



2004-2006
Executive Budget

Education

Education Cabinet

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	266,708,000	330,574,000	334,645,100	278,266,800	297,837,900
Continuing Appropriation	10,300				
Budget Reduction	-7,209,700				
Salary Compensation Fund	473,100				
Base Deduction	-2,120,200				
Reorganization Adjustments	-140,000				
Total General Fund	257,721,500	330,574,000	334,645,100	278,266,800	297,837,900
Restricted Funds					
Balance Forward	6,035,100	3,517,100	2,173,100	3,218,700	1,906,700
Current Receipts	14,587,200	15,495,300	15,751,700	13,295,900	13,408,900
Non-Revenue Receipts	35,164,300	35,907,400	37,710,100	31,395,000	30,422,800
Fund Transfers	-2,852,600			-4,800	-4,800
Total Restricted Funds	52,934,000	54,919,800	55,634,900	47,904,800	45,733,600
Federal Funds					
Balance Forward	4,198,700	70,200	62,700	70,200	62,700
Current Receipts	193,267,100	198,581,400	203,611,000	194,972,500	197,986,900
Non-Revenue Receipts	677,308,500	679,099,000	679,099,000	679,099,000	679,099,000
Total Federal Funds	874,774,300	877,750,600	882,772,700	874,141,700	877,148,600
TOTAL SOURCE OF FUNDS	1,185,429,800	1,263,244,400	1,273,052,700	1,200,313,300	1,220,720,100
EXPENDITURES BY CLASS					
Personnel Cost	146,881,600	164,150,200	176,406,000	143,866,700	144,365,800
Operating Expenses	47,456,900	50,944,600	48,926,600	43,490,100	42,909,600
Grants, Loans or Benefits	906,974,500	949,409,300	939,322,600	914,637,100	927,694,800
Debt Service	77,678,300	94,795,600	104,999,000	94,795,500	102,711,000
Capital Outlay	1,799,600	2,592,000	4,137,700	1,554,500	1,545,900
TOTAL EXPENDITURES	1,180,790,900	1,261,891,700	1,273,791,900	1,198,343,900	1,219,227,100
EXPENDITURES BY FUND SOURCE					
General Fund	256,371,500	330,574,000	334,645,100	278,266,800	297,837,900
Restricted Funds	49,715,300	53,689,300	56,424,900	45,998,100	44,291,400
Federal Funds	874,704,100	877,687,900	882,721,900	874,079,000	877,097,800
TOTAL EXPENDITURES	1,180,790,900	1,261,951,200	1,273,791,900	1,198,343,900	1,219,227,100
EXPENDITURES BY UNIT					
General Administration and Program Support	9,782,100	11,666,400	12,211,600	9,652,100	9,657,100
Kentucky Educational Television	16,180,700	20,713,000	21,111,900	15,884,800	15,920,900
School Facilities Construction Commission	77,922,900	95,060,300	102,874,900	95,042,400	102,844,300
Deaf and Hard of Hearing	1,102,100	1,295,200	1,380,000	1,073,100	1,073,100
Environmental Education Council	187,200	352,400	361,200	187,200	187,200
Libraries and Archives	17,024,100	26,717,500	27,989,100	17,180,200	17,254,000
Teachers' Retirement System	104,112,000	138,217,300	127,868,300	109,417,600	119,746,600
Educational Professional Standards Board	15,592,600	16,275,500	16,659,400	15,079,600	15,520,800
Teacher's Retirement Employer Contribution	4,513,300	4,815,000	5,058,800		
Technical Education	57,737,100	66,218,800	72,153,300	60,311,200	60,848,900
Vocational Rehabilitation	57,807,400	60,483,500	62,561,600	60,760,200	62,564,500

Department for the Blind	11,673,600	11,710,200	12,209,200	11,347,900	11,778,600
Training and Reemployment	64,025,000	64,231,800	64,345,200	64,232,500	64,345,200
Employment Services	743,130,800	744,194,300	747,007,400	738,175,100	737,485,900
TOTAL EXPENDITURES	1,180,790,900	1,261,951,200	1,273,791,900	1,198,343,900	1,219,227,100

The Education Cabinet was created by Executive Order 2003-064, combining several departments and offices from the former Education, Arts and Humanities Cabinet and the former Workforce Development Cabinet.

The following organizational units are attached to the Education Cabinet:

- Department of Education
- Department for Libraries and Archives
- Kentucky Educational Television
- Kentucky Commission on the Deaf and Hard of Hearing
- Governor's Scholars Program
- Operations and Development Office
- Board of Directors for the Center for School Safety
- Department for Technical Education
- Department for Vocational Rehabilitation
- Department for the Blind
- Department for Employment Services
- Kentucky Technical Education Personnel Board
- Department for Training and Reemployment
- Office of General Counsel
- Office of Communication Services
- Office of Workforce Partnerships
- Office of Workforce Analysis and Research
- Office of Budget and Administrative Services
- Office of Quality and Human Resources
- Council on Postsecondary Education
- Education Professional Standards Board

Education Cabinet
General Administration and Program Support

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	3,878,500	4,945,800	5,160,200	3,739,900	3,739,900
Budget Reduction	-112,900				
Salary Compensation Fund	14,900				
Base Deduction	-97,300				
Total General Fund	3,683,200	4,945,800	5,160,200	3,739,900	3,739,900
Restricted Funds					
Balance Forward	183,500	150,300	150,000		
Current Receipts	41,500	46,400	46,400	38,400	38,400
Non-Revenue Receipts	5,870,200	6,478,100	6,790,500	5,688,800	5,688,800
Fund Transfers	-171,700				
Total Restricted Funds	5,923,500	6,674,800	6,986,900	5,727,200	5,727,200
Federal Funds					
Current Receipts	175,400	195,800	214,500	185,000	190,000
Total Federal Funds	175,400	195,800	214,500	185,000	190,000
TOTAL SOURCE OF FUNDS	9,782,100	11,816,400	12,361,600	9,652,100	9,657,100
EXPENDITURES BY CLASS					
Personnel Cost	6,176,500	7,441,300	7,947,700	6,175,200	6,190,200
Operating Expenses	1,582,900	1,808,900	1,821,200	1,591,800	1,602,600
Grants, Loans or Benefits	2,022,700	2,416,200	2,442,700	1,885,100	1,864,300
TOTAL EXPENDITURES	9,782,100	11,666,400	12,211,600	9,652,100	9,657,100
EXPENDITURES BY FUND SOURCE					
General Fund	3,683,200	4,945,800	5,160,200	3,739,900	3,739,900
Restricted Funds	5,923,500	6,524,800	6,836,900	5,727,200	5,727,200
Federal Funds	175,400	195,800	214,500	185,000	190,000
TOTAL EXPENDITURES	9,782,100	11,666,400	12,211,600	9,652,100	9,657,100

The Education Cabinet was created by Executive Order 2003-064, combining several departments and offices from the former Education, Arts and Humanities Cabinet and the former Workforce Development Cabinet.

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

The program includes the following units:

The Office of the Secretary provides strategic direction and leadership to establish the focus for policy development, implementation, and program priorities. The Office coordinates Cabinet activities among its departments and agencies

to ensure continuous improvement in administration and efficient service to the citizens of the Commonwealth. The Secretary serves as the Chief Executive Officer of the Cabinet and is an advisor to the Governor and the General Assembly.

The Office of Operations and Development coordinates fiscal and personnel operations, strategic planning, development initiatives, and legislative programs of cabinet agencies. By coordinating strategic partnership planning, legislative review and presentation, and overall fundraising strategy in the Office of Operations and Development, the cabinet agencies can concentrate on maintaining and enhancing the quality and delivery of services, while enriching ongoing programs and ensuring the success of new program ventures.

The Governor's Scholars Program is designed to motivate and empower Kentucky's brightest young people to become effective thinkers and citizen leaders with a zeal for excellence and a mind for innovation. The program provides an intensive residential summer academic and personal growth program for academically talented rising high school seniors. The scholars, chosen competitively, spend five uninterrupted weeks in the program on three college campuses.

The Martin Luther King Commission was formally attached to the Education, Arts and Humanities Cabinet in 1996. The Commission's duties include: developing proposals for and overseeing a special program for the annual King holiday celebration; participating in Black History Month; assisting in developing educational materials and contests; and encouraging public participation in holiday observances. The Commission provides other state agencies guidance and assistance on issues and programs related to diversity, equality, and multi-culturalism.

Policy

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

In fiscal year 2004, restricted funds in the amount of \$4,000 shall be transferred to the credit of the General Fund in support of the Stability Initiative.

Education Cabinet
Kentucky Educational Television

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	14,548,100	18,902,200	19,160,000	14,145,200	14,145,200
Budget Reduction	-131,000				
Salary Compensation Fund	94,200				
Base Deduction	-366,100				
Total General Fund	14,145,200	18,902,200	19,160,000	14,145,200	14,145,200
Restricted Funds					
Balance Forward	319,800				
Current Receipts	1,016,900	1,110,800	1,251,900	1,039,600	1,075,700
Fund Transfers	-92,200				
Total Restricted Funds	1,244,500	1,110,800	1,251,900	1,039,600	1,075,700
Federal Funds					
Current Receipts	791,000	700,000	700,000	700,000	700,000
Total Federal Funds	791,000	700,000	700,000	700,000	700,000
TOTAL SOURCE OF FUNDS	16,180,700	20,713,000	21,111,900	15,884,800	15,920,900
EXPENDITURES BY CLASS					
Personnel Cost	9,429,500	11,149,400	11,830,900	9,309,400	9,593,200
Operating Expenses	5,271,200	8,003,400	6,014,200	5,269,900	4,987,000
Grants, Loans or Benefits	489,000	489,000	489,000	440,700	440,700
Debt Service			1,445,000		
Capital Outlay	991,000	1,071,200	1,332,800	864,800	900,000
TOTAL EXPENDITURES	16,180,700	20,713,000	21,111,900	15,884,800	15,920,900
EXPENDITURES BY FUND SOURCE					
General Fund	14,145,200	18,902,200	19,160,000	14,145,200	14,145,200
Restricted Funds	1,244,500	1,110,800	1,251,900	1,039,600	1,075,700
Federal Funds	791,000	700,000	700,000	700,000	700,000
TOTAL EXPENDITURES	16,180,700	20,713,000	21,111,900	15,884,800	15,920,900
EXPENDITURES BY UNIT					
General Administration and Support	2,186,500	2,539,800	2,648,800	2,363,200	2,404,600
Broadcasting and Education	9,657,500	11,544,800	13,230,100	9,278,000	9,514,600
Engineering	4,336,700	6,628,400	5,233,000	4,243,600	4,001,700
TOTAL EXPENDITURES	16,180,700	20,713,000	21,111,900	15,884,800	15,920,900

As required by KRS 168, the Kentucky Authority for Educational Television (KET) produces and transmits educational programming for students in public schools, state-supported institutions of higher education, and others desiring broadcast programs. KET is divided into three program areas: General Administration and Support, Engineering, and Broadcasting and Education. KET operates a statewide network of 16 digital transmitters, 16 analog transmitters, and four translators. It also operates a satellite delivery system including a two-channel uplink, and approximately 1,700 downlinks at all public schools, colleges, state parks, and many libraries and other public buildings in nearly every Kentucky community.

Policy

In fiscal year 2004, restricted funds in the amount of \$33,400 shall be transferred to the credit of the General Fund.

**Education Cabinet
Kentucky Educational Television
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	2,254,000	2,539,800	2,648,800	2,363,200	2,404,600
Budget Reduction	-75,000				
Salary Compensation Fund	7,500				
Total General Fund	2,186,500	2,539,800	2,648,800	2,363,200	2,404,600
TOTAL SOURCE OF FUNDS	2,186,500	2,539,800	2,648,800	2,363,200	2,404,600
EXPENDITURES BY CLASS					
Personnel Cost	1,468,000	1,645,500	1,765,900	1,538,300	1,576,700
Operating Expenses	718,500	894,300	882,900	824,900	827,900
TOTAL EXPENDITURES	2,186,500	2,539,800	2,648,800	2,363,200	2,404,600
EXPENDITURES BY FUND SOURCE					
General Fund	2,186,500	2,539,800	2,648,800	2,363,200	2,404,600
TOTAL EXPENDITURES	2,186,500	2,539,800	2,648,800	2,363,200	2,404,600

The General Administration and Support Unit oversees the implementation of Kentucky Educational Television's (KET) mission as directed by the Kentucky Authority for Educational Television. KET was established by the Kentucky General Assembly in the early 1960s for the purpose of supporting educational excellence in the Commonwealth. The agency's mission includes service to citizens of the Commonwealth in the home, in institutions of education, and in the workplace.

This Unit recommends and carries out the policies of the Authority in all matters of the agency. The Unit assures that the agency is in compliance with pertinent state regulations and federal broadcasting laws. The Unit also works to ascertain the desires of the citizens of the Commonwealth.

The Unit carries out research and planning activities to verify the needs of current and potential audiences. It then works to assure effective, efficient, and appropriate service to those audiences. Major areas of agency effort include programs and services in public affairs, K-12 student learning and teacher training, adult basic education, higher education, outreach programs on important state issues, and cultural and performing arts programs.

The Unit recognizes that coordination of efforts with other agencies, organizations and institutions is essential to effective service. It works to insure complementing, productive, non-duplicative efforts with groups such as the Kentucky Department of Education, the Governor's Office for Technology, the Workforce Development Cabinet, colleges and universities, and all public school districts.

The General Administration and Support Unit also conducts activities which lead to constructive recommendations on current practice and future directions of telecommunications for the Commonwealth. Technologies that the agency currently exploits include broadcast television (analog and digital), microwave transmission, digital satellite communications, two-way video/audio conferencing via the Kentucky Information Highway data lines, the Internet, CD-ROM, datacasting, and videotape distribution.

**Education Cabinet
Kentucky Educational Television
Broadcasting and Education**

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	9,044,900	10,820,100	12,364,300	8,624,500	8,825,000
Salary Compensation Fund	81,800				
Base Deduction	-366,100				
Total General Fund	8,760,600	10,820,100	12,364,300	8,624,500	8,825,000
Restricted Funds					
Balance Forward	319,800				
Current Receipts	669,300	724,700	865,800	653,500	689,600
Fund Transfers	-92,200				
Total Restricted Funds	896,900	724,700	865,800	653,500	689,600
TOTAL SOURCE OF FUNDS	9,657,500	11,544,800	13,230,100	9,278,000	9,514,600
EXPENDITURES BY CLASS					
Personnel Cost	5,952,200	7,306,100	7,677,700	5,744,000	5,930,400
Operating Expenses	3,016,300	3,549,700	3,418,400	2,928,500	2,943,500
Grants, Loans or Benefits	489,000	489,000	489,000	440,700	440,700
Debt Service			1,445,000		
Capital Outlay	200,000	200,000	200,000	164,800	200,000
TOTAL EXPENDITURES	9,657,500	11,544,800	13,230,100	9,278,000	9,514,600
EXPENDITURES BY FUND SOURCE					
General Fund	8,760,600	10,820,100	12,364,300	8,624,500	8,825,000
Restricted Funds	896,900	724,700	865,800	653,500	689,600
TOTAL EXPENDITURES	9,657,500	11,544,800	13,230,100	9,278,000	9,514,600

The Broadcasting and Education Unit acquires or produces programs and related support material which will most effectively carry out the mission and policies set by the Authority. This process includes soliciting feedback from appropriate audiences and seeking input from agencies and groups such as the Kentucky Department of Education and the Higher Education Telecommunications Consortium. The Unit daily assembles five channels of television programming (KET, KET2, and three instructional channels) for delivery to a variety of audiences.

One category of programming is aimed at needs of students at all levels. Instructional programming for elementary and secondary schools directly supports KERA's learning goals and outcomes. The Unit produces live interactive distance learning courses designed to provide equal access to a variety of learning opportunities for all students. It produces professional development opportunities for educators throughout the state. It also provides for the delivery of college courses to post-secondary students across the Commonwealth. The Unit also broadcasts programs designed to help people in the workplace. Acquired and/or produced programming serves under-educated adults, professionals in need of training, and other citizens with various needs related to their jobs and professions. The Unit also produces a full schedule of national and locally-produced programs for citizens at home. This includes educational and public affairs programming and quality arts experiences for all Kentuckians. A full line-up of educational children's programs offers a quality alternative to commercial television viewing.

A statewide regional support staff of instructional and technical specialists provide training, information, and help with technical issues. This service is provided freely to educational institutions and to people in the homes of the Commonwealth. The Operations staff maintain and operate network master control, studio, and remote facilities. With the beginning of digital broadcasting, this staff is faced with the challenge of operating and maintaining both analog and digital systems until the analog spectrum is returned to the federal government in 2006 or later.

**Education Cabinet
Kentucky Educational Television
Engineering**

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	3,249,200	5,542,300	4,146,900	3,157,500	2,915,600
Budget Reduction	-56,000				
Salary Compensation Fund	4,900				
Total General Fund	3,198,100	5,542,300	4,146,900	3,157,500	2,915,600
Restricted Funds					
Current Receipts	347,600	386,100	386,100	386,100	386,100
Total Restricted Funds	347,600	386,100	386,100	386,100	386,100
Federal Funds					
Current Receipts	791,000	700,000	700,000	700,000	700,000
Total Federal Funds	791,000	700,000	700,000	700,000	700,000
TOTAL SOURCE OF FUNDS	4,336,700	6,628,400	5,233,000	4,243,600	4,001,700
EXPENDITURES BY CLASS					
Personnel Cost	2,009,300	2,197,800	2,387,300	2,027,100	2,086,100
Operating Expenses	1,536,400	3,559,400	1,712,900	1,516,500	1,215,600
Capital Outlay	791,000	871,200	1,132,800	700,000	700,000
TOTAL EXPENDITURES	4,336,700	6,628,400	5,233,000	4,243,600	4,001,700
EXPENDITURES BY FUND SOURCE					
General Fund	3,198,100	5,542,300	4,146,900	3,157,500	2,915,600
Restricted Funds	347,600	386,100	386,100	386,100	386,100
Federal Funds	791,000	700,000	700,000	700,000	700,000
TOTAL EXPENDITURES	4,336,700	6,628,400	5,233,000	4,243,600	4,001,700

KET's Engineering Service Unit oversees delivery of KET programs and other resources. It operates and maintains a land-based broadcast network of 16 analog transmitters and four translators capable of delivering one channel of service into all parts of the state and a second service to the largest metropolitan area in the state. The second service utilizes one of the two transmitters in Louisville, and is also delivered to cable systems across the Commonwealth. This network is the largest public television network in the country, second in the world to the public network in Japan. The Engineering Service Unit operates all technical equipment to specifications mandated by the Federal Communications Commission (FCC).

The unit also operates and maintains the KET Star Channels satellite delivery system comprised of a two channel digital uplink at the KET Telecommunications Center and approximately 1,700 receiving dishes at schools, colleges, libraries, state parks, and other public buildings. KET also utilizes Kentucky Information Highway data lines for two-way teaching and conferencing, and the Internet for educational information delivery and interaction.

Engineering develops new uses of technologies that can extend the capacity of KET's staff and financial resources. It works to interface KET's technical capacities with other appropriate technical systems in Kentucky and elsewhere, further extending the variety, reach, accessibility, and versatility of KET services to the Commonwealth.

**Education Cabinet
School Facilities Construction Commission**

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	84,928,600	91,827,700	98,257,000	95,042,400	102,844,300
Budget Reduction	-5,650,000				
Salary Compensation Fund	600				
Base Deduction	-6,300				
Total General Fund	79,272,900	91,827,700	98,257,000	95,042,400	102,844,300
Restricted Funds					
Non-Revenue Receipts	2,290,000	2,290,000	2,290,000		
Fund Transfers	-2,290,000				
Total Restricted Funds		2,290,000	2,290,000		
TOTAL SOURCE OF FUNDS	79,272,900	94,117,700	100,547,000	95,042,400	102,844,300
EXPENDITURES BY CLASS					
Personnel Cost	218,000	231,300	249,200	219,700	224,800
Operating Expenses	26,600	33,400	33,700	27,200	27,500
Debt Service	77,678,300	94,795,600	102,592,000	94,795,500	102,592,000
TOTAL EXPENDITURES	77,922,900	95,060,300	102,874,900	95,042,400	102,844,300
EXPENDITURES BY FUND SOURCE					
General Fund	77,922,900	91,827,700	98,257,000	95,042,400	102,844,300
Restricted Funds		3,232,600	4,617,900		
TOTAL EXPENDITURES	77,922,900	95,060,300	102,874,900	95,042,400	102,844,300
EXPENDITURES BY UNIT					
School Facilities Construction Commission	77,873,400	95,006,200	102,816,500	94,991,000	102,791,500
Education Technology	49,500	54,100	58,400	51,400	52,800
TOTAL EXPENDITURES	77,922,900	95,060,300	102,874,900	95,042,400	102,844,300

The School Facilities Construction Commission, created by the 1985 Extraordinary Session of the General Assembly (KRS 157.611 et seq.), exists to assist local school districts with their school building needs. The School Facilities Construction Commission is responsible for the distribution of available state funds to eligible local school districts which have demonstrated a reasonable local effort to provide adequate school facilities but still have unmet building needs. The Commission is empowered to act on behalf of local school districts to issue bonds in the name of the Commission and to enter into lease arrangements with local boards of education to finance construction of new facilities or major renovation of existing school facilities.

Administration of offers of assistance to local school districts made under the auspices of the Kentucky Education Technology System (KETS) is performed by staff attached to the School Facilities Construction Commission.

Policy

The Executive Budget includes increases in debt service necessary to fulfill commitments made by previous sessions of the General Assembly in authorizing additional bonded indebtedness and related offers of assistance to local school districts.

The recommended budget includes \$7,827,300 in additional General Funds in fiscal year 2005 and \$15,623,700 in additional General Funds in fiscal year 2006 to: 1) fulfill the commitment made by the 2000 Regular Session of the General Assembly

for \$100 million in bonded indebtedness for local school construction and renovation; 2) fulfill the commitment made by the 2003 Regular Session of the General Assembly for an additional \$100 million in bonded indebtedness for school construction and renovation; 3) fulfill the commitment made by the 2003 Regular Session of the General Assembly to the Fayette County public school system for \$4.6 million in bonded indebtedness; and 4) fulfill the commitment made by the 2003 Regular Session of the General Assembly for \$110 million in bonded indebtedness to address the needs of Category 5 (worst condition) schools.

**Education Cabinet
Deaf and Hard of Hearing**

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	885,500	1,035,200	1,120,000	821,100	821,100
Budget Reduction	-48,000				
Salary Compensation Fund	5,900				
Base Deduction	-22,300				
Total General Fund	821,100	1,035,200	1,120,000	821,100	821,100
Restricted Funds					
Balance Forward	91,500	61,300	31,200		
Current Receipts	256,000	229,900	228,800	252,000	252,000
Fund Transfers	-66,500				
Total Restricted Funds	281,000	291,200	260,000	252,000	252,000
TOTAL SOURCE OF FUNDS	1,102,100	1,326,400	1,380,000	1,073,100	1,073,100
EXPENDITURES BY CLASS					
Personnel Cost	687,300	882,100	970,300	761,400	752,900
Operating Expenses	414,800	413,100	409,700	311,700	320,200
TOTAL EXPENDITURES	1,102,100	1,295,200	1,380,000	1,073,100	1,073,100
EXPENDITURES BY FUND SOURCE					
General Fund	821,100	1,035,200	1,120,000	821,100	821,100
Restricted Funds	281,000	260,000	260,000	252,000	252,000
TOTAL EXPENDITURES	1,102,100	1,295,200	1,380,000	1,073,100	1,073,100
EXPENDITURES BY UNIT					
Commission on the Deaf and Hard of Hearing	1,102,100	1,295,200	1,380,000	1,073,100	1,073,100
TOTAL EXPENDITURES	1,102,100	1,295,200	1,380,000	1,073,100	1,073,100

In accordance with KRS 163.500 - 163.525, the Commission on the Deaf and Hard of Hearing advises the Governor and the General Assembly concerning policies and programs to enhance the quality and coordination of services for deaf and hard of hearing individuals in both the public and private sectors. The Commission oversees the provision of interpreter services to deaf and hard of hearing individuals. The Commission identifies and evaluates public and private entities that provide services to deaf and hard of hearing residents of Kentucky for information, referral, and advocacy services. The Commission administers a TDD Distribution program which distributes specialized telecommunications equipment to qualified deaf, hard of hearing, and speech-impaired residents of Kentucky. The Commission assists local, state, and federal governments and public and private agencies in the development of programs for the deaf and hard of hearing. The Commission reviews legislative programs relating to services to deaf and hard of hearing persons and conducts studies of conditions affecting the health and welfare of the deaf and hard of hearing.

Policy

In fiscal year 2004, restricted funds in the amount of \$6,500 shall be transferred to the credit of the General Fund.

**Education Cabinet
Environmental Education Council**

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
General Fund					
Regular Appropriation		10,400	19,200		
Total General Fund		10,400	19,200		
Restricted Funds					
Balance Forward	108,300	78,300	78,300	78,300	78,300
Current Receipts	12,000	42,000	42,000	42,000	42,000
Non-Revenue Receipts	150,000	300,000	300,000	150,000	150,000
Fund Transfers	-4,800			-4,800	-4,800
Total Restricted Funds	265,500	420,300	420,300	265,500	265,500
TOTAL SOURCE OF FUNDS	265,500	430,700	439,500	265,500	265,500
EXPENDITURES BY CLASS					
Personnel Cost	108,800	122,700	131,500	112,600	114,800
Operating Expenses	43,600	44,900	44,900	44,200	37,600
Grants, Loans or Benefits	34,800	184,800	184,800	30,400	34,800
TOTAL EXPENDITURES	187,200	352,400	361,200	187,200	187,200
EXPENDITURES BY FUND SOURCE					
General Fund		10,400	19,200		
Restricted Funds	187,200	342,000	342,000	187,200	187,200
TOTAL EXPENDITURES	187,200	352,400	361,200	187,200	187,200

The Kentucky Environmental Education Council is dedicated to improving the environmental literacy of all Kentuckians. The Council provides opportunities for all Kentuckians to understand both that environmental problems exist and how each person's actions contribute to the health of the environment. The Council sponsors programs and activities that improve the quality of environmental education in the Commonwealth. These programs and activities include:

- Working with citizens, especially those engaged in environmental education, to implement the master plan for improving environmental education and environmental literacy.
- Working with the Kentucky Department of Education, the Education Professional Standards Board, and the Environmental Education Interagency Committee to establish guidelines for improving professional development in environmental education for educators.
- Establishing standards for environmental education that fit within the Kentucky Department of Education's instructional standards and help insure balanced, ecologically based curriculum and instruction.
- Working to ensure that environmental education is equitably distributed to all Kentuckians.

Policy

In fiscal years 2004, 2005 and 2006, restricted funds in the amount \$4,800 shall be transferred to the credit of the General Fund.

**Education Cabinet
Libraries and Archives**

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	13,637,600	22,506,800	23,700,100	12,969,500	12,969,500
Budget Reduction	-400,000				
Salary Compensation Fund	74,700				
Base Deduction	-342,800				
Total General Fund	12,969,500	22,506,800	23,700,100	12,969,500	12,969,500
Restricted Funds					
Balance Forward	770,600	359,500	233,800	328,700	203,000
Current Receipts	1,587,200	1,710,900	1,763,200	1,710,900	1,763,200
Non-Revenue Receipts	-158,500				
Fund Transfers	-76,800				
Total Restricted Funds	2,122,500	2,070,400	1,997,000	2,039,600	1,966,200
Federal Funds					
Balance Forward	10,400				
Current Receipts	2,250,400	2,374,100	2,379,300	2,374,100	2,379,300
Total Federal Funds	2,260,800	2,374,100	2,379,300	2,374,100	2,379,300
TOTAL SOURCE OF FUNDS	17,352,800	26,951,300	28,076,400	17,383,200	17,315,000
EXPENDITURES BY CLASS					
Personnel Cost	6,685,100	8,066,000	8,721,100	6,891,100	7,083,600
Operating Expenses	3,583,500	3,765,100	3,768,000	3,618,100	3,646,000
Grants, Loans or Benefits	6,715,500	14,267,500	14,317,500	6,631,000	6,484,400
Debt Service			962,000		
Capital Outlay	40,000	618,900	220,500	40,000	40,000
TOTAL EXPENDITURES	17,024,100	26,717,500	27,989,100	17,180,200	17,254,000
EXPENDITURES BY FUND SOURCE					
General Fund	12,969,500	22,506,800	23,700,100	12,969,500	12,969,500
Restricted Funds	1,793,800	1,836,600	1,909,700	1,836,600	1,905,200
Federal Funds	2,260,800	2,374,100	2,379,300	2,374,100	2,379,300
TOTAL EXPENDITURES	17,024,100	26,717,500	27,989,100	17,180,200	17,254,000
EXPENDITURES BY UNIT					
General Operations	10,259,100	12,193,500	13,415,100	10,499,700	10,720,100
Direct Local Aid	6,765,000	14,524,000	14,574,000	6,680,500	6,533,900
TOTAL EXPENDITURES	17,024,100	26,717,500	27,989,100	17,180,200	17,254,000

The Department for Libraries and Archives supports and promotes equitable access to quality library services and information resources, and ensures that adequate documentation of government programs is created, maintained, and available for public use.

The Department is directed by three goals: (1) to provide effective services that meet the needs of library and public records customers; (2) to build effective and productive partnerships with other organizations and public agencies for enhanced management of and access to information and services; and, (3) to improve employee job satisfaction and agency operations.

The Department serves both governmental agencies and the people of Kentucky directly through local public libraries.

The Department also serves several distinct customer populations including the general public, the blind and physically disabled, institutionalized persons, state government personnel, state and local public agencies, and researchers needing historic public records.

**Education Cabinet
Libraries and Archives
General Operations**

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	7,257,400	8,415,800	9,559,100	6,722,000	6,868,600
Budget Reduction	-400,000				
Salary Compensation Fund	74,700				
Base Deduction	-294,600				
Total General Fund	6,637,500	8,415,800	9,559,100	6,722,000	6,868,600
Restricted Funds					
Balance Forward	743,600	341,000	223,800	310,200	193,000
Current Receipts	1,586,700	1,710,400	1,762,700	1,710,400	1,762,700
Non-Revenue Receipts	-158,500				
Fund Transfers	-76,800				
Total Restricted Funds	2,095,000	2,051,400	1,986,500	2,020,600	1,955,700
Federal Funds					
Balance Forward	9,000				
Current Receipts	1,827,800	1,950,100	1,955,300	1,950,100	1,955,300
Total Federal Funds	1,836,800	1,950,100	1,955,300	1,950,100	1,955,300
TOTAL SOURCE OF FUNDS	10,569,300	12,417,300	13,500,900	10,692,700	10,779,600
EXPENDITURES BY CLASS					
Personnel Cost	6,685,100	8,066,000	8,721,100	6,891,100	7,083,600
Operating Expenses	3,457,000	3,604,600	3,607,500	3,491,600	3,519,500
Grants, Loans or Benefits	77,000	77,000	77,000	77,000	77,000
Debt Service			962,000		
Capital Outlay	40,000	445,900	47,500	40,000	40,000
TOTAL EXPENDITURES	10,259,100	12,193,500	13,415,100	10,499,700	10,720,100
EXPENDITURES BY FUND SOURCE					
General Fund	6,637,500	8,415,800	9,559,100	6,722,000	6,868,600
Restricted Funds	1,784,800	1,827,600	1,900,700	1,827,600	1,896,200
Federal Funds	1,836,800	1,950,100	1,955,300	1,950,100	1,955,300
TOTAL EXPENDITURES	10,259,100	12,193,500	13,415,100	10,499,700	10,720,100
EXPENDITURES BY UNIT					
Administrative Services	3,165,100	3,653,700	3,503,200	3,265,700	3,330,200
Field Services	1,850,300	2,599,100	2,741,900	1,974,000	2,020,000
State Library Services	2,028,900	2,327,700	2,460,600	1,994,200	2,028,100
Public Records	3,214,800	3,613,000	4,709,400	3,265,800	3,341,800
TOTAL EXPENDITURES	10,259,100	12,193,500	13,415,100	10,499,700	10,720,100

**Education Cabinet
Libraries and Archives
General Operations
Administrative Services**

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	2,511,500	2,928,600	2,775,700	2,540,600	2,602,700
Total General Fund	2,511,500	2,928,600	2,775,700	2,540,600	2,602,700
Restricted Funds					
Balance Forward	25,700	33,300	7,400	33,300	7,400
Current Receipts	15,000				
Total Restricted Funds	40,700	33,300	7,400	33,300	7,400
Federal Funds					
Balance Forward	1,800				
Current Receipts	644,400	699,200	720,100	699,200	720,100
Total Federal Funds	646,200	699,200	720,100	699,200	720,100
TOTAL SOURCE OF FUNDS	3,198,400	3,661,100	3,503,200	3,273,100	3,330,200
EXPENDITURES BY CLASS					
Personnel Cost	1,396,100	1,557,200	1,678,300	1,468,700	1,505,300
Operating Expenses	1,719,000	1,782,000	1,774,900	1,747,000	1,774,900
Grants, Loans or Benefits	10,000	10,000	10,000	10,000	10,000
Capital Outlay	40,000	304,500	40,000	40,000	40,000
TOTAL EXPENDITURES	3,165,100	3,653,700	3,503,200	3,265,700	3,330,200
EXPENDITURES BY FUND SOURCE					
General Fund	2,511,500	2,928,600	2,775,700	2,540,600	2,602,700
Restricted Funds	7,400	25,900	7,400	25,900	7,400
Federal Funds	646,200	699,200	720,100	699,200	720,100
TOTAL EXPENDITURES	3,165,100	3,653,700	3,503,200	3,265,700	3,330,200

The Commissioner's Office sets overall policy and direction for the Department and provides communication advice and support to each division. The Office supports the activities of the State Advisory Council on Libraries, chairs the Archives and Records Commission, and serves on the State Information Systems Commission, the Communications Advisory Committee, and the Oral History Commission.

The Division of Administrative Services formulates and implements executive direction for planning, policy, and procedures for the Department in accordance with KRS Chapter 171. The Division provides administrative support to the program areas of the Department. This division funds and supports the activities of the Commissioner's Office, as well as those of the Financial, Personnel and Payroll, Federal Grants Management, Information Systems, Building Facilities, and Administrative Support units.

**Education Cabinet
Libraries and Archives
General Operations
Field Services**

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	1,824,900	2,092,700	2,265,300	1,467,600	1,543,400
Budget Reduction	-344,800				
Base Deduction	-87,600				
Total General Fund	1,392,500	2,092,700	2,265,300	1,467,600	1,543,400
Restricted Funds					
Balance Forward	57,900	32,400	15,000	32,400	15,000
Current Receipts	20,900	29,000	31,400	29,000	31,400
Total Restricted Funds	78,800	61,400	46,400	61,400	46,400
Federal Funds					
Balance Forward	1,400				
Current Receipts	410,000	460,000	430,200	460,000	430,200
Total Federal Funds	411,400	460,000	430,200	460,000	430,200
TOTAL SOURCE OF FUNDS	1,882,700	2,614,100	2,741,900	1,989,000	2,020,000
EXPENDITURES BY CLASS					
Personnel Cost	1,596,300	2,292,100	2,481,300	1,713,400	1,759,400
Operating Expenses	187,000	193,600	193,600	193,600	193,600
Grants, Loans or Benefits	67,000	67,000	67,000	67,000	67,000
Capital Outlay		46,400			
TOTAL EXPENDITURES	1,850,300	2,599,100	2,741,900	1,974,000	2,020,000
EXPENDITURES BY FUND SOURCE					
General Fund	1,392,500	2,092,700	2,265,300	1,467,600	1,543,400
Restricted Funds	46,400	46,400	46,400	46,400	46,400
Federal Funds	411,400	460,000	430,200	460,000	430,200
TOTAL EXPENDITURES	1,850,300	2,599,100	2,741,900	1,974,000	2,020,000

The Division of Field Services supports Kentucky's public libraries for the improvement of library services by providing consultation, technical assistance, and financial aid. The Division provides services pursuant to KRS Chapter 171.

This division's Public Library Development Branch includes professional and technical staff who provide consultative and technical assistance concerning public library services and programs provided by the Department. The staff is located in regional offices that are mainly housed in local public libraries.

The Program Development Branch provides statewide guidance in specialized library services. This office plans and implements statewide continuing education programs. Services are also provided for technological development, automated operations, and statistical analysis. Branch staff provide consulting services in the areas of library construction; assistance in developing early childhood, children's, and young adult programs and materials; and provides administrative support to the Kentucky State Board for the Certification of Librarians.

The Kentucky Talking Book Library and Institutions Branch provides special library materials and playback equipment to eligible service clientele. Volunteers record materials that are of special interest to Kentucky Talking Book patrons, and department staff coordinate distribution. The Branch also provides library materials and professional consultation to state residential institution libraries.

**Education Cabinet
Libraries and Archives
General Operations
State Library Services**

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	1,469,900	1,591,200	1,706,100	1,257,700	1,278,100
Budget Reduction	-47,000				
Base Deduction	-125,500				
Total General Fund	1,297,400	1,591,200	1,706,100	1,257,700	1,278,100
Restricted Funds					
Balance Forward	5,800	6,600	7,700	800	1,900
Current Receipts	800	1,100	1,100	1,100	1,100
Fund Transfers	-5,800				
Total Restricted Funds	800	7,700	8,800	1,900	3,000
Federal Funds					
Balance Forward	4,300				
Current Receipts	727,200	736,500	747,000	736,500	747,000
Total Federal Funds	731,500	736,500	747,000	736,500	747,000
TOTAL SOURCE OF FUNDS	2,029,700	2,335,400	2,461,900	1,996,100	2,028,100
EXPENDITURES BY CLASS					
Personnel Cost	1,136,000	1,356,800	1,472,200	1,101,300	1,135,200
Operating Expenses	892,900	970,900	980,900	892,900	892,900
Capital Outlay			7,500		
TOTAL EXPENDITURES	2,028,900	2,327,700	2,460,600	1,994,200	2,028,100
EXPENDITURES BY FUND SOURCE					
General Fund	1,297,400	1,591,200	1,706,100	1,257,700	1,278,100
Restricted Funds			7,500		3,000
Federal Funds	731,500	736,500	747,000	736,500	747,000
TOTAL EXPENDITURES	2,028,900	2,327,700	2,460,600	1,994,200	2,028,100

The Division of State Library Services operates the State Library that serves state government personnel, public libraries, other institutions, and individuals. In an effort to equalize library services and access to information across the state, this division promotes and maintains cooperative arrangements for information and resource sharing among all types of libraries, library consortia, and information centers, including state agencies, as mandated by Chapter 171.

State Library Support is the administrative unit of the division and provides coordinated program planning and control to ensure the best service in a cost-effective manner. The unit directs the statewide library resource sharing activities of the Department, including direct service delivery, coordination of activities on a statewide basis, and support via direct local aid. The Department works closely with the Kentucky Virtual Library (KYVL) in the delivery of services and coordination of activities, and also participates as an individual library institution.

The Public Services Branch is committed to providing resources, research, consultation, and assistance to state agencies and public libraries through use of a variety of information formats including the Internet. The State Library partners with the Governmental Services Center (GSC) and the Kentucky Employees Assistance Program (KEAP) to provide supplementary information resources for those agencies' clients through the Library's web site.

The Audiovisual unit of the branch provides a centralized collection of videos and films that are loaned without a fee to public libraries, state agencies, and walk-in customers. The unit is unique in that it is the only major source of films and "public performance" videos in the Commonwealth. The primary needs are for children's films suitable for large audience viewing and videos designed for adult training and education.

The Technical Support Branch provides computerized access to information for the State Library's collections and public libraries. The branch serves as a model for quality control throughout the state, and supplies training and consulting services to librarians and state agency personnel involved in the organization of reference materials.

**Education Cabinet
Libraries and Archives
General Operations
Public Records**

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	1,451,100	1,803,300	2,812,000	1,456,100	1,444,400
Budget Reduction	-8,200				
Salary Compensation Fund	74,700				
Base Deduction	-81,500				
Total General Fund	1,436,100	1,803,300	2,812,000	1,456,100	1,444,400
Restricted Funds					
Balance Forward	654,200	268,700	193,700	243,700	168,700
Current Receipts	1,550,000	1,680,300	1,730,200	1,680,300	1,730,200
Non-Revenue Receipts	-158,500				
Fund Transfers	-71,000				
Total Restricted Funds	1,974,700	1,949,000	1,923,900	1,924,000	1,898,900
Federal Funds					
Balance Forward	1,500				
Current Receipts	46,200	54,400	58,000	54,400	58,000
Total Federal Funds	47,700	54,400	58,000	54,400	58,000
TOTAL SOURCE OF FUNDS	3,458,500	3,806,700	4,793,900	3,434,500	3,401,300
EXPENDITURES BY CLASS					
Personnel Cost	2,556,700	2,859,900	3,089,300	2,607,700	2,683,700
Operating Expenses	658,100	658,100	658,100	658,100	658,100
Debt Service			962,000		
Capital Outlay		95,000			
TOTAL EXPENDITURES	3,214,800	3,613,000	4,709,400	3,265,800	3,341,800
EXPENDITURES BY FUND SOURCE					
General Fund	1,436,100	1,803,300	2,812,000	1,456,100	1,444,400
Restricted Funds	1,731,000	1,755,300	1,839,400	1,755,300	1,839,400
Federal Funds	47,700	54,400	58,000	54,400	58,000
TOTAL EXPENDITURES	3,214,800	3,613,000	4,709,400	3,265,800	3,341,800

The Division of Public Records, under KRS 171.410-740, works with government agencies to ensure creation and preservation of documentation of agencies' organizational functions, policies, decisions, procedures, and essential transactions, as well as information that protects the legal and financial rights of government and of individuals directly affected by an agency's activities. The Division establishes standards, procedures, and administrative regulations for recording, managing, preserving, and reproducing government records. It works with the heads of state and local government agencies to ensure that they create and maintain active programs for the efficient management of their records.

The Public Records Support Office provides overall policy development, coordination of program planning, and administrative direction of division programs in public records administration and archival management.

The State Records Branch assists state agencies, boards and commissions, public universities, and judicial offices in developing and maintaining programs to manage government information. Branch staff manage the State Records Center for high volume storage of non-permanent records still in business use.

The Archival Services Branch operates the state's central repository for valuable government records. It serves as the official point of access for state government information. The Branch is also involved in a variety of outreach and educational activities that inform public officials and the general public about the wealth and range of materials housed at the State Archives.

The Technology Analysis and Support Branch provides support to agencies on archival and records management considerations in the application of information technology. It works with other units to provide guidance to public agencies on the management of electronic records and oversees the work of the department's Document Preservation Laboratory. This includes professional consulting, education and training programs, records disaster recovery assistance, and laboratory conservation treatment.

The Image Management Branch provides centralized image management and micrographics services to state and local government agencies on a cost recovery basis. These central services help improve and speed access to information, reduce the volume of paper-based files, and ensure archival preservation of information contained in fragile paper records.

The Local Records Branch assists local government agencies in implementing and maintaining archives and records management programs.

Policy

In fiscal year 2004, restricted funds in the amount of \$46,000 shall be transferred to the credit of the General Fund.

**Education Cabinet
Libraries and Archives
Direct Local Aid**

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	6,380,200	14,091,000	14,141,000	6,247,500	6,100,900
Base Deduction	-48,200				
Total General Fund	6,332,000	14,091,000	14,141,000	6,247,500	6,100,900
Restricted Funds					
Balance Forward	27,000	18,500	10,000	18,500	10,000
Current Receipts	500	500	500	500	500
Total Restricted Funds	27,500	19,000	10,500	19,000	10,500
Federal Funds					
Balance Forward	1,400				
Current Receipts	422,600	424,000	424,000	424,000	424,000
Total Federal Funds	424,000	424,000	424,000	424,000	424,000
TOTAL SOURCE OF FUNDS	6,783,500	14,534,000	14,575,500	6,690,500	6,535,400
EXPENDITURES BY CLASS					
Operating Expenses	126,500	160,500	160,500	126,500	126,500
Grants, Loans or Benefits	6,638,500	14,190,500	14,240,500	6,554,000	6,407,400
Capital Outlay		173,000	173,000		
TOTAL EXPENDITURES	6,765,000	14,524,000	14,574,000	6,680,500	6,533,900
EXPENDITURES BY FUND SOURCE					
General Fund	6,332,000	14,091,000	14,141,000	6,247,500	6,100,900
Restricted Funds	9,000	9,000	9,000	9,000	9,000
Federal Funds	424,000	424,000	424,000	424,000	424,000
TOTAL EXPENDITURES	6,765,000	14,524,000	14,574,000	6,680,500	6,533,900
EXPENDITURES BY UNIT					
Field Services	5,534,000	13,099,000	13,099,000	5,534,000	5,534,000
State Library Services	631,000	745,000	795,000	591,000	519,900
Public Records	600,000	680,000	680,000	555,500	480,000
TOTAL EXPENDITURES	6,765,000	14,524,000	14,574,000	6,680,500	6,533,900

Direct Local Aid provides the following services to citizens of the Commonwealth:

- Federal grants are provided for continuing education, training, and demonstration projects.
- State Aid provides cash grants to all counties with legally established public libraries. The grant funds may be used for the following purposes: purchase, upgrading, and maintenance of technology resources; purchase of library materials and equipment; maintenance and operation of bookmobiles and extension programs; staff and trustee training and compensation; building maintenance; debt service; resource-sharing; program development; and certain other local library needs and services.
- The Bookmobile program furnishes and replaces bookmobiles used by Kentucky's public libraries. The bookmobiles provide informational and educational resources to those who cannot physically reach a public library. Bookmobiles make regular stops at schools, daycare centers, and after-school centers. Services are also provided to the elderly and homebound individuals. Funds are also provided for maintenance and repair of existing bookmobiles. Services are provided as funds are available.
- Construction grants are available through a competitive application process to assist with retiring debt associated with the construction or repair of library facilities.

- Institution grants are given to two local libraries to administer library service in three state prisons. The Danville Library works with the Northpoint Training Center, and the Oldham County Public Library works with the Kentucky State Reformatory and the Kentucky Correctional Institution for Women.
- Kentucky Talking Book Library grants are given to assist in the delivery of services directly to blind and physically disabled library patrons.
- Local Records grants provide funds to assist local governments with the protection and preservation of public records, and the improvement of local government records management programs.

These services are administered by the Department's program divisions: Field Services, State Library Services, and Public Records. Direct services include cash grants, library materials, and bookmobiles.

**Education Cabinet
Teachers' Retirement System**

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	97,489,000	130,069,400	119,254,800	102,794,600	113,123,600
Total General Fund	97,489,000	130,069,400	119,254,800	102,794,600	113,123,600
Restricted Funds					
Non-Revenue Receipts	6,623,000	8,147,900	8,613,500	6,623,000	6,623,000
Total Restricted Funds	6,623,000	8,147,900	8,613,500	6,623,000	6,623,000
TOTAL SOURCE OF FUNDS	104,112,000	138,217,300	127,868,300	109,417,600	119,746,600
EXPENDITURES BY CLASS					
Personnel Cost	5,281,100	6,719,200	7,145,600	5,281,100	5,281,100
Operating Expenses	1,271,200	1,346,000	1,385,200	1,271,200	1,271,200
Grants, Loans or Benefits	97,489,000	130,069,400	119,254,800	102,794,600	113,123,600
Capital Outlay	70,700	82,700	82,700	70,700	70,700
TOTAL EXPENDITURES	104,112,000	138,217,300	127,868,300	109,417,600	119,746,600
EXPENDITURES BY FUND SOURCE					
General Fund	97,489,000	130,069,400	119,254,800	102,794,600	113,123,600
Restricted Funds	6,623,000	8,147,900	8,613,500	6,623,000	6,623,000
TOTAL EXPENDITURES	104,112,000	138,217,300	127,868,300	109,417,600	119,746,600

The Teachers' Retirement System, as defined in KRS 161.220-161.716, was established in 1940 to provide a broad program of retirement benefits, death and survivor benefits, medical insurance benefits, and disability benefits to its membership.

Administration of the System is the responsibility of the nine-member Board of Trustees. Two of the members are ex-officio, serving by reason of their constitutional offices. They are the Commissioner of Education and the State Treasurer. The members of the Retirement System elect the remaining seven trustees for four-year terms. Four of these must be active members of the Retirement System, one must be a retired member, and two must be persons from outside the teaching profession. The Board of Trustees appoints an Executive Secretary who is responsible for the administration of the affairs of the Retirement System under policies established by the Board. The most important objectives of the Board of Trustees are to maintain a retirement system that is actuarially sound and to maintain member benefits at a level that is comparable with the benefits provided other state employees through the Kentucky Employees' Retirement System and the Social Security System.

Membership is comprised of all persons occupying positions in the public elementary or secondary schools for which certification is required. In addition, staff members of Western Kentucky University, Eastern Kentucky University, Morehead State University, Murray State University, Kentucky State University, professional staff of the Department of Education, Cabinet for Workforce Development, faculty members of the School for the Deaf, the School for the Blind, as well as faculty of the state and area vocational schools are members. Membership is mandatory for all persons teaching in the public schools or other institutions covered by the statutes governing teachers' retirement.

Benefits are financed through member contributions, corresponding contributions by the state, and income accruing from the invested reserves of the system. The General Assembly has set the member and state contribution rate at 9.855 percent of gross salary. University faculty members contribute 8.375 percent of gross salary and the state matches this amount. In addition, each employer contributes an overmatch of 3.25 percent of gross salary to help reduce the system's unfunded liability. The reserves of the agency are invested in a manner that will provide a reasonable rate of return with major emphasis on the protection of the reserves.

The employer match for Department of Education, the Cabinet for Workforce Development, and university employees is

budgeted within the Department, the Cabinet, and the affected universities and is then transferred to the Teachers' Retirement System.

The employer match for Department of Education, the Cabinet for Workforce Development, and university employees is budgeted within the Department, the Cabinet, and the affected universities and is then transferred to the Teachers' Retirement System.

Funding for the employer match on behalf of local school district members is provided as an adjunct to the Support Education Excellence in Kentucky program (SEEK) within the Department of Education.

Policy

The Executive Budget includes sufficient General Fund support to meet the amortized cost of previously enacted cost-of-living adjustments and other benefit improvements for system members.

The recommended budget includes \$9,282,500 in General Fund support in fiscal year 2006 toward making up for underestimates of required state appropriations to the system in fiscal year 2002 and fiscal year 2003.

The enacted budget includes \$3,669,700 in fiscal year 2005 and \$8,009,200 in fiscal year 2006 in General Fund support for initial payments on the amortized cost of increased retirement allowances for those recipients retiring during the 2004-2006 biennium who are eligible to add accrued sick leave to their final year of service.

Education Cabinet
Educational Professional Standards Board

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	10,679,000	11,062,900	11,442,400	9,870,800	10,312,000
Base Deduction	-267,000				
Total General Fund	10,412,000	11,062,900	11,442,400	9,870,800	10,312,000
Restricted Funds					
Balance Forward	1,017,700	1,017,700	1,017,700	1,017,700	1,017,700
Current Receipts	829,600	829,600	829,600	829,600	829,600
Fund Transfers	-20,700				
Total Restricted Funds	1,826,600	1,847,300	1,847,300	1,847,300	1,847,300
Federal Funds					
Balance Forward	62,700	70,200	62,700	70,200	62,700
Current Receipts	4,379,200	4,375,500	4,375,500	4,371,700	4,367,300
Total Federal Funds	4,441,900	4,445,700	4,438,200	4,441,900	4,430,000
TOTAL SOURCE OF FUNDS	16,680,500	17,355,900	17,727,900	16,160,000	16,589,300
EXPENDITURES BY CLASS					
Personnel Cost	2,921,700	3,090,900	3,349,800	2,908,300	3,002,100
Operating Expenses	3,954,400	3,716,200	3,549,500	3,710,300	3,543,600
Grants, Loans or Benefits	8,716,500	9,408,900	9,760,100	8,461,000	8,975,100
TOTAL EXPENDITURES	15,592,600	16,216,000	16,659,400	15,079,600	15,520,800
EXPENDITURES BY FUND SOURCE					
General Fund	10,412,000	11,062,900	11,442,400	9,870,800	10,312,000
Restricted Funds	808,900	829,600	829,600	829,600	829,600
Federal Funds	4,371,700	4,383,000	4,387,400	4,379,200	4,379,200
TOTAL EXPENDITURES	15,592,600	16,275,500	16,659,400	15,079,600	15,520,800

Authorized in KRS 161.028, the Education Professional Standards Board (EPSB), is a 17-member body appointed by the Governor to oversee teacher and administrator preparation, internship, and certification.

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

The EPSB annually provides support to approximately 3,000 teacher interns, 300 principal interns, 2,600 supervising teachers, and 400 prospective National Board-certified teachers.

Policy

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

Included in the above General Fund appropriation is up to \$725,000 in fiscal year 2005 and \$800,000 in fiscal year 2006 to support financial incentives for teachers who are pursuing National Board for Professional Teaching Standards certification.

No funds are provided either fiscal year of the 2004-2006 biennium for the Kentucky Principal Internship Program.

In fiscal year 2004, restricted funds in the amount of \$20,700 shall be transferred to the credit of the General Fund.

**Education Cabinet
Teacher's Retirement Employer Contribution**

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	4,743,400	4,815,000	5,058,800		
Salary Compensation Fund	25,600				
Base Deduction	-115,700				
Reorganization Adjustments	-140,000				
Total General Fund	4,513,300	4,815,000	5,058,800		
TOTAL SOURCE OF FUNDS	4,513,300	4,815,000	5,058,800		
EXPENDITURES BY CLASS					
Personnel Cost	4,513,300	4,815,000	5,058,800		
TOTAL EXPENDITURES	4,513,300	4,815,000	5,058,800		
EXPENDITURES BY FUND SOURCE					
General Fund	4,513,300	4,815,000	5,058,800		
TOTAL EXPENDITURES	4,513,300	4,815,000	5,058,800		

**Education Cabinet
Technical Education**

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	23,150,300	29,765,800	35,325,300	25,298,700	26,098,700
Continuing Appropriation	10,300				
Budget Reduction	-431,700				
Salary Compensation Fund	255,900				
Base Deduction	-585,200				
Total General Fund	22,399,600	29,765,800	35,325,300	25,298,700	26,098,700
Restricted Funds					
Balance Forward	2,170,000	1,224,600	341,400	1,168,600	285,400
Current Receipts	1,779,200	1,658,700	1,698,200	1,516,400	1,516,400
Non-Revenue Receipts	17,433,200	18,691,400	19,716,100	17,433,200	17,961,000
Fund Transfers	-56,000				
Total Restricted Funds	21,326,400	21,574,700	21,755,700	20,118,200	19,762,800
Federal Funds					
Balance Forward	4,400				
Current Receipts	15,175,300	15,219,700	15,264,600	15,179,700	15,179,700
Total Federal Funds	15,179,700	15,219,700	15,264,600	15,179,700	15,179,700
TOTAL SOURCE OF FUNDS	58,905,700	66,560,200	72,345,600	60,596,600	61,041,200
EXPENDITURES BY CLASS					
Personnel Cost	31,845,300	38,273,400	42,295,100	34,062,300	34,906,300
Operating Expenses	9,920,300	11,167,200	11,423,200	9,732,300	9,495,500
Grants, Loans or Benefits	15,472,300	16,033,600	16,007,900	16,033,600	16,007,900
Capital Outlay	499,200	744,600	2,427,100	483,000	439,200
TOTAL EXPENDITURES	57,737,100	66,218,800	72,153,300	60,311,200	60,848,900
EXPENDITURES BY FUND SOURCE					
General Fund	22,399,600	29,765,800	35,325,300	25,298,700	26,098,700
Restricted Funds	20,157,800	21,233,300	21,563,400	19,832,800	19,570,500
Federal Funds	15,179,700	15,219,700	15,264,600	15,179,700	15,179,700
TOTAL EXPENDITURES	57,737,100	66,218,800	72,153,300	60,311,200	60,848,900
EXPENDITURES BY UNIT					
School Support and Administration	41,597,900	49,643,000	55,509,800	44,172,000	44,709,700
Equipment	1,537,500	1,807,500	1,807,500	1,537,500	1,537,500
Contract Services	829,600	971,900	1,011,400	829,600	829,600
Federal Programs	13,745,600	13,769,900	13,798,100	13,745,600	13,745,600
Tech Ed Personnel Committee	26,500	26,500	26,500	26,500	26,500
TOTAL EXPENDITURES	57,737,100	66,218,800	72,153,300	60,311,200	60,848,900

The Department for Technical Education has two major statewide roles: the management and operation of the 53 Area Technology Centers serving high school students and workers in business and industry; and serving as the sole state agency for federal funds through the Carl D. Perkins Vocational and Applied Technology Education Act of 1998 (Public Law 105-332).

The Department for Technical Education provides occupational specific education and training for Kentucky's citizens in order to develop a skilled and versatile workforce. The main responsibility is providing education and technical training to youth and

incumbent workers that match the needs of Kentucky business and industry. Skill training is directed at high school students who go directly to work after leaving high school, while creating an avenue for continued education.

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

The 53 Area Technology Centers provide continuing and customized technical education programs on an as-needed basis. This system serves business and industry, as well as adults in the community seeking to enhance their employment opportunities. Area Technology Centers provide opportunities in areas of the Commonwealth where continuing education is not available at a postsecondary institution.

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

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

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

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

Policy

The General Funds attributable to the employer contribution to the Kentucky Teachers' Retirement System for eligible employees in this department have been allocated within the Technical Education budget. These funds were separately appropriated in the past.

**Education Cabinet
Vocational Rehabilitation**

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	11,206,400	12,040,000	12,452,000	12,294,300	12,477,300
Budget Reduction	-202,100				
Salary Compensation Fund	1,300				
Base Deduction	-280,200				
Total General Fund	10,725,400	12,040,000	12,452,000	12,294,300	12,477,300
Restricted Funds					
Balance Forward	213,000	116,100	50,600	116,100	28,200
Current Receipts	2,858,200	2,865,000	2,865,000	2,865,000	2,865,000
Fund Transfers	-73,900				
Total Restricted Funds	2,997,300	2,981,100	2,915,600	2,981,100	2,893,200
Federal Funds					
Balance Forward	326,500				
Current Receipts	43,874,300	45,513,000	47,194,000	45,513,000	47,194,000
Total Federal Funds	44,200,800	45,513,000	47,194,000	45,513,000	47,194,000
TOTAL SOURCE OF FUNDS	57,923,500	60,534,100	62,561,600	60,788,400	62,564,500
EXPENDITURES BY CLASS					
Personnel Cost	24,515,500	26,051,700	27,757,900	25,522,400	25,582,800
Operating Expenses	5,009,900	5,065,000	5,066,500	4,953,900	4,955,400
Grants, Loans or Benefits	28,248,000	29,322,800	29,693,200	30,249,900	31,873,300
Debt Service					119,000
Capital Outlay	34,000	44,000	44,000	34,000	34,000
TOTAL EXPENDITURES	57,807,400	60,483,500	62,561,600	60,760,200	62,564,500
EXPENDITURES BY FUND SOURCE					
General Fund	10,725,400	12,040,000	12,452,000	12,294,300	12,477,300
Restricted Funds	2,881,200	2,930,500	2,915,600	2,952,900	2,893,200
Federal Funds	44,200,800	45,513,000	47,194,000	45,513,000	47,194,000
TOTAL EXPENDITURES	57,807,400	60,483,500	62,561,600	60,760,200	62,564,500
EXPENDITURES BY UNIT					
Program Planning and Development	2,149,900	2,209,300	2,279,300	2,209,300	2,279,300
Carl D. Perkins Comprehensive Rehab Center	8,204,600	8,404,400	8,831,300	8,225,700	8,755,800
Program Services	45,286,400	47,710,500	49,181,300	48,304,300	49,512,000
Administrative Management	2,166,500	2,159,300	2,269,700	2,020,900	2,017,400
TOTAL EXPENDITURES	57,807,400	60,483,500	62,561,600	60,760,200	62,564,500

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

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

The Department also provides services for employers. The Department prepares job-qualified applicants, conducts job analyses, recommends job modifications, and conducts disability awareness programs. Other services include disability awareness training programs and affirmative action planning and services to employees with disability related problems. As a result, employers experience risk reduction, save resources spent on training new hires, and increase cash flow through access to tax incentives.

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

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

The Carl D. Perkins Comprehensive Rehabilitation Center (CDPCRC) at Thelma, Kentucky, is a multi-disciplinary residential rehabilitation facility located in Johnson County. The proportion of disabilities in the population of Kentucky is highest in southeast Kentucky. Although the majority of referrals to the CDPCRC come from the eastern part of Kentucky, staff of the Center regularly provide services to consumers from the entire Commonwealth.

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

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

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

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

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

The Division coordinates the recouping of program income through the Social Security Administration (SSA). This is coordinated with the SSA for reimbursement of paid vocational rehabilitation services for individuals receiving SSI/disability benefits. The Division negotiates on behalf of the Department and certain Community Rehabilitation Programs for the

purchase of facility and community-based competitive employment outcomes and vocational evaluations. The staff then monitors the success of purchased services.

Policy

The General Funds attributable to the employer contribution for the Kentucky Teachers' Retirement System for eligible employees in this department have been allocated within the Vocational Rehabilitation budget. These funds were separately appropriated in the past.

**Education Cabinet
Department 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	1,492,600	1,627,900	1,680,300	1,290,300	1,306,300
Budget Reduction	-165,000				
Base Deduction	-37,300				
Total General Fund	1,290,300	1,627,900	1,680,300	1,290,300	1,306,300
Restricted Funds					
Balance Forward	1,152,400	508,600	269,400	508,600	294,100
Current Receipts	1,727,100	1,632,700	1,632,700	1,632,700	1,632,700
Total Restricted Funds	2,879,500	2,141,300	1,902,100	2,141,300	1,926,800
Federal Funds					
Balance Forward	46,900				
Current Receipts	7,965,500	8,210,400	8,638,400	8,210,400	8,638,400
Total Federal Funds	8,012,400	8,210,400	8,638,400	8,210,400	8,638,400
TOTAL SOURCE OF FUNDS	12,182,200	11,979,600	12,220,800	11,642,000	11,871,500
EXPENDITURES BY CLASS					
Personnel Cost	6,274,400	7,062,800	7,606,300	6,185,500	6,187,900
Operating Expenses	1,799,500	1,621,300	1,619,200	1,621,300	1,619,200
Grants, Loans or Benefits	3,559,200	2,995,500	2,953,100	3,510,500	3,940,900
Capital Outlay	40,500	30,600	30,600	30,600	30,600
TOTAL EXPENDITURES	11,673,600	11,710,200	12,209,200	11,347,900	11,778,600
EXPENDITURES BY FUND SOURCE					
General Fund	1,290,300	1,627,900	1,680,300	1,290,300	1,306,300
Restricted Funds	2,370,900	1,871,900	1,890,500	1,847,200	1,833,900
Federal Funds	8,012,400	8,210,400	8,638,400	8,210,400	8,638,400
TOTAL EXPENDITURES	11,673,600	11,710,200	12,209,200	11,347,900	11,778,600
EXPENDITURES BY UNIT					
General Blind Services	9,402,900	9,483,300	9,912,500	9,157,500	9,566,100
Business Enterprise Program	1,126,700	1,078,400	1,108,200	1,053,700	1,051,600
Center for Independent Living	725,300	751,400	788,600	739,600	761,000
Assistive Technology Service	418,700	397,100	399,900	397,100	399,900
TOTAL EXPENDITURES	11,673,600	11,710,200	12,209,200	11,347,900	11,778,600

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

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

- The Department has 11 field offices that provide direct vocational rehabilitation services to individuals with severe visual impairments.

- The Charles McDowell Comprehensive Rehabilitation Center for the Blind is a comprehensive rehabilitation facility in Louisville that provides training in vocational preparation, personal adjustment services, independent living skills, orientation and mobility skills, Braille, assistive technology, career assessment, vocational planning, work adjustment, and work experience.
- In Lexington and Paducah, the Department operates two volunteer recording units that provide audio-recorded materials statewide for blind and visually impaired individuals.
- The Business Enterprise Program trains blind individuals for self-employment at vending facilities located statewide.
- The Independent Living Program provides training to blind and visually impaired individuals in areas that will enable them to live and function independently.

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

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

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

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

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

**Education Cabinet
Training and Reemployment**

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
Restricted Funds					
Balance Forward	700	700	700	700	
Total Restricted Funds	700	700	700	700	
Federal Funds					
Balance Forward	34,800				
Current Receipts	63,990,200	64,231,800	64,345,200	64,231,800	64,345,200
Total Federal Funds	64,025,000	64,231,800	64,345,200	64,231,800	64,345,200
TOTAL SOURCE OF FUNDS	64,025,700	64,232,500	64,345,900	64,232,500	64,345,200
EXPENDITURES BY CLASS					
Personnel Cost	1,723,700	1,877,700	1,993,200	1,670,900	1,673,000
Operating Expenses	888,000	888,100	888,100	888,100	888,100
Grants, Loans or Benefits	61,413,300	61,466,000	61,463,900	61,673,500	61,784,100
TOTAL EXPENDITURES	64,025,000	64,231,800	64,345,200	64,232,500	64,345,200
EXPENDITURES BY FUND SOURCE					
Restricted Funds				700	
Federal Funds	64,025,000	64,231,800	64,345,200	64,231,800	64,345,200
TOTAL EXPENDITURES	64,025,000	64,231,800	64,345,200	64,232,500	64,345,200

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

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

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

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

**Education Cabinet
Employment Services**

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	69,000	1,964,900	2,015,000		
Budget Reduction	-69,000				
Total General Fund		1,964,900	2,015,000		
Restricted Funds					
Balance Forward	7,600				
Current Receipts	4,479,500	5,369,300	5,393,900	3,369,300	3,393,900
Non-Revenue Receipts	2,956,400			1,500,000	
Total Restricted Funds	7,443,500	5,369,300	5,393,900	4,869,300	3,393,900
Federal Funds					
Balance Forward	3,713,000				
Current Receipts	54,665,800	57,761,100	60,499,500	54,206,800	54,993,000
Non-Revenue Receipts	677,308,500	679,099,000	679,099,000	679,099,000	679,099,000
Total Federal Funds	735,687,300	736,860,100	739,598,500	733,305,800	734,092,000
TOTAL SOURCE OF FUNDS	743,130,800	744,194,300	747,007,400	738,175,100	737,485,900
EXPENDITURES BY CLASS					
Personnel Cost	46,501,400	48,366,700	51,348,600	44,766,800	43,773,100
Operating Expenses	13,691,000	13,072,000	12,903,200	10,450,100	10,515,700
Grants, Loans or Benefits	682,814,200	682,755,600	682,755,600	682,926,800	683,165,700
Capital Outlay	124,200			31,400	31,400
TOTAL EXPENDITURES	743,130,800	744,194,300	747,007,400	738,175,100	737,485,900
EXPENDITURES BY FUND SOURCE					
General Fund		1,964,900	2,015,000		
Restricted Funds	7,443,500	5,369,300	5,393,900	4,869,300	3,393,900
Federal Funds	735,687,300	736,860,100	739,598,500	733,305,800	734,092,000
TOTAL EXPENDITURES	743,130,800	744,194,300	747,007,400	738,175,100	737,485,900
EXPENDITURES BY UNIT					
Employer and Placement Services	22,629,200	24,299,300	24,839,900	22,334,400	22,824,900
Unemployment Insurance	713,377,900	713,687,200	715,717,300	710,132,900	710,210,800
Special Programs	4,167,200	4,207,800	4,450,200	4,207,800	4,450,200
Service Capacity Upgrade	2,956,500	2,000,000	2,000,000	1,500,000	
TOTAL EXPENDITURES	743,130,800	744,194,300	747,007,400	738,175,100	737,485,900

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

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

The Department also receives funds to administer several smaller programs that are related to UI and ES, including:

Veterans' Employment and Training Services, Labor Market Information, Alien Labor Certification, Agricultural Wage Surveys, Alien Farmworker Housing Inspections, and Temporary Assistance for Needy Families (TANF). The DES administers training programs under the Trade Adjustment Assistance program, Title I of the Workforce Investment Act, and the North American Free Trade Agreement-Transitional Adjustment Assistance/Transitional Readjustment Allowances programs. These programs are designed to provide temporary income maintenance through UI to individuals who are unemployed through no fault of their own, and to assist the unemployed, underemployed, and persons who wish to change occupations in finding suitable employment. Additional benefits include the reduction of public burden through the early placement of welfare recipients and UI claimants.

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

Policy

Notwithstanding KRS 341.835, the Department may use up to \$2,700,000 each year from the Unemployment Insurance Penalty and Interest Account during the 2004-2006 biennium for the operation of Employment Services programs, and for Unemployment Insurance administration purposes.

**Education Cabinet
Employment Services
Employer and Placement Services**

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	69,000	1,964,900	2,015,000		
Budget Reduction	-69,000				
Total General Fund		1,964,900	2,015,000		
Restricted Funds					
Current Receipts	3,489,000	3,000,000	3,000,000	3,000,000	3,000,000
Total Restricted Funds	3,489,000	3,000,000	3,000,000	3,000,000	3,000,000
Federal Funds					
Balance Forward	4,700				
Current Receipts	19,135,500	19,334,400	19,824,900	19,334,400	19,824,900
Total Federal Funds	19,140,200	19,334,400	19,824,900	19,334,400	19,824,900
TOTAL SOURCE OF FUNDS	22,629,200	24,299,300	24,839,900	22,334,400	22,824,900
EXPENDITURES BY CLASS					
Personnel Cost	14,484,100	16,860,800	17,584,900	14,710,200	14,943,000
Operating Expenses	4,595,600	4,038,500	3,855,000	4,046,400	4,112,000
Grants, Loans or Benefits	3,465,200	3,400,000	3,400,000	3,577,800	3,769,900
Capital Outlay	84,300				
TOTAL EXPENDITURES	22,629,200	24,299,300	24,839,900	22,334,400	22,824,900
EXPENDITURES BY FUND SOURCE					
General Fund		1,964,900	2,015,000		
Restricted Funds	3,489,000	3,000,000	3,000,000	3,000,000	3,000,000
Federal Funds	19,140,200	19,334,400	19,824,900	19,334,400	19,824,900
TOTAL EXPENDITURES	22,629,200	24,299,300	24,839,900	22,334,400	22,824,900
EXPENDITURES BY UNIT					
Job Placement Services	14,594,000	16,017,500	16,254,900	14,052,600	14,239,900
Special Employment Services	6,327,000	6,539,300	6,711,200	6,539,300	6,711,200
Employment Information Support	1,708,200	1,742,500	1,873,800	1,742,500	1,873,800
TOTAL EXPENDITURES	22,629,200	24,299,300	24,839,900	22,334,400	22,824,900

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

Policy

Notwithstanding KRS 341.835, the Governor's Recommended budget provides that the Department for Employment Services may use funds from the Unemployment Insurance Penalty and Interest Account in the Unemployment Compensation Administration Fund during each fiscal year of the biennium for employment and training programs. Any use of Reed Act funds for employment and training programs are subject to the provisions of KRS 48.630.

**Education Cabinet
Employment Services
Unemployment Insurance**

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
Restricted Funds					
Current Receipts	630,800				
Total Restricted Funds	630,800				
Federal Funds					
Balance Forward	3,692,800				
Current Receipts	31,745,800	34,588,200	36,618,300	31,033,900	31,111,800
Non-Revenue Receipts	677,308,500	679,099,000	679,099,000	679,099,000	679,099,000
Total Federal Funds	712,747,100	713,687,200	715,717,300	710,132,900	710,210,800
TOTAL SOURCE OF FUNDS	713,377,900	713,687,200	715,717,300	710,132,900	710,210,800
EXPENDITURES BY CLASS					
Personnel Cost	27,599,300	26,144,100	28,159,500	25,194,800	25,272,700
Operating Expenses	6,648,200	8,437,500	8,452,200	5,807,700	5,807,700
Grants, Loans or Benefits	679,099,000	679,105,600	679,105,600	679,099,000	679,099,000
Capital Outlay	31,400			31,400	31,400
TOTAL EXPENDITURES	713,377,900	713,687,200	715,717,300	710,132,900	710,210,800
EXPENDITURES BY FUND SOURCE					
Restricted Funds	630,800				
Federal Funds	712,747,100	713,687,200	715,717,300	710,132,900	710,210,800
TOTAL EXPENDITURES	713,377,900	713,687,200	715,717,300	710,132,900	710,210,800
EXPENDITURES BY UNIT					
Unemployment Insurance Administration	34,278,900	34,588,200	36,618,300	31,033,900	31,111,800
Unemployment Insurance Benefits	679,099,000	679,099,000	679,099,000	679,099,000	679,099,000
TOTAL EXPENDITURES	713,377,900	713,687,200	715,717,300	710,132,900	710,210,800

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

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

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

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

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

Policy

Notwithstanding KRS 341.835, the Governor's Recommended budget provides that the Department for Employment Services may use funds from the Unemployment Insurance Penalty and Interest Account in the Unemployment Compensation Administration Fund during each fiscal year of the biennium for Unemployment administration purposes. Any use of Reed Act funds for unemployment insurance administration purposes is subject to the provisions of KRS 48.630.

**Education Cabinet
Employment Services
Special Programs**

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
Restricted Funds					
Balance Forward	7,500				
Current Receipts	359,700	369,300	393,900	369,300	393,900
Total Restricted Funds	367,200	369,300	393,900	369,300	393,900
Federal Funds					
Balance Forward	15,500				
Current Receipts	3,784,500	3,838,500	4,056,300	3,838,500	4,056,300
Total Federal Funds	3,800,000	3,838,500	4,056,300	3,838,500	4,056,300
TOTAL SOURCE OF FUNDS	4,167,200	4,207,800	4,450,200	4,207,800	4,450,200
EXPENDITURES BY CLASS					
Personnel Cost	3,388,000	3,361,800	3,604,200	3,361,800	3,557,400
Operating Expenses	520,700	596,000	596,000	596,000	596,000
Grants, Loans or Benefits	250,000	250,000	250,000	250,000	296,800
Capital Outlay	8,500				
TOTAL EXPENDITURES	4,167,200	4,207,800	4,450,200	4,207,800	4,450,200
EXPENDITURES BY FUND SOURCE					
Restricted Funds	367,200	369,300	393,900	369,300	393,900
Federal Funds	3,800,000	3,838,500	4,056,300	3,838,500	4,056,300
TOTAL EXPENDITURES	4,167,200	4,207,800	4,450,200	4,207,800	4,450,200

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

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

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

The Department contracts with the Health and Family Services Cabinet to implement a strategy and program to help adult Kentuckians make the transition from welfare dependency to long term self-sufficiency.

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

**Education Cabinet
Employment Services
Service Capacity Upgrade**

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
Restricted Funds					
Balance Forward	100				
Current Receipts		2,000,000	2,000,000		
Non-Revenue Receipts	2,956,400			1,500,000	
Total Restricted Funds	2,956,500	2,000,000	2,000,000	1,500,000	
TOTAL SOURCE OF FUNDS	2,956,500	2,000,000	2,000,000	1,500,000	
EXPENDITURES BY CLASS					
Personnel Cost	1,030,000	2,000,000	2,000,000	1,500,000	
Operating Expenses	1,926,500				
TOTAL EXPENDITURES	2,956,500	2,000,000	2,000,000	1,500,000	
EXPENDITURES BY FUND SOURCE					
Restricted Funds	2,956,500	2,000,000	2,000,000	1,500,000	
TOTAL EXPENDITURES	2,956,500	2,000,000	2,000,000	1,500,000	

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

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



2004-2006
Executive Budget

Environmental and
Public Protection

Environmental and Public Protection

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	112,243,600	174,331,300	187,006,900	111,772,200	112,027,900
Continuing Appropriation	2,777,700	2,326,300	2,276,300		
Budget Reduction	-4,373,200				
Salary Compensation Fund	697,500				
Base Deduction	-2,384,000				
Total General Fund	108,961,600	176,657,600	189,283,200	111,772,200	112,027,900
Tobacco Settlement-Phase I					
Tobacco Settlement - I	25,855,900	26,555,100	26,725,000	25,782,600	25,751,700
Continuing Appropriation	6,169,800				
Total Tobacco Settlement-Phase I	32,025,700	26,555,100	26,725,000	25,782,600	25,751,700
Restricted Funds					
Balance Forward	117,769,438	92,362,600	96,400,300	72,596,200	84,860,400
Current Receipts	239,116,900	225,028,500	221,940,900	223,283,200	220,499,500
Non-Revenue Receipts	199,850,462	235,125,800	247,849,000	225,561,100	234,193,600
Fund Transfers	-35,334,500			-798,800	-51,852,400
Total Restricted Funds	521,402,300	552,516,900	566,190,200	520,641,700	487,701,100
Federal Funds					
Balance Forward	1,053,712	808,300	808,500	808,300	808,500
Current Receipts	75,981,888	79,770,100	80,805,800	77,499,200	77,596,000
Non-Revenue Receipts	-5,136,000	-5,044,900	-5,245,300	-4,974,700	-5,111,100
Total Federal Funds	71,899,600	75,533,500	76,369,000	73,332,800	73,293,400
TOTAL SOURCE OF FUNDS	734,289,200	831,263,100	858,567,400	731,529,300	698,774,100
EXPENDITURES BY CLASS					
Personnel Cost	233,018,600	273,335,900	295,510,300	234,409,100	238,819,000
Operating Expenses	223,391,200	244,503,400	245,207,300	208,580,400	206,309,800
Grants, Loans or Benefits	178,462,000	173,590,600	168,844,100	169,536,600	164,744,100
Debt Service	589,000	589,000	589,000	589,000	589,000
Capital Outlay	5,476,500	12,391,300	7,415,600	6,656,800	4,994,800
Construction	19,947,400	27,370,600	32,553,300	26,088,500	31,183,600
TOTAL EXPENDITURES	660,884,700	731,780,800	750,119,600	645,860,400	646,640,300
EXPENDITURES BY FUND SOURCE					
General Fund	108,961,600	174,381,300	187,056,900	111,772,200	112,027,900
Tobacco Settlement-Phase I	32,025,700	26,555,100	26,725,000	25,782,600	25,751,700
Restricted Funds	448,806,100	456,116,600	460,765,600	435,781,300	436,375,800
Federal Funds	71,091,300	74,725,000	75,560,500	72,524,300	72,484,900
TOTAL EXPENDITURES	660,884,700	731,778,000	750,108,000	645,860,400	646,640,300
EXPENDITURES BY UNIT					
General Administration and Program Support	19,448,900	21,572,700	22,875,300	19,007,600	19,132,400
Natural Resources	39,786,200	46,752,000	44,275,100	38,260,900	37,646,100
Environmental Protection	72,663,000	97,731,200	103,130,400	87,335,600	90,064,000
Surface Mining Reclamation and Enforcement	32,759,600	36,093,800	38,131,100	33,964,600	34,462,000
Abandoned Mine Lands Reclamation Projects	22,000,000	22,000,000	22,000,000	22,000,000	22,000,000
Environmental Quality Commission	222,000	274,400	310,400	150,000	150,000

Kentucky Nature Preserves Commission	1,375,600	2,325,800	2,317,300	1,424,400	1,452,900
Petroleum Storage Tank Environmental Assur. Fund	28,989,400	37,082,300	37,391,700	28,413,000	28,788,000
Athletic Commission	163,100	129,700	129,700	129,700	129,700
Insurance	39,034,900	55,001,200	58,358,900	41,318,000	42,083,800
Public Service Commission	11,233,300	12,509,400	13,171,200	12,427,700	12,691,100
Claims/Crime Victims' Compensation	4,307,700	4,416,300	4,502,100	4,187,400	4,209,500
Tax Appeals	486,100	509,900	541,800	486,100	486,100
Kentucky Horse Racing Authority	13,850,800	13,932,500	13,804,200	14,031,300	13,821,100
Public Advocacy	31,520,100	38,528,600	43,296,600	32,531,400	32,627,000
Alcoholic Beverage Control	5,243,400	5,923,500	6,216,600	5,848,900	5,880,000
Housing, Buildings and Construction	12,826,300	16,567,900	17,667,100	14,155,700	14,437,800
Mines and Minerals	11,703,100	13,234,700	14,319,600	11,240,300	11,870,200
Charitable Gaming	3,412,600	3,663,700	3,903,600	3,607,200	3,664,000
Financial Institutions	8,941,500	9,211,800	9,791,400	8,992,700	9,221,900
Workplace Standards	129,925,500	117,183,300	115,796,600	115,521,200	113,406,200
Workers Claims	17,093,300	17,110,200	18,007,300	14,591,600	14,561,800
Ky Occupational Safety and Health Review Comm	479,300	637,100	613,100	479,300	447,500
Workers' Compensation Funding Commission	153,419,000	159,386,000	159,556,900	135,755,800	133,407,200
TOTAL EXPENDITURES	660,884,700	731,778,000	750,108,000	645,860,400	646,640,300

The Environmental and Public Protection Cabinet is charged with the protection and preservation of land, air and water resources, supervision and regulation of industries providing services to the citizens of the Commonwealth and the administration of rules for the state concerning employer-employee relationships.

A Secretary appointed by the Governor heads the Cabinet. The Secretary is responsible for environmental leadership, monitoring environmental trends and shaping a vision for Kentucky's environmental future. The Secretary enforces statutes and regulations ensuring the integrity of supervised industries and the safety of employees through oversight activities relating to wages and hours, occupational safety and employee health, child labor, apprenticeship, and workers' compensation.

By Executive Order 2003-064 the Mine Safety Review Commission is in the Environmental and Public Protection Cabinet under supervision of the Secretary. KRS 351.1041 establishes the Mine Safety Review Commission to enforce sanctions against licensed premises and certified and non-certified personnel whose willful and repeated violations of mine safety laws place miners in imminent danger of serious injury or death. The Commission is charged with conducting hearings and issuing orders regarding licensees, coal operators, and other persons involved in the mining of coal in accordance with KRS 351.194.

Policy

During the 2004-2006 biennium, the Secretary of the Environmental and Public Protection Cabinet may seek authorization from the State Budget Director to reallocate funds between and among Cabinet appropriation units. Any such funding reallocations that are approved by the State Budget Director will be reported to the Interim Joint Committee on Appropriations and Revenue consistent with the provisions of the appropriations bill.

The recommended budget includes General Fund support in the amount of \$230,500 each year of the biennium for the Mine Safety Review Commission.

**Environmental and Public Protection
General Administration and Program Support**

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	10,314,600	11,588,200	12,449,600	10,328,400	10,328,400
Budget Reduction	-36,800				
Salary Compensation Fund	74,700				
Base Deduction	-24,100				
Total General Fund	10,328,400	11,588,200	12,449,600	10,328,400	10,328,400
Restricted Funds					
Balance Forward	964,461	690,400	244,000	658,300	312,400
Current Receipts	55,400	56,400	57,400	56,400	57,400
Non-Revenue Receipts	7,875,239	7,793,100	8,373,100	6,716,400	6,852,700
Fund Transfers	-655,200				
Total Restricted Funds	8,239,900	8,539,900	8,674,500	7,431,100	7,222,500
Federal Funds					
Current Receipts	1,623,900	1,773,800	1,877,200	1,645,700	1,666,800
Non-Revenue Receipts	-85,000	-85,200	-85,300	-85,200	-85,300
Total Federal Funds	1,538,900	1,688,600	1,791,900	1,560,500	1,581,500
TOTAL SOURCE OF FUNDS	20,107,200	21,816,700	22,916,000	19,320,000	19,132,400
EXPENDITURES BY CLASS					
Personnel Cost	16,152,300	17,958,300	19,366,300	15,533,900	15,848,400
Operating Expenses	2,906,600	3,358,500	3,357,900	3,252,100	3,167,300
Capital Outlay	390,000	255,900	151,100	221,600	116,700
TOTAL EXPENDITURES	19,448,900	21,572,700	22,875,300	19,007,600	19,132,400
EXPENDITURES BY FUND SOURCE					
General Fund	10,328,400	11,588,200	12,449,600	10,328,400	10,328,400
Restricted Funds	7,581,600	8,295,900	8,633,800	7,118,700	7,222,500
Federal Funds	1,538,900	1,688,600	1,791,900	1,560,500	1,581,500
TOTAL EXPENDITURES	19,448,900	21,572,700	22,875,300	19,007,600	19,132,400

The Office of Administrative and Information Services appropriation unit is responsible for providing the executive direction, leadership, and administrative support necessary to accomplish the goals and missions of the Environmental and Public Protection Cabinet.

Policy

Pursuant to Executive Order 2004-031 two former cabinets and their administrative support programs exist reorganized and designated the Department of Public Protection, the Department of Labor and the Office of Administrative and Information Services alongside units from the former Natural Resources and Environmental Protection Cabinet within the new Environmental and Public Protection Cabinet.

**Environmental and Public Protection
Natural Resources**

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	13,318,900	20,150,900	20,009,700	13,247,800	13,247,800
Salary Compensation Fund	141,400				
Base Deduction	-212,500				
Total General Fund	13,247,800	20,150,900	20,009,700	13,247,800	13,247,800
Tobacco Settlement-Phase I					
Tobacco Settlement - I	9,000,000	9,000,000	9,000,000	9,000,000	9,000,000
Continuing Appropriation	6,169,800				
Total Tobacco Settlement-Phase I	15,169,800	9,000,000	9,000,000	9,000,000	9,000,000
Restricted Funds					
Balance Forward	7,666,000	7,316,200	2,423,300	6,116,200	2,731,000
Current Receipts	2,284,000	1,734,700	1,717,100	1,712,300	1,635,700
Non-Revenue Receipts	1,266,400	1,171,700	1,178,100	1,171,700	1,178,100
Fund Transfers	-1,297,500				
Total Restricted Funds	9,918,900	10,222,600	5,318,500	9,000,200	5,544,800
Federal Funds					
Current Receipts	7,938,200	10,196,600	10,342,500	10,138,700	10,267,700
Non-Revenue Receipts	-372,300	-394,800	-395,600	-394,800	-395,600
Total Federal Funds	7,565,900	9,801,800	9,946,900	9,743,900	9,872,100
TOTAL SOURCE OF FUNDS	45,902,400	49,175,300	44,275,100	40,991,900	37,664,700
EXPENDITURES BY CLASS					
Personnel Cost	13,122,400	14,401,400	15,534,500	13,581,600	13,968,800
Operating Expenses	3,595,600	3,642,500	3,592,100	3,502,300	3,491,400
Grants, Loans or Benefits	22,978,200	22,992,800	23,323,500	18,992,800	19,323,500
Capital Outlay	90,000	5,715,300	1,825,000	2,184,200	862,400
TOTAL EXPENDITURES	39,786,200	46,752,000	44,275,100	38,260,900	37,646,100
EXPENDITURES BY FUND SOURCE					
General Fund	13,247,800	20,150,900	20,009,700	13,247,800	13,247,800
Tobacco Settlement-Phase I	15,169,800	9,000,000	9,000,000	9,000,000	9,000,000
Restricted Funds	3,802,700	7,799,300	5,318,500	6,269,200	5,526,200
Federal Funds	7,565,900	9,801,800	9,946,900	9,743,900	9,872,100
TOTAL EXPENDITURES	39,786,200	46,752,000	44,275,100	38,260,900	37,646,100
EXPENDITURES BY UNIT					
Commissioner	534,100	552,300	609,800	538,600	544,200
Forestry	14,928,600	22,570,700	19,560,800	17,706,300	16,726,300
Conservation	21,336,900	20,586,900	20,897,400	17,011,500	17,243,500
Energy	2,986,600	3,042,100	3,207,100	3,004,500	3,132,100
TOTAL EXPENDITURES	39,786,200	46,752,000	44,275,100	38,260,900	37,646,100

The Department for Natural Resources is committed to the conservation, preservation, protection, perpetuation, and enhancement of the Commonwealth's natural land resources and stimulates more efficient energy utilization for the benefit of present and future generations of Kentucky citizens.

**Environmental and Public Protection
Natural Resources
Commissioner**

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	420,000	436,300	488,200	422,600	422,600
Salary Compensation Fund	2,600				
Total General Fund	422,600	436,300	488,200	422,600	422,600
Restricted Funds					
Balance Forward	97,000				
Non-Revenue Receipts	14,500	116,000	121,600	116,000	121,600
Total Restricted Funds	111,500	116,000	121,600	116,000	121,600
TOTAL SOURCE OF FUNDS	534,100	552,300	609,800	538,600	544,200
EXPENDITURES BY CLASS					
Personnel Cost	446,700	477,300	513,300	459,200	474,800
Operating Expenses	79,900	75,000	73,600	79,400	69,400
Capital Outlay	7,500		22,900		
TOTAL EXPENDITURES	534,100	552,300	609,800	538,600	544,200
EXPENDITURES BY FUND SOURCE					
General Fund	422,600	436,300	488,200	422,600	422,600
Restricted Funds	111,500	116,000	121,600	116,000	121,600
TOTAL EXPENDITURES	534,100	552,300	609,800	538,600	544,200

The Office of the Commissioner provides leadership, policy direction and management for the Department for Natural Resources. Administrative oversight is provided for the Kentucky State Nature Preserves Commission, the Kentucky Heritage Land Conservation Fund Board, the Biodiversity Council, and the Forestry Best Management Practices Board.

Environmental and Public Protection
Natural Resources
Forestry

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	10,291,500	13,535,100	13,233,500	10,210,600	10,210,600
Salary Compensation Fund	119,600				
Base Deduction	-200,500				
Total General Fund	10,210,600	13,535,100	13,233,500	10,210,600	10,210,600
Restricted Funds					
Balance Forward	4,424,100	4,895,300	1,027,100	3,695,300	1,325,100
Current Receipts	1,648,400	1,151,000	1,151,000	1,128,600	1,069,600
Non-Revenue Receipts	596,300	393,700	393,700	393,700	393,700
Fund Transfers	-1,297,500				
Total Restricted Funds	5,371,300	6,440,000	2,571,800	5,217,600	2,788,400
Federal Funds					
Current Receipts	3,308,700	3,905,500	4,038,300	3,886,000	4,010,100
Non-Revenue Receipts	-266,700	-282,800	-282,800	-282,800	-282,800
Total Federal Funds	3,042,000	3,622,700	3,755,500	3,603,200	3,727,300
TOTAL SOURCE OF FUNDS	18,623,900	23,597,800	19,560,800	19,031,400	16,726,300
EXPENDITURES BY CLASS					
Personnel Cost	10,708,700	11,769,200	12,700,700	11,080,500	11,399,800
Operating Expenses	2,969,000	3,021,100	2,970,100	2,876,500	2,876,200
Grants, Loans or Benefits	1,177,400	2,088,900	2,112,900	1,588,900	1,612,900
Capital Outlay	73,500	5,691,500	1,777,100	2,160,400	837,400
TOTAL EXPENDITURES	14,928,600	22,570,700	19,560,800	17,706,300	16,726,300
EXPENDITURES BY FUND SOURCE					
General Fund	10,210,600	13,535,100	13,233,500	10,210,600	10,210,600
Restricted Funds	1,676,000	5,412,900	2,571,800	3,892,500	2,788,400
Federal Funds	3,042,000	3,622,700	3,755,500	3,603,200	3,727,300
TOTAL EXPENDITURES	14,928,600	22,570,700	19,560,800	17,706,300	16,726,300

The Division of Forestry is responsible for providing technical assistance on sound forest management practices to private woodland owners, enhancing the state's woodlands by acquiring new forest land and reforesting idle or unproductive land, and protecting the Commonwealth's 11.9 million acres of forest resources from forest fires, disease, and insects.

Policy

In fiscal year 2004, restricted funds in the amount of \$97,500 shall be transferred to the credit of the General Fund.

General Fund resources of \$240,000 annually are provided to the Division for emergency fire suppression costs. Language contained in the appropriations bill declares expenditures in excess of this amount to be a necessary governmental expense to be paid from the General Fund Surplus Account (KRS 48.700) or the Budget Reserve Trust Fund (KRS 48.705).

**Environmental and Public Protection
Natural Resources
Conservation**

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	2,426,100	5,989,600	6,098,100	2,440,100	2,440,100
Salary Compensation Fund	14,000				
Total General Fund	2,440,100	5,989,600	6,098,100	2,440,100	2,440,100
Tobacco Settlement-Phase I					
Tobacco Settlement - I	9,000,000	9,000,000	9,000,000	9,000,000	9,000,000
Continuing Appropriation	6,169,800				
Total Tobacco Settlement-Phase I	15,169,800	9,000,000	9,000,000	9,000,000	9,000,000
Restricted Funds					
Balance Forward	1,946,500	1,560,300	883,400	1,560,300	902,500
Current Receipts	634,100	583,700	566,100	583,700	566,100
Non-Revenue Receipts	565,600	572,000	572,800	572,000	572,800
Total Restricted Funds	3,146,200	2,716,000	2,022,300	2,716,000	2,041,400
Federal Funds					
Current Receipts	2,156,700	3,786,700	3,799,800	3,779,900	3,784,800
Non-Revenue Receipts	-15,600	-22,000	-22,800	-22,000	-22,800
Total Federal Funds	2,141,100	3,764,700	3,777,000	3,757,900	3,762,000
TOTAL SOURCE OF FUNDS	22,897,200	21,470,300	20,897,400	17,914,000	17,243,500
EXPENDITURES BY CLASS					
Personnel Cost	1,379,700	1,506,700	1,619,100	1,431,300	1,467,800
Operating Expenses	223,600	223,800	225,800	223,800	223,200
Grants, Loans or Benefits	19,724,600	18,832,600	19,027,500	15,332,600	15,527,500
Capital Outlay	9,000	23,800	25,000	23,800	25,000
TOTAL EXPENDITURES	21,336,900	20,586,900	20,897,400	17,011,500	17,243,500
EXPENDITURES BY FUND SOURCE					
General Fund	2,440,100	5,989,600	6,098,100	2,440,100	2,440,100
Tobacco Settlement-Phase I	15,169,800	9,000,000	9,000,000	9,000,000	9,000,000
Restricted Funds	1,585,900	1,832,600	2,022,300	1,813,500	2,041,400
Federal Funds	2,141,100	3,764,700	3,777,000	3,757,900	3,762,000
TOTAL EXPENDITURES	21,336,900	20,586,900	20,897,400	17,011,500	17,243,500

The Division of Conservation provides assistance to Kentucky's 121 conservation districts in the development and implementation of sound conservation programs. Their purpose is to protect, enhance, and develop the Commonwealth's natural resources to maximize resource utilization for the greatest number of citizens over the longest time period. The Division also develops educational activities; provides local conservation districts with financial assistance and equipment loans for conservation and water quality-related work on Kentucky lands; and provides administrative services to the State Soil and Water Conservation Commission. The Division has responsibility for the Soil Conservation Technical Assistance program.

Policy

The Governor's recommendation provides additional General Fund support of \$9 million each fiscal year from Tobacco Settlement Funds for the state share of the Environmental Stewardship Program cost share activities.

Environmental and Public Protection
Natural Resources
Energy

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	181,300	189,900	189,900	174,500	174,500
Salary Compensation Fund	5,200				
Base Deduction	-12,000				
Total General Fund	174,500	189,900	189,900	174,500	174,500
Restricted Funds					
Balance Forward	1,198,400	860,600	512,800	860,600	503,400
Current Receipts	1,500				
Non-Revenue Receipts	90,000	90,000	90,000	90,000	90,000
Total Restricted Funds	1,289,900	950,600	602,800	950,600	593,400
Federal Funds					
Current Receipts	2,472,800	2,504,400	2,504,400	2,472,800	2,472,800
Non-Revenue Receipts	-90,000	-90,000	-90,000	-90,000	-90,000
Total Federal Funds	2,382,800	2,414,400	2,414,400	2,382,800	2,382,800
TOTAL SOURCE OF FUNDS	3,847,200	3,554,900	3,207,100	3,507,900	3,150,700
EXPENDITURES BY CLASS					
Personnel Cost	587,300	648,200	701,400	610,600	626,400
Operating Expenses	323,100	322,600	322,600	322,600	322,600
Grants, Loans or Benefits	2,076,200	2,071,300	2,183,100	2,071,300	2,183,100
TOTAL EXPENDITURES	2,986,600	3,042,100	3,207,100	3,004,500	3,132,100
EXPENDITURES BY FUND SOURCE					
General Fund	174,500	189,900	189,900	174,500	174,500
Restricted Funds	429,300	437,800	602,800	447,200	574,800
Federal Funds	2,382,800	2,414,400	2,414,400	2,382,800	2,382,800
TOTAL EXPENDITURES	2,986,600	3,042,100	3,207,100	3,004,500	3,132,100

The Division of Energy has responsibility for encouraging energy efficiency in all sectors of the Kentucky economy to reduce costs and enhance national energy security.

The Division provides: school, hospital, and industrial sector grants; technical assistance to citizens concerned with energy efficiency and alternative energy sources such as solar, wood, geothermal, and wind; emergency planning for energy shortages; and energy data compilation.

**Environmental and Public Protection
Environmental Protection**

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	22,683,100	34,354,000	37,278,700	23,593,500	23,593,500
Salary Compensation Fund	225,700				
Base Deduction	-65,300				
Total General Fund	22,843,500	34,354,000	37,278,700	23,593,500	23,593,500
Restricted Funds					
Balance Forward	11,294,700	11,250,300	6,891,500	10,638,400	5,937,900
Current Receipts	13,881,400	12,333,400	12,458,800	13,483,800	14,466,100
Non-Revenue Receipts	19,513,500	29,752,500	34,740,400	29,492,600	34,511,200
Fund Transfers	-963,300				
Total Restricted Funds	43,726,300	53,336,200	54,090,700	53,614,800	54,915,200
Federal Funds					
Balance Forward	19,100				
Current Receipts	18,702,300	18,913,000	18,386,400	18,015,500	17,538,600
Non-Revenue Receipts	-1,989,800	-1,980,500	-1,965,900	-1,950,300	-1,935,700
Total Federal Funds	16,731,600	16,932,500	16,420,500	16,065,200	15,602,900
TOTAL SOURCE OF FUNDS	83,301,400	104,622,700	107,789,900	93,273,500	94,111,600
EXPENDITURES BY CLASS					
Personnel Cost	43,339,200	50,814,200	54,686,000	45,094,200	45,985,500
Operating Expenses	7,269,200	9,662,000	9,692,000	8,152,600	8,023,300
Grants, Loans or Benefits	14,860,200	18,845,900	16,157,300	18,845,900	16,157,300
Capital Outlay	2,594,400	3,809,100	2,995,100	1,925,000	1,667,600
Construction	4,600,000	14,600,000	19,600,000	13,317,900	18,230,300
TOTAL EXPENDITURES	72,663,000	97,731,200	103,130,400	87,335,600	90,064,000
EXPENDITURES BY FUND SOURCE					
General Fund	22,843,500	34,354,000	37,278,700	23,593,500	23,593,500
Restricted Funds	33,087,900	46,444,700	49,431,200	47,676,900	50,867,600
Federal Funds	16,731,600	16,932,500	16,420,500	16,065,200	15,602,900
TOTAL EXPENDITURES	72,663,000	97,731,200	103,130,400	87,335,600	90,064,000
EXPENDITURES BY UNIT					
Commissioner	1,986,000	2,099,100	2,215,300	1,837,200	1,846,300
Water	20,926,200	25,173,000	25,755,500	21,007,400	20,707,800
Waste Management	32,148,100	49,722,500	53,526,000	46,488,300	49,176,700
Air Quality	13,073,500	14,916,800	15,605,800	13,396,700	13,586,100
Environmental Services	4,044,100	4,492,700	4,714,200	4,120,900	4,262,000
Maxy Flats	485,100	1,327,100	1,313,600	485,100	485,100
TOTAL EXPENDITURES	72,663,000	97,731,200	103,130,400	87,335,600	90,064,000

The Department for Environmental Protection is responsible for the protection of the environmental health of Kentucky's citizens through the prevention, abatement, and control of water, land, and air pollution. The Department conducts operations in six program areas: the Office of the Commissioner, Water, Air Quality, Waste Management, Environmental Services, and the Maxey Flats low-level nuclear waste disposal site.

**Environmental and Public Protection
Environmental Protection
Commissioner**

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	1,678,100	1,948,000	2,055,100	1,686,100	1,686,100
Salary Compensation Fund	8,000				
Total General Fund	1,686,100	1,948,000	2,055,100	1,686,100	1,686,100
Restricted Funds					
Balance Forward	116,600	113,800	113,100	13,800	13,100
Current Receipts	8,100	14,000	23,200	14,000	23,200
Non-Revenue Receipts	139,000	136,400	138,600	136,400	138,600
Fund Transfers	-100,000				
Total Restricted Funds	163,700	264,200	274,900	164,200	174,900
Federal Funds					
Current Receipts	150,000				
Total Federal Funds	150,000				
TOTAL SOURCE OF FUNDS	1,999,800	2,212,200	2,330,000	1,850,300	1,861,000
EXPENDITURES BY CLASS					
Personnel Cost	1,740,500	1,845,200	1,977,000	1,604,200	1,622,400
Operating Expenses	245,500	247,000	238,300	233,000	223,900
Capital Outlay		6,900			
TOTAL EXPENDITURES	1,986,000	2,099,100	2,215,300	1,837,200	1,846,300
EXPENDITURES BY FUND SOURCE					
General Fund	1,686,100	1,948,000	2,055,100	1,686,100	1,686,100
Restricted Funds	149,900	151,100	160,200	151,100	160,200
Federal Funds	150,000				
TOTAL EXPENDITURES	1,986,000	2,099,100	2,215,300	1,837,200	1,846,300

The Office of the Commissioner provides leadership, policy direction, and management for the Department for Environmental Protection.

Environmental and Public Protection
Environmental Protection
Water

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	10,252,800	14,664,800	15,861,800	10,637,100	10,637,100
Salary Compensation Fund	84,300				
Total General Fund	10,337,100	14,664,800	15,861,800	10,637,100	10,637,100
Restricted Funds					
Balance Forward	670,200	518,400	267,400	518,400	363,600
Current Receipts	864,100	866,000	865,500	1,054,000	1,145,300
Non-Revenue Receipts	1,273,000	1,268,200	1,265,200	1,038,500	1,066,200
Fund Transfers	-57,200				
Total Restricted Funds	2,750,100	2,652,600	2,398,100	2,610,900	2,575,100
Federal Funds					
Current Receipts	9,406,700	9,137,400	8,495,400	9,137,400	8,495,400
Non-Revenue Receipts	-1,049,300	-1,014,400	-999,800	-1,014,400	-999,800
Total Federal Funds	8,357,400	8,123,000	7,495,600	8,123,000	7,495,600
TOTAL SOURCE OF FUNDS	21,444,600	25,440,400	25,755,500	21,371,000	20,707,800
EXPENDITURES BY CLASS					
Personnel Cost	15,151,100	18,532,700	20,004,500	15,717,500	16,027,900
Operating Expenses	2,028,600	2,825,000	2,891,900	2,184,400	2,175,500
Grants, Loans or Benefits	3,533,900	3,105,500	2,504,400	3,105,500	2,504,400
Capital Outlay	212,600	709,800	354,700		
TOTAL EXPENDITURES	20,926,200	25,173,000	25,755,500	21,007,400	20,707,800
EXPENDITURES BY FUND SOURCE					
General Fund	10,337,100	14,664,800	15,861,800	10,637,100	10,637,100
Restricted Funds	2,231,700	2,385,200	2,398,100	2,247,300	2,575,100
Federal Funds	8,357,400	8,123,000	7,495,600	8,123,000	7,495,600
TOTAL EXPENDITURES	20,926,200	25,173,000	25,755,500	21,007,400	20,707,800

The Division of Water, operating under authority granted by both state and federal statutes, is responsible for administering programs for: ensuring a safe drinking water supply; water quality maintenance; water storage overflow prevention; water improvements construction safety; groundwater protection; wastewater treatment and sewer line construction; and water conservation, promotion, regulation, and development.

The Division includes programmatic responsibilities relating to Groundwater Protection Plans, Total Maximum Daily Load (TMDL) Plans, the Non-Point Source (NPS) 319(h) Grant program, Watershed Management, Dam Safety Inspections, Clean Water and Drinking Water State Revolving Loan programs (CWSRF/DWSRF), Kentucky Pollution Discharge Elimination System (KPDES) permitting, On-site Sewage Inspections, Confined Animal Feeding Operations (CAFOs) compliance, and Logging Operations Forestry Conservation Act (FCA) compliance.

Policy

Included in the above General Fund appropriation is \$300,000 in each fiscal year to maintain services in water quality, facilities construction, watershed management, enforcement, permit processing and ground water activities.

In fiscal year 2004, restricted funds in the amount of \$57,200 shall be transferred to the credit of the General Fund.

Environmental and Public Protection
Environmental Protection
Waste Management

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	5,346,000	11,071,200	12,351,400	5,763,100	5,763,100
Salary Compensation Fund	67,100				
Total General Fund	5,413,100	11,071,200	12,351,400	5,763,100	5,763,100
Restricted Funds					
Balance Forward	7,498,900	8,305,900	5,178,400	7,794,000	4,666,500
Current Receipts	3,596,900	1,304,700	1,321,900	3,704,700	3,721,900
Non-Revenue Receipts	18,021,800	28,245,800	33,245,800	28,245,800	33,245,800
Fund Transfers	-561,900				
Total Restricted Funds	28,555,700	37,856,400	39,746,100	39,744,500	41,634,200
Federal Funds					
Balance Forward	19,100				
Current Receipts	6,676,000	6,695,100	6,695,100	6,369,000	6,534,100
Non-Revenue Receipts	-721,800	-721,800	-721,800	-721,800	-721,800
Total Federal Funds	5,973,300	5,973,300	5,973,300	5,647,200	5,812,300
TOTAL SOURCE OF FUNDS	39,942,100	54,900,900	58,070,800	51,154,800	53,209,600
EXPENDITURES BY CLASS					
Personnel Cost	13,994,100	16,452,600	17,633,800	15,354,700	15,626,700
Operating Expenses	2,143,100	2,564,100	2,553,200	2,564,100	2,458,400
Grants, Loans or Benefits	10,465,700	14,962,500	12,861,300	14,962,500	12,861,300
Capital Outlay	945,200	1,143,300	877,700	289,100	
Construction	4,600,000	14,600,000	19,600,000	13,317,900	18,230,300
TOTAL EXPENDITURES	32,148,100	49,722,500	53,526,000	46,488,300	49,176,700
EXPENDITURES BY FUND SOURCE					
General Fund	5,413,100	11,071,200	12,351,400	5,763,100	5,763,100
Restricted Funds	20,761,700	32,678,000	35,201,300	35,078,000	37,601,300
Federal Funds	5,973,300	5,973,300	5,973,300	5,647,200	5,812,300
TOTAL EXPENDITURES	32,148,100	49,722,500	53,526,000	46,488,300	49,176,700

The Division of Waste Management, pursuant to KRS 224, operates programs that regulate the generation, transportation, storage, treatment, and disposal of all hazardous wastes in the state; ensures proper disposal of all solid waste produced in the Commonwealth; and administers the Certified Clean Counties initiative. Additional responsibilities include resources use and recycling initiatives; technical assistance to counties and solid waste management districts to facilitate compliance with 401 KAR, Chapter 49; investigation and restoration duties at abandoned hazardous waste disposal sites; and citizen education concerning waste management issues. The Division has responsibility for the Voluntary Environmental Remediation Act.

Policy

The Governor's recommended budget provides agency fund resources for the Division of Waste Management, Hazardous Waste Management program of \$2,400,000 in fiscal year 2005 and \$2,400,000 in fiscal year 2006.

The Governor's recommended budget provides agency fund resources for the Division of Waste Management, Waste Tire Cleanup program of \$2,500,000 in fiscal year 2005 and \$2,500,000 in fiscal year 2006.

The Governor's recommended budget provides agency fund resources for the Division of Waste Management, Underground Storage Tank program of \$425,000 in each fiscal year.

Included in the above General Fund appropriation is \$350,000 in each fiscal year to maintain services for the Underground Storage Tank program.

Notwithstanding KRS 224.46-580(7), the hazardous waste assessment as set forth in KRS 224.46-580(8) shall continue until June 30, 2006.

In fiscal year 2004, restricted funds in the amount of \$50,000 shall be transferred to the credit of the General Fund.

Environmental and Public Protection
Environmental Protection
Air Quality

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	1,437,100	1,636,900	1,782,000	1,551,200	1,551,200
Salary Compensation Fund	51,300				
Base Deduction	-37,200				
Total General Fund	1,451,200	1,636,900	1,782,000	1,551,200	1,551,200
Restricted Funds					
Balance Forward	2,853,300	2,212,800	1,332,600	2,212,800	788,200
Current Receipts	9,373,300	10,109,700	10,124,600	8,672,100	9,536,700
Non-Revenue Receipts	-247,400	-291,300	-330,100	-291,300	-330,100
Fund Transfers	-244,200				
Total Restricted Funds	11,735,000	12,031,200	11,127,100	10,593,600	9,994,800
Federal Funds					
Current Receipts	2,288,800	2,770,000	2,885,400	2,228,800	2,228,800
Non-Revenue Receipts	-188,700	-188,700	-188,700	-188,700	-188,700
Total Federal Funds	2,100,100	2,581,300	2,696,700	2,040,100	2,040,100
TOTAL SOURCE OF FUNDS	15,286,300	16,249,400	15,605,800	14,184,900	13,586,100
EXPENDITURES BY CLASS					
Personnel Cost	9,356,400	10,558,300	11,375,700	9,239,900	9,453,900
Operating Expenses	1,478,400	1,843,400	1,813,400	1,801,500	1,801,500
Grants, Loans or Benefits	802,100	719,400	733,100	719,400	733,100
Capital Outlay	1,436,600	1,795,700	1,683,600	1,635,900	1,597,600
TOTAL EXPENDITURES	13,073,500	14,916,800	15,605,800	13,396,700	13,586,100
EXPENDITURES BY FUND SOURCE					
General Fund	1,451,200	1,636,900	1,782,000	1,551,200	1,551,200
Restricted Funds	9,522,200	10,698,600	11,127,100	9,805,400	9,994,800
Federal Funds	2,100,100	2,581,300	2,696,700	2,040,100	2,040,100
TOTAL EXPENDITURES	13,073,500	14,916,800	15,605,800	13,396,700	13,586,100

The Division of Air Quality is responsible for the identification and implementation of measures necessary to achieve and maintain ambient air quality standards as mandated by the federal Clean Air Act and KRS 224.033. The Division accomplishes these goals by operating a comprehensive program of air quality monitoring; planning, construction, and operation permitting; and source inspections and enforcement to ensure compliance with air pollution laws and regulations.

The 1990 Clean Air Act Amendments imposed new permitting requirements to protect air quality. Federal law requires that an emission fee be levied on facilities with significant air pollutants to fund the implementation of the new requirements. If a state does not have continued authorization, the fee will be collected by the U.S. Environmental Protection Agency to fund a federal permitting program.

Policy

The enacted budget provides personnel and operating support from the General Fund in the amount of \$150,000 in fiscal year 2005 and \$150,000 in fiscal year 2006 for the West Louisville Community Project to conduct activities associated with air quality monitoring.

Included in the above General Fund appropriation is \$100,000 in each fiscal year to maintain service levels in permit processing, field inspection, technical reviews and verifications of industrial submissions.

In fiscal year 2004, restricted funds in the amount of \$244,200 shall be transferred to the credit of the General Fund.

**Environmental and Public Protection
Environmental Protection
Environmental Services**

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	3,485,800	3,706,000	3,914,800	3,470,900	3,470,900
Salary Compensation Fund	13,200				
Base Deduction	-28,100				
Total General Fund	3,470,900	3,706,000	3,914,800	3,470,900	3,470,900
Restricted Funds					
Balance Forward	155,700	99,400		99,400	106,500
Current Receipts	39,000	39,000	123,600	39,000	39,000
Non-Revenue Receipts	327,100	393,400	420,900	363,200	390,700
Total Restricted Funds	521,800	531,800	544,500	501,600	536,200
Federal Funds					
Current Receipts	180,800	310,500	310,500	280,300	280,300
Non-Revenue Receipts	-30,000	-55,600	-55,600	-25,400	-25,400
Total Federal Funds	150,800	254,900	254,900	254,900	254,900
TOTAL SOURCE OF FUNDS	4,143,500	4,492,700	4,714,200	4,227,400	4,262,000
EXPENDITURES BY CLASS					
Personnel Cost	2,762,800	3,064,200	3,306,600	2,839,600	2,916,300
Operating Expenses	1,281,300	1,332,500	1,345,600	1,281,300	1,275,700
Capital Outlay		96,000	62,000		70,000
TOTAL EXPENDITURES	4,044,100	4,492,700	4,714,200	4,120,900	4,262,000
EXPENDITURES BY FUND SOURCE					
General Fund	3,470,900	3,706,000	3,914,800	3,470,900	3,470,900
Restricted Funds	422,400	531,800	544,500	395,100	536,200
Federal Funds	150,800	254,900	254,900	254,900	254,900
TOTAL EXPENDITURES	4,044,100	4,492,700	4,714,200	4,120,900	4,262,000

The Division of Environmental Services provides the necessary laboratory services for characterizing, evaluating, and documenting the nature and extent of environmental pollutants in the Commonwealth. KRS 224.033(7) requires services to be conducted in support of the regulatory, permitting, and enforcement efforts for air, water, and waste management activities, along with the investigation of spills and other environmental emergencies.

Environmental and Public Protection
Environmental Protection
Maxey Flats

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	483,300	1,327,100	1,313,600	485,100	485,100
Salary Compensation Fund	1,800				
Total General Fund	485,100	1,327,100	1,313,600	485,100	485,100
TOTAL SOURCE OF FUNDS	485,100	1,327,100	1,313,600	485,100	485,100
EXPENDITURES BY CLASS					
Personnel Cost	334,300	361,200	388,400	338,300	338,300
Operating Expenses	92,300	850,000	849,600	88,300	88,300
Grants, Loans or Benefits	58,500	58,500	58,500	58,500	58,500
Capital Outlay		57,400	17,100		
TOTAL EXPENDITURES	485,100	1,327,100	1,313,600	485,100	485,100
EXPENDITURES BY FUND SOURCE					
General Fund	485,100	1,327,100	1,313,600	485,100	485,100
TOTAL EXPENDITURES	485,100	1,327,100	1,313,600	485,100	485,100

Maxey Flats, originally operated as a low-level nuclear waste disposal site, was closed in 1977. The Commonwealth of Kentucky assumed ownership and responsibility for the toxic site in 1978, providing long-term monitoring and maintenance activities of the site. A combination of state appropriations and federal funds has been used to minimize negative health impacts on the neighboring vicinity, while moving toward final site closure. The Commonwealth will continue to be responsible for operating and maintaining the site in perpetuity.

**Environmental and Public Protection
Surface Mining Reclamation and Enforcement**

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	10,493,700	11,820,600	12,580,400	10,509,400	10,509,400
Budget Reduction	-137,400				
Salary Compensation Fund	80,400				
Base Deduction	-177,300				
Total General Fund	10,259,400	11,820,600	12,580,400	10,509,400	10,509,400
Restricted Funds					
Balance Forward	24,770,600	24,162,100	23,082,300	23,349,500	22,342,500
Current Receipts	2,542,500	2,644,100	2,644,300	2,592,700	2,653,200
Non-Revenue Receipts	2,683,900	2,581,400	2,793,500	3,022,800	3,149,400
Fund Transfers	-958,500				
Total Restricted Funds	29,038,500	29,387,600	28,520,100	28,965,000	28,145,100
Federal Funds					
Balance Forward	163,000				
Current Receipts	19,332,100	20,547,300	21,749,300	19,372,100	19,697,400
Non-Revenue Receipts	-2,683,900	-2,579,400	-2,793,500	-2,539,400	-2,689,500
Total Federal Funds	16,811,200	17,967,900	18,955,800	16,832,700	17,007,900
TOTAL SOURCE OF FUNDS	56,109,100	59,176,100	60,056,300	56,307,100	55,662,400
EXPENDITURES BY CLASS					
Personnel Cost	25,684,300	28,476,600	30,249,800	26,609,600	26,914,700
Operating Expenses	4,427,000	4,650,900	4,743,800	4,438,700	4,439,800
Grants, Loans or Benefits	1,171,200	1,308,600	1,308,600	1,308,600	1,308,600
Capital Outlay	1,122,100	1,217,100	1,205,600	1,167,100	1,175,600
Construction	355,000	440,600	623,300	440,600	623,300
TOTAL EXPENDITURES	32,759,600	36,093,800	38,131,100	33,964,600	34,462,000
EXPENDITURES BY FUND SOURCE					
General Fund	10,259,400	11,820,600	12,580,400	10,509,400	10,509,400
Restricted Funds	5,689,000	6,305,300	6,594,900	6,622,500	6,944,700
Federal Funds	16,811,200	17,967,900	18,955,800	16,832,700	17,007,900
TOTAL EXPENDITURES	32,759,600	36,093,800	38,131,100	33,964,600	34,462,000
EXPENDITURES BY UNIT					
Commissioner	2,232,800	2,536,300	2,712,300	2,422,900	2,478,700
Permits	7,946,900	8,695,100	9,084,200	8,219,200	8,312,600
Field Services	12,647,700	14,434,800	15,391,800	13,157,000	13,259,000
Abandoned Mine Lands	9,932,200	10,427,600	10,942,800	10,165,500	10,411,700
TOTAL EXPENDITURES	32,759,600	36,093,800	38,131,100	33,964,600	34,462,000

Executive Order 2004-031 abolished the Department for Surface Mining Reclamation and Enforcement. All duties, functions, responsibilities, records, equipment, staff, and support budgets of the former Department were transferred to the Department of Natural Resources.

**Environmental and Public Protection
Surface Mining Reclamation and Enforcement
Commissioner**

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	1,069,300	1,183,100	1,393,700	1,026,000	1,026,000
Salary Compensation Fund	8,700				
Base Deduction	-52,000				
Total General Fund	1,026,000	1,183,100	1,393,700	1,026,000	1,026,000
Restricted Funds					
Balance Forward	13,559,600	14,119,900	14,514,300	14,119,900	14,514,300
Current Receipts	1,035,400	1,137,000	1,137,200	1,067,000	1,106,000
Non-Revenue Receipts	762,600	610,600	673,300	724,300	838,600
Fund Transfers	-30,900				
Total Restricted Funds	15,326,700	15,867,500	16,324,800	15,911,200	16,458,900
TOTAL SOURCE OF FUNDS	16,352,700	17,050,600	17,718,500	16,937,200	17,484,900
EXPENDITURES BY CLASS					
Personnel Cost	1,953,800	2,258,600	2,434,500	2,145,200	2,200,900
Operating Expenses	279,000	277,700	277,800	277,700	277,800
TOTAL EXPENDITURES	2,232,800	2,536,300	2,712,300	2,422,900	2,478,700
EXPENDITURES BY FUND SOURCE					
General Fund	1,026,000	1,183,100	1,393,700	1,026,000	1,026,000
Restricted Funds	1,206,800	1,353,200	1,318,600	1,396,900	1,452,700
TOTAL EXPENDITURES	2,232,800	2,536,300	2,712,300	2,422,900	2,478,700

Executive Order 2004-031 abolished the Department for Surface, Mining Reclamation and Enforcement. All duties, functions responsibilities, records, equipment, staff, and support budgets of the Department were transferred to the Department for Natural Resources. The duties, functions, responsibilities, records, equipment, staff, and the above support budget of the former Commissioner's Office will be transferred to the Office of the Commissioner for the Department for Natural Resources.

Policy

In fiscal year 2004, restricted funds in the amount of \$30,900 shall be transferred to the credit of the General Fund.

**Environmental and Public Protection
Surface Mining Reclamation and Enforcement
Permits**

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	3,318,700	3,636,400	3,828,400	3,301,200	3,301,200
Budget Reduction	-137,400				
Salary Compensation Fund	22,800				
Base Deduction	-40,300				
Total General Fund	3,163,800	3,636,400	3,828,400	3,301,200	3,301,200
Restricted Funds					
Balance Forward	65,700	1,800	4,700	1,800	4,700
Current Receipts	9,700	9,700	9,700	9,700	9,700
Non-Revenue Receipts	152,000	210,000	205,000	303,500	386,900
Fund Transfers	-5,600				
Total Restricted Funds	221,800	221,500	219,400	315,000	401,300
Federal Funds					
Balance Forward	44,700				
Current Receipts	4,970,400	5,301,900	5,516,400	5,027,700	5,050,100
Non-Revenue Receipts	-452,000	-460,000	-480,000	-420,000	-440,000
Total Federal Funds	4,563,100	4,841,900	5,036,400	4,607,700	4,610,100
TOTAL SOURCE OF FUNDS	7,948,700	8,699,800	9,084,200	8,223,900	8,312,600
EXPENDITURES BY CLASS					
Personnel Cost	6,158,000	6,726,300	7,110,400	6,292,900	6,386,300
Operating Expenses	1,158,300	1,200,800	1,205,800	1,158,300	1,158,300
Grants, Loans or Benefits	570,600	708,000	708,000	708,000	708,000
Capital Outlay	60,000	60,000	60,000	60,000	60,000
TOTAL EXPENDITURES	7,946,900	8,695,100	9,084,200	8,219,200	8,312,600
EXPENDITURES BY FUND SOURCE					
General Fund	3,163,800	3,636,400	3,828,400	3,301,200	3,301,200
Restricted Funds	220,000	216,800	219,400	310,300	401,300
Federal Funds	4,563,100	4,841,900	5,036,400	4,607,700	4,610,100
TOTAL EXPENDITURES	7,946,900	8,695,100	9,084,200	8,219,200	8,312,600

Executive Order 2004-031 abolished the Department for Surface Mining Reclamation and Enforcement. All duties, functions, responsibilities, records, equipment, staff, and support budgets of the former Department were transferred to the Department of Natural Resources.

The Division of Permits is responsible for reviewing all surface mining permit applications according to standards in Kentucky statutes and the federal Surface Mining Control and Reclamation Act. The Division administers the federal Small Operator's Assistance and Lands Unsuitable for Mining programs, and reviews underground mining applications to determine the surface effects of such operations.

Policy

Included in the above General Fund appropriation is \$137,400 in each fiscal year to maintain staff and technological resources to continue the electronic permitting program. An equal amount in federal matching funds is included in each fiscal year for the program.

In fiscal year 2004, restricted funds in the amount of \$5,600 shall be transferred to the credit of the General Fund.

**Environmental and Public Protection
Surface Mining Reclamation and Enforcement
Field Services**

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	6,105,700	7,001,100	7,358,300	6,182,200	6,182,200
Salary Compensation Fund	48,900				
Base Deduction	-85,000				
Total General Fund	6,069,600	7,001,100	7,358,300	6,182,200	6,182,200
Restricted Funds					
Balance Forward	393,700	505,800	256,900	393,200	217,100
Current Receipts	68,800	68,800	68,800	68,800	68,800
Non-Revenue Receipts	423,000	312,500	504,600	565,300	553,400
Fund Transfers	-162,100				
Total Restricted Funds	723,400	887,100	830,300	1,027,300	839,300
Federal Funds					
Balance Forward	118,300				
Current Receipts	7,102,000	7,663,400	8,282,000	7,024,500	7,227,500
Non-Revenue Receipts	-972,400	-859,900	-1,054,000	-859,900	-990,000
Total Federal Funds	6,247,900	6,803,500	7,228,000	6,164,600	6,237,500
TOTAL SOURCE OF FUNDS	13,040,900	14,691,700	15,416,600	13,374,100	13,259,000
EXPENDITURES BY CLASS					
Personnel Cost	9,572,700	11,140,100	12,030,300	10,082,000	10,184,000
Operating Expenses	2,034,900	2,204,600	2,291,400	2,034,900	2,034,900
Grants, Loans or Benefits	190,500	190,500	190,500	190,500	190,500
Capital Outlay	849,600	899,600	879,600	849,600	849,600
TOTAL EXPENDITURES	12,647,700	14,434,800	15,391,800	13,157,000	13,259,000
EXPENDITURES BY FUND SOURCE					
General Fund	6,069,600	7,001,100	7,358,300	6,182,200	6,182,200
Restricted Funds	330,200	630,200	805,500	810,200	839,300
Federal Funds	6,247,900	6,803,500	7,228,000	6,164,600	6,237,500
TOTAL EXPENDITURES	12,647,700	14,434,800	15,391,800	13,157,000	13,259,000

Executive Order 2004-031 abolished the Department for Surface Mining Reclamation and Enforcement. All duties, functions, responsibilities, records, equipment, staff, and support budgets of the former Department were transferred to the Department of Natural Resources.

The Division of Field Services is responsible for developing policies and procedures for reclamation and enforcement programs in coal and non-coal minerals, and conducting an effective inspection program to carry out these policies and procedures in accordance with applicable federal and state statutes.

Policy

The Governor's recommended budget authorizes and provides resources to address needs related to non-coal activities, such as limestone, sand and gravel quarries.

Included in the above General Fund appropriation is \$112,600 in each fiscal year to maintain essential mining reclamation and enforcement activities.

In fiscal year 2004, restricted funds in the amount of \$49,500 shall be transferred to the credit of the General Fund.

**Environmental and Public Protection
Surface Mining Reclamation and Enforcement
Abandoned Mine Lands**

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
Restricted Funds					
Balance Forward	10,751,600	9,534,600	8,306,400	8,834,600	7,606,400
Current Receipts	1,428,600	1,428,600	1,428,600	1,447,200	1,468,700
Non-Revenue Receipts	1,346,300	1,448,300	1,410,600	1,429,700	1,370,500
Fund Transfers	-759,900				
Total Restricted Funds	12,766,600	12,411,500	11,145,600	11,711,500	10,445,600
Federal Funds					
Current Receipts	7,259,700	7,582,000	7,950,900	7,319,900	7,419,800
Non-Revenue Receipts	-1,259,500	-1,259,500	-1,259,500	-1,259,500	-1,259,500
Total Federal Funds	6,000,200	6,322,500	6,691,400	6,060,400	6,160,300
TOTAL SOURCE OF FUNDS	18,766,800	18,734,000	17,837,000	17,771,900	16,605,900
EXPENDITURES BY CLASS					
Personnel Cost	7,999,800	8,351,600	8,674,600	8,089,500	8,143,500
Operating Expenses	954,800	967,800	968,800	967,800	968,800
Grants, Loans or Benefits	410,100	410,100	410,100	410,100	410,100
Capital Outlay	212,500	257,500	266,000	257,500	266,000
Construction	355,000	440,600	623,300	440,600	623,300
TOTAL EXPENDITURES	9,932,200	10,427,600	10,942,800	10,165,500	10,411,700
EXPENDITURES BY FUND SOURCE					
Restricted Funds	3,932,000	4,105,100	4,251,400	4,105,100	4,251,400
Federal Funds	6,000,200	6,322,500	6,691,400	6,060,400	6,160,300
TOTAL EXPENDITURES	9,932,200	10,427,600	10,942,800	10,165,500	10,411,700

Executive Order 2004-031 abolished the Department for Surface Mining Reclamation and Enforcement. All duties, functions, responsibilities, records, equipment, staff, and support budgets of the former Department were transferred to the Department of Natural Resources.

The Division of Abandoned Mine Lands is responsible for abandoned or unreclaimed land reclamation activities on previously surface-mined land or land used in connection with surface mining, under Title IV of Public Law 95-87, or KRS 350.

Federal funds for this program are provided from federal tax levies imposed under Public Law 95-87 on all coal mined since August 3, 1977. Approximately 150,000 acres of abandoned mine lands in Kentucky are eligible for eventual reclamation. The Commonwealth must maintain an approved Abandoned Mine Land Reclamation program, or federal funding allocations for Kentucky reclamation projects will be reallocated to other coal-producing states. All agency and federal reclamation projects are administered from the program area. The agency, bond, and partial federal project contracts are expended from this program.

Policy

In fiscal year 2004, restricted funds in the amount of \$59,900 shall be transferred to the credit of the General Fund.

**Environmental and Public Protection
Abandoned Mine Lands Reclamation Projects**

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
Federal Funds					
Current Receipts	22,000,000	22,000,000	22,000,000	22,000,000	22,000,000
Total Federal Funds	22,000,000	22,000,000	22,000,000	22,000,000	22,000,000
TOTAL SOURCE OF FUNDS	22,000,000	22,000,000	22,000,000	22,000,000	22,000,000
EXPENDITURES BY CLASS					
Personnel Cost	250,000	170,000	170,000	170,000	170,000
Grants, Loans or Benefits	6,757,600	9,500,000	9,500,000	9,500,000	9,500,000
Construction	14,992,400	12,330,000	12,330,000	12,330,000	12,330,000
TOTAL EXPENDITURES	22,000,000	22,000,000	22,000,000	22,000,000	22,000,000
EXPENDITURES BY FUND SOURCE					
Federal Funds	22,000,000	22,000,000	22,000,000	22,000,000	22,000,000
TOTAL EXPENDITURES	22,000,000	22,000,000	22,000,000	22,000,000	22,000,000

Executive Order 2004-031 abolished the Department for Surface Mining Reclamation and Enforcement. All duties, functions, responsibilities, records, equipment, staff, and support budgets of the former Department were transferred to the Department of Natural Resources.

The Abandoned Mine Lands (AML) Reclamation Projects program in the Department for Surface Mining Reclamation and Enforcement receives 100 percent federal funding for the reclamation of certain mine sites that have been abandoned or left unreclaimed under Title IV of Public Law 95-87 or KRS 350. If the Commonwealth does not maintain an approved AML Reclamation program, allocated funds for reclamation projects within the state may be reallocated to other coal-producing states. The Environmental and Public Protection Cabinet continues to reclaim abandoned mine sites through a priority ranking system which first reclaims sites which are considered the most threat to human life and safety. A high priority is placed on providing clean, safe, potable water to the citizens of the coalfields whose drinking water supplies have been contaminated by past mining activities.

**Environmental and Public Protection
Environmental Quality Commission**

	<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		274,200	310,200	150,000	150,000
Total General Fund		<u>274,200</u>	<u>310,200</u>	<u>150,000</u>	<u>150,000</u>
Restricted Funds					
Balance Forward	3,100				
Current Receipts	200	200	200		
Non-Revenue Receipts	220,000				
Fund Transfers	-1,300				
Total Restricted Funds	<u>222,000</u>	<u>200</u>	<u>200</u>		
TOTAL SOURCE OF FUNDS	<u>222,000</u>	<u>274,400</u>	<u>310,400</u>	<u>150,000</u>	<u>150,000</u>
EXPENDITURES BY CLASS					
Personnel Cost	179,900	231,400	253,400	128,000	130,000
Operating Expenses	42,100	43,000	57,000	22,000	20,000
TOTAL EXPENDITURES	<u>222,000</u>	<u>274,400</u>	<u>310,400</u>	<u>150,000</u>	<u>150,000</u>
EXPENDITURES BY FUND SOURCE					
General Fund		274,200	310,200	150,000	150,000
Restricted Funds	222,000	200	200		
TOTAL EXPENDITURES	<u>222,000</u>	<u>274,400</u>	<u>310,400</u>	<u>150,000</u>	<u>150,000</u>

The Environmental Quality Commission, codified in KRS 224.041-224.055, is an independent citizen board with seven members representing various interests and geographic areas of the state. The Commission advises the Governor and the Environmental and Public Protection Cabinet on environmental rules, regulations, policies, plans, and procedures. The Commission also serves as a public forum for the exchange of views, concerns, information, and recommendations relating to the quality of the natural environment.

**Environmental and Public Protection
Kentucky Nature Preserves Commission**

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	1,053,100	1,925,200	1,939,200	1,049,300	1,049,300
Base Deduction	-3,800				
Total General Fund	1,049,300	1,925,200	1,939,200	1,049,300	1,049,300
Restricted Funds					
Balance Forward	652,900	686,100	656,600	686,100	682,100
Current Receipts	218,100	229,700	193,500	229,700	193,500
Non-Revenue Receipts	70,900	70,900	70,900	70,900	70,900
Total Restricted Funds	941,900	986,700	921,000	986,700	946,500
Federal Funds					
Current Receipts	75,500	75,500	75,500	75,500	75,500
Non-Revenue Receipts	-5,000	-5,000	-5,000	-5,000	-5,000
Total Federal Funds	70,500	70,500	70,500	70,500	70,500
TOTAL SOURCE OF FUNDS	2,061,700	2,982,400	2,930,700	2,106,500	2,066,300
EXPENDITURES BY CLASS					
Personnel Cost	1,066,600	1,663,700	1,786,700	1,111,700	1,140,200
Operating Expenses	279,000	447,100	454,800	282,700	282,700
Grants, Loans or Benefits	30,000	30,000	30,000	30,000	30,000
Capital Outlay		185,000	45,800		
TOTAL EXPENDITURES	1,375,600	2,325,800	2,317,300	1,424,400	1,452,900
EXPENDITURES BY FUND SOURCE					
General Fund	1,049,300	1,925,200	1,939,200	1,049,300	1,049,300
Restricted Funds	255,800	330,100	307,600	304,600	333,100
Federal Funds	70,500	70,500	70,500	70,500	70,500
TOTAL EXPENDITURES	1,375,600	2,325,800	2,317,300	1,424,400	1,452,900

The Kentucky Nature Preserves Commission, pursuant to KRS 146.410-146.530, has two mandated goals: to inventory the Commonwealth for its natural diversity, including its plants, animal life, biological communities, and areas of natural significance; and to protect these natural features by establishing a system of nature preserves.

Acquisition and management funds for nature preserves are provided through a tax refund check off system, under KRS 141.450-141.480. The Commission, together with the Kentucky Department of Fish and Wildlife Resources, shares equally the receipts generated by the Non-game Species Protection and Habitat Acquisition program.

**Environmental and Public Protection
Petroleum Storage Tank Environment Assurance Fund**

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
Restricted Funds					
Balance Forward	9,757,600	50,800	9,468,300	50,800	18,338,800
Current Receipts	2,000,100	519,000	1,624,500	465,000	1,437,200
Non-Revenue Receipts	17,953,700	45,980,800	46,618,300	46,236,000	46,929,300
Fund Transfers	-671,200				-37,800,000
Total Restricted Funds	29,040,200	46,550,600	57,711,100	46,751,800	28,905,300
TOTAL SOURCE OF FUNDS	29,040,200	46,550,600	57,711,100	46,751,800	28,905,300
EXPENDITURES BY CLASS					
Personnel Cost	3,627,700	3,812,900	4,150,100	3,529,400	3,569,400
Operating Expenses	24,861,700	32,739,400	32,741,600	24,383,600	24,718,600
Capital Outlay	500,000	530,000	500,000	500,000	500,000
TOTAL EXPENDITURES	28,989,400	37,082,300	37,391,700	28,413,000	28,788,000
EXPENDITURES BY FUND SOURCE					
Restricted Funds	28,989,400	37,082,300	37,391,700	28,413,000	28,788,000
TOTAL EXPENDITURES	28,989,400	37,082,300	37,391,700	28,413,000	28,788,000

Executive Order 200-031 abolished the Office of Petroleum Storage Tank Environmental Assurance Fund and relocated its duties to the Department for Environmental Protection. Under the order, the Division of Waste Management will manage the fund.

KRS 224.60-100 through 224.60-160 created and specified the duties and authority of the Petroleum Storage Tank Environmental Assurance Fund (OPSTEAF). The Fund serves as a mechanism for petroleum storage tank owners or operators to demonstrate compliance with federal financial assistance responsibility requirements of 40 CFR, subpart H. In addition, the Fund provides financial assistance to owners and operators in performing remedial cleanups at contaminated facilities.

Policy

Notwithstanding KRS 224.60 to KRS 224.60-155, the Petroleum Storage Tank Environment Assurance Fund will transfer \$37,800,000 in fiscal year 2005-2006 to the General Fund.

**Environmental and Public Protection
Athletic Commission**

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
Restricted Funds					
Current Receipts	167,300	129,700	129,700	129,700	129,700
Fund Transfers	-4,200				
Total Restricted Funds	163,100	129,700	129,700	129,700	129,700
TOTAL SOURCE OF FUNDS	163,100	129,700	129,700	129,700	129,700
EXPENDITURES BY CLASS					
Personnel Cost	123,500	92,600	92,600	92,600	92,600
Operating Expenses	39,600	37,100	37,100	37,100	37,100
TOTAL EXPENDITURES	163,100	129,700	129,700	129,700	129,700
EXPENDITURES BY FUND SOURCE					
Restricted Funds	163,100	129,700	129,700	129,700	129,700
TOTAL EXPENDITURES	163,100	129,700	129,700	129,700	129,700

Executive Order 2004-31 attached the Kentucky Athletic Commission to the Department of Public Protection for administrative purposes.

Under KRS 229.171, Kentucky Athletic Commission (KAC) is given sole authority over professional boxing and wrestling in Kentucky. Specifically, KAC directs, manages and controls all professional boxing, sparring and wrestling matches or exhibitions and has sole jurisdiction of said events. KAC has further jurisdiction over all licenses to hold boxing, sparring or wrestling matches or exhibitions for prizes or purses or where an admission fee is received and over all licenses and all persons who participate in the boxing, sparring or wrestling matches or exhibitions. The KAC provides licenses for contestants, wrestlers or boxers, judges, managers, physicians, referees, timekeepers and trainers.

**Environmental and Public Protection
Insurance**

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
General Fund					
Regular Appropriation		12,253,300	13,985,700		
Total General Fund		12,253,300	13,985,700		
Tobacco Settlement-Phase I					
Tobacco Settlement - I	16,855,900	17,555,100	17,725,000	16,782,600	16,751,700
Total Tobacco Settlement-Phase I	16,855,900	17,555,100	17,725,000	16,782,600	16,751,700
Restricted Funds					
Balance Forward	13,294,000	14,663,800	22,642,300	3,818,900	11,629,800
Current Receipts	29,463,800	28,816,700	29,947,200	28,816,700	29,947,200
Non-Revenue Receipts	-1,882,000	4,354,600	4,563,100	4,328,400	4,496,400
Fund Transfers	-14,877,900			-798,800	-11,340,300
Total Restricted Funds	25,997,900	47,835,100	57,152,600	36,165,200	34,733,100
TOTAL SOURCE OF FUNDS	42,853,800	77,643,500	88,863,300	52,947,800	51,484,800
EXPENDITURES BY CLASS					
Personnel Cost	35,708,500	51,595,800	54,878,900	37,932,200	38,623,400
Operating Expenses	3,326,400	3,405,400	3,480,000	3,385,800	3,460,400
TOTAL EXPENDITURES	39,034,900	55,001,200	58,358,900	41,318,000	42,083,800
EXPENDITURES BY FUND SOURCE					
General Fund		12,253,300	13,985,700		
Tobacco Settlement-Phase I	16,855,900	17,555,100	17,725,000	16,782,600	16,751,700
Restricted Funds	22,179,000	25,192,800	26,648,200	24,535,400	25,332,100
TOTAL EXPENDITURES	39,034,900	55,001,200	58,358,900	41,318,000	42,083,800
EXPENDITURES BY UNIT					
General Operations	39,034,900	55,001,200	58,358,900	41,318,000	42,083,800
TOTAL EXPENDITURES	39,034,900	55,001,200	58,358,900	41,318,000	42,083,800

Executive Order 2004-031 abolished the Department of Insurance and created the Office of Insurance. The Executive Director, under the direction of the Commissioner of the Department of Public Protection, exercises the oversight responsibilities that formally resided with the Commissioner of Insurance.

The Office of Insurance, under KRS 304, has the authority to license, supervise, and regulate insurance companies doing business in Kentucky.

The Executive Director is responsible for the overall policy, planning, direction, and management of all divisions within the Office. It is the responsibility of the commissioner to oversee the manner in which the business of insurance is conducted in Kentucky. The commissioner is charged with protecting the public interest, promoting viable markets, and assuring fair treatment of insurance consumers. The Communications unit is part of the Executive Director's Office.

The Property and Casualty Division regulates coverage and marketing practices of property and casualty insurers. Through its annual review of property and casualty insurance rate and form filings, the division ensures that companies comply with the standards set forth in the Kentucky Insurance Code. The Division is also responsible for reporting medical malpractice claims, recording of no-fault rejections (tort liability), and verifying such rejection. It is responsible for the regulation of surplus lines insurance.

The Health Insurance Policy and Managed Care Division regulates admitted insurance companies and HMOs. The Division approves policies, certificates, provider networks, quality improvement programs, and rate filings. It reviews promotional literature and activities for the protection of the public. The Division handles inquiries about Medicare and long-term care insurance.

The Life Insurance Division regulates insurance companies selling life and disability income products. It is responsible for conducting research on strategies related to financial services modernization. The Division reviews policies, certificates, and rate filings.

The Financial Standards and Examination Division protects consumers by ensuring the financial solvency of insurers authorized to do business in Kentucky. The Division is responsible for conducting financial examinations, financial analyses and providing administrative oversight of the insurance industry.

The Insurance Fraud Investigation Division is the Office's enforcement unit empowered to conduct criminal investigations of suspected fraudulent insurance acts. Insurance-related fraud may be committed by applicants for insurance, policyholders, third party claimants, agents, and providers of services who are paid by insurance.

The Agent Licensing Division makes certain that only knowledgeable and qualified insurance representatives sell insurance products to Kentucky consumers. The Division administers examinations, monitors continuing education courses, and licenses agents.

Created in 1997, the Consumer Protection and Education Division is the main link between the Office and the citizens of the Commonwealth. The division also administers the emergency response program, which provides on-site assistance to citizens or communities affected by insured disasters within the Commonwealth. An ombudsman provides additional assistance to consumers. The Market Conduct unit of Consumer Protection observes and analyzes the business practices of insurers.

The State Risk and Insurance Services Division administers the State Fire and Tornado Insurance Fund per KRS 56.070 to 56.180. It provides self-insurance for the Commonwealth's state and university-owned real and personal property. The Division resembles an insurance company and has its own brokers and agents. It develops and maintains coverage forms, makes decisions where a particular submission should be insured, determines rates, issues certificates and endorsements, and collects premiums. The Division establishes the replacement value of all insured real property and adjusts, negotiates, and settles claims. Because all risks cannot be properly covered under the State Fire and Tornado Insurance Fund, the Division assists in the placement of various types of property and liability exposures through the commercial market. The Division provides assistance to property owners who have experienced property damage resulting from collapsed underground mines through the Mine Subsidence Fund.

The Division of the General Counsel provides legal services to all divisions of the office, and conducts administrative hearings on matters ranging from rate filings to civil violations by agents and companies. It also assists with criminal prosecution of insurance fraud. The Local Government Premium Tax unit is a part of this division.

The Division of Administrative Services provides administrative and technical support to program divisions of the Office.

Kentucky Access, Kentucky's high-risk health insurance pool, was created by the 2000 General Assembly. It is a statewide health plan that offers health insurance to Kentuckians who have sufficient disposable income to afford health insurance premiums, but cannot obtain individual health insurance in the private market. The Office of Insurance has the statutory responsibility to operate and administer the Kentucky Access program. The responsibility is met through a contractual relationship between the Office and a third party administrator.

The program is funded from three revenue sources: premiums paid by policyholders, assessments of all health insurance carriers in the state, and an appropriation of the state's Master Settlement Agreement proceeds (Phase I Tobacco funds) from the Kentucky Health Care Improvement Fund.

Policy

Funds are provided to enable management of the agency to continue the current standard of regulatory services to Kentucky's insurance community.

Notwithstanding KRS 304.2-400, the Office of Insurance shall transfer restricted funds of \$789,800 in fiscal year 2004-2005, and \$11,340,300 in fiscal year 2005-2006 to the General Fund.

Notwithstanding KRS 304.17B -031, the Office of Insurance shall transfer \$10,287,900 in fiscal year 2005-2006 from the Kentucky Access program to the General Fund.

During the 2004-2006 biennium, the Secretary of the Environmental and Public Protection Cabinet may seek authorization from the State Budget Director to reallocate any excess operating funds generated by the Office of Insurance to ACCESS. Any such funding reallocations that are approved by the State Budget Director will be reported to the Interim Joint Committee on Appropriations and Revenue consistent with the provisions of the appropriations bill.

**Environmental and Public Protection
Public Service Commission**

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	11,752,100	11,173,600	11,815,000	11,154,100	11,409,800
Continuing Appropriation	2,777,700	2,326,300	2,276,300		
Budget Reduction	-3,598,400				
Base Deduction	-964,300				
Total General Fund	9,967,100	13,499,900	14,091,300	11,154,100	11,409,800
Restricted Funds					
Balance Forward	163,100	163,100	163,100	163,100	163,100
Current Receipts	1,024,000	1,024,000	1,024,000	1,024,000	1,024,000
Total Restricted Funds	1,187,100	1,187,100	1,187,100	1,187,100	1,187,100
Federal Funds					
Balance Forward	316,400	316,400	316,400	316,400	316,400
Current Receipts	242,200	261,800	282,200	249,600	257,300
Total Federal Funds	558,600	578,200	598,600	566,000	573,700
TOTAL SOURCE OF FUNDS	11,712,800	15,265,200	15,877,000	12,907,200	13,170,600
EXPENDITURES BY CLASS					
Personnel Cost	8,921,600	9,241,600	9,905,300	9,169,700	9,438,300
Operating Expenses	1,704,400	2,663,200	2,670,100	2,650,600	2,645,400
Debt Service	589,000	589,000	589,000	589,000	589,000
Capital Outlay	18,300	18,400	18,400	18,400	18,400
TOTAL EXPENDITURES	11,233,300	12,512,200	13,182,800	12,427,700	12,691,100
EXPENDITURES BY FUND SOURCE					
General Fund	9,967,100	11,223,600	11,865,000	11,154,100	11,409,800
Restricted Funds	1,024,000	1,024,000	1,024,000	1,024,000	1,024,000
Federal Funds	242,200	261,800	282,200	249,600	257,300
TOTAL EXPENDITURES	11,233,300	12,509,400	13,171,200	12,427,700	12,691,100
EXPENDITURES BY UNIT					
Commission Operations	5,437,600	5,770,700	5,975,900	5,933,700	5,880,000
Financial Analysis	1,875,300	2,089,600	2,252,200	1,930,100	1,980,100
Engineering	1,357,200	1,628,700	1,745,800	1,654,700	1,780,300
Division of Filings	1,650,900	1,947,500	2,055,200	1,913,600	2,035,800
Consumer Services	427,700	549,100	577,700	496,300	500,300
Gas Pipeline Safety	484,600	523,800	564,400	499,300	514,600
TOTAL EXPENDITURES	11,233,300	12,509,400	13,171,200	12,427,700	12,691,100

Executive Order 2004-031 attached the Public Service Commission to the Department of Public Protection for administrative purposes.

The Public Service Commission is a three-member administrative body with quasi-legislative and quasi-judicial duties.

Created by the 1934 General Assembly, the Commission regulates the intrastate rates and services of over 500 investor-owned electric, natural gas, telephone, water and sewage utilities, rural electric and telephone cooperatives, and water districts. The Commission performs its regulatory functions through written orders following adjudicative and rulemaking procedures outlined in Chapter 278 of the Kentucky Revised Statutes.

The Commission's goal is to ensure that every utility charges fair, just, and reasonable rates for the services rendered and that those services are adequate and efficient.

The agency is funded by an assessment of all utilities under the Commission's jurisdiction based on the annual gross intrastate revenues.

The Commission staff is organized into the Divisions of Research, Consumer Services, Filings, and Engineering.

Policy

The millage rate will be established based on the regular appropriation for the agency.

**Environmental and Public Protection
Claims/Crime Victims' Compensation**

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	857,300	898,700	937,600	813,000	813,000
Base Deduction	-44,300				
Total General Fund	813,000	898,700	937,600	813,000	813,000
Restricted Funds					
Balance Forward	1,568,300	1,044,300	564,500	1,044,300	707,700
Current Receipts	2,325,600	2,403,400	2,414,800	2,403,400	2,414,800
Non-Revenue Receipts	88,800	94,300	88,600	94,300	88,600
Fund Transfers	-1,500				
Total Restricted Funds	3,981,200	3,542,000	3,067,900	3,542,000	3,211,100
Federal Funds					
Balance Forward	4,900	4,900	4,900	4,900	4,900
Current Receipts	557,800	540,100	540,100	540,100	540,100
Total Federal Funds	562,700	545,000	545,000	545,000	545,000
TOTAL SOURCE OF FUNDS	5,356,900	4,985,700	4,550,500	4,900,000	4,569,100
EXPENDITURES BY CLASS					
Personnel Cost	1,137,800	1,271,800	1,359,100	1,042,900	1,066,500
Operating Expenses	2,959,900	2,944,500	2,943,000	2,944,500	2,943,000
Grants, Loans or Benefits	210,000	200,000	200,000	200,000	200,000
TOTAL EXPENDITURES	4,307,700	4,416,300	4,502,100	4,187,400	4,209,500
EXPENDITURES BY FUND SOURCE					
General Fund	813,000	898,700	937,600	813,000	813,000
Restricted Funds	2,936,900	2,977,500	3,024,400	2,834,300	2,856,400
Federal Funds	557,800	540,100	540,100	540,100	540,100
TOTAL EXPENDITURES	4,307,700	4,416,300	4,502,100	4,187,400	4,209,500
EXPENDITURES BY UNIT					
Board of Claims	1,295,700	1,404,300	1,491,600	1,175,400	1,199,000
Crime Victims' Board	2,296,100	2,296,100	2,294,600	2,296,100	2,294,600
Crime Victims' Board Federal Grants	515,900	515,900	515,900	515,900	515,900
Sexual Assault Examination Program	200,000	200,000	200,000	200,000	200,000
TOTAL EXPENDITURES	4,307,700	4,416,300	4,502,100	4,187,400	4,209,500

Executive Order 2004-031 attached the Board of Claims and Crime Victims Compensation Board to the Department of Public Protection for administrative purposes.

The Board of Claims, established under KRS Chapter 44, is the only forum through which a citizen can sue the state for alleged negligence. Awards under \$1,000 are paid from funds of the agency at fault. Awards over \$1,000 are paid from appropriations from the General Fund, and awards against the Transportation Cabinet are paid from the Road Fund. The maximum award on a single claim is \$100,000 and there is a cap of \$250,000 on multiple claims arising from the same incident.

The Crime Victims' Compensation Board, established under KRS Chapter 346, is empowered to reimburse innocent crime victims up to \$25,000 for their medical expenses, lost wages that are not paid by any other source and funeral expenses up to

\$5,000. The amount of time that a claimant has to submit a claim to the Board is five years. The Crime Victims Compensation Board is funded by 3.4 percent of court cost revenue to the Crime Victims Compensation Board.

The two Boards are composed of the same five members, and the same offices and staff serve them both.

**Environmental and Public Protection
Tax Appeals**

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	498,600	509,900	541,800	486,100	486,100
Base Deduction	-12,500				
Total General Fund	486,100	509,900	541,800	486,100	486,100
TOTAL SOURCE OF FUNDS	486,100	509,900	541,800	486,100	486,100
EXPENDITURES BY CLASS					
Personnel Cost	437,500	448,800	480,700	437,500	437,500
Operating Expenses	48,600	61,100	61,100	48,600	48,600
TOTAL EXPENDITURES	486,100	509,900	541,800	486,100	486,100
EXPENDITURES BY FUND SOURCE					
General Fund	486,100	509,900	541,800	486,100	486,100
TOTAL EXPENDITURES	486,100	509,900	541,800	486,100	486,100

Executive Order 2004-031 attached the Board of Tax Appeals to the Department of Public Protection for administrative purposes.

The Board of Tax Appeals was created in KRS 131 as an independent administrative review agency with exclusive jurisdiction to hear and resolve appeals arising from final rulings, orders, and determinations of any agency of state or county government relating to revenue and taxation.

The Board consists of three members appointed by the Governor for staggered four-year terms. One member is designated by the Governor as chairman.

**Environmental and Public Protection
Kentucky Horse Racing Authority**

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	522,800	522,800	522,800	509,700	509,700
Base Deduction	-86,900				
Total General Fund	435,900	522,800	522,800	509,700	509,700
Restricted Funds					
Balance Forward	4,501,300	3,947,800	3,484,200	3,202,200	2,626,700
Current Receipts	3,908,700	3,713,600	3,731,800	3,713,600	3,731,800
Non-Revenue Receipts	9,202,300	9,232,500	9,263,600	9,232,500	9,263,600
Fund Transfers	-995,200				
Total Restricted Funds	16,617,100	16,893,900	16,479,600	16,148,300	15,622,100
TOTAL SOURCE OF FUNDS	17,053,000	17,416,700	17,002,400	16,658,000	16,131,800
EXPENDITURES BY CLASS					
Personnel Cost	1,454,700	1,935,500	2,063,100	2,034,300	2,080,000
Operating Expenses	817,400	907,600	920,300	907,600	920,300
Grants, Loans or Benefits	11,578,700	11,089,400	10,820,800	11,089,400	10,820,800
TOTAL EXPENDITURES	13,850,800	13,932,500	13,804,200	14,031,300	13,821,100
EXPENDITURES BY FUND SOURCE					
General Fund	435,900	522,800	522,800	509,700	509,700
Restricted Funds	13,414,900	13,409,700	13,281,400	13,521,600	13,311,400
TOTAL EXPENDITURES	13,850,800	13,932,500	13,804,200	14,031,300	13,821,100
EXPENDITURES BY UNIT					
Administration and Regulation	2,171,600	2,713,600	2,849,400	2,812,400	2,866,300
Equine Drug Research Fund	650,500	650,500	650,500	650,500	650,500
Thoroughbred Development Fund	8,600,000	8,600,000	8,322,700	8,600,000	8,322,700
Standardbred Development Fund	666,800	666,800	666,800	666,800	666,800
Standardbred Horsemen Fees	700,000	700,000	700,000	700,000	700,000
County Fair Purse Fund	388,600	161,800	166,700	161,800	166,700
Thoroughbred Breeders	320,000	274,400	282,700	274,400	282,700
Backside Improvement Comm	353,300	165,400	165,400	165,400	165,400
TOTAL EXPENDITURES	13,850,800	13,932,500	13,804,200	14,031,300	13,821,100

Executive Order 2004-031 attached the Racing Authority to the Department of Public Protection for administrative purposes.

Under KRS 230, the Kentucky Horse Racing Authority is responsible for the regulation of thoroughbred and harness horse racing and the fostering of thoroughbred and harness horse breeding within the Commonwealth. The Authority has the responsibility to prescribe rules, regulations, and conditions under which all thoroughbred, harness horse, quarter horse, Appaloosa, and Arabian racing and wagering may be conducted in the Commonwealth.

Administration and Regulation of Racing is the administrative and oversight body of the Authority. The Division of Racing and Security oversees the state veterinarians and support staff. The security function supervises drug testing and interdiction on the track's backside. The Division of Licensing is responsible for licensing all individuals who participate in thoroughbred and harness racing.

The Equine Drug Research Council advises the Authority on research programs. One-tenth of one percent of the thoroughbred pari-mutuel handle supports the Council.

The Thoroughbred Development Fund was created in 1978 to encourage breeders from other states to send their breeding stock to Kentucky to improve the caliber of breeding and racing stock in the Commonwealth. The program is funded by three-fourths of one percent of the total pari-mutuel handle.

The Standardbred Development Fund supports efforts to attract breeders from other states to send their breeding stock to Kentucky, to increase the number of owners in Kentucky, and to increase the number of horses bred in Kentucky. One percent of the pari-mutuel handle from the harness horse racing tracks is deposited in a revolving fund account for the Standardbred Development Fund.

Under the authority of KRS 230.398, the County Fair Purse Fund receives funding from uncashed pari-mutuel tickets and redistributes the funds in the form of purse supplements to county fairs.

The Backside Improvement Commission is charged with promoting, enhancing, and improving of the backsides of Turfway and Ellis Parks. Racing associations with an average handle of \$1,200,000 or less per racing day are required to pay one-half of one percent to the Fund. Racing associations with an average handle of \$1,200,000 or more per racing day are required to pay three and one-half percent to the Fund.

The Thoroughbred Owners and Breeders Fund is used to fund capital improvements and promote off-track betting. It also supports marketing and promotion of the Kentucky thoroughbred industry.

Policy

Executive Order 2004-030 abolished the Kentucky Racing Commission and created the Kentucky Horse Racing Authority. The reconstituted agency's mission has been substantially broadened to include increasing Kentucky's signature industry's economic contribution to the state. The Authority's charge is to:

- Advance horse industry-related economic growth;
- Strengthen ties between Kentucky's universities and the horse industry;
- Ensure that Kentucky remains on the cutting-edge of equine research; and
- Promote Kentucky's horse and tourism industry.

Notwithstanding KRS 230.361 - 230.735, the Horse Racing Authority will transfer excess revenues of \$1 million in both fiscal year 2004-2005 and 2005-2006 to the General Fund from the Kentucky Horse Racing Health and Welfare Fund.

**Environmental and Public Protection
Public Advocacy**

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	25,389,800	32,656,400	37,328,800	25,264,400	25,264,400
Salary Compensation Fund	26,000				
Base Deduction	-151,400				
Total General Fund	25,264,400	32,656,400	37,328,800	25,264,400	25,264,400
Restricted Funds					
Balance Forward	3,378,600	1,789,600	1,789,600	2,789,600	1,394,800
Current Receipts	2,577,900	2,898,200	2,898,200	2,898,200	2,898,200
Non-Revenue Receipts	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000
Fund Transfers	-20,600				
Total Restricted Funds	7,435,900	6,187,800	6,187,800	7,187,800	5,793,000
Federal Funds					
Balance Forward	276,200	482,200	487,200	482,200	487,200
Current Receipts	1,815,400	1,479,000	1,569,600	1,479,000	1,569,600
Total Federal Funds	2,091,600	1,961,200	2,056,800	1,961,200	2,056,800
TOTAL SOURCE OF FUNDS	34,791,900	40,805,400	45,573,400	34,413,400	33,114,200
EXPENDITURES BY CLASS					
Personnel Cost	21,565,300	25,837,700	30,083,100	20,327,000	20,398,900
Operating Expenses	3,770,700	5,448,000	5,940,600	5,006,500	5,030,200
Grants, Loans or Benefits	6,154,100	7,227,900	7,257,900	7,197,900	7,197,900
Capital Outlay	30,000	15,000	15,000		
TOTAL EXPENDITURES	31,520,100	38,528,600	43,296,600	32,531,400	32,627,000
EXPENDITURES BY FUND SOURCE					
General Fund	25,264,400	32,656,400	37,328,800	25,264,400	25,264,400
Restricted Funds	4,646,300	4,398,200	4,398,200	5,793,000	5,793,000
Federal Funds	1,609,400	1,474,000	1,569,600	1,474,000	1,569,600
TOTAL EXPENDITURES	31,520,100	38,528,600	43,296,600	32,531,400	32,627,000
EXPENDITURES BY UNIT					
Office of the Public Advocate	965,400	1,004,400	1,055,500	965,400	965,400
Defense Services	27,313,200	33,647,000	38,040,100	28,428,500	28,428,500
Law Operations	1,457,500	1,807,500	1,902,000	1,468,200	1,468,200
Protection and Advocacy	1,784,000	2,069,700	2,299,000	1,669,300	1,764,900
TOTAL EXPENDITURES	31,520,100	38,528,600	43,296,600	32,531,400	32,627,000

Executive Order 2004-031 abolished the Department of Public Advocacy and created the Office of Public Advocacy. The Public Advocate, under the direction of the Commissioner of the Department of Public Protection, exercises the oversight responsibilities for the reconstituted agency.

The U. S. and Kentucky Constitutions mandate that all criminal defendants have the assistance of counsel. The Kentucky Office of Public Advocacy (OPA) was established in KRS Chapter 31 to provide representation for indigent persons accused of crimes (or mental states) which may result in their incarceration. Kentucky's mandated public defender services are delivered by system consisting of full-time employed public defenders, full-time non-state public defenders, and private attorneys contracting with the Office to provide services.

The Operations Division provides budget, strategic planning, personnel, administrative, training, library services, research, and management support for the Office.

The Trial Division represents all needy persons accused of crimes punishable by loss of liberty or a fine of \$500 or more; persons accused of juvenile delinquency and status offenses; and all needy persons faced with involuntary commitments due to mental state or condition in all of Kentucky's 120 counties.

The Post-Trial Division provides mandated defender services for indigent persons after conviction. These services provide access to the courts at the appellate level.

The Office's Protection and Advocacy Division was established pursuant to Public Law 99-319, Public Law 101-496, and KRS 31.030. The Division seeks legal, administrative, and other appropriate remedies to insure protection of Kentuckians with developmental disabilities and mental illness. Most of the funds in this division's budget are federal funds that have strict non-supplanting requirements.

**Environmental and Public Protection
Alcoholic Beverage Control**

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	1,663,000	1,220,500	1,225,800	1,380,800	1,380,800
Budget Reduction	-170,600				
Base Deduction	-111,600				
Total General Fund	1,380,800	1,220,500	1,225,800	1,380,800	1,380,800
Restricted Funds					
Balance Forward	1,479,200	1,247,600	1,334,400	232,900	494,900
Current Receipts	4,313,600	4,789,800	4,960,200	4,730,100	4,853,800
Non-Revenue Receipts	-250,000				
Fund Transfers	-1,447,300				
Total Restricted Funds	4,095,500	6,037,400	6,294,600	4,963,000	5,348,700
TOTAL SOURCE OF FUNDS	5,476,300	7,257,900	7,520,400	6,343,800	6,729,500
EXPENDITURES BY CLASS					
Personnel Cost	4,226,800	4,863,800	5,209,700	4,789,200	4,873,100
Operating Expenses	1,016,600	1,044,900	1,006,900	1,044,900	1,006,900
Capital Outlay		14,800		14,800	
TOTAL EXPENDITURES	5,243,400	5,923,500	6,216,600	5,848,900	5,880,000
EXPENDITURES BY FUND SOURCE					
General Fund	1,380,800	1,220,500	1,225,800	1,380,800	1,380,800
Restricted Funds	3,862,600	4,703,000	4,990,800	4,468,100	4,499,200
TOTAL EXPENDITURES	5,243,400	5,923,500	6,216,600	5,848,900	5,880,000
EXPENDITURES BY UNIT					
Administration, Enforcement, and License	4,993,400	5,515,600	5,843,400	5,481,100	5,516,500
Tobacco Enforcement	250,000	407,900	373,200	367,800	363,500
TOTAL EXPENDITURES	5,243,400	5,923,500	6,216,600	5,848,900	5,880,000

Executive Order 2004-031 abolished the Department of Alcoholic Beverage Control and created the Office of Alcoholic Beverage Control. The Executive Director, under the direction of the Commissioner of the Department of Public Protection, exercises the oversight responsibilities that formally resided with the Commissioner of Alcoholic Beverage Control.

The Office of Alcoholic Beverage Control (ABC) enforces laws relating to the manufacture, sale, transportation, storage, and advertising of alcoholic beverages, as set out in Chapters 241-244 of the Kentucky Revised Statutes. The agency does not collect taxes.

The Executive Director of the Office is its administrative officer and serves as Chairman of the Alcoholic Beverage Control Board, which also includes the Administrators of the Malt Beverage and Distilled Spirits divisions. The Governor appoints all three.

In exercising its quasi-judicial authority, the ABC Board may suspend, revoke, or cancel for cause, after hearing, any license issued relating to violation of alcoholic beverage laws. The ABC Board also conducts hearings for and appeals from an applicant whose license is refused by city or county administrators.

The Office has enforcement officers assigned throughout the state who conduct investigations, make regular inspections, and otherwise monitor compliance with ABC laws.

The Department implements laws relating to the sale and use of tobacco products.

Policy

Restricted funds in the amount of \$52,300 in fiscal year 2004-2005 and \$65,600 in fiscal year 2005-2006 are provided for the Server Training in Alcohol Regulations (S.T.A.R.) program. The cost of the program is funded with fees from the course participants. Eastern Kentucky University provides the classroom instructors.

Funds are provided to enable the management of this agency to continue the current standard of regulatory services to the business community it serves.

**Environmental and Public Protection
Housing, Buildings and Construction**

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	2,318,300	2,814,000	2,936,400	2,296,700	2,296,700
Salary Compensation Fund	51,400				
Base Deduction	-73,000				
Total General Fund	2,296,700	2,814,000	2,936,400	2,296,700	2,296,700
Restricted Funds					
Balance Forward	3,918,600	6,074,600	6,162,400	3,632,000	2,906,700
Current Receipts	15,095,000	13,910,300	13,986,500	11,202,300	10,904,200
Non-Revenue Receipts		-68,600	-83,700	-68,600	-83,700
Fund Transfers	-4,936,800				
Total Restricted Funds	14,076,800	19,916,300	20,065,200	14,765,700	13,727,200
Federal Funds					
Current Receipts	84,800				
Total Federal Funds	84,800				
TOTAL SOURCE OF FUNDS	16,458,300	22,730,300	23,001,600	17,062,400	16,023,900
EXPENDITURES BY CLASS					
Personnel Cost	9,689,900	13,448,000	14,547,700	11,025,800	11,308,400
Operating Expenses	3,051,600	3,107,900	3,107,400	3,117,900	3,117,400
Capital Outlay	84,800	12,000	12,000	12,000	12,000
TOTAL EXPENDITURES	12,826,300	16,567,900	17,667,100	14,155,700	14,437,800
EXPENDITURES BY FUND SOURCE					
General Fund	2,296,700	2,814,000	2,936,400	2,296,700	2,296,700
Restricted Funds	10,444,800	13,753,900	14,730,700	11,859,000	12,141,100
Federal Funds	84,800				
TOTAL EXPENDITURES	12,826,300	16,567,900	17,667,100	14,155,700	14,437,800
EXPENDITURES BY UNIT					
General Administration and Management	1,039,800	1,608,500	1,730,900	1,091,200	1,091,200
Regulation of Minimum Safety Standards/Fire Prev	4,965,700	6,719,900	7,148,600	5,689,200	5,797,900
WMD Fire Marshall Grant	84,800				
Plumbing	4,142,200	4,755,400	5,074,600	4,404,800	4,500,700
HVACC	739,300	915,900	971,600	843,700	865,500
Building Codes Enforcement	1,854,500	2,568,200	2,741,400	2,126,800	2,182,500
TOTAL EXPENDITURES	12,826,300	16,567,900	17,667,100	14,155,700	14,437,800

Executive Order 2004-031 created the Office of Housing, Buildings and Construction. The Executive Director, under the direction of the Commissioner of the Department of Public Protection, exercises oversight responsibilities that formally resided with the Commissioner of the Department of Housing, Buildings and Construction.

The Office of Housing, Buildings, and Construction was created under KRS 198B. Its purpose is to devise and enforce an effective building inspection program and to prevent fire and life-safety hazards. The Board of Housing, Buildings, and Construction was established to adopt a uniform building code for Kentucky.

The General Administration and Support unit provides overall planning, management, policy direction, legal counsel, and support services for the office.

The Regulation of Minimum Safety Standards program enforces life safety codes and state and federal laws and regulations by performing property inspections, reviewing plans for remodeled or improved property, regulating the use and storage of hazardous materials, and responding to related emergencies. The program includes inspection and plan review of boilers, pressure piping, and elevators; monitoring the construction and sales of mobile homes and recreational vehicles; and the testing and licensing of electrical inspectors, boiler contractors, underground petroleum storage tank contractors, and sprinkler system contractors.

The Building Codes Enforcement program provides overall coordination and enforcement of the Kentucky Uniform Building Code and provides inspection, plan review, and technical services to the building community. The program is funded primarily from plan review fees.

The Plumbing Division, a fee-supported program, enforces the State Plumbing Law. Activities include inspection of plumbing systems in all buildings throughout the state, approval of plans in all types of public buildings, renewal of master and journeyman plumbers' licenses, assistance to the State Plumbing Code Committee in its review of the plumbing code regulations, and review and approval of new materials and techniques.

The Division of Heating, Ventilation, and Air Conditioning (HVAC) is responsible for the annual licensing and oversight of the activities of heating, ventilation, and air conditioning contractors, mechanics, and apprentices. The HVAC Board reviews HVAC codes and regulations governing the testing of candidates for licensure. The division oversees the continuing education for HVAC Master and Journeyman.

Policy

Funds are provided to enable the management of the agency to continue the current standard of regulatory services to Kentucky's business community.

**Environmental and Public Protection
Mines and Minerals**

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	9,365,000	10,890,300	11,764,500	9,035,200	9,035,200
Budget Reduction	-400,000				
Salary Compensation Fund	78,200				
Base Deduction	-408,000				
Total General Fund	8,635,200	10,890,300	11,764,500	9,035,200	9,035,200
Restricted Funds					
Balance Forward	636,700	30,400	141,900	30,400	332,700
Current Receipts	1,049,300	1,049,300	1,049,300	1,049,300	1,049,300
Non-Revenue Receipts	850,400	798,500	787,200	850,000	850,000
Fund Transfers	-36,600				
Total Restricted Funds	2,499,800	1,878,200	1,978,400	1,929,700	2,232,000
Federal Funds					
Balance Forward	270,800	4,800		4,800	
Current Receipts	332,500	603,300	603,300	603,300	603,300
Total Federal Funds	603,300	608,100	603,300	608,100	603,300
TOTAL SOURCE OF FUNDS	11,738,300	13,376,600	14,346,200	11,573,000	11,870,500
EXPENDITURES BY CLASS					
Personnel Cost	9,643,300	10,969,100	11,788,400	9,543,200	9,749,900
Operating Expenses	2,042,800	2,250,600	2,506,200	1,687,100	2,095,300
Capital Outlay	17,000	15,000	25,000	10,000	25,000
TOTAL EXPENDITURES	11,703,100	13,234,700	14,319,600	11,240,300	11,870,200
EXPENDITURES BY FUND SOURCE					
General Fund	8,635,200	10,890,300	11,764,500	9,035,200	9,035,200
Restricted Funds	2,469,400	1,736,300	1,951,800	1,597,000	2,231,700
Federal Funds	598,500	608,100	603,300	608,100	603,300
TOTAL EXPENDITURES	11,703,100	13,234,700	14,319,600	11,240,300	11,870,200
EXPENDITURES BY UNIT					
General Administration	1,080,100	1,559,500	1,669,300	1,080,100	1,080,100
Mine Safety	8,424,100	9,203,100	9,720,000	8,066,700	8,397,800
Explosives and Blasting	626,800	641,400	751,400	626,800	626,800
Oil and Gas Conservation	1,572,100	1,830,700	2,178,900	1,466,700	1,765,500
TOTAL EXPENDITURES	11,703,100	13,234,700	14,319,600	11,240,300	11,870,200

Executive Order 2004-031 abolished the Department of Mines and Minerals and created the Division of Mines and Minerals within the Department of Natural Resources. The division director, under the direction of the Commissioner of the Department of Natural Resources, manages of the day-to-day operations of the program.

The Division of Mines and Minerals, established in by KRS 351, is responsible for the regulation of mining practices to prevent injuries and fatalities in underground, strip, and auger mines.

The Division Director provides the executive policy and management guidance for the Division, produces an annual report, and conducts surveys for the Division research and statistical needs. The Division has under its purview the Chief Mine Inspectors, Chief Accident Investigator, and Chief Electrical Inspector functions. Candidates for mine foreman, mine

instructor, and mine inspector certification are tested by this office. If found to be qualified the candidates are certified. The Chief Accident Investigator and the Chief Electrical Inspector provide a "proactive" approach to accident investigation and prevention and ensure that accident investigation techniques, electrical training and inspection techniques are standardized throughout the districts. Accident data is collected and analyzed, tracking type and cause, to prevent re-occurrences. The Legal Counsel is also part of the director office.

The Mine Safety Inspection Program is required by law to conduct a minimum of two inspections per mine per year. More inspections may be made as needed to correct deficiencies discovered in initial inspections, to investigate all serious and fatal accidents, to investigate all reported fires, ignitions, and explosions, and to investigate complaints. This program also regulates solid shooting (blasting) in the coal mines, and investigates illegal mining.

The Explosives and Blasting Program is charged with regulating the manufacture, sale, possession, transportation, storage, and use of explosives within the Commonwealth. This unit conducts routine inspections of all facilities employing explosives and blasting, and also trains, tests, and licenses those applicants qualified to be blasters.

The Oil and Gas Conservation Program is responsible for the conservation of oil and gas resources of the Commonwealth and for the protection of correlative rights of mineral owners (KRS 353). Requirements are to prevent waste and unnecessary loss, to encourage the maximum recovery of oil and gas, to promote safety, and to prevent contamination of underground water resources. The program is also charged with the collection of geological data, obtained from the drilling of oil and gas wells, for deposit in the Kentucky Geological Survey whose records are for public use. Plugging abandoned wells is the responsibility of the Oil and Gas Conservation Unit.

The Mine Safety Analysis Program encourages safe work habits of coal miners. KRS 351.241 authorizes the appointment of surface mine safety analysts to provide quality on-the-job, one-on-one safety training for surface miners.

The Miner Training, Education, and Certification Program is charged with the training, education and certification by the Mining Board of all underground and surface coal miners. The mine safety instructors provide general and technical safety training and education courses to mine personnel. Continued training ensures that the prescribed number of certified and qualified personnel for the mining industry is maintained. Program staff monitor mining classes and mining instructors for subcontractors.

The Mine Licensing Program is responsible for the licensing of all underground and surface coal mines in the Commonwealth. It maintains records for all coal mines across the Commonwealth, issues special permits for specific mining methods including the use of diesel equipment, roof control, extended cuts, and mining near oil and gas wells, and issues permits for additional mine openings.

The Mine Licensing Division develops and maintains databases to track information about each mining operation. The data base includes: number of miners employed by the mine, type of operations, type of worker's compensation insurance, and the number and type of mining law violations, closures, and abatements for each mine and mine operator. A second database provides information on all individuals certified as surface mine foremen, surface mine safety analysts, underground mine foremen, underground mine instructors, underground mine inspectors, and electrical inspectors.

The General Administration and Support Program is responsible for providing personnel administration, accounting, purchasing, inventory control, budgeting, and payroll for the entire Division.

Policy

The Division of Mines and Minerals will be supported by funds transferred from the Workers Compensation Funding Commission in the amount of \$850,000 in each fiscal year.

**Environmental and Public Protection
Charitable Gaming**

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
Restricted Funds					
Balance Forward	1,486,700	1,192,900	839,200	1,192,900	895,700
Current Receipts	3,310,000	3,310,000	3,310,100	3,310,000	3,310,100
Fund Transfers	-191,200				
Total Restricted Funds	4,605,500	4,502,900	4,149,300	4,502,900	4,205,800
TOTAL SOURCE OF FUNDS	4,605,500	4,502,900	4,149,300	4,502,900	4,205,800
EXPENDITURES BY CLASS					
Personnel Cost	2,613,900	2,971,000	3,210,900	2,914,700	2,971,500
Operating Expenses	719,000	686,700	686,700	686,500	686,500
Grants, Loans or Benefits	6,000	6,000	6,000	6,000	6,000
Capital Outlay	73,700				
TOTAL EXPENDITURES	3,412,600	3,663,700	3,903,600	3,607,200	3,664,000
EXPENDITURES BY FUND SOURCE					
Restricted Funds	3,412,600	3,663,700	3,903,600	3,607,200	3,664,000
TOTAL EXPENDITURES	3,412,600	3,663,700	3,903,600	3,607,200	3,664,000

Executive Order 2004-031 abolished the Department of Charitable Gaming and created the Office of Charitable Gaming. The Executive Director, under the direction of the Commissioner of the Department of Public Protection, exercises the oversight responsibilities that formerly resided with the Commissioner of Charitable Gaming.

KRS Chapter 238 establishes the Office of Charitable Gaming. The Office is charged with the licensure and regulation of charitable organizations conducting gaming in the Commonwealth of Kentucky.

The Office of the Executive Director tracks and mediates complaints. The General Council manages all the litigation and other legal activity associated with agency operations. The Division of Licensing and Compliance conducts inspections and issues licenses. The Division of Enforcement audits charitable gaming establishments.

Policy

The Executive Budget proposes to continue the Charitable Gaming Gross Receipts fee at its present level of .53 percent through fiscal year 2004-05 and 2005-06.

**Environmental and Public Protection
Financial Institutions**

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
Restricted Funds					
Balance Forward	5,252,000	3,429,100	4,519,600	367,100	1,676,700
Current Receipts	20,075,000	10,626,000	11,061,300	10,626,000	11,061,300
Non-Revenue Receipts	-7,742,200	-323,700	-394,900	-323,700	-394,900
Fund Transfers	-8,276,200				-2,712,100
Total Restricted Funds	9,308,600	13,731,400	15,186,000	10,669,400	9,631,000
TOTAL SOURCE OF FUNDS	9,308,600	13,731,400	15,186,000	10,669,400	9,631,000
EXPENDITURES BY CLASS					
Personnel Cost	7,161,700	6,884,600	7,420,600	6,665,500	6,851,100
Operating Expenses	1,510,600	1,965,100	1,998,700	1,965,100	1,998,700
Capital Outlay	269,200	362,100	372,100	362,100	372,100
TOTAL EXPENDITURES	8,941,500	9,211,800	9,791,400	8,992,700	9,221,900
EXPENDITURES BY FUND SOURCE					
Restricted Funds	8,941,500	9,211,800	9,791,400	8,992,700	9,221,900
TOTAL EXPENDITURES	8,941,500	9,211,800	9,791,400	8,992,700	9,221,900
EXPENDITURES BY UNIT					
Administrative Services	1,152,400	1,048,400	1,119,200	1,009,900	1,045,500
Financial Institutions	4,751,200	5,273,700	5,605,800	5,093,700	5,213,400
Commissioner	1,314,400	1,452,100	1,537,100	1,378,100	1,418,000
Securities	1,723,500	1,437,600	1,529,300	1,511,000	1,545,000
TOTAL EXPENDITURES	8,941,500	9,211,800	9,791,400	8,992,700	9,221,900

Executive Order 2004-031 abolished the Department of Financial Institutions and created the Office of Financial Institutions. The Executive Director, under the direction of the Commissioner of the Department of Public Protection, will assume the oversight responsibilities that formally resided with the Commissioner of Financial Institutions.

The Office of Financial Institutions, established under KRS 287, licenses and regulates banks, bank holding companies, trust companies, credit unions, savings and loan associations, consumer loan companies, industrial loan companies, mortgage loan companies, mortgage loan brokers, check cashing licensees, sale of check licensees, securities issuers, broker-dealers, agents and investment advisors. An Executive Director appointed by the Governor heads the Office.

The Executive Director's Office (listed as Commissioner above) is responsible for the overall management of the agency. The Ombudsman resolves complaints about Office licensees. The General Counsel provides legal support to the agency.

The Division of Administrative Services is comprised of three branches. The Technology branch maintains the computer network, the web sites and system upgrade planning. The Administrative Services Branch is charged with the administration of the fiscal functions including budgeting, purchasing, inventory control, training coordination, and facilities management. The Public Affairs branch coordinates all communications with the media, and handles the office's public relations efforts through coordination of educational seminars, brochures, and newsletters.

The Division of Securities carries out the registration, or exemption from registration, of securities issuances in the state. It registers broker-dealers, their agents, investment advisers, and investment adviser representatives, and conducts on-site examinations of these regulated entities. The Division investigates allegations of securities fraud or other illegal conduct of all securities entities.

The Division of Financial Institutions examines and licenses commercial banks, bank holding companies, loan production offices, bank trust departments, independent trust companies, credit unions, savings and loan associations, consumer loan companies, industrial loan companies, mortgage loan companies, mortgage loan brokers, check cashing licensees and sale of check licensees.

Policy

Notwithstanding KRS 287.485, the Office of Financial Institutions shall transfer excess restricted funds of \$2,712,000 in fiscal year 2005-2006 to the General Fund.

Funds are provided to enable the management of this agency to continue the current standard of regulatory services to the business community it serves.

**Environmental and Public Protection
Workplace Standards**

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	2,013,300	2,278,700	2,380,700	1,953,800	1,953,800
Budget Reduction	-30,000				
Salary Compensation Fund	19,700				
Base Deduction	-49,000				
Total General Fund	1,954,000	2,278,700	2,380,700	1,953,800	1,953,800
Restricted Funds					
Balance Forward	11,492,039	4,000,000	4,000,000	4,000,000	4,000,000
Current Receipts	2,000,000	2,000,000	1,800,000	2,000,000	1,800,000
Non-Revenue Receipts	115,198,961	109,524,900	108,236,200	108,187,700	106,272,700
Total Restricted Funds	128,691,000	115,524,900	114,036,200	114,187,700	112,072,700
Federal Funds					
Balance Forward	3,312				
Current Receipts	3,277,188	3,379,700	3,379,700	3,379,700	3,379,700
Total Federal Funds	3,280,500	3,379,700	3,379,700	3,379,700	3,379,700
TOTAL SOURCE OF FUNDS	133,925,500	121,183,300	119,796,600	119,521,200	117,406,200
EXPENDITURES BY CLASS					
Personnel Cost	11,306,300	11,034,300	11,884,200	9,675,100	9,889,500
Operating Expenses	3,745,200	3,631,500	3,539,400	3,352,600	3,183,700
Grants, Loans or Benefits	114,716,000	102,390,000	100,240,000	102,366,000	100,200,000
Capital Outlay	158,000	127,500	133,000	127,500	133,000
TOTAL EXPENDITURES	129,925,500	117,183,300	115,796,600	115,521,200	113,406,200
EXPENDITURES BY FUND SOURCE					
General Fund	1,954,000	2,278,700	2,380,700	1,953,800	1,953,800
Restricted Funds	124,691,000	111,524,900	110,036,200	110,187,700	108,072,700
Federal Funds	3,280,500	3,379,700	3,379,700	3,379,700	3,379,700
TOTAL EXPENDITURES	129,925,500	117,183,300	115,796,600	115,521,200	113,406,200
EXPENDITURES BY UNIT					
Commissioners Office		260,100	241,300		
Employment Standards	1,954,000	2,278,700	2,380,700	1,953,800	1,953,800
Compliance	4,658,700	4,777,000	5,031,200	4,307,100	4,301,200
Education and Training	5,014,600	5,013,100	5,262,300	4,615,500	4,607,300
Workers Compensation Funds	118,298,200	104,854,400	102,881,100	104,644,800	102,543,900
TOTAL EXPENDITURES	129,925,500	117,183,300	115,796,600	115,521,200	113,406,200

The Department of Workplace Standards consists of the Division of Employment Standards, Apprenticeship and Training, the Division of Occupational Safety and Health Compliance, the Division of Education and Training for Occupational Safety and Health, and the Division of Workers' Compensation Funds.

Policy

Pursuant to Executive Order 2004-031, Paragraph XI, the former Department of Workplace Standards shall exist reorganized and designated the Office of Workplace Standards within the Department of Labor.

**Environmental and Public Protection
Workplace Standards
Employment Standards**

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	2,013,300	2,278,700	2,380,700	1,953,800	1,953,800
Budget Reduction	-30,000				
Salary Compensation Fund	19,700				
Base Deduction	-49,000				
Total General Fund	1,954,000	2,278,700	2,380,700	1,953,800	1,953,800
TOTAL SOURCE OF FUNDS	1,954,000	2,278,700	2,380,700	1,953,800	1,953,800
EXPENDITURES BY CLASS					
Personnel Cost	1,670,700	1,877,000	2,032,400	1,635,600	1,674,700
Operating Expenses	283,300	401,700	348,300	318,200	279,100
TOTAL EXPENDITURES	1,954,000	2,278,700	2,380,700	1,953,800	1,953,800
EXPENDITURES BY FUND SOURCE					
General Fund	1,954,000	2,278,700	2,380,700	1,953,800	1,953,800
TOTAL EXPENDITURES	1,954,000	2,278,700	2,380,700	1,953,800	1,953,800

The Division of Employment Standards oversees statutory programs pertaining to wages and hours, discrimination, and apprenticeship.

The Wage and Hour subprogram has the responsibility for enforcing all statutes pertaining to Employment Standards as set forth in KRS Chapters 337, 339, and 207. These include: payment of wages, withholding from wages, remittance of gratuities, minimum wage, overtime, lunch periods, rest periods, wage discrimination because of sex, prevailing wage, child labor, and discrimination in employment against the physically disabled. The objective of this section is to enforce these laws fairly, and to assist employees and employers in bringing about compliance with these statutes.

The Apprenticeship subprogram administers the apprenticeship statutes in KRS Chapter 343. This program encourages employers and employees to enter into voluntary agreements of apprenticeship that will equip the apprentice with valuable skills. This program closely monitors approximately 260 apprenticeship programs to assure that they are meeting the standards of providing quality training and classroom instruction to approximately 2,500 apprentices registered in this program.

Policy

Pursuant to Executive Order 2004-031, Paragraphs III, V, VI, XI, XII and XIII, the Division of Employment Standards, within the former Department of Workplace Standards, shall exist reorganized and designated within the new Office of Workplace Standards in the Department of Labor.

**Environmental and Public Protection
Workplace Standards
Compliance**

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
Restricted Funds					
Balance Forward	820,649				
Non-Revenue Receipts	2,232,351	3,168,500	3,422,700	2,698,600	2,692,700
Total Restricted Funds	3,053,000	3,168,500	3,422,700	2,698,600	2,692,700
Federal Funds					
Balance Forward	2,610				
Current Receipts	1,603,090	1,608,500	1,608,500	1,608,500	1,608,500
Total Federal Funds	1,605,700	1,608,500	1,608,500	1,608,500	1,608,500
TOTAL SOURCE OF FUNDS	4,658,700	4,777,000	5,031,200	4,307,100	4,301,200
EXPENDITURES BY CLASS					
Personnel Cost	3,119,500	3,315,700	3,579,800	2,941,300	2,989,200
Operating Expenses	1,193,200	1,093,800	1,088,400	1,022,300	989,000
Grants, Loans or Benefits	216,000	240,000	240,000	216,000	200,000
Capital Outlay	130,000	127,500	123,000	127,500	123,000
TOTAL EXPENDITURES	4,658,700	4,777,000	5,031,200	4,307,100	4,301,200
EXPENDITURES BY FUND SOURCE					
Restricted Funds	3,053,000	3,168,500	3,422,700	2,698,600	2,692,700
Federal Funds	1,605,700	1,608,500	1,608,500	1,608,500	1,608,500
TOTAL EXPENDITURES	4,658,700	4,777,000	5,031,200	4,307,100	4,301,200

This division, through enforcement of the provisions of KRS Chapter 338, promotes the safety, health, and general welfare of workers by ensuring that employers are preventing hazards to the safety and health of all employees arising from exposure to harmful conditions and practices in work environments. The Division is responsible for the enforcement of Kentucky's occupational safety and health standards, rules, and regulations within both the public and private sectors. Through a Safety Inspection Branch and a Health Inspection Branch, the Division maintains a field staff of Safety Compliance Officers and Industrial Hygienists who conduct inspections of workplaces in which hazardous conditions are identified, violations of safety and health standards are cited, and abatement dates are assigned. In some instances, penalties are assessed for violations.

Although all penalties collected by the Division for violations are contributed to the General Fund, the Division's operations are not supported with General Fund. Funding for this program consists of federal funds and restricted agency funds. Federal funds are provided by a federal grant from the U.S. Department of Labor, Occupational Safety and Health Administration and the restricted agency funds are provided by the Kentucky Workers' Compensation Funding Commission through its assessments.

Policy

Pursuant to Executive Order 2004-031, Paragraphs III, V, VI, XI, XII and XIII, the Division of Occupational Safety and Health Compliance shall exist reorganized and designated within the Office of Workplace Standards in the Department of Labor.

**Environmental and Public Protection
Workplace Standards
Education and Training**

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
Restricted Funds					
Balance Forward	845,329				
Non-Revenue Receipts	2,494,471	3,241,900	3,491,100	2,844,300	2,836,100
Total Restricted Funds	3,339,800	3,241,900	3,491,100	2,844,300	2,836,100
Federal Funds					
Balance Forward	702				
Current Receipts	1,674,098	1,771,200	1,771,200	1,771,200	1,771,200
Total Federal Funds	1,674,800	1,771,200	1,771,200	1,771,200	1,771,200
TOTAL SOURCE OF FUNDS	5,014,600	5,013,100	5,262,300	4,615,500	4,607,300
EXPENDITURES BY CLASS					
Personnel Cost	3,516,400	3,587,200	3,844,900	3,228,600	3,300,100
Operating Expenses	1,470,200	1,425,900	1,407,400	1,386,900	1,297,200
Capital Outlay	28,000		10,000		10,000
TOTAL EXPENDITURES	5,014,600	5,013,100	5,262,300	4,615,500	4,607,300
EXPENDITURES BY FUND SOURCE					
Restricted Funds	3,339,800	3,241,900	3,491,100	2,844,300	2,836,100
Federal Funds	1,674,800	1,771,200	1,771,200	1,771,200	1,771,200
TOTAL EXPENDITURES	5,014,600	5,013,100	5,262,300	4,615,500	4,607,300

This division promotes voluntary compliance with the Kentucky Occupational Safety and Health rules and regulations by providing training, on-site consultations, distribution of technical and informational materials, gathering and monitoring statistical data concerning job injuries and illnesses, providing technical assistance, and acting as a liaison between the Cabinet and the Kentucky Occupational Safety and Health Standards Board.

The Training Branch develops and presents courses for employers to encourage voluntary compliance with safety and health standards, and also for employees to make them aware of job hazards. The Consultation Branch conducts surveys of business establishments at the request of employers to identify safety and health hazards. The Standards Branch provides information relating to standards and requirements and processes variance requests from employers.

The Management Information System unit handles collection, analysis, and reporting of statistics to develop safer work places. The Survey subprograms provide published reports of this information.

Funding for this program consists of federal funds and restricted agency funds. Federal funds are provided by a grant from the U.S. Department of Labor, Occupational Safety and Health Administration. The restricted agency funds are provided by the Kentucky Workers' Compensation Funding Commission through its assessments.

Policy

Pursuant to Executive Order 2004-031, Paragraphs III, V, VI, XI, XII and XIII, the Division of Education and Training for Occupational Safety and Health shall exist reorganized and designated within the Office of Workplace Standards in the Department of Labor.

**Environmental and Public Protection
Workplace Standards
Workers Compensation Funds**

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
Restricted Funds					
Balance Forward	9,826,061	4,000,000	4,000,000	4,000,000	4,000,000
Current Receipts	2,000,000	2,000,000	1,800,000	2,000,000	1,800,000
Non-Revenue Receipts	110,472,139	102,854,400	101,081,100	102,644,800	100,743,900
Total Restricted Funds	122,298,200	108,854,400	106,881,100	108,644,800	106,543,900
TOTAL SOURCE OF FUNDS	122,298,200	108,854,400	106,881,100	108,644,800	106,543,900
EXPENDITURES BY CLASS					
Personnel Cost	2,999,700	2,060,900	2,216,500	1,869,600	1,925,500
Operating Expenses	798,500	643,500	664,600	625,200	618,400
Grants, Loans or Benefits	114,500,000	102,150,000	100,000,000	102,150,000	100,000,000
TOTAL EXPENDITURES	118,298,200	104,854,400	102,881,100	104,644,800	102,543,900
EXPENDITURES BY FUND SOURCE					
Restricted Funds	118,298,200	104,854,400	102,881,100	104,644,800	102,543,900
TOTAL EXPENDITURES	118,298,200	104,854,400	102,881,100	104,644,800	102,543,900

The Division of Workers' Compensation Funds exists to provide legal representation, pay awarded benefits, and maintain payment records for the Special Fund and Coal Workers' Pneumoconiosis Fund.

The Special Fund is a workers' compensation fund used to pay a portion of income benefits awarded in injury and occupational disease claims. Its purpose is to encourage the hiring and retention of individuals with disability by allowing employers to shift liability to the special fund for compensable disability which does not result directly from workplace injuries. House Bill 1 enacted during a special legislative session in 1996 abolished special fund liability for injuries and occupational diseases arising after December 12, 1996. However, the 1996 legislative amendments did not affect established fund liability or liability for claims which arose prior to the effective date of the new law. As a result, a phased down Special Fund has continued to perform the statutory mandates of providing legal representation, payment of income benefits, and maintenance of payment records. Funding for the Special Fund is provided by assessments against workers' compensation insurance premiums and self-insured employers.

The Coal Workers' Pneumoconiosis Fund was created by the 1996 Extraordinary Session on December 12, 1996. Prior to that session, it had been determined that coal workers' pneumoconiosis (Black Lung) placed a substantial burden on all employers of the Commonwealth through the Special Fund assessments. The establishment of this fund is intended to ensure that liabilities incurred as a result of workers compensation awards for coal workers' pneumoconiosis be the financial responsibility of employers engaged in the severance and processing of coal. Funding is provided by an assessment imposed on the workers' compensation premiums paid by those employers. In addition, an assessment is imposed upon the total annual amount of tons of coal severed by every entity engaged in the severance of coal as required by KRS Chapter 143. The Fund has one-half of the liability for income benefits awarded for claims brought under KRS Chapter 342 for the last exposure incurred on or after December 12, 1996.

Policy

Pursuant to Executive Order 2004-031, Paragraphs III, V, VI, XI, XII and XIII, the Division of Workers' Compensation Funds, within the former Department of Workplace Standards, shall exist reorganized and designated within the Office of Workplace Standards in the Department of Labor.

Total projected expenditures for Special Funds awards in each year of the biennium are \$ 98,313,880 and \$95,192,874 respectively. Total projected expenditures for the Coal Workers' Pneumoconiosis awards in each year of the biennium are \$6,330,920 and \$ 7,351,026 respectively.

**Environmental and Public Protection
Workers Claims**

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
Restricted Funds					
Balance Forward	1,063,956				
Non-Revenue Receipts	16,029,344	17,110,200	18,007,300	14,591,600	14,561,800
Total Restricted Funds	17,093,300	17,110,200	18,007,300	14,591,600	14,561,800
TOTAL SOURCE OF FUNDS	17,093,300	17,110,200	18,007,300	14,591,600	14,561,800
EXPENDITURES BY CLASS					
Personnel Cost	13,653,000	13,168,300	14,176,400	11,304,300	11,526,300
Operating Expenses	3,311,300	3,827,800	3,713,400	3,173,200	2,923,500
Capital Outlay	129,000	114,100	117,500	114,100	112,000
TOTAL EXPENDITURES	17,093,300	17,110,200	18,007,300	14,591,600	14,561,800
EXPENDITURES BY FUND SOURCE					
Restricted Funds	17,093,300	17,110,200	18,007,300	14,591,600	14,561,800
TOTAL EXPENDITURES	17,093,300	17,110,200	18,007,300	14,591,600	14,561,800

The Commonwealth of Kentucky adopted a Workers' Compensation Act in 1916 under which employees were granted replacement income and medical services for disability arising from on-the-job accidents. In exchange, employers were afforded immunity from common lawsuits.

Over the past eighty-four years, Kentucky's Workers' Compensation Program has undergone incremental changes generally marked by expansion of coverage to include additional work-related conditions (i.e., occupational diseases) and increases in the amount of benefits granted workers. Reform occurred during the 1994 Regular Session of the General Assembly with the passage of House Bill 928. Before 1994, the main function of the department was to adjudicate disputes between employers and employees about entitlement to benefits. Through the impetus of the 1994 statutory changes, the means of delivering industrial health care was altered, and efforts began to curtail the expansion of benefits and the administrative and adjudicative arms of the program were strengthened.

House Bill 1, passed by the 1996 Extraordinary Session of the General Assembly, completed the reform of the workers' compensation program. Adopted on December 12, 1996, this legislation emphasizes administrative resolution of benefit disputes rather than adjudicative claims processing. The new law also represents a marked shift toward fiscal responsibility in the workers' compensation program and is intended to roll back the estimated cost of \$1 billion paid each year by the Commonwealth's employers to sustain the program. Through this reform legislation, the program is being restored to its core purpose of promptly delivering wage replacement benefits and medical services to industrially injured workers in a nonadversarial manner.

Funding for Workers Claims is provided by the Kentucky Workers' Compensation Funding Commission's special assessments imposed upon workers' compensation premiums paid by employers and self-insureds.

Policy

Pursuant to Executive Order 2004-031, Paragraphs III, V, VI, XI, XII and XIII, the former Department of Workers Claims shall exist reorganized and designated the Office of Workers Claims within the Department of Labor.

**Environmental and Public Protection
Ky Occupational Safety and Health Review Commission**

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
Restricted Funds					
Balance Forward	116,282				
Non-Revenue Receipts	363,018	637,100	613,100	479,300	447,500
Total Restricted Funds	479,300	637,100	613,100	479,300	447,500
TOTAL SOURCE OF FUNDS	479,300	637,100	613,100	479,300	447,500
EXPENDITURES BY CLASS					
Personnel Cost	438,000	593,700	549,300	438,800	393,700
Operating Expenses	41,300	43,400	63,800	40,500	53,800
TOTAL EXPENDITURES	479,300	637,100	613,100	479,300	447,500
EXPENDITURES BY FUND SOURCE					
Restricted Funds	479,300	637,100	613,100	479,300	447,500
TOTAL EXPENDITURES	479,300	637,100	613,100	479,300	447,500

The Kentucky Occupational Safety and Health Review Commission is an independent quasi-judicial administrative agency which hears and rules on appeals of citations issued by the Division of Occupational Safety and Health Compliance in the Labor Cabinet. For organizational purposes, the Commission is in the Labor Cabinet.

The Review Commission receives and processes over 200 cases per year and holds hearings are held throughout the state. Written findings of fact, conclusions of law, and the recommended decisions issued by the hearing officers may be appealed to the Commission and then to Franklin Circuit Court.

Funding for the Commission consists of restricted agency funds provided by assessments of the Workers Compensation Funding Commission.

Policy

Pursuant to Executive Order 2004-031, Paragraphs III, V, VI, XI, XII and XIII, the Kentucky Occupational Safety and Health Review Commission shall exist reorganized and designated within the Department of Labor.

**Environmental and Public Protection
Workers' Compensation Funding Commission**

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
General Fund					
Regular Appropriation		19,000,000	19,000,000		
Total General Fund		19,000,000	19,000,000		
Restricted Funds					
Balance Forward	14,309,300	10,623,500	7,993,100	10,623,500	7,686,900
Current Receipts	132,825,000	132,840,000	126,932,000	132,840,000	126,932,000
Non-Revenue Receipts	16,908,200	4,915,600	11,494,200	-20,800	4,500,000
Total Restricted Funds	164,042,500	148,379,100	146,419,300	143,442,700	139,118,900
TOTAL SOURCE OF FUNDS	164,042,500	167,379,100	165,419,300	143,442,700	139,118,900
EXPENDITURES BY CLASS					
Personnel Cost	1,514,400	1,450,800	1,663,500	1,257,900	1,391,300
Operating Expenses	151,904,600	157,935,200	157,893,400	134,497,900	132,015,900
TOTAL EXPENDITURES	153,419,000	159,386,000	159,556,900	135,755,800	133,407,200
EXPENDITURES BY FUND SOURCE					
General Fund		19,000,000	19,000,000		
Restricted Funds	153,419,000	140,386,000	140,556,900	135,755,800	133,407,200
TOTAL EXPENDITURES	153,419,000	159,386,000	159,556,900	135,755,800	133,407,200
EXPENDITURES BY UNIT					
Workers' Compensation Funding Commission	1,908,200	1,807,600	2,036,000	1,585,200	1,732,000
Benefit Reserve	149,700,900	151,056,700	149,969,500	127,665,300	124,150,400
KCWP Fund	1,809,900	6,521,700	7,551,400	6,505,300	7,524,800
TOTAL EXPENDITURES	153,419,000	159,386,000	159,556,900	135,755,800	133,407,200

The Workers' Compensation Funding Commission was created through the passage of House Bill 1 by the 1987 Extraordinary Session of the General Assembly. House Bill 928, passed by the 1994 General Assembly, transferred the Commission to the Labor Cabinet for administrative purposes. The agency has the public purpose of controlling, investing, and managing the funds collected pursuant to KRS Chapter 342.

The Commission collects two separate assessments as required by KRS Chapter 342. One assessment is imposed on Kentucky workers' compensation premiums received by all insurance carriers and group self-insurers, and on a calculation-based premium equivalent for employers carrying their own risk. A second assessment is imposed on such premiums received from employers engaged in the severance or processing of coal. In addition to these assessments, House Bill 1 of the 1996 Extraordinary Session also mandates that beginning with fiscal year 1998 and all fiscal years thereafter, the Revenue Cabinet credit \$19 million in coal severance tax revenues levied under KRS 143.020 to the Benefit Reserve Fund within the Commission. These funds, coupled with the two assessments, are to be used: to fund and pre-fund the liabilities of the Special Fund and the Coal Workers' Pneumoconiosis Fund; finance the administration and operations of the Special Fund and the Coal Workers' Pneumoconiosis Fund; finance the administration and operations of the Funding Commission; finance all programs in the Labor Cabinet except the Division of Employment Standards and Mediation and the Office of Labor-Management Relations; and pay the liabilities and fund the operating budget for the Uninsured Employers' Fund in the Office of the Attorney General.

These assessments are credited to the Commission's Benefit Reserve Fund and the excess of collections over Special Fund liabilities, the Coal Workers' Pneumoconiosis Fund liabilities and budgeted expenditures are invested according to the Commission's policies and in compliance with KRS Chapter 386. The agency may perform or contract for audits of those entities subject to assessments, and may coordinate with other governmental agencies to ensure compliance with the statutes relating to workers' compensation funding.

The Commission is governed by a Board of Directors composed of the Cabinet Secretaries of Labor, Economic Development and Revenue, and four members representing insurers and insureds, who are appointed by the Governor. The Board appoints an executive director to carry out the business of the Commission.

The Board is required to engage a certified public accountant to conduct an annual examination of the Commission's affairs and report the findings to the Governor and the Auditor of Public Accounts.

Included in the operating expenses are the fund transfers which represent the amounts the Commission will transfer to the Labor Cabinet and the Uninsured Employers' Fund for those programs statutorily supported by assessments.

The revenue information combines the cash within the state accounting system and the cash located with the Commission's long-term investment management firms. Presently, the Funding Commission has an agreement with the Office of Financial Management for short-term investments. The remaining balance of the Benefit Reserve Fund is divided among three long-term investment managers: National Asset Management, Western Asset Management and the Janus Corporation.

Policy

Pursuant to Executive Order 2004-031, Paragraphs III, V, VI, XI, XII and XIII, the Workers Compensation Funding Commission shall exist reorganized within the Department of Labor.

Notwithstanding KRS 342.122, the Workers' Compensation Funding Commission will finance a portion of the Department of Mines and Minerals budget through Special Fund Assessments. Restricted funds in the amount of \$850,000 in fiscal year 2005 and \$850,000 in fiscal year 2006 are appropriated for the transfer to Mines and Minerals in the Environmental and Public Cabinet.

Notwithstanding KRS 342.122(1)(c), \$19,000,000 from the General Fund will not be appropriated to the Funding Commission in either year of the biennium.



2004-2006
Executive Budget

Finance and Administration

Finance and Administration

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	420,915,100	442,548,200	461,033,500	417,688,100	427,793,300
Budget Reduction	-23,134,880				
Salary Compensation Fund	365,300				
Base Deduction	-3,014,900				
Mandated Allotments	1,300,000				
Total General Fund	396,430,620	442,548,200	461,033,500	417,688,100	427,793,300
Tobacco Settlement-Phase I					
Tobacco Settlement - I	11,291,000	10,388,200	10,380,400	6,291,600	6,288,200
Continuing Appropriation	233,600				
Budget Reduction	-1,523,500				
Total Tobacco Settlement-Phase I	10,001,100	10,388,200	10,380,400	6,291,600	6,288,200
Restricted Funds					
Balance Forward	15,154,400	14,591,500	10,809,400	13,418,500	9,848,400
Current Receipts	102,585,000	106,590,100	110,923,700	102,911,500	104,835,800
Non-Revenue Receipts	-789,800	196,300	224,400	-129,800	-129,800
Fund Transfers	-2,425,000				
Total Restricted Funds	114,524,600	121,377,900	121,957,500	116,200,200	114,554,400
Federal Funds					
Balance Forward	11,898				
Current Receipts	5,803,402	4,021,800	2,878,300	4,021,800	2,878,300
Total Federal Funds	5,815,300	4,021,800	2,878,300	4,021,800	2,878,300
Road Fund					
Regular Appropriation	5,490,000	4,756,000	4,331,000	4,756,000	4,331,000
Budget Reduction	-141,900				
Total Road Fund	5,348,100	4,756,000	4,331,000	4,756,000	4,331,000
TOTAL SOURCE OF FUNDS	532,119,720	583,092,100	600,580,700	548,957,700	555,845,200
EXPENDITURES BY CLASS					
Personnel Cost	146,826,900	163,127,000	175,370,000	149,726,600	151,102,900
Operating Expenses	84,519,500	94,739,700	95,176,800	91,441,500	91,698,300
Grants, Loans or Benefits	10,905,000	10,750,000	9,750,000	10,250,000	9,250,000
Debt Service	254,172,220	298,875,900	307,822,900	283,391,200	291,313,600
Capital Outlay	526,200	990,100	645,000	800,000	515,000
Construction	2,297,400	3,800,000	3,500,000	3,500,000	3,500,000
TOTAL EXPENDITURES	499,247,220	572,282,700	592,264,700	539,109,300	547,379,800
EXPENDITURES BY FUND SOURCE					
General Fund	379,476,620	442,548,200	461,033,500	417,688,100	427,793,300
Tobacco Settlement-Phase I	7,501,100	10,388,200	10,380,400	6,291,600	6,288,200
Restricted Funds	101,106,100	110,568,500	113,641,500	106,351,800	106,089,000
Federal Funds	5,815,300	4,021,800	2,878,300	4,021,800	2,878,300
Road Fund	5,348,100	4,756,000	4,331,000	4,756,000	4,331,000
TOTAL EXPENDITURES	499,247,220	572,282,700	592,264,700	539,109,300	547,379,800
EXPENDITURES BY UNIT					
General Administration	10,795,500	12,498,300	13,003,900	10,954,200	10,954,200
Office of the Controller	10,072,200	10,152,900	10,995,900	9,261,800	8,269,200
Debt Service	254,157,220	283,400,900	278,878,900	283,376,200	291,298,600
Administration	11,135,500	13,603,600	13,758,800	11,460,800	11,338,700

Facilities Management	32,594,000	50,854,500	66,449,000	36,062,600	35,808,100
County Costs	21,351,600	27,867,200	27,867,200	24,851,600	24,851,600
Governor's Office for Technology	57,643,000	62,079,900	61,748,700	57,643,000	57,643,000
Revenue	69,558,100	74,106,600	78,989,100	72,719,500	73,623,800
Property Valuation Administrators	31,940,100	37,718,800	40,573,200	32,779,600	33,592,600
TOTAL EXPENDITURES	499,247,220	572,282,700	592,264,700	539,109,300	547,379,800

The Cabinet's duties include construction of state facilities, property management, tax administration and collection, management of the Commonwealth's information technology systems, expenditure control, and state purchasing.

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

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

Policy

Executive Order 2003-064 transferred the following entities from the former Revenue Cabinet to the Finance and Administration Cabinet:

- The Department of Property Valuation
- The Department of Tax Administration
- The Department of Law
- The Department of Information Ombudsman
- The Office of Financial and Administrative Services

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

- The Governor's Office for Technology

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

- Kentucky Teachers' Retirement System Board of Trustees

Finance and Administration
General Administration

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	8,632,300	9,636,000	9,982,100	8,304,600	8,304,600
Budget Reduction	-140,000				
Salary Compensation Fund	28,800				
Base Deduction	-216,500				
Total General Fund	8,304,600	9,636,000	9,982,100	8,304,600	8,304,600
Restricted Funds					
Balance Forward	2,471,600	1,122,600	563,500	1,122,600	576,200
Current Receipts	2,402,600	2,427,200	2,697,200	2,427,200	2,697,200
Non-Revenue Receipts	-1,084,000	-124,000	-124,000	-324,000	-324,000
Fund Transfers	-66,700				
Total Restricted Funds	3,723,500	3,425,800	3,136,700	3,225,800	2,949,400
TOTAL SOURCE OF FUNDS	12,028,100	13,061,800	13,118,800	11,530,400	11,254,000
EXPENDITURES BY CLASS					
Personnel Cost	5,325,100	6,350,900	6,847,400	5,388,300	5,284,600
Operating Expenses	2,455,400	3,132,400	3,141,500	3,050,900	3,154,600
Grants, Loans or Benefits	3,000,000	3,000,000	3,000,000	2,500,000	2,500,000
Debt Service	15,000	15,000	15,000	15,000	15,000
TOTAL EXPENDITURES	10,795,500	12,498,300	13,003,900	10,954,200	10,954,200
EXPENDITURES BY FUND SOURCE					
General Fund	8,194,600	9,636,000	9,982,100	8,304,600	8,304,600
Restricted Funds	2,600,900	2,862,300	3,021,800	2,649,600	2,649,600
TOTAL EXPENDITURES	10,795,500	12,498,300	13,003,900	10,954,200	10,954,200
EXPENDITURES BY UNIT					
Secretary	4,870,700	5,403,500	5,573,500	4,538,700	4,538,700
Technology Operations	562,600	896,600	967,700	704,600	704,600
Gubernatorial Transition	110,000				
Capital Plaza Operations	685,800	740,900	787,700	685,800	685,800
Legal & Legislative Services	492,300	655,600	685,700	492,300	492,300
Management & Budget	1,020,000	1,159,300	1,234,200	1,030,000	1,030,000
Financial Management	3,054,100	3,642,400	3,755,100	3,502,800	3,502,800
TOTAL EXPENDITURES	10,795,500	12,498,300	13,003,900	10,954,200	10,954,200

The General Administration appropriation unit provides coordination and management of the Cabinet. It is comprised of the Office of the Secretary, Gubernatorial Transition, Technology Operations, Capital Plaza Operations, Office of Management and Budget, Office of Financial Management, and the Office of Legal and Legislative Services.

The Office of the Secretary includes the Office of the Secretary, the Office of Administrative Policy and Audit, the Customer Resource Center, and the Office of Equal Employment Opportunity and Contract Compliance.

The Office of the Secretary develops executive policy and directs the overall management of the Commonwealth's property and financial assets. Staff of the Office coordinate fiscal and personnel administration for the Cabinet and handle inquiries and issues that arise from the General Assembly, the news media, and the general public. The Office also supervises the

legal, internal audit, and computer support functions for the Finance and Administration Cabinet. The Secretary of Finance serves on numerous boards and commissions including the Kentucky Economic Development Partnership Board, the Kentucky Economic Development Finance Authority, the Kentucky Infrastructure Authority, and the Kentucky Housing Corporation.

The Office of Administrative Policy and Audit is responsible for assuring the reliability and integrity of information used to support management decision making, evaluating how state assets are safeguarded, and appraising the economy and efficiency of resource use. Staff also ascertain whether the operations and programs are being implemented as planned, and performs special studies at the request of management. Recently, this effort has concentrated on the Management Accounting and Reporting System (MARS).

The Customer Resource Center (CRC) operates a Help Desk to support nearly 5,000 users of the MARS system and is responsible for training Commonwealth employees on all MARS products. In addition, CRC is responsible for developing and analyzing reports to identify areas that need improvement.

The Office of Equal Employment Opportunity (EEO) and Contract Compliance is responsible for developing, implementing, and monitoring the Finance and Administration Cabinet's affirmative action plan, as required by KRS 18A.138. The Office also monitors all contracts in excess of \$250,000 awarded by the Cabinet to ensure compliance with the affirmative action provisions of the Kentucky Equal Opportunity Act.

The Office of Technology Operations was established to provide the cabinet improved technical assistance in the areas of information technology planning, network support, systems development and maintenance, and hardware/software procurement.

The Office of Capital Plaza Operations is responsible for the operation of the Capital Plaza Complex, which consists of a twenty-four-story building, a civic center, an area designed for commercial shops, and several surface and covered parking facilities. This office provides staff support to the Capital Development Committee, which was established to improve communication and coordination of Kentucky state government initiatives with citizens and officials of the City of Frankfort and Franklin County.

The Office of Management and Budget manages personnel, fiscal policy, and payroll functions for all units within the Finance and Administration Cabinet, the Governor's Office, the Executive Branch Ethics Commission, the School Facilities Construction Commission, and the Lieutenant Governor's Office. This unit prepares the Cabinet's budget and manages the Cabinet's personal property inventory. They review all internal reorganizations and prepare Executive Orders.

The Office of Financial Management manages the state's investments and debt. This includes managing cash flow to maximize the return on state investments, making debt service payments, managing the sale of bonds, and reporting to the General Assembly on all investment and debt matters. The Office is responsible for developing a long-term debt plan for the Commonwealth, including the development of criteria for the issuance of debt, providing an evaluation of how much total state debt is justified, and evaluating revenue projections relative to proposed revenue bond issues. The Office handles all investments on behalf of the General Fund, the Capital Construction Fund, the Transportation Fund, and approximately 50 other accounts.

The Office of Legal and Legislative Services provides legal services to the departments of the Finance and Administration Cabinet and Cabinet-related entities. Members of this office represent the Secretary of the Cabinet in civil litigation. The unit also reviews legislation being considered by the General Assembly.

Policy

Included in the Governor's recommended budget is \$2,500,000 in fiscal year 2004-2005 and \$2,500,000 in fiscal year 2005-2006 from the General Fund for the Affordable Housing Trust Fund.

Also included in the Governor's recommended budget is an anticipated increase in the state-banking contract of \$400,000 in General Fund in both fiscal years of the upcoming biennium. The fiscal year 2003-2004 cost of the state-banking contract is approximately \$1,157,000.

The Governor's recommended budget includes a General Fund lapse in fiscal year 2003-2004 of \$110,000 from the funds identified for gubernatorial transition for the benefit of the Medicaid program. These funds are expected to generate approximately an additional \$300,000 in federal matching funds.

**Finance and Administration
Office of the Controller**

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	5,939,400	6,508,400	8,326,200	5,768,600	5,768,600
Budget Reduction	-136,000				
Salary Compensation Fund	14,000				
Base Deduction	-148,800				
Total General Fund	5,668,600	6,508,400	8,326,200	5,768,600	5,768,600
Restricted Funds					
Balance Forward	341,200	196,100	96,600	196,100	121,800
Non-Revenue Receipts	268,900	295,000	323,100	168,900	168,900
Fund Transfers	-10,400				
Total Restricted Funds	599,700	491,100	419,700	365,000	290,700
Federal Funds					
Balance Forward	11,898				
Current Receipts	3,988,102	3,250,000	2,250,000	3,250,000	2,250,000
Total Federal Funds	4,000,000	3,250,000	2,250,000	3,250,000	2,250,000
TOTAL SOURCE OF FUNDS	10,268,300	10,249,500	10,995,900	9,383,600	8,309,300
EXPENDITURES BY CLASS					
Personnel Cost	2,309,100	2,966,300	3,161,100	2,305,500	2,266,200
Operating Expenses	3,763,100	3,936,600	3,940,800	3,706,300	3,753,000
Grants, Loans or Benefits	4,000,000	3,250,000	2,250,000	3,250,000	2,250,000
Debt Service			1,644,000		
TOTAL EXPENDITURES	10,072,200	10,152,900	10,995,900	9,261,800	8,269,200
EXPENDITURES BY FUND SOURCE					
General Fund	5,668,600	6,508,400	8,326,200	5,768,600	5,768,600
Restricted Funds	403,600	394,500	419,700	243,200	250,600
Federal Funds	4,000,000	3,250,000	2,250,000	3,250,000	2,250,000
TOTAL EXPENDITURES	10,072,200	10,152,900	10,995,900	9,261,800	8,269,200
EXPENDITURES BY UNIT					
Controller	5,668,600	6,508,400	8,326,200	5,668,600	5,668,600
Social Security	403,600	394,500	419,700	343,200	350,600
Rural Empowerment Zone	3,750,000	3,000,000	2,000,000	3,000,000	2,000,000
Appalachian Ky Initiative	250,000	250,000	250,000	250,000	250,000
TOTAL EXPENDITURES	10,072,200	10,152,900	10,995,900	9,261,800	8,269,200

The Office of the Controller provides management for financial accounting control policies and procedures; financial accounting systems; administration of the Old-Age, Survivors, Disability and Hospital Insurance program; and functions relating to the county fee systems for local entities. The State Controller functions as the Commonwealth's Chief Accounting Officer and participates in the development and maintenance of the Commonwealth's strategic financial management program.

The Division of Social Security administers, for the benefit of state employees and political subdivisions within the Commonwealth, the Old Age and Survivors Insurance program under Section 218 of the federal Social Security Act. This program is responsible for ensuring that the social security obligations of the state and its political subdivisions are met.

To fulfill this responsibility, the State Office for Social Security periodically visits each of the political subdivisions for a procedural, compliance, and fiscal audit pursuant to KRS 61.410 - 61.500.

The Division of Statewide Accounting Services is responsible for maintenance and operation of the central statewide accounting system and provides centralized accounting of all receipts and disbursements of the Commonwealth. In addition, this Division prepares daily, monthly, and annual financial reports, which constitute a complete report of the financial activities and condition of the Commonwealth.

Policy

Notwithstanding KRS 61.470(4) or any other statute or provision of law to the contrary, no money is appropriated for the Social Security Contingent Liability Fund established by KRS 61.470(4). Any expenditures that may be required by KRS 61.470(4) are hereby deemed necessary government expenses and shall be paid first from the General Fund Surplus Account (KRS 48.700) if available or from any available balance in either the Judgments budget unit appropriation or the Budget Reserve Trust Fund Account (KRS 48.705), subject to the conditions and procedures provided in the Appropriations Act.

Included in the Governor's recommended budget is \$100,000 in General Funds in fiscal year 2004-2005 and \$100,000 in fiscal year 2005-2006 to replace the investment income that has historically accrued to this program from the Social Security Contingent Liability Fund.

**Finance and Administration
Debt Service**

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	278,760,000	270,257,700	266,168,500	274,329,600	282,680,400
Budget Reduction	-18,748,880				
Total General Fund	260,011,120	270,257,700	266,168,500	274,329,600	282,680,400
Tobacco Settlement-Phase I					
Tobacco Settlement - I	11,116,000	10,213,200	10,205,400	6,116,600	6,113,200
Continuing Appropriation	233,600				
Budget Reduction	-1,523,500				
Total Tobacco Settlement-Phase I	9,826,100	10,213,200	10,205,400	6,116,600	6,113,200
Road Fund					
Regular Appropriation	3,664,000	2,930,000	2,505,000	2,930,000	2,505,000
Total Road Fund	3,664,000	2,930,000	2,505,000	2,930,000	2,505,000
TOTAL SOURCE OF FUNDS	273,501,220	283,400,900	278,878,900	283,376,200	291,298,600
EXPENDITURES BY CLASS					
Debt Service	254,157,220	283,400,900	278,878,900	283,376,200	291,298,600
TOTAL EXPENDITURES	254,157,220	283,400,900	278,878,900	283,376,200	291,298,600
EXPENDITURES BY FUND SOURCE					
General Fund	243,167,120	270,257,700	266,168,500	274,329,600	282,680,400
Tobacco Settlement-Phase I	7,326,100	10,213,200	10,205,400	6,116,600	6,113,200
Road Fund	3,664,000	2,930,000	2,505,000	2,930,000	2,505,000
TOTAL EXPENDITURES	254,157,220	283,400,900	278,878,900	283,376,200	291,298,600

Pursuant to the 2004-2006 Branch Budget Request Manual and consistent with the intent of KRS Chapter 56, previously authorized State Property and Buildings Commission General Fund debt service for all agencies is now consolidated in the Finance and Administration Cabinet. All new 2004-2006 State Property and Buildings Commission General Fund debt service (except that which directly affects the Finance and Administrative Cabinet's programs) is reflected in budgets of the affected agencies.

The Governor's recommended budget includes General Fund debt service totaling \$6,684,000 in fiscal year 2006 for the renovation of the State Office Building, the design of the renovation of the Capital Plaza Tower, and the continuation of the infrastructure improvements at the Kentucky State Capitol complex.

The Governor's recommended budget includes General Fund debt service totaling \$3,485,000 in fiscal year 2006 for information technology projects for the Governor's Office for Technology including upgrading the Kentucky Emergency Warning System (KEWS), and the e-warrants and the criminal history components of the Unified Criminal Justice Information System.

The Governor's recommended budget includes General Fund debt service totaling \$2,258,000 in fiscal year 2006 for Department of Revenue information technology projects including the Streamlined Sales Tax Simplification System and the Business Refund Offset System.

**Finance and Administration
Administration**

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	3,513,000	4,633,700	4,873,400	3,397,500	3,397,500
Budget Reduction	-60,000				
Salary Compensation Fund	33,200				
Base Deduction	-88,700				
Total General Fund	3,397,500	4,633,700	4,873,400	3,397,500	3,397,500
Restricted Funds					
Balance Forward	3,388,000	3,496,400	2,454,400	3,293,400	2,957,700
Current Receipts	7,490,400	7,644,900	7,844,900	7,444,600	7,619,200
Fund Transfers	-130,000				
Total Restricted Funds	10,748,400	11,141,300	10,299,300	10,738,000	10,576,900
Road Fund					
Regular Appropriation	283,000	283,000	283,000	283,000	283,000
Total Road Fund	283,000	283,000	283,000	283,000	283,000
TOTAL SOURCE OF FUNDS	14,428,900	16,058,000	15,455,700	14,418,500	14,257,400
EXPENDITURES BY CLASS					
Personnel Cost	7,712,400	8,721,500	9,426,500	7,729,200	7,747,800
Operating Expenses	3,271,900	3,763,000	3,582,300	3,637,600	3,496,900
Debt Service		656,000	656,000		
Capital Outlay	151,200	163,100	94,000	94,000	94,000
Construction		300,000			
TOTAL EXPENDITURES	11,135,500	13,603,600	13,758,800	11,460,800	11,338,700
EXPENDITURES BY FUND SOURCE					
General Fund	3,397,500	4,633,700	4,873,400	3,397,500	3,397,500
Restricted Funds	7,455,000	8,686,900	8,602,400	7,780,300	7,658,200
Road Fund	283,000	283,000	283,000	283,000	283,000
TOTAL EXPENDITURES	11,135,500	13,603,600	13,758,800	11,460,800	11,338,700
EXPENDITURES BY UNIT					
Commissioner	431,000	494,700	523,300	430,100	429,400
Creative Services	862,800	1,103,600	1,042,200	862,800	862,800
Risk Management	106,300	209,400	224,700	69,500	70,900
Occupations and Professions	758,700	894,300	923,000	814,000	785,000
Material & Procurement Services	1,635,100	1,792,500	1,914,200	1,635,100	1,635,100
State Surplus Property	401,700	1,104,600	1,130,000	401,700	401,700
Federal Surplus Property	547,800	575,300	606,300	547,800	547,800
Printing	3,712,000	3,983,900	4,182,000	3,800,500	3,803,100
Postal Services	2,680,100	3,445,300	3,213,100	2,899,300	2,802,900
TOTAL EXPENDITURES	11,135,500	13,603,600	13,758,800	11,460,800	11,338,700

The Department for Administration was established by KRS 42.014 and its duties, organization, and responsibilities are set forth in KRS 42.023. The Department for Administration is responsible for purchasing, control of and disposition of state and federal surplus properties, printing and reproductions, state forms, creative and technical production in the visual and media arts, postal and messenger services, administrative assistance to boards and commissions, and administration of the state's risk management program.

Within the Department are seven divisions: Material and Procurement Services, Surplus Property, Printing, Occupations and Professions, Postal Services, Risk Management, and Creative Services.

The Commissioner's Office coordinates and implements laws, rules, and regulations which affect the Department for Administration and develops changes in policies and procedures relating to the Department or its activities.

The Division of Creative Services provides photography, audio visual, and graphics arts services to state government.

The Division of Risk Management (DRM) was created in 1989 and codified in KRS Chapter 42.0245. DRM provides technical assistance and advises the Cabinet and other state agencies in respect to workers' compensation insurance, state property and building insurance, contract insurance, fidelity bond procurement, and construction risk management.

The Division of Occupations and Professions provides administrative services and technical assistance to state licensing boards and commissions. Currently, the Division directly supports the following twenty (20) organizations: Alcohol and Drug Counselors, Art Therapy, Athlete Agents, Dietitians and Nutritionists, Fee-Based Pastoral Counselors, Professional Geologists, Hearing Instrument Specialists, Interpreters for the Deaf and Hard of Hearing and the Interpreters Policy Committee, Marriage and Family Therapists, Nursing Home Administrators, Occupational Therapy, Ophthalmic Dispensers, Professional Counselors, Private Investigators, Proprietary Education, Psychology, Social Work, Speech-Language Pathology and Audiology, and Veterinary Examiners. The services provided by the Division include personnel, property management, budget management, contracting, complaint management, efficient fee collection, enforcement of statutes and regulations, and other issues identified as important to performing the duties of the agency.

The Division of Material and Procurement Services is responsible for the central purchasing and materials management for state government (excluding construction and road maintenance). The Procurement Branch is responsible for purchasing all commodities and non-professional services for state agencies that exceed an agency's small purchase authority limit. The Government Contract Review Branch provides administrative oversight and review of all personal service contracts and Memoranda of Agreement, and ensures compliance with the provisions of KRS 45A prior to forwarding contracts to the Legislative Research Commission, Government Contract Review Committee, for approval. The Division supports the Procurement Desktop software module of MARS, designing and testing modifications to the software to ensure it meets the needs of using agencies.

The Division of Surplus Property is responsible for disposing of all state surplus personal property (KRS 42.024 and KRS 45A.045). As part of this division, the Federal Surplus Property Program (Public Law 94-519) has the responsibility to seek, transport, and transfer (sell) surplus federal property to state agencies, local governments, and other eligible entities.

The Division of Printing, established by KRS 42.025, is responsible for the printing and duplicating needs of state agencies as deemed necessary by the Finance and Administration Cabinet. The Division is a full service, self-supporting printing facility that includes inventory selection, pre-press with high resolution output, printing, color copying, large format printing, bindery, finishing, and delivery. Also included are five Quick Copy Centers in convenient locations in the Frankfort/Franklin County area with the ability to receive printing requests via network connections. The Division of Printing provides on-demand printing and shipping of forms used by agencies in their provision of services to reduce warehousing costs. The Division also provides electronic form development and maintains a forms library on a state government web site.

The Division of Postal Services is composed of five large mail centers. The Division provides messenger service to all state agencies and performs mail processing functions for over 125 state agencies. This division advises agencies about USPS rules, regulations, and services.

**Finance and Administration
Facilities Management**

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	7,589,500	21,041,800	36,055,100	7,475,600	7,475,600
Salary Compensation Fund	77,800				
Base Deduction	-191,700				
Total General Fund	7,475,600	21,041,800	36,055,100	7,475,600	7,475,600
Restricted Funds					
Balance Forward	1,993,000	3,111,900	2,472,600	3,111,900	2,049,400
Current Receipts	26,939,900	29,173,400	29,880,300	27,524,500	27,524,500
Fund Transfers	-702,600				
Total Restricted Funds	28,230,300	32,285,300	32,352,900	30,636,400	29,573,900
TOTAL SOURCE OF FUNDS	35,705,900	53,327,100	68,408,000	38,112,000	37,049,500
EXPENDITURES BY CLASS					
Personnel Cost	16,221,100	18,748,500	20,160,200	16,254,600	16,265,700
Operating Expenses	14,700,500	17,196,000	17,238,800	17,102,000	17,121,400
Debt Service		12,204,000	26,629,000		
Capital Outlay	375,000	706,000	421,000	706,000	421,000
Construction	1,297,400	2,000,000	2,000,000	2,000,000	2,000,000
TOTAL EXPENDITURES	32,594,000	50,854,500	66,449,000	36,062,600	35,808,100
EXPENDITURES BY FUND SOURCE					
General Fund	7,475,600	21,041,800	36,055,100	7,475,600	7,475,600
Restricted Funds	25,118,400	29,812,700	30,393,900	28,587,000	28,332,500
TOTAL EXPENDITURES	32,594,000	50,854,500	66,449,000	36,062,600	35,808,100
EXPENDITURES BY UNIT					
Commissioner's Office	545,100	616,500	660,000	545,100	545,100
Engineering	2,695,100	3,049,500	3,263,300	2,695,100	2,695,100
Contracting and Administration	1,293,300	1,634,400	1,751,200	1,381,000	1,381,000
Real Property	1,128,500	1,548,500	1,666,500	1,128,500	1,128,500
Historic Properties	704,600	748,000	793,600	704,600	704,600
Building Services	13,037,800	28,039,400	42,774,100	14,954,500	14,736,000
Mechanical Maintenance	13,189,600	15,218,200	15,540,300	14,653,800	14,617,800
TOTAL EXPENDITURES	32,594,000	50,854,500	66,449,000	36,062,600	35,808,100

The Department for Facilities Management consists of the Commissioner's Office and six divisions: Contracting and Administration; Engineering; Historic Properties; Building Services; Mechanical Maintenance and Operations; and Real Property. The Department manages the State's facilities construction program, maintains Finance and Administration Cabinet buildings, provides management and oversight of state-owned historical buildings and sites, and provides real property acquisition, disposition, leasing, and inventory services.

The Commissioner's Office coordinates and supervises the activities of the six divisions authorized in KRS 42.027.

The Division of Engineering provides professional and technical engineering and architectural services to state agencies, reviews capital construction design documents, acts as a liaison between the Department and state agencies on new construction and major maintenance projects, and monitors construction and maintenance contracts for compliance with plans and specifications.

The Department for Facilities Management consists of the Commissioner's Office and six divisions: Contracting and Administration; Engineering; Historic Properties; Building Services; Mechanical Maintenance and Operations; and Real Property. The Department manages the State's facilities construction program, maintains Finance and Administration Cabinet buildings, provides management and oversight of state-owned historical buildings and sites, and provides real property acquisition, disposition, leasing, and inventory services.

The Commissioner's Office coordinates and supervises the activities of the six divisions authorized in KRS 42.027.

The Division of Engineering provides professional and technical engineering and architectural services to state agencies, reviews capital construction design documents, acts as a liaison between the Department and state agencies on new construction and major maintenance projects, and monitors construction and maintenance contracts for compliance with plans and specifications.

The Division of Contracting and Administration administers the procurement process for construction projects of the Commonwealth of Kentucky, excluding roads and bridges. Procurement procedures and practices are prescribed by the Kentucky Model Procurement Code, KRS 45A, and the related administrative regulations. The Division prepares invitations to bid, opens and evaluates those bids, and awards contracts. The General Contracting branch provides general construction procurement, administers the advertising and awarding of state general construction projects and related support systems, provides procurement information to state agencies, and administers procurement programs for new building construction, renovation, and mechanical, electrical, and HVAC systems. The Specialized Contracting branch administers the advertising and awarding of state specialized construction projects and related support systems, provides procurement information to state agencies, administers programs such as reclamation under the Abandoned Mines Lands Program, the procurement of state-owned telephone switching systems, asbestos abatement projects, and master agreements for maintenance of elevators, escalators, and similar services. The Administrative Services branch and the Pre-Audit Branch provides support services to the Division and Department.

The Division of Real Property provides buildings and parking facilities for state agencies throughout the Commonwealth. The Leased Property branch is responsible for administering space requests for leased property, acquisitions of privately-owned leased property for state use, lease renewals and cancellations, modifications to leased property, and related activities. The State Properties branch administers space assignments for state-owned real property, acquisitions and sales of real properties, leases of state-owned real property to other entities, easements on state-owned real property, appraisals and appraisal reviews for acquisitions and dispositions, authorization of demolition of state-owned buildings, and relocation assistance. The Planning and Utilization branch plans space utilization, minor building alterations and renovations, and interior space standards. The Inventory and Compliance branch administers inventory of state-owned real property, inventory of state-owned leased-out real property, inventory of state leased-in real property, building use permits, reserved parking assignments in Frankfort, and deed and easement records of state-owned real property.

The Division of Historic Properties, in accordance with KRS 42.019 and KRS 11.026, is responsible for the preservation and maintenance of Finance and Administration Cabinet-owned historic sites including the Kentucky State Capitol, Executive Mansion, Old Governor's Mansion, Berry Hill Mansion, and the Vest-Lindsey State Meeting House. The Division consults with the Department of Parks to preserve and maintain those historic sites under the management and control of the Tourism Development Cabinet. The same consultation services are provided to other agencies within state government as requested. The Director of the Division of Historic Properties serves as State Curator and a member of the Historic Properties Advisory Commission. The Commission is statutorily responsible for overseeing the maintenance, restoration, preservation, and care of furnishings and grounds of the Executive Mansion, Old Governor's Mansion, and State Capitol grounds. The Division operates tourist information program at the Executive Mansion, Old Governor's Mansion, and the Capitol Building. The tourist information staff manages the information desk at the Capitol, conducts tours, and mails pre-site visit information packets to school groups and organizations planning to visit the Capitol. Staff in Historic Properties are responsible for scheduling and coordinating events held in the public areas of the Capitol Building and grounds. Staff have established and implemented policies and guidelines for the use of this space to allow public access while preserving and protecting the historic and architectural integrity of the buildings and grounds.

The Divisions of Building Services and Mechanical Maintenance and Operations (Physical Plant), as authorized by KRS 42.027, provide services for all Finance and Administration Cabinet-operated buildings and for the state agencies occupying those facilities.

In Frankfort, the Divisions are responsible for several buildings including the Capitol, New Capitol Annex, Old Capitol, Old Capitol Annex, Capital Plaza Complex, Cabinet for Human Resources Building, Executive Mansion, Old Governor's Mansion, New State Office Building, Library and Archives Building, Central Lab Facility, the Kentucky History Center and the new Transportation Cabinet building. The Divisions also serve buildings at the London Regional and Madisonville State Office Complexes as well as the Spindletop Research Complex in Fayette County. In addition, Facilities Management acquired 5 buildings in the most recent biennium from the Cabinet for Families and Children: Ashland, Jackson, Louisville, Owensboro, and Richmond. Services provided include minor renovations; maintaining parking lots, sidewalks and ramps; janitorial and

landscaping services; maintaining the heating, ventilating, and air conditioning systems; maintaining special equipment within the buildings as requested; roof repair; fire alarm and security systems; electrical systems; energy conservation; maintaining elevators and escalators; maintaining emergency power systems; and after-hours emergency services.

Additionally, the Divisions are responsible for developing plans and specifications for a wide variety of construction projects. After plans and specifications are complete and have been approved, the Divisions oversee the construction phase and provide contract administration.

Policy

The Governor's recommended budget assumes the rate charges for rent and utilities will remain at the fiscal year 2004 level throughout the biennium. The actual receipts reflected will be higher due to the increased square footage under management.

**Finance and Administration
County Costs**

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	21,926,600	25,942,200	25,942,200	22,926,600	22,926,600
Budget Reduction	-3,500,000				
Mandated Allotments	1,300,000				
Total General Fund	19,726,600	25,942,200	25,942,200	22,926,600	22,926,600
Restricted Funds					
Balance Forward	162,200	108,100	54,000	108,100	54,000
Current Receipts	1,870,900	1,870,900	1,871,000	1,870,900	1,871,000
Fund Transfers	-300,000				
Total Restricted Funds	1,733,100	1,979,000	1,925,000	1,979,000	1,925,000
TOTAL SOURCE OF FUNDS	21,459,700	27,921,200	27,867,200	24,905,600	24,851,600
EXPENDITURES BY CLASS					
Personnel Cost	1,778,000	1,900,000	1,900,000	1,900,000	1,900,000
Operating Expenses	15,718,600	21,642,200	21,642,200	18,626,600	18,626,600
Grants, Loans or Benefits	3,855,000	4,325,000	4,325,000	4,325,000	4,325,000
TOTAL EXPENDITURES	21,351,600	27,867,200	27,867,200	24,851,600	24,851,600
EXPENDITURES BY FUND SOURCE					
General Fund	19,726,600	25,942,200	25,942,200	22,926,600	22,926,600
Restricted Funds	1,625,000	1,925,000	1,925,000	1,925,000	1,925,000
TOTAL EXPENDITURES	21,351,600	27,867,200	27,867,200	24,851,600	24,851,600
EXPENDITURES BY UNIT					
Public Defender Program	1,728,000	1,850,000	1,850,000	1,850,000	1,850,000
Witnesses	150,000	150,000	150,000	150,000	150,000
DUI Service Fees	1,125,000	1,425,000	1,425,000	1,425,000	1,425,000
Sheriffs Fees'	7,154,600	8,229,600	8,229,600	8,229,600	8,229,600
County Clerks (Make Tax Bills)	400,000	400,000	400,000	400,000	400,000
Board Of Assessment Appeals	75,000	75,000	75,000	75,000	75,000
Fugitive From Justice	1,075,000	2,700,000	2,700,000	2,700,000	2,700,000
Jury Fund	3,692,000	4,200,000	4,200,000	3,900,000	3,900,000
Sheriffs Expense Allowance	500,000	500,000	500,000	500,000	500,000
Premium On Sheriffs' Bonds	6,500	6,500	6,500	6,500	6,500
Base Court Revenue	2,715,500	5,431,100	5,431,100	2,715,500	2,715,500
Access to Justice	2,730,000	2,900,000	2,900,000	2,900,000	2,900,000
TOTAL EXPENDITURES	21,351,600	27,867,200	27,867,200	24,851,600	24,851,600

County Costs are paid to local officials for the performance of functions required by state statutes. For example, a sheriff is paid by the state for services rendered to the state for enforcing state laws. This falls within the Criminal Prosecutions program. A witness in a state court trial is paid by the state for performing a function required by state statute. This is an example of the Miscellaneous Fee program. Payments under the County Costs program are statutorily mandated except for the Base Court Revenue program. Therefore all programs other than Base Court Revenue are regarded as necessary government expenses.

Under KRS 27A.630, as amended by House Bill 163 in the 2003 session of the General Assembly, filing fees for civil actions include \$20 in Circuit Court and \$10 in District Court to support access to justice by indigent clients. The fees are paid to the General Fund, and the Finance and Administration Cabinet distributes them monthly to non-profit agencies designated by the Chief Justice in each judicial district to provide the legal services.

KRS 31.185 requires the fiscal court or legislative body of an urban county government, containing less than ten Circuit Judges, to annually appropriate twelve and one-half (\$0.125) cents per capita, of the population of the county as determined by the Council of Local Governments' most recent population statistics, to a special account to be administered by the Finance and Administration Cabinet. The funds, which shall not lapse, shall be used to pay all court orders (KRS 31.185) that have been entered into as a result of a needy defendant's motion for funding assistance. If the funds are depleted in any given year, any unpaid court orders will be paid as a judgment against the Commonwealth.

Policy

Notwithstanding KRS 24A.190 to 24A.193, included in the above General Fund appropriation is \$2,715,500 in fiscal year 2004-2005 and \$2,715,500 in fiscal year 2005-2006 for base court revenue to provide payments to cities and counties that had a local court system as of June 30, 1976. The payments are based on 50 percent of the average net court revenue earned by the city during 1973-1974, 1975-1975, and 1975-1976 fiscal years. This continues the policy enacted by the General Assembly in the 2003 Regular Session.

Finance and Administration
Governor's Office for Technology

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	300,000	2,900,000	300,000	292,500	292,500
Base Deduction	-7,500				
Total General Fund	292,500	2,900,000	300,000	292,500	292,500
Restricted Funds					
Balance Forward	3,593,700	4,453,100	3,696,800	4,453,100	3,696,800
Current Receipts	56,369,300	57,501,500	60,670,100	55,672,100	56,571,900
Non-Revenue Receipts	25,300	25,300	25,300	25,300	25,300
Total Restricted Funds	59,988,300	61,979,900	64,392,200	60,150,500	60,294,000
Federal Funds					
Current Receipts	1,815,300	771,800	628,300	771,800	628,300
Total Federal Funds	1,815,300	771,800	628,300	771,800	628,300
Road Fund					
Regular Appropriation	125,000	125,000	125,000	125,000	125,000
Budget Reduction	-125,000				
Total Road Fund		125,000	125,000	125,000	125,000
TOTAL SOURCE OF FUNDS	62,096,100	65,776,700	65,445,500	61,339,800	61,339,800
EXPENDITURES BY CLASS					
Personnel Cost	33,159,400	34,843,400	37,241,700	33,044,900	33,196,000
Operating Expenses	23,433,600	22,961,500	22,832,000	22,923,100	22,772,000
Grants, Loans or Benefits	50,000	175,000	175,000	175,000	175,000
Debt Service		2,600,000			
Construction	1,000,000	1,500,000	1,500,000	1,500,000	1,500,000
TOTAL EXPENDITURES	57,643,000	62,079,900	61,748,700	57,643,000	57,643,000
EXPENDITURES BY FUND SOURCE					
General Fund	292,500	2,900,000	300,000	292,500	292,500
Restricted Funds	55,535,200	58,283,100	60,695,400	56,453,700	56,597,200
Federal Funds	1,815,300	771,800	628,300	771,800	628,300
Road Fund		125,000	125,000	125,000	125,000
TOTAL EXPENDITURES	57,643,000	62,079,900	61,748,700	57,643,000	57,643,000
EXPENDITURES BY UNIT					
Office of Chief Information Officer	4,077,700	2,755,000	2,723,600	2,677,100	2,532,900
CMRS Telecom Board of Kentucky	314,000	326,700	340,500	317,300	318,400
Consulting and Project Management	12,466,500	13,332,300	14,257,400	12,696,000	12,750,000
Administrative Services	3,494,800	3,653,500	3,810,900	3,495,600	3,505,200
Infrastructure Services	35,167,000	39,653,100	38,138,600	36,286,000	36,359,100
Policy and Customer Relations	2,123,000	2,359,300	2,477,700	2,171,000	2,177,400
TOTAL EXPENDITURES	57,643,000	62,079,900	61,748,700	57,643,000	57,643,000

The Governor's Office for Technology is codified in KRS 11.501 to 517 and is attached to the Finance and Administration Cabinet per Executive Order 2003-064.

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

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

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

The Governor's Office for Technology consists of eight offices, two boards and two advisory councils as outlined below:

- Office of the Chief Information Officer
- Office of Human Resources Management and Development
- Office of Geographic Information
- Office of General Counsel
- Office of Administrative Services
- Office of Policy and Customer Relations
- Office of Infrastructure Services
- Office of Consulting and Project Management
- Commercial Mobile Radio Service Emergency Telecommunications Board (CMRS)
- Kentucky Telehealth Board
- Governor's Technology Advisory Council
- Geographic Information Advisory Council

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

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

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

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

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

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

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

The Governor's Technology Advisory Council is responsible for advising the Chief Information Officer on approaches for coordinating information technology solutions among libraries, public schools, local governments, universities and other public entities. The Council is to provide a forum for the discussion of emerging technologies that enhances electronic accessibility to various publicly funded sources of information and services.

The Geographic Information Advisory Council (GIAC) was created by Executive Order in 1992 and later ratified by the 1994 General Assembly in KRS 11.515. The Council consists of 26 members representing major state agencies, local governments, and professional organizations. There is also a non-voting legislative liaison appointed by the Legislative Research Commission. The GIAC is responsible for advising the CIO, GOT and other state and local government agencies on issues relating to geographic information and geographic information systems, with the intent of encouraging the coordination of GIS programs to minimize redundancy in database creation and maintenance. The Council develops and adopts policies and standards that assist state and local jurisdictions in developing, deploying and leveraging GIS technology for the purpose of improving public administration.

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

Policy

In fiscal year 2005 and 2006, the Governor's Office for Technology is separating "enterprise costs" from reconciled rates for billable services. This change will result in a reduced rate structure to customers. The "enterprise costs" will be recovered by an alternative method to all state agencies based on personnel cap. The overall net impact to GOT is zero.

In December 2003, the Governor's Office for Technology was attached to the Finance and Administration Cabinet per Executive Order 2003-064.

Finance and Administration

Revenue

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	66,032,000	68,373,700	73,276,900	67,173,500	68,114,900
Budget Reduction	-500,000				
Salary Compensation Fund	87,500				
Base Deduction	-1,653,000				
Total General Fund	63,966,500	68,373,700	73,276,900	67,173,500	68,114,900
Tobacco Settlement-Phase I					
Tobacco Settlement - I	175,000	175,000	175,000	175,000	175,000
Total Tobacco Settlement-Phase I	175,000	175,000	175,000	175,000	175,000
Restricted Funds					
Balance Forward	1,419,000	1,211,700	1,025,700	241,700	242,600
Current Receipts	3,941,900	3,953,900	3,941,900	3,953,900	3,941,900
Fund Transfers	-1,103,700				
Total Restricted Funds	4,257,200	5,165,600	4,967,600	4,195,600	4,184,500
Road Fund					
Regular Appropriation	1,418,000	1,418,000	1,418,000	1,418,000	1,418,000
Budget Reduction	-16,900				
Total Road Fund	1,401,100	1,418,000	1,418,000	1,418,000	1,418,000
TOTAL SOURCE OF FUNDS	69,799,800	75,132,300	79,837,500	72,962,100	73,892,400
EXPENDITURES BY CLASS					
Personnel Cost	48,813,700	52,314,600	56,496,900	50,756,500	51,282,000
Operating Expenses	20,744,400	21,671,000	22,362,200	21,963,000	22,341,800
Capital Outlay		121,000	130,000		
TOTAL EXPENDITURES	69,558,100	74,106,600	78,989,100	72,719,500	73,623,800
EXPENDITURES BY FUND SOURCE					
General Fund	63,966,500	68,373,700	73,276,900	67,173,500	68,114,900
Tobacco Settlement-Phase I	175,000	175,000	175,000	175,000	175,000
Restricted Funds	4,015,500	4,139,900	4,119,200	3,953,000	3,915,900
Road Fund	1,401,100	1,418,000	1,418,000	1,418,000	1,418,000
TOTAL EXPENDITURES	69,558,100	74,106,600	78,989,100	72,719,500	73,623,800
EXPENDITURES BY UNIT					
Financial and Administrative Services	21,775,900	22,657,700	23,615,100	21,770,000	22,630,200
Property Valuation	6,529,400	6,655,200	7,100,100	6,082,700	6,073,900
Tax Administration	26,871,800	28,977,700	31,205,000	28,051,000	27,953,900
Information Technology	3,531,800	3,761,200	4,062,100	3,455,500	3,510,900
Law	10,849,200	12,054,800	13,006,800	13,360,300	13,454,900
TOTAL EXPENDITURES	69,558,100	74,106,600	78,989,100	72,719,500	73,623,800

Revenue is responsible for the thorough and equitable administration of all state revenue laws, and for the assessment and collection of 47 separate state taxes. The programs in this appropriation unit aim to ensure the taxpayer's voluntary compliance with the revenue laws, to enforce such laws in those instances where necessary, and to supervise and assist county property valuation administrators in their implementation of the property tax laws.

Financial and Administrative Services includes the Taxpayer Ombudsman, general counsel, internal audit, budget, procurement, personnel and other administrative programs in this unit.

Property Valuation monitors and evaluates the real property assessments produced by the 120 locally-elected Property Valuation Administrators (PVA). The division is charged with assessing the property of public service companies; collecting and distributing personal property taxes; and providing education, training, and technical support to the PVA's and sheriffs.

Tax Administration includes Field Operations, Compliance and Taxpayer Assistance, and Revenue Operations. Field Operations has 9 offices located across the state and is responsible for field audits and providing taxpayer assistance. Compliance and Taxpayer Assistance conducts office audits of tax returns, provides liaison with federal and state agencies, and assists taxpayers in complying with the requirements of the law. Revenue Operations processes all tax receipts, returns, refunds, documents and correspondence; registers new businesses; and maintains appropriate storage, retrieval and management of tax records for the Commonwealth.

Information Technology maintains the Department's strategic information technology systems. The Division conducts research; develops system enhancements; supports networks, servers and printers; and maintains the Department's web site to provide inexpensive and widespread distribution of forms, instructions, and information to taxpayers. More than one-half of the individual income tax returns (703,000) filed during the 2003 filing season were filed electronically.

Policy

On December 23, 2003, Executive Order 2003-064 abolished the Revenue Cabinet and transferred its five organizational units to the Finance and Administration Cabinet.

Pursuant to General Fund Budget Reduction Order 04-01, the General Fund appropriation for fiscal year 2004 was reduced \$500,000, and restricted funds in the amount of \$1,000,000 were transferred to the General Fund. Pursuant to Road Fund Budget Reduction Order 04-01, the Road Fund appropriation for fiscal year 2004 was reduced \$16,900.

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

The Governor's recommendation includes General Fund of \$3,736,200 in fiscal year 2005 and \$3,854,400 in fiscal year 2006 for personnel and operating costs of 40 additional employees who will increase delinquent tax collections and begin collection activities on behalf of other state agencies. Also included is General Fund \$271,600 in fiscal year 2005 and \$327,000 in fiscal year 2006 for development and operation of electronic systems to permit offset of business tax refunds and for interface with other agencies' accounts receivable systems. These efforts are expected to generate increased collections of \$10,017,500 in fiscal year 2005 and \$20,141,400 in fiscal year 2006.

The Governor's recommendation includes \$175,000 in Tobacco Settlement Funds in each year of the biennium to enhance the enforcement of the provisions of KRS 131.600, 131.602, and 131.604 - 131.630. These funds are provided to safeguard the master settlement agreement, the fiscal soundness of the state, and the public health.

**Finance and Administration
Property Valuation Administrators**

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	28,222,300	33,254,700	36,109,100	28,019,600	28,832,600
Budget Reduction	-50,000				
Salary Compensation Fund	124,000				
Base Deduction	-708,700				
Total General Fund	27,587,600	33,254,700	36,109,100	28,019,600	28,832,600
Restricted Funds					
Balance Forward	1,785,700	891,600	445,800	891,600	149,900
Current Receipts	3,570,000	4,018,300	4,018,300	4,018,300	4,610,100
Fund Transfers	-111,600				
Total Restricted Funds	5,244,100	4,909,900	4,464,100	4,909,900	4,760,000
TOTAL SOURCE OF FUNDS	32,831,700	38,164,600	40,573,200	32,929,500	33,592,600
EXPENDITURES BY CLASS					
Personnel Cost	31,508,100	37,281,800	40,136,200	32,347,600	33,160,600
Operating Expenses	432,000	437,000	437,000	432,000	432,000
TOTAL EXPENDITURES	31,940,100	37,718,800	40,573,200	32,779,600	33,592,600
EXPENDITURES BY FUND SOURCE					
General Fund	27,587,600	33,254,700	36,109,100	28,019,600	28,832,600
Restricted Funds	4,352,500	4,464,100	4,464,100	4,760,000	4,760,000
TOTAL EXPENDITURES	31,940,100	37,718,800	40,573,200	32,779,600	33,592,600

Each of the state's 120 counties has a locally elected Property Valuation Administrator (PVA). The PVA and an appointed staff are responsible for locating, identifying, and assessing at fair market value all taxable real property (land and improvements), and tangible and intangible personal property in the county. Tax revenues generated by these assessments are used to fund services provided by the state, cities, counties, and school districts as well as special taxing districts such as fire departments, libraries, extension offices, and refuse disposal. Funding from the state, county, and city governments support the local Property Valuation Administrator offices.

Policy

On December 23, 2003, Executive Order 2003-064 abolished the Revenue Cabinet and transferred its responsibilities, including the administration of the Property Valuation Administrators, to the Finance and Administration Cabinet.

Pursuant to General Fund Budget Reduction Order 04-01, the General Fund appropriation for fiscal year 2004 was reduced \$50,000.

Notwithstanding KRS 132.590(3)(c), KRS 132.590(4), and KRS 132.597, Property Valuation Administrators may take necessary actions to manage expenditures within the budgeted amounts.



2004-2006
Executive Budget

Health and Family Services

Health and Family Services

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	1,374,996,800	1,629,384,400	1,838,519,300	1,355,590,300	1,378,669,300
Current Year Appropriation	110,000				
Budget Reduction	-5,328,200				
Salary Compensation Fund	1,093,000				
Base Deduction	-13,942,300				
Total General Fund	1,356,929,300	1,629,384,400	1,838,519,300	1,355,590,300	1,378,669,300
Tobacco Settlement-Phase I					
Tobacco Settlement - I	27,064,100	28,158,400	28,460,900	27,083,400	27,028,400
Continuing Appropriation	11,388,200	5,404,100	5,404,100		
Budget Reduction	-5,404,100				
Total Tobacco Settlement-Phase I	33,048,200	33,562,500	33,865,000	27,083,400	27,028,400
Restricted Funds					
Balance Forward	86,674,800	39,889,500	8,070,400	54,493,200	9,087,900
Current Receipts	516,423,000	551,067,700	522,108,000	541,134,600	505,726,300
Non-Revenue Receipts	250,238,700	231,595,500	234,217,400	230,626,900	235,836,600
Fund Transfers	-12,398,300			-261,700	-358,800
Total Restricted Funds	840,938,200	822,552,700	764,395,800	825,993,000	750,292,000
Federal Funds					
Balance Forward	17,492,868	25,600	25,500	100	
Current Receipts	3,875,211,832	3,895,993,200	4,099,376,100	3,538,663,800	3,443,390,400
Non-Revenue Receipts	-24,958,200	-23,822,100	-23,801,300	-23,839,900	-23,839,900
Total Federal Funds	3,867,746,500	3,872,196,700	4,075,600,300	3,514,824,000	3,419,550,500
TOTAL SOURCE OF FUNDS	6,098,662,200	6,357,696,300	6,712,380,400	5,723,490,700	5,575,540,200
EXPENDITURES BY CLASS					
Personnel Cost	569,052,700	620,102,200	665,748,800	554,482,700	553,435,700
Operating Expenses	150,528,200	164,755,600	171,500,900	137,439,000	137,504,000
Grants, Loans or Benefits	5,321,936,200	5,558,877,500	5,858,069,500	5,022,146,100	4,882,783,200
Debt Service			7,736,000		1,579,000
Capital Outlay	2,602,800	461,000	335,000	335,000	238,300
TOTAL EXPENDITURES	6,044,119,900	6,344,196,300	6,703,390,200	5,714,402,800	5,575,540,200
EXPENDITURES BY FUND SOURCE					
General Fund	1,356,929,300	1,629,384,400	1,838,519,300	1,355,590,300	1,378,669,300
Tobacco Settlement-Phase I	32,999,200	28,158,400	28,460,900	27,083,400	27,028,400
Restricted Funds	786,445,000	814,482,300	760,835,200	816,905,100	750,292,000
Federal Funds	3,867,746,400	3,872,171,200	4,075,574,800	3,514,824,000	3,419,550,500
TOTAL EXPENDITURES	6,044,119,900	6,344,196,300	6,703,390,200	5,714,402,800	5,575,540,200
EXPENDITURES BY UNIT					
General Administration and Program Support	99,674,800	101,192,300	107,401,100	91,685,700	92,395,300
Children with Special Health Care Needs	51,034,500	54,416,900	57,035,400	51,424,400	53,224,400
Medicaid Services	4,206,173,900	4,397,197,000	4,650,552,100	3,929,246,000	3,789,031,600
Mental Health/Mental Retardation	403,292,800	430,312,700	455,338,200	391,970,600	388,372,200
Public Health	293,870,300	278,503,800	282,249,800	272,291,900	271,520,000
Certificate of Need	264,800	317,600	340,500	280,600	276,500
Aging Services	48,230,600	48,775,400	48,845,100	47,396,400	47,325,700
Disability Determinations	42,441,100	43,862,500	45,918,100	42,309,600	42,758,000

Community Based Services	899,137,100	989,618,100	1,055,709,900	887,797,600	890,636,500
TOTAL EXPENDITURES	6,044,119,900	6,344,196,300	6,703,390,200	5,714,402,800	5,575,540,200

The Health and Family Services Cabinet was created by Executive Order 2003-064 (which also abolished the Cabinet for Health Services and the Cabinet for Families and Children) on December 23, 2003. The newly created Health and Family Services Cabinet is the primary state agency responsible for leadership in protecting and promoting the health and well being of all Kentuckians through the delivery of quality health and human services. The internal structure of the Cabinet was established in Executive Order 2004-032, effective January 1, 2004. The Department for Medicaid Services, the Department for Mental Health/Mental Retardation Services, the Department for Public Health, the Department for Community Based Services, the Commission for Children with Special Health Care Needs, the Office of Certificate of Need, the Office of Aging Services, the Office of the Inspector General, Administrative Support, the Department for Disability Determination Services, the Office of Women's Physical and Mental Health, the Office of Family Resources and Youth Services Centers, the Kentucky Commission on Community Volunteerism and Service, the Office of the Ombudsman, the Office of Child Abuse and Domestic Violence Services, the Office of Legislative and Public Affairs, the Office of Legal Affairs, and the Office of the Secretary form the Health and Family Services Cabinet.

Health and Family Services
General Administration and Program Support

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	39,214,700	41,005,100	45,139,600	36,238,500	36,712,500
Budget Reduction	-2,008,100				
Salary Compensation Fund	12,600				
Base Deduction	-648,900				
Total General Fund	36,570,300	41,005,100	45,139,600	36,238,500	36,712,500
Restricted Funds					
Balance Forward	17,921,900	3,231,600	1,471,500	3,231,600	1,471,500
Current Receipts	9,897,900	9,585,900	9,741,800	8,173,900	8,368,500
Non-Revenue Receipts	-13,241,100	536,800	536,800	536,800	536,800
Fund Transfers	-238,100				
Total Restricted Funds	14,340,600	13,354,300	11,750,100	11,942,300	10,376,800
Federal Funds					
Balance Forward	2,183,300	25,600	25,500	100	
Current Receipts	49,812,300	48,304,300	50,752,400	44,976,300	45,306,000
Total Federal Funds	51,995,600	48,329,900	50,777,900	44,976,400	45,306,000
TOTAL SOURCE OF FUNDS	102,906,500	102,689,300	107,667,600	93,157,200	92,395,300
EXPENDITURES BY CLASS					
Personnel Cost	47,122,100	52,528,700	56,710,600	48,083,800	47,447,900
Operating Expenses	47,108,800	44,278,100	44,618,000	39,796,400	40,765,100
Grants, Loans or Benefits	5,334,400	4,276,000	4,276,000	3,696,000	3,695,500
Debt Service			1,687,000		474,000
Capital Outlay	109,500	109,500	109,500	109,500	12,800
TOTAL EXPENDITURES	99,674,800	101,192,300	107,401,100	91,685,700	92,395,300
EXPENDITURES BY FUND SOURCE					
General Fund	36,570,300	41,005,100	45,139,600	36,238,500	36,712,500
Restricted Funds	11,109,000	11,882,800	11,509,100	10,470,800	10,376,800
Federal Funds	51,995,500	48,304,400	50,752,400	44,976,400	45,306,000
TOTAL EXPENDITURES	99,674,800	101,192,300	107,401,100	91,685,700	92,395,300
EXPENDITURES BY UNIT					
Administrative Support	82,056,400	81,414,700	86,378,700	74,155,700	74,749,400
Inspector General	17,224,800	19,521,800	20,755,200	17,357,400	17,473,300
Child Abuse and Domestic Violence Services	393,600	255,800	267,200	172,600	172,600
TOTAL EXPENDITURES	99,674,800	101,192,300	107,401,100	91,685,700	92,395,300

General Administration and Program Support consists of three components: Administrative Support, the Office of the Inspector General and the Office of Child Abuse and Domestic Violence.

The Administrative Support area includes the Office of the Secretary, the Office of Legal Services, and the Office of Legislative Services. The Executive Director for Administrative and Fiscal Affairs, the Executive Director for Health, the Executive Director for Human Services, and the Executive Director for Children and Family Services are within the Office of the Secretary. These offices provide policy, administrative, legal, financial, and personnel support services to the program areas of the Cabinet.

The Office of the Inspector General provides support to other programs in the Health and Family Services Cabinet through the Division of Audits, the Division of Special Investigations, the Division of Long Term Care, the Division of Licensed Child Care, and the Division of Community Health Services. The last three divisions are responsible for the inspections of health care facilities, child caring facilities, and child day care programs.

The Office of Child Abuse and Domestic Violence was established in 1996 to heighten awareness of Kentuckians to the plight of children and adults who are harmed by domestic violence, child abuse, and rape; and to enhance the criminal justice and human service systems response to the needs of victims of these crimes.

**Health and Family Services
General Administration and Program Support
Administrative Support**

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	34,012,900	35,516,000	39,602,400	31,415,400	31,889,400
Budget Reduction	-1,759,400				
Salary Compensation Fund	12,600				
Base Deduction	-518,900				
Total General Fund	31,747,200	35,516,000	39,602,400	31,415,400	31,889,400
Restricted Funds					
Balance Forward	16,245,000	1,755,700	464,000	1,755,700	464,000
Current Receipts	8,148,900	7,836,900	7,992,800	6,917,200	7,535,000
Non-Revenue Receipts	-13,172,400	536,800	536,800	536,800	536,800
Fund Transfers	-99,300				
Total Restricted Funds	11,122,200	10,129,400	8,993,600	9,209,700	8,535,800
Federal Funds					
Balance Forward	2,109,000	100		100	
Current Receipts	38,833,800	36,233,200	37,782,700	33,994,500	34,324,200
Total Federal Funds	40,942,800	36,233,300	37,782,700	33,994,600	34,324,200
TOTAL SOURCE OF FUNDS	83,812,200	81,878,700	86,378,700	74,619,700	74,749,400
EXPENDITURES BY CLASS					
Personnel Cost	32,629,700	36,172,100	38,969,700	33,367,700	32,711,700
Operating Expenses	44,332,800	41,057,100	41,536,500	37,182,500	38,055,400
Grants, Loans or Benefits	4,984,400	4,076,000	4,076,000	3,496,000	3,495,500
Debt Service			1,687,000		474,000
Capital Outlay	109,500	109,500	109,500	109,500	12,800
TOTAL EXPENDITURES	82,056,400	81,414,700	86,378,700	74,155,700	74,749,400
EXPENDITURES BY FUND SOURCE					
General Fund	31,747,200	35,516,000	39,602,400	31,415,400	31,889,400
Restricted Funds	9,366,500	9,665,400	8,993,600	8,745,700	8,535,800
Federal Funds	40,942,700	36,233,300	37,782,700	33,994,600	34,324,200
TOTAL EXPENDITURES	82,056,400	81,414,700	86,378,700	74,155,700	74,749,400

The Administrative Support area includes the Office of the Secretary, the Office of Legal Services, and the Office of Legislative Services. There are four Executive Directors within the Office of the Secretary which will provide additional oversight and leadership.

The Executive Director for Administrative and Fiscal Affairs oversees functions related to financial management, personnel management, and information technology for the Cabinet. The Executive Director for Health oversees the Department for Medicaid Services, the Department for Public Health, and the Department for Mental Health/Mental Retardation, and the Department for Disability Determination Services.

The Executive Director of Human Services oversees the following: the Office of Aging Services, the Office of Certificate of Need, the Commission for Children with Special Health Care Needs, the Office for Women's Physical and Mental Health, the Office of Family Resource and Youth Service Centers, the Kentucky Commission on Community Volunteerism and Service, and the Office of the Ombudsman. The Executive Director for Children and Family Services oversees the Department for Community Based Services and the Office of Child Abuse and Domestic Violence Services.

Policy

General Funds of \$474,000 are provided for debt service in Administrative Support for the Safeguarding Children at Risk (TWIST) project and the Child Support Enforcement (KASES II) project.

**Health and Family Services
General Administration and Program Support
Inspector General**

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	5,024,800	5,304,300	5,341,000	4,650,500	4,650,500
Budget Reduction	-248,700				
Base Deduction	-125,600				
Total General Fund	4,650,500	5,304,300	5,341,000	4,650,500	4,650,500
Restricted Funds					
Balance Forward	1,526,900	1,475,900	1,007,500	1,475,900	1,007,500
Current Receipts	1,749,000	1,749,000	1,749,000	1,256,700	833,500
Non-Revenue Receipts	-68,700				
Fund Transfers	-138,800				
Total Restricted Funds	3,068,400	3,224,900	2,756,500	2,732,600	1,841,000
Federal Funds					
Balance Forward	48,800				
Current Receipts	10,933,000	12,000,100	12,898,700	10,981,800	10,981,800
Total Federal Funds	10,981,800	12,000,100	12,898,700	10,981,800	10,981,800
TOTAL SOURCE OF FUNDS	18,700,700	20,529,300	20,996,200	18,364,900	17,473,300
EXPENDITURES BY CLASS					
Personnel Cost	14,320,800	16,133,900	17,506,800	14,572,000	14,592,100
Operating Expenses	2,704,000	3,187,900	3,048,400	2,585,400	2,681,200
Grants, Loans or Benefits	200,000	200,000	200,000	200,000	200,000
TOTAL EXPENDITURES	17,224,800	19,521,800	20,755,200	17,357,400	17,473,300
EXPENDITURES BY FUND SOURCE					
General Fund	4,650,500	5,304,300	5,341,000	4,650,500	4,650,500
Restricted Funds	1,592,500	2,217,400	2,515,500	1,725,100	1,841,000
Federal Funds	10,981,800	12,000,100	12,898,700	10,981,800	10,981,800
TOTAL EXPENDITURES	17,224,800	19,521,800	20,755,200	17,357,400	17,473,300

The Office of the Inspector General has five divisions: the Division of Audits, the Division of Special Investigations, the Division of Long Term Care, the Division of Licensed Child Care, and the Division of Community Health Services. The general authority for the Office of the Inspector General is in KRS 194A.030(6).

The Division of Audits (DOA) examines Cabinet programs to assess contractor compliance with state and federal laws and regulations. In accordance with KRS 194A.030(6), the Division is responsible for the conduct of audits of programs within the Cabinet for Health Services and the Cabinet for Families and Children, their grantees and contractors. These include audits of nursing homes, home health agencies, Mental Health/Mental Retardation Boards, primary care centers, psychiatric hospitals, adult day care facilities, spouse abuse centers, child care centers, the Supports for Community Living Program, community action agencies, and child support programs. The DOA also conducts preliminary investigations of alleged fraud and abuse, which are received over the Medicaid fraud hotline (mandated by KRS 205.8483 and 42 CFR 455) and other Medicaid fraud referrals.

The Division of Special Investigations conducts investigations to detect fraud or abuse of any program by any client, or by any vendor of services with whom the Cabinet has contracted. It conducts special investigations requested by the secretary, commissioners, or agency heads into matters related to the Cabinet and its programs. The Division notifies and forwards any information relevant to possible criminal violations to the appropriate prosecuting authority. The Division operates a toll-free welfare and Medicaid fraud and abuse hotline, conducts investigations of Women, Infants, and Children (WIC) program vendors, and collects and reports data on assistance program fraud investigations by the Office of the Inspector General and the Office of the Attorney General.

The Division of Long Term Care ensures that all long-term care facilities meet applicable state licensure and federal certification requirements through on-site surveys and complaint investigations. These surveys and investigations are mandated for Medicare and Medicaid participating facilities under 42 CFR 488.330 and 42 CFR 488.335.

The Division of Licensed Child Care is responsible for licensing all child day care centers, child caring facilities, and child placing agencies. The Division also rates child day care centers pursuant to the STARS for KIDS NOW quality-rating system.

The Division of Community Health Services conducts on-site inspections of all health facilities in the state other than long term care facilities (including over 2,600 laboratories) to determine compliance with state licensing standards and federal Medicare and Medicaid certification requirements. The Division responds to citizens' health care complaints and maintains an abuse registry for home health aides.

**Health and Family Services
General Administration and Program Support
Child Abuse and Domestic Violence Services**

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	177,000	184,800	196,200	172,600	172,600
Base Deduction	-4,400				
Total General Fund	172,600	184,800	196,200	172,600	172,600
Restricted Funds					
Balance Forward	150,000				
Total Restricted Funds	150,000				
Federal Funds					
Balance Forward	25,500	25,500	25,500		
Current Receipts	45,500	71,000	71,000		
Total Federal Funds	71,000	96,500	96,500		
TOTAL SOURCE OF FUNDS	393,600	281,300	292,700	172,600	172,600
EXPENDITURES BY CLASS					
Personnel Cost	171,600	222,700	234,100	144,100	144,100
Operating Expenses	72,000	33,100	33,100	28,500	28,500
Grants, Loans or Benefits	150,000				
TOTAL EXPENDITURES	393,600	255,800	267,200	172,600	172,600
EXPENDITURES BY FUND SOURCE					
General Fund	172,600	184,800	196,200	172,600	172,600
Restricted Funds	150,000				
Federal Funds	71,000	71,000	71,000		
TOTAL EXPENDITURES	393,600	255,800	267,200	172,600	172,600

The mission of the Office of Child Abuse and Domestic Violence Services is to heighten the awareness of Kentuckians to the plight of children and adults who are harmed by domestic violence, child abuse and rape; and to enhance the criminal justice and human service systems' response to the needs of victims of these crimes. The Office was established in January 1996 to increase the efficiency and accountability of state and community systems that provide services to victims of child abuse, domestic violence, and rape.

The Office operates a statewide victim advocate computer system connecting over 200 victim advocates in state-operated and state-funded programs.

Health and Family Services
Children with Special Health Care Needs

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	16,709,500	18,218,100	19,918,400	16,200,100	17,100,100
Base Deduction	-509,400				
Total General Fund	16,200,100	18,218,100	19,918,400	16,200,100	17,100,100
Tobacco Settlement-Phase I					
Tobacco Settlement - I	1,600,000	1,555,000	1,555,000	1,455,000	1,455,000
Continuing Appropriation	24,600	24,600	24,600		
Budget Reduction	-24,600				
Total Tobacco Settlement-Phase I	1,600,000	1,579,600	1,579,600	1,455,000	1,455,000
Restricted Funds					
Balance Forward	348,400				
Current Receipts	22,914,500	24,343,800	25,288,000	23,469,300	24,395,300
Fund Transfers	-440,900				
Total Restricted Funds	22,822,000	24,343,800	25,288,000	23,469,300	24,395,300
Federal Funds					
Balance Forward	325,900				
Current Receipts	10,135,500	10,300,000	10,274,000	10,300,000	10,274,000
Total Federal Funds	10,461,400	10,300,000	10,274,000	10,300,000	10,274,000
TOTAL SOURCE OF FUNDS	51,083,500	54,441,500	57,060,000	51,424,400	53,224,400
EXPENDITURES BY CLASS					
Personnel Cost	9,686,300	10,449,500	11,231,600	9,815,400	9,815,400
Operating Expenses	1,747,600	1,635,900	1,635,900	1,635,900	1,635,900
Grants, Loans or Benefits	39,600,600	42,331,500	44,167,900	39,973,100	41,773,100
TOTAL EXPENDITURES	51,034,500	54,416,900	57,035,400	51,424,400	53,224,400
EXPENDITURES BY FUND SOURCE					
General Fund	16,200,100	18,218,100	19,918,400	16,200,100	17,100,100
Tobacco Settlement-Phase I	1,551,000	1,555,000	1,555,000	1,455,000	1,455,000
Restricted Funds	22,822,000	24,343,800	25,288,000	23,469,300	24,395,300
Federal Funds	10,461,400	10,300,000	10,274,000	10,300,000	10,274,000
TOTAL EXPENDITURES	51,034,500	54,416,900	57,035,400	51,424,400	53,224,400
EXPENDITURES BY UNIT					
Children's Health Services	14,406,100	15,137,200	15,896,800	14,355,100	14,355,100
Hemophilia Program	1,093,500	1,101,300	1,109,900	1,093,500	1,093,500
Children's Developmental Services	35,534,900	38,178,400	40,028,700	35,975,800	37,775,800
TOTAL EXPENDITURES	51,034,500	54,416,900	57,035,400	51,424,400	53,224,400

The Commission for Children with Special Health Care Needs has over 75 years experience in providing care for children with a variety of special needs. Through the years, the Commission has evolved from providing surgeries for "crippled children" to offering comprehensive medical care for children with a range of complex needs. A family-centered approach ensures that the family is valued as an integral part of the care plan and services are provided to assist the family in meeting children's needs. The Kentucky Early Intervention System, also known as First Steps, serves children from birth to age three who have or will likely have (due to disease or disability), a developmental delay. First Steps provides services such as therapy, education, counseling, and respite to help children grow and develop to their fullest potential, and reduces the financial stress associated

with a child with a disability. The Kentucky Early Intervention System is an entitlement program and patients are admitted based upon standardized testing or diagnosis regardless of financial status.

The Commission is charged with planning, developing, providing, and evaluating the public statewide system of care for children with special health care needs and providing early intervention services pursuant to:

- KRS 200.460 to 200.499: authorizes the Commission's functions;
- 902 KAR 4:070: the Commission's regulatory authority;
- KRS 200.550 and 200.560: authorizes the Hemophilia program;
- 911 KAR 1:080 SSI: Children's Support Services (SSI/CSS) mandated by the Maternal and Child Health Block Grant authorized at the federal level by Title V of the Social Security Act;
- KRS 200.650 - 676: authorizes the Kentucky Early Intervention Program;
- 911 KAR 2:100 - 200: Kentucky's Early Intervention Program (First Steps); and
- 911 KAR 1:085: Universal Newborn Screening Grant Program.

The Commission for Children with Special Health Care Needs works collaboratively with other agencies to assure services to children with disabilities are comprehensive, community-based, family-centered, and coordinated, thus avoiding duplication and fragmentation of the service delivery system. Accessibility is a key component of the delivery system.

The family's financial status plays a role in determining whether the child is accepted into the Children with Special Health Care Needs Program and the Hemophilia Program. All families with incomes at 200 percent of the federal poverty level are accepted. A sliding fee scale based on income and number in household determines what percentage of the cost each family pays for treatment. Individuals who fall outside the program's income guidelines can also receive services through the Commission if they reside in medically under-served areas of the state, though the family is required to reimburse the Commission for treatment costs. This allows the Commission to further assist in communities where specialized medical care is unavailable.

The Commission has four ongoing initiatives. These include: the implementation of a Care Coordination and Quality Management Model for the agency's clinical programs, the Kentucky Early Intervention System (First Steps), the Kentucky Youth Transitioning to Employment and Comprehensive Health Care (KY-Teach) Grant, and Universal Newborn Hearing Screening (UNHS). The Commission also operates VISION, a vision testing program that is part of the Early Childhood Development program.

Policy

Forty-nine thousand dollars in General Fund (Tobacco) will lapse to the General Fund at the end of fiscal year 2004, notwithstanding KRS 200.151. General Fund of \$900,000 is added in fiscal year 2006 to support the Kentucky Early Intervention System (First Steps). This additional General Fund will draw additional restricted funds of \$900,000.

**Health and Family Services
Medicaid Services**

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	779,783,700	933,788,000	1,055,133,000	779,783,700	785,283,700
Current Year Appropriation	110,000				
Total General Fund	779,893,700	933,788,000	1,055,133,000	779,783,700	785,283,700
Restricted Funds					
Balance Forward				14,927,300	
Current Receipts	161,147,900	197,876,600	156,092,600	196,428,300	163,333,600
Non-Revenue Receipts	217,663,100	204,316,300	207,247,000	201,816,300	206,147,000
Fund Transfers	-520,200				
Total Restricted Funds	378,290,800	402,192,900	363,339,600	413,171,900	369,480,600
Federal Funds					
Balance Forward	4,236,768				
Current Receipts	3,083,638,132	3,085,056,000	3,255,919,400	2,760,130,300	2,658,107,200
Non-Revenue Receipts	-24,958,200	-23,839,900	-23,839,900	-23,839,900	-23,839,900
Total Federal Funds	3,062,916,700	3,061,216,100	3,232,079,500	2,736,290,400	2,634,267,300
TOTAL SOURCE OF FUNDS	4,221,101,200	4,397,197,000	4,650,552,100	3,929,246,000	3,789,031,600
EXPENDITURES BY CLASS					
Personnel Cost	68,296,300	62,843,200	63,828,900	56,062,400	56,062,400
Operating Expenses	2,345,300	2,316,900	2,316,900	2,316,900	2,316,900
Grants, Loans or Benefits	4,135,532,300	4,332,036,900	4,584,406,300	3,870,866,700	3,730,652,300
TOTAL EXPENDITURES	4,206,173,900	4,397,197,000	4,650,552,100	3,929,246,000	3,789,031,600
EXPENDITURES BY FUND SOURCE					
General Fund	779,893,700	933,788,000	1,055,133,000	779,783,700	785,283,700
Restricted Funds	363,363,500	402,192,900	363,339,600	413,171,900	369,480,600
Federal Funds	3,062,916,700	3,061,216,100	3,232,079,500	2,736,290,400	2,634,267,300
TOTAL EXPENDITURES	4,206,173,900	4,397,197,000	4,650,552,100	3,929,246,000	3,789,031,600
EXPENDITURES BY UNIT					
Medicaid Administration	90,535,700	85,162,100	87,678,500	78,381,300	78,381,300
Medicaid Benefits	4,115,638,200	4,312,034,900	4,562,873,600	3,850,864,700	3,710,650,300
TOTAL EXPENDITURES	4,206,173,900	4,397,197,000	4,650,552,100	3,929,246,000	3,789,031,600

Two major programs operate within the Department for Medicaid Services: the Kentucky Medical Assistance Program (regular Medicaid program) and the Kentucky Children's Health Insurance program (K-CHIP).

The Medical Assistance program pays providers for health care they provide to medically indigent Kentuckians. Eligibility for services is determined by staff in county Department for Community Based Services offices. Persons may also automatically qualify for benefits if they are eligible for Supplemental Security Income benefits administered by the Social Security Administration.

K-CHIP provides for comprehensive physical and behavioral health services for uninsured children who are not eligible for Medicaid.

**Health and Family Services
Medicaid Services
Medicaid Administration**

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	18,028,200	18,911,200	20,160,600	18,028,200	18,028,200
Total General Fund	18,028,200	18,911,200	20,160,600	18,028,200	18,028,200
Restricted Funds					
Non-Revenue Receipts	20,806,000	20,806,000	20,806,000	18,306,000	18,306,000
Fund Transfers	-520,200				
Total Restricted Funds	20,285,800	20,806,000	20,806,000	18,306,000	18,306,000
Federal Funds					
Balance Forward	168,768				
Current Receipts	77,011,132	69,284,800	70,551,800	65,887,000	65,887,000
Non-Revenue Receipts	-24,958,200	-23,839,900	-23,839,900	-23,839,900	-23,839,900
Total Federal Funds	52,221,700	45,444,900	46,711,900	42,047,100	42,047,100
TOTAL SOURCE OF FUNDS	90,535,700	85,162,100	87,678,500	78,381,300	78,381,300
EXPENDITURES BY CLASS					
Personnel Cost	68,296,300	62,843,200	63,828,900	56,062,400	56,062,400
Operating Expenses	2,345,300	2,316,900	2,316,900	2,316,900	2,316,900
Grants, Loans or Benefits	19,894,100	20,002,000	21,532,700	20,002,000	20,002,000
TOTAL EXPENDITURES	90,535,700	85,162,100	87,678,500	78,381,300	78,381,300
EXPENDITURES BY FUND SOURCE					
General Fund	18,028,200	18,911,200	20,160,600	18,028,200	18,028,200
Restricted Funds	20,285,800	20,806,000	20,806,000	18,306,000	18,306,000
Federal Funds	52,221,700	45,444,900	46,711,900	42,047,100	42,047,100
TOTAL EXPENDITURES	90,535,700	85,162,100	87,678,500	78,381,300	78,381,300
EXPENDITURES BY UNIT					
Medical Assistance Administration	88,005,800	83,784,500	86,271,900	77,028,500	77,028,500
KCHIP Administration	2,529,900	1,377,600	1,406,600	1,352,800	1,352,800
TOTAL EXPENDITURES	90,535,700	85,162,100	87,678,500	78,381,300	78,381,300

Administrative functions of the Medicaid program and the Kentucky Children's Health Insurance Program (KCHIP) include: determining the eligibility of applicants, formulating policy, processing claims, utilization management, recoupment of monies from liable third parties, collecting overpayments and cost reimbursement. Claims are paid through a fiscal agent contract. The Medicaid program contracts for medical review of Medicaid acute care admissions, level of care determinations for long-term care patients, and review care of recipients in mental hospitals and psychiatric facilities. The eligibility determination function is performed through contract by the Department for Community Based Services.

The Department also administers KCHIP, the Kentucky Children's Health Insurance Program. As a result of aggressive outreach efforts, a daily average of 51,000 children are enrolled in K-CHIP. Uninsured children with incomes below 200 percent of the federal poverty level are eligible for the program.

Policy

The recommended budget includes a General Fund appropriation of \$213,000 in each year for a Medicaid fraud detection contract with the Attorney General's Office.

**Health and Family Services
Medicaid Services
Medicaid Benefits**

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	761,755,500	914,876,800	1,034,972,400	761,755,500	767,255,500
Current Year Appropriation	110,000				
Total General Fund	761,865,500	914,876,800	1,034,972,400	761,755,500	767,255,500
Restricted Funds					
Balance Forward				14,927,300	
Current Receipts	161,147,900	197,876,600	156,092,600	196,428,300	163,333,600
Non-Revenue Receipts	196,857,100	183,510,300	186,441,000	183,510,300	187,841,000
Total Restricted Funds	358,005,000	381,386,900	342,533,600	394,865,900	351,174,600
Federal Funds					
Balance Forward	4,068,000				
Current Receipts	3,006,627,000	3,015,771,200	3,185,367,600	2,694,243,300	2,592,220,200
Total Federal Funds	3,010,695,000	3,015,771,200	3,185,367,600	2,694,243,300	2,592,220,200
TOTAL SOURCE OF FUNDS	4,130,565,500	4,312,034,900	4,562,873,600	3,850,864,700	3,710,650,300
EXPENDITURES BY CLASS					
Grants, Loans or Benefits	4,115,638,200	4,312,034,900	4,562,873,600	3,850,864,700	3,710,650,300
TOTAL EXPENDITURES	4,115,638,200	4,312,034,900	4,562,873,600	3,850,864,700	3,710,650,300
EXPENDITURES BY FUND SOURCE					
General Fund	761,865,500	914,876,800	1,034,972,400	761,755,500	767,255,500
Restricted Funds	343,077,700	381,386,900	342,533,600	394,865,900	351,174,600
Federal Funds	3,010,695,000	3,015,771,200	3,185,367,600	2,694,243,300	2,592,220,200
TOTAL EXPENDITURES	4,115,638,200	4,312,034,900	4,562,873,600	3,850,864,700	3,710,650,300
EXPENDITURES BY UNIT					
Medicaid Benefits	4,009,571,700	4,208,399,400	4,449,391,100	3,747,229,200	3,597,167,800
KCHIP Benefits	106,066,500	103,635,500	113,482,500	103,635,500	113,482,500
TOTAL EXPENDITURES	4,115,638,200	4,312,034,900	4,562,873,600	3,850,864,700	3,710,650,300

Under Title XIX of the Social Security Act and KRS 205.520, the Kentucky Medicaid program provides for preventive and remedial medical care for financially and medically indigent citizens in Kentucky who meet the income and resource criteria for eligibility. The following services are currently provided by Kentucky's Medicaid program: inpatient hospital, physician services, nursing facility services, outpatient hospital, home health, family planning, screening, lab, dental, transportation (both non-emergency and emergency), vision care, hearing care, intermediate care facilities for the mentally retarded (ICF/MR), pharmacy, Medicare premiums, community mental health, mental hospitals, psychiatric residential treatment facilities, renal dialysis services, primary care/rural health, podiatry, alternative intermediate services for mentally retarded (Supports for Community Living), ambulatory surgical centers, home and community-based waiver (HCBS), adult day care, nurse midwife, nurse anesthetist, Hospice, preventive services, targeted case management, school-based services, home-based services for children who are ventilator dependent, durable medical equipment, portable x-ray, nurse practitioners, chiropractor, and other medically necessary diagnostic and treatment services for children in the Early Periodic Screening Diagnosis and Treatment Program (EPSDT). In addition, qualified Medicare beneficiaries receive the following services: physical therapy, occupational therapy, psychological, licensed clinical social worker, physician assistant, and comprehensive outpatient rehabilitative facility services.

Kentucky Medical Assistance Program (KMAP) Recipient Groups

Persons who are eligible for KMAP benefits are classified into two groups: those who already qualify for some type of financial assistance (categorically eligible) and those eligible for medical assistance only (medically needy).

Categorically Eligible: Persons in this group receive grant money from Temporary Assistance to Needy Families (TANF), State Supplementation, or the Supplemental Security Income (SSI) programs. Within this group are the following categories of people: needy families with dependent children; foster care children; those 65 years of age or older with inadequate incomes; the needy blind; and the needy permanently and totally disabled. Any SSI or State Supplementation recipient automatically receives Medicaid. Individuals who meet the technical and financial requirements of the Aid to Families with Dependent Children (AFDC) program as it existed on July 16, 1996, can qualify for Medicaid.

Medically Needy: Persons in this group have incomes or resources above a level to qualify for financial assistance to meet basic needs, but have insufficient income to meet all or part of their medical needs. This group also includes: pregnant women and infants with household income of less than 185 percent of the Federal Poverty Level (FPL); children under age six with household income under 133 percent of FPL; and children born after September 30, 1983, who have attained six years of age but have not attained 19 years of age in families with income not exceeding 100 percent of the FPL.

2003 Poverty Guidelines	
Family Size	Monthly Income
1	\$748
2	\$1,010
3	\$1,271
4	\$1,533
5	\$1,795
6	\$2,056
7	\$2,318
8	\$2,580

Although the aged, blind, and disabled (both categorically and medically needy) represent only 43 percent of the recipient population, they account for approximately 69 percent of expenditures. The recommended budget assumes average monthly eligibles of 630,210 in fiscal year 2005 and 643,796 in fiscal year 2006. These figures include K-CHIP eligibles.

Projecting Benefits Cost

Several forecasting models were combined in the preparation of the Medicaid Benefits projections. Both the Office of State Budget Director (OSBD) and the Department for Medicaid Services (DMS) prepared service-by-service cash forecasts. These forecasts examine past trends in categorical spending to generate projections for future cash expenditures for each classification of medical service (the hypothesis is that the best predictor of future expenditures is past expenditures - adjusted for policy changes). In addition to the cash models, the DMS and the OSBD operate a more elaborate proprietary model developed by a third-party consulting firm, PriceWaterhouseCoopers (PWC). That model includes a separate forecast of eligibility for each class of Medicaid recipient: Aged, Blind, Disabled; TANF/SOBRA children (with and without Medicaid); TANF/SOBRA adults (with and without Medicare); categorical eligibility associated with foster care; and a residual category for all other eligibility categories. Eligibility is used to transform the expenditure date into a "cost per eligible" for seven bundles of Medicaid services.

Provider Taxes

Although the majority of the funds that the Commonwealth uses to match federal Medicaid dollars are derived from the General Fund, approximately 14 percent of the program's fiscal year 2005 expenditure match will be secured from a dedicated provider tax. The tax is levied on hospitals, home health agencies, health maintenance organizations, and long-term care facilities.

Disproportionate Share Hospital (DSH) Payments

The Governor's recommended budget includes funding for the Disproportionate Share Hospital (DSH) payments of \$170,977,000 in fiscal year 2005 and in fiscal year 2006. Disproportionate share hospital payments to state mental hospitals are budgeted at approximately \$30.2 million in each year of the biennium. This budget includes match from the university teaching hospitals in order to access the portion of DSH funds for those facilities.

Passport Managed Care Plan

The Governor's recommended budget assumes that the Region Three (Jefferson and surrounding counties) Medicaid managed care partnership will continue to operate. Other areas of the state are expected to operate under managed care provisions as allowed under the federal Balanced Budget Act of 1997, utilizing a case management model of managed care.

Benefit Match Rate

The Governor's recommended budget assumes a federal medical assistance percentage (FMAP) of 69.72 for state fiscal year

2005 and 69.60 for state fiscal year 2006. The federal Medicaid match rate assumed for K-CHIP is 78.81 percent in fiscal year 2005 and 78.72 percent in fiscal year 2006.

Quality and Charity Care Trust Fund

To the extent that all parties agree, the General Fund appropriation of the Quality and Charity Care Trust Fund may be transferred to the Department for Medicaid Services Benefits.

Kentucky Children's Health Insurance Program (K-CHIP)

The Kentucky Children's Health Insurance program was initiated under Title XXI of the Social Security Act and serves eligible children up to 200 percent of the federal poverty level.

The Governor's recommended budget funds K-CHIP at a total of \$103,635,500 in fiscal year 2005 (55,188 children) and \$113,482,500 in fiscal year 2006 (58,584 children). The budget anticipates the continued spend-down of state funds from the "Kentucky Children's Health Insurance Program Trust Fund" as established in KRS 205.6478. Because very little of the federal money appropriated in fiscal year 1998 and 1999 for K-CHIP was expended, these funds are available to spend down through fiscal year 2004. Additionally, because Kentucky has been so successful in its K-CHIP implementation, it received \$190 million reallocated from other states' 1998, 1999, and 2000 unspent CHIP allocations. This would carry Kentucky's CHIP program well into the 2004-2006 biennium. However, as other states' CHIP programs accelerate, there will be increased lobbying by those states to redirect allocations back to their own states, which could leave Kentucky's CHIP program seriously underfunded in future biennia.

Policy

The Governor's recommended budget provides General Fund in the amount of \$5,500,000 in fiscal year 2006 along with federal matching funds of \$12,592,100. Funds totaling \$3,302,500 are provided in fiscal year 2005 and \$8,223,700 in fiscal year 2006 to continue the roll-out of the Supports for Community Living Program.

The Governor's recommended budget continues to support the Breast and Cervical Cancer Treatment waiver program.

The Governor's recommended budget includes \$900,000 in fiscal year 2005 and \$1,000,000 in fiscal year 2006 to support the Acquired Brain Injury Waiver program.

The Governor's recommended budget assumes a series of actions to bring Medicaid Benefits expenditures in line with available revenues. Increases in eligibles and utilization continue to drive up program costs. Much of this increase has resulted from the continued sluggishness of the economy, sharp increases in medical inflation, and the increased number of persons with long term care needs such as the elderly and disabled. The Health and Family Services Cabinet has implemented cost saving and revenue generating measures to date totaling approximately \$400 million on an annually recurring basis. In January 2003, an additional \$250 million in cuts were announced coming primarily from reductions in provider reimbursements and the tightening of eligibility criteria.

**Department for Medicaid Services
Projected Budget Status**

Revenue:	<u>SFY 2004-Revised</u>	<u>SFY 2005</u>	<u>SFY 2006</u>
General Fund	761,755,500	761,755,500	767,255,500
General Fund Current Year Appropriation	110,000		
Restricted Funds Carry Forward from FY 2004		14,927,300	
Restricted Funds	358,005,000	379,938,600	351,174,600
Federal Funds	<u>3,010,695,000</u>	<u>2,694,243,300</u>	<u>2,592,220,200</u>
Total Revenue	<u>4,130,565,500</u>	<u>3,850,864,700</u>	<u>3,710,650,300</u>
Projected Expenditures	<u>4,115,638,200</u>	<u>4,309,149,900</u>	<u>4,549,784,800</u>
Projected Surplus (Deficit)	14,927,300	(458,285,200)	(839,134,500)

Actions to Balance:

Management Initiative Carry Forward	0		107,126,800
Care and Disease Management		24,000,000	48,000,000
Benefit Management	0	294,282,000	323,673,000
Prescription Utilization Review			
Enhanced Pharmacy and Therapeutics Committee Oversight			
Supplemental Rebates			

Cash Management Initiative to offset FY 2005 expenditures
by leveraging FY 2004 savings

Additional Revenue/Cost Avoidance

<u>247,130,000</u>	<u>24,414,300</u>
565,412,000	503,214,100

Projected Surplus/(Deficit)	107,126,800	(335,920,400)
------------------------------------	--------------------	----------------------

Notes:

1. Includes Kentucky Children's Health Insurance Program (KCHIP)
2. Based on the September 25, 2003, consensus forecast
3. Cost avoidance does not result in new revenues

**Health and Family Services
Mental Health/Mental Retardation**

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	171,886,900	205,876,500	229,799,400	167,683,800	168,073,800
Budget Reduction	-124,500				
Salary Compensation Fund	631,400				
Base Deduction	-4,811,500				
Total General Fund	167,582,300	205,876,500	229,799,400	167,683,800	168,073,800
Tobacco Settlement-Phase I					
Tobacco Settlement - I	1,000,000	1,000,000	1,000,000	900,000	900,000
Continuing Appropriation	22,900	22,900	22,900		
Budget Reduction	-22,900				
Total Tobacco Settlement-Phase I	1,000,000	1,022,900	1,022,900	900,000	900,000
Restricted Funds					
Balance Forward	1,783,600				
Current Receipts	147,023,200	146,286,600	148,196,300	146,286,600	143,167,000
Non-Revenue Receipts	48,677,200	36,065,600	36,888,200	36,054,700	36,862,600
Fund Transfers	-4,438,600				
Total Restricted Funds	193,045,400	182,352,200	185,084,500	182,341,300	180,029,600
Federal Funds					
Balance Forward	5,800				
Current Receipts	41,659,300	41,066,200	39,415,700	41,045,500	39,368,800
Non-Revenue Receipts		17,800	38,600		
Total Federal Funds	41,665,100	41,084,000	39,454,300	41,045,500	39,368,800
TOTAL SOURCE OF FUNDS	403,292,800	430,335,600	455,361,100	391,970,600	388,372,200
EXPENDITURES BY CLASS					
Personnel Cost	142,605,700	153,683,000	163,697,100	141,769,400	138,809,400
Operating Expenses	29,298,400	37,590,800	41,110,800	30,640,700	30,272,700
Grants, Loans or Benefits	231,163,200	238,687,400	246,169,800	219,335,000	218,674,600
Debt Service			4,135,000		390,000
Capital Outlay	225,500	351,500	225,500	225,500	225,500
TOTAL EXPENDITURES	403,292,800	430,312,700	455,338,200	391,970,600	388,372,200
EXPENDITURES BY FUND SOURCE					
General Fund	167,582,300	205,876,500	229,799,400	167,683,800	168,073,800
Tobacco Settlement-Phase I	1,000,000	1,000,000	1,000,000	900,000	900,000
Restricted Funds	193,045,400	182,352,200	185,084,500	182,341,300	180,029,600
Federal Funds	41,665,100	41,084,000	39,454,300	41,045,500	39,368,800
TOTAL EXPENDITURES	403,292,800	430,312,700	455,338,200	391,970,600	388,372,200
EXPENDITURES BY UNIT					
Community Alcohol and Drug Services	40,836,700	40,128,500	40,737,200	38,750,700	38,836,700
Community Mental Health Services	95,402,300	87,175,800	88,255,600	81,301,000	80,346,200
Community Mental Retardation Services	28,078,000	30,935,400	31,107,600	28,078,000	28,078,000
General Mental Health/Mental Retardation Support	27,701,700	34,643,100	42,087,900	27,803,200	27,803,200
Residential Mental Health/Mental Retardation	211,274,100	237,429,900	253,149,900	216,037,700	213,308,100
TOTAL EXPENDITURES	403,292,800	430,312,700	455,338,200	391,970,600	388,372,200

The Department for Mental Health/Mental Retardation Services operates mental health, mental retardation, substance abuse, developmental disability and brain injury programs. Services are provided in the community and in state-owned, state-operated, or contracted residential facilities. Approximately 1,500 individuals are cared for daily in state facilities, and over 100 more are cared for in residential programs operated through contracts. Several thousand are treated as outpatients in community mental health centers operated by 14 regional Community Mental Health/Mental Retardation Boards.

**Health and Family Services
Mental Health/Mental Retardation
Community Alcohol and Drug Services**

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	8,286,700	9,564,500	10,087,200	8,286,700	8,286,700
Total General Fund	8,286,700	9,564,500	10,087,200	8,286,700	8,286,700
Tobacco Settlement-Phase I					
Tobacco Settlement - I	1,000,000	1,000,000	1,000,000	900,000	900,000
Continuing Appropriation	22,900	22,900	22,900		
Budget Reduction	-22,900				
Total Tobacco Settlement-Phase I	1,000,000	1,022,900	1,022,900	900,000	900,000
Restricted Funds					
Balance Forward	620,200				
Current Receipts	2,420,000	520,000	520,000	520,000	520,000
Non-Revenue Receipts	2,109,800	2,730,000	2,730,000	2,730,000	2,730,000
Total Restricted Funds	5,150,000	3,250,000	3,250,000	3,250,000	3,250,000
Federal Funds					
Current Receipts	26,400,000	26,314,000	26,400,000	26,314,000	26,400,000
Total Federal Funds	26,400,000	26,314,000	26,400,000	26,314,000	26,400,000
TOTAL SOURCE OF FUNDS	40,836,700	40,151,400	40,760,100	38,750,700	38,836,700
EXPENDITURES BY CLASS					
Personnel Cost	2,304,800	2,044,700	2,110,400	1,990,900	1,990,900
Operating Expenses	173,600	163,600	163,600	163,600	163,600
Grants, Loans or Benefits	38,358,300	37,920,200	38,463,200	36,596,200	36,682,200
TOTAL EXPENDITURES	40,836,700	40,128,500	40,737,200	38,750,700	38,836,700
EXPENDITURES BY FUND SOURCE					
General Fund	8,286,700	9,564,500	10,087,200	8,286,700	8,286,700
Tobacco Settlement-Phase I	1,000,000	1,000,000	1,000,000	900,000	900,000
Restricted Funds	5,150,000	3,250,000	3,250,000	3,250,000	3,250,000
Federal Funds	26,400,000	26,314,000	26,400,000	26,314,000	26,400,000
TOTAL EXPENDITURES	40,836,700	40,128,500	40,737,200	38,750,700	38,836,700

Community Alcohol and Drug Services provides quality treatment, prevention, and education services to citizens suffering from, or at-risk of, alcohol and drug addiction. Services are provided primarily through contracts with 14 regional Mental Health/Mental Retardation Boards that oversee the Community Mental Health Centers.

These substance abuse prevention and treatment services are provided pursuant to KRS Chapter 222 (Alcohol and Drug Education, Treatment, and Rehabilitation). The receipts from alcohol intoxication fines are received pursuant to KRS 431.100. Other statutes under which the program operates include: KRS 189A (Driving Under the Influence assessment, education, and treatment) and KRS 218A.410 (Drug Forfeiture).

The Department contracts with Community Mental Health Centers and their subcontractors, schools, local government agencies, and other community-based organizations to provide services which include: community prevention programming (offered through 16 Regional Prevention Centers); school-based student assistance programs; juvenile diversion programs; DUI assessment, education, and treatment programs; social setting detoxification centers, residential treatment centers, outpatient treatment and case management services; and specialized treatment services for pregnant women, women with dependent children, adolescents, and intravenous drug users. In addition, Opioid Treatment programs are available to opioid dependent persons who are at high risk for HIV/AIDS.

**Health and Family Services
Mental Health/Mental Retardation
Community Mental Health Services**

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	40,201,800	44,446,200	46,480,800	38,571,400	38,571,400
Budget Reduction	-23,000				
Base Deduction	-1,607,400				
Total General Fund	38,571,400	44,446,200	46,480,800	38,571,400	38,571,400
Restricted Funds					
Balance Forward	336,400				
Current Receipts	603,600	940,000	940,000	940,000	940,000
Non-Revenue Receipts	44,556,000	31,313,300	32,121,200	31,313,300	32,121,200
Total Restricted Funds	45,496,000	32,253,300	33,061,200	32,253,300	33,061,200
Federal Funds					
Current Receipts	11,334,900	10,476,300	8,713,600	10,476,300	8,713,600
Total Federal Funds	11,334,900	10,476,300	8,713,600	10,476,300	8,713,600
TOTAL SOURCE OF FUNDS	95,402,300	87,175,800	88,255,600	81,301,000	80,346,200
EXPENDITURES BY CLASS					
Personnel Cost	5,969,700	4,588,400	4,557,100	4,328,900	4,148,500
Operating Expenses	389,700	399,300	383,300	376,300	360,300
Grants, Loans or Benefits	89,042,900	82,188,100	83,315,200	76,595,800	75,837,400
TOTAL EXPENDITURES	95,402,300	87,175,800	88,255,600	81,301,000	80,346,200
EXPENDITURES BY FUND SOURCE					
General Fund	38,571,400	44,446,200	46,480,800	38,571,400	38,571,400
Restricted Funds	45,496,000	32,253,300	33,061,200	32,253,300	33,061,200
Federal Funds	11,334,900	10,476,300	8,713,600	10,476,300	8,713,600
TOTAL EXPENDITURES	95,402,300	87,175,800	88,255,600	81,301,000	80,346,200

Community Mental Health Services provides Kentuckians with mental health problems the services and support they need to improve their ability to function in the community. The Department contracts with 14 regional Mental Health/Mental Retardation Boards that oversee the Community Mental Health Centers as well as other local entities. In addition, Community Mental Health Services has targeted funds to the most vulnerable. These are:

- Adults with severe mental illness (KRS 210, KRS 202A);
- Children and youth with severe emotional disabilities (KRS 200.500 to KRS 200.509);
- Victims and perpetrators of sexual abuse or domestic violence (908KAR 2.070); and
- Persons having acquired traumatic brain injury (KRS 211.470 to KRS 211.478).

In accordance with KRS 210.410, community mental health centers (CMHCs) must provide persons with mental health problems with specific services such as: consultation and educational services to help individuals understand their illnesses and treatment options; therapeutic rehabilitation programs, where individuals with mental illness may receive services to assist them to live independently within the community; outpatient services; emergency services; and inpatient services, which are generally made available through referrals to state or community hospitals.

State and federal funds are used to provide case management services, psychotropic medications, and housing and vocational support services for adults with severe mental illness. Funds are also provided for unique services that “wrap around” a child or adult who is at risk of psychiatric hospitalization. These funds are used to purchase goods and services that are individualized and can include peer mentoring, respite, and social skills training. To address the staggering

impact of sexual or domestic violence on the mental health of its victims, treatment services for victims and perpetrators, along with rape crisis services, have been implemented through 13 rape crisis centers. Each center serves approximately nine counties.

The Community Mental Health program assists in statewide mental health planning, monitors services, provides technical assistance and training, and procures and administers federal and other funds for the mental health community.

The mission of the Brain Injury Services unit is to develop comprehensive services and supports to persons with acquired brain injuries and their families. The Brain Injury Services unit administers the programmatic aspects of the Medicaid Acquired Brain Injury Waiver Program and oversees the administration of the Traumatic Brain Injury Trust Fund. The Trust Fund receives a portion of fees imposed for violations of certain traffic laws and convictions for Driving Under the Influence (DUI) violations.

**Health and Family Services
Mental Health/Mental Retardation
Community Mental Retardation Services**

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	24,171,700	25,772,000	25,882,500	22,964,000	22,964,000
Base Deduction	-1,207,700				
Total General Fund	22,964,000	25,772,000	25,882,500	22,964,000	22,964,000
Restricted Funds					
Current Receipts	22,900	22,900	22,900	22,900	22,900
Non-Revenue Receipts	2,011,400	2,022,300	2,037,000	2,011,400	2,011,400
Total Restricted Funds	2,034,300	2,045,200	2,059,900	2,034,300	2,034,300
Federal Funds					
Current Receipts	3,079,700	3,100,400	3,126,600	3,079,700	3,079,700
Non-Revenue Receipts		17,800	38,600		
Total Federal Funds	3,079,700	3,118,200	3,165,200	3,079,700	3,079,700
TOTAL SOURCE OF FUNDS	28,078,000	30,935,400	31,107,600	28,078,000	28,078,000
EXPENDITURES BY CLASS					
Personnel Cost	3,208,900	3,481,400	3,653,500	3,231,100	3,231,100
Operating Expenses	781,800	786,400	786,400	781,800	781,800
Grants, Loans or Benefits	24,087,300	26,667,600	26,667,700	24,065,100	24,065,100
TOTAL EXPENDITURES	28,078,000	30,935,400	31,107,600	28,078,000	28,078,000
EXPENDITURES BY FUND SOURCE					
General Fund	22,964,000	25,772,000	25,882,500	22,964,000	22,964,000
Restricted Funds	2,034,300	2,045,200	2,059,900	2,034,300	2,034,300
Federal Funds	3,079,700	3,118,200	3,165,200	3,079,700	3,079,700
TOTAL EXPENDITURES	28,078,000	30,935,400	31,107,600	28,078,000	28,078,000
EXPENDITURES BY UNIT					
Local Mental Retardation Services	26,610,700	29,442,400	29,584,300	26,610,700	26,610,700
Ky Developmental Disability Council	1,467,300	1,493,000	1,523,300	1,467,300	1,467,300
TOTAL EXPENDITURES	28,078,000	30,935,400	31,107,600	28,078,000	28,078,000

Community Mental Retardation Services provides services and support to individuals with mental retardation and other developmental disabilities to help them live well within the greater community. Services are provided through contracts with the 14 Community Mental Health/Mental Retardation Boards, and for-profit and non-profit agencies which provide residential services, vocational training, and social support. Some of the residential services include support to family homes, group home placement, apartment living supervision, residence staffing, and help with other living arrangements. Individuals with disabilities have additional opportunities for self-determination through Supported Living grants, which help them to live as independently as possible in their homes and participate in the community to the fullest extent possible.

The Kentucky Council on Developmental Disabilities is administratively linked to Community Mental Retardation Services. The Council is made up of 26 members and includes consumers, parents, and local agency representatives appointed by the Governor (PL 106-402 and KRS 194.135). The Council promotes systems change, capacity building and advocacy for people with developmental disabilities. The Council on Developmental Disabilities represents the interests of approximately 110,000 Kentuckians who have developmental disabilities. The Council funds time-limited demonstration projects and engages in outreach activities to assist individuals with developmental disabilities and their families.

**Health and Family Services
Mental Health/Mental Retardation
General Mental Health/Mental Retardation Support**

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	28,003,200	34,643,100	42,087,900	27,803,200	27,803,200
Budget Reduction	-101,500				
Base Deduction	-200,000				
Total General Fund	27,701,700	34,643,100	42,087,900	27,803,200	27,803,200
TOTAL SOURCE OF FUNDS	27,701,700	34,643,100	42,087,900	27,803,200	27,803,200
EXPENDITURES BY CLASS					
Personnel Cost	2,339,000	2,514,300	2,704,200	2,361,300	2,361,300
Operating Expenses	745,000	1,203,400	1,208,500	846,500	846,500
Grants, Loans or Benefits	24,617,700	30,925,400	34,040,200	24,595,400	24,595,400
Debt Service			4,135,000		
TOTAL EXPENDITURES	27,701,700	34,643,100	42,087,900	27,803,200	27,803,200
EXPENDITURES BY FUND SOURCE					
General Fund	27,701,700	34,643,100	42,087,900	27,803,200	27,803,200
TOTAL EXPENDITURES	27,701,700	34,643,100	42,087,900	27,803,200	27,803,200

General Mental Health/Mental Retardation (MH/MR) Support includes the Commissioner's Office, the Division of Administration and Financial Management, and Community Care Grants. This unit's activities include policy and budget development, program monitoring, standards development, and management decision-making for the overall direction of the Department. The Department contracts with the University of Kentucky for technical and information support services.

The Community Care Grants provide the funding for the "safety net" for individuals needing mental health, mental retardation, and substance abuse services, and the infrastructure that supports and provides these services. Kentucky Revised Statute 210.420 sets the distribution formula for these funds to local community mental health centers. Local boards determine which program areas and which services will be funded based on local needs.

Policy

General Fund Budget Reduction Order 04-01 captured \$101,500 of General Funds that had been set aside for one-time repairs and maintenance of leased space at the Frankfort Fair Oaks office location. Due to the fiscal situation, the Department will forego these improvements at this time.

**Health and Family Services
Mental Health/Mental Retardation
Residential Mental Health/Mental Retardation**

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	71,223,500	91,450,700	105,261,000	70,058,500	70,448,500
Salary Compensation Fund	631,400				
Base Deduction	-1,796,400				
Total General Fund	70,058,500	91,450,700	105,261,000	70,058,500	70,448,500
Restricted Funds					
Balance Forward	827,000				
Current Receipts	143,976,700	144,803,700	146,713,400	144,803,700	141,684,100
Fund Transfers	-4,438,600				
Total Restricted Funds	140,365,100	144,803,700	146,713,400	144,803,700	141,684,100
Federal Funds					
Balance Forward	5,800				
Current Receipts	844,700	1,175,500	1,175,500	1,175,500	1,175,500
Total Federal Funds	850,500	1,175,500	1,175,500	1,175,500	1,175,500
TOTAL SOURCE OF FUNDS	211,274,100	237,429,900	253,149,900	216,037,700	213,308,100
EXPENDITURES BY CLASS					
Personnel Cost	128,783,300	141,054,200	150,671,900	129,857,200	127,077,600
Operating Expenses	27,208,300	35,038,100	38,569,000	28,472,500	28,120,500
Grants, Loans or Benefits	55,057,000	60,986,100	63,683,500	57,482,500	57,494,500
Debt Service					390,000
Capital Outlay	225,500	351,500	225,500	225,500	225,500
TOTAL EXPENDITURES	211,274,100	237,429,900	253,149,900	216,037,700	213,308,100
EXPENDITURES BY FUND SOURCE					
General Fund	70,058,500	91,450,700	105,261,000	70,058,500	70,448,500
Restricted Funds	140,365,100	144,803,700	146,713,400	144,803,700	141,684,100
Federal Funds	850,500	1,175,500	1,175,500	1,175,500	1,175,500
TOTAL EXPENDITURES	211,274,100	237,429,900	253,149,900	216,037,700	213,308,100
EXPENDITURES BY UNIT					
Acute Care	92,041,000	106,091,900	113,753,600	94,178,100	94,178,100
Alternate Care	11,702,000	12,865,500	13,789,600	11,994,700	11,759,700
Mental Retardation	97,297,400	106,208,200	112,717,700	99,631,200	97,136,600
Alcohol	561,300	605,000	654,400	561,300	561,300
Forensic	9,672,400	11,659,300	12,234,600	9,672,400	9,672,400
TOTAL EXPENDITURES	211,274,100	237,429,900	253,149,900	216,037,700	213,308,100

Residential Mental Health/Mental Retardation Services provides residential services in the areas of psychiatric hospitalization, intermediate care for persons with mental retardation, nursing facility care, forensic psychiatry, and substance abuse. The Department provides care in this program to approximately 1,500 individuals each day.

Inpatient psychiatric services are provided for adults through three psychiatric hospitals: Eastern State Hospital in Lexington [117 average daily census (adc)]; Central State Hospital in Louisville (141 adc); and Western State Hospital in Hopkinsville (118 adc). The Hazard Psychiatric Facility (91 adc) provides acute inpatient psychiatric services through a contract with Appalachian Regional Healthcare, Inc. Eastern State Hospital is operated under a management contract with Bluegrass Regional Mental Health/Mental Retardation Board, Inc.

Two facilities, Glasgow Nursing Facility (84 adc) and Western State Nursing Facility (132 adc) provide nursing facility services for adults with mental illness who are admitted from state psychiatric hospitals.

Seven facilities provide intermediate care for individuals with mental retardation who are unable to live unassisted in their communities: the Communities at Oakwood in Somerset (390 adc); Outwood in Dawson Springs (79 adc); Hazelwood in Louisville (177 adc); Central State Intermediate Care Facility for the Mentally Retarded on the campus of Central State Hospital (43 adc); Del Maria in Fern Creek (8 adc); the Meadows in Mount Washington (8 adc); and Windsong in Crestwood (8 adc). Residents are assisted in self-care skills and appropriate social behavior and are provided specialized services to promote their personal growth.

Numerous initiatives are being implemented to improve the overall quality of service provided to the residents at the Communities at Oakwood. Oakwood has been divided into four separate components, each of which is fully licensed as an intermediate care facility for the mentally retarded. Collectively they are called "the Communities at Oakwood."

Volta House, a 23-adc facility on the campus of Western State Hospital in Hopkinsville, provides a 28-day inpatient program for individuals suffering from chronic or acute alcoholism.

Forensic psychiatric services are provided at the Kentucky Correctional Psychiatric Center within the Luther Lockett Correctional Complex in LaGrange (91 beds). Pretrial services are provided for persons with felony charges who are referred by district and circuit courts for evaluation of competency to stand trial. The correctional component serves post-convicted females in need of acute inpatient psychiatric treatment who are transferred from various institutions within the Department of Corrections.

Policy

Included in the Governor's Recommended budget is \$325,000 in both fiscal year 2005 and fiscal year 2006 for the federally funded Kentucky Medication Algorithm Training and Evaluation Project. This project is based on the Kentucky Medicaid Algorithm Project (KyMAP).

Also included above is \$390,000 in debt service(General Fund) for roofing at the Communities at Oakwood and a new heating, ventilation, and air conditioning system at Glasgow Nursing Facility.

**Health and Family Services
Public Health**

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	56,081,700	61,603,800	64,406,900	54,751,300	55,466,300
Budget Reduction	-153,400				
Base Deduction	-1,402,000				
Total General Fund	54,526,300	61,603,800	64,406,900	54,751,300	55,466,300
Tobacco Settlement-Phase I					
Tobacco Settlement - I	20,882,800	17,490,500	17,793,000	17,228,000	17,173,000
Continuing Appropriation	6,774,400	5,199,900	5,199,900		
Budget Reduction	-5,199,900				
Total Tobacco Settlement-Phase I	22,457,300	22,690,400	22,992,900	17,228,000	17,173,000
Restricted Funds					
Balance Forward	5,630,400	4,007,000	3,782,300	3,687,500	1,262,800
Current Receipts	63,383,400	49,181,600	49,223,800	48,927,000	48,774,700
Non-Revenue Receipts	587,800	907,300	907,300	907,300	907,300
Fund Transfers	-1,647,900			-261,700	-358,800
Total Restricted Funds	67,953,700	54,095,900	53,913,400	53,260,100	50,586,000
Federal Funds					
Balance Forward	718,700				
Current Receipts	151,901,800	149,095,900	149,456,100	148,315,300	148,294,700
Total Federal Funds	152,620,500	149,095,900	149,456,100	148,315,300	148,294,700
TOTAL SOURCE OF FUNDS	297,557,800	287,486,000	290,769,300	273,554,700	271,520,000
EXPENDITURES BY CLASS					
Personnel Cost	38,189,400	41,164,800	42,926,800	38,342,600	38,342,600
Operating Expenses	19,884,000	22,925,300	22,919,400	19,656,700	19,638,800
Grants, Loans or Benefits	233,529,100	214,413,700	214,489,600	214,292,600	212,823,600
Debt Service			1,914,000		715,000
Capital Outlay	2,267,800				
TOTAL EXPENDITURES	293,870,300	278,503,800	282,249,800	272,291,900	271,520,000
EXPENDITURES BY FUND SOURCE					
General Fund	54,526,300	61,603,800	64,406,900	54,751,300	55,466,300
Tobacco Settlement-Phase I	22,457,300	17,490,500	17,793,000	17,228,000	17,173,000
Restricted Funds	64,266,200	50,313,600	50,593,800	51,997,300	50,586,000
Federal Funds	152,620,500	149,095,900	149,456,100	148,315,300	148,294,700
TOTAL EXPENDITURES	293,870,300	278,503,800	282,249,800	272,291,900	271,520,000
EXPENDITURES BY UNIT					
General Health Support	42,735,600	43,139,600	45,397,700	43,136,600	43,136,600
Epidemiology and Health Planning	52,677,300	52,432,800	52,905,500	50,412,000	50,396,900
Adult and Child Health	182,609,600	166,429,600	166,901,700	163,331,100	162,578,400
Laboratory Services	5,147,600	5,731,100	5,951,100	5,147,600	5,147,600
Public Health Protection and Safety	10,700,200	10,770,700	11,093,800	10,264,600	10,260,500
TOTAL EXPENDITURES	293,870,300	278,503,800	282,249,800	272,291,900	271,520,000

The Department for Public Health (DPH) as authorized by KRS 211.025 and 211.180 develops and operates all health related activities that provide services to protect and improve the health of the citizens of the Commonwealth.

The Department is responsible for programs that affect the quality of life of every citizen in the state every day. What distinguishes public health from personal preventive health services (provided by private physicians, hospitals, clinics, and other private organizations) is the systematic action on behalf of the community or society. Public health organizations are accountable to the populations they serve, and public health officials are primarily responsible for the health of the population living in their jurisdiction (county, group of counties, state). Private health providers are primarily responsible for the health of only the patients who come to them for services.

In fiscal year 2003, the public health departments of Kentucky reported the following accomplishments:

- Adult health preventive visits to 180,000
- Cancer related clinical visits (primarily breast and cervical cancer) to 26,400
- 9,081 diabetes health promotion education activities to high-risk populations
- Family planning services to 108,726
- Maternity services to 53,976
- 409,809 medical home health units/visits to 9,053 patients
- 496,096 units/visits of Medicaid Home and Community Based Services to 2,896
- Children's preventive services to 429,000
- 121,308 WIC enrollees
- Referrals to university diagnostic centers for 521 infants with positive or inconclusive results for phenylketonuria (PKU), galactosemia, congenital hypothyroidism and sickle cell
- Genetic testing, counseling and education for 1,224 Kentuckians
- Provided 972,074 doses of vaccine to Kentuckians. Data recently released by the Centers for Disease Control and Prevention (CDC) show that 79.0 percent of Kentucky's two-year olds have received the required immunizations
- 438,827 persons immunized
- 96 percent (51,183) of kindergarten entrants adequately immunized
- Conducted inspections of 50,000 food establishments, 3,500 X-ray and other radiation-producing machines, 9,480 dairies, and 114,904 sanitation inspections
- 822,800 laboratory tests were performed
- 800 health professionals trained to administer smallpox vaccine
- 731 health professionals/First Responders vaccinated against smallpox

The Cabinet for Health Services and the Department for Public Health have relied on local health departments to carry out two important functions for the state: core public health activities required by statute or regulation, and preventive services to specific populations mandated by budget appropriations. The seven core functions are: enforcement of public health regulations; surveillance of public health; communicable disease control; public health education; public health policy development; reduction of risk to families and children; and disaster preparedness. Preventive services for specific populations include family planning, prenatal care, pediatric preventive check-ups, Women, Infants, and Children supplemental nutrition services (WIC), adult preventive services, and chronic disease monitoring and support services.

Local health departments may provide additional services depending on the availability of alternative revenue sources. Examples of these services include home health services, physician based ambulatory primary care services, and expanded school health services.

**Health and Family Services
Public Health
General Health Support**

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	17,656,100	17,936,600	20,170,500	17,152,500	17,152,500
Budget Reduction	-105,400				
Base Deduction	-398,200				
Total General Fund	17,152,500	17,936,600	20,170,500	17,152,500	17,152,500
Restricted Funds					
Balance Forward	1,799,000	1,600,000	1,600,000	1,600,000	800,000
Current Receipts	22,866,800	22,685,700	22,709,900	22,666,800	22,666,800
Non-Revenue Receipts	907,300	907,300	907,300	907,300	907,300
Total Restricted Funds	25,573,100	25,193,000	25,217,200	25,174,100	24,374,100
Federal Funds					
Current Receipts	1,610,000	1,610,000	1,610,000	1,610,000	1,610,000
Total Federal Funds	1,610,000	1,610,000	1,610,000	1,610,000	1,610,000
TOTAL SOURCE OF FUNDS	44,335,600	44,739,600	46,997,700	43,936,600	43,136,600
EXPENDITURES BY CLASS					
Personnel Cost	5,673,100	6,247,300	6,590,700	5,865,700	5,865,700
Operating Expenses	747,700	873,400	874,100	740,600	740,600
Grants, Loans or Benefits	36,314,800	36,018,900	36,018,900	36,530,300	36,530,300
Debt Service			1,914,000		
TOTAL EXPENDITURES	42,735,600	43,139,600	45,397,700	43,136,600	43,136,600
EXPENDITURES BY FUND SOURCE					
General Fund	17,152,500	17,936,600	20,170,500	17,152,500	17,152,500
Restricted Funds	23,973,100	23,593,000	23,617,200	24,374,100	24,374,100
Federal Funds	1,610,000	1,610,000	1,610,000	1,610,000	1,610,000
TOTAL EXPENDITURES	42,735,600	43,139,600	45,397,700	43,136,600	43,136,600

General Health Support provides funding to four organizational units within the Department for Health Services: the Office of the Commissioner, the State Employees' Nurses Stations, the Division of Resource Management and the Division of Local Health Department Operations.

The Commissioner's Office is responsible for the leadership, management, oversight, and policy direction of the Department for Public Health (DPH). The Commissioner advises the heads of major agencies in state government on policies, plans, and programs relating to matters of public health including actions necessary to respond to extraordinary events in order to safeguard the health of the citizens of the Commonwealth. The Commissioner serves as the Chief Medical Officer of the Commonwealth. A role that continues to expand is the creation and management of anti-bioterrorism initiatives and coordination of emergency response capabilities with federal and other state agencies.

The Director of Nursing provides professional consultation, support, and technical assistance to the commissioner, executive staff, and state and local health departments including approximately 1,000 nurses practicing in local health departments. The Director administers the nurse-managed employee health centers in Frankfort that provide direct care, blood pressure monitoring, flu shots, health education, and HIV/AIDS and CPR classes for state employees. The unit also arranges for first aid coverage for large state events.

Resource Management includes budgeting and financial services for the Department of Public Health as well as local health departments. Resource Management plans and manages information systems within the Department.

Local Health Department Operations includes maintenance of an automated patient and services reporting system that tracks approximately five million services to 710,000 patients. The Division provides a statewide on-line computer network with at least one site in each county.

**Health and Family Services
Public Health
Epidemiology and Health Planning**

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	8,108,200	9,403,300	9,584,800	8,005,200	8,005,200
Budget Reduction	-48,000				
Base Deduction	-55,000				
Total General Fund	8,005,200	9,403,300	9,584,800	8,005,200	8,005,200
Restricted Funds					
Balance Forward	733,000	259,900	197,000	259,900	197,000
Current Receipts	1,970,000	1,970,000	1,970,000	1,838,800	1,790,500
Fund Transfers				-261,700	-358,800
Total Restricted Funds	2,703,000	2,229,900	2,167,000	1,837,000	1,628,700
Federal Funds					
Balance Forward	362,400				
Current Receipts	41,866,600	40,996,600	41,153,700	40,766,800	40,763,000
Total Federal Funds	42,229,000	40,996,600	41,153,700	40,766,800	40,763,000
TOTAL SOURCE OF FUNDS	52,937,200	52,629,800	52,905,500	50,609,000	50,396,900
EXPENDITURES BY CLASS					
Personnel Cost	17,398,300	18,048,900	18,536,700	17,222,100	17,222,100
Operating Expenses	10,942,600	11,909,800	11,894,700	10,715,800	10,700,700
Grants, Loans or Benefits	22,068,600	22,474,100	22,474,100	22,474,100	22,474,100
Capital Outlay	2,267,800				
TOTAL EXPENDITURES	52,677,300	52,432,800	52,905,500	50,412,000	50,396,900
EXPENDITURES BY FUND SOURCE					
General Fund	8,005,200	9,403,300	9,584,800	8,005,200	8,005,200
Restricted Funds	2,443,100	2,032,900	2,167,000	1,640,000	1,628,700
Federal Funds	42,229,000	40,996,600	41,153,700	40,766,800	40,763,000
TOTAL EXPENDITURES	52,677,300	52,432,800	52,905,500	50,412,000	50,396,900
EXPENDITURES BY UNIT					
Communicable Diseases	10,345,100	11,692,800	11,834,700	10,237,600	10,233,800
AIDS/HIV	10,663,400	10,719,400	10,774,500	10,663,400	10,663,400
Public Health Preparedness	26,244,800	24,924,400	24,977,900	24,879,800	24,879,800
Surveillance and Health Data	2,071,500	2,119,400	2,172,200	2,078,000	2,078,000
Health Policy	658,900	693,400	728,700	662,700	662,700
Vital	2,693,600	2,283,400	2,417,500	1,890,500	1,879,200
TOTAL EXPENDITURES	52,677,300	52,432,800	52,905,500	50,412,000	50,396,900

The mission of the Epidemiology and Health Planning Program is to assess the occurrence of, and risk factors for, preventable diseases and injuries in the Commonwealth; to develop policies related to the prevention of disease; and to assure the provision of public health services. To discharge these responsibilities, the program conducts activities in six subprograms:

- Communicable Disease which includes immunizations, Sexually Transmitted Diseases (STD), tuberculosis, and other communicable diseases;
- HIV/AIDS surveillance, prevention services, and counseling and testing;

- Surveillance and Investigations including reportable disease surveillance, emerging infections, health status and health risk factor studies, and injury epidemiology;
- Health Data which collects and analyzes data relating to community health systems planning and development;
- Health Policy Development which includes collection of provider information and development of the state health plan; and
- Vital Statistics which collects and preserves mandatory records of all vital events including births, deaths, marriages, and divorces.

Epidemiology and Health Planning makes financial support and vaccines available to local health departments for the provision of 1,000,000 immunizations each year (more, in years when outbreaks occur) to more than 400,000 persons. Immunization rates in schools, day care, health department clinics, and among the general child population are tracked. The tuberculosis control program reduces the number of cases and deaths due to tuberculosis by preventing non-infected individuals from becoming infected, keeping those infected without disease from progressing to disease, and by rendering infected individuals with disease non-infectious. Kentucky's TB case rate remains below the national average.

Epidemiology and Health Planning is the designated State Center for Health Statistics. Health Data and Vital Statistics are responsible for the collection, analysis, and dissemination of health data from many sources to policy makers, health planners and consumers with the goal of developing policy that will improve the health of the population and ensure access to (and the benefit of) public health services to all Kentuckians. The maintenance of all vital records (birth, death, marriage and divorce certificates) and the response to all requests for vital statistics data are also carried out by this program.

Epidemiology and Health Planning is partially funded through federal preparedness and response to bioterrorism grants and has the responsibility of overseeing the public health response to bioterrorism. These funds are used to prepare the Commonwealth for disease outbreaks and other public health threats, upgrade the State Laboratory to the capacity required by the Centers for Disease Control and Prevention, and provide hospitals across the state with funding to ensure preparedness for events attributable to bioterrorism.

Policy

Included in the Governor's recommended budget are fund transfers of \$261,700 in fiscal year 2005 and \$358,800 in fiscal year 2006 from Vital Statistics agency receipts to the General Fund.

**Health and Family Services
Public Health
Adult and Child Health**

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	22,078,400	25,677,700	25,660,200	21,874,600	22,589,600
Base Deduction	-428,800				
Total General Fund	21,649,600	25,677,700	25,660,200	21,874,600	22,589,600
Tobacco Settlement-Phase I					
Tobacco Settlement - I	20,882,800	17,490,500	17,793,000	17,228,000	17,173,000
Continuing Appropriation	6,774,400	5,199,900	5,199,900		
Budget Reduction	-5,199,900				
Total Tobacco Settlement-Phase I	22,457,300	22,690,400	22,992,900	17,228,000	17,173,000
Restricted Funds					
Balance Forward	1,951,400	1,400,000	1,400,000	1,400,000	
Current Receipts	32,354,100	18,333,400	18,351,400	18,320,500	18,320,500
Fund Transfers	-1,647,900				
Total Restricted Funds	32,657,600	19,733,400	19,751,400	19,720,500	18,320,500
Federal Funds					
Current Receipts	107,245,100	104,928,000	105,097,100	104,508,000	104,495,300
Total Federal Funds	107,245,100	104,928,000	105,097,100	104,508,000	104,495,300
TOTAL SOURCE OF FUNDS	184,009,600	173,029,500	173,501,600	163,331,100	162,578,400
EXPENDITURES BY CLASS					
Personnel Cost	8,633,800	9,494,500	9,897,900	8,676,100	8,676,100
Operating Expenses	3,968,700	5,728,400	5,720,200	4,080,800	4,081,100
Grants, Loans or Benefits	170,007,100	151,206,700	151,283,600	150,574,200	149,106,200
Debt Service					715,000
TOTAL EXPENDITURES	182,609,600	166,429,600	166,901,700	163,331,100	162,578,400
EXPENDITURES BY FUND SOURCE					
General Fund	21,649,600	25,677,700	25,660,200	21,874,600	22,589,600
Tobacco Settlement-Phase I	22,457,300	17,490,500	17,793,000	17,228,000	17,173,000
Restricted Funds	31,257,600	18,333,400	18,351,400	19,720,500	18,320,500
Federal Funds	107,245,100	104,928,000	105,097,100	104,508,000	104,495,300
TOTAL EXPENDITURES	182,609,600	166,429,600	166,901,700	163,331,100	162,578,400
EXPENDITURES BY UNIT					
Maternal & Child Health	31,676,600	34,850,500	34,755,500	30,884,400	30,884,400
Early Childhood Development	49,635,900	32,662,800	32,955,800	33,912,400	32,462,400
Health Care Improvement	3,758,500	2,840,600	2,868,100	2,715,600	2,710,600
Drug Enforcement	1,277,100	1,329,600	1,388,000	1,508,600	2,223,600
Health Access	1,308,700	1,271,800	1,303,500	1,247,000	1,247,000
Chronic Diseases	11,681,400	11,320,500	11,376,500	11,078,700	11,070,000
Nutrition	83,271,400	82,153,800	82,254,300	81,984,400	81,980,400
TOTAL EXPENDITURES	182,609,600	166,429,600	166,901,700	163,331,100	162,578,400

The Adult and Child Health Services Program promotes and improves the health status of all Kentuckians through early childhood development programs; community based health education; preventive clinical care; nutrition counseling and food

supplementation; the education and enforcement of appropriate drug prescription and record keeping; and the promotion of an adequate network of primary care providers throughout the Commonwealth.

The Maternal and Child Health subprogram provides oversight to many of the services and activities which focus on mothers and children including well child, family planning, maternity services, and home visitation. It has been estimated that every dollar spent on children for preventive health care, anticipatory guidance, health education, and parenting classes, results in avoidance of seven dollars of future costs.

The Drug Enforcement subprogram administers and enforces the Kentucky Controlled Substances Act, the Drug and Device portions of the Kentucky Food, Drug and Cosmetic Act, the use of the title "doctor," and cancer treatment law. In addition, the program provides technical and professional expertise to professional licensing boards, local health departments, and all law enforcement agencies that enforce controlled substances laws.

The Chronic Disease subprogram focuses on community-based health promotion and education for adults and children as well as planning efforts aimed at finding local solutions to major health problems. Treatment for persons with chronic diseases make up more than 60 percent of all medical care expenditures. Activities are directed primarily toward breast and cervical cancer screening, diabetes control, cardiovascular health, and preventing tobacco-related diseases and conditions. Services are focused on adults without a medical "home." Referrals to other providers are made for management of problems detected.

The Nutrition subprogram administers the federally-funded Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) program which provides a monthly food prescription (package) as well as nutrition education to low-income pregnant and postpartum women, infants, and children at nutritional risk. Studies have shown that pregnant women who participate in WIC have fewer premature births, fewer low birth weight babies, and seek prenatal care earlier in the pregnancy. Nutritionists in local health departments provide medical nutrition therapy and follow-up nutrition care for children with special health care needs.

Policy

Included in the Governor's recommended budget is \$225,000 General Fund in fiscal years 2005 and 2006 to maintain the Kentucky All Schedule Prescriptions Electronic Registry (KASPER). Previously, these funds were transferred from the Kentucky Agency for Substance Abuse Policy (KY ASAP).

Debt service of \$715,000 (General Fund) in fiscal year 2006 is provided in the Governor's Recommended for KASPER upgrades.

**Health and Family Services
Public Health
Laboratory Services**

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	4,441,600	4,635,100	4,855,100	4,051,600	4,051,600
Base Deduction	-390,000				
Total General Fund	4,051,600	4,635,100	4,855,100	4,051,600	4,051,600
Restricted Funds					
Balance Forward	559,500	479,500	399,500	160,000	80,000
Current Receipts	1,016,000	1,016,000	1,016,000	1,016,000	1,016,000
Non-Revenue Receipts	-319,500				
Total Restricted Funds	1,256,000	1,495,500	1,415,500	1,176,000	1,096,000
TOTAL SOURCE OF FUNDS	5,307,600	6,130,600	6,270,600	5,227,600	5,147,600
EXPENDITURES BY CLASS					
Personnel Cost	2,285,000	2,631,500	2,833,500	2,310,500	2,310,500
Operating Expenses	2,854,600	3,091,600	3,109,600	2,829,100	2,829,100
Grants, Loans or Benefits	8,000	8,000	8,000	8,000	8,000
TOTAL EXPENDITURES	5,147,600	5,731,100	5,951,100	5,147,600	5,147,600
EXPENDITURES BY FUND SOURCE					
General Fund	4,051,600	4,635,100	4,855,100	4,051,600	4,051,600
Restricted Funds	1,096,000	1,096,000	1,096,000	1,096,000	1,096,000
TOTAL EXPENDITURES	5,147,600	5,731,100	5,951,100	5,147,600	5,147,600

The Laboratory Services Program provides essential examinations of clinical and environmental specimens required to support other state programs and local health department programs. The Laboratory performs reference diagnostic testing not readily available elsewhere for hospitals and practicing physicians. Laboratory Services performs clinical toxicology and forensic toxicology examinations; tests environmental samples for water fluoride levels; examines milk, food, and water for evidence of contamination; and performs pesticide analyses, radiochemistry, and occupational safety and health chemistry.

The State Laboratory is a certified high complexity laboratory, which requires it to meet the most stringent federal requirements for quality assurance, quality control, and personnel qualifications. The program is responsible for approximately 259 local health department sites licensed on multiple-site certificates under Clinical Laboratory Improvement Act (CLIA). The program's staff provide technical direction, training sessions, on-site consultations, procedure manuals, forms for documentation, and other necessary tools.

Laboratory Services performs tests for patients in the Department for Mental Health and Mental Retardation Services' facilities and provides occupational health chemistry analysis for the Kentucky Occupational Safety and Health Program.

General Fund support is the primary source of funding for Laboratory Services. Other funds are received from newborn screening fees and a cooperative agreement with OSHA.

**Health and Family Services
Public Health
Public Health Protection and Safety**

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	3,797,400	3,951,100	4,136,300	3,667,400	3,667,400
Base Deduction	-130,000				
Total General Fund	3,667,400	3,951,100	4,136,300	3,667,400	3,667,400
Restricted Funds					
Balance Forward	587,500	267,600	185,800	267,600	185,800
Current Receipts	5,176,500	5,176,500	5,176,500	5,084,900	4,980,900
Total Restricted Funds	5,764,000	5,444,100	5,362,300	5,352,500	5,166,700
Federal Funds					
Balance Forward	356,300				
Current Receipts	1,180,100	1,561,300	1,595,300	1,430,500	1,426,400
Total Federal Funds	1,536,400	1,561,300	1,595,300	1,430,500	1,426,400
TOTAL SOURCE OF FUNDS	10,967,800	10,956,500	11,093,900	10,450,400	10,260,500
EXPENDITURES BY CLASS					
Personnel Cost	4,199,200	4,742,600	5,068,000	4,268,200	4,268,200
Operating Expenses	1,370,400	1,322,100	1,320,800	1,290,400	1,287,300
Grants, Loans or Benefits	5,130,600	4,706,000	4,705,000	4,706,000	4,705,000
TOTAL EXPENDITURES	10,700,200	10,770,700	11,093,800	10,264,600	10,260,500
EXPENDITURES BY FUND SOURCE					
General Fund	3,667,400	3,951,100	4,136,300	3,667,400	3,667,400
Restricted Funds	5,496,400	5,258,300	5,362,200	5,166,700	5,166,700
Federal Funds	1,536,400	1,561,300	1,595,300	1,430,500	1,426,400
TOTAL EXPENDITURES	10,700,200	10,770,700	11,093,800	10,264,600	10,260,500
EXPENDITURES BY UNIT					
Radiation	2,285,900	2,387,400	2,492,900	2,232,100	2,229,400
Milk	1,321,700	1,402,900	1,485,500	1,336,700	1,336,700
Food	4,503,900	4,453,500	4,509,800	4,273,600	4,273,600
Sanitation	2,588,700	2,526,900	2,605,600	2,422,200	2,420,800
TOTAL EXPENDITURES	10,700,200	10,770,700	11,093,800	10,264,600	10,260,500

The Public Health Protection and Safety Program provides a variety of environmental services, from monitoring exposure to radiation to insuring sanitation of food, milk, and public facilities.

The Radiation subprogram inspects and issues 450 specific licenses to users of radioactive materials and registers and inspects 200 users of radiation sources. The program monitors the transportation of radioactive waste, within and through the Commonwealth, and is equipped to respond to radiological emergencies 24 hours per day. The program registers and inspects 3,350 facilities and issues certificates and inspects approximately 5,500 operators of sources of radiation. Monitoring of nuclear waste disposal sites (such as Maxey Flats) is conducted by this agency along with the Environmental and Public Protection Cabinet.

The Milk Safety subprogram inspects dairy farms, dairy plants, and milk processors. The program provides safety education to milk haulers, pasteurization equipment operators and other industry professionals.

The Food subprogram trains local health department employees who inspect food service establishments, retail food stores,

vending machine companies, tattoo studios, boarding homes, bed and breakfast establishments, and food manufacturing and storage plants. The program collects representative samples from the state's raw agricultural producers to test for pesticide residues. The food safety program also oversees quarantines and the destruction of food, drugs and alcohol which have been contaminated by disasters such as floods.

The Sanitation subprogram establishes sanitary and safety standards for the construction and operation of public facilities. The program oversees construction of onsite sewage disposal systems and trains and certifies inspectors and operators. The program conducts lead abatement activities, especially in areas occupied by children. The program investigates unsafe products and provides education on safety issues.

Policy

Estimates of restricted fund receipts were reduced from the agencies' request in fiscal years 2005 and 2006 in order to take into account restrictions on hiring and the accompanying loss of funds for these agencies.

**Health and Family Services
Certificate of Need**

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	134,100	154,700	177,600	117,700	117,700
Budget Reduction	-13,000				
Base Deduction	-3,400				
Total General Fund	117,700	154,700	177,600	117,700	117,700
Restricted Funds					
Balance Forward	175,800	117,200	58,600	113,100	54,500
Current Receipts	104,300	104,300	104,300	104,300	104,300
Non-Revenue Receipts	-15,800				
Fund Transfers	-4,100				
Total Restricted Funds	260,200	221,500	162,900	217,400	158,800
TOTAL SOURCE OF FUNDS	377,900	376,200	340,500	335,100	276,500
EXPENDITURES BY CLASS					
Personnel Cost	251,500	300,700	323,600	267,100	267,100
Operating Expenses	13,300	16,900	16,900	13,500	9,400
TOTAL EXPENDITURES	264,800	317,600	340,500	280,600	276,500
EXPENDITURES BY FUND SOURCE					
General Fund	117,700	154,700	177,600	117,700	117,700
Restricted Funds	147,100	162,900	162,900	162,900	158,800
TOTAL EXPENDITURES	264,800	317,600	340,500	280,600	276,500

The Certificate of Need process ensures that the citizens of the Commonwealth will have safe, adequate and efficient medical care. KRS 194A.030 established the Office of Certificate of Need. KRS 216B provides statutory authority to promulgate administrative regulations, process approval or disapproval of applications for certificates of need, schedule public hearings, monitor the implementation of approved certificates of need, and issue advisory opinions.

A Certificate of Need must be obtained prior to the following activities:

- Establishment of a health facility;
- Obligation of a capital expenditure which exceeds the capital expenditure minimum;
- A substantial change in the bed capacity of a health facility;
- A substantial change in a previously approved project;
- Acquisition of major medical equipment;
- Alteration of a geographical area or a specific location which has been designated on a certificate of need or license; or
- Transfer of an approved certificate of need for the establishment of a new health facility or the replacement of a licensed facility.

**Health and Family Services
Aging Services**

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	26,821,800	27,342,800	27,412,000	26,122,100	26,122,100
Budget Reduction	-29,200				
Base Deduction	-670,500				
Total General Fund	26,122,100	27,342,800	27,412,000	26,122,100	26,122,100
Restricted Funds					
Balance Forward	29,900	4,900	2,500	4,900	2,500
Current Receipts	58,900	59,400	59,900	59,400	59,900
Non-Revenue Receipts	670,400	-2,400	-2,500	-2,400	-2,500
Fund Transfers	-19,000				
Total Restricted Funds	740,200	61,900	59,900	61,900	59,900
Federal Funds					
Balance Forward	379,600				
Current Receipts	20,993,600	21,373,200	21,373,200	21,214,900	21,143,700
Total Federal Funds	21,373,200	21,373,200	21,373,200	21,214,900	21,143,700
TOTAL SOURCE OF FUNDS	48,235,500	48,777,900	48,845,100	47,398,900	47,325,700
EXPENDITURES BY CLASS					
Personnel Cost	1,766,300	1,809,300	1,950,200	1,568,000	1,568,500
Operating Expenses	216,300	237,400	237,400	216,300	216,300
Grants, Loans or Benefits	46,248,000	46,728,700	46,657,500	45,612,100	45,540,900
TOTAL EXPENDITURES	48,230,600	48,775,400	48,845,100	47,396,400	47,325,700
EXPENDITURES BY FUND SOURCE					
General Fund	26,122,100	27,342,800	27,412,000	26,122,100	26,122,100
Restricted Funds	735,300	59,400	59,900	59,400	59,900
Federal Funds	21,373,200	21,373,200	21,373,200	21,214,900	21,143,700
TOTAL EXPENDITURES	48,230,600	48,775,400	48,845,100	47,396,400	47,325,700

The Office of Aging Services is designated as the State Unit on Aging by the Federal Administration on Aging. Services are carried out through contracts with the 15 Area Development Districts (ADDs). The Office administers the Older Americans Act, the Homecare Program, and Community Based Services.

Older Americans Act services include: congregate meals, home delivered meals, nutrition services, employment services, supportive services, and the long-term care ombudsman program. Congregate meals are served to persons age 60 and over at senior citizens centers located in each Kentucky county.

Kentucky's Homecare Program assists frail and vulnerable adults 60 years and older who are physically and/or functionally disabled and at-risk of long-term institutionalization. Services include: homemaker services, personal care, home management, home health aide, meal delivery, home repair and chore, respite and escort services (such as to the doctor's office). The Homecare Program is operated under KRS 205.455 to 465 and served over 11,000 persons during fiscal year 2003. Some Homecare funds are now being used to leverage federal Medicaid funds through the Homecare Home and Community Based Waiver (1915c waiver).

Community Based Services provides programs for adult day care and Alzheimer's respite, personal care attendants for physically disabled adults, and a benefits counseling program for individuals eligible for Medicaid. These programs strive to provide cost effective alternatives to the population at-risk of institutionalization.

KRS 194A.707 established the initial and annual certification review process for assisted living communities which is carried out by the Office of Aging Services.

**Health and Family Services
Disability Determinations**

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
Restricted Funds					
Current Receipts		65,800	65,800		
Non-Revenue Receipts	65,800			65,800	65,800
Fund Transfers	-1,600				
Total Restricted Funds	64,200	65,800	65,800	65,800	65,800
Federal Funds					
Balance Forward	30,600				
Current Receipts	42,346,300	43,796,700	45,852,300	42,243,800	42,692,200
Total Federal Funds	42,376,900	43,796,700	45,852,300	42,243,800	42,692,200
TOTAL SOURCE OF FUNDS	42,441,100	43,862,500	45,918,100	42,309,600	42,758,000
EXPENDITURES BY CLASS					
Personnel Cost	24,237,100	25,786,500	27,845,200	24,233,600	24,685,100
Operating Expenses	3,643,200	3,643,200	3,512,100	3,643,200	3,512,100
Grants, Loans or Benefits	14,560,800	14,432,800	14,560,800	14,432,800	14,560,800
TOTAL EXPENDITURES	42,441,100	43,862,500	45,918,100	42,309,600	42,758,000
EXPENDITURES BY FUND SOURCE					
Restricted Funds	64,200	65,800	65,800	65,800	65,800
Federal Funds	42,376,900	43,796,700	45,852,300	42,243,800	42,692,200
TOTAL EXPENDITURES	42,441,100	43,862,500	45,918,100	42,309,600	42,758,000

The Department for Disability Determinations (DDDS) determines medical eligibility for residents of the Commonwealth who apply for Social Security and Supplemental Security Income disability benefits from the federal government. The DDDS reevaluates the claims of disability recipients who have been selected for a periodic review of their medical condition and conducts face-to-face evidentiary hearings for those individuals who appeal an unfavorable review of their continuing eligibility.

The Department for Disability Determinations workload depends upon: 1) the number of individuals who apply for disability benefits through the Social Security Administration (SSA); 2) the number of claims that SSA selects for continuing review and sends to DDDS, and 3) Congressional mandates, legal actions or other initiatives.

**Health and Family Services
Community Based Services**

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	284,364,400	341,395,400	396,532,400	274,693,100	289,793,100
Budget Reduction	-3,000,000				
Salary Compensation Fund	449,000				
Base Deduction	-5,896,600				
Total General Fund	275,916,800	341,395,400	396,532,400	274,693,100	289,793,100
Tobacco Settlement-Phase I					
Tobacco Settlement - I	3,581,300	8,112,900	8,112,900	7,500,400	7,500,400
Continuing Appropriation	4,566,300	156,700	156,700		
Budget Reduction	-156,700				
Total Tobacco Settlement-Phase I	7,990,900	8,269,600	8,269,600	7,500,400	7,500,400
Restricted Funds					
Balance Forward	60,784,800	32,528,800	2,755,500	32,528,800	6,296,600
Current Receipts	111,892,900	123,563,700	133,335,500	117,685,800	117,523,000
Non-Revenue Receipts	-4,168,700	-10,228,100	-11,359,400	-8,751,600	-8,680,400
Fund Transfers	-5,087,900				
Total Restricted Funds	163,421,100	145,864,400	124,731,600	141,463,000	115,139,200
Federal Funds					
Balance Forward	9,612,200				
Current Receipts	474,724,900	497,000,900	526,333,000	470,437,700	478,203,800
Total Federal Funds	484,337,100	497,000,900	526,333,000	470,437,700	478,203,800
TOTAL SOURCE OF FUNDS	931,665,900	992,530,300	1,055,866,600	894,094,200	890,636,500
EXPENDITURES BY CLASS					
Personnel Cost	236,898,000	271,536,500	297,234,800	234,340,400	236,437,300
Operating Expenses	46,271,300	52,111,100	55,133,500	39,519,400	39,136,800
Grants, Loans or Benefits	615,967,800	665,970,500	703,341,600	613,937,800	615,062,400
TOTAL EXPENDITURES	899,137,100	989,618,100	1,055,709,900	887,797,600	890,636,500
EXPENDITURES BY FUND SOURCE					
General Fund	275,916,800	341,395,400	396,532,400	274,693,100	289,793,100
Tobacco Settlement-Phase I	7,990,900	8,112,900	8,112,900	7,500,400	7,500,400
Restricted Funds	130,892,300	143,108,900	124,731,600	135,166,400	115,139,200
Federal Funds	484,337,100	497,000,900	526,333,000	470,437,700	478,203,800
TOTAL EXPENDITURES	899,137,100	989,618,100	1,055,709,900	887,797,600	890,636,500
EXPENDITURES BY UNIT					
Family Support	306,159,200	323,220,900	338,813,400	301,212,900	301,178,400
Child Support	57,640,000	61,308,500	63,999,500	57,300,500	57,552,900
Energy	32,618,500	23,217,900	23,222,900	23,198,100	23,179,500
Child Care	155,135,800	175,248,100	186,287,300	158,051,500	167,301,600
Family and Community Services	347,583,600	406,622,700	443,386,800	348,034,600	341,424,100
TOTAL EXPENDITURES	899,137,100	989,618,100	1,055,709,900	887,797,600	890,636,500

The Department for Community Based Services (DCBS) is responsible for administering the following programs: Family Support (including Temporary Assistance to Needy Families (TANF), Food Stamps, Medicaid Eligibility, and State Supplementation), Child Support, Energy Assistance, Child Care, and Family and Community Based Services (including Family Based Services, Adult Services and Alternatives for Children).

These programs benefit Kentuckians who, because of social, educational, mental, or physical impairments are without sufficient resources to meet their basic needs. The Department's mission is to preserve the family as a unit when possible and protect individuals from abuse, neglect, and exploitation with safety and permanency as the paramount goals.

**Health and Family Services
Community Based Services
Family Support**

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	121,016,200	127,089,100	134,859,500	117,396,400	119,686,700
Budget Reduction	-1,500,000				
Base Deduction	-2,119,800				
Total General Fund	117,396,400	127,089,100	134,859,500	117,396,400	119,686,700
Restricted Funds					
Balance Forward	3,742,900	3,459,100	244,500	3,459,100	244,500
Non-Revenue Receipts	15,362,900	11,351,600	12,602,400	10,502,300	11,062,900
Fund Transfers	-50,500				
Total Restricted Funds	19,055,300	14,810,700	12,846,900	13,961,400	11,307,400
Federal Funds					
Balance Forward	1,138,200				
Current Receipts	172,028,400	181,565,600	191,107,000	170,099,600	170,184,300
Total Federal Funds	173,166,600	181,565,600	191,107,000	170,099,600	170,184,300
TOTAL SOURCE OF FUNDS	309,618,300	323,465,400	338,813,400	301,457,400	301,178,400
EXPENDITURES BY CLASS					
Personnel Cost	93,467,300	105,615,600	118,998,900	92,726,800	92,685,400
Operating Expenses	21,231,600	23,730,100	25,477,700	17,020,200	17,021,100
Grants, Loans or Benefits	191,460,300	193,875,200	194,336,800	191,465,900	191,471,900
TOTAL EXPENDITURES	306,159,200	323,220,900	338,813,400	301,212,900	301,178,400
EXPENDITURES BY FUND SOURCE					
General Fund	117,396,400	127,089,100	134,859,500	117,396,400	119,686,700
Restricted Funds	15,596,200	14,566,200	12,846,900	13,716,900	11,307,400
Federal Funds	173,166,600	181,565,600	191,107,000	170,099,600	170,184,300
TOTAL EXPENDITURES	306,159,200	323,220,900	338,813,400	301,212,900	301,178,400
EXPENDITURES BY UNIT					
Food Stamps	53,152,800	61,532,200	68,542,500	49,977,200	50,046,800
Medical Assistance	28,397,500	32,607,400	36,883,800	28,122,500	27,998,500
State Supplementation	19,465,600	21,893,000	22,363,900	19,465,600	19,465,600
TANF	205,143,300	207,188,300	211,023,200	203,647,600	203,667,500
TOTAL EXPENDITURES	306,159,200	323,220,900	338,813,400	301,212,900	301,178,400

The Family Support Program consists of the following programs: Temporary Assistance to Needy Families (TANF), Food Stamps, Medicaid Eligibility, and State Supplementation.

The National Voter Registration Act of 1993, also known as the Motor-Voter Act, requires agencies that deliver services to persons with disabilities or provide benefits under the Kentucky Transitional Assistance Program; Women, Infants and Children Program; Medicaid; or Food Stamps; as well as Armed Forces Recruiting Stations and driver licensing stations make available voter registration applications. These agencies are mandated to distribute voter registration forms, provide assistance in completing these forms, and ensure completed forms reach the proper state election office for processing.

Temporary Assistance for Needy Families (TANF)

The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PL 104-193) amended and combined Title IV-A

(AFDC) and Title IV-F (JOBS) of the Social Security Act to provide block grants to states for Temporary Assistance for Needy Families (TANF). These federal funds support the program's administrative and benefit expenditures that include personnel, operating, and indirect costs; contracts with partnering agencies; cash assistance subsidies; supportive services; child care; and transportation. A Maintenance of Effort requirement mandates that states spend an amount equal to or greater than 80 percent of fiscal year 1994 expenditures. For Kentucky, this amount is \$71.9 million. Congress is expected to reauthorize the Welfare Reform program but there may be significant changes including increasing the number of hours of participation, narrowing of direct work activities, and universal participation requirements.

The Kentucky Transitional Assistance Program (K-TAP) is the Commonwealth's cash assistance program for families with a dependent child who is deprived of parental support due to the continued absence, unemployment, incapacity, or death of one or both parents. Eligibility requirements include residency, age, and enumeration. Monthly payments are designed to help adults find a job or obtain training that leads to employment. Gross income must fall below a level appropriate for the family's size, and total family resources cannot exceed agency limits.

The Kentucky Works Program assists recipients with their transition into the workforce and attainment of self-sufficiency. Adults receiving K-TAP benefits must participate in this program and, with the help of a case manager, develop a Transitional Assistance Agreement. Kentucky Works Program activities include employment, on-the-job training, work experience training programs, a job search/job readiness component, vocational training or other educational services, community service, high school completion for teen parents, and other activities necessary to prepare for employment. Referrals to providers of transportation, childcare, and supportive services such as car repairs and supplies ensure that individuals are able to take part in this program.

Safety Net Services are available to former K-TAP families who lose cash assistance as a result of time limits or failure to complete an assessment for Kentucky Works. Families with an income at or below 200 percent of the federal poverty level can access temporary benefits to meet basic needs such as shelter, food, clothing, or utilities. A total of \$635 may be authorized for four months during a 12-month period.

The Family Alternatives Diversion Program (FAD) provides an alternative for families, who, while otherwise eligible, choose not to receive K-TAP cash assistance. A maximum of \$1,300 is available to assist the family with immediate needs such as food, shelter, transportation, etc. These benefits may be authorized for a three-month period. FAD may be approved once during a 24-month period.

The Kinship Care Program provides financial assistance and support services to non-parental relatives caring for children who cannot remain in the home of their parents due to abuse, neglect, or the death of both parents. An initial, one-time amount is available to address each child's immediate needs in this new environment.

Efforts continue to partner with local communities to achieve the goals of self-sufficiency, protection, and permanency for Kentucky's families. The flexibility of the TANF block grant has allowed the Department to pursue initiatives such as change management and organizational restructuring and, as a result, better address the needs of those striving to escape a life of dependency.

Food Stamps

The Food Stamp program, authorized by the Food Stamp Act of 1997 (PL 95-113) and KRS 194B.050, helps low-income persons purchase food for a nutritional diet. It is designed to promote the general welfare and safeguard the health and well-being of the nation's population by raising nutritional levels among low-income households. A household, which is defined as any individual, family, or group of people living with each other who buy and prepare food together, must meet eligibility standards.

The Food Stamp Employment and Training (FS E&T) program is designed to assist able-bodied food stamp recipients obtain employment that leads to self-sufficiency. This initiative, mandated in 1987 as a result of amendments to the Food Stamp Act, requires that work registrants in the 63 FS E&T designated counties participate in either vocational education training or a Work Experience Program. The remaining counties received waivers for E & T participation due to unemployment rates greater than ten percent. In August 1997, Public Law 105-33 amended the Food Stamp Act and the Food Stamp Employment and Training Program to mandate that 80 percent of federal FS E&T funding be spent on able-bodied adults between the ages of 18-49 who lack dependents, are placed in and comply with the requirements of a work program, and meet the eligibility standards of 7 U.S.C. 2015(o). The Farm Security and Rural Investment Act of 2002 (PL 107-171) subsequently eliminated the 80 percent employment and training requirement, but Kentucky continues to serve only able-bodied adults without dependents.

Medicaid Eligibility

The Department for Community Based Services (DCBS), using staff in field offices located in each Kentucky county, determines eligibility for the Medicaid program under a contract with the Department for Medicaid Services. The Medicaid program is authorized under Title XIX of the U.S. Social Security Act and KRS 205.520.

State Supplementation

The State Supplementation Program, authorized by KRS 205.245, provides financial support to aged, blind, or disabled individuals who have insufficient income to meet their needs in a licensed personal care home or family care home, or to purchase caretaker services designed to prevent institutionalization. To be eligible, persons must meet the criteria of the Social Security Income program related to age, blindness or disability as well as additional requirements associated with citizenship, Kentucky residency, enumeration and special needs.

Policy

The Governor's recommendation includes General Fund in the amount of \$2.3 million in fiscal year 2006 to replace fiscal year spend-down of one-time restricted funds in order to maintain operating levels.

**Health and Family Services
Community Based Services
Child Support**

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	9,401,700	10,764,400	11,593,500	4,678,000	4,678,000
Total General Fund	9,401,700	10,764,400	11,593,500	4,678,000	4,678,000
Restricted Funds					
Balance Forward	1,951,000				
Current Receipts	9,957,100	9,799,200	9,885,000	14,522,900	14,608,700
Fund Transfers	-2,609,200				
Total Restricted Funds	9,298,900	9,799,200	9,885,000	14,522,900	14,608,700
Federal Funds					
Balance Forward	1,392,400				
Current Receipts	37,547,000	40,744,900	42,521,000	38,099,600	38,266,200
Total Federal Funds	38,939,400	40,744,900	42,521,000	38,099,600	38,266,200
TOTAL SOURCE OF FUNDS	57,640,000	61,308,500	63,999,500	57,300,500	57,552,900
EXPENDITURES BY CLASS					
Personnel Cost	10,404,900	11,111,700	11,970,800	10,375,500	10,375,700
Operating Expenses	5,153,900	4,843,400	5,095,600	4,843,400	5,095,600
Grants, Loans or Benefits	42,081,200	45,353,400	46,933,100	42,081,600	42,081,600
TOTAL EXPENDITURES	57,640,000	61,308,500	63,999,500	57,300,500	57,552,900
EXPENDITURES BY FUND SOURCE					
General Fund	9,401,700	10,764,400	11,593,500	4,678,000	4,678,000
Restricted Funds	9,298,900	9,799,200	9,885,000	14,522,900	14,608,700
Federal Funds	38,939,400	40,744,900	42,521,000	38,099,600	38,266,200
TOTAL EXPENDITURES	57,640,000	61,308,500	63,999,500	57,300,500	57,552,900

The Child Support Program under Title IV-D of the Social Security Act (PL 93-647) is designed to ensure that children are financially supported by parents who are legally obligated to pay child support. Both the state and federal governments share costs to conduct this program. State statutes governing the operation of this program were enacted under the Kentucky Child Support Recovery Act and are contained in KRS 205.710 - KRS 205.800.

The core functions of the child support program include locating parents; establishing paternity; establishing, enforcing, and modifying child support orders; and collecting and disbursing child support payments. Program responsibilities include the establishment and enforcement of medical support as well as the enforcement and collection of spousal support. In addition to traditional judicial processes, state and federal laws allow the Child Support Program to accomplish its mission through administrative processes such as in-hospital paternity establishment, wage assignments, liens and levies on personal property and assets, and offsetting tax refunds and unemployment benefits. The Division of Child Support maintains program administration contracts with 110 county officials to provide child support collection locally.

Child support services are automatically provided to families receiving assistance under the Kentucky Transitional Assistance Program (K-TAP) or Medicaid, and for children placed in the care of the Health and Family Services Cabinet. Payment collected for families receiving K-TAP and children in the care of the Health and Family Services Cabinet is used to reimburse the state and federal governments for benefits expended on behalf of those families and children. Families that do not participate in the cash or medical assistance programs may also apply for child support services at no cost to the family.

Public Law 104-193, the Personal Responsibility and Work Opportunity Reconciliation Act of 1996, created new requirements

for the child support program. Through contracts with private vendors, this program receives new-hire information from employers and asset data from financial institutions. A state case registry has been established and data is transmitted to the federal case registry to assist in locating out-of-state parents. The State Disbursement Unit is a centralized collection site for all child support payments, including non-Title IV-D wages. These are private child support cases in which payments are withheld from the parent's wages. State services provided in these cases are limited to receiving payments from the employer, disbursing the payment to the family, and maintaining fiscal records.

The Personal Responsibility and Work Opportunity Reconciliation Act also revised the method for calculating incentive payments from one that focused solely on program processes to one based on program outcomes. Under this new plan, a pool of funds has been created for incentive payments to all states. However, only those states which meet the performance criteria in each of five program areas are eligible to receive a portion of the pool. Kentucky's incentive payments have increased each of the last two years.

Policy

The Governor's recommendation includes increased use of restricted fund transfers from the off-budget Child Support Incentives account in order to maintain the program.

**Health and Family Services
Community Based Services
Energy**

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
Restricted Funds					
Balance Forward	88,000	18,900		18,900	
Total Restricted Funds	88,000	18,900		18,900	
Federal Funds					
Balance Forward	8,700				
Current Receipts	32,540,700	23,199,000	23,222,900	23,179,200	23,179,500
Total Federal Funds	32,549,400	23,199,000	23,222,900	23,179,200	23,179,500
TOTAL SOURCE OF FUNDS	32,637,400	23,217,900	23,222,900	23,198,100	23,179,500
EXPENDITURES BY CLASS					
Personnel Cost	350,000	370,000	396,500	350,400	353,100
Operating Expenses	71,100	70,000	71,300	69,800	71,300
Grants, Loans or Benefits	32,197,400	22,777,900	22,755,100	22,777,900	22,755,100
TOTAL EXPENDITURES	32,618,500	23,217,900	23,222,900	23,198,100	23,179,500
EXPENDITURES BY FUND SOURCE					
Restricted Funds	69,100	18,900		18,900	
Federal Funds	32,549,400	23,199,000	23,222,900	23,179,200	23,179,500
TOTAL EXPENDITURES	32,618,500	23,217,900	23,222,900	23,198,100	23,179,500
EXPENDITURES BY UNIT					
LIHEAP	22,864,400	15,652,100	15,656,800	15,648,100	15,648,200
Weatherization	9,754,100	7,565,800	7,566,100	7,550,000	7,531,300
TOTAL EXPENDITURES	32,618,500	23,217,900	23,222,900	23,198,100	23,179,500

The Low Income Home Energy Assistance Program and the Weatherization Assistance Program administered through the Department for Community Based Services are federally funded programs that help low-income households meet the cost of energy expenses through direct fuel bill subsidies or energy conservation repairs to their homes.

The Home Energy Assistance Program (HEAP), authorized by KRS 205.400, provides support with home heating/cooling costs for low-income households. Eligibility criteria include: income that does not exceed 110 percent of the federal poverty level; resources that total less than \$1,500 (or \$4,000 if there is a catastrophic illness in the household); and the responsibility for home heating expenses. This program is divided into two segments: Subsidy, which provides heating assistance benefits to eligible households; and Crisis, which is designed to assist any low-income family experiencing a home energy emergency. Services include accepting applications, determining eligibility, implementing an outreach component, and coordinating this program with other energy assistance initiatives.

The Weatherization Assistance Program is designed to reduce energy consumption, lower heating bills, and ensure the health and safety of families whose annual income is at or below 125 percent of the federal poverty level. Funds are provided to conduct energy audits and heat system safety tests and repairs, reduce air infiltration, install insulation, and perform other energy-related conservation measures.

**Health and Family Services
Community Based Services
Child Care**

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	21,463,000	36,463,000	38,063,000	20,363,000	20,363,000
Base Deduction	-1,100,000				
Total General Fund	20,363,000	36,463,000	38,063,000	20,363,000	20,363,000
Tobacco Settlement-Phase I					
Tobacco Settlement - I	3,023,300	7,932,900	7,932,900	7,320,400	7,320,400
Continuing Appropriation	4,409,600				
Total Tobacco Settlement-Phase I	7,432,900	7,932,900	7,932,900	7,320,400	7,320,400
Restricted Funds					
Balance Forward	143,700	98,100	8,000	98,100	49,100
Current Receipts	58,700	8,000	54,000	54,000	54,000
Total Restricted Funds	202,400	106,100	62,000	152,100	103,100
Federal Funds					
Balance Forward	1,410,500				
Current Receipts	125,825,100	130,754,100	140,229,400	130,265,100	139,515,100
Total Federal Funds	127,235,600	130,754,100	140,229,400	130,265,100	139,515,100
TOTAL SOURCE OF FUNDS	155,233,900	175,256,100	186,287,300	158,100,600	167,301,600
EXPENDITURES BY CLASS					
Personnel Cost	13,687,100	14,634,800	14,952,600	14,447,400	14,526,500
Operating Expenses	749,000	749,000	749,000	752,300	801,900
Grants, Loans or Benefits	140,699,700	159,864,300	170,585,700	142,851,800	151,973,200
TOTAL EXPENDITURES	155,135,800	175,248,100	186,287,300	158,051,500	167,301,600
EXPENDITURES BY FUND SOURCE					
General Fund	20,363,000	36,463,000	38,063,000	20,363,000	20,363,000
Tobacco Settlement-Phase I	7,432,900	7,932,900	7,932,900	7,320,400	7,320,400
Restricted Funds	104,300	98,100	62,000	103,000	103,100
Federal Funds	127,235,600	130,754,100	140,229,400	130,265,100	139,515,100
TOTAL EXPENDITURES	155,135,800	175,248,100	186,287,300	158,051,500	167,301,600

Under KRS Chapter 199, the Department for Community Based Services (DCBS), through the Division of Child Care, manages day care services in the Commonwealth. The child care services delivered are designed to promote, expand, and improve the quality of care for children in Kentucky and ensure that families most in need have access to high quality child care which is developmentally appropriate, affordable, and safe. In the context of Comprehensive Family Services, child care is one of the support services directed at:

- Preventing or remedying abuse, neglect or exploitation of children,
- Preventing family dissolution,
- Preventing out-of-home placements,
- Providing early educational opportunities for at-risk children, and
- Strengthening and maintaining client families.

Priorities for allocation of available funds have been to meet protective services child care and child care needs for work participation requirements for the families receiving benefits through the Kentucky Temporary Assistance Program (K-TAP). Failure to meet participation requirements would result in substantial penalties and the loss of federal funds. After these priorities are met, remaining funds are used to provide child care subsidies for low-income working parents. This includes families who are transitioning from K-TAP and those who would be at risk of becoming dependent on K-TAP if child care were not available.

The Division of Child Care certifies home child care providers that serve no more than six non-relative children. Once certified, these homes are eligible to receive reimbursement for children participating in any component of the program, and they may participate in the federal school lunch program.

The cost of services for working parents is partially offset by a sliding fee scale under which parents pay a portion of the expense based on their income and family size. Child care assistance provided to families as a result of protective services are available without regard to income. In addition, child care is provided for 12 months following discontinuance of K-TAP benefits due to employment.

The Cabinet's Division of Child Care collaborates with the Division of Early Childhood Development Services and other public and private entities in the development and implementation of the Early Childhood Development initiatives. A portion of the Tobacco Settlement Funds may be used to match federal funds to support various quality initiatives. Early care and education have been enhanced through a voluntary, research based, four star child care quality rating system (STARS for KIDS NOW) for centers and certified family child care homes. This program includes quality incentives and achievement awards for participants. Increased quality, availability, and affordability of training for all early care and education professionals has been supported by a seamless statewide system of professional development that includes core content, credentials, scholarships, grants, awards, and articulation.

Successful attainment of national child care accreditation and credentials are indicators that a child care program provides quality services. The Division of Child Care is committed to support the professional development of these providers through grants to pay national accreditation and credentialing fees. In addition, this division collaborates with the Kentucky Association of Child Care Resource and Referral Agencies (KACCRRRA) to improve the number of quality child care resources in the Commonwealth. With the Division's assistance, KACCRRRA provides technical support and training to childcare programs and serves as a resource for parents in obtaining quality childcare.

**Health and Family Services
Community Based Services
Family and Community Services**

	Revised FY 2004	Requested FY 2005	Requested FY 2006	Recommended FY 2005	Recommended FY 2006
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	132,483,500	167,078,900	212,016,400	132,255,700	145,065,400
Budget Reduction	-1,500,000				
Salary Compensation Fund	449,000				
Base Deduction	-2,676,800				
Total General Fund	128,755,700	167,078,900	212,016,400	132,255,700	145,065,400
Tobacco Settlement-Phase I					
Tobacco Settlement - I	558,000	180,000	180,000	180,000	180,000
Continuing Appropriation	156,700	156,700	156,700		
Budget Reduction	-156,700				
Total Tobacco Settlement-Phase I	558,000	336,700	336,700	180,000	180,000
Restricted Funds					
Balance Forward	54,859,200	28,952,700	2,503,000	28,952,700	6,003,000
Current Receipts	101,877,100	113,756,500	123,396,500	103,108,900	102,860,300
Non-Revenue Receipts	-19,531,600	-21,579,700	-23,961,800	-19,253,900	-19,743,300
Fund Transfers	-2,428,200				
Total Restricted Funds	134,776,500	121,129,500	101,937,700	112,807,700	89,120,000
Federal Funds					
Balance Forward	5,662,400				
Current Receipts	106,783,700	120,737,300	129,252,700	108,794,200	107,058,700
Total Federal Funds	112,446,100	120,737,300	129,252,700	108,794,200	107,058,700
TOTAL SOURCE OF FUNDS	376,536,300	409,282,400	443,543,500	354,037,600	341,424,100
EXPENDITURES BY CLASS					
Personnel Cost	118,988,700	139,804,400	150,916,000	116,440,300	118,496,600
Operating Expenses	19,065,700	22,718,600	23,739,900	16,833,700	16,146,900
Grants, Loans or Benefits	209,529,200	244,099,700	268,730,900	214,760,600	206,780,600
TOTAL EXPENDITURES	347,583,600	406,622,700	443,386,800	348,034,600	341,424,100
EXPENDITURES BY FUND SOURCE					
General Fund	128,755,700	167,078,900	212,016,400	132,255,700	145,065,400
Tobacco Settlement-Phase I	558,000	180,000	180,000	180,000	180,000
Restricted Funds	105,823,800	118,626,500	101,937,700	106,804,700	89,120,000
Federal Funds	112,446,100	120,737,300	129,252,700	108,794,200	107,058,700
TOTAL EXPENDITURES	347,583,600	406,622,700	443,386,800	348,034,600	341,424,100
EXPENDITURES BY UNIT					
Family Based Services	93,305,100	106,753,400	114,408,300	90,087,100	89,065,400
Adult Services	32,513,400	36,852,000	38,334,000	32,513,400	32,513,400
Alternatives For Children	221,765,100	263,017,300	290,644,500	225,434,100	219,845,300
TOTAL EXPENDITURES	347,583,600	406,622,700	443,386,800	348,034,600	341,424,100

Family and Community Services provide support at the time of crisis to prevent the disruption of the family unit and to protect individuals from abuse, neglect, and exploitation.

The subprograms contained in Family and Community Services are Family Based Services, Adult Services, and Alternatives for Children. The legal authority for the program is in KRS Chapters 199, 209 (Adult Protection), and 600-645, and in Titles IV, XIX and XX of the Social Security Act.

Family Based Services

Family-based services include child protection, reunification following out-of-home placement, homemaker services, preventive services for families, community based juvenile services, family preservation services, parent education, mental health services through contracts with local comprehensive care centers, self-help services provided through local child abuse councils, and preventive assistance.

Child Protective Services safeguard the rights and welfare of abused, neglected or dependent children; aid parents or other responsible persons in recognizing and remedying conditions detrimental to the welfare of their children; and identify conditions that contribute to the neglect, abuse, or dependency of children. Child Protective Services are both preventive and corrective in nature. The Department is mandated to receive and investigate reports of the abuse or neglect of children.

Homemaker Services provide in-home support that prevents the disruption of a family unit.

Preventive Services to families who do not qualify for services under other program areas address a family's treatment needs before the situation has escalated to become abusive or neglectful.

The Preventative Assistance Program provides financial assistance to families facing a financial crisis that threatens the family or adult with disruption and out-of-home placement. The program provides a maximum of \$500 per family in a one-year period.

Family Preservation Programs are services providing crisis intervention and intensive (5-20 hours per week) in-home services to families who have children at imminent risk of removal from their home. Family Reunification Services, which follow the same basic model with less intensive in-home services over a longer duration (up to 6 months), facilitate the successful return of children to the home and decrease the likelihood of repeated child placements.

Self-Help Groups and Parent Education provide support and education for parents in crisis or at risk of further abuse or neglect of children.

Children's Advocacy Centers ensure that agencies involved in the investigation and prosecution of child abuse coordinate efforts to significantly reduce trauma for the child. Children's Advocacy Centers also ensure that critically needed therapeutic and medical support services are available to abused children and their families.

Juvenile Services in the Community provides an array of preventive and treatment services for children adjudicated as status offenders under KRS 630. Because status offender behaviors such as running away from home, beyond parental control and truancy are most often indicative of prior abuse or neglect of the child, services are targeted at prevention of further abuse or neglect and interventions to curb the child's negative behaviors. Appropriate services may be provided directly by DCBS or arranged through local Mental Health Centers, Family Resource and Youth Service Centers, Community Partnerships, private child care agencies, and other private providers in the community.

Adult Services

Adult Services has three major components: protection, self-support and guardianship. Adult Services are directed toward preserving the vulnerable individual's independence to the maximum degree possible and protecting him/her from abuse, neglect or exploitation pursuant to KRS 209. The elements of adult services are: 1) adult protection; 2) spouse abuse protection; 3) adult homemakers (which is the direct provision of homemaker services to adults at risk or in need of protection); 4) interdisciplinary evaluations to determine an adult's degree of disability and need for guardianship; 5) services provided by spouse abuse centers and crisis centers; 6) alternate care (also called patient movement and placement) which involves assisting individuals with appropriate community and institutional placements; and 7) preventive services for adults which entails assessment, planning, and guidance to individuals referred by the courts, the Cabinet's Ombudsman, neighbors, state and federal legislators or through a self-referral. This often involves finding food, shelter, clothing, and medical treatment. Adult Self-Support includes the Community Services Block Grant, which provides funding for emergency needs of economically disadvantaged citizens. This program helps to alleviate the stresses on the family unit resulting from poverty while promoting self-sufficiency. Adult Guardianship services are provided for legally disabled adult residents of Kentucky for whom the Cabinet has been appointed guardian or conservator. The staff of the Guardianship Branch act as advocates to assure that each client's civil and human rights are preserved and protected, care needs are met, living arrangements are appropriate, entitlement eligibility is maintained, and financial matters are managed.

Pursuant to KRS 209, anyone who knows or suspects that an adult, who because of mental or physical dysfunction, or a spouse (without regard to age) is being abused, neglected or exploited must report this information to the Health and Family Services

Cabinet. The Cabinet is required to investigate the report, notify local law enforcement officials, offer appropriate protection and support services, and maintain case records.

Interdisciplinary Evaluations are court ordered evaluations pursuant to KRS 387.540 performed by a qualified social worker, a physician and a psychologist to assess an adult's degree of disability and to report to the court regarding the need for guardianship.

Spouse Abuse Shelter Services are available in each of the 15 Area Development Districts under a contract between the department and the Kentucky Domestic Violence Association. Part of the funding for this element is provided by a portion of the marriage license fee as authorized by KRS 209.160.

Alternate Care (also referred to as Placement and Movement) services are essential in providing preventive and protective services. For individuals no longer able to care for themselves or be cared for at home, long term care facility placement is often the best alternative or only solution. The Department for Community Based Services is involved in placement and movement of individuals into, between, and out of facilities. Placement and Movement denotes assistance provided to Medicaid eligible individuals. Alternate Care denotes assistance to non-Medicaid eligible individuals.

It is estimated that approximately 56,000 Kentuckians need alternate care or placement and movement services each year. The majority of these individuals have family or friends to assist them in finding alternate living arrangements. The Department assists those individuals who are not able to locate appropriate placements. Alternate Care Services help ensure that persons are not inappropriately placed in a level of care exceeding their need and, thus, promotes cost effectiveness. These services also help ensure that persons assisted receive the care they require.

There are approximately 200 personal care homes and 500 family care homes in Kentucky. As part of Alternate Care, the Department's family service workers make quarterly site visits to each freestanding personal care home and all family care homes to see residents and determine if their social and related needs are being met. Staff also monitors bedfast-waivered individuals monthly. Bedfast-waivered individuals are persons who, because of special considerations, are permitted to remain in personal or family care homes even though their care needs exceed what these homes normally provide. The homes must make special arrangements, with a physician's concurrence, to meet the needs of bedfast-waivered persons.

Alternatives for Children

Alternatives for Children provides placement resources for children who have been or are at risk of being abused or neglected. The legal authority for Alternatives for Children includes: KRS Chapters 199, 600 and 620, Titles IV-B and IV-E, and the Social Services Block Grant. Services are directed toward finding substitute care for children who must live apart from their family; working toward reuniting the child and family; and, if that is not possible, securing an alternative living arrangement which will provide permanency for the child.

Family Foster Care takes place in the home of an agency-approved family. The development of alternative resources such as the Families and Children Together Services (FACTS), Family Preservation Program, Kinship Care, and Preventative Assistance has reduced the trend of more children placed in out-of-home care.

Foster Parent Training, provided by CBS staff and contractors, is required of all foster parents. Foster parents must complete 30 hours prior to approval and placement of a child and also are required to attend annual in-service training. Parents serving special needs or medically fragile children and those from family treatment homes are required to complete additional training. Family Treatment Homes provide a setting where intensively trained foster parents furnish a viable alternative placement resource for children and youth who: have serious emotional problems; are due to be released from treatment facilities; display aggressive or destructive behaviors or other disruptive behaviors; are at risk of being placed in more restrictive settings; are at risk of institutionalization; or have experienced numerous placement failures. Medically Fragile Foster Care serves children who need medical treatment and continuous monitoring but do not necessarily require the daily services of a nurse or doctor. Foster parents caring for these children are provided an increased reimbursement and must meet additional training and certification requirements.

Independent Living services are specialized services, including classroom and experiential training, designed to enhance the self-sufficiency skills of older children in foster care, private child care and other state funded living arrangements. Services are provided both directly by staff and by contract agencies. As they complete each phase of the training, youth receive a stipend. In addition, youth ages 18-21 who were formerly in care may receive room and board assistance for a limited time.

Residential Out-of-Home Care and emergency shelter services are essential components of a protective service program that provides temporary placement services for children who are unable to remain in their own homes because of severe abuse, neglect, exploitation, abandonment, or because they have specialized treatment needs.

Adoption is the legal process by which a child becomes a legal child of a person or persons other than his/her biological parents. The department provides services prior to adoption in order to bring children and families together and services after adoption through after-placement supervisory services and adoption assistance.

The Adoption 2002 Initiative is a collaborative undertaking between the state and federal governments to double the number of children adopted or placed annually in other permanent homes over a five-year period. This joint effort is designed to engage federal, state, and local governments; child welfare and adoption professionals; community leaders; and other interested citizens in creative and meaningful activities to improve the lives of children by creating permanent homes for them.

Intensive Family Based Services (IFBSS) are home-based alternatives to institutionalization (including psychiatric hospitalization) for children with emotional disturbance or mental retardation. They are provided through contracts with local comprehensive care centers or other appropriate contractors including private child care programs.

IMPACT Plus Program provides services for children who require treatment due to emotional diagnoses. Medicaid funds support these services through agreements with specific providers. This program seeks to divert services from inpatient settings to the community level. All children in the IMPACT Plus Program have a team of parents, educators, therapists, social services workers, and others who meet to identify services that will meet the children's unique treatment needs. A health benefits administrator, contracted by the Department for Medicaid Services, certifies children as IMPACT Plus eligible and approves payment for services.

Policy

The Governor's recommendation includes General Fund in fiscal year 2006 in the amount of \$12.8 million for out-of-home care services previously supported with restricted funds. A \$15 million restricted fund cash transfer to the General Fund from Family and Community Based Services during fiscal year 2003, as enacted by the 2003 Regular Session of the General Assembly, reduced the restricted fund reserves that would otherwise have funded these out-of-home care services through fiscal year 2006.