency operates four divisions: Administration, Research and Publications, Museums, and Oral History and Educational Outreach.

Since 1999, the Society and its three facilities-the History Center, Old State Capitol, and Kentucky Military History Museum-have hosted over 200,000 visitors annually. Over 40 percent of the audience consists of Kentucky students who visit in organized school groups. The agency offers access to research collections through on-line databases and an electronic library catalog.

The Administration Division provides overall agency direction, planning, and management. It has two branches: Institutional Advancement and Support Services. Institutional Advancement raises private sector support for projects and services that do not receive state support. Units within the IA Branch include: development, special events, membership, gift shop, facilities rental, marketing/public relations, and website management. Support Services Branch includes technology, personnel, telecommunications, facilities management, and fiscal operations.

The Research and Publications Division has three branches: Publications, Research Library, and Special Collections. Publications produces three periodicals and numerous book-length works on Kentucky history subjects. The Thomas D. Clark Research Library, housed in the Kentucky History Center, possesses over 100,000 volumes of Kentucky family history materials and serves over 30,000 research requests annually. Special Collections consists of maps, photographs, manuscripts, and rare books. Considerable resources have been invested in digitizing research materials for on-line public access. A digitizing unit within the Special Collections Branch creates electronic copies of fragile historic materials to permit Internet access to research collections and to preserve them.

The Museum Division operates the Kentucky History Center's museum (a 20,000 sq. ft. permanent exhibition and a 4,000 sq. ft. temporary exhibition gallery), the Old State Capitol, and the Kentucky Military History Museum. Six subunits compose the Museum Division: education, visitor services, traveling exhibitions, exhibit design, artifact collections, and military history.

The Oral History and Educational Outreach Division includes the Kentucky Oral History Commission, the Kentucky Folklife Program, and the Local History Branch. The Local History Branch includes the Kentucky Junior Historians, the Governors' Gravesite Grants program, Local History Grants, Education Grants, and Kentucky Historic Highway Markers program. The division provides Kentucky communities' historic organizations and museums with technical support and limited grant funds, and promotes history education in Kentucky's schools.

Policy

In fiscal year 2004, restricted funds in the amount of \$14,300 shall be transferred to the credit of the General Fund.

Commerce
Kentucky Arts Council

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	4,523,800	4,630,600	4,718,400	4,210,900	4,210,900
Budget Reduction	-210,500				
Salary Compensation Fund	11,000				
Base Deduction	-113,400				
Total General Fund	4,210,900	4,630,600	4,718,400	4,210,900	4,210,900
Restricted Funds					
Balance Forward	240,900	170,900	158,500	170,900	158,500
Current Receipts	519,800	650,400	368,400	650,400	368,400
Non-Revenue Receipts	92,700	92,700	92,700	92,700	92,700
Fund Transfers	-17,100				
Total Restricted Funds	836,300	914,000	619,600	914,000	619,600
Federal Funds					
Balance Forward	120,200	35,500	10,500	35,500	10,500
Current Receipts	649,400	666,000	675,000	666,000	675,000
Total Federal Funds	769,600	701,500	685,500	701,500	685,500
TOTAL SOURCE OF FUNDS	5,816,800	6,246,100	6,023,500	5,826,400	5,516,000
EXPENDITURES BY CLASS					
Personnel Cost	1,099,900	1,201,700	1,289,500	1,143,400	1,170,500
Operating Expenses	813,600	875,600	865,600	838,600	828,600
Grants, Loans or Benefits	3,696,900	3,999,800	3,802,300	3,675,400	3,450,800
TOTAL EXPENDITURES	5,610,400	6,077,100	5,957,400	5,657,400	5,449,900
EXPENDITURES BY FUND SOURCE					
General Fund	4,210,900	4,630,600	4,718,400	4,210,900	4,210,900
Restricted Funds	665,400	755,500	553,500	755,500	553,500
Federal Funds	734,100	691,000	685,500	691,000	685,500
TOTAL EXPENDITURES	5,610,400	6,077,100	5,957,400	5,657,400	5,449,900
EXPENDITURES BY UNIT					
Arts Council	4,807,900	5,163,100	5,004,300	4,817,800	4,605,300
Craft Marketing	802,500	914,000	953,100	839,600	844,600
TOTAL EXPENDITURES	5,610,400	6,077,100	5,957,400	5,657,400	5,449,900

The Kentucky Arts Council is authorized under KRS 153.210-235. The Council develops and promotes a state policy of support for the arts in Kentucky.

The Kentucky Arts Council supports, through grants and technical assistance, Kentucky arts organizations, schools, non-profit community organizations, local arts councils, local government agencies, individual artists, and craftspersons. These organizations and individuals contribute significantly to the economy, education, and quality of life in Kentucky. These organizations and individuals also oversee at the local level the services necessary to implement the Kentucky Arts Council mission and plan, the Kentucky Education Reform Act, and Kentucky's Strategic Plan for Economic Development.

The Council's major programs are: Arts and Cultural Organizational Support, Community Arts Development, Arts in Education, Craft Marketing, Individual Artists Recognition and Support, Folk and Traditional Arts Support, Arts Directories and Honor Programs.

Policy

In fiscal year 2004, restricted funds in the amount of \$17,100 shall be transferred to the credit of the General Fund.

Commerce
Kentucky Heritage Council

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	921,100	2,813,200	2,883,500	888,800	888,800
Budget Reduction	-16,000				
Salary Compensation Fund	6,900				
Base Deduction	-23,200				
Total General Fund	888,800	2,813,200	2,883,500	888,800	888,800
Restricted Funds					
Balance Forward	69,300				
Current Receipts	578,600	377,200	390,600	366,500	368,600
Non-Revenue Receipts	45,000				
Fund Transfers	-16,200				
Total Restricted Funds	676,700	377,200	390,600	366,500	368,600
Federal Funds					
Current Receipts	654,100	587,800	587,800	587,800	587,800
Total Federal Funds	654,100	587,800	587,800	587,800	587,800
TOTAL SOURCE OF FUNDS	2,219,600	3,778,200	3,861,900	1,843,100	1,845,200
EXPENDITURES BY CLASS					
Personnel Cost	1,265,600	1,402,500	1,517,400	1,254,200	1,287,100
Operating Expenses	600,500	561,300	530,100	527,100	496,300
Grants, Loans or Benefits	353,500	1,814,400	1,814,400	61,800	61,800
TOTAL EXPENDITURES	2,219,600	3,778,200	3,861,900	1,843,100	1,845,200
EXPENDITURES BY FUND SOURCE					
General Fund	888,800	2,813,200	2,883,500	888,800	888,800
Restricted Funds	676,700	377,200	390,600	366,500	368,600
Federal Funds	654,100	587,800	587,800	587,800	587,800
TOTAL EXPENDITURES	2,219,600	3,778,200	3,861,900	1,843,100	1,845,200

The Kentucky Heritage Council provides a comprehensive state historic preservation program through its subprograms: General Preservation Services, Site Identification and Evaluation, Site Development, and Site Protection. The Council administers the National Historic Preservation Program in Kentucky, distributes federal funds, and provides technical assistance to other agencies on all aspects of historic preservation. Major program activities include the Survey of Historic Sites in Kentucky, the National Register Program, the Kentucky Main Street Revitalization/Renaissance Kentucky Program, the Investment Tax Credit Program, and the Restoration Grants Program. The Kentucky Heritage Council is administered in accordance with KRS 171.380.

Policy

In fiscal year 2004, restricted funds in the amount of \$16,200 shall be transferred to the credit of the General Fund.

Commerce
Kentucky Center for the Arts

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	603,700	703,700	970,700	588,600	
Base Deduction	-15,100				
Total General Fund	588,600	703,700	970,700	588,600	
TOTAL SOURCE OF FUNDS	588,600	703,700	970,700	588,600	
EXPENDITURES BY CLASS					
Personnel Cost	96,300	46,900	53,800		
Operating Expenses	492,300	656,800	649,900		
Debt Service			267,000		
Construction				588,600	
TOTAL EXPENDITURES	588,600	703,700	970,700	588,600	
EXPENDITURES BY FUND SOURCE					
General Fund	588,600	703,700	970,700	588,600	
TOTAL EXPENDITURES	588,600	703,700	970,700	588,600	

The Kentucky Center for the Arts (d/b/a The Kentucky Center) is the Commonwealth's premier performing arts center. Over 400,000 people attend events at The Kentucky Center each year. It is the performance home of Kentucky Opera, Louisville Ballet, The Louisville Orchestra, Louisville Theatrical Association, and Stage One: The Louisville Children's Theatre. The Kentucky Center's programming is dedicated to encouraging and supporting performing arts, presenting nationally and internationally renowned artists and presenting the works of Kentucky arts groups and artists.

The Kentucky Center houses three theatres: the 2,479-seat Robert S. Whitney Hall, 622-seat Moritz von Bomhard Theater, and the 139-seat Boyd Martin Experimental Theatre. The facility features a multi-tiered lobby, two rehearsal halls, a 190-seat restaurant and a retail area specializing in arts-related items and Kentucky crafts. All areas of the facility are accessible to those with physical disabilities, and special services for the hearing impaired and visually impaired are available during performances.

The Kentucky Center provides a wide range of educational programs including professional development for teachers, partnerships with schools and community centers, the Governor's School for the Arts, and other educational opportunities throughout the Commonwealth. The Kentucky Center's management also provides consulting services throughout the state.

Policy

No operating support is provided in fiscal year 2005 or 2006. Funds displayed in fiscal year 2005 are being used for several capital maintenance and repair projects at the Center.

Commerce
Commission on Small Business Advocacy

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	75,000	452,000	516,100		
Base Deduction	-1,900				
Total General Fund	73,100	452,000	516,100		
Restricted Funds					
Balance Forward	90,500	45,500	8,700		
Total Restricted Funds	90,500	45,500	8,700		
TOTAL SOURCE OF FUNDS	163,600	497,500	524,800		
EXPENDITURES BY CLASS					
Personnel Cost	95,000	294,100	314,500		
Operating Expenses	23,100	189,700	205,300		
Capital Outlay		5,000	5,000		
TOTAL EXPENDITURES	118,100	488,800	524,800		
EXPENDITURES BY FUND SOURCE					
General Fund	73,100	452,000	516,100		
Restricted Funds	45,000	36,800	8,700		
TOTAL EXPENDITURES	118,100	488,800	524,800		

The Kentucky Commission on Small Business Advocacy (KCSBA), established in KRS 11.200, is an independent agency in the Commerce Cabinet. The Commission is the voice for small business on tax, regulatory, and procurement issues.

Policy

Executive Order 2003-064, signed on December 23, 2003, transferred the Commission on Small Business Advocacy from the Office of the Governor to the Commerce Cabinet. In fiscal years 2005 and 2006, no funding is recommended for the Commission. The Commerce Cabinet will provide this service with its existing staff and funding.



2004-2006
Executive Budget

Economic Development

Economic Development

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	17,071,800	24,339,900	25,600,800	19,016,700	20,998,600
Continuing Appropriation	7,325,500	5,832,500	4,339,500	4,332,500	2,848,400
Budget Reduction	-1,978,500				
Salary Compensation Fund	41,300				
Base Deduction	-427,800				
Total General Fund	22,032,300	30,172,400	29,940,300	23,349,200	23,847,000
Restricted Funds					
Balance Forward	4,158,100	1,548,200	624,700	958,900	290,200
Current Receipts	875,900	858,500	908,500	858,500	904,300
Non-Revenue Receipts	5,201,200	4,845,600	5,000,000	4,418,100	3,340,200
Fund Transfers	-1,143,200				
Total Restricted Funds	9,092,000	7,252,300	6,533,200	6,235,500	4,534,700
Federal Funds					
Balance Forward	4,000				
Current Receipts	151,400	155,400	155,400	155,400	155,400
Total Federal Funds	155,400	155,400	155,400	155,400	155,400
TOTAL SOURCE OF FUNDS	31,279,700	37,580,100	36,628,900	29,740,100	28,537,100
EXPENDITURES BY CLASS					
Personnel Cost	10,686,500	11,528,200	12,248,300	11,914,200	11,121,300
Operating Expenses	2,085,900	2,895,900	2,885,700	2,424,500	2,499,300
Grants, Loans or Benefits	13,215,900	9,607,800	9,607,800	12,262,800	12,137,800
Debt Service		8,584,000	8,584,000		1,432,000
TOTAL EXPENDITURES	25,988,300	32,615,900	33,325,800	26,601,500	27,190,400
EXPENDITURES BY FUND SOURCE					
General Fund	17,699,800	25,832,900	27,093,800	20,500,800	22,500,300
Restricted Funds	8,133,100	6,627,600	6,076,600	5,945,300	4,534,700
Federal Funds	155,400	155,400	155,400	155,400	155,400
TOTAL EXPENDITURES	25,988,300	32,615,900	33,325,800	26,601,500	27,190,400
EXPENDITURES BY UNIT					
Secretary	11,754,000	11,971,800	12,118,300	11,898,100	10,786,200
Administration and Support	1,890,600	2,302,000	2,421,500	1,944,700	1,954,300
Business Development	2,244,200	2,675,100	2,778,800	2,460,400	2,673,600
Financial Incentives	6,837,800	12,001,100	12,145,100	7,052,000	8,528,000
Community Development	3,261,700	3,665,900	3,862,100	3,246,300	3,248,300
TOTAL EXPENDITURES	25,988,300	32,615,900	33,325,800	26,601,500	27,190,400

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

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

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

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

The five goals are:

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

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

**Economic Development
Secretary**

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	6,380,300	8,252,000	9,053,800	8,998,500	9,548,400
Budget Reduction	-20,300				
Salary Compensation Fund	3,700				
Base Deduction	-50,000				
Other	36,800				
Total General Fund	6,350,500	8,252,000	9,053,800	8,998,500	9,548,400
Restricted Funds					
Balance Forward	3,141,500	991,100	242,700	511,800	
Current Receipts	62,400				
Non-Revenue Receipts	3,456,400	2,971,400	2,971,400	2,387,800	1,237,800
Fund Transfers	-745,000				
Total Restricted Funds	5,915,300	3,962,500	3,214,100	2,899,600	1,237,800
TOTAL SOURCE OF FUNDS	12,265,800	12,214,500	12,267,900	11,898,100	10,786,200
EXPENDITURES BY CLASS					
Personnel Cost	2,497,900	2,586,100	2,732,600	3,605,200	2,618,300
Operating Expenses	621,000	598,900	598,900	665,100	665,100
Grants, Loans or Benefits	8,635,100	4,972,800	4,972,800	7,627,800	7,502,800
Debt Service		3,814,000	3,814,000		
TOTAL EXPENDITURES	11,754,000	11,971,800	12,118,300	11,898,100	10,786,200
EXPENDITURES BY FUND SOURCE					
General Fund	6,350,500	8,252,000	9,053,800	8,998,500	9,548,400
Restricted Funds	5,403,500	3,719,800	3,064,500	2,899,600	1,237,800
TOTAL EXPENDITURES	11,754,000	11,971,800	12,118,300	11,898,100	10,786,200
EXPENDITURES BY UNIT					
Executive Policy & Management	2,538,300	2,666,200	2,728,700	2,638,300	2,638,300
Office of the New Economy	8,511,700	8,478,300	8,512,900	8,504,400	7,379,400
Department for Regional Development	704,000	827,300	876,700	755,400	768,500
TOTAL EXPENDITURES	11,754,000	11,971,800	12,118,300	11,898,100	10,786,200

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

Department for Regional Development

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

DRD advises counties in the coal regions on project development, application submittal and project implementation. Staff meet with local officials to determine project eligibility, recommend deal structuring and assist in financial packaging. Staff recommend projects to the Secretary for presentation to Kentucky Economic Development Finance Authority (KEDFA). Some

typical projects include the acquisition of industrial property, construction of industrial buildings and infrastructure, business loans and training. DRD fosters a regional approach to economic development through the creation of regional industrial parks and the marketing of those parks. Currently nine regional parks are being marketed while another is under development and two others are under review for funding.

Office of the New Economy

House Bill 572, the *Kentucky Innovation Act of 2000*, established the Office of the New Economy (ONE). It is governed under KRS 154.12-278. ONE's mission is to foster innovation and a thriving entrepreneurial culture so that Kentuckians are positioned to profitably participate in the 21st Century economy. To achieve its mission, ONE will:

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

Kentucky Innovation Commission

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

New Economy Strategic Plan

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

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

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

ICC Affiliates and Satellite Centers

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

Supporting Knowledge-Based Business Formation

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

Providing Access to Capital

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

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

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

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

- Commonwealth Seed Capital Fund, LLC-allocates its resources to venture capital funds that are committed to investing in companies throughout the entire state, as well as in particular regions of Kentucky.

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

In 2002, the General Assembly enacted House Bill 525:

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

Building New Economy Infrastructure

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

Policy

The Executive Budget provides \$420,800 in restricted funds each fiscal year for the Louisville Waterfront Development Corporation. The source of these restricted funds is Economic Development Bond Repayments.

Included in the recommendation is \$300,000 in restricted funds in fiscal year 2004-2005 for the Kentucky Technology Service Grant through the Kentucky Manufacturing Assistance Center (KMAC) program. In fiscal year 2005-2006 the funding is split evenly between restricted funds and General Fund support. The source of these restricted funds is Economic Development Bond Repayments.

Included in the recommendation is \$755,400 in General Funds in fiscal year 2004-2005 and \$768,500 in General Funds in fiscal year 2005-2006 for the Department for Regional Development. Notwithstanding KRS 42.4592, the Department for Regional Development will be funded from the Local Government Economic Development Fund prior to any other statutory distribution from the fund.

NOTE: The source of funds for the Department for Regional Development has not changed, only the fund transfer methodology.

Included in the recommendation is \$467,000 in fiscal year 2004-2005 and 2005-2006 for the West Kentucky Jobs Creation Corporation. Notwithstanding KRS 42.4588, the West Kentucky Economic Development Corporation will be supported by restricted funds derived from the Local Government Economic Development Fund's Multi-County Fund.

Included in the recommendation is \$1.4 million in General Funds in each year of the biennium for the New Economy Innovation and Commercialization Centers.

The Executive Budget provides General Funds in fiscal year 2004-2005 is \$3,625,000 in fiscal year 2004-2005 and \$3,500,000 in fiscal year 2005-2006 for the New Economy High Technology Construction/Technology Investment Pool. Notwithstanding KRS 45.4592, the Office for the New Economy will be funded from Local Government Economic Development funds prior to any other statutory distribution of the fund.

Included in the recommendation is \$1 million in fiscal year 2004-2005 for the Office for the New Economy. These dollars will be used to coordinate Kentucky's effort to secure a Federal Research Lab. The funds are derived from the Kentucky Economic Development Funding Authority.

Included in the recommendation is \$485,000 in General Funds in fiscal year 2003-2004, fiscal year 2004-2005 and fiscal year 2005-2006 to partially offset the \$1.125 million annual cost of the 15 ICC satellites. The funds are reallocated from the Council on Postsecondary Education's General Fund base.

**Economic Development
Administration and Support**

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	2,111,100	2,292,400	2,421,500	1,944,700	1,944,700
Budget Reduction	-215,600				
Salary Compensation Fund	8,000				
Base Deduction	-10,000				
Other	-48,800				
Total General Fund	1,844,700	2,292,400	2,421,500	1,944,700	1,944,700
Restricted Funds					
Balance Forward	55,500	9,600		9,600	9,600
Total Restricted Funds	55,500	9,600		9,600	9,600
TOTAL SOURCE OF FUNDS	1,900,200	2,302,000	2,421,500	1,954,300	1,954,300
EXPENDITURES BY CLASS					
Personnel Cost	1,373,500	1,591,000	1,720,100	1,473,500	1,483,100
Operating Expenses	517,100	711,000	701,400	471,200	471,200
TOTAL EXPENDITURES	1,890,600	2,302,000	2,421,500	1,944,700	1,954,300
EXPENDITURES BY FUND SOURCE					
General Fund	1,844,700	2,292,400	2,421,500	1,944,700	1,944,700
Restricted Funds	45,900	9,600			9,600
TOTAL EXPENDITURES	1,890,600	2,302,000	2,421,500	1,944,700	1,954,300

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

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

**Economic Development
Business Development**

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	2,475,500	2,600,100	2,703,800	2,093,600	2,093,600
Budget Reduction	-118,800				
Salary Compensation Fund	10,800				
Base Deduction	-254,200				
Other	-19,700				
Total General Fund	2,093,600	2,600,100	2,703,800	2,093,600	2,093,600
Restricted Funds					
Balance Forward	747,400	456,800	381,800	346,800	280,000
Non-Revenue Receipts				300,000	300,000
Fund Transfers	-250,000				
Total Restricted Funds	497,400	456,800	381,800	646,800	580,000
TOTAL SOURCE OF FUNDS	2,591,000	3,056,900	3,085,600	2,740,400	2,673,600
EXPENDITURES BY CLASS					
Personnel Cost	2,038,600	2,124,500	2,228,200	2,038,600	2,138,600
Operating Expenses	205,600	465,600	465,600	336,800	450,000
Grants, Loans or Benefits		85,000	85,000	85,000	85,000
TOTAL EXPENDITURES	2,244,200	2,675,100	2,778,800	2,460,400	2,673,600
EXPENDITURES BY FUND SOURCE					
General Fund	2,093,600	2,600,100	2,703,800	2,093,600	2,093,600
Restricted Funds	150,600	75,000	75,000	366,800	580,000
TOTAL EXPENDITURES	2,244,200	2,675,100	2,778,800	2,460,400	2,673,600

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

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

**Economic Development
Financial Incentives**

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	3,225,800	8,129,700	8,167,400	3,327,600	4,759,600
Continuing Appropriation	7,325,500	5,832,500	4,339,500	4,332,500	2,848,400
Budget Reduction	-1,561,900				
Salary Compensation Fund	4,000				
Other	97,800				
Total General Fund	9,091,200	13,962,200	12,506,900	7,660,100	7,608,000
Restricted Funds					
Balance Forward	35,400	200	200	200	
Current Receipts	813,500	858,500	908,500	858,500	904,300
Non-Revenue Receipts	1,378,600	1,519,900	1,576,200	1,381,600	1,362,400
Fund Transfers	-148,200				
Total Restricted Funds	2,079,300	2,378,600	2,484,900	2,240,300	2,266,700
TOTAL SOURCE OF FUNDS	11,170,500	16,340,800	14,991,800	9,900,400	9,874,700
EXPENDITURES BY CLASS					
Personnel Cost	2,197,100	2,407,500	2,551,500	2,228,400	2,272,400
Operating Expenses	140,700	323,600	323,600	323,600	323,600
Grants, Loans or Benefits	4,500,000	4,500,000	4,500,000	4,500,000	4,500,000
Debt Service		4,770,000	4,770,000		1,432,000
TOTAL EXPENDITURES	6,837,800	12,001,100	12,145,100	7,052,000	8,528,000
EXPENDITURES BY FUND SOURCE					
General Fund	4,758,700	9,622,700	9,660,400	4,811,700	6,261,300
Restricted Funds	2,079,100	2,378,400	2,484,700	2,240,300	2,266,700
TOTAL EXPENDITURES	6,837,800	12,001,100	12,145,100	7,052,000	8,528,000
EXPENDITURES BY UNIT					
Financial Incentives	1,820,600	6,889,900	6,996,200	1,981,600	3,444,400
Bluegrass State Skills	5,017,200	5,111,200	5,148,900	5,070,400	5,083,600
TOTAL EXPENDITURES	6,837,800	12,001,100	12,145,100	7,052,000	8,528,000

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

- The Economic Development Bond Program (KRS 154.12-100)
- The Direct Loan Program (KRS 154.20-030)
- The Kentucky Investment Fund Act (KRS 154.20-256)
- The Kentucky Rural Economic Development Act (KRS 154.22)
- The Kentucky Economic Opportunity Zone Act (KRS 154.23)
- The Kentucky Jobs Development Act (KRS 154.24-010)
- The Kentucky Industrial Development Revitalization Act (KRS 154.26)

- The Kentucky Industrial Development Act (KRS 154.28)
- The Kentucky Reinvestment Act (HB 510, 2003 session)
- Tax Increment Financing (KRS 65.6971 and KRS 65,6972)
- New Economy Grants (KRS 154.12-278)
- The Local Government Economic Development Program (KRS 42.4582-4595)
- Industrial Revenue Bonds (issued or reviewed under the authority of KRS 103.210)

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

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

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

Policy

The Executive Budget provides an allocation from the General Fund for debt service in fiscal year 2004 of \$1,432,000 to support the following bond funded projects and programs:

- Airport Relocation Assistance Project \$5 million
- Economic Development Bond Pool \$10 million

The budget recommendation provides \$2,250,000 to provide Phase II funding for the Graves County Industrial Park from funds available to the Kentucky Economic Development Finance Authority.

The Executive Budget recommendation authorizes the Bluegrass State Skills Corporation to extend an additional \$1.5 million in training grant offers during the 2004-2006 biennium. This will enable the Economic Development Cabinet to maximize efforts to retain and expand existing companies and attract new companies. In the event that such offers are made, and that disbursements are required to support those offers, funds shall be provided from the General Fund Surplus Account in an amount not to exceed \$1.5 million.

**Economic Development
Community Development**

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	2,879,100	3,065,700	3,254,300	2,652,300	2,652,300
Budget Reduction	-61,900				
Salary Compensation Fund	14,800				
Base Deduction	-113,600				
Other	-66,100				
Total General Fund	2,652,300	3,065,700	3,254,300	2,652,300	2,652,300
Restricted Funds					
Balance Forward	178,300	90,500		90,500	600
Non-Revenue Receipts	366,200	354,300	452,400	348,700	440,000
Total Restricted Funds	544,500	444,800	452,400	439,200	440,600
Federal Funds					
Balance Forward	4,000				
Current Receipts	151,400	155,400	155,400	155,400	155,400
Total Federal Funds	155,400	155,400	155,400	155,400	155,400
TOTAL SOURCE OF FUNDS	3,352,200	3,665,900	3,862,100	3,246,900	3,248,300
EXPENDITURES BY CLASS					
Personnel Cost	2,579,400	2,819,100	3,015,900	2,568,500	2,608,900
Operating Expenses	601,500	796,800	796,200	627,800	589,400
Grants, Loans or Benefits	80,800	50,000	50,000	50,000	50,000
TOTAL EXPENDITURES	3,261,700	3,665,900	3,862,100	3,246,300	3,248,300
EXPENDITURES BY FUND SOURCE					
General Fund	2,652,300	3,065,700	3,254,300	2,652,300	2,652,300
Restricted Funds	454,000	444,800	452,400	438,600	440,600
Federal Funds	155,400	155,400	155,400	155,400	155,400
TOTAL EXPENDITURES	3,261,700	3,665,900	3,862,100	3,246,300	3,248,300
EXPENDITURES BY UNIT					
Business & Entrepreneurship	780,300	840,000	883,300	764,900	744,500
Executive Policy & Management	500,200	569,200	605,800	512,500	522,600
Small & Minority Business	325,700	357,800	375,200	325,700	325,700
Regional Offices	1,101,200	1,260,000	1,342,000	1,088,900	1,101,200
International Trade	554,300	638,900	655,800	554,300	554,300
TOTAL EXPENDITURES	3,261,700	3,665,900	3,862,100	3,246,300	3,248,300

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

The International Trade Division (ITD) helps Kentucky companies become more competitive in global markets. The ITD emphasizes trade awareness and education. Staff provides assistance to Kentucky companies on trade-related issues and

participates in trade missions. The division demonstrates how local economic development groups might develop trade assistance programs.

- The Kentucky Agricultural and Commercial Trade Office located in Guadalajara, Mexico, is responsible for promoting the exports of Kentucky manufactured goods, services, and agricultural products throughout Mexico. This office is funded and operated cooperatively by the Kentucky Cabinet for Economic Development and the Kentucky Department of Agriculture.
- The Kentucky South America Trade Office located in Santiago, Chile is poised to take advantage of the recently signed U.S. Chile Free Trade Agreement and the impending Free Trade Agreement of the Americas. It will assist Kentucky companies in large and important markets throughout South America.

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

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

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

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

The three Regional Offices (East, West, and Central) work to retain and expand Kentucky's manufacturing and value added business base. These offices offer the only statewide industry visitation program to help Kentucky's business and industry improve their competitive positions and to access state incentive programs. Regional staff also assist communities and local economic development groups to improve their business infrastructure and to develop industrial sites.



2004-2006
Executive Budget

Department of Education

Department of Education

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	2,958,081,600	3,381,322,200	3,492,484,400	2,955,400,700	3,049,684,900
Continuing Appropriation	902,900				
Budget Reduction	-24,377,600				
Salary Compensation Fund	411,400				
Total General Fund	2,935,018,300	3,381,322,200	3,492,484,400	2,955,400,700	3,049,684,900
Tobacco Settlement-Phase I					
Tobacco Settlement - I	2,188,400	2,095,600	2,108,400	1,888,400	1,888,400
Continuing Appropriation	148,200				
Total Tobacco Settlement-Phase I	2,336,600	2,095,600	2,108,400	1,888,400	1,888,400
Restricted Funds					
Balance Forward	2,690,100	677,000		677,000	
Current Receipts	1,633,200	2,466,800	2,516,600	2,466,800	2,516,600
Non-Revenue Receipts	419,300	1,639,000	1,639,000	1,639,000	1,639,000
Fund Transfers	-101,600				
Total Restricted Funds	4,641,000	4,782,800	4,155,600	4,782,800	4,155,600
Federal Funds					
Balance Forward	1,241,700	85,200		85,200	
Current Receipts	524,237,300	524,857,500	525,101,600	524,857,500	525,101,600
Non-Revenue Receipts		149,300	149,300	149,300	149,300
Total Federal Funds	525,479,000	525,092,000	525,250,900	525,092,000	525,250,900
TOTAL SOURCE OF FUNDS	3,467,474,900	3,913,292,600	4,023,999,300	3,487,163,900	3,580,979,800
EXPENDITURES BY CLASS					
Personnel Cost	56,305,300	59,196,100	61,881,300	75,526,900	76,623,500
Operating Expenses	13,186,600	12,574,100	12,484,300	9,928,100	9,331,200
Grants, Loans or Benefits	3,397,220,800	3,841,522,400	3,949,633,700	3,401,708,900	3,495,025,100
TOTAL EXPENDITURES	3,466,712,700	3,913,292,600	4,023,999,300	3,487,163,900	3,580,979,800
EXPENDITURES BY FUND SOURCE					
General Fund	2,935,018,300	3,381,322,200	3,492,484,400	2,955,400,700	3,049,684,900
Tobacco Settlement-Phase I	2,336,600	2,095,600	2,108,400	1,888,400	1,888,400
Restricted Funds	3,964,000	4,782,800	4,155,600	4,782,800	4,155,600
Federal Funds	525,393,800	525,092,000	525,250,900	525,092,000	525,250,900
TOTAL EXPENDITURES	3,466,712,700	3,913,292,600	4,023,999,300	3,487,163,900	3,580,979,800
EXPENDITURES BY UNIT					
Support Education Excellence in Kentucky (SEEK)	2,362,379,000	2,682,177,800	2,700,641,100	2,379,656,200	2,460,722,900
Executive Policy and Management	1,172,300	734,200	771,400	687,900	687,900
Operations and Support Services	13,196,000	15,325,900	15,415,300	13,202,800	13,055,600
Learning and Results Services	1,089,965,400	1,215,054,700	1,307,171,500	1,093,617,000	1,106,513,400
TOTAL EXPENDITURES	3,466,712,700	3,913,292,600	4,023,999,300	3,487,163,900	3,580,979,800

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

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

Executive Order 2003-064 created the Education Cabinet and placed the Department of Education within the new cabinet.

Policy

The Executive Budget recommended appropriations for the Department of Education during the 2004-2006 biennium contain funding reductions in certain non-Support Education Excellence in Kentucky (SEEK) program areas. In light of the difficult budgetary environment, the recommended budget continues the policy established during the 2002-2004 biennium of designating five programs-Extended School Services, Preschool, Professional Development, Safe Schools, and Textbooks-“Flexible Focus Funds.” This permits local school districts to use discretion in the allocation of these funds while still addressing the governing statutes and serving the needs of the target populations.

Department of Education
Support Education Excellence in Kentucky (SEEK)

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	2,372,391,000	2,682,177,800	2,700,641,100	2,379,656,200	2,460,722,900
Budget Reduction	-10,012,000				
Total General Fund	2,362,379,000	2,682,177,800	2,700,641,100	2,379,656,200	2,460,722,900
TOTAL SOURCE OF FUNDS	2,362,379,000	2,682,177,800	2,700,641,100	2,379,656,200	2,460,722,900
EXPENDITURES BY CLASS					
Grants, Loans or Benefits	2,362,379,000	2,682,177,800	2,700,641,100	2,379,656,200	2,460,722,900
TOTAL EXPENDITURES	2,362,379,000	2,682,177,800	2,700,641,100	2,379,656,200	2,460,722,900
EXPENDITURES BY FUND SOURCE					
General Fund	2,362,379,000	2,682,177,800	2,700,641,100	2,379,656,200	2,460,722,900
TOTAL EXPENDITURES	2,362,379,000	2,682,177,800	2,700,641,100	2,379,656,200	2,460,722,900
EXPENDITURES BY UNIT					
Base Funding	1,661,366,300	1,932,988,100	1,947,955,500	1,649,753,300	1,635,841,100
Pupil Transportation	212,106,200	224,231,700	234,843,100	211,953,500	211,953,500
Equalized Facilities	58,810,800	73,618,800	69,040,400	64,658,700	60,939,700
Tier I Equalization	135,436,200	141,069,300	136,088,100	141,069,300	134,464,400
National Board Certification Salary Supplement	600,000	1,358,000	1,758,000	1,358,000	1,358,000
State-Run Vocational Schools Reimbursement	21,452,600	22,455,400	23,646,500	21,452,600	21,452,600
Vocational Education Transportation	2,416,900	2,416,900	2,416,900	2,416,900	2,416,900
Local District Teachers' Retirement Match	270,190,000	284,039,600	284,892,600	286,081,900	297,095,500
Classroom Teacher/Classified Staff Pay Increases				912,000	95,201,200
TOTAL EXPENDITURES	2,362,379,000	2,682,177,800	2,700,641,100	2,379,656,200	2,460,722,900

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

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

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

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

With regard to the equalization component of the SEEK program, every local school district is required to levy a minimum

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

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

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

Policy

The Executive Budget includes funding to maintain the base SEEK per pupil guarantee amount at \$3,191 in fiscal year 2005 and to increase the guarantee amount by \$7 to \$3,198 in fiscal year 2006.

The recommended budget is sufficient to accommodate projected average daily attendance of 573,915 in fiscal year 2005 and assumes aggregate local school district assessed property valuation of approximately \$218.9 billion. The recommended budget is sufficient to accommodate projected average daily attendance of 573,225 and assumes aggregate local school district assessed property valuation of approximately \$230 billion in fiscal year 2006. These projections reflect a consensus reached by the Kentucky Revenue Department, the Department of Education, and the Office of State Budget Director.

The Executive Budget maintains funding for the pupil transportation program at fiscal year 2004's level of \$211,953,500 in both fiscal year 2005 and fiscal year 2006.

Also included in the recommended budget is "hold harmless" funding to provide every school district with at least the same amount of SEEK funding per pupil during the 2004-2006 biennium as was provided in fiscal year 1992.

The Executive Budget includes \$141,069,300 in fiscal year 2005 and \$134,464,400 in fiscal year 2006 to provide Tier I equalization funding. This funding is projected to be sufficient to equalize local revenues raised under this SEEK component at a level of \$587,000 of assessed property valuation per student (150 percent of the projected statewide average per pupil) during the 2004-2006 biennium.

The Executive Budget provides funding for the Facilities Support Program of Kentucky (FSPK) in the amounts of \$64,658,700 in fiscal year 2005 and \$60,939,700 in fiscal year 2006. As with Tier I, these amounts are projected to be sufficient to equalize local district revenues raised under this program at a level of \$587,000 of assessed valuation per student. This funding level also continues to provide \$3 million in both fiscal year 2005 and fiscal year 2006 in additional equalization for those local school districts that have levied an additional five cents per hundred dollars of assessed valuation for building needs associated with enrollment growth. Besides levying the "second nickel," districts must levy a third five cents per hundred dollars of assessed valuation designated for facilities and must meet "growth district" criteria (at least a three percent increase amounting to at least 150 additional pupils during the previous five year period).

The recommended budget maintains funding of \$21,452,600 in both fiscal year 2005 and fiscal year 2006 to reimburse state-operated vocational facilities for the costs of providing course offerings to students from local school districts. Funding for vocational transportation is recommended to continue at the current level of \$2,416,900 during the 2004-2006 biennium.

The Executive Budget includes \$286,081,900 in fiscal year 2005 and \$297,095,500 in fiscal year 2006 for the Teachers' Retirement employer match on behalf of local school district personnel.

The recommended budget provides \$1,358,000 in both fiscal year 2005 and fiscal year 2006 for salary supplements of \$2,000 annually for teachers achieving and maintaining certification by the National Board for Professional Teaching Standards. As of February 2004, persons not already participating in the process of attaining National Board certification will not be eligible for the salary supplements.

The Executive Budget, by means of the accompanying appropriations act, includes a provision that all local school districts provide certified personnel serving as classroom teachers as well as all classified staff a one and one-half percent (1.5%) pay increase during fiscal year 2005. A pool of funding is included to assist any school district judged financially incapable of providing the raises. The recommended budget envisions a temporary suspension of the statutory requirement for a two percent local district fund balance and reserve during fiscal year 2005 for the sole purpose of providing districts the flexibility to pay the one and one-half percent (1.5%) pay increase.

In fiscal year 2006, the recommended budget contains funds to enable certified classroom teachers as well as classified personnel an additional three percent pay increase to be provided by all school districts. Additionally, the budget includes funding directed toward the recurring cost of fiscal 2005's one and one-half percent (1.5%) pay increase. In the event these direct General Funds to the local school districts to support the recurring cost of the one and one-half percent (1.5%) pay increase is not sufficient, the General Fund Surplus Expenditure Plan included in the Executive Branch Appropriations Bill will supplement these funds up to the amount necessary.

**Department of Education
Executive Policy and Management**

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	1,184,900	734,200	771,400	687,900	687,900
Budget Reduction	-15,600				
Salary Compensation Fund	3,000				
Total General Fund	1,172,300	734,200	771,400	687,900	687,900
TOTAL SOURCE OF FUNDS	1,172,300	734,200	771,400	687,900	687,900
EXPENDITURES BY CLASS					
Personnel Cost	552,800	599,100	636,300	568,400	582,500
Operating Expenses	135,100	135,100	135,100	119,500	105,400
Grants, Loans or Benefits	484,400				
TOTAL EXPENDITURES	1,172,300	734,200	771,400	687,900	687,900
EXPENDITURES BY FUND SOURCE					
General Fund	1,172,300	734,200	771,400	687,900	687,900
TOTAL EXPENDITURES	1,172,300	734,200	771,400	687,900	687,900
EXPENDITURES BY UNIT					
Commissioner	1,065,500	627,400	664,600	581,100	581,100
Kentucky Board of Education	106,800	106,800	106,800	106,800	106,800
TOTAL EXPENDITURES	1,172,300	734,200	771,400	687,900	687,900

The Department of Education's Executive Policy and Management function consists of the Commissioner of Education and the Kentucky Board of Education.

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

As part of the same legislation, the General Assembly, in KRS 156.029, created an 11 member Kentucky Board of Education. Board members are appointed by the Governor and confirmed by the Senate and the House of Representatives. Seven members are selected from each of the state's Supreme Court districts and four are appointed from the state at large. Board members serve four-year staggered terms. The Executive Director of the Council on Postsecondary Education serves as an ex officio non-voting board member. Overall policy regarding public elementary and secondary education in Kentucky is set by the Kentucky Board of Education within the legal framework established by the General Assembly.

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

**Department of Education
Operations and Support Services**

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	10,389,300	12,411,700	13,033,100	10,288,600	10,673,400
Salary Compensation Fund	70,100				
Total General Fund	10,459,400	12,411,700	13,033,100	10,288,600	10,673,400
Restricted Funds					
Balance Forward	1,799,500	581,800		581,800	
Current Receipts	627,400	815,600	865,400	815,600	865,400
Non-Revenue Receipts	419,300	1,489,000	1,489,000	1,489,000	1,489,000
Fund Transfers	-101,600				
Total Restricted Funds	2,744,600	2,886,400	2,354,400	2,886,400	2,354,400
Federal Funds					
Balance Forward	19,000				
Current Receipts	554,800	27,800	27,800	27,800	27,800
Total Federal Funds	573,800	27,800	27,800	27,800	27,800
TOTAL SOURCE OF FUNDS	13,777,800	15,325,900	15,415,300	13,202,800	13,055,600
EXPENDITURES BY CLASS					
Personnel Cost	8,528,200	10,434,200	11,059,500	8,847,800	9,150,700
Operating Expenses	4,094,000	4,322,600	4,328,000	3,785,900	3,877,100
Grants, Loans or Benefits	573,800	569,100	27,800	569,100	27,800
TOTAL EXPENDITURES	13,196,000	15,325,900	15,415,300	13,202,800	13,055,600
EXPENDITURES BY FUND SOURCE					
General Fund	10,459,400	12,411,700	13,033,100	10,288,600	10,673,400
Restricted Funds	2,162,800	2,886,400	2,354,400	2,886,400	2,354,400
Federal Funds	573,800	27,800	27,800	27,800	27,800
TOTAL EXPENDITURES	13,196,000	15,325,900	15,415,300	13,202,800	13,055,600
EXPENDITURES BY UNIT					
Deputy Commissioner	220,400	231,800	244,900	212,300	212,300
Internal Administration and Support	8,977,000	10,840,200	10,737,900	9,316,500	9,075,300
Legal and Legislative Services	333,500	441,500	461,900	574,300	684,200
Communications	2,337,300	1,905,300	2,001,000	1,747,000	1,730,500
Results Planning	1,327,800	1,907,100	1,969,600	1,352,700	1,353,300
TOTAL EXPENDITURES	13,196,000	15,325,900	15,415,300	13,202,800	13,055,600

The Operations and Support Services Program area consists of the Office of Internal Administration, Office of Legal and Legislative Services, Office of Communications, and Office of Results Planning.

**Department of Education
Operations and Support Services
Deputy Commissioner**

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	220,400	231,800	244,900	212,300	212,300
Total General Fund	220,400	231,800	244,900	212,300	212,300
TOTAL SOURCE OF FUNDS	220,400	231,800	244,900	212,300	212,300
EXPENDITURES BY CLASS					
Personnel Cost	192,900	204,300	217,400	193,200	198,300
Operating Expenses	27,500	27,500	27,500	19,100	14,000
TOTAL EXPENDITURES	220,400	231,800	244,900	212,300	212,300
EXPENDITURES BY FUND SOURCE					
General Fund	220,400	231,800	244,900	212,300	212,300
TOTAL EXPENDITURES	220,400	231,800	244,900	212,300	212,300

The Deputy Commissioner and associated support staff provide policy and administrative direction for the Operations and Support Services program area. The Deputy Commissioner reports directly to the Commissioner of Education.

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

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	7,127,600	8,307,700	8,696,900	6,784,000	7,034,300
Total General Fund	7,127,600	8,307,700	8,696,900	6,784,000	7,034,300
Restricted Funds					
Balance Forward	1,467,600	541,300		541,300	
Current Receipts	605,400	740,200	790,000	740,200	790,000
Non-Revenue Receipts	419,300	1,251,000	1,251,000	1,251,000	1,251,000
Fund Transfers	-101,600				
Total Restricted Funds	2,390,700	2,532,500	2,041,000	2,532,500	2,041,000
TOTAL SOURCE OF FUNDS	9,518,300	10,840,200	10,737,900	9,316,500	9,075,300
EXPENDITURES BY CLASS					
Personnel Cost	5,580,300	6,714,100	7,107,200	5,504,500	5,679,000
Operating Expenses	3,396,700	3,584,800	3,630,700	3,270,700	3,396,300
Grants, Loans or Benefits		541,300		541,300	
TOTAL EXPENDITURES	8,977,000	10,840,200	10,737,900	9,316,500	9,075,300
EXPENDITURES BY FUND SOURCE					
General Fund	7,127,600	8,307,700	8,696,900	6,784,000	7,034,300
Restricted Funds	1,849,400	2,532,500	2,041,000	2,532,500	2,041,000
TOTAL EXPENDITURES	8,977,000	10,840,200	10,737,900	9,316,500	9,075,300
EXPENDITURES BY UNIT					
Associate Commissioner	534,300	561,700	591,200	537,300	549,600
Budgets	682,300	919,400	982,400	611,400	626,600
Financial and Materials Management	3,213,700	3,957,300	3,513,500	3,466,000	3,062,300
KDE Teachers' Retirement Match	2,553,900	3,224,100	3,376,200	2,531,700	2,607,800
Administrative Services	1,427,100	1,573,000	1,627,300	1,603,800	1,648,300
Human Resources	565,700	604,700	647,300	566,300	580,700
TOTAL EXPENDITURES	8,977,000	10,840,200	10,737,900	9,316,500	9,075,300

The Office of Internal Administration and Support consists of the following divisions: Budgets; Financial and Materials Management; Administrative Services; and Human Resources.

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

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

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

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

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

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	333,500	441,500	461,900	574,300	684,200
Total General Fund	333,500	441,500	461,900	574,300	684,200
TOTAL SOURCE OF FUNDS	333,500	441,500	461,900	574,300	684,200
EXPENDITURES BY CLASS					
Personnel Cost	284,500	392,500	412,900	474,300	534,200
Operating Expenses	49,000	49,000	49,000	100,000	150,000
TOTAL EXPENDITURES	333,500	441,500	461,900	574,300	684,200
EXPENDITURES BY FUND SOURCE					
General Fund	333,500	441,500	461,900	574,300	684,200
TOTAL EXPENDITURES	333,500	441,500	461,900	574,300	684,200
EXPENDITURES BY UNIT					
Associate Commissioner	333,500			374,300	384,200
BOSS-Management Assistance Program				200,000	300,000
TOTAL EXPENDITURES	333,500			574,300	684,200

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

Policy

The Executive Budget restores General Fund support - \$200,000 in fiscal year 2005 and \$300,000 in fiscal year 2006 - for the Management Assistance Program. Funding for this program in fiscal year 2004 eliminated by the 2003 Regular Session of the General Assembly. The Management Assistance Program provides both oversight and assistance to local school districts, with emphasis on proper financial management and instructional leadership in support of schools' and districts' movement toward student proficiency by 2014.

**Department of Education
Operations and Support Services
Communications**

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	1,650,100	1,747,600	1,859,800	1,589,300	1,589,300
Total General Fund	1,650,100	1,747,600	1,859,800	1,589,300	1,589,300
Restricted Funds					
Balance Forward	107,900	16,500		16,500	
Current Receipts	22,000	75,400	75,400	75,400	75,400
Non-Revenue Receipts		38,000	38,000	38,000	38,000
Total Restricted Funds	129,900	129,900	113,400	129,900	113,400
Federal Funds					
Balance Forward	19,000				
Current Receipts	554,800	27,800	27,800	27,800	27,800
Total Federal Funds	573,800	27,800	27,800	27,800	27,800
TOTAL SOURCE OF FUNDS	2,353,800	1,905,300	2,001,000	1,747,000	1,730,500
EXPENDITURES BY CLASS					
Personnel Cost	1,554,400	1,651,900	1,764,100	1,547,100	1,585,900
Operating Expenses	209,100	225,600	209,100	172,100	116,800
Grants, Loans or Benefits	573,800	27,800	27,800	27,800	27,800
TOTAL EXPENDITURES	2,337,300	1,905,300	2,001,000	1,747,000	1,730,500
EXPENDITURES BY FUND SOURCE					
General Fund	1,650,100	1,747,600	1,859,800	1,589,300	1,589,300
Restricted Funds	113,400	129,900	113,400	129,900	113,400
Federal Funds	573,800	27,800	27,800	27,800	27,800
TOTAL EXPENDITURES	2,337,300	1,905,300	2,001,000	1,747,000	1,730,500
EXPENDITURES BY UNIT					
Associate Commissioner	639,600	672,300	709,300	618,800	618,800
Publications/Web Services	1,265,700	776,500	806,100	712,100	695,600
Video/Multimedia Services	432,000	456,500	485,600	416,100	416,100
TOTAL EXPENDITURES	2,337,300	1,905,300	2,001,000	1,747,000	1,730,500

The Office of Communications is a stand-alone entity reporting directly to the Commissioner of Education. For budgeting purposes, the office is part of the Operations and Support Services appropriation unit.

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

**Department of Education
Operations and Support Services
Results Planning**

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	1,057,700	1,683,100	1,769,600	1,128,700	1,153,300
Salary Compensation Fund	70,100				
Total General Fund	1,127,800	1,683,100	1,769,600	1,128,700	1,153,300
Restricted Funds					
Balance Forward	224,000	24,000		24,000	
Non-Revenue Receipts		200,000	200,000	200,000	200,000
Total Restricted Funds	224,000	224,000	200,000	224,000	200,000
TOTAL SOURCE OF FUNDS	1,351,800	1,907,100	1,969,600	1,352,700	1,353,300
EXPENDITURES BY CLASS					
Personnel Cost	916,100	1,471,400	1,557,900	1,128,700	1,153,300
Operating Expenses	411,700	435,700	411,700	224,000	200,000
TOTAL EXPENDITURES	1,327,800	1,907,100	1,969,600	1,352,700	1,353,300
EXPENDITURES BY FUND SOURCE					
General Fund	1,127,800	1,683,100	1,769,600	1,128,700	1,153,300
Restricted Funds	200,000	224,000	200,000	224,000	200,000
TOTAL EXPENDITURES	1,327,800	1,907,100	1,969,600	1,352,700	1,353,300
EXPENDITURES BY UNIT					
Associate Commissioner	353,900	418,500	442,300	376,100	386,100
Virtual Learning	475,500	761,500	757,800	424,000	400,000
Data Policy Mgmt Research	498,400	727,100	769,500	552,600	567,200
TOTAL EXPENDITURES	1,327,800	1,907,100	1,969,600	1,352,700	1,353,300

The Office of Results Planning is a stand-alone entity reporting directly to the Commissioner of Education. For purposes of budgeting, the office is included within the Operations and Support Services appropriation unit.

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

**Department of Education
Learning and Results Services**

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	574,116,400	685,998,500	778,038,800	564,768,000	577,600,700
Continuing Appropriation	902,900				
Budget Reduction	-14,350,000				
Salary Compensation Fund	338,300				
Total General Fund	561,007,600	685,998,500	778,038,800	564,768,000	577,600,700
Tobacco Settlement-Phase I					
Tobacco Settlement - I	2,188,400	2,095,600	2,108,400	1,888,400	1,888,400
Continuing Appropriation	148,200				
Total Tobacco Settlement-Phase I	2,336,600	2,095,600	2,108,400	1,888,400	1,888,400
Restricted Funds					
Balance Forward	890,600	95,200		95,200	
Current Receipts	1,005,800	1,651,200	1,651,200	1,651,200	1,651,200
Non-Revenue Receipts		150,000	150,000	150,000	150,000
Total Restricted Funds	1,896,400	1,896,400	1,801,200	1,896,400	1,801,200
Federal Funds					
Balance Forward	1,222,700	85,200		85,200	
Current Receipts	523,682,500	524,829,700	525,073,800	524,829,700	525,073,800
Non-Revenue Receipts		149,300	149,300	149,300	149,300
Total Federal Funds	524,905,200	525,064,200	525,223,100	525,064,200	525,223,100
TOTAL SOURCE OF FUNDS	1,090,145,800	1,215,054,700	1,307,171,500	1,093,617,000	1,106,513,400
EXPENDITURES BY CLASS					
Personnel Cost	47,224,300	48,162,800	50,185,500	66,110,700	66,890,300
Operating Expenses	8,957,500	8,116,400	8,021,200	6,022,700	5,348,700
Grants, Loans or Benefits	1,033,783,600	1,158,775,500	1,248,964,800	1,021,483,600	1,034,274,400
TOTAL EXPENDITURES	1,089,965,400	1,215,054,700	1,307,171,500	1,093,617,000	1,106,513,400
EXPENDITURES BY FUND SOURCE					
General Fund	561,007,600	685,998,500	778,038,800	564,768,000	577,600,700
Tobacco Settlement-Phase I	2,336,600	2,095,600	2,108,400	1,888,400	1,888,400
Restricted Funds	1,801,200	1,896,400	1,801,200	1,896,400	1,801,200
Federal Funds	524,820,000	525,064,200	525,223,100	525,064,200	525,223,100
TOTAL EXPENDITURES	1,089,965,400	1,215,054,700	1,307,171,500	1,093,617,000	1,106,513,400
EXPENDITURES BY UNIT					
Deputy Commissioner	14,862,800	15,427,400	15,355,300	7,211,500	8,169,600
Special Instructional Services	329,163,600	330,617,300	331,682,900	328,033,700	328,125,100
Leadership and School Improvement	9,840,800	10,503,700	10,618,700	8,597,200	8,600,500
Supportive Learning Environments	67,040,400	69,040,200	69,195,200	64,502,600	64,739,900
Assessment and Accountability	16,077,600	25,616,200	25,685,400	15,497,800	15,508,500
Academic and Professional Development	124,786,700	152,791,600	174,681,800	108,828,700	105,179,300
District Support Services	499,074,100	579,915,500	648,663,000	535,033,300	550,269,700
Education Technology	29,119,400	31,142,800	31,289,200	25,912,200	25,920,800
TOTAL EXPENDITURES	1,089,965,400	1,215,054,700	1,307,171,500	1,093,617,000	1,106,513,400

The Learning and Results Services program area consists of the following offices: Special Instructional Services; Leadership and School Improvement; Supportive Learning Environments; Assessment and Accountability; Academic and Professional Development; District Support Services; and Education Technology. Each office is headed by an associate commissioner.

**Department of Education
Learning and Results Services
Deputy Commissioner**

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	15,180,600	15,192,900	15,206,000	6,977,000	8,020,300
Budget Reduction	-467,100				
Total General Fund	14,713,500	15,192,900	15,206,000	6,977,000	8,020,300
Federal Funds					
Balance Forward	234,500	85,200		85,200	
Non-Revenue Receipts		149,300	149,300	149,300	149,300
Total Federal Funds	234,500	234,500	149,300	234,500	149,300
TOTAL SOURCE OF FUNDS	14,948,000	15,427,400	15,355,300	7,211,500	8,169,600
EXPENDITURES BY CLASS					
Personnel Cost	296,100	393,600	321,500	274,600	195,600
Operating Expenses	552,700	552,700	552,700	200,200	194,000
Grants, Loans or Benefits	14,014,000	14,481,100	14,481,100	6,736,700	7,780,000
TOTAL EXPENDITURES	14,862,800	15,427,400	15,355,300	7,211,500	8,169,600
EXPENDITURES BY FUND SOURCE					
General Fund	14,713,500	15,192,900	15,206,000	6,977,000	8,020,300
Federal Funds	149,300	234,500	149,300	234,500	149,300
TOTAL EXPENDITURES	14,862,800	15,427,400	15,355,300	7,211,500	8,169,600
EXPENDITURES BY UNIT					
Deputy Commissioner	249,500	261,800	274,900	240,300	240,300
National Center Education Statistics Project	149,300	234,500	149,300	234,500	149,300
Staff Development	14,071,200	14,525,600	14,525,600	6,736,700	7,780,000
Statewide Teacher Recruitment	392,800	405,500	405,500		
TOTAL EXPENDITURES	14,862,800	15,427,400	15,355,300	7,211,500	8,169,600

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

Policy

The Executive Budget continues to include Professional Development as one of five Flexible Focus Funds programs that may be modified to permit local school districts additional flexibility in the distribution of program funds across the five programs while still conforming to the governing statutes and meeting the needs of the target population.

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

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	26,774,600	27,708,800	28,710,900	25,125,200	25,153,100
Budget Reduction	-322,500				
Total General Fund	26,452,100	27,708,800	28,710,900	25,125,200	25,153,100
Restricted Funds					
Balance Forward	623,800	95,200		95,200	
Current Receipts	547,600	926,200	926,200	926,200	926,200
Non-Revenue Receipts		150,000	150,000	150,000	150,000
Total Restricted Funds	1,171,400	1,171,400	1,076,200	1,171,400	1,076,200
Federal Funds					
Balance Forward	153,700				
Current Receipts	301,481,600	301,737,100	301,895,800	301,737,100	301,895,800
Total Federal Funds	301,635,300	301,737,100	301,895,800	301,737,100	301,895,800
TOTAL SOURCE OF FUNDS	329,258,800	330,617,300	331,682,900	328,033,700	328,125,100
EXPENDITURES BY CLASS					
Personnel Cost	18,051,300	19,091,300	20,252,100	18,333,300	18,961,500
Operating Expenses	2,432,500	2,527,700	2,432,500	2,023,100	1,486,300
Grants, Loans or Benefits	308,679,800	308,998,300	308,998,300	307,677,300	307,677,300
TOTAL EXPENDITURES	329,163,600	330,617,300	331,682,900	328,033,700	328,125,100
EXPENDITURES BY FUND SOURCE					
General Fund	26,452,100	27,708,800	28,710,900	25,125,200	25,153,100
Restricted Funds	1,076,200	1,171,400	1,076,200	1,171,400	1,076,200
Federal Funds	301,635,300	301,737,100	301,895,800	301,737,100	301,895,800
TOTAL EXPENDITURES	329,163,600	330,617,300	331,682,900	328,033,700	328,125,100
EXPENDITURES BY UNIT					
Associate Commissioner	485,900	514,200	545,100	433,500	446,300
Exceptional Children Services	89,053,600	89,114,600	89,204,300	89,104,300	89,186,300
Career and Technical Education	19,777,800	20,172,800	20,265,000	18,794,400	18,812,900
Federal Program Resources	205,380,400	205,426,100	205,499,400	205,426,100	205,499,400
Kentucky School for the Blind	5,885,600	6,226,700	6,582,000	5,768,700	5,768,700
Kentucky School for the Deaf	8,580,300	9,162,900	9,587,100	8,506,700	8,411,500
TOTAL EXPENDITURES	329,163,600	330,617,300	331,682,900	328,033,700	328,125,100

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

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

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	485,900	514,200	545,100	433,500	446,300
Total General Fund	485,900	514,200	545,100	433,500	446,300
TOTAL SOURCE OF FUNDS	485,900	514,200	545,100	433,500	446,300
EXPENDITURES BY CLASS					
Personnel Cost	477,700	506,000	536,900	425,300	438,100
Operating Expenses	8,200	8,200	8,200	8,200	8,200
TOTAL EXPENDITURES	485,900	514,200	545,100	433,500	446,300
EXPENDITURES BY FUND SOURCE					
General Fund	485,900	514,200	545,100	433,500	446,300
TOTAL EXPENDITURES	485,900	514,200	545,100	433,500	446,300

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

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

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	229,700	236,200	244,000	225,900	226,000
Total General Fund	229,700	236,200	244,000	225,900	226,000
Restricted Funds					
Balance Forward	9,900				
Current Receipts	47,900	57,800	57,800	57,800	57,800
Total Restricted Funds	57,800	57,800	57,800	57,800	57,800
Federal Funds					
Balance Forward	33,400				
Current Receipts	88,732,700	88,820,600	88,902,500	88,820,600	88,902,500
Total Federal Funds	88,766,100	88,820,600	88,902,500	88,820,600	88,902,500
TOTAL SOURCE OF FUNDS	89,053,600	89,114,600	89,204,300	89,104,300	89,186,300
EXPENDITURES BY CLASS					
Personnel Cost	1,534,800	1,588,400	1,678,100	1,582,600	1,664,600
Operating Expenses	179,700	179,700	179,700	175,200	175,200
Grants, Loans or Benefits	87,339,100	87,346,500	87,346,500	87,346,500	87,346,500
TOTAL EXPENDITURES	89,053,600	89,114,600	89,204,300	89,104,300	89,186,300
EXPENDITURES BY FUND SOURCE					
General Fund	229,700	236,200	244,000	225,900	226,000
Restricted Funds	57,800	57,800	57,800	57,800	57,800
Federal Funds	88,766,100	88,820,600	88,902,500	88,820,600	88,902,500
TOTAL EXPENDITURES	89,053,600	89,114,600	89,204,300	89,104,300	89,186,300
EXPENDITURES BY UNIT					
Exceptional Children Services	88,931,700	88,992,700	89,082,400	88,986,900	89,068,900
Special Education Mentors	121,900	121,900	121,900	117,400	117,400
TOTAL EXPENDITURES	89,053,600	89,114,600	89,204,300	89,104,300	89,186,300

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

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

Special Education Mentors -- Mentors work in schools and districts where special education programs are not in compliance with state or federal requirements. Mentors assist in creating and implementing improvement plans and work to increase the effectiveness of staff and relevant entities.

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

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

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

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

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	11,793,100	11,864,000	11,952,700	10,485,600	10,500,600
Budget Reduction	-322,500				
Total General Fund	11,470,600	11,864,000	11,952,700	10,485,600	10,500,600
Restricted Funds					
Balance Forward	347,200				
Current Receipts	453,200	800,400	800,400	800,400	800,400
Total Restricted Funds	800,400	800,400	800,400	800,400	800,400
Federal Funds					
Balance Forward	8,700				
Current Receipts	7,498,100	7,508,400	7,511,900	7,508,400	7,511,900
Total Federal Funds	7,506,800	7,508,400	7,511,900	7,508,400	7,511,900
TOTAL SOURCE OF FUNDS	19,777,800	20,172,800	20,265,000	18,794,400	18,812,900
EXPENDITURES BY CLASS					
Personnel Cost	1,745,100	1,818,300	1,910,500	1,760,900	1,779,400
Operating Expenses	615,400	615,400	615,400	615,400	615,400
Grants, Loans or Benefits	17,417,300	17,739,100	17,739,100	16,418,100	16,418,100
TOTAL EXPENDITURES	19,777,800	20,172,800	20,265,000	18,794,400	18,812,900
EXPENDITURES BY FUND SOURCE					
General Fund	11,470,600	11,864,000	11,952,700	10,485,600	10,500,600
Restricted Funds	800,400	800,400	800,400	800,400	800,400
Federal Funds	7,506,800	7,508,400	7,511,900	7,508,400	7,511,900
TOTAL EXPENDITURES	19,777,800	20,172,800	20,265,000	18,794,400	18,812,900

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

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

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

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

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

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
Restricted Funds					
Balance Forward	13,700				
Current Receipts	4,300	18,000	18,000	18,000	18,000
Total Restricted Funds	18,000	18,000	18,000	18,000	18,000
Federal Funds					
Balance Forward	111,600				
Current Receipts	205,250,800	205,408,100	205,481,400	205,408,100	205,481,400
Total Federal Funds	205,362,400	205,408,100	205,481,400	205,408,100	205,481,400
TOTAL SOURCE OF FUNDS	205,380,400	205,426,100	205,499,400	205,426,100	205,499,400
EXPENDITURES BY CLASS					
Personnel Cost	1,439,000	1,495,400	1,568,700	1,495,400	1,568,700
Operating Expenses	18,000	18,000	18,000	18,000	18,000
Grants, Loans or Benefits	203,923,400	203,912,700	203,912,700	203,912,700	203,912,700
TOTAL EXPENDITURES	205,380,400	205,426,100	205,499,400	205,426,100	205,499,400
EXPENDITURES BY FUND SOURCE					
Restricted Funds	18,000	18,000	18,000	18,000	18,000
Federal Funds	205,362,400	205,408,100	205,481,400	205,408,100	205,481,400
TOTAL EXPENDITURES	205,380,400	205,426,100	205,499,400	205,426,100	205,499,400
EXPENDITURES BY UNIT					
Title I	145,099,100	145,136,200	145,192,800	145,136,200	145,192,800
Title VI	7,000,000	7,000,800	7,004,000	7,000,800	7,004,000
Other Federal Programs	53,281,300	53,289,100	53,302,600	53,289,100	53,302,600
TOTAL EXPENDITURES	205,380,400	205,426,100	205,499,400	205,426,100	205,499,400

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

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

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

Other grant programs administered by this division include: Drug-Free Schools and Communities program; Eisenhower Professional Development program; and the Foreign Language Assistance program.

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

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	5,835,600	6,176,700	6,532,000	5,718,700	5,718,700
Total General Fund	5,835,600	6,176,700	6,532,000	5,718,700	5,718,700
Restricted Funds					
Balance Forward	7,800				
Current Receipts	42,200	50,000	50,000	50,000	50,000
Total Restricted Funds	50,000	50,000	50,000	50,000	50,000
TOTAL SOURCE OF FUNDS	5,885,600	6,226,700	6,582,000	5,768,700	5,768,700
EXPENDITURES BY CLASS					
Personnel Cost	5,246,200	5,587,300	5,942,600	5,293,700	5,437,700
Operating Expenses	639,400	639,400	639,400	475,000	331,000
TOTAL EXPENDITURES	5,885,600	6,226,700	6,582,000	5,768,700	5,768,700
EXPENDITURES BY FUND SOURCE					
General Fund	5,835,600	6,176,700	6,532,000	5,718,700	5,718,700
Restricted Funds	50,000	50,000	50,000	50,000	50,000
TOTAL EXPENDITURES	5,885,600	6,226,700	6,582,000	5,768,700	5,768,700

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

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

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

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

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

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

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

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	8,430,300	8,917,700	9,437,100	8,261,500	8,261,500
Total General Fund	8,430,300	8,917,700	9,437,100	8,261,500	8,261,500
Restricted Funds					
Balance Forward	245,200	95,200		95,200	
Non-Revenue Receipts		150,000	150,000	150,000	150,000
Total Restricted Funds	245,200	245,200	150,000	245,200	150,000
TOTAL SOURCE OF FUNDS	8,675,500	9,162,900	9,587,100	8,506,700	8,411,500
EXPENDITURES BY CLASS					
Personnel Cost	7,608,500	8,095,900	8,615,300	7,775,400	8,073,000
Operating Expenses	971,800	1,067,000	971,800	731,300	338,500
TOTAL EXPENDITURES	8,580,300	9,162,900	9,587,100	8,506,700	8,411,500
EXPENDITURES BY FUND SOURCE					
General Fund	8,430,300	8,917,700	9,437,100	8,261,500	8,261,500
Restricted Funds	150,000	245,200	150,000	245,200	150,000
TOTAL EXPENDITURES	8,580,300	9,162,900	9,587,100	8,506,700	8,411,500

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

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

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

Policy

The Executive Budget includes General Fund debt service support to replace the heating, ventilation, and air conditioning systems and to otherwise upgrade New Lee Hall at the Kentucky School for the Deaf.

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

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	9,844,100	10,444,200	10,559,200	8,537,700	8,541,000
Budget Reduction	-62,800				
Total General Fund	9,781,300	10,444,200	10,559,200	8,537,700	8,541,000
Restricted Funds					
Current Receipts	15,000	15,000	15,000	15,000	15,000
Total Restricted Funds	15,000	15,000	15,000	15,000	15,000
Federal Funds					
Current Receipts	44,500	44,500	44,500	44,500	44,500
Total Federal Funds	44,500	44,500	44,500	44,500	44,500
TOTAL SOURCE OF FUNDS	9,840,800	10,503,700	10,618,700	8,597,200	8,600,500
EXPENDITURES BY CLASS					
Personnel Cost	6,912,400	7,012,500	7,127,500	6,201,400	6,227,800
Operating Expenses	985,000	985,000	985,000	834,300	811,200
Grants, Loans or Benefits	1,943,400	2,506,200	2,506,200	1,561,500	1,561,500
TOTAL EXPENDITURES	9,840,800	10,503,700	10,618,700	8,597,200	8,600,500
EXPENDITURES BY FUND SOURCE					
General Fund	9,781,300	10,444,200	10,559,200	8,537,700	8,541,000
Restricted Funds	15,000	15,000	15,000	15,000	15,000
Federal Funds	44,500	44,500	44,500	44,500	44,500
TOTAL EXPENDITURES	9,840,800	10,503,700	10,618,700	8,597,200	8,600,500
EXPENDITURES BY UNIT					
Associate Commissioner	308,300	324,000	341,400	296,900	296,900
Instructional Leadership Development	668,100	702,100	739,500	643,800	644,000
School Improvement	8,864,400	9,477,600	9,537,800	7,656,500	7,659,600
TOTAL EXPENDITURES	9,840,800	10,503,700	10,618,700	8,597,200	8,600,500

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

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

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	308,300	324,000	341,400	296,900	296,900
Total General Fund	308,300	324,000	341,400	296,900	296,900
TOTAL SOURCE OF FUNDS	308,300	324,000	341,400	296,900	296,900
EXPENDITURES BY CLASS					
Personnel Cost	282,600	298,300	315,700	272,100	277,600
Operating Expenses	25,700	25,700	25,700	24,800	19,300
TOTAL EXPENDITURES	308,300	324,000	341,400	296,900	296,900
EXPENDITURES BY FUND SOURCE					
General Fund	308,300	324,000	341,400	296,900	296,900
TOTAL EXPENDITURES	308,300	324,000	341,400	296,900	296,900

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

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

	<u>Revised FY 2004</u>	<u>Requested FY 2005</u>	<u>Requested FY 2006</u>	<u>Recommended FY 2005</u>	<u>Recommended FY 2006</u>
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	656,200	687,100	724,500	628,800	629,000
Budget Reduction	-3,100				
Total General Fund	<u>653,100</u>	<u>687,100</u>	<u>724,500</u>	<u>628,800</u>	<u>629,000</u>
Restricted Funds					
Current Receipts	15,000	15,000	15,000	15,000	15,000
Total Restricted Funds	<u>15,000</u>	<u>15,000</u>	<u>15,000</u>	<u>15,000</u>	<u>15,000</u>
TOTAL SOURCE OF FUNDS	<u>668,100</u>	<u>702,100</u>	<u>739,500</u>	<u>643,800</u>	<u>644,000</u>
EXPENDITURES BY CLASS					
Personnel Cost	536,000	566,900	604,300	508,600	518,100
Operating Expenses	37,700	37,700	37,700	37,700	28,400
Grants, Loans or Benefits	94,400	97,500	97,500	97,500	97,500
TOTAL EXPENDITURES	<u>668,100</u>	<u>702,100</u>	<u>739,500</u>	<u>643,800</u>	<u>644,000</u>
EXPENDITURES BY FUND SOURCE					
General Fund	653,100	687,100	724,500	628,800	629,000
Restricted Funds	15,000	15,000	15,000	15,000	15,000
TOTAL EXPENDITURES	<u>668,100</u>	<u>702,100</u>	<u>739,500</u>	<u>643,800</u>	<u>644,000</u>

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

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

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

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	8,879,600	9,433,100	9,493,300	7,612,000	7,615,100
Budget Reduction	-59,700				
Total General Fund	8,819,900	9,433,100	9,493,300	7,612,000	7,615,100
Federal Funds					
Current Receipts	44,500	44,500	44,500	44,500	44,500
Total Federal Funds	44,500	44,500	44,500	44,500	44,500
TOTAL SOURCE OF FUNDS	8,864,400	9,477,600	9,537,800	7,656,500	7,659,600
EXPENDITURES BY CLASS					
Personnel Cost	6,093,800	6,147,300	6,207,500	5,420,700	5,432,100
Operating Expenses	921,600	921,600	921,600	771,800	763,500
Grants, Loans or Benefits	1,849,000	2,408,700	2,408,700	1,464,000	1,464,000
TOTAL EXPENDITURES	8,864,400	9,477,600	9,537,800	7,656,500	7,659,600
EXPENDITURES BY FUND SOURCE					
General Fund	8,819,900	9,433,100	9,493,300	7,612,000	7,615,100
Federal Funds	44,500	44,500	44,500	44,500	44,500
TOTAL EXPENDITURES	8,864,400	9,477,600	9,537,800	7,656,500	7,659,600
EXPENDITURES BY UNIT					
School Improvement	449,400	974,300	1,001,900	429,700	432,800
Commonwealth School Improvement	2,016,300	2,077,900	2,081,400	1,626,800	1,626,800
Highly Skilled Educators	6,398,700	6,425,400	6,454,500	5,600,000	5,600,000
TOTAL EXPENDITURES	8,864,400	9,477,600	9,537,800	7,656,500	7,659,600

The Division of School Improvement administers the Kentucky Highly Skilled Educators program and assists those schools identified by the CATS assessment and the Kentucky Board of Education as low-performing schools. Part of such assistance is provided via the Commonwealth School Improvement Fund; funds are provided schools to assist in developing and implementing strategies to raise a school's performance level.

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

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	58,246,700	58,360,800	58,510,500	53,823,200	54,055,200
Budget Reduction	-2,050,500				
Salary Compensation Fund	169,200				
Total General Fund	56,365,400	58,360,800	58,510,500	53,823,200	54,055,200
Restricted Funds					
Balance Forward	35,800				
Current Receipts	339,200	375,000	375,000	375,000	375,000
Total Restricted Funds	375,000	375,000	375,000	375,000	375,000
Federal Funds					
Balance Forward	63,200				
Current Receipts	10,236,800	10,304,400	10,309,700	10,304,400	10,309,700
Total Federal Funds	10,300,000	10,304,400	10,309,700	10,304,400	10,309,700
TOTAL SOURCE OF FUNDS	67,040,400	69,040,200	69,195,200	64,502,600	64,739,900
EXPENDITURES BY CLASS					
Personnel Cost	1,930,100	1,880,100	2,035,100	1,759,600	1,793,700
Operating Expenses	643,400	643,400	643,400	598,400	596,100
Grants, Loans or Benefits	64,466,900	66,516,700	66,516,700	62,144,600	62,350,100
TOTAL EXPENDITURES	67,040,400	69,040,200	69,195,200	64,502,600	64,739,900
EXPENDITURES BY FUND SOURCE					
General Fund	56,365,400	58,360,800	58,510,500	53,823,200	54,055,200
Restricted Funds	375,000	375,000	375,000	375,000	375,000
Federal Funds	10,300,000	10,304,400	10,309,700	10,304,400	10,309,700
TOTAL EXPENDITURES	67,040,400	69,040,200	69,195,200	64,502,600	64,739,900
EXPENDITURES BY UNIT					
Associate Commissioner	30,600	30,600	30,600	30,600	30,600
Educator Recruitment and Retention	2,064,900	1,969,700	2,009,800	1,574,800	1,787,200
Equity	446,300	466,600	488,100	361,800	368,400
Student, Family and Community Support Services	64,498,600	66,573,300	66,666,700	62,535,400	62,553,700
TOTAL EXPENDITURES	67,040,400	69,040,200	69,195,200	64,502,600	64,739,900

The Office of Supportive Learning Environments consists of the Division of Educator Recruitment and Retention, the Division of Equity, and the Division of Student, Family and Community Support Services.

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

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	30,600	30,600	30,600	30,600	30,600
Total General Fund	30,600	30,600	30,600	30,600	30,600
TOTAL SOURCE OF FUNDS	30,600	30,600	30,600	30,600	30,600
EXPENDITURES BY CLASS					
Personnel Cost	21,600	21,600	21,600	21,600	21,600
Operating Expenses	9,000	9,000	9,000	9,000	9,000
TOTAL EXPENDITURES	30,600	30,600	30,600	30,600	30,600
EXPENDITURES BY FUND SOURCE					
General Fund	30,600	30,600	30,600	30,600	30,600
TOTAL EXPENDITURES	30,600	30,600	30,600	30,600	30,600

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

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

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	1,937,500	1,969,700	2,009,800	1,574,800	1,787,200
Budget Reduction	-41,800				
Salary Compensation Fund	169,200				
Total General Fund	2,064,900	1,969,700	2,009,800	1,574,800	1,787,200
TOTAL SOURCE OF FUNDS	2,064,900	1,969,700	2,009,800	1,574,800	1,787,200
EXPENDITURES BY CLASS					
Personnel Cost	724,900	587,900	628,000	528,700	541,100
Operating Expenses	46,100	46,100	46,100	46,100	46,100
Grants, Loans or Benefits	1,293,900	1,335,700	1,335,700	1,000,000	1,200,000
TOTAL EXPENDITURES	2,064,900	1,969,700	2,009,800	1,574,800	1,787,200
EXPENDITURES BY FUND SOURCE					
General Fund	2,064,900	1,969,700	2,009,800	1,574,800	1,787,200
TOTAL EXPENDITURES	2,064,900	1,969,700	2,009,800	1,574,800	1,787,200

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

Policy

The Division of Educator Recruitment and Retention may, upon further analysis by the Commissioner of Education and the Kentucky Board of Education, absorb some of the functions of the Statewide Teacher Recruitment program formerly located within the Learning and Results Services Deputy Commissioner's Office. This program currently targets middle and high school students, paraprofessionals working in schools, and skilled professionals interested in teaching as a second career.

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

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	443,500	461,600	483,100	356,800	363,400
Budget Reduction	-2,200				
Total General Fund	441,300	461,600	483,100	356,800	363,400
Restricted Funds					
Balance Forward	300				
Current Receipts	4,700	5,000	5,000	5,000	5,000
Total Restricted Funds	5,000	5,000	5,000	5,000	5,000
TOTAL SOURCE OF FUNDS	446,300	466,600	488,100	361,800	368,400
EXPENDITURES BY CLASS					
Personnel Cost	332,200	350,300	371,800	316,300	322,900
Operating Expenses	45,500	45,500	45,500	45,500	45,500
Grants, Loans or Benefits	68,600	70,800	70,800		
TOTAL EXPENDITURES	446,300	466,600	488,100	361,800	368,400
EXPENDITURES BY FUND SOURCE					
General Fund	441,300	461,600	483,100	356,800	363,400
Restricted Funds	5,000	5,000	5,000	5,000	5,000
TOTAL EXPENDITURES	446,300	466,600	488,100	361,800	368,400

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

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

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	55,835,100	55,898,900	55,987,000	51,861,000	51,874,000
Budget Reduction	-2,006,500				
Total General Fund	53,828,600	55,898,900	55,987,000	51,861,000	51,874,000
Restricted Funds					
Balance Forward	35,500				
Current Receipts	334,500	370,000	370,000	370,000	370,000
Total Restricted Funds	370,000	370,000	370,000	370,000	370,000
Federal Funds					
Balance Forward	63,200				
Current Receipts	10,236,800	10,304,400	10,309,700	10,304,400	10,309,700
Total Federal Funds	10,300,000	10,304,400	10,309,700	10,304,400	10,309,700
TOTAL SOURCE OF FUNDS	64,498,600	66,573,300	66,666,700	62,535,400	62,553,700
EXPENDITURES BY CLASS					
Personnel Cost	851,400	920,300	1,013,700	893,000	908,100
Operating Expenses	542,800	542,800	542,800	497,800	495,500
Grants, Loans or Benefits	63,104,400	65,110,200	65,110,200	61,144,600	61,150,100
TOTAL EXPENDITURES	64,498,600	66,573,300	66,666,700	62,535,400	62,553,700
EXPENDITURES BY FUND SOURCE					
General Fund	53,828,600	55,898,900	55,987,000	51,861,000	51,874,000
Restricted Funds	370,000	370,000	370,000	370,000	370,000
Federal Funds	10,300,000	10,304,400	10,309,700	10,304,400	10,309,700
TOTAL EXPENDITURES	64,498,600	66,573,300	66,666,700	62,535,400	62,553,700
EXPENDITURES BY UNIT					
Program Support	892,500	925,500	965,500	946,600	959,900
Dropout Prevention	782,800	808,100	808,100	782,800	782,800
Family Resource and Youth Services Centers	49,939,200	51,844,500	51,847,300	50,235,300	50,235,000
Community Education	10,695,300	10,750,000	10,750,000	9,000,000	9,000,000
Jobs for America's Graduates	2,094,800	2,125,100	2,135,700	1,570,700	1,576,000
Child Assault Prevention	94,000	94,000	94,000		
TOTAL EXPENDITURES	64,498,600	66,547,200	66,600,600	62,535,400	62,553,700

The Division of Student, Family and Community Support Services administers state and federal programs that remove barriers to student learning by providing resources and support to children, families and communities. Programs within the Division include: Dropout Prevention; Family Resource and Youth Services Centers; and Jobs for Kentucky's Graduates. The Division also has responsibility for the federal Safe and Drug Free Schools and Communities (Title IV) program, the federal America Reads program, and other programs such as No Pass/No Drive.

Policy

The Executive Budget maintains funding for the Family Resource and Youth Services program at current funding levels.

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

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	10,085,700	19,616,200	19,685,400	9,497,800	9,508,500
Budget Reduction	-8,100				
Total General Fund	10,077,600	19,616,200	19,685,400	9,497,800	9,508,500
Federal Funds					
Balance Forward	11,000				
Current Receipts	5,989,000	6,000,000	6,000,000	6,000,000	6,000,000
Total Federal Funds	6,000,000	6,000,000	6,000,000	6,000,000	6,000,000
TOTAL SOURCE OF FUNDS	16,077,600	25,616,200	25,685,400	15,497,800	15,508,500
EXPENDITURES BY CLASS					
Personnel Cost	9,338,900	8,869,400	8,938,600	8,759,100	8,781,300
Operating Expenses	489,300	489,300	489,300	489,300	477,800
Grants, Loans or Benefits	6,249,400	16,257,500	16,257,500	6,249,400	6,249,400
TOTAL EXPENDITURES	16,077,600	25,616,200	25,685,400	15,497,800	15,508,500
EXPENDITURES BY FUND SOURCE					
General Fund	10,077,600	19,616,200	19,685,400	9,497,800	9,508,500
Federal Funds	6,000,000	6,000,000	6,000,000	6,000,000	6,000,000
TOTAL EXPENDITURES	16,077,600	25,616,200	25,685,400	15,497,800	15,508,500
EXPENDITURES BY UNIT					
Associate Commissioner	413,700	437,000	463,700	393,300	398,400
Assessment Implementation	7,635,900	7,135,900	7,168,800	7,085,200	7,090,800
Validation and Research	8,028,000	18,043,300	18,052,900	8,019,300	8,019,300
TOTAL EXPENDITURES	16,077,600	25,616,200	25,685,400	15,497,800	15,508,500

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

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

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	413,700	437,000	463,700	393,300	398,400
Total General Fund	413,700	437,000	463,700	393,300	398,400
TOTAL SOURCE OF FUNDS	413,700	437,000	463,700	393,300	398,400
EXPENDITURES BY CLASS					
Personnel Cost	391,800	415,100	441,800	371,400	381,400
Operating Expenses	21,900	21,900	21,900	21,900	17,000
TOTAL EXPENDITURES	413,700	437,000	463,700	393,300	398,400
EXPENDITURES BY FUND SOURCE					
General Fund	413,700	437,000	463,700	393,300	398,400
TOTAL EXPENDITURES	413,700	437,000	463,700	393,300	398,400

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

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

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	7,635,900	7,135,900	7,168,800	7,085,200	7,090,800
Total General Fund	7,635,900	7,135,900	7,168,800	7,085,200	7,090,800
TOTAL SOURCE OF FUNDS	7,635,900	7,135,900	7,168,800	7,085,200	7,090,800
EXPENDITURES BY CLASS					
Personnel Cost	7,600,900	7,100,900	7,133,800	7,050,200	7,062,400
Operating Expenses	35,000	35,000	35,000	35,000	28,400
TOTAL EXPENDITURES	7,635,900	7,135,900	7,168,800	7,085,200	7,090,800
EXPENDITURES BY FUND SOURCE					
General Fund	7,635,900	7,135,900	7,168,800	7,085,200	7,090,800
TOTAL EXPENDITURES	7,635,900	7,135,900	7,168,800	7,085,200	7,090,800
EXPENDITURES BY UNIT					
Assessment Implementation	542,100	567,200	600,100	516,500	522,100
Commonwealth Accountability Testing System(CATS)	7,093,800	6,568,700	6,568,700	6,568,700	6,568,700
TOTAL EXPENDITURES	7,635,900	7,135,900	7,168,800	7,085,200	7,090,800

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

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

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	2,036,100	12,043,300	12,052,900	2,019,300	2,019,300
Budget Reduction	-8,100				
Total General Fund	2,028,000	12,043,300	12,052,900	2,019,300	2,019,300
Federal Funds					
Balance Forward	11,000				
Current Receipts	5,989,000	6,000,000	6,000,000	6,000,000	6,000,000
Total Federal Funds	6,000,000	6,000,000	6,000,000	6,000,000	6,000,000
TOTAL SOURCE OF FUNDS	8,028,000	18,043,300	18,052,900	8,019,300	8,019,300
EXPENDITURES BY CLASS					
Personnel Cost	1,346,200	1,353,400	1,363,000	1,337,500	1,337,500
Operating Expenses	432,400	432,400	432,400	432,400	432,400
Grants, Loans or Benefits	6,249,400	16,257,500	16,257,500	6,249,400	6,249,400
TOTAL EXPENDITURES	8,028,000	18,043,300	18,052,900	8,019,300	8,019,300
EXPENDITURES BY FUND SOURCE					
General Fund	2,028,000	12,043,300	12,052,900	2,019,300	2,019,300
Federal Funds	6,000,000	6,000,000	6,000,000	6,000,000	6,000,000
TOTAL EXPENDITURES	8,028,000	18,043,300	18,052,900	8,019,300	8,019,300
EXPENDITURES BY UNIT					
Validation and Research	235,600	242,800	252,400	226,900	226,900
Longitudinal Assessment	850,000	850,000	850,000	850,000	850,000
Assessment Documentation	300,000	300,000	300,000	300,000	300,000
Alternate Portfolio	249,400	257,500	257,500	249,400	249,400
Report Cards	393,000	393,000	393,000	393,000	393,000
School Rewards		10,000,000	10,000,000		
State Assessment	6,000,000	6,000,000	6,000,000	6,000,000	6,000,000
TOTAL EXPENDITURES	8,028,000	18,043,300	18,052,900	8,019,300	8,019,300

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

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

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

Policy

Funding for the School Rewards program was suspended by the 2003 Regular Session of the General Assembly in fiscal year 2004. The Executive Budget includes no funding for School Rewards during the 2004-06 biennium.

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

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	94,321,300	120,751,900	142,622,500	76,996,200	73,340,000
Continuing Appropriation	902,900				
Budget Reduction	-2,884,100				
Salary Compensation Fund	169,100				
Total General Fund	92,509,200	120,751,900	142,622,500	76,996,200	73,340,000
Tobacco Settlement-Phase I					
Tobacco Settlement - I	2,188,400	2,095,600	2,108,400	1,888,400	1,888,400
Continuing Appropriation	148,200				
Total Tobacco Settlement-Phase I	2,336,600	2,095,600	2,108,400	1,888,400	1,888,400
Restricted Funds					
Balance Forward	148,200				
Current Receipts	1,800	150,000	150,000	150,000	150,000
Total Restricted Funds	150,000	150,000	150,000	150,000	150,000
Federal Funds					
Balance Forward	44,400				
Current Receipts	29,746,500	29,794,100	29,800,900	29,794,100	29,800,900
Total Federal Funds	29,790,900	29,794,100	29,800,900	29,794,100	29,800,900
TOTAL SOURCE OF FUNDS	124,786,700	152,791,600	174,681,800	108,828,700	105,179,300
EXPENDITURES BY CLASS					
Personnel Cost	4,735,800	4,720,100	4,910,300	3,438,900	3,489,300
Operating Expenses	2,670,900	1,734,600	1,734,600	702,900	679,400
Grants, Loans or Benefits	117,380,000	146,336,900	168,036,900	104,686,900	101,010,600
TOTAL EXPENDITURES	124,786,700	152,791,600	174,681,800	108,828,700	105,179,300
EXPENDITURES BY FUND SOURCE					
General Fund	92,509,200	120,751,900	142,622,500	76,996,200	73,340,000
Tobacco Settlement-Phase I	2,336,600	2,095,600	2,108,400	1,888,400	1,888,400
Restricted Funds	150,000	150,000	150,000	150,000	150,000
Federal Funds	29,790,900	29,794,100	29,800,900	29,794,100	29,800,900
TOTAL EXPENDITURES	124,786,700	152,791,600	174,681,800	108,828,700	105,179,300
EXPENDITURES BY UNIT					
Associate Commissioner	440,200	458,500	484,400	415,100	424,000
Elementary Arts & Humanities		500,000	500,000		
Leadership and Mentoring Fund	381,500	393,800	393,800		
Teacher Academies	1,602,100	1,653,800	1,653,800	200,000	200,000
Reading First	13,700,000	13,700,000	13,700,000	13,700,000	13,700,000
Curriculum Development	10,479,200	10,641,700	10,722,200	8,629,600	8,580,500
Professional Growth Fund	1,828,300	984,400	984,400		
Extended Learning Services	93,480,300	121,919,300	143,677,100	83,443,500	79,842,600
Early Childhood Development	2,875,100	2,540,100	2,566,100	2,440,500	2,432,200
TOTAL EXPENDITURES	124,786,700	152,791,600	174,681,800	108,828,700	105,179,300

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

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

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	440,200	458,500	484,400	415,100	424,000
Total General Fund	440,200	458,500	484,400	415,100	424,000
TOTAL SOURCE OF FUNDS	440,200	458,500	484,400	415,100	424,000
EXPENDITURES BY CLASS					
Personnel Cost	424,000	442,300	468,200	398,900	407,800
Operating Expenses	16,200	16,200	16,200	16,200	16,200
TOTAL EXPENDITURES	440,200	458,500	484,400	415,100	424,000
EXPENDITURES BY FUND SOURCE					
General Fund	440,200	458,500	484,400	415,100	424,000
TOTAL EXPENDITURES	440,200	458,500	484,400	415,100	424,000

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

**Department of Education
Learning and Results Services
Academic and Professional Development
Elementary Arts & Humanities**

	<u>Revised FY 2004</u>	<u>Requested FY 2005</u>	<u>Requested FY 2006</u>	<u>Recommended FY 2005</u>	<u>Recommended FY 2006</u>
SOURCE OF FUNDS					
General Fund					
Regular Appropriation		500,000	500,000		
Total General Fund		<u>500,000</u>	<u>500,000</u>		
TOTAL SOURCE OF FUNDS		<u>500,000</u>	<u>500,000</u>		
EXPENDITURES BY CLASS					
Grants, Loans or Benefits		500,000	500,000		
TOTAL EXPENDITURES		<u>500,000</u>	<u>500,000</u>		
EXPENDITURES BY FUND SOURCE					
General Fund		500,000	500,000		
TOTAL EXPENDITURES		<u>500,000</u>	<u>500,000</u>		

The 2003 Regular Session of the General Assembly appropriated \$500,000 in fiscal year 2004 for a program promoting integration of the arts and foreign languages in the elementary school program.

Policy

The Executive Budget provides no continued funding for the Elementary Arts and Humanities program in the fiscal 2004-2006 biennium.

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

	<u>Revised FY 2004</u>	<u>Requested FY 2005</u>	<u>Requested FY 2006</u>	<u>Recommended FY 2005</u>	<u>Recommended FY 2006</u>
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	393,800	393,800	393,800		
Budget Reduction	-12,300				
Total General Fund	<u>381,500</u>	<u>393,800</u>	<u>393,800</u>		
TOTAL SOURCE OF FUNDS	<u>381,500</u>	<u>393,800</u>	<u>393,800</u>		
EXPENDITURES BY CLASS					
Grants, Loans or Benefits	381,500	393,800	393,800		
TOTAL EXPENDITURES	<u>381,500</u>	<u>393,800</u>	<u>393,800</u>		
EXPENDITURES BY FUND SOURCE					
General Fund	381,500	393,800	393,800		
TOTAL EXPENDITURES	<u>381,500</u>	<u>393,800</u>	<u>393,800</u>		

Under the provisions of KRS 157.390, the Professional Development Leadership and Mentor Fund provides competitive grants to pay teachers and administrators to develop and implement an action plan for improving the reading performance of students in the middle and high school grades.

Policy

The Executive Budget includes no funding for the Professional Development Leadership and Mentor Fund during the 2004-2006 biennium.

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

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	1,653,800	1,653,800	1,653,800	200,000	200,000
Budget Reduction	-51,700				
Total General Fund	1,602,100	1,653,800	1,653,800	200,000	200,000
TOTAL SOURCE OF FUNDS	1,602,100	1,653,800	1,653,800	200,000	200,000
EXPENDITURES BY CLASS					
Personnel Cost	551,300	551,300	551,300	65,000	65,000
Operating Expenses	551,200	551,200	551,200	64,900	64,900
Grants, Loans or Benefits	499,600	551,300	551,300	70,100	70,100
TOTAL EXPENDITURES	1,602,100	1,653,800	1,653,800	200,000	200,000
EXPENDITURES BY FUND SOURCE					
General Fund	1,602,100	1,653,800	1,653,800	200,000	200,000
TOTAL EXPENDITURES	1,602,100	1,653,800	1,653,800	200,000	200,000

The Kentucky Department of Education (KDE) Teacher Academies were established in 1999 to provide intensive, content-based professional development to teachers, particularly teachers who are teaching core discipline courses for which they do not have a college major or minor. Academies are operated in collaboration with postsecondary and community educational partners. The academy experience includes a pre-academy day in which teachers identify topics of study, the five-day academy, and two follow-up days during the school year. Participants are expected to commit to 3 years of participation. Middle grades academies for reading, science, social studies, and mathematics have been held in each region of the state. Practical living/vocational studies and arts and humanities academies have also been held.

**Department of Education
Learning and Results Services
Academic and Professional Development
Reading First**

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
Federal Funds					
Current Receipts	13,700,000	13,700,000	13,700,000	13,700,000	13,700,000
Total Federal Funds	13,700,000	13,700,000	13,700,000	13,700,000	13,700,000
TOTAL SOURCE OF FUNDS	13,700,000	13,700,000	13,700,000	13,700,000	13,700,000
EXPENDITURES BY CLASS					
Grants, Loans or Benefits	13,700,000	13,700,000	13,700,000	13,700,000	13,700,000
TOTAL EXPENDITURES	13,700,000	13,700,000	13,700,000	13,700,000	13,700,000
EXPENDITURES BY FUND SOURCE					
Federal Funds	13,700,000	13,700,000	13,700,000	13,700,000	13,700,000
TOTAL EXPENDITURES	13,700,000	13,700,000	13,700,000	13,700,000	13,700,000

Reading First is a federal initiative contained within the No Child Left Behind Act. The program's goal is to have every child reading at grade level by the time of entry to the fourth grade. In April 2003, Kentucky was awarded a six-year grant of approximately \$89 million.

The Department of Education is overseeing implementation of Kentucky's Reading First grant. Ten Reading First coaches have assisted the Department through a partnership with Kentucky's public universities and the Collaborative Center for Literacy Development. Local schools and school districts have been provided technical assistance on the requirements of Reading First and information about research-based reading intervention programs, assessments to diagnose reading progress, and professional development. Districts have submitted proposals for funding to an expert review panel; it is anticipated that 70 schools will receive funding. Continued funding for the second through sixth years of the program are contingent upon demonstration of reading progress within the funded schools.

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

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	10,579,400	10,641,700	10,722,200	8,629,600	8,580,500
Budget Reduction	-269,300				
Salary Compensation Fund	169,100				
Total General Fund	10,479,200	10,641,700	10,722,200	8,629,600	8,580,500
TOTAL SOURCE OF FUNDS	10,479,200	10,641,700	10,722,200	8,629,600	8,580,500
EXPENDITURES BY CLASS					
Personnel Cost	1,799,200	1,692,400	1,772,900	1,623,200	1,643,200
Operating Expenses	340,100	340,100	340,100	274,600	274,600
Grants, Loans or Benefits	8,339,900	8,609,200	8,609,200	6,731,800	6,662,700
TOTAL EXPENDITURES	10,479,200	10,641,700	10,722,200	8,629,600	8,580,500
EXPENDITURES BY FUND SOURCE					
General Fund	10,479,200	10,641,700	10,722,200	8,629,600	8,580,500
TOTAL EXPENDITURES	10,479,200	10,641,700	10,722,200	8,629,600	8,580,500
EXPENDITURES BY UNIT					
Curriculum Development	1,956,700	1,849,900	1,930,400	1,784,000	1,804,000
Gifted and Talented	7,121,500	7,351,500	7,351,500	6,409,400	6,409,400
Gifted and Talented Advisory Council	50,600	51,200	51,200	48,700	48,700
Middle School Demonstration Network	264,200	270,700	270,700		
Center for Middle School Academic Achievement	387,500	400,000	400,000		
Commonwealth Institute for Teachers	88,400	88,400	88,400	85,100	85,100
Writing Program	610,300	630,000	630,000	302,400	233,300
TOTAL EXPENDITURES	10,479,200	10,641,700	10,722,200	8,629,600	8,580,500

The Kentucky Education Reform Act of 1990 directed development of a curriculum framework by the Department of Education to assist educators in the moving toward the learning goals established by the act. Since that time, the Division of Curriculum Development has participated in developing all major documents used by teachers and schools in organizing their curricula. A recent focus is to move from document creation and refinement and toward providing technical assistance resources and professional development to schools and districts to improve student achievement by utilization of research-based instructional practices.

The Division of Curriculum Development consists of the Humanities, Sciences, and Learning Strategies branches. The latter branch includes consultants focusing on applied learning for exceptional children, gifted and talented student services, advanced placement, and services for limited English proficient students.

The Division of Curriculum Development has developed resources in support of the goals of the No Child Left Behind Act, particularly in the areas of reading and mathematics achievement in grades three through eight. The division also contains staff with responsibility for Reading First, the K-3 cornerstone of No Child Left Behind.

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

	<u>Revised FY 2004</u>	<u>Requested FY 2005</u>	<u>Requested FY 2006</u>	<u>Recommended FY 2005</u>	<u>Recommended FY 2006</u>
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	984,400	984,400	984,400		
Continuing Appropriation	902,900				
Budget Reduction	-59,000				
Total General Fund	<u>1,828,300</u>	<u>984,400</u>	<u>984,400</u>		
TOTAL SOURCE OF FUNDS	<u>1,828,300</u>	<u>984,400</u>	<u>984,400</u>		
EXPENDITURES BY CLASS					
Personnel Cost	553,800	553,800	553,800		
Operating Expenses	1,112,100	430,600	430,600		
Grants, Loans or Benefits	162,400				
TOTAL EXPENDITURES	<u>1,828,300</u>	<u>984,400</u>	<u>984,400</u>		
EXPENDITURES BY FUND SOURCE					
General Fund	1,828,300	984,400	984,400		
TOTAL EXPENDITURES	<u>1,828,300</u>	<u>984,400</u>	<u>984,400</u>		

The Teachers' Professional Growth Fund provides teachers with high quality professional development in content knowledge and teaching methodologies in the core disciplines of mathematics, science, language arts and social studies.

Policy

The Executive Budget contains no funding during the 2004-2006 biennium for the Teachers' Professional Growth Fund.

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

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	80,056,200	106,003,400	127,761,200	67,527,600	63,926,700
Budget Reduction	-2,491,800				
Total General Fund	77,564,400	106,003,400	127,761,200	67,527,600	63,926,700
Federal Funds					
Balance Forward	43,700				
Current Receipts	15,872,200	15,915,900	15,915,900	15,915,900	15,915,900
Total Federal Funds	15,915,900	15,915,900	15,915,900	15,915,900	15,915,900
TOTAL SOURCE OF FUNDS	93,480,300	121,919,300	143,677,100	83,443,500	79,842,600
EXPENDITURES BY CLASS					
Personnel Cost	944,000	992,200	1,050,000	882,200	897,000
Operating Expenses	158,100	158,100	158,100	157,200	148,700
Grants, Loans or Benefits	92,378,200	120,769,000	142,469,000	82,404,100	78,796,900
TOTAL EXPENDITURES	93,480,300	121,919,300	143,677,100	83,443,500	79,842,600
EXPENDITURES BY FUND SOURCE					
General Fund	77,564,400	106,003,400	127,761,200	67,527,600	63,926,700
Federal Funds	15,915,900	15,915,900	15,915,900	15,915,900	15,915,900
TOTAL EXPENDITURES	93,480,300	121,919,300	143,677,100	83,443,500	79,842,600
EXPENDITURES BY UNIT					
Extended Learning Services	32,284,300	33,340,000	33,363,000	16,195,500	12,588,300
Early Childhood Education	56,355,800	79,539,100	101,273,900	56,307,800	56,314,100
Evenstart	3,340,200	3,340,200	3,340,200	3,340,200	3,340,200
Bilingual Education	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000
Early Reading Incentive		4,200,000	4,200,000	6,100,000	6,100,000
TOTAL EXPENDITURES	93,480,300	121,919,300	143,677,100	83,443,500	79,842,600

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

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

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

Policy

The Executive Budget continues to include Extended School Services and the Early Childhood/Preschool program as two of five Flexible Focus Funds programs modified to permit local districts discretion in the distribution of program funds, while still addressing the governing statutes and serving the needs of the target population.

The Executive Budget also includes new General Fund support in the amount of \$2,086,900 in both fiscal year 2005 and fiscal year 2006. These Read to Achieve funds, in combination with existing Early Reading Incentive Grant General Fund monies as well as Reading First grants, will strengthen Kentucky's capacity to have all students reading at grade level or above by the time they enter fourth grade. The Read to Achieve approach will provide schools with flexibility in the choice of proven research-based reading programs. Early assessment of students' reading levels will be utilized along with early intervention for struggling readers. Teachers will receive training in research-based strategies to better teach each child to read.

**Department of Education
Learning and Results Services
Academic and Professional Development
Early Childhood Development**

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	213,500	116,300	122,700	223,900	208,800
Total General Fund	213,500	116,300	122,700	223,900	208,800
Tobacco Settlement-Phase I					
Tobacco Settlement - I	2,188,400	2,095,600	2,108,400	1,888,400	1,888,400
Continuing Appropriation	148,200				
Total Tobacco Settlement-Phase I	2,336,600	2,095,600	2,108,400	1,888,400	1,888,400
Restricted Funds					
Balance Forward	148,200				
Current Receipts	1,800	150,000	150,000	150,000	150,000
Total Restricted Funds	150,000	150,000	150,000	150,000	150,000
Federal Funds					
Balance Forward	700				
Current Receipts	174,300	178,200	185,000	178,200	185,000
Total Federal Funds	175,000	178,200	185,000	178,200	185,000
TOTAL SOURCE OF FUNDS	2,875,100	2,540,100	2,566,100	2,440,500	2,432,200
EXPENDITURES BY CLASS					
Personnel Cost	463,500	488,100	514,100	469,600	476,300
Operating Expenses	493,200	238,400	238,400	190,000	175,000
Grants, Loans or Benefits	1,918,400	1,813,600	1,813,600	1,780,900	1,780,900
TOTAL EXPENDITURES	2,875,100	2,540,100	2,566,100	2,440,500	2,432,200
EXPENDITURES BY FUND SOURCE					
General Fund	213,500	116,300	122,700	223,900	208,800
Tobacco Settlement-Phase I	2,336,600	2,095,600	2,108,400	1,888,400	1,888,400
Restricted Funds	150,000	150,000	150,000	150,000	150,000
Federal Funds	175,000	178,200	185,000	178,200	185,000
TOTAL EXPENDITURES	2,875,100	2,540,100	2,566,100	2,440,500	2,432,200

The 2000 Regular Session of the General Assembly established the Office of Early Childhood Development within the Office of the Governor. In July 2003, Executive Order 03-712 reconstituted this function as the Division of Early Childhood Education within the Department of Education.

The Division of Early Childhood Development coordinates development and continuing activities of Community Early Childhood Councils. The councils work toward implementation of the Kentucky's long-range strategic plan for early childhood development on the local level. The councils build upon existing resources, foster public-private partnerships and otherwise work within their communities toward such goals as the availability of high quality, accessible and affordable early childhood care and education options. The Early Childhood Division provides technical assistance, monitoring and evaluation of outcomes of the local partnerships and link funding to their effectiveness.

Working with other stakeholders, the Division of Early Childhood Development has assisted in implementing a number of programs within agencies across state government aimed at the needs of young children. Some of the results include more than 1,000 early childhood professionals attending college as well as more than 10,000 families participating in the HANDS voluntary home visiting program leading to the delivery of fewer low birth weight babies.

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

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	338,534,100	411,355,900	480,030,100	366,473,700	381,636,800
Budget Reduction	-7,970,000				
Total General Fund	330,564,100	411,355,900	480,030,100	366,473,700	381,636,800
Restricted Funds					
Balance Forward	61,200				
Current Receipts	48,800	110,000	110,000	110,000	110,000
Total Restricted Funds	110,000	110,000	110,000	110,000	110,000
Federal Funds					
Balance Forward	715,900				
Current Receipts	167,684,100	168,449,600	168,522,900	168,449,600	168,522,900
Total Federal Funds	168,400,000	168,449,600	168,522,900	168,449,600	168,522,900
TOTAL SOURCE OF FUNDS	499,074,100	579,915,500	648,663,000	535,033,300	550,269,700
EXPENDITURES BY CLASS					
Personnel Cost	3,935,400	4,039,400	4,297,600	25,416,400	25,471,400
Operating Expenses	697,300	697,300	697,300	689,700	652,800
Grants, Loans or Benefits	494,441,400	575,178,800	643,668,100	508,927,200	524,145,500
TOTAL EXPENDITURES	499,074,100	579,915,500	648,663,000	535,033,300	550,269,700
EXPENDITURES BY FUND SOURCE					
General Fund	330,564,100	411,355,900	480,030,100	366,473,700	381,636,800
Restricted Funds	110,000	110,000	110,000	110,000	110,000
Federal Funds	168,400,000	168,449,600	168,522,900	168,449,600	168,522,900
TOTAL EXPENDITURES	499,074,100	579,915,500	648,663,000	535,033,300	550,269,700
EXPENDITURES BY UNIT					
Associate Commissioner	517,800	538,900	562,000	380,800	386,500
School Finance	314,170,100	394,401,500	462,977,000	355,369,200	370,522,200
Facilities Management	8,859,800	8,882,500	8,910,900	8,838,400	8,842,800
Pupil Transportation	1,381,000	1,432,000	1,458,800	1,325,500	1,325,500
Safe Schools	10,128,300	10,455,400	10,455,400	5,064,200	5,064,200
Schools and Community Nutrition	164,017,100	164,205,200	164,298,900	164,055,200	164,128,500
TOTAL EXPENDITURES	499,074,100	579,915,500	648,663,000	535,033,300	550,269,700

The Office of District Support Services provides administrative and technical assistance on behalf of local school districts throughout the state and consists of the following divisions and functions: Finance; Facilities Management; Pupil Transportation; Safe Schools; and School and Community Nutrition.

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

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	521,500	538,900	562,000	380,800	386,500
Budget Reduction	-3,700				
Total General Fund	517,800	538,900	562,000	380,800	386,500
TOTAL SOURCE OF FUNDS	517,800	538,900	562,000	380,800	386,500
EXPENDITURES BY CLASS					
Personnel Cost	378,400	395,800	418,900	355,800	361,500
Operating Expenses	25,000	25,000	25,000	25,000	25,000
Grants, Loans or Benefits	114,400	118,100	118,100		
TOTAL EXPENDITURES	517,800	538,900	562,000	380,800	386,500
EXPENDITURES BY FUND SOURCE					
General Fund	517,800	538,900	562,000	380,800	386,500
TOTAL EXPENDITURES	517,800	538,900	562,000	380,800	386,500
EXPENDITURES BY UNIT					
Associate Commissioner	403,400	420,800	443,900	380,800	386,500
Direct Instruction Literacy Project	114,400	118,100	118,100		
TOTAL EXPENDITURES	517,800	538,900	562,000	380,800	386,500

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

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

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	321,662,100	394,401,500	462,977,000	355,369,200	370,522,200
Budget Reduction	-7,492,000				
Total General Fund	314,170,100	394,401,500	462,977,000	355,369,200	370,522,200
TOTAL SOURCE OF FUNDS	314,170,100	394,401,500	462,977,000	355,369,200	370,522,200
EXPENDITURES BY CLASS					
Personnel Cost	1,238,100	1,309,500	1,395,700	22,881,400	22,911,100
Operating Expenses	84,900	84,900	84,900	84,900	63,200
Grants, Loans or Benefits	312,847,100	393,007,100	461,496,400	332,402,900	347,547,900
TOTAL EXPENDITURES	314,170,100	394,401,500	462,977,000	355,369,200	370,522,200
EXPENDITURES BY FUND SOURCE					
General Fund	314,170,100	394,401,500	462,977,000	355,369,200	370,522,200
TOTAL EXPENDITURES	314,170,100	394,401,500	462,977,000	355,369,200	370,522,200
EXPENDITURES BY UNIT					
School Finance	1,323,000	1,394,400	1,480,600	1,266,200	1,274,200
Education of State Agency Children	10,462,100	11,340,000	11,340,000	9,415,800	9,415,800
District Audits	406,600	1,404,300	1,446,400		
Textbooks		21,700,100	21,700,100	21,700,100	21,700,100
Local District Life Insurance	3,914,000	3,914,000	3,914,000	3,914,000	3,914,000
Local District Health Insurance	298,064,400	354,648,700	423,095,900	319,073,100	334,218,100
TOTAL EXPENDITURES	314,170,100	394,401,500	462,977,000	355,369,200	370,522,200

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

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

Policy

The Executive Budget includes General Fund support for the Education of State Agency Children program in the amount of \$9,415,800 in both fiscal year 2005 and fiscal year 2006. The Division of Finance, through the Education of State Agency Children program, provides funds to defray the costs of educating students placed through the courts or appropriate state agencies in treatment programs outside the school district where their parents or guardians reside.

The recommended budget includes no funding for the state's participation in the cost of annual audits of local school districts.

The Executive Budget includes \$21,700,100 in General Funds each year of the 2004-2006 biennium to resume the Textbook program. This program is one of five "Flexible Focus Funding" program that provide local school districts flexibility in the distribution of program funds while still addressing the governing statutes and serving the needs of the target population.

The recommended budget includes General Funds in the amount of \$3,914,000 in both fiscal year 2005 and fiscal year 2006 to provide life insurance coverage for local school district employees.

The Executive Budget includes General Fund support in the amounts of \$318,973,100 in fiscal year 2005 and \$334,111,500 in fiscal year 2006 to assist in providing health insurance coverage to local school district employees. As with the insurance program for state employees, local district employees will begin assuming a portion of the premium cost of their insurance plans. A small premium subsidy contribution will be provided on behalf of lower compensated employees.

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

	<u>Revised FY 2004</u>	<u>Requested FY 2005</u>	<u>Requested FY 2006</u>	<u>Recommended FY 2005</u>	<u>Recommended FY 2006</u>
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	459,800	482,500	510,900	438,400	442,800
Total General Fund	459,800	482,500	510,900	438,400	442,800
Federal Funds					
Balance Forward	715,000				
Current Receipts	7,685,000	8,400,000	8,400,000	8,400,000	8,400,000
Total Federal Funds	8,400,000	8,400,000	8,400,000	8,400,000	8,400,000
TOTAL SOURCE OF FUNDS	8,859,800	8,882,500	8,910,900	8,838,400	8,842,800
EXPENDITURES BY CLASS					
Personnel Cost	434,800	457,500	485,900	413,400	424,500
Operating Expenses	25,000	25,000	25,000	25,000	18,300
Grants, Loans or Benefits	8,400,000	8,400,000	8,400,000	8,400,000	8,400,000
TOTAL EXPENDITURES	8,859,800	8,882,500	8,910,900	8,838,400	8,842,800
EXPENDITURES BY FUND SOURCE					
General Fund	459,800	482,500	510,900	438,400	442,800
Federal Funds	8,400,000	8,400,000	8,400,000	8,400,000	8,400,000
TOTAL EXPENDITURES	8,859,800	8,882,500	8,910,900	8,838,400	8,842,800

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

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

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	1,298,300	1,322,000	1,348,800	1,215,500	1,215,500
Budget Reduction	-27,300				
Total General Fund	1,271,000	1,322,000	1,348,800	1,215,500	1,215,500
Restricted Funds					
Balance Forward	61,200				
Current Receipts	48,800	110,000	110,000	110,000	110,000
Total Restricted Funds	110,000	110,000	110,000	110,000	110,000
TOTAL SOURCE OF FUNDS	1,381,000	1,432,000	1,458,800	1,325,500	1,325,500
EXPENDITURES BY CLASS					
Personnel Cost	395,900	419,600	446,400	374,200	382,700
Operating Expenses	142,400	142,400	142,400	134,800	126,300
Grants, Loans or Benefits	842,700	870,000	870,000	816,500	816,500
TOTAL EXPENDITURES	1,381,000	1,432,000	1,458,800	1,325,500	1,325,500
EXPENDITURES BY FUND SOURCE					
General Fund	1,271,000	1,322,000	1,348,800	1,215,500	1,215,500
Restricted Funds	110,000	110,000	110,000	110,000	110,000
TOTAL EXPENDITURES	1,381,000	1,432,000	1,458,800	1,325,500	1,325,500
EXPENDITURES BY UNIT					
Pupil Transportation	732,000	762,000	788,800	709,000	709,000
Blind and Deaf Student Transportation	649,000	670,000	670,000	616,500	616,500
TOTAL EXPENDITURES	1,381,000	1,432,000	1,458,800	1,325,500	1,325,500

The Division of Pupil Transportation provides technical assistance as well as regulatory and coordinating services to local school districts to facilitate the safe and efficient transporting of pupils to and from school. The Division sets forth the procedures for centralized purchasing of school buses through established price contract agreements. The Division trains instructors, bus inspectors, and drivers. Funding for trips home by students residing at the Kentucky School for the Blind and the Kentucky School for the Deaf is budgeted within this Division.

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

	<u>Revised FY 2004</u>	<u>Requested FY 2005</u>	<u>Requested FY 2006</u>	<u>Recommended FY 2005</u>	<u>Recommended FY 2006</u>
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	10,455,400	10,455,400	10,455,400	5,064,200	5,064,200
Budget Reduction	-327,100				
Total General Fund	<u>10,128,300</u>	<u>10,455,400</u>	<u>10,455,400</u>	<u>5,064,200</u>	<u>5,064,200</u>
TOTAL SOURCE OF FUNDS	<u>10,128,300</u>	<u>10,455,400</u>	<u>10,455,400</u>	<u>5,064,200</u>	<u>5,064,200</u>
EXPENDITURES BY CLASS					
Operating Expenses	20,000	20,000	20,000	20,000	20,000
Grants, Loans or Benefits	10,108,300	10,435,400	10,435,400	5,044,200	5,044,200
TOTAL EXPENDITURES	<u>10,128,300</u>	<u>10,455,400</u>	<u>10,455,400</u>	<u>5,064,200</u>	<u>5,064,200</u>
EXPENDITURES BY FUND SOURCE					
General Fund	10,128,300	10,455,400	10,455,400	5,064,200	5,064,200
TOTAL EXPENDITURES	<u>10,128,300</u>	<u>10,455,400</u>	<u>10,455,400</u>	<u>5,064,200</u>	<u>5,064,200</u>

In 1998, the General Assembly, in enacting KRS 158.440-158.446, recognized that state and local resources are needed to expand capacities for research, effective programming, and program evaluation directed toward safety and discipline in Kentucky's schools. The Safe Schools program provides funding to local school districts to support substance abuse and violence reduction programming. Like initiatives at the federal level, this program seeks to prevent violence in and around schools, and supports programs that prevent the illegal use of alcohol, tobacco and drugs through a school and community-based effort.

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

Policy

The Executive Budget includes General Funds in the amount of \$5,064,200 for the Safe Schools program. Safe Schools is one of five "Flexible Focus Funds" programs that permit local school districts discretion in the distribution of program funds, while still addressing the governing statutes and serving the needs of the target population.

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

	<u>Revised FY 2004</u>	<u>Requested FY 2005</u>	<u>Requested FY 2006</u>	<u>Recommended FY 2005</u>	<u>Recommended FY 2006</u>
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	4,137,000	4,155,600	4,176,000	4,005,600	4,005,600
Budget Reduction	-119,900				
Total General Fund	<u>4,017,100</u>	<u>4,155,600</u>	<u>4,176,000</u>	<u>4,005,600</u>	<u>4,005,600</u>
Federal Funds					
Balance Forward	900				
Current Receipts	159,999,100	160,049,600	160,122,900	160,049,600	160,122,900
Total Federal Funds	<u>160,000,000</u>	<u>160,049,600</u>	<u>160,122,900</u>	<u>160,049,600</u>	<u>160,122,900</u>
TOTAL SOURCE OF FUNDS	<u>164,017,100</u>	<u>164,205,200</u>	<u>164,298,900</u>	<u>164,055,200</u>	<u>164,128,500</u>
EXPENDITURES BY CLASS					
Personnel Cost	1,488,200	1,457,000	1,550,700	1,391,600	1,391,600
Operating Expenses	400,000	400,000	400,000	400,000	400,000
Grants, Loans or Benefits	162,128,900	162,348,200	162,348,200	162,263,600	162,336,900
TOTAL EXPENDITURES	<u>164,017,100</u>	<u>164,205,200</u>	<u>164,298,900</u>	<u>164,055,200</u>	<u>164,128,500</u>
EXPENDITURES BY FUND SOURCE					
General Fund	4,017,100	4,155,600	4,176,000	4,005,600	4,005,600
Federal Funds	160,000,000	160,049,600	160,122,900	160,049,600	160,122,900
TOTAL EXPENDITURES	<u>164,017,100</u>	<u>164,205,200</u>	<u>164,298,900</u>	<u>164,055,200</u>	<u>164,128,500</u>

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

**Department of Education
Learning and Results Services
Education Technology**

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	21,129,300	22,567,800	22,714,200	17,337,200	17,345,800
Budget Reduction	-584,900				
Total General Fund	20,544,400	22,567,800	22,714,200	17,337,200	17,345,800
Restricted Funds					
Balance Forward	21,600				
Current Receipts	53,400	75,000	75,000	75,000	75,000
Total Restricted Funds	75,000	75,000	75,000	75,000	75,000
Federal Funds					
Current Receipts	8,500,000	8,500,000	8,500,000	8,500,000	8,500,000
Total Federal Funds	8,500,000	8,500,000	8,500,000	8,500,000	8,500,000
TOTAL SOURCE OF FUNDS	29,119,400	31,142,800	31,289,200	25,912,200	25,920,800
EXPENDITURES BY CLASS					
Personnel Cost	2,024,300	2,156,400	2,302,800	1,927,400	1,969,700
Operating Expenses	486,400	486,400	486,400	484,800	451,100
Grants, Loans or Benefits	26,608,700	28,500,000	28,500,000	23,500,000	23,500,000
TOTAL EXPENDITURES	29,119,400	31,142,800	31,289,200	25,912,200	25,920,800
EXPENDITURES BY FUND SOURCE					
General Fund	20,544,400	22,567,800	22,714,200	17,337,200	17,345,800
Restricted Funds	75,000	75,000	75,000	75,000	75,000
Federal Funds	8,500,000	8,500,000	8,500,000	8,500,000	8,500,000
TOTAL EXPENDITURES	29,119,400	31,142,800	31,289,200	25,912,200	25,920,800
EXPENDITURES BY UNIT					
Associate Commissioner	8,792,500	8,813,500	8,834,500	8,777,900	8,781,700
School Information Technology	914,200	954,200	1,002,800	879,500	883,200
School Network Services	948,400	1,003,200	1,060,700	913,400	913,400
School Instructional Technology	355,600	371,900	391,200	341,400	342,500
Kentucky Education Technology System (KETS)	18,108,700	20,000,000	20,000,000	15,000,000	15,000,000
TOTAL EXPENDITURES	29,119,400	31,142,800	31,289,200	25,912,200	25,920,800

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

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

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	292,500	313,500	334,500	277,900	281,700
Total General Fund	292,500	313,500	334,500	277,900	281,700
Federal Funds					
Current Receipts	8,500,000	8,500,000	8,500,000	8,500,000	8,500,000
Total Federal Funds	8,500,000	8,500,000	8,500,000	8,500,000	8,500,000
TOTAL SOURCE OF FUNDS	8,792,500	8,813,500	8,834,500	8,777,900	8,781,700
EXPENDITURES BY CLASS					
Personnel Cost	281,500	302,500	323,500	266,900	273,100
Operating Expenses	11,000	11,000	11,000	11,000	8,600
Grants, Loans or Benefits	8,500,000	8,500,000	8,500,000	8,500,000	8,500,000
TOTAL EXPENDITURES	8,792,500	8,813,500	8,834,500	8,777,900	8,781,700
EXPENDITURES BY FUND SOURCE					
General Fund	292,500	313,500	334,500	277,900	281,700
Federal Funds	8,500,000	8,500,000	8,500,000	8,500,000	8,500,000
TOTAL EXPENDITURES	8,792,500	8,813,500	8,834,500	8,777,900	8,781,700

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

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

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	839,200	879,200	927,800	804,500	808,200
Total General Fund	839,200	879,200	927,800	804,500	808,200
Restricted Funds					
Balance Forward	21,600				
Current Receipts	53,400	75,000	75,000	75,000	75,000
Total Restricted Funds	75,000	75,000	75,000	75,000	75,000
TOTAL SOURCE OF FUNDS	914,200	954,200	1,002,800	879,500	883,200
EXPENDITURES BY CLASS					
Personnel Cost	687,500	727,500	776,100	652,800	665,700
Operating Expenses	226,700	226,700	226,700	226,700	217,500
TOTAL EXPENDITURES	914,200	954,200	1,002,800	879,500	883,200
EXPENDITURES BY FUND SOURCE					
General Fund	839,200	879,200	927,800	804,500	808,200
Restricted Funds	75,000	75,000	75,000	75,000	75,000
TOTAL EXPENDITURES	914,200	954,200	1,002,800	879,500	883,200

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

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

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	948,400	1,003,200	1,060,700	913,400	913,400
Total General Fund	948,400	1,003,200	1,060,700	913,400	913,400
TOTAL SOURCE OF FUNDS	948,400	1,003,200	1,060,700	913,400	913,400
EXPENDITURES BY CLASS					
Personnel Cost	719,700	774,500	832,000	686,300	704,300
Operating Expenses	228,700	228,700	228,700	227,100	209,100
TOTAL EXPENDITURES	948,400	1,003,200	1,060,700	913,400	913,400
EXPENDITURES BY FUND SOURCE					
General Fund	948,400	1,003,200	1,060,700	913,400	913,400
TOTAL EXPENDITURES	948,400	1,003,200	1,060,700	913,400	913,400

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

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

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	355,600	371,900	391,200	341,400	342,500
Total General Fund	355,600	371,900	391,200	341,400	342,500
TOTAL SOURCE OF FUNDS	355,600	371,900	391,200	341,400	342,500
EXPENDITURES BY CLASS					
Personnel Cost	335,600	351,900	371,200	321,400	326,600
Operating Expenses	20,000	20,000	20,000	20,000	15,900
TOTAL EXPENDITURES	355,600	371,900	391,200	341,400	342,500
EXPENDITURES BY FUND SOURCE					
General Fund	355,600	371,900	391,200	341,400	342,500
TOTAL EXPENDITURES	355,600	371,900	391,200	341,400	342,500

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

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

	<u>Revised FY 2004</u>	<u>Requested FY 2005</u>	<u>Requested FY 2006</u>	<u>Recommended FY 2005</u>	<u>Recommended FY 2006</u>
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	18,693,600	20,000,000	20,000,000	15,000,000	15,000,000
Budget Reduction	-584,900				
Total General Fund	<u>18,108,700</u>	<u>20,000,000</u>	<u>20,000,000</u>	<u>15,000,000</u>	<u>15,000,000</u>
TOTAL SOURCE OF FUNDS	<u>18,108,700</u>	<u>20,000,000</u>	<u>20,000,000</u>	<u>15,000,000</u>	<u>15,000,000</u>
EXPENDITURES BY CLASS					
Grants, Loans or Benefits	18,108,700	20,000,000	20,000,000	15,000,000	15,000,000
TOTAL EXPENDITURES	<u>18,108,700</u>	<u>20,000,000</u>	<u>20,000,000</u>	<u>15,000,000</u>	<u>15,000,000</u>
EXPENDITURES BY FUND SOURCE					
General Fund	18,108,700	20,000,000	20,000,000	15,000,000	15,000,000
TOTAL EXPENDITURES	<u>18,108,700</u>	<u>20,000,000</u>	<u>20,000,000</u>	<u>15,000,000</u>	<u>15,000,000</u>

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