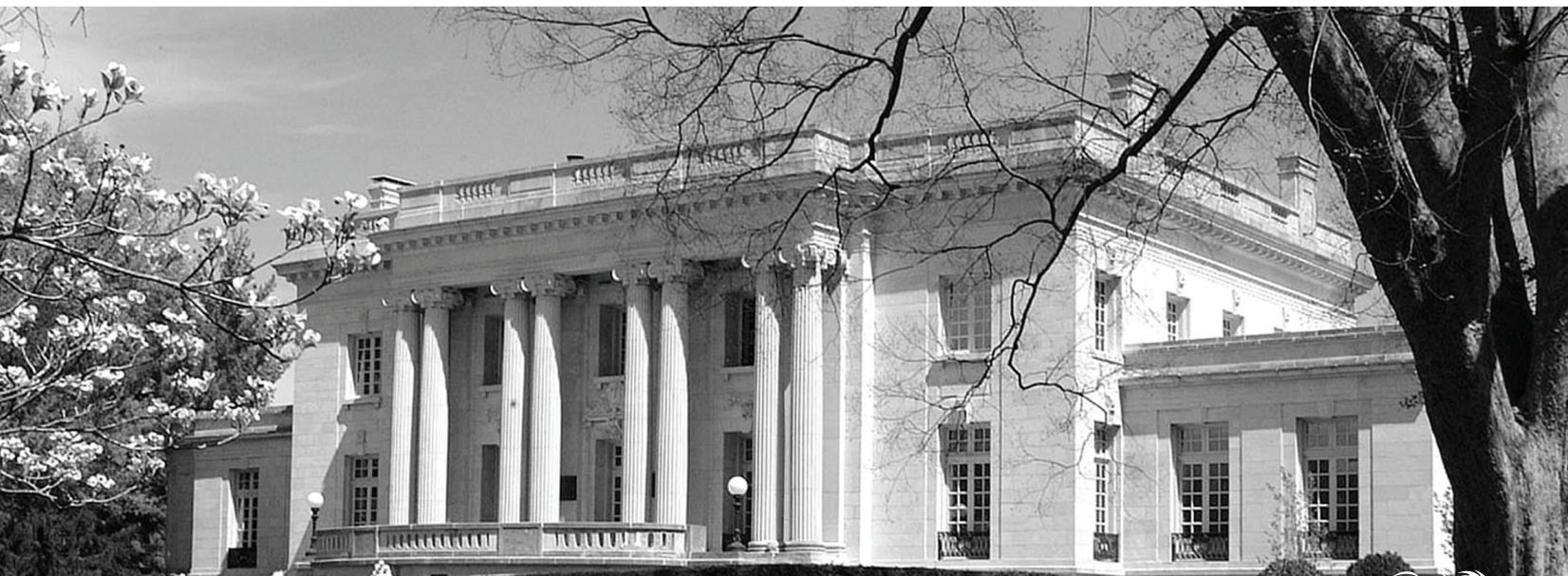
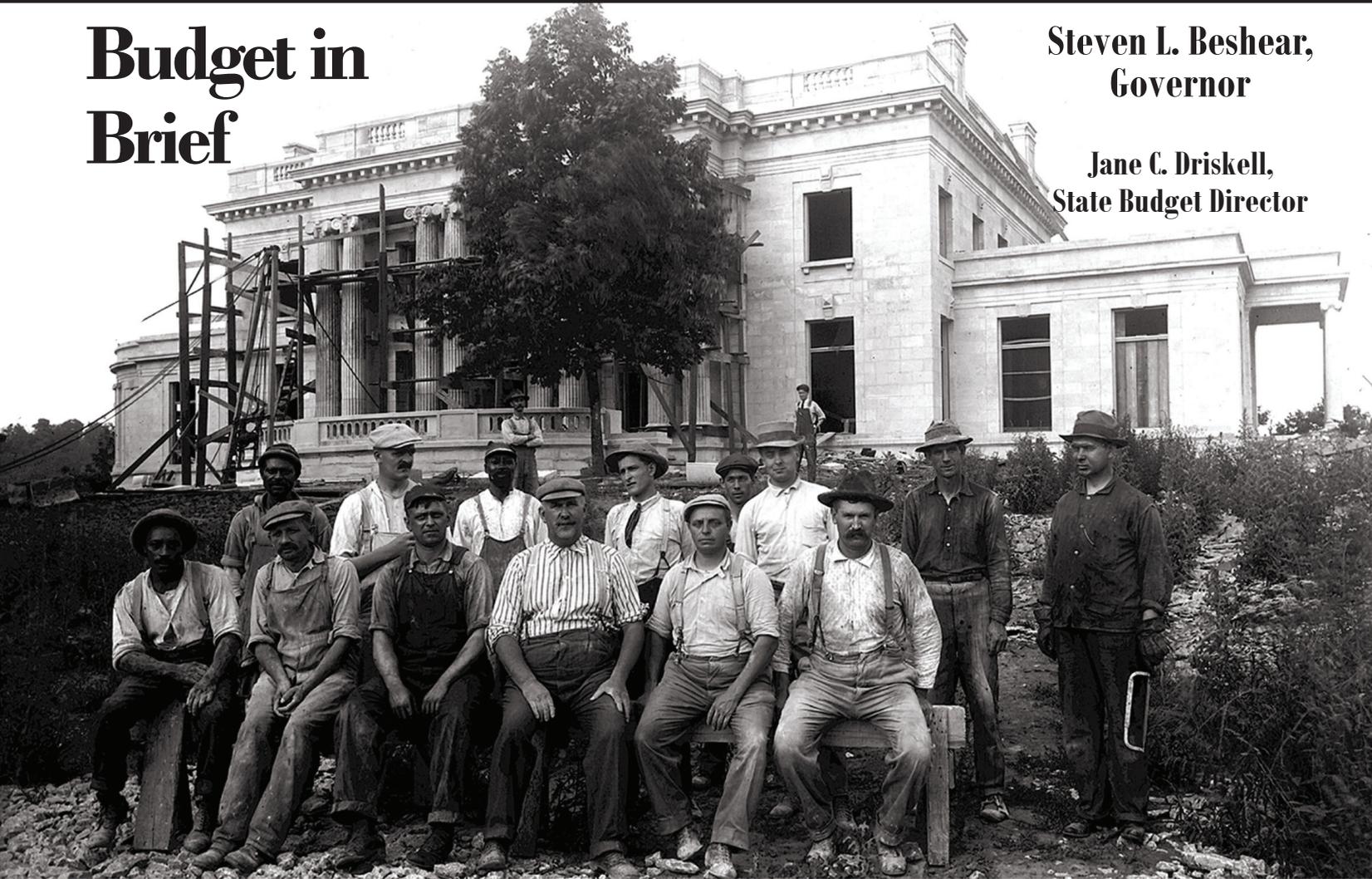


COMMONWEALTH OF KENTUCKY
2014 – 2016
EXECUTIVE BUDGET

**Budget in
Brief**

**Steven L. Beshear,
Governor**

**Jane C. Driskell,
State Budget Director**



The Kentucky Governor's Mansion 1914 - 2014



PREFACE

The Executive Branch budget for the 2014-2016 biennium is the financial plan for Kentucky State Government as proposed by the Governor for consideration by the 2014 General Assembly. It is published by the Office of State Budget Director, Governor's Office for Policy and Management in accordance with KRS Chapter 48.

The 2014-2016 Budget is presented in four volumes:

- **Volume I:** State Agency Program Budget Detail
- **Volume II:** Capital Projects
- **Budget in Brief:** Budget Overview and Summary Data
Revenue Estimates
Capital Financing
- **Historical Data:** Actual Agency Revenue and Expenditure Data for the past two
Fiscal Years

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

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

January 21, 2014

The Honorable Steven L. Beshear, Governor
Commonwealth of Kentucky
700 Capitol Avenue
Frankfort, Kentucky 40601

Dear Governor Beshear:

The Executive Budget of the Commonwealth of Kentucky represents your public policy statement for how our state should meet its needs over the next two fiscal years and make strategic investments to compete in the future. This will be the fourth biennium you will face an environment in which revenue growth will not be adequate to meet our obligations. Since taking office six years ago, you have successfully executed thirteen separate budget reductions totaling approximately \$1.6 billion.

We continue to reap the benefits of efficiency strategies, and cost containment measures in major program areas put in place during your administration. We have been able to manage through these difficult times without deep cuts to your major priority areas of job creation, education, healthcare and public safety. Absent these measures, the challenges faced in this budget would be even greater.

We are seeing revenues grow as our state continues to recover from the recession, and modest growth is predicted over the next two years. However, the revenue growth will not be adequate to meet our obligations and address certain critical needs. That coupled with the cumulative effect of budget cuts on many areas of our government continues to threaten our ability to meet the needs of citizens in a timely manner.

In facing difficult decisions, your priorities are clearly reflected in the choices you have made in this budget. The most significant decision was to increase funding for elementary and secondary education even at the expense of other program areas. The SEEK base per pupil formula included in this budget is at the highest level ever. Much needed investments in preschool and technology, and restoration of funding for educational materials and professional development are also included.

Governor Beshear
January 21, 2014
Page Two

Your approach in addressing fundamental stubborn challenges—like putting our pension system on the path to financial stability and expanding Medicaid coverage to uninsured Kentuckians should be applauded. And although we will manage through another biennium, your vision in proposing both tax reform and a gaming package leaves hope for additional revenues to be realized, and to capitalize on our progress to date.

Governor, I want to thank those who have been instrumental to the development of your budget recommendations. The professional employees of the Office of State Budget Director worked tremendously long hours and sacrificed time and attention from their families over the past weeks and months to complete the Executive Budget. I am proud to have returned to this office and am privileged to work with these individuals every day. Special thanks are due to Deputy State Budget Directors, John Hicks and Kevin Cardwell, and to Greg Harkenrider, the Deputy Executive Director of the Governor's Office for Economic Analysis, for their dedication, diligence and leadership.

Thank you to Mary E. Lassiter, Secretary of the Executive Cabinet, for her invaluable guidance and insight. There is also appreciation due to the members of your Executive Cabinet and the Governor's Office for their assistance and patience throughout this process as well. I especially want to thank their budget staffs with whom we worked so closely; without their efforts, we would not be able to do our jobs.

This budget is balanced and fiscally responsible. The next two years will continue to be challenging and will build on the groundwork for more sustainable growth in the future. Our investments in economic development and the education of Kentucky's children will have benefits for generations.

Most importantly, thank you Governor for your innovative, bold and determined leadership.

Sincerely,



Jane C. Driskell
State Budget Director

TABLE OF CONTENTS

	<u>PAGE</u>
Executive Summary	1
General Fund Summary	10
Road Fund Summary	11
Capital Projects Summary	12
General Fund Revenue Receipts.....	19
General Fund Expenditures	20
Distribution of General Fund Appropriations.....	21
Distribution of All Funds Appropriations.....	22
Executive Branch Summary.....	23
Revenue Estimates Fiscal Years 2014-2016.....	49
Capital Financing Analysis.....	87
Acknowledgements.....	111

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2014-2016 EXECUTIVE BUDGET EXECUTIVE SUMMARY

Introduction

The context in which Governor Beshear recommends his 2014-2016 Executive Budget represents the fourth consecutive two-year period with a difficult fiscal environment. The challenges that shape the fiscal outlook for the 2014-16 biennium include: 1) the imposing cost increases of honoring pension obligations enacted by the 2013 Session of the General Assembly, 2) the requirement to maintain critical services, especially in education and health, 3) the cumulative impact of seven consecutive years of budget cuts, 4) modest growth in revenue receipts, and 5) and investments to strengthen Kentucky's competitiveness.

The General Fund revenue forecast for the 2014-2016 biennium predicts that revenues will grow 2.6 percent in each fiscal year of the biennium. That increase is welcome, but represents a continuation of very modest growth in Kentucky's tax revenues. From fiscal year 2011 through the estimated revenues for fiscal year 2016, General Fund revenue growth averages about 2.8%. The financing of pensions, health care, and other necessary spending, combined with an imperative to invest in the physical and intellectual infrastructure of our education systems, will not forestall spending reductions that will take place in many areas in this budget.

Governor's Goals in the 2014-2016 Budget Recommendation

The Governor's goals that are addressed in the 2014-2016 budget recommendation include: improving Kentucky's competitiveness, growing the number of jobs, enhancing education funding, continuing progress in early childhood education, providing health care for Kentucky's most vulnerable citizens, protecting the public safety, making fiscally responsible and critical investments for the future, and operating a lean and efficient government.

Governor Beshear presents his fourth budget recommendation without increasing taxes. The Executive Budget calls for a continued reduction in spending in the areas of the government, resulting in some agencies receiving up to 41% in spending cuts since fiscal year 2008. There have been seven years since fiscal year 2008 that have included some budget cuts and spending reductions. In a budgetary situation like this, Governor Beshear has stood firm on his priorities by making every effort to preserve the most important areas of the Commonwealth's spending in the Executive Budget. There are targeted areas of investment, primarily in education - in most all cases these are mandates or commitments from which the Commonwealth must not retreat.

Balancing the General Fund Budget Challenge for the 2014-16 Biennium

When the forecasted General Fund revenues are paired up with the current baseline levels of spending and the areas of required spending and necessary investments, spending outstrips available revenues. The Governor chose not to propose tax increases or gaming to balance the 2014-16 budget. He also chose to retain the current, unobligated balance of the Rainy Day fund at \$98 million. The table below displays the key features of how the Executive Budget balances the budget.

	Biennial Total
Spending Forecasts Before Cuts and Other Savings	\$20,596,037,100
Measures to Fund Spending/Balance Budget:	
General Fund Revenue Estimate	\$19,840,900,000
Fund Transfers	\$370,769,500
Savings from the Affordable Care Act	\$166,763,600
Spending Cuts	\$98,599,400
FY 14 Estimated Ending Balance	\$69,458,400
Other Resources and Lapses	\$49,546,200
Total	\$20,596,037,100

Total Recommended Spending

\$20,317,360,700

The Governor's Response

Governor Beshear is proposing a responsible fiscal plan that is grounded in not raising taxes on Kentuckians during these tough fiscal times, preserving his priorities of education, health services, and public safety. Below is a brief description of the measures used to arrive at a balanced budget and fund the General Fund spending in this budget.

Fund Transfers - \$371 million

Most every biennial budget incorporates a series of transfers to the General Fund from other funds that have gone unused or have been determined to be in excess of the needs of their programs. The Executive Budget includes \$371 million over the biennium from these sources.

Savings from the Affordable Care Act Implementation

As a result of Kentucky's implementation of the Affordable Care Act, including the expansion of Medicaid, there are several areas where programs and services previously funded from the General Fund will now have new financing sources, either through private insurance or through the Medicaid program. These include the Department of Behavioral Health Developmental and Intellectual Disabilities, Public Health, Medicaid, the elimination of the Kentucky Access high-risk insurance program, indigent care funded through the University of Louisville, and certain hospitalization costs of state inmates.

Spending Cuts - \$99 million

Among the several measures needed to balance the budget, the Executive Budget proposes \$99 million in spending reductions. This will be the eighth consecutive fiscal year of some amount of budget reductions or spending cuts since the fiscal year 2008 budget was enacted. The General Fund budget of many agencies of government are reduced by 5 percent in fiscal year 2015 compared to their revised fiscal year 2014 base. Those amounts are continued, or straight-lined, into fiscal year 2016. The Governor has targeted a full exemption from spending cuts for priority areas and lesser spending cuts for several areas.

Exempt from Spending Cuts

The Executive Budget preserves the following key areas from further General Fund spending cuts:

- The SEEK Program – the primary financing for Local School Districts
- All elementary and secondary school funding
- Debt Service payments
- Retirement Contributions to Pension Systems
- Health Insurance for School District and State Employees
- Medicaid
- Community Based Services
- Behavioral Health, Developmental and Intellectual Disabilities
- Public Health
- Aging and Independent Living
- Dedicated Severance Taxes shared with Local Governments
- Corrections – Institutional/Community Beds and Probation and Parole
- Prosecutors and the Department for Public Advocacy
- Student Financial Aid Programs
- Economic Development
- Most of the Education and Workforce Development Cabinet
- Property Valuation Administrators

- Mine Permitting and Reclamation
- State Parks
- Department of Revenue
- Veterans' Affairs
- Kentucky Horse Park Commission
- Kentucky State Fair Board

Targeted Spending Cuts – Less than the 5% Cuts

The Executive Budget includes lesser spending reduction amounts in several areas: the General Fund budgets of the Universities and the Kentucky Community and Technical College System and the Kentucky State Police are reduced by 2.5%.

5% Spending Cuts to All Other Agencies and Programs

The remaining portions of state government will incur a 5 percent reduction. This 5 percent reduction combined with past cuts result in a 41.5 percent cumulative budget cuts for some agencies since the fiscal year 2008 budget was passed. The Governor's proposal is very mindful of the real impacts on state services that these cuts have caused.

Other Resources and Lapses - \$50 million

A small set of other actions will provide resources. They include the expected sale in fiscal year 2016 of securities within the Abandoned Property Fund, the implementation of a sophisticated data warehouse and analytical tools to improve the collections of taxes owed, using the services of well-known software company to better identify tax fraud, and a targeted budget lapse.

Use of FY 2014 Estimated Ending Balance - \$69 million

The Executive Budget also will use the expected \$69 million ending balance from fiscal year 2014.

The cumulative result of all of these actions balances the biennial budget, preserves Governor Beshear's goals of preserving the funding that educates Kentucky's children, health care for our needy and public safety.

Competitiveness Investments and Spending Priorities

Education: Early Childhood, Elementary and Secondary

Early Childhood

The Executive Budget includes the spending of a \$44.3 million federal Race to the Top grant, awarded in December, 2013. The Kentucky All-STARS (Accelerating learning Statewide Through an Advanced Rating System) grant will enhance Kentucky's efforts to improve the quality of early learning for Kentucky's youngest citizens. This grant provides Kentucky with an opportunity to make extensive improvements in early childhood education that are known to be vital to student success, but were financially unattainable in the past. The Kentucky All-STARS grant will expand the work Kentucky has already accomplished to prepare children for school and life.

Preschool Funding

The Executive Budget includes an education initiative that Governor Beshear has considered one of his top priorities for expanded investment – preschool funding. This proposal addresses the need for more of Kentucky's children to attend pre-school programs to improve their chances for success in school. An additional \$18 million each fiscal year will provide funding to allow another 5,125 at-risk four year-olds to attend pre-school programs. This represents a 25 percent increase in total state funding for preschool. This funding raises the program's eligibility from families at 150% of the federal poverty level to 160%.

Highest Ever Level of SEEK Funding

After five consecutive years of flat or declining per pupil funding, the Executive Budget proposes to provide an additional \$189 million to the SEEK (Support Education Excellence in Kentucky) program: \$71 million more in fiscal year 2015 and \$118 million more in fiscal year 2016. This will raise the guaranteed base funding per pupil from \$3,827 in fiscal year 2014 to \$3,911 in fiscal year 2015 and \$3,981 in fiscal year 2016. These are the highest ever levels of SEEK funding. This increase includes a 2 percent salary increase for teachers and school personnel in fiscal year 2015, and an additional 1 percent increase in fiscal year 2016.

Textbooks, Professional Development, Extended School Services - State Grants to Schools

The Executive Budget includes additional funding for Textbooks, Safe Schools, Extended School Services, and Professional Development programs. Due to economic conditions, Textbook funding was eliminated in the previous biennium. Governor Beshear's recommended budget provides \$21.7 million in each fiscal year for textbooks and other instructional materials, restoring funding back to the fiscal 2008 level. Additionally, the Executive Budget restores Safe School funding to fiscal 2008 funding levels by adding \$6.2 million each fiscal year. This budget also adds \$19.8 million each fiscal year to the Professional Development/Extended School Services programs to support the implementation and development of effective instructional practices and provide students with extra instructional assistance.

Keeping Schools Safe and Secure

While school safety programs have been cut in past budgets, Governor Beshear's budget proposal includes \$6.2 million for these programs.

Instructional Device Replacement

The Governor's budget recommendation includes \$50 million in bond funds to support the replacement and upgrade of instructional devices at or near the end of their supportability life cycle.

Additional Funding for Kentucky's Best and Brightest

The Executive Budget includes \$2 million to sustain and expand to ten more schools Advance Kentucky, a program for high school students that helps expand access to college-level work in high school. An additional \$380,000 is provided each year to add 100 more students to the Governor's School for the Arts and an additional \$263,000 each year to add 100 more students to the Governor's Scholars Program. The Governor also proposes an additional \$2 million to expand enrollment at Western Kentucky University's Gatton Academy of Mathematics and Science.

Building and Maintaining Our Libraries

To help maintain and improve the Commonwealth's library system, Governor Beshear proposes to add \$2 million to the Library Construction Grant Program.

Postsecondary Education

Honoring Our Commitment on Merit-Based Scholarships

Governor Beshear honors the commitment made to students who have been awarded merit-based scholarships through the KEES program by providing \$22.3 million in additional funding.

Creating the Commonwealth College to Help Adult Learners Graduate

Governor Beshear proposes to create the Commonwealth College, a new program to grant bachelors degrees through online courses. The Commonwealth College will focus on adult students and high-demand occupations as determined by market analysis and input from the business community. Students will enroll at any time and proceed at their own pace at one home institution, but may take courses or modules from any

participating institution. Upon graduation, these students will be awarded a degree from the Commonwealth College at the “home institution.” An additional \$1.9 million each year is included for start-up, development, and marketing costs, along with another \$1.2 million in the capital budget to build the web portal.

Retirement Contributions – Funding the Full Actuarially Required Contributions (ARC)

The Governor’s budget recommendation fully funds the higher employer contribution rates for the Kentucky Employees Retirement System and the State Police Retirement System during the 2014-2016 biennium. An additional \$101 million in fiscal year 2015 and an additional \$106 million in fiscal year 2016 is provided from the General Fund.

Governor Beshear’s budget recommendation for the Kentucky Teachers’ Retirement System includes an additional \$11.5 million in fiscal year 2015 and \$22.6 million in fiscal year 2016 to fund the fifth and sixth years of the six-year “shared contribution plan” to fully fund the medical insurance plan of the Teachers’ Retirement System.

Salary Increases for State Employees

The Executive Budget provides \$10.9 million in fiscal year 2015 and \$28.4 million in fiscal year 2016 to support pay raises for state employees, after no pay raises for four years, and a pay cut in fiscal year 2011 due to six furlough days. The pay raise proposal for fiscal year 2015 provides tiered pay raises, with the lowest earners receiving a five percent pay raise, the highest earners receiving a one percent pay raise, and tiered pay raises in between. Nearly 49% of state employees will receive a 3% or 5% pay raise in fiscal year 2015, 32% will receive a 2% raise, and 19% will receive a 1% raise.

Annual Base Salary or Wages	Percentage Pay Raise
Up to \$27,000	5%
\$27,001 to \$36,000	3%
\$36,001 to \$50,000	2%
\$50,000 and above	1%

In Fiscal Year 2016, all state employees will receive a one percent pay raise.

Health Care

Health Insurance for School District and State Agency Employees

The Executive Budget includes additional funding of \$24.4 million in fiscal year 2015 and \$40.9 million in fiscal year 2016 to finance a two percent increase in employer health insurance premiums for each plan year for school district and state employees.

Medicaid

The Executive Budget includes increased funding from the General Fund for the Medicaid program of \$65.7 million in fiscal year 2015 and \$124.2 million in fiscal year 2016. This increase is necessary to fund higher health care costs and a forecast of more Medicaid recipients eligible under the guidelines preceding the recent expansion of eligibility to the 138% of the federal poverty level. The increase is after several efficiency and cost containment measures that total \$21.9 million in fiscal year 2015 and \$23.4 million in fiscal year 2016.

The Executive Budget includes increased federal funding to cover additional Medicaid recipients resulting from Kentucky’s choice to expand the Medicaid program under the Affordable Care Act to cover people with incomes up to 138% of the federal poverty level. The federal government will pay 100% of the cost of this expanded population through the state fiscal year 2016. The Executive Budget includes \$2.5 billion of federal

funds over the biennium for this expanded population. Additionally, substance abuse services are now a covered benefit to the Medicaid program. This expanded benefit will help address the enormous substance abuse epidemic Kentucky is currently facing.

The Executive Budget includes targeted additional funding to the Medicaid program to expand services in three areas. The budget recommendation includes total funds of \$15.6 million in fiscal year 2015 and \$31.2 million in fiscal year 2016 for the Supports for Community Living program to phase in an additional 400 slots over the biennium. The budget recommendation also includes total funds of \$13.5 million in fiscal year 2015 and \$27.2 million in fiscal year 2016 to fund an additional 303 slots over the biennium for the Acquired Brain Injury program. Total funding of \$6.0 million in fiscal year 2015 and \$12.1 million in fiscal year 2016 is also included in the Michelle P program for an additional 500 slots over the biennium.

Behavioral Health

The Executive Budget includes General Fund of \$24.8 million in each fiscal year of the biennium to assist Regional Mental Health/Mental Retardation Boards with employer contributions for the Kentucky Employees Retirement System. Of that amount \$19.6 million is to fully fund the increase in employer contribution rates for the 2014-16 biennium for Regional Mental Health/Mental Retardation Boards that are currently participating in the Kentucky Employees Retirement System.

Public Health

The Executive Budget includes \$11.6 million General Fund in fiscal year 2016 to support the Health Access Nurturing Development Services program (HANDS). These funds replace expiring federal funds of \$6.6 million and \$5 million to expand services statewide. The Executive Budget includes \$3.2 million General Fund over the biennium to provide dental services to underserved Kentucky children. This funding will allow over 14,000 children to receive oral assessments, cleanings, oral health education, fluoride varnishes and dental sealants.

The Governor's budget recommendation includes \$1 million General Fund over the biennium to expand the colon cancer screening in Kentucky. Also, included in the budget recommendation is \$1 million from the General Fund in fiscal year 2016 to the Kentucky Cancer Program for breast and cervical cancer screenings.

The Executive Budget includes General Fund of \$17.9 million in each fiscal year of the biennium to assist Local and District Health Departments with employer contributions for the Kentucky Employees Retirement System. Of that amount \$14.6 million is to fully fund the increase in employer contribution rates for the 2014-16 biennium for Local and District Health Departments in the Kentucky Employees Retirement System.

Families and Children

Child Care – Restoration of Cuts

During fiscal year 2014, the expiration of federal funds caused significant cutbacks to the Child Care Assistance program. The Governor's budget recommendation restores those benefits by including an additional \$52.7 million in fiscal year 2015 and \$58.1 million in fiscal year 2016 from the General Fund. This initiative will permit 16,100 children from 9,400 families to have their child care assistance restored in fiscal year 2015. In fiscal year 2016, it finances child care assistance for 18,000 children from 10,000 families. Intake for new low-income recipients had been closed; this funding will allow it to be reopened. The eligibility threshold that is currently at 100% will be increased to 150% of federal poverty level. This restoration of funding allows an investment in support services which allow working parents to be self-sufficient without sacrificing the well-being of their children. The Executive Budget includes General Fund of \$1 million in each fiscal year for relative placement support benefits to meet the initial home set-up needs of children being placed in the custody and/or care of non-parental relatives. Placements with family relatives are preferred to non-relative/foster care placements due to reduced trauma for the child, the child's continuity with family, school, and community; and lower costs.

Domestic Violence Shelters and Rape Crisis Centers

The Governor's budget recommendation includes General Fund in the amount of \$250,000 in each fiscal year to supplement operating funds for domestic violence shelters and \$250,000 in each fiscal year to for rape crisis centers. Rape crisis centers serve victims and their family members and friends in the counties in their respective regions. According to a Center for Disease Control survey, Kentucky ranks 11th in the nation in the number of people experiencing intimate partner violence and this funding will help to reduce this outspread of violence.

Retirement Cost Increases for Child Advocacy Centers, Domestic Violence Shelters and Rape Crisis Centers

The Executive Budget includes \$836,900 each year is to fully fund the increase in pension cost increases for the 2014-16 biennium for Child Advocacy Centers, Domestic Violence Shelters and Rape Crisis Centers that provide services to the Commonwealth through contracts with the Cabinet for Health and Family Services.

Child Fatality Review Commission

The Governor's budget recommendation includes \$420,000 each year to fund, for the first time, an independent staff for the External Child Fatality/Near Fatality Review panel established by the 2013 General Assembly.

SOAR: Shaping Our Appalachian Region

Next Generation Kentucky Information Highway for the Entire State, Starting in Eastern Kentucky

The 21st century economy demands that every business have access to the internet. However, some parts of the state, in particular in Eastern Kentucky, still struggle with no or poor internet access. The Executive Budget proposes \$60 million in General Fund supported bonds to fund the Next Generation Kentucky Information Highway. The overall project will incorporate federal funds devoted to similar purposes for a Public Safety network. This initiative also seeks a public/private partnership with the private sector to establish affordable access, not just to the internet, but to high-speed internet. This will provide modern infrastructure to: enable businesses to compete globally, educators to expand their use of rich teaching resources, health care facilities to share electronic medical records, and first responders to communicate easily in emergency situations. Like rural electrification of a century ago, high-speed networks provide the same capabilities to rural communities that are available in many urban areas.

Four-Laning the Mountain Parkway

The Biennial Highway Construction Plan recommends a series of projects, totaling \$753.6 million, by which the Mountain Parkway would be widened and thoroughly modernized by 2020. The westernmost 45.8 miles of the Mountain Parkway, from Winchester to Campton, has long been four lanes. But the remainder, a 29.8-mile section that runs through Wolfe, Morgan and Magoffin counties, is two lanes, with an occasional passing lane. The Governor's plan would make that section – from Campton to Salyersville – a four-lane highway. It would then extend the Parkway from Salyersville to Prestonsburg by four-laning 16.2 miles of two connecting routes – U.S. 460 and Ky. 114. At Prestonsburg, the new Parkway would connect with four-lane U.S. 23 – creating a modern, four-lane corridor all the way from I-64 near Winchester to Pikeville. To finance the Mountain Parkway projects, the Highway Plan proposes to use \$595.6 million of conventional state and federal highway funds over the next six years and \$158 million from the sale of toll revenue bonds.

Creating a Regional Strategic Development Fund for Eastern Kentucky

The Governor's budget recommendation proposes the creation of a new Regional Strategic Development Fund and provides \$4 million over the 2014-16 biennium from the Local Government Economic Development Fund Single County allocations to the Fund.

Additional Funding for Coal County Scholarships

The Executive Budget proposes to spend \$2 million each year on the Coal County College Completion Scholarship Program, which provides scholarships for students in coal producing counties who attend the main campuses of UPike and Alice Lloyd College, or the extension campuses of Morehead State University in Prestonsburg, Lincoln Memorial University, Lindsey Wilson College and UPike. This is funded from coal severance tax receipts.

Stabilizing County Fiscal Court Budgets - Severance Tax Dollars

To assist county fiscal courts that have been contending with reduced receipts from the coal severance tax, the Governor's budget recommendation proposes to increase the Local Government Economic Assistance Fund allocation from 15% of coal severance receipts to 17.5% for all counties. Over the 2014-16 biennium, this provides counties with \$10.2 million more in flexible funding to shore up the operating budgets of fiscal courts.

SOAR: Shaping Our Appalachian Region

Department for Local Government is provided \$200,000 in each fiscal year in the Governor's budget recommendation to support and help coordinate the ongoing regional collaboration and SOAR related initiatives.

Economic Development

The Executive Budget includes \$30 million in bond funds for business development activities. There is an authorization of \$10 million each for the Economic Development Bond program, the High-Tech Construction/Investment Pool, and the Kentucky Economic Development Finance Authority's loan pool. There is also \$15 million from the General Fund in fiscal year 2016 for training grants for a significant new investment in manufacturing in Kentucky.

Justice and Public Safety

The budget recommendation, while providing for some spending reductions from current levels, does provide preferential treatment to several areas of the criminal justice system including an exemption from cuts to the Commonwealth and County Attorneys, the Department of Public Advocacy, and Kentucky's Court System; and a 2.5% cut to the Kentucky State Police.

Corrections

The expectations of prison population reductions resulting from reforms passed a few years ago have not yet been fully realized. In fiscal year 2014 the number of incarcerated felons is expected to be about 1,670 more than forecasted in the 2012-14 biennial budget. That requires an additional \$18.2 million in current year funding from the prior year's General Fund Surplus. The forecasted prison population is expected to stay about the same in fiscal years 2015 and 2016; not growing, but not yet decreasing. Several elements from the reform legislation have succeeded in reducing the prison population, without which, the population would be substantially higher. These include the mandatory supervised release of inmates whereby they serve the final 90 days of their sentence under community supervision, and the acceleration of parole hearings so that inmates paroled are able to be released during their parole eligibility month. The Executive Budget provides sufficient funding for the number of incarcerated felons as well as the growing number of probationers and parolees intended by the reforms.

Judicial Branch Employees

While the Governor does not make a budget recommendation for the legislative and judicial branches of government, he is required to submit a balanced General Fund budget. The Governor's proposal assumes a 2.5 percent reduction for Court Operations and Administration. It fully funds the actuarial required contributions for the Judicial retirement system. Within the General Fund amount set-aside for the judicial

branch is about \$7.7 million each year for the Court of Justice's salary equity proposal to address low salaries. More than 800 employees live on income below the poverty level, and many others are just above that level.

Transportation

The official revenue estimate for the Road Fund includes a reduction of -2.3% in fiscal year 2015 and a minimal 0.8% growth in fiscal year 2016. To provide a safe and reliable transportation system that creates economic opportunity for the Commonwealth, consistency and stability in Road Fund revenues is essential. To that end, the Executive Budget restores the floor of the average wholesale price of gasoline, upon which the motor fuels tax rate is based, to its most recent level. With this restoration of the motor fuels floor, the Road Fund will not lose \$46.5 million in fiscal year 2015 and \$68.9 million in fiscal year 2016; \$107 million over the 2014-16 biennium.

The growth in the Road Fund is entirely attributable to an increase in motor fuels tax receipts which are shared with local governments. The Executive Budget includes an additional \$15 million over the biennium in revenue sharing receipts to improve Kentucky's transportation infrastructure at the local level.

Despite the modest growth in Road Fund receipts, the Governor's budget recommendation demonstrates a commitment to maintaining Kentucky's existing transportation system by providing an additional \$40 million over the biennium for roadway maintenance.

High-Priority Road Projects

The Executive Budget includes funding for several high-priority projects across the state that boost interstate commerce and create an enhanced economic climate. Those projects include:

- the Louisville-Southern Indiana Ohio River Bridges project;
- completing the 6-laning of Interstate 65 between Bowling Green and Elizabethtown;
- four-laning the Mountain Parkway in Eastern Kentucky between Campton and Prestonsburg;
- constructing the Kentucky Lake and Lake Barkley bridges in Western Kentucky;
- a means of funding for the Brent Spence Bridge Project in Northern Kentucky; and
- completing the Interstate 69 corridor in Western Kentucky.

\$1 Billion Each Year in Design and Construction Contract Awards

The Governor's Biennial Highway Construction Plan includes funding from all sources for about \$1 billion each year in design and construction contract awards.

Agriculture

In the Capital Budget, the Governor proposes to fund the \$32.5 million replacement of the Breathitt Veterinary Center, located in Hopkinsville. This is one of only two animal diagnostic laboratories in the state. The Executive Budget also includes \$500,000 each year for the Farm to Food Banks program, which creates a market for Kentucky farm products while increasing access to fresh food for low-income families.

Fourth Veterans' Nursing Home

The Executive Budget includes additional funding from the General Fund of \$2.1 million in fiscal year 2015 and \$1.6 million in fiscal year 2016 to open the Commonwealth's fourth Veterans Nursing Home, located in Radcliff, Kentucky (Hardin County). The 120-bed skilled nursing facility is currently under construction. It is expected to open in the summer of 2015 and will employ up to 180. Additional funding is also provided to open and operate the new Southeast Veterans Cemetery in Leslie County.

**2014-16 EXECUTIVE BUDGET
GENERAL FUND SUMMARY**

	<u>Revised FY 2014</u>	<u>Recommended FY 2015</u>	<u>Recommended FY 2016</u>
RESOURCES			
Beginning Balance	122,741,300	69,458,400	69,441,200
Official Revenue Estimate	9,548,100,000	9,794,300,000	10,046,600,000
Other Resources	4,794,500	6,899,200	29,333,600
Fund Transfers	89,563,000	253,375,600	117,393,900
Tobacco Settlement-Phase I	45,428,600	99,700,000	72,400,000
TOTAL RESOURCES	9,810,627,400	10,223,733,200	10,335,168,700
Continued Appropriations Reserve			
Budget Reserve Trust Fund	121,722,500	98,294,200	98,294,200
Executive Branch	12,055,400		
Legislative Branch	13,673,000	13,673,000	13,673,000
Judicial Branch	8,973,100	119,800	119,800
Total Continued Appropriations Reserve	156,424,000	112,087,000	112,087,000
TOTAL RESOURCES	9,967,051,400	10,335,820,200	10,447,255,700
APPROPRIATIONS			
Executive Branch			
Appropriations	9,352,007,500	9,687,138,900	9,894,570,000
Current Year Appropriations	40,826,400		
Necessary Government Expenses	54,449,000		
Dedicated Revenue Adjustments	(77,030,600)		
Lapses	(20,485,700)	(19,506,600)	(19,361,000)
Tobacco Settlement-Phase I	90,800,000	101,879,500	74,579,500
Tobacco Settlement-Phase I Reductions	(45,371,400)		
Build America Bonds-Tobacco Debt Service Lapse		(2,179,500)	(2,179,500)
Total Executive Branch	9,395,195,200	9,767,332,300	9,947,609,000
Judicial Branch			
Appropriations	315,602,000	335,849,600	336,449,600
Legislative Branch			
Appropriations	53,800,100	51,110,100	51,110,100
TOTAL APPROPRIATIONS	9,764,597,300	10,154,292,000	10,335,168,700
BALANCE	202,454,100	181,528,200	112,087,000
Continued Appropriations Reserve			
Budget Reserve Trust Fund	98,294,200	98,294,200	98,294,200
Executive Branch	12,055,400		
Legislative Branch	13,673,000	13,673,000	13,673,000
Judicial Branch	8,973,100	119,800	119,800
Total Continued Appropriations Reserve	132,995,700	112,087,000	112,087,000
ENDING BALANCE	69,458,400	69,441,200	0

**2014-2016 EXECUTIVE BUDGET
ROAD FUND SUMMARY**

	<u>Revised FY 2014</u>	<u>Recommended FY 2015</u>	<u>Recommended FY 2016</u>
RESOURCES			
Beginning Balance	17,718,000	37,178,100	0
Official Revenue Estimate	1,582,600,000	1,546,700,000	1,558,400,000
Restoration of Motor Fuels Tax Floor		46,500,000	60,800,000
Fund Transfers	996,800	992,500	996,800
TOTAL RESOURCES	<u>1,601,314,800</u>	<u>1,631,370,600</u>	<u>1,620,196,800</u>
APPROPRIATIONS			
Appropriations	1,572,761,700	1,634,846,400	1,623,672,600
Surplus Appropriations	17,718,000		
Debt Service Lapse	(22,339,700)		
Dedicated Revenue Adjustments	(397,700)		
Build America Bonds-Debt Service Lapse	(3,605,600)	(3,475,800)	(3,475,800)
TOTAL APPROPRIATIONS	<u>1,564,136,700</u>	<u>1,631,370,600</u>	<u>1,620,196,800</u>
ENDING BALANCE	<u>37,178,100</u>	<u>0</u>	<u>0</u>

**2014-2016 EXECUTIVE BUDGET
CAPITAL PROJECTS SUMMARY**

	<u>Recommended FY 2015</u>	<u>Recommended FY 2016</u>
SOURCE OF FUNDS		
Executive Branch		
Restricted Funds	2,125,810,000	130,559,000
Federal Funds	140,837,800	37,319,300
Road Fund	7,133,000	7,105,000
Bond Funds	830,974,200	263,425,000
Agency Bond Funds	974,211,000	
Capital Construction Surplus	1,735,000	
Investment Income	3,613,000	3,613,000
Other	732,950,000	2,375,000
TOTAL SOURCE OF FUNDS	4,817,264,000	444,396,300
 EXPENDITURES BY CABINET		
Executive Branch		
General Government	347,522,800	35,842,300
Economic Development		30,000,000
Department of Education	675,000	50,675,000
Education and Workforce Development	1,970,000	700,000
Energy and Environment	35,935,000	35,800,000
Finance and Administration	133,893,000	79,200,000
Health and Family Services	12,352,000	2,500,000
Labor	4,226,000	
Justice and Public Safety	8,050,000	3,650,000
Postsecondary Education	4,031,715,000	164,089,000
Tourism, Arts and Heritage	219,692,200	25,735,000
Transportation	21,233,000	16,205,000
TOTAL EXPENDITURES	4,817,264,000	444,396,300

Capital Projects Overview

Total Bonded Indebtedness for Capital Projects

The Executive Budget for the 2014-16 biennium makes critical investments in the areas of education and economic and community development to improve the competitiveness of Kentucky. The Executive Budget includes a total of **\$1,963,610,200** in debt financing for capital projects. The \$1,963,610,200 in budgeted debt includes **\$984,399,200** in General Fund supported debt, **\$974,211,000** in Agency bond funded capital projects to be financed from Restricted Funds, mostly for postsecondary education institutions, and **\$5,000,000** in bond funded capital projects from the Road Fund. This level of investment, while higher than the last two budgets, approaches but is less than the level of debt authorized in the 2004-06, 2006-08, and 2008-10 biennial budgets – which averaged over \$2 billion

Bonds for Education

By far, the largest proportion of new bond-financed project activity, \$1,582,098,000 (76 percent), is directed to education uses; postsecondary education and elementary and secondary education. Of that amount, \$1,430,748,000 is appropriated for postsecondary education purposes.

Postsecondary Education

The Executive Budget includes **\$1,430,748,000 in bond funding** for postsecondary education, the largest portion of the Governor's capital budget recommendation. The total includes \$581.5 million in General Fund supported bonds and \$849.2 million in Agency bonds.

Bucks for Brains

The successful "Bucks of Brains" initiative will receive a significant appropriation for the first time in several budgets. The Research Challenge Trust Fund will receive \$50 million in General Fund bonds for the endowment match program to encourage research activities. By statute, two-thirds of the funding is allocated to the University of Kentucky and one-third to the University of Louisville. The Comprehensive Universities Excellence Trust Fund is funded at \$10 million for endowment match, and is apportioned by statute to each of the comprehensive universities proportional to their respective share of total General Fund appropriations.

Kentucky Community and Technical College System – New Capital Initiative

Despite continued enrollment growth and Kentucky's increasing reliance on the Kentucky Community and Technical College System (KCTCS) as a key component of postsecondary education degree completion and workforce development, there has not been investment in expanding and upgrading the physical infrastructure of the 16 colleges since the 2006-08 biennial budget. There is no way the General Fund can meet the facility expansion needs of the system. To that end, the Governor's budget recommendation proposes a new capital initiative for KCTCS. This is a financing plan where KCTCS will use Agency bonds and have the 16 colleges work in concert with their communities and employers to raise funds to help finance these critical projects. The Executive Budget includes \$194 million for 16 projects to be funded with 75 percent Agency bonds (\$145.5 million) and 25 percent (\$48.5 million) through funds from local communities and other public and private sources. The debt service for the Agency bonds will be supported by an \$8 capital project fee per credit hour.

KCTCS – 16 Agency Bond

College	Project	Agency Bonds
Ashland CTC	Renovate Main Building College Drive Campus	\$7,500,000
Big Sandy CTC	Planning & Design-Expansion of Pikeville Campus	\$1,500,000
Bluegrass CTC	Newtown Campus Expansion-Lexington	\$18,000,000
Elizabethtown CTC	Renovate Owen Classroom Building	\$750,000
Gateway CTC	Urban Campus-Covington	\$11,250,000
Hazard CTC	Planning & Design-Construct Community Intergeneration Center	\$1,500,000
Henderson CC	Renovate Campus Wide Facilities	\$3,750,000
Hopkinsville CC	Agriculture Health and Career Technology Center, Phase I	\$11,250,000
Jefferson CTC	Carrollton Campus, Phase I	\$12,000,000
Madisonville CTC	Postsecondary Education Center	\$15,000,000
Maysville CTC	MCTC/MSU Postsecondary Center of Excellence, Phase I-Morehead	\$21,000,000
Owensboro CTC	Advanced Technology Center, Phase II	\$9,000,000
Somerset CC	Planning & Design-Construct Arts & Humanities Building	\$1,500,000
Southcentral KY CTC	Instructional Classroom Complex-Bowling Green	\$16,500,000

Southeast KY CTC	Renovate Educational Alliance Center-Middlesboro	\$7,500,000
West KY CTC	2D Art School, Phase I-Paducah	\$7,500,000
Total KCTCS Agency Bonds		\$145,500,000

Postsecondary Education Institutions – General Fund Bond Projects

The Executive Budget includes \$520,337,000 in General Fund supported bonds for 11 capital projects at the postsecondary institutions.

Institution	Project	Bond Funds
Eastern Ky University	Construct Science Building, Phase II & III	\$66,340,000
Ky State University	Replace Boilers and Repair Aging Distribution Lines	\$10,400,000
Morehead State University	Renovate/Expand Student Services Facility	\$49,679,000
Murray State University	Construct New Breathitt Veterinary Center	\$32,468,000
Murray State University	Construct/Complete New Science Complex, Final Phase	\$31,890,000
Northern Ky University	Renovate Old Science and Construct Health Innovation	\$97,000,000
University of Kentucky	Renovate/Upgrade Academic Learning Center	\$45,000,000
University of Kentucky	Expand/Renovate/Upgrade Law Building	\$35,000,000
University of Louisville	Construct Belknap Classroom/Academic Building	\$80,560,000
Western Ky University	Renovate Science Campus, Phase IV	\$48,000,000
KCTCS	Construct Advanced Manufacturing Facility - Georgetown	\$24,000,000
Total		\$520,337,000

University Agency Bonds

The Executive Budget continues Governor Beshear’s record of recommending a level of University Agency Bond authority consistent with the needs and capacity expressed by the postsecondary education institutions. The \$703.7 million in University Agency bonds for the four-year institutions, combined with the \$145.5 million in Agency bonds for KCTCS is the highest amount ever included in a biennial budget and represents 43 percent of the total capital debt recommended. The Universities’ bond funded capital projects are concentrated in the areas of student life, student housing, and University medical-related facilities.

College	Project	Agency Bonds
Eastern Ky University	Renovate/Improve Athletics Facilities	\$15,000,000
Eastern Ky University	Construct Parking Structure	\$12,000,000
Ky State University	Construct Athletics Sports Complex	\$5,487,000
Morehead State University	Construct Student Residential Apartment Complex	\$28,000,000
Morehead State University	Construct Food Service/Retail & Parking Structure	\$18,395,000
Morehead State University	Construct Residential Facility at University Farm	\$2,735,000
Murray State University	Replace Franklin Hall	\$28,953,000
Northern Ky University	Expand University Drive Parking Garage	\$15,000,000
University of Kentucky	Renovate/Expand University Student Center	\$160,000,000
University of Kentucky	Renovate/Upgrade HealthCare Facilities	\$150,000,000
University of Kentucky	Construct Parking Structure #9	\$45,000,000
University of Kentucky	Expand/Renovate/Upgrade Law Building	\$30,000,000
University of Louisville	Construct Instructional Building at Health Science Center	\$71,730,000

University of Louisville	Renovate Medical School Tower Lab/Infra. Renewal	\$34,500,000
University of Louisville	Purchase Land Support Service Northeast Quadrant	\$15,600,000
University of Louisville	Expand and Renovate Student Activities Center	\$11,860,000
University of Louisville	Renovate Medical Dental Research Infrastructure	\$10,406,000
University of Louisville	Guaranteed Energy Savings Performance Contracts	\$10,000,000
University of Louisville	Renovate Belknap Office Building	\$8,045,000
Western Ky University	Expand Student Intramural Recreation Facility	\$20,000,000
Western Ky University	Construct Parking Structure III	\$11,000,000
	Total Agency Bonds	\$703,711,000

Commonwealth College – Web Portal

This \$1,200,000 General Fund bond project will create the central web portal for Commonwealth College. It will house the on-line catalog of degree programs and courses and all of the student information. It will create automated interfaces with the student information systems and learning management platforms at each of the participating postsecondary institutions.

Elementary and Secondary Education

School Facilities

The School Facilities Construction Commission was authorized by the 2012 General Assembly to make offers of assistance to local school districts for new construction and renovation projects. The Executive Budget recommends \$100 million in new bonds to honor these offers of assistance to local school districts. The Executive Budget also authorizes SFCC to make an additional \$100 million in offers of assistance over the next two years, to be funded in the 2014-2016 biennial budget.

Instructional Device Replacement – School Technology

The Governor’s recommended budget includes \$50 million in General Fund bonds to support the replacement and upgrade of instructional devices throughout Kentucky’s public schools. There has not been any direct state investment in classroom-based instructional technology since the 2006-08 biennial budget.

Educator Preparation System

The Executive Budget includes \$1,270,000 for a new Educator Preparation System for the Education Professional Standards Board. This information technology project will create a web-based system that will provide accurate and reliable data to support the accreditation process at the universities, automate the program review process, and allow transparency in both monitoring and reporting program quality data.

Economic and Community Development

The Governor’s budget recommendation includes nearly \$230 million in General Fund supported bonds to invest and enhance economic and community development opportunities for Kentuckians.

Investing in Louisville and Lexington through Community Partnerships

The Executive Budget includes \$56,000,000 in General Fund bonds in support of a \$180 million total project to renovate and expand the Kentucky International Convention Center in downtown Louisville. This partnership with the local community puts into action the recommendations of a study outlining the improvements and modernization needed to sustain tourism and convention business in downtown Louisville, and to compete with convention centers in surrounding states. The community will provide \$124 million of the \$180 million project. This financing arrangement models past investments in the Convention Center between the State and the local

community. The renovation will expand the contiguous exhibit space from 146,000 to 230,000 contiguous square feet, develop 162,000 square feet of new space, and renovate about 397,000 square feet of existing space.

The Governor's budget recommendation includes \$65 million in General Fund bonds to support the total cost of renovation and upgrades to Rupp Arena and to support the replacement of the Lexington Convention Center. Other funding for the total scope of the project will be provided by the community from local and private funds.

Advanced Manufacturing Training Center

The Executive Budget includes \$24 million in General Fund bonds to build an Advanced Manufacturing Training Center in Georgetown that will serve as a direct pipeline for high-demand workers. This Center will be a part of the Bluegrass Community and Technical College, which has been partnering with the Kentucky Federation of Advanced Manufacturing Education to produce highly-skilled maintenance technicians for Toyota and other manufacturers.

Economic Development Capital

The Executive Budget includes \$30 million in General Fund bonds to continue the Governor's commitment to job creation and investing in Kentucky's future. The additional funding is targeted to the High-Tech Construction/Investment Pools managed by the Economic Development Cabinet to make forgivable grants and loans to firms operating in high-tech, knowledge-based industries. The High-Tech Pool investments target new economy niche areas where Kentucky might gain a competitive edge.

Next Generation Kentucky Information Highway – Public-Private Partnership

The Executive Budget funds a partnership among Kentucky state government, the federal government, regional and local communities and the private sector to ensure affordable access to high-speed network infrastructure in all areas of the state. The Executive Budget includes \$60 million on bonds funds, \$20 million in federal funds, and \$20 million in private funds for this project. Of the \$60 million in bond funds, \$40 million will be supported from existing state expenditures on network access, and the remaining \$20 million is supported by the General Fund.

Most of Kentucky's high speed network infrastructure is located in the heavily populated central Kentucky region. There continues to be a lack of available, affordable high speed internet in many areas of the state – particularly rural areas – which negatively impacts businesses, citizens and governmental organizations. Expansion of the high-speed network will advance educational and economic development opportunities to those areas of the state that do not currently have access.

Business One-Stop Portal

General Fund bonds in the amount of \$7,243,000 are included for Phase II of the Business One-Stop Portal. The Portal will provide a single, unified entry point for business owners to access and complete initial and ongoing state services and requirements relating to the creation and ongoing operations of a business located in Kentucky. Phase II will expand the portal to include additional Department of Revenue tax types as well as to include the Department of Workers' Claims and the Office of Unemployment Insurance. The One-Stop Business Portal Advisory Committee is co-chaired by the Secretary of State and the Secretary of the Governor's Cabinet.

Infrastructure Development

The Executive Budget includes \$5.4 million in General Fund Bonds for the two Kentucky Infrastructure Authority's revolving loan fund programs that finance Clean Water and Drinking Water infrastructure projects. These state funds, combined with past authorizations of state funds, will fully match an expected \$58 million in federal funds for these two programs. The Governor's budget recommendation also includes \$125 million in Agency bond authority for these two programs, referred to as "leverage bonds", this capitalization will enable

the Authority to provide needed low-interest capital to expand and improve Kentucky's water and sewer infrastructure.

Kentucky Historical Society – Digital Initiatives

The Executive Budget includes \$1,000,000 in General Fund bonds to provide the public with digital access to collections and data at the Kentucky Historical Society. The total anticipated project cost is \$3,500,000 and includes \$2,500,000 of private donations.

Health and Public Safety

Laboratory Equipment Replacement and Modernization

The Executive Budget includes \$2.5 million in vital equipment replacement for the radiation program in the Kentucky state laboratory, \$1 million to upgrade equipment for the newborn screening program, and \$1 million for the Kentucky State Police to purchase 10 gas chromatography/mass spectrometers. The equipment is used for counting and detecting radiation. The existing equipment and instruments are no longer supported by the manufacturers and is central to Kentucky's ability to protect the public from radiological exposures. The newborn screening equipment will replace two mass spectrometers. Some of the State Police instruments have been in service for 15 years. This equipment is used for drug and toxicology lab examinations and all aspects of forensic drug identification from pill form to blood concentration.

Kentucky State Police - Replace/Upgrade Mobile Data Computers

The Executive Budget includes \$2,000,000 in General Fund Bonds to purchase 400 mobile data computers. The computers provide Kentucky State Troopers and Commercial Vehicle Officers a mobile office within their vehicles. Current computers are badly outdated. This project allows Troopers and Officers to perform their public safety jobs with adequate equipment. The computers enable them to search vehicle and traffic violations, gun information, citations, warrants, missing persons, sex offender registry, violent gang or terrorist organizations, and stolen property information. Officers are able to access law enforcement reports, respond to email and complete required documents. The mobile computers allow Dispatch personnel to transmit detailed messages directly to officer's computer.

Vital Statistics Information System

The Executive Budget includes \$6 million in General Fund bonds to initiate the development of the Kentucky Vital Statistics Information System. Vital statistics records use a paper-based record system. This project will begin the process of digitizing these records.

Sustaining Kentucky's Park System

The Executive Budget includes \$5,500,000 in General Fund bonds to upgrade guest accommodations throughout the State Park system. This investment is vital to maintaining a vibrant Kentucky State Parks system and to retain the State Parks as a desired tourism destination.

Major Maintenance and Capital Renewal Funding

Agency Maintenance Pools

The Executive Budget includes funding for maintaining and restoring state owned assets, and to protect existing investments in important facilities. The 2014-2016 Executive Budget provides approximately \$34.8 million for state agency maintenance pools. These pools are funded from a combination of cash sources (\$6.9 million) and General Fund bonds (\$27.9 million).

Upgrade State Data Center Readiness

General Fund bonds in the amount of \$2 million are provided to make electrical and other infrastructure upgrades at the State Data Center in Frankfort. The State Data Center houses the central operations of the Commonwealth Office of Technology and is relied upon by state agencies to meet their information technology needs. This project will eliminate some of the single points of failure that exist at the current facility, which was built in the 1970s and still has some of the original electrical equipment that has reached the end of its useful life.

Install Energy Management System Controls

The Executive Budget includes \$1.5 million in General Fund supported bonds to install controls on various state-owned buildings that allow for the monitoring, measurement, and reporting of energy consumption. The data will be used in conjunction with the Commonwealth Energy Management and Control System (CEMCS) to create energy savings. Twenty-five buildings have already been integrated into CEMCS, resulting in a reduction in energy usage of over 15%.

Roof Replacements/Sewer Line Replacement

The Governor's budget recommendation includes \$2,200,000 in General Fund bonds to replace the existing roof of the Kentucky Center for the Arts and reauthorizes and reallocates previously issued bonds to replace and repair the existing roof at Kentucky Dam Village. The Executive Budget also provides \$3,224,000 in General Fund bonds for a State Fair Board project to replace the sewer line at Freedom Hall. The project will reroute and expand the line and provide new manholes connecting the new lines.

New Facility/Facility Replacements

Fourth Veterans' Nursing Home

The Executive Budget includes an additional \$2 million in General Fund bonds to complete and open the 120-bed skilled nursing facility for Kentucky's fourth Veterans' Nursing Home, under construction in Radcliff, Kentucky (Hardin County). The Nursing Home is a \$42 million project, \$16 million in General Fund bonds and \$26 million from Federal Funds. The new facility is expected to open in the summer of 2015.

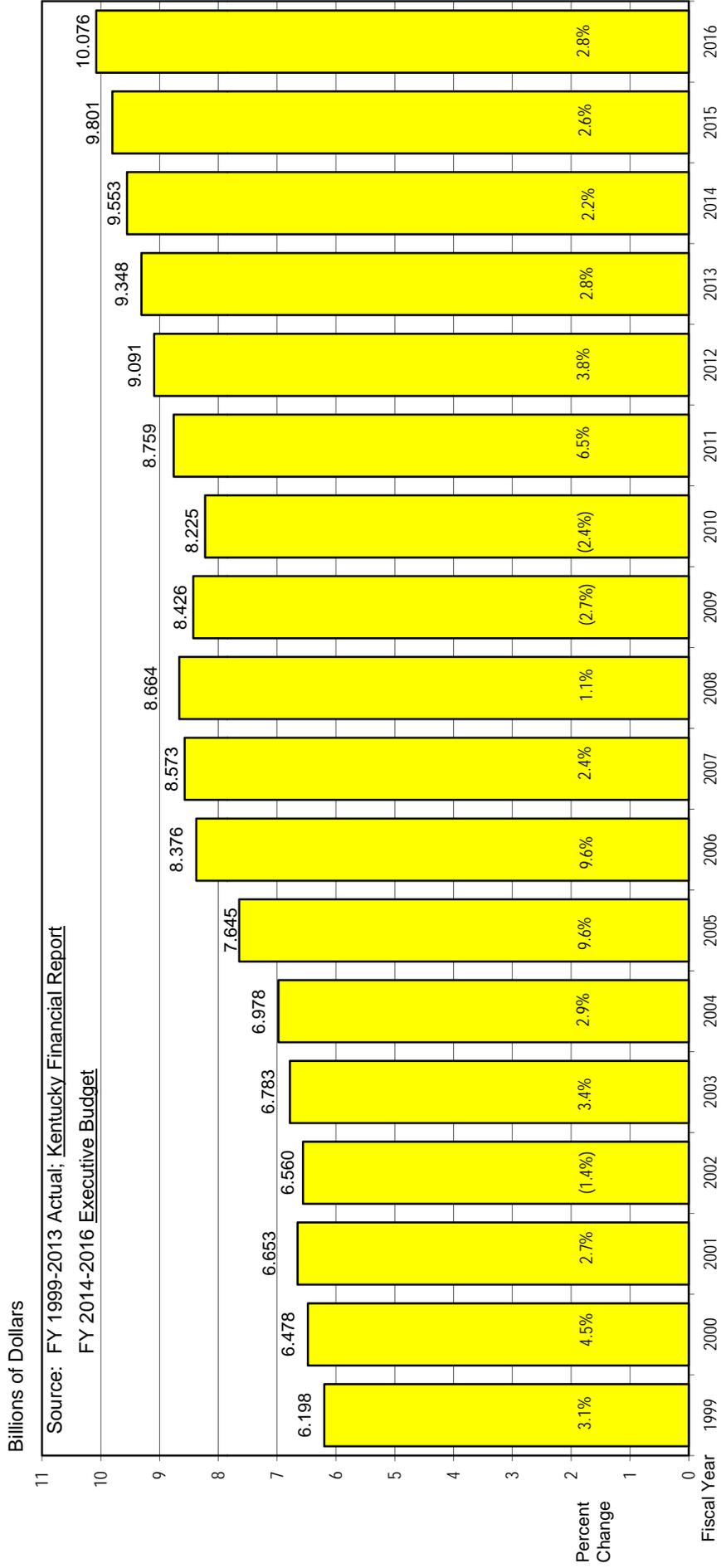
Transportation – C-1 Garage Replacement

The Executive Budget includes \$5,000,000 in Road Fund supported bonds to replace the C-1 maintenance garage in Franklin County. Built in the 1950s, the existing facility has become unsafe for employees to work in and has an inadequate fire suppression system. The project will demolish the existing facility and replace with a new combined warehouse with nine drive-through bays, one center high bay for lift equipment, necessary offices, and storage and will be located on land currently owned by the Transportation Cabinet.

General Fund Revenue Receipts

Fiscal Years 1999-2016

(Billions of dollars – rounded)

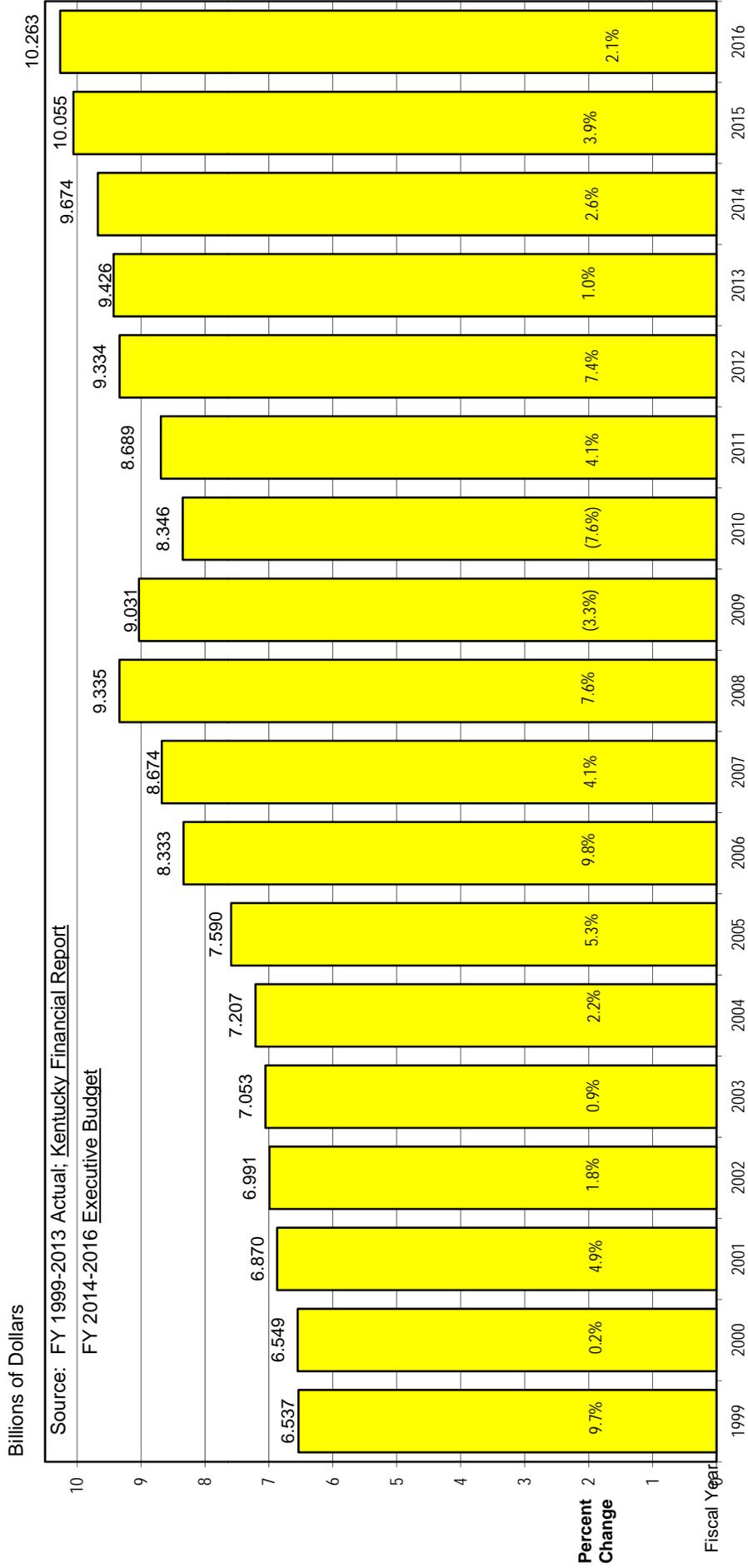


- Excludes Tobacco Settlement – Phase I Funds
- Excludes Fund Transfers

General Fund Expenditures

Fiscal Years 1999-2016

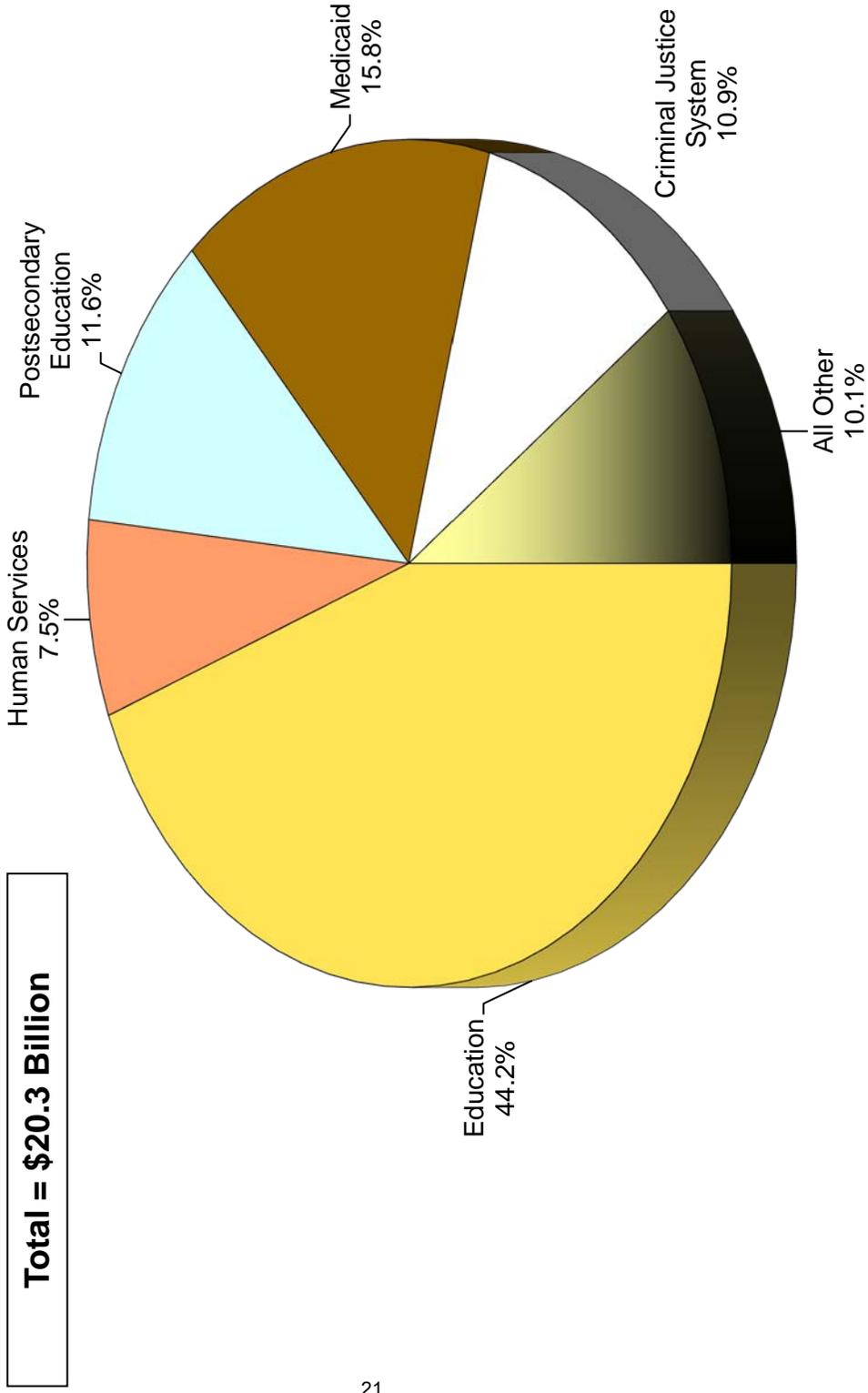
(Billions of dollars – rounded)



• Excludes Tobacco Settlement – Phase I Funds

2014-2016 Biennium

Distribution of General Fund Appropriations



Excludes Tobacco Settlement – Phase I Funds

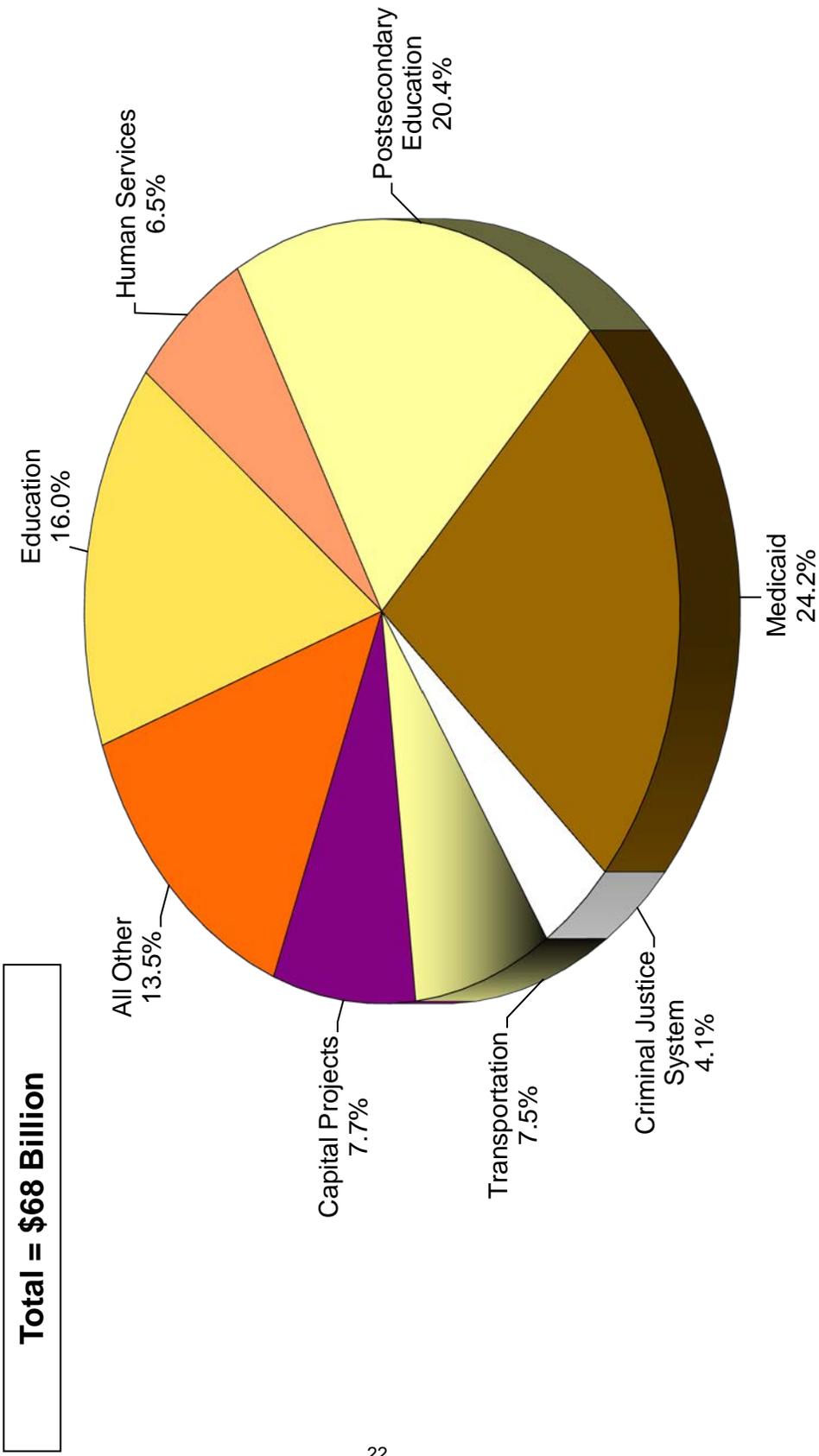
* Education includes the Department of Education, Teachers' Retirement System, School Facilities Construction Commission and the Education Professional Standards Board.

** Human Services include the Health and Family Services Cabinet (net of Medicaid).

*** Criminal Justice System includes the Unified Prosecutorial System, Justice and Public Safety Cabinet and the Judicial Branch.

2014-2016 Biennium

Distribution of All Funds Appropriations



* Education includes the Department of Education, Teachers' Retirement System, School Facilities Construction Commission and the Education Professional Standards Board.
** Human Services include the Health and Family Services Cabinet (net of Medicaid).
*** Criminal Justice System includes the Unified Prosecutorial System, Justice and Public Safety Cabinet and the Judicial Branch.

Executive Branch

	Revised FY 2014	Requested FY2015	Requested FY2016	Recommended FY 2015	Recommended FY 2016
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	9,410,218,100	10,996,205,300	11,629,874,100	9,687,138,900	9,894,570,000
Surplus Expenditure Plan	25,600,900				
Current Year Appropriation	40,826,400				
Continuing Approp.-General Fund	133,777,900	98,294,200	98,294,200	98,294,200	98,294,200
Mandated Allotments	40,949,300				
Other	-126,059,800	-8,060,000	-8,280,000		
Current Receipts			5,381,000		
Total General Fund	9,525,312,800	11,086,439,500	11,725,269,300	9,785,433,100	9,992,864,200
Tobacco Settlement - Phase I					
Tobacco Settlement - Phase I	93,093,500	78,278,000	78,326,100	101,879,500	74,579,500
Continuing Approp.-Tobacco Settlement	46,011,900	23,775,700	14,999,100	450,500	2,505,300
Budget Reduction-General Fund Tobacco	-45,371,300				
Total Tobacco Settlement - Phase I	93,734,100	102,053,700	93,325,200	102,330,000	77,084,800
Restricted Funds					
Balance Forward	652,037,800	378,372,695	338,930,195	384,006,500	277,995,100
Current Receipts	6,085,576,400	6,341,974,400	6,548,599,800	6,310,651,800	6,515,609,800
Non-Revenue Receipts	2,027,973,400	800,243,300	801,754,900	1,131,109,900	960,487,600
Fund Transfers	-78,022,800	-4,152,900	-4,153,700	-135,752,900	-107,753,700
Total Restricted Funds	8,687,564,800	7,516,437,495	7,685,131,195	7,690,015,300	7,646,338,800
Federal Funds					
Balance Forward	186,962,100	24,139,800	18,706,400	24,362,300	20,931,400
Current Receipts	9,833,233,800	11,012,328,800	11,330,197,100	10,901,024,800	11,198,210,000
Non-Revenue Receipts	-11,071,300	-2,068,700	3,054,100	-2,068,700	3,054,100
ARRA Receipts	3,322,700				
Total Federal Funds	10,012,447,300	11,034,399,900	11,351,957,600	10,923,318,400	11,222,195,500
Road Fund					
Regular Appropriation	1,557,664,700	1,634,142,200	1,641,937,000	1,627,713,400	1,616,567,600
Surplus Expenditure Plan	17,718,000				
Other	-397,700				
Total Road Fund	1,574,985,000	1,634,142,200	1,641,937,000	1,627,713,400	1,616,567,600
TOTAL SOURCE OF FUNDS	29,894,044,000	31,373,472,795	32,497,620,295	30,128,810,200	30,555,050,900
EXPENDITURES BY CLASS					
Personnel Cost	6,147,079,900	6,677,743,646	6,918,542,546	6,336,697,051	6,480,875,199
Operating Expenses	2,998,392,300	3,169,185,154	3,240,162,354	3,096,386,464	3,183,274,951
Grants Loans Benefits	16,553,219,000	18,590,458,600	19,268,872,700	17,614,282,585	17,978,468,950
Debt Service	1,049,297,900	1,107,436,900	1,295,593,100	1,090,536,700	1,200,582,900
Capital Outlay	166,943,200	229,575,500	224,486,700	183,868,300	178,399,500
Construction	2,365,063,100	1,110,411,100	1,109,575,700	1,382,151,200	1,178,178,700
TOTAL EXPENDITURES	29,279,995,400	30,884,810,900	32,057,233,100	29,703,922,300	30,199,780,200
EXPENDITURES BY FUND SOURCE					
General Fund	9,348,322,300	10,975,852,300	11,614,687,200	9,667,632,300	9,875,209,000
Tobacco Settlement - Phase I	90,990,100	85,096,300	85,344,600	97,645,200	74,900,700
Restricted Funds	8,303,558,300	7,177,507,300	7,380,171,000	7,412,020,200	7,431,285,300
Federal Funds	9,988,085,000	11,015,693,500	11,338,679,400	10,902,387,000	11,205,293,400
Road Fund	1,549,039,700	1,630,666,400	1,638,461,200	1,624,237,600	1,613,091,800
TOTAL EXPENDITURES	29,279,995,400	30,884,815,800	32,057,343,400	29,703,922,300	30,199,780,200
EXPENDITURES BY UNIT					
General Government	1,148,905,900	1,600,656,600	1,660,047,800	1,079,044,300	1,069,035,800
Economic Development	26,873,900	25,668,600	32,714,800	21,944,400	43,499,800
Department of Education	4,773,512,800	5,172,330,700	5,450,054,900	4,957,557,400	5,024,652,900

Education and Workforce Development	1,266,569,000	1,313,094,300	1,318,324,700	1,279,027,200	1,281,922,900
Energy and Environment	251,902,900	265,229,000	270,612,600	250,019,600	252,720,700
Finance and Administration	792,320,500	901,093,700	948,249,500	839,375,900	848,089,600
Health and Family Services	9,268,376,700	10,580,129,200	10,971,834,900	10,300,046,500	10,603,884,700
Justice and Public Safety	928,562,000	1,052,665,100	1,094,093,500	931,724,900	943,080,000
Labor	212,534,200	234,531,300	235,412,000	234,944,700	227,360,200
Personnel	61,343,500	65,257,900	67,620,100	63,473,300	64,800,700
Postsecondary Education	6,645,924,000	6,913,169,300	7,215,553,600	6,796,519,100	7,042,881,200
Public Protection	91,659,000	99,945,200	103,252,900	97,733,400	98,922,900
Tourism, Arts and Heritage	224,019,000	265,841,500	285,399,100	229,688,900	229,839,900
Transportation	3,587,492,000	2,395,203,400	2,404,173,000	2,622,822,700	2,469,088,900
TOTAL EXPENDITURES	<u>29,279,995,400</u>	<u>30,884,815,800</u>	<u>32,057,343,400</u>	<u>29,703,922,300</u>	<u>30,199,780,200</u>

General Government

	Revised FY 2014	Requested FY2015	Requested FY2016	Recommended FY 2015	Recommended FY 2016
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	724,502,800	1,192,891,800	1,228,361,100	674,436,600	657,342,700
State Salary and Compensation Allocation	581,400				
Continuing Approp.-General Fund	313,600				
Mandated Allotments	22,716,800				
Other	-77,030,600				
Current Receipts			5,381,000		
Total General Fund	671,084,000	1,192,891,800	1,233,742,100	674,436,600	657,342,700
Tobacco Settlement - Phase I					
Tobacco Settlement - Phase I	16,291,800	16,291,800	16,291,800	20,910,600	9,173,600
Continuing Approp.-Tobacco Settlement	26,789,400	23,775,700	14,999,100	450,500	2,505,300
Budget Reduction-General Fund Tobacco	-16,291,800				
Total Tobacco Settlement - Phase I	26,789,400	40,067,500	31,290,900	21,361,100	11,678,900
Restricted Funds					
Balance Forward	92,845,400	71,888,700	58,293,600	71,935,300	49,684,900
Current Receipts	192,342,600	167,762,600	186,237,200	171,934,700	189,015,600
Non-Revenue Receipts	50,117,900	65,713,500	67,791,100	64,122,400	64,318,100
Fund Transfers	-3,300,000			-8,300,000	-2,800,000
Total Restricted Funds	332,005,900	305,364,800	312,321,900	299,692,400	300,218,600
Federal Funds					
Balance Forward	16,447,600	10,776,000	5,492,300	10,776,000	5,643,600
Current Receipts	198,212,300	129,605,100	130,110,700	130,101,900	130,404,200
ARRA Receipts	322,700				
Total Federal Funds	214,982,600	140,381,100	135,603,000	140,877,900	136,047,800
Road Fund					
Regular Appropriation	500,000	515,200	526,400	510,100	512,500
Total Road Fund	500,000	515,200	526,400	510,100	512,500
TOTAL SOURCE OF FUNDS	1,245,361,900	1,679,220,400	1,713,484,300	1,136,878,100	1,105,800,500
EXPENDITURES BY CLASS					
Personnel Cost	319,316,400	344,176,200	368,972,900	317,872,600	330,564,600
Operating Expenses	78,968,100	91,991,300	95,140,900	82,113,400	84,109,200
Grants Loans Benefits	493,551,100	893,097,000	888,272,100	409,297,800	376,436,900
Debt Service	251,981,100	263,932,200	302,610,000	260,124,500	270,454,700
Capital Outlay	5,089,200	7,459,800	5,051,800	9,636,000	7,470,400
TOTAL EXPENDITURES	1,148,905,900	1,600,656,500	1,660,047,700	1,079,044,300	1,069,035,800
EXPENDITURES BY FUND SOURCE					
General Fund	657,789,800	1,192,891,800	1,233,742,100	674,436,600	657,342,700
Tobacco Settlement - Phase I	26,338,900	25,289,600	25,489,800	18,855,800	11,674,300
Restricted Funds	260,070,600	247,071,200	264,895,200	250,007,500	263,917,300
Federal Funds	204,206,600	134,888,800	135,394,300	135,234,300	135,589,000
Road Fund	500,000	515,200	526,400	510,100	512,500
TOTAL EXPENDITURES	1,148,905,900	1,600,656,600	1,660,047,800	1,079,044,300	1,069,035,800
EXPENDITURES BY UNIT					
Office of the Governor	8,317,200	8,433,100	8,759,300	9,565,600	9,667,800
Office of State Budget Director	3,316,900	3,512,000	3,795,100	3,273,000	3,437,700
State Planning Fund	158,700	158,700	158,700	150,800	150,800
Homeland Security	6,641,200	6,901,400	6,965,500	6,791,400	6,765,100
Department of Veterans' Affairs	53,106,300	58,749,800	70,877,000	58,616,000	68,436,000
Governor's Office of Agricultural Policy	25,076,300	26,757,300	26,625,100	17,123,500	9,651,700
Kentucky Infrastructure Authority	62,752,300	62,863,000	74,341,500	68,087,300	73,360,700

Military Affairs	175,624,000	103,193,700	105,982,700	96,947,600	97,803,800
Commission on Human Rights	1,972,300	2,657,900	2,778,100	1,948,200	1,983,800
Commission on Women	214,300	245,600	264,500	226,400	232,000
Department for Local Government	50,042,800	51,565,400	53,271,600	50,298,800	50,289,100
Local Government Economic Assistance Fund	50,838,500	76,786,400	76,786,400	55,217,500	53,662,700
Local Government Economic Development Fund	29,415,900	80,498,600	80,498,600	17,953,400	17,471,300
Area Development Fund	498,500	498,500	498,500	473,600	473,600
Executive Branch Ethics Commission	547,500	707,200	740,100	531,300	540,200
Secretary of State	3,164,500	3,445,800	3,788,500	3,432,000	3,689,900
Board of Elections	8,046,100	10,432,000	10,596,900	9,484,400	9,504,400
Registry of Election Finance	1,172,800	1,470,500	1,668,700	1,200,900	1,220,800
Attorney General	59,829,500	31,248,900	32,456,300	31,093,300	31,438,300
Unified Prosecutorial System	76,746,400	93,897,600	98,363,900	83,628,500	85,299,900
Treasury	3,202,700	3,662,000	3,749,100	3,266,700	3,344,500
Agriculture	31,297,800	32,053,100	33,116,900	32,503,200	32,891,300
Auditor of Public Accounts	12,048,600	13,669,700	14,642,000	12,763,900	12,996,700
Personnel Board	803,900	968,900	1,010,100	845,900	856,000
Kentucky Retirement Systems	38,855,900	41,867,100	43,051,400	40,930,800	41,306,800
Occupational & Professional Boards & Commissions	21,685,400	24,415,700	25,363,100	23,362,200	23,713,700
Kentucky River Authority	3,002,200	6,007,700	3,601,900	5,711,700	3,527,300
School Facilities Construction Commission	97,397,700	108,287,700	138,389,700	99,634,000	108,778,500
Teachers' Retirement System	307,628,200	730,199,800	722,405,100	338,956,000	311,515,000
Appropriations Not Otherwise Classified	15,501,500	15,501,500	15,501,500	5,026,400	5,026,400
TOTAL EXPENDITURES	1,148,905,900	1,600,656,600	1,660,047,800	1,079,044,300	1,069,035,800

	Economic Development				
	Revised FY 2014	Requested FY2015	Requested FY2016	Recommended FY 2015	Recommended FY 2016
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	19,131,100	22,935,200	24,778,000	19,572,600	35,999,900
State Salary and Compensation Allocation	20,400				
Continuing Approp.-General Fund	87,400				
Total General Fund	19,238,900	22,935,200	24,778,000	19,572,600	35,999,900
Restricted Funds					
Balance Forward	2,664,700	1,717,200	1,054,700	1,717,200	1,054,700
Current Receipts	1,342,500	1,342,500	1,342,500	1,342,500	1,342,500
Non-Revenue Receipts		728,400	831,800	366,800	394,900
Total Restricted Funds	4,007,200	3,788,100	3,229,000	3,426,500	2,792,100
Federal Funds					
Current Receipts	443,500				
Non-Revenue Receipts	4,901,500		5,100,000		5,100,000
Total Federal Funds	5,345,000		5,100,000		5,100,000
TOTAL SOURCE OF FUNDS	28,591,100	26,723,300	33,107,000	22,999,100	43,892,000
EXPENDITURES BY CLASS					
Personnel Cost	8,843,300	11,378,900	11,855,100	9,377,200	9,509,700
Operating Expenses	1,651,300	1,623,800	1,623,800	1,375,300	1,373,700
Grants Loans Benefits	16,379,300	11,191,900	16,291,900	11,191,900	31,291,900
Debt Service		1,474,000	2,944,000		1,324,500
TOTAL EXPENDITURES	26,873,900	25,668,600	32,714,800	21,944,400	43,499,800
EXPENDITURES BY FUND SOURCE					
General Fund	19,238,900	22,935,200	24,778,000	19,572,600	35,999,900
Restricted Funds	2,290,000	2,733,400	2,836,800	2,371,800	2,399,900
Federal Funds	5,345,000		5,100,000		5,100,000
TOTAL EXPENDITURES	26,873,900	25,668,600	32,714,800	21,944,400	43,499,800
EXPENDITURES BY UNIT					
Executive Policy and Management	3,265,100	5,054,800	6,636,300	3,406,600	4,764,300
Business Development	14,042,000	15,745,800	15,999,200	14,034,100	14,101,300
Bluegrass State Skills	2,787,600	2,712,900	2,720,800	2,710,200	17,712,600
Financial Services	6,779,200	2,155,100	7,358,500	1,793,500	6,921,600
TOTAL EXPENDITURES	26,873,900	25,668,600	32,714,800	21,944,400	43,499,800

The Cabinet for Economic Development is governed by the Kentucky Economic Development Partnership. The Partnership board has 11 voting members and two non-voting members. The 11 voting members are the Governor, who is chairman, the Secretary of the Finance and Administration Cabinet, the Secretary of the Energy and Environment Cabinet, and eight citizen members appointed by the Governor who represent all sectors of the economic development community. The Secretary of the Cabinet for Economic Development (nominated by the Economic Development Partnership and appointed by the Governor) and the Secretary of the Tourism, Arts and Heritage Cabinet serve as non-voting members.

The budgetary resources for the Cabinet are organized in six programs within a single appropriation unit. Business Development is the Commonwealth's marketing and sales force to both prospective investors and existing businesses. Its resources include Kentucky-based business development agents and representatives in Tokyo, Japan and Hamburg, Germany; a database of available sites; comprehensive market research; targeted programs for small businesses; and support of the statewide network of Innovation and Commercialization Centers. The Bluegrass State Skills Corporation makes matching grants for industry-specific training of employees. Financial Services administers loans, grants and tax incentives available to businesses that invest and create or maintain jobs in Kentucky, and staffs the Kentucky Economic Development Finance Authority. The Office of the Secretary provides strategic direction for Cabinet activities and administrative services such as legal, fiscal, budget, personnel and asset management.

Policy

The Executive Budget includes General Fund of \$1,324,500 in fiscal year 2016 for debt service on \$30,000,000 in new bonds for the High-Tech Construction/Investment Pool, the Kentucky Economic Development Authority (KEDFA) Loan Pool and the

Economic Development Bond Pool. The Secretary has the discretion to apply funds available in each pool for authorized uses within the Cabinet.

The Executive Budget includes General Fund of \$2,551,300 in each fiscal year for training grants for Bluegrass State Skills Corporation. Notwithstanding KRS 45.229, the General Fund appropriation balance for Bluegrass State Skills Corporation training grants for fiscal year 2014 and fiscal year 2015 shall not lapse and shall carry forward. The amount available to the Corporation for disbursement in each fiscal year shall be limited to the unexpended training grant allotment balance at the end of fiscal year 2014 combined with the additional training grant allotment amounts for each fiscal year of the 2014-2016 biennium, less any disbursements. If the required disbursements exceed the Bluegrass State Skills Corporation training grants allotment balance, notwithstanding KRS 154-12.278, Restricted Funds may be expended for training grants, and funds in an amount not to exceed \$2,000,000 shall be appropriated from the General Fund Surplus Account (KRS 48.700) or the Budget Reserve Trust Fund Account (KRS 48.705).

The Executive Budget includes \$15,000,000 of General Fund in fiscal year 2016 for Bluegrass State Skills Corporation training grants to support a significant manufacturing-related investment in the Commonwealth.

Department of Education

	Revised FY 2014	Requested FY2015	Requested FY2016	Recommended FY 2015	Recommended FY 2016
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	3,864,091,000	4,252,268,200	4,528,329,500	4,036,932,300	4,102,355,900
State Salary and Compensation Allocation	301,600				
Continuing Approp.-General Fund	581,700				
Mandated Allotments	68,700				
Total General Fund	3,865,043,000	4,252,268,200	4,528,329,500	4,036,932,300	4,102,355,900
Restricted Funds					
Balance Forward	11,052,100			4,636,000	4,386,000
Current Receipts	25,267,600	31,562,300	32,694,800	32,777,300	33,909,800
Non-Revenue Receipts		1,215,000	1,215,000		
Fund Transfers				-250,000	
Total Restricted Funds	36,319,700	32,777,300	33,909,800	37,163,300	38,295,800
Federal Funds					
Balance Forward	1,707,800				
Current Receipts	883,829,700	887,285,200	887,815,600	887,847,800	888,387,200
Non-Revenue Receipts	-172,700				
Total Federal Funds	885,364,800	887,285,200	887,815,600	887,847,800	888,387,200
TOTAL SOURCE OF FUNDS	4,786,727,500	5,172,330,700	5,450,054,900	4,961,943,400	5,029,038,900
EXPENDITURES BY CLASS					
Personnel Cost	105,479,900	116,654,200	121,652,500	108,357,251	110,925,199
Operating Expenses	29,903,800	32,726,000	32,763,500	30,229,764	30,321,351
Grants Loans Benefits	4,638,090,300	5,021,926,400	5,294,509,400	4,818,868,585	4,879,862,050
Debt Service				63,000	3,505,500
Capital Outlay	38,800	1,019,300	1,019,300	38,800	38,800
TOTAL EXPENDITURES	4,773,512,800	5,172,325,900	5,449,944,700	4,957,557,400	5,024,652,900
EXPENDITURES BY FUND SOURCE					
General Fund	3,856,464,300	4,252,268,200	4,528,329,500	4,036,932,300	4,102,355,900
Restricted Funds	31,683,700	32,777,300	33,909,800	32,777,300	33,909,800
Federal Funds	885,364,800	887,285,200	887,815,600	887,847,800	888,387,200
TOTAL EXPENDITURES	4,773,512,800	5,172,330,700	5,450,054,900	4,957,557,400	5,024,652,900
EXPENDITURES BY UNIT					
Support Education Excellence in Kentucky (SEEK)	2,879,840,800	3,156,311,300	3,399,863,600	2,970,814,400	3,017,829,400
Operations and Support Services	383,320,000	410,548,400	411,546,800	384,447,500	388,460,100
Learning and Results Services	1,510,352,000	1,605,471,000	1,638,644,500	1,602,295,500	1,618,363,400
TOTAL EXPENDITURES	4,773,512,800	5,172,330,700	5,450,054,900	4,957,557,400	5,024,652,900

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

Education and Workforce Development

	Revised FY 2014	Requested FY2015	Requested FY2016	Recommended FY 2015	Recommended FY 2016
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	48,321,700	73,961,000	77,801,800	50,936,400	51,537,300
State Salary and Compensation Allocation	114,000				
Total General Fund	48,435,700	73,961,000	77,801,800	50,936,400	51,537,300
Restricted Funds					
Balance Forward	10,284,300	10,458,200	9,753,000	8,494,600	7,060,800
Current Receipts	38,866,200	43,034,300	42,147,200	43,053,300	42,116,500
Non-Revenue Receipts	5,321,900	5,192,300	5,394,500	5,192,300	5,394,500
Fund Transfers				-900,000	
Total Restricted Funds	54,472,400	58,684,800	57,294,700	55,840,200	54,571,800
Federal Funds					
Balance Forward	3,375,400	2,257,900	2,257,900	2,257,900	3,454,700
Current Receipts	1,171,329,000	1,190,201,500	1,193,499,900	1,180,508,200	1,183,502,500
Non-Revenue Receipts	-291,000				
Total Federal Funds	1,174,413,400	1,192,459,400	1,195,757,800	1,182,766,100	1,186,957,200
TOTAL SOURCE OF FUNDS	1,277,321,500	1,325,105,200	1,330,854,300	1,289,542,700	1,293,066,300
EXPENDITURES BY CLASS					
Personnel Cost	112,946,600	129,525,800	135,218,400	121,692,900	126,149,100
Operating Expenses	33,331,200	33,730,300	33,137,000	32,636,800	32,305,300
Grants Loans Benefits	1,104,791,800	1,130,448,900	1,132,258,000	1,107,767,200	1,107,933,200
Debt Service	14,568,500	17,027,500	16,744,500	14,568,500	14,568,500
Capital Outlay	930,900	2,361,800	966,800	2,361,800	966,800
TOTAL EXPENDITURES	1,266,569,000	1,313,094,300	1,318,324,700	1,279,027,200	1,281,922,900
EXPENDITURES BY FUND SOURCE					
General Fund	48,435,700	73,961,000	77,801,800	50,936,400	51,537,300
Restricted Funds	45,977,800	48,931,800	47,023,000	48,779,400	46,963,300
Federal Funds	1,172,155,500	1,190,201,500	1,193,499,900	1,179,311,400	1,183,422,300
TOTAL EXPENDITURES	1,266,569,000	1,313,094,300	1,318,324,700	1,279,027,200	1,281,922,900
EXPENDITURES BY UNIT					
General Administration and Program Support	10,382,000	15,321,100	15,713,300	10,356,700	10,370,400
Commission on Proprietary Education	187,700	272,300	283,100	272,300	283,100
Deaf and Hard of Hearing	1,588,300	1,977,100	2,038,300	1,970,500	1,992,400
Kentucky Educational Television	14,467,900	16,388,300	16,644,600	14,488,900	14,696,000
Environmental Education Council	349,400	320,900	321,600	239,900	242,400
Libraries and Archives	16,911,600	22,463,900	23,628,000	19,527,200	18,458,700
Workforce Investment	1,214,446,300	1,244,404,800	1,248,852,800	1,222,940,300	1,227,563,200
Education Professional Standards Board	8,235,800	11,945,900	10,843,000	9,231,400	8,316,700
TOTAL EXPENDITURES	1,266,569,000	1,313,094,300	1,318,324,700	1,279,027,200	1,281,922,900

During the 2006 Regular Session of the General Assembly, Senate Bill 105 combined several departments and offices from the former Education, Arts, and Humanities Cabinet and the former Workforce Development Cabinet to create the Education Cabinet. Senate Bill 78 during the 2009 Regular Session of the General Assembly renamed the cabinet to the Education and Workforce Development Cabinet to emphasize the important connection between education and workforce development. Since that time, other changes have been implemented via enacted legislation including moving the Council on Postsecondary Education from the Education and Workforce Development Cabinet to the Governor's Office, for administrative purposes; moving the Governor's Scholars Program from the Governor's Office to the Education and Workforce Development Cabinet; and dissolving the Board for Proprietary Education and creating the Commission on Proprietary Education, and moving it to the Education and Workforce Development Cabinet for administrative purposes.

The following agencies comprise the Education and Workforce Development Cabinet:

- Department of Education
- Kentucky Center for School Safety
- Governor's Scholars Program
- Education Professional Standards Board
- Kentucky Commission on the Deaf and Hard of Hearing
- Environmental Education Council
- Department for Workforce Investment
- Kentucky Commission on Proprietary Education
- Kentucky Educational Television
- Department for Libraries and Archives

Energy and Environment

	Revised FY 2014	Requested FY2015	Requested FY2016	Recommended FY 2015	Recommended FY 2016
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	77,144,600	90,070,400	95,237,600	81,429,100	86,517,100
State Salary and Compensation Allocation	266,400				
Current Year Appropriation	742,600				
Continuing Approp.-General Fund	675,400				
Total General Fund	78,829,000	90,070,400	95,237,600	81,429,100	86,517,100
Tobacco Settlement - Phase I					
Tobacco Settlement - Phase I	2,500,000	2,500,000	2,500,000	3,000,000	1,000,000
Continuing Approp.-Tobacco Settlement	7,983,500				
Budget Reduction-General Fund Tobacco	-2,500,000				
Total Tobacco Settlement - Phase I	7,983,500	2,500,000	2,500,000	3,000,000	1,000,000
Restricted Funds					
Balance Forward	29,373,900	14,846,900	20,605,300	13,218,900	8,792,500
Current Receipts	20,240,700	22,832,100	22,970,600	22,842,100	22,999,100
Non-Revenue Receipts	71,199,100	72,566,800	73,111,800	105,445,700	103,796,400
Fund Transfers	-13,500,000			-42,000,000	-40,000,000
Total Restricted Funds	107,313,700	110,245,800	116,687,700	99,506,700	95,588,000
Federal Funds					
Balance Forward	79,600				
Current Receipts	85,107,800	84,761,600	85,120,200	83,817,000	83,624,400
Non-Revenue Receipts	-9,176,400	-2,043,500	-2,020,700	-2,043,500	-2,020,700
Total Federal Funds	76,011,000	82,718,100	83,099,500	81,773,500	81,603,700
Road Fund					
Regular Appropriation	300,000	300,000	300,000	316,400	320,900
Total Road Fund	300,000	300,000	300,000	316,400	320,900
TOTAL SOURCE OF FUNDS	270,437,200	285,834,300	297,824,800	266,025,700	265,029,700
EXPENDITURES BY CLASS					
Personnel Cost	128,723,700	143,689,900	151,322,600	131,397,000	133,822,800
Operating Expenses	45,882,600	47,194,200	46,979,000	47,438,000	47,365,400
Grants Loans Benefits	47,386,800	41,345,500	40,393,400	39,830,000	36,717,200
Debt Service	589,000	589,000	589,000	589,000	4,487,500
Capital Outlay	7,386,300	8,243,200	7,161,400	6,598,400	6,160,600
Construction	21,934,500	24,167,200	24,167,200	24,167,200	24,167,200
TOTAL EXPENDITURES	251,902,900	265,229,000	270,612,600	250,019,600	252,720,700
EXPENDITURES BY FUND SOURCE					
General Fund	73,513,600	90,070,400	95,237,600	74,215,500	79,449,100
Tobacco Settlement - Phase I	7,983,500	2,500,000	2,500,000	3,000,000	1,000,000
Restricted Funds	94,094,800	89,640,500	89,475,500	90,714,200	90,347,000
Federal Funds	76,011,000	82,718,100	83,099,500	81,773,500	81,603,700
Road Fund	300,000	300,000	300,000	316,400	320,900
TOTAL EXPENDITURES	251,902,900	265,229,000	270,612,600	250,019,600	252,720,700
EXPENDITURES BY UNIT					
Secretary	5,921,500	7,197,600	7,531,800	5,659,300	6,437,100
Environmental Protection	113,186,900	119,244,100	121,355,400	115,119,800	118,631,900
Natural Resources	112,653,100	116,953,200	120,138,600	112,713,100	111,682,300
Energy Development and Independence	7,323,300	6,963,400	6,488,200	4,515,500	3,784,200
Environmental Quality Commission	223,400	299,300	312,200	288,100	293,200
Kentucky Nature Preserves Commission	1,755,100	1,904,700	1,979,100	1,486,600	1,500,000

Public Service Commission	10,839,600	12,666,700	12,807,300	10,237,200	10,392,000
TOTAL EXPENDITURES	251,902,900	265,229,000	270,612,600	250,019,600	252,720,700

The Energy and Environment Cabinet is charged with the protection and preservation of land, air and water resources as well as creating efficient, sustainable energy solutions. The Cabinet has three departments: Environmental Protection, Natural Resources, and Energy Development and Independence. Attached for administrative purposes are the Mine Safety Review Commission, the State Nature Preserves Commission, the Environmental Quality Commission, and the Public Service Commission.

A Secretary appointed by the Governor heads the Cabinet. The Secretary is responsible for leadership, monitoring trends and shaping a vision for the future of Kentucky's energy platform and environment.

Finance and Administration

	Revised FY 2014	Requested FY2015	Requested FY2016	Recommended FY 2015	Recommended FY 2016
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	595,188,600	612,988,700	655,469,000	577,488,600	585,905,600
State Salary and Compensation Allocation	400,400				
Total General Fund	595,589,000	612,988,700	655,469,000	577,488,600	585,905,600
Tobacco Settlement - Phase I					
Tobacco Settlement - Phase I	30,935,800	30,821,100	30,915,100	30,820,000	30,907,000
Continuing Approp.-Tobacco Settlement	5,751,000				
Budget Reduction-General Fund Tobacco	-5,806,300				
Total Tobacco Settlement - Phase I	30,880,500	30,821,100	30,915,100	30,820,000	30,907,000
Restricted Funds					
Balance Forward	59,328,500	39,412,400	28,217,400	38,954,000	21,385,000
Current Receipts	173,253,700	249,922,000	250,457,300	223,265,100	225,862,400
Non-Revenue Receipts	4,895,200	2,351,000	2,515,600	2,202,000	2,240,400
Fund Transfers	-6,750,000			-6,000,000	-1,000,000
Total Restricted Funds	230,727,400	291,685,400	281,190,300	258,421,100	248,487,800
Federal Funds					
Current Receipts	6,324,700	5,168,000	5,168,000	5,168,000	5,168,000
Total Federal Funds	6,324,700	5,168,000	5,168,000	5,168,000	5,168,000
Road Fund					
Regular Appropriation	3,120,400	3,120,400	3,120,400	3,335,700	3,399,600
Total Road Fund	3,120,400	3,120,400	3,120,400	3,335,700	3,399,600
TOTAL SOURCE OF FUNDS	866,642,000	943,783,600	975,862,800	875,233,400	873,868,000
EXPENDITURES BY CLASS					
Personnel Cost	215,584,300	266,603,500	278,111,600	212,258,000	215,568,000
Operating Expenses	119,996,800	136,903,800	137,074,100	157,002,000	156,919,900
Grants Loans Benefits	7,030,200	5,873,500	5,873,500	5,873,500	5,873,500
Debt Service	434,784,100	439,347,200	475,030,400	444,573,000	450,010,700
Capital Outlay	14,925,100	52,365,700	52,159,900	19,669,400	19,717,500
TOTAL EXPENDITURES	792,320,500	901,093,700	948,249,500	839,375,900	848,089,600
EXPENDITURES BY FUND SOURCE					
General Fund	562,515,000	600,695,700	643,176,000	565,195,600	573,612,600
Tobacco Settlement - Phase I	28,587,000	28,641,600	28,735,600	28,640,500	28,727,500
Restricted Funds	191,773,400	263,468,000	268,049,500	237,036,100	237,181,900
Federal Funds	6,324,700	5,168,000	5,168,000	5,168,000	5,168,000
Road Fund	3,120,400	3,120,400	3,120,400	3,335,700	3,399,600
TOTAL EXPENDITURES	792,320,500	901,093,700	948,249,500	839,375,900	848,089,600
EXPENDITURES BY UNIT					
General Administration	41,645,200	45,074,400	50,196,700	46,534,600	54,067,800
Controller	16,054,700	16,338,800	16,935,000	14,769,100	15,066,400
Debt Service	434,695,100	439,258,200	442,422,400	441,537,100	441,105,000
Facilities and Support Services	45,339,700	48,325,400	80,552,600	47,715,500	48,557,600
County Costs	18,436,200	22,236,200	22,236,200	17,599,500	17,599,500
Commonwealth Office of Technology	95,980,100	158,984,200	160,435,900	139,019,000	139,495,500
Revenue	95,892,900	118,377,500	120,261,800	105,775,100	104,558,100
Property Valuation Administrators	44,276,600	52,499,000	55,208,900	26,426,000	27,639,700
TOTAL EXPENDITURES	792,320,500	901,093,700	948,249,500	839,375,900	848,089,600

The Finance and Administration Cabinet is responsible for managing the financial resources of the Commonwealth and providing central administrative services to agencies of state and local government. The mission of the Finance and Administration Cabinet is to provide its customers with assistance in the delivery of quality services, effective administration, and sound financial management. The Cabinet provides leadership, coordination, and support to other state agencies to ensure accountability and

integrity in the use of public resources. The Finance and Administration Cabinet constantly strives to conduct government business more effectively. Moreover, among the highest priorities of the Cabinet is providing state government with the resources necessary to carry out its mission by equitable and efficient revenue collection.

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

Health and Family Services

	Revised FY 2014	Requested FY2015	Requested FY2016	Recommended FY 2015	Recommended FY 2016
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	2,184,786,300	2,558,331,000	2,661,483,500	2,333,899,300	2,403,764,000
State Salary and Compensation Allocation	647,600				
Current Year Appropriation	5,480,500				
Other		-1,060,000	-1,080,000		
Total General Fund	2,190,914,400	2,557,271,000	2,660,403,500	2,333,899,300	2,403,764,000
Tobacco Settlement - Phase I					
Tobacco Settlement - Phase I	36,777,900	22,120,600	22,120,600	39,376,200	27,550,300
Continuing Approp.-Tobacco Settlement	4,697,900				
Budget Reduction-General Fund Tobacco	-17,522,100				
Total Tobacco Settlement - Phase I	23,953,700	22,120,600	22,120,600	39,376,200	27,550,300
Restricted Funds					
Balance Forward	49,599,900	25,456,700	17,686,000	31,440,900	20,382,900
Current Receipts	521,976,700	529,953,300	539,537,000	514,765,500	521,568,800
Non-Revenue Receipts	463,723,900	448,102,800	446,839,700	486,420,100	464,903,400
Total Restricted Funds	1,035,300,500	1,003,512,800	1,004,062,700	1,032,626,500	1,006,855,100
Federal Funds					
Balance Forward	153,594,800				
Current Receipts	5,908,554,200	7,014,910,800	7,297,533,300	6,914,527,400	7,177,935,900
ARRA Receipts	3,000,000				
Total Federal Funds	6,065,149,000	7,014,910,800	7,297,533,300	6,914,527,400	7,177,935,900
TOTAL SOURCE OF FUNDS	9,315,317,600	10,597,815,200	10,984,120,100	10,320,429,400	10,616,105,300
EXPENDITURES BY CLASS					
Personnel Cost	685,932,200	810,541,400	831,571,300	745,627,700	745,107,600
Operating Expenses	126,249,100	129,493,500	130,258,500	115,837,800	121,863,000
Grants Loans Benefits	8,454,458,900	9,638,042,900	9,989,492,700	9,432,907,100	9,730,537,500
Debt Service			18,611,000	3,622,500	4,475,200
Capital Outlay	986,500	986,400	836,400	986,400	836,400
Construction	750,000	1,065,000	1,065,000	1,065,000	1,065,000
TOTAL EXPENDITURES	9,268,376,700	10,580,129,200	10,971,834,900	10,300,046,500	10,603,884,700
EXPENDITURES BY FUND SOURCE					
General Fund	2,175,414,400	2,557,271,000	2,660,403,500	2,333,899,300	2,403,764,000
Tobacco Settlement - Phase I	23,953,700	22,120,600	22,120,600	39,376,200	27,550,300
Restricted Funds	1,003,859,600	985,826,800	991,777,500	1,012,243,600	994,634,500
Federal Funds	6,065,149,000	7,014,910,800	7,297,533,300	6,914,527,400	7,177,935,900
TOTAL EXPENDITURES	9,268,376,700	10,580,129,200	10,971,834,900	10,300,046,500	10,603,884,700
EXPENDITURES BY UNIT					
General Administration and Program Support	87,941,900	101,903,400	97,112,100	92,893,600	88,752,000
Comm for Children with Special Health Care Needs	16,313,700	17,540,500	18,251,300	16,938,400	17,124,100
Medicaid Services	7,121,086,400	8,250,946,900	8,590,520,700	8,084,734,400	8,390,815,800
Behavioral Health, Developmental & Intellectual Disabilities	462,258,500	498,701,700	514,290,100	469,622,300	460,357,400
Public Health	379,927,800	398,733,700	402,277,200	380,392,400	375,127,500
Health Policy	1,216,000	1,445,500	1,494,900	1,257,800	1,273,700
Family Resource Centers and Volunteer Services	3,603,600	10,966,200	10,977,800	3,576,800	3,548,400
Income Support	110,225,400	103,041,900	108,909,800	102,623,500	104,465,400
Community Based Services	962,004,700	1,082,260,900	1,117,711,300	1,041,668,400	1,062,961,400
Aging and Independent Living	71,849,500	80,651,100	83,401,400	72,401,500	72,570,700

Health Benefit Exchange	51,949,200	33,937,400	26,888,300	33,937,400	26,888,300
TOTAL EXPENDITURES	9,268,376,700	10,580,129,200	10,971,834,900	10,300,046,500	10,603,884,700

The Cabinet for Health and Family Services 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 following departments and/or offices comprise the Cabinet for Health and Family Services: the Office of the Secretary, Governor's Office of Electronic Health Information, Office of Communications and Administrative Review, Office of the Inspector General, Office of Legal Services, Office of Administrative and Technology Services, Office of Human Resource Management, Office of Policy and Budget and Office of the Ombudsman comprise the Administration and Program Support appropriation unit. Remaining agencies/appropriation units within the Cabinet include the Office of the Kentucky Health Benefit Exchange, the Office of Health Policy, Department for Medicaid Services, Department for Behavioral Health, Developmental and Intellectual Disabilities, Department for Public Health, Department for Aging and Independent Living, Department for Community Based Services, Department for Income Support, Department for Family Resource Centers and Volunteer Services and the Commission for Children with Special Health Care Needs.

Justice and Public Safety

	Revised FY 2014	Requested FY2015	Requested FY2016	Recommended FY 2015	Recommended FY 2016
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	651,738,400	801,880,100	841,299,400	680,902,900	694,237,500
State Salary and Compensation Allocation	1,836,900				
Current Year Appropriation	12,430,200				
Mandated Allotments	18,163,800				
Other		-7,000,000	-7,200,000		
Total General Fund	684,169,300	794,880,100	834,099,400	680,902,900	694,237,500
Tobacco Settlement - Phase I					
Tobacco Settlement - Phase I	1,700,200	1,706,700	1,710,800	1,700,200	1,241,100
Continuing Approp.-Tobacco Settlement	47,100				
Budget Reduction-General Fund Tobacco	-851,900				
Total Tobacco Settlement - Phase I	895,400	1,706,700	1,710,800	1,700,200	1,241,100
Restricted Funds					
Balance Forward	30,157,500	9,625,900	9,719,300	7,485,900	7,151,200
Current Receipts	40,010,900	47,428,400	47,666,400	47,635,000	47,863,700
Non-Revenue Receipts	68,615,500	69,882,600	70,635,900	79,730,500	81,472,600
Fund Transfers	-20,488,800			-12,000,000	-11,000,000
Total Restricted Funds	118,295,100	126,936,900	128,021,600	122,851,400	125,487,500
Federal Funds					
Balance Forward	953,100	558,600	408,900	558,600	279,300
Current Receipts	46,493,800	38,705,700	36,545,600	38,705,700	36,545,600
Non-Revenue Receipts	-6,098,400				
Total Federal Funds	41,348,500	39,264,300	36,954,500	39,264,300	36,824,900
Road Fund					
Regular Appropriation	91,898,200	100,005,300	103,497,900	94,436,600	95,536,900
Total Road Fund	91,898,200	100,005,300	103,497,900	94,436,600	95,536,900
TOTAL SOURCE OF FUNDS	936,606,500	1,062,793,300	1,104,284,200	939,155,400	953,327,900
EXPENDITURES BY CLASS					
Personnel Cost	546,877,500	632,621,300	668,380,700	558,811,400	568,958,800
Operating Expenses	115,469,500	121,714,900	121,800,300	115,260,300	115,235,000
Grants Loans Benefits	258,989,400	271,398,100	274,462,900	251,192,500	252,014,300
Debt Service	2,135,900	13,792,900	17,068,500	2,520,400	3,028,000
Capital Outlay	5,089,400	13,137,600	12,380,800	3,940,000	3,843,600
Construction	300	300	300	300	300
TOTAL EXPENDITURES	928,562,000	1,052,665,100	1,094,093,500	931,724,900	943,080,000
EXPENDITURES BY FUND SOURCE					
General Fund	684,169,300	794,880,100	834,099,400	680,902,900	694,237,500
Tobacco Settlement - Phase I	895,400	1,706,700	1,710,800	1,700,200	1,241,100
Restricted Funds	110,809,200	117,217,600	118,090,100	115,700,200	115,239,600
Federal Funds	40,789,900	38,855,400	36,695,300	38,985,000	36,824,900
Road Fund	91,898,200	100,005,300	103,497,900	94,436,600	95,536,900
TOTAL EXPENDITURES	928,562,000	1,052,665,100	1,094,093,500	931,724,900	943,080,000
EXPENDITURES BY UNIT					
Justice Administration	29,155,300	32,553,200	32,939,600	27,550,000	27,151,600
Criminal Justice Training	49,497,200	52,758,200	53,548,800	52,240,000	52,040,000
Juvenile Justice	104,295,200	128,929,600	133,627,300	104,253,800	105,739,800
State Police	196,991,200	235,548,400	252,199,200	203,447,800	206,088,200
Corrections	499,299,400	538,015,500	546,627,100	493,301,000	500,541,200
Public Advocacy	49,323,700	64,860,200	75,151,500	50,932,300	51,519,200
TOTAL EXPENDITURES	928,562,000	1,052,665,100	1,094,093,500	931,724,900	943,080,000

The Kentucky Justice Cabinet was established in 1974. It was renamed the Justice and Public Safety Cabinet in 2007. In 2009 the Department of Vehicle Enforcement was brought under the Kentucky State Police.

The Cabinet is comprised of six departments:

- Department of Justice Administration
- Department for Public Advocacy
- Department of Kentucky State Police
- Department of Juvenile Justice
- Department of Criminal Justice Training
- Department of Corrections

	Labor				
	Revised FY 2014	Requested FY2015	Requested FY2016	Recommended FY 2015	Recommended FY 2016
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	4,744,100	5,721,600	5,950,200	5,101,500	5,183,400
State Salary and Compensation Allocation	17,000				
Total General Fund	4,761,100	5,721,600	5,950,200	5,101,500	5,183,400
Restricted Funds					
Balance Forward	19,995,700	10,126,400	678,900	10,126,400	678,900
Current Receipts	99,650,000	106,833,300	116,115,100	107,341,700	112,448,500
Non-Revenue Receipts	94,265,900	108,438,100	108,603,800	108,948,400	104,966,800
Total Restricted Funds	213,911,600	225,397,800	225,397,800	226,416,500	218,094,200
Federal Funds					
Balance Forward	137,400				
Current Receipts	4,078,700	4,116,000	4,126,800	4,130,800	4,145,400
Non-Revenue Receipts	-228,200	-25,200	-25,200	-25,200	-25,200
Total Federal Funds	3,987,900	4,090,800	4,101,600	4,105,600	4,120,200
TOTAL SOURCE OF FUNDS	222,660,600	235,210,200	235,449,600	235,623,600	227,397,800
EXPENDITURES BY CLASS					
Personnel Cost	134,814,900	152,979,200	155,583,300	151,696,400	148,807,400
Operating Expenses	6,993,800	6,968,500	6,981,100	7,164,700	7,205,200
Grants Loans Benefits	70,347,600	71,857,600	71,347,600	71,857,600	71,347,600
Capital Outlay	377,900	2,726,000	1,500,000	4,226,000	
TOTAL EXPENDITURES	212,534,200	234,531,300	235,412,000	234,944,700	227,360,200
EXPENDITURES BY FUND SOURCE					
General Fund	4,761,100	5,721,600	5,950,200	5,101,500	5,183,400
Restricted Funds	203,785,200	224,718,900	225,360,200	225,737,600	218,056,600
Federal Funds	3,987,900	4,090,800	4,101,600	4,105,600	4,120,200
TOTAL EXPENDITURES	212,534,200	234,531,300	235,412,000	234,944,700	227,360,200
EXPENDITURES BY UNIT					
Secretary	4,847,000	4,855,900	5,094,900	4,541,200	4,603,600
General Administration and Program Support	6,072,400	6,472,000	6,827,000	6,440,000	6,733,300
Workplace Standards	82,851,000	85,694,300	85,841,000	84,658,200	84,379,900
Workers' Claims	16,527,200	20,456,900	20,239,400	21,788,000	18,039,100
Occupational Safety and Health Review Commission	711,200	762,500	801,400	757,200	770,900
Workers' Compensation Funding Commission	101,525,400	116,289,700	116,608,300	116,760,100	112,833,400
TOTAL EXPENDITURES	212,534,200	234,531,300	235,412,000	234,944,700	227,360,200

The Labor Cabinet is created pursuant to KRS 336. The Cabinet consists of the Office of the Secretary, the Department of Workers' Claims, and the Department of Workplace Standards. The Office of the Secretary manages and administers the Cabinet. The Department of Workers' Claims administers workers' compensation claims and ensures that employers comply with the insurance, self-insurance and rehabilitation provisions in KRS Chapter 342. The Department of Workplace Standards regulates state and federal laws regarding prevailing wage, employment standards, occupational safety and health and child labor law. Workplace Standards also administers the payment of workers' compensation injury claims by the Special Fund and the Coal Workers' Pneumoconiosis Fund.

Attached to the Labor Cabinet for administrative purposes are the Kentucky Labor Management Advisory Council, the State Labor Relations Board, the Workers' Compensation Funding Commission, the Workers' Compensation Advisory Council, the Kentucky Occupational Safety and Health Review Commission, the Occupational Safety and Health Standards Board, the Prevailing Wage Review Board, the Apprenticeship and Training Council, the Employers' Mutual Insurance Authority, the Workers' Compensation Nominating Commission, and the Workers' Compensation Board.

In addition, the Office of General Administration and Program Support for Shared Services and the Office of Inspector General are attached to the Labor Cabinet for administrative purposes. These offices provide principal administrative, human resources, budget, auditing, and internal investigation activities for the Labor Cabinet, Energy and Environment Cabinet, and Public Protection Cabinet.

	Personnel				
	Revised FY 2014	Requested FY2015	Requested FY2016	Recommended FY 2015	Recommended FY 2016
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	5,557,800	1,057,800	1,057,800	959,600	959,600
State Salary and Compensation Allocation	-4,500,000				
Total General Fund	1,057,800	1,057,800	1,057,800	959,600	959,600
Restricted Funds					
Balance Forward	18,878,900	16,824,200	14,589,500	16,824,200	12,510,500
Current Receipts	53,032,800	55,764,700	57,128,400	54,053,200	54,755,400
Non-Revenue Receipts	7,889,800	8,893,100	9,136,900	8,839,200	8,921,100
Fund Transfers	-2,691,600	-2,692,400	-2,688,900	-4,692,400	-2,688,900
Total Restricted Funds	77,109,900	78,789,600	78,165,900	75,024,200	73,498,100
TOTAL SOURCE OF FUNDS	78,167,700	79,847,400	79,223,700	75,983,800	74,457,700
EXPENDITURES BY CLASS					
Personnel Cost	54,172,600	56,337,100	58,497,600	55,990,400	57,366,700
Operating Expenses	6,112,800	7,862,700	8,064,400	6,523,000	6,474,100
Grants Loans Benefits	1,058,100	1,058,100	1,058,100	959,900	959,900
TOTAL EXPENDITURES	61,343,500	65,257,900	67,620,100	63,473,300	64,800,700
EXPENDITURES BY FUND SOURCE					
General Fund	1,057,800	1,057,800	1,057,800	959,600	959,600
Restricted Funds	60,285,700	64,200,100	66,562,300	62,513,700	63,841,100
TOTAL EXPENDITURES	61,343,500	65,257,900	67,620,100	63,473,300	64,800,700
EXPENDITURES BY UNIT					
General Operations	26,818,800	29,403,600	30,593,200	27,764,400	28,028,200
Public Employees Deferred Compensation Authority	8,877,200	9,148,900	9,282,100	9,112,100	9,161,500
Workers' Compensation Benefits and Reserve	24,589,700	25,647,600	26,687,000	25,637,200	26,651,400
State Group Health Insurance Fund	1,057,800	1,057,800	1,057,800	959,600	959,600
TOTAL EXPENDITURES	61,343,500	65,257,900	67,620,100	63,473,300	64,800,700

The Personnel Cabinet provides human resources management for Kentucky state government agencies. The Cabinet coordinates the personnel and payroll functions for most of state government. It coordinates state employee benefit packages, such as health and life insurance, workers' compensation, and deferred compensation programs. The Cabinet coordinates state government's employee application process, as well as recruiting and retention functions.

Currently, the Personnel Cabinet is comprised of five appropriation units: General Operations, Public Employees Deferred Compensation Authority, Workers' Compensation Benefits and Reserve, the State Group Health Insurance Fund, and the State Salary and Compensation Fund.

The Department of Personnel was created in 1960 under KRS 18.160. At the time of its inception, it was headed by a personnel board consisting of five members appointed by the Governor. The Board had the responsibility to forward to the Governor a list of qualified applicants for the position of Commissioner of Personnel. In 1972, the legislature made the Commissioner of Personnel a direct appointee of the Governor without nominations from the Personnel Board.

In 1982, KRS 18.160 was repealed and re-enacted under KRS chapter 18A.015. Legislation enacted that year also authorized the Department to charge other state agencies their pro rata share of costs associated with the administration of the Executive Branch's personnel-related functions. In 1998, the General Assembly elevated the Department to Cabinet status.

Postsecondary Education

	Revised FY 2014	Requested FY2015	Requested FY2016	Recommended FY 2015	Recommended FY 2016
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	1,175,796,000	1,277,014,300	1,385,341,700	1,158,525,200	1,198,778,900
State Salary and Compensation Allocation	19,400				
Current Year Appropriation	3,456,200				
Continuing Approp.-General Fund	10,097,900				
Total General Fund	1,189,369,500	1,277,014,300	1,385,341,700	1,158,525,200	1,198,778,900
Tobacco Settlement - Phase I					
Tobacco Settlement - Phase I	4,887,800	4,837,800	4,787,800	6,072,500	4,707,500
Continuing Approp.-Tobacco Settlement	743,000				
Budget Reduction-General Fund Tobacco	-2,399,200				
Total Tobacco Settlement - Phase I	3,231,600	4,837,800	4,787,800	6,072,500	4,707,500
Restricted Funds					
Balance Forward	7,512,900	1,330,795	909,295	1,470,800	1,078,400
Current Receipts	4,546,665,400	4,714,322,500	4,879,605,100	4,720,095,600	4,891,526,500
Non-Revenue Receipts	14,459,100	8,716,400	6,548,600	14,783,600	14,780,000
Fund Transfers				-10,500,000	-5,000,000
Total Restricted Funds	4,568,637,400	4,724,369,695	4,887,062,995	4,725,850,000	4,902,384,900
Federal Funds					
Balance Forward				222,500	222,500
Current Receipts	889,312,800	907,856,800	938,869,000	907,149,800	938,190,700
Total Federal Funds	889,312,800	907,856,800	938,869,000	907,372,300	938,413,200
TOTAL SOURCE OF FUNDS	6,650,551,300	6,914,078,595	7,216,061,495	6,797,820,000	7,044,284,500
EXPENDITURES BY CLASS					
Personnel Cost	3,195,755,500	3,312,527,646	3,406,298,946	3,254,196,200	3,352,923,300
Operating Expenses	2,058,741,500	2,142,178,254	2,220,912,754	2,126,315,100	2,205,024,000
Grants Loans Benefits	1,130,962,300	1,200,072,400	1,256,859,500	1,153,363,200	1,178,583,600
Debt Service	133,890,900	126,190,600	195,671,600	131,223,400	171,328,700
Capital Outlay	126,573,800	132,200,400	135,810,800	131,421,200	135,021,600
TOTAL EXPENDITURES	6,645,924,000	6,913,169,300	7,215,553,600	6,796,519,100	7,042,881,200
EXPENDITURES BY FUND SOURCE					
General Fund	1,186,435,500	1,277,014,300	1,385,341,700	1,158,525,200	1,198,778,900
Tobacco Settlement - Phase I	3,231,600	4,837,800	4,787,800	6,072,500	4,707,500
Restricted Funds	4,567,166,600	4,723,460,400	4,886,555,100	4,724,771,600	4,901,204,100
Federal Funds	889,090,300	907,856,800	938,869,000	907,149,800	938,190,700
TOTAL EXPENDITURES	6,645,924,000	6,913,169,300	7,215,553,600	6,796,519,100	7,042,881,200
EXPENDITURES BY UNIT					
Council on Postsecondary Education	74,190,400	78,035,500	170,311,100	76,776,100	107,970,600
Kentucky Higher Education Assistance Authority	232,445,200	263,747,900	274,454,900	229,895,900	233,418,200
Postsecondary Education Institutions	6,339,288,400	6,571,385,900	6,770,787,600	6,489,847,100	6,701,492,400
TOTAL EXPENDITURES	6,645,924,000	6,913,169,300	7,215,553,600	6,796,519,100	7,042,881,200

	Public Protection				
	Revised FY 2014	Requested FY2015	Requested FY2016	Recommended FY 2015	Recommended FY 2016
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	6,814,300	8,241,800	8,890,200	5,200,400	7,322,000
State Salary and Compensation Allocation	25,300				
Total General Fund	6,839,600	8,241,800	8,890,200	5,200,400	7,322,000
Restricted Funds					
Balance Forward	64,678,800	57,446,200	67,745,800	60,096,200	39,928,200
Current Receipts	81,293,000	81,240,200	81,176,300	81,838,900	81,761,500
Non-Revenue Receipts	19,636,300	19,247,100	19,510,000	19,210,400	19,503,200
Fund Transfers	-22,155,100			-30,200,000	-28,200,000
Total Restricted Funds	143,453,000	157,933,500	168,432,100	130,945,500	112,992,900
Federal Funds					
Balance Forward	8,600				
Current Receipts	1,462,600	1,515,700	1,498,700	1,515,700	1,498,700
Non-Revenue Receipts	-8,600				
Total Federal Funds	1,462,600	1,515,700	1,498,700	1,515,700	1,498,700
TOTAL SOURCE OF FUNDS	151,755,200	167,691,000	178,821,000	137,661,600	121,813,600
EXPENDITURES BY CLASS					
Personnel Cost	56,548,200	63,600,300	66,761,000	62,013,500	63,267,200
Operating Expenses	11,260,200	11,985,600	12,154,600	11,860,600	11,818,400
Grants Loans Benefits	22,971,100	23,472,100	23,566,900	22,972,100	23,066,900
Capital Outlay	879,500	887,200	770,400	887,200	770,400
TOTAL EXPENDITURES	91,659,000	99,945,200	103,252,900	97,733,400	98,922,900
EXPENDITURES BY FUND SOURCE					
General Fund	6,839,600	8,241,800	8,890,200	5,200,400	7,322,000
Restricted Funds	83,356,800	90,187,700	92,864,000	91,017,300	90,102,200
Federal Funds	1,462,600	1,515,700	1,498,700	1,515,700	1,498,700
TOTAL EXPENDITURES	91,659,000	99,945,200	103,252,900	97,733,400	98,922,900
EXPENDITURES BY UNIT					
Secretary	5,606,100	6,169,900	6,504,400	6,108,400	6,213,900
Boxing and Wrestling Authority	150,700	167,600	173,800	167,100	169,100
Alcoholic Beverage Control	5,894,600	6,505,000	6,808,900	6,428,300	6,388,500
Charitable Gaming	3,474,400	3,498,000	3,605,400	3,474,000	3,489,300
Board of Claims/Crime Victims' Compensation	2,137,600	2,953,500	2,974,900	2,173,700	2,150,600
Financial Institutions	10,449,800	11,390,800	11,934,200	10,612,100	10,984,400
Horse Racing Commission	28,246,600	29,092,900	29,409,400	29,055,900	29,217,100
Housing, Buildings and Construction	19,273,700	20,723,600	21,777,900	20,579,400	20,979,700
Insurance	16,003,200	18,978,300	19,573,400	18,670,200	18,858,500
Tax Appeals	422,300	465,600	490,600	464,300	471,800
TOTAL EXPENDITURES	91,659,000	99,945,200	103,252,900	97,733,400	98,922,900

The Public Protection Cabinet is charged with the supervision and regulation of industries. The Cabinet has five departments and one office: Alcoholic Beverage Control, Financial Institutions, Housing, Buildings and Construction, Insurance, Charitable Gaming and Office of Occupations and Professions. The Cabinet also has four boards/commissions attached for administrative purposes only: Kentucky Horse Racing Commission, Boxing & Wrestling Authority, Board of Claims/Crime Victims Compensation Board and Board of Tax Appeals. The Office of the Secretary also includes the Office of Communications and Public Outreach and the Office of Legal Services.

Tourism, Arts and Heritage

	Revised FY 2014	Requested FY2015	Requested FY2016	Recommended FY 2015	Recommended FY 2016
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	46,723,200	90,643,400	107,628,100	56,619,100	58,642,800
State Salary and Compensation Allocation	269,600				
Current Year Appropriation	18,716,900				
Total General Fund	65,709,700	90,643,400	107,628,100	56,619,100	58,642,800
Restricted Funds					
Balance Forward	90,546,900	91,216,300	88,824,300	91,220,800	83,571,500
Current Receipts	160,903,500	162,414,500	166,478,100	162,369,500	166,433,100
Non-Revenue Receipts	-23,047,200	-10,748,800	-10,324,800	-10,748,800	-10,148,800
Fund Transfers				-6,600,000	-3,000,000
Total Restricted Funds	228,403,200	242,882,000	244,977,600	236,241,500	236,855,800
Federal Funds					
Balance Forward	10,624,800	10,547,300	10,547,300	10,547,300	11,331,300
Current Receipts	20,699,400	20,790,400	19,674,600	20,790,400	19,674,600
Total Federal Funds	31,324,200	31,337,700	30,221,900	31,337,700	31,005,900
Road Fund					
Regular Appropriation	350,000	350,000	350,000	393,400	410,500
Total Road Fund	350,000	350,000	350,000	393,400	410,500
TOTAL SOURCE OF FUNDS	325,787,100	365,213,100	383,177,600	324,591,700	326,915,000
EXPENDITURES BY CLASS					
Personnel Cost	132,343,100	145,843,100	153,186,300	138,511,100	141,916,600
Operating Expenses	74,150,200	80,464,800	79,951,200	71,681,000	70,567,100
Grants Loans Benefits	12,817,900	13,741,400	11,960,500	16,342,300	11,288,900
Debt Service	1,662,100	22,392,200	38,203,900	696,500	4,081,000
Capital Outlay	3,045,700	3,400,000	2,097,200	2,458,000	1,986,300
TOTAL EXPENDITURES	224,019,000	265,841,500	285,399,100	229,688,900	229,839,900
EXPENDITURES BY FUND SOURCE					
General Fund	65,709,700	90,643,400	107,633,200	56,619,100	58,642,800
Restricted Funds	137,182,400	154,057,700	157,746,400	152,670,000	152,466,600
Federal Funds	20,776,900	20,790,400	19,669,500	20,006,400	18,320,000
Road Fund	350,000	350,000	350,000	393,400	410,500
TOTAL EXPENDITURES	224,019,000	265,841,500	285,399,100	229,688,900	229,839,900
EXPENDITURES BY UNIT					
Secretary	12,924,900	18,912,700	20,842,900	15,604,100	12,834,800
Artisans Center	2,288,600	2,609,400	2,679,600	2,366,000	2,400,200
Travel	3,113,400	4,324,100	4,514,700	3,139,400	3,193,500
Parks	81,358,200	92,737,400	98,411,400	82,910,200	83,805,100
Horse Park Commission	12,702,200	14,902,400	15,682,600	12,990,600	13,103,400
State Fair Board	46,477,800	60,976,200	73,978,800	46,612,300	50,681,000
Fish and Wildlife Resources	52,127,200	53,647,700	52,660,400	52,619,200	50,171,900
Historical Society	6,757,100	9,970,200	8,566,300	6,729,700	6,782,900
Arts Council	3,714,500	4,053,300	4,153,100	3,678,700	3,707,600
Heritage Council	1,752,700	2,081,900	2,169,400	1,813,500	1,837,800
Kentucky Center for the Arts	802,400	1,626,200	1,739,900	1,225,200	1,321,700
TOTAL EXPENDITURES	224,019,000	265,841,500	285,399,100	229,688,900	229,839,900

The Tourism, Arts and Heritage Cabinet's mission (KRS 148.522) is to capitalize on the natural assets of the Commonwealth and draw from resources in business development, tourism, outdoor attractions, arts, and cultural heritage. Through unified efforts of its agencies, the Cabinet will continually strive to improve the quality of life of the people of Kentucky by creating new wealth and generating jobs.

The Tourism, Arts and Heritage Cabinet is comprised of the following agencies:

- Kentucky State Fair Board
- Kentucky Heritage Council
- Kentucky Arts Council
- Kentucky Historical Society
- Kentucky Center for the Arts
- Governor's School for the Arts
- Department of Fish and Wildlife Resources
- Kentucky Horse Park
- Kentucky Department of Parks
- Kentucky Artisan Center at Berea
- Department of Travel and Tourism
- Office of the Secretary
- Capital Plaza Operations
- Creative Services
- The Kentucky Humanities Council

	Transportation				
	Revised FY 2014	Requested FY2015	Requested FY2016	Recommended FY 2015	Recommended FY 2016
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	5,678,200	8,200,000	8,246,200	5,135,300	6,023,300
Continuing Approp.-General Fund	299,400				
Total General Fund	5,977,600	8,200,000	8,246,200	5,135,300	6,023,300
Restricted Funds					
Balance Forward	165,118,300	28,022,800	20,853,100	26,385,300	20,329,600
Current Receipts	130,730,800	127,561,700	125,043,800	127,337,400	124,006,400
Non-Revenue Receipts	1,250,896,000	-55,000	-55,000	246,597,300	99,945,000
Fund Transfers	-9,137,300	-1,460,500	-1,464,800	-14,310,500	-14,064,800
Total Restricted Funds	1,537,607,800	154,069,000	144,377,100	386,009,500	230,216,200
Federal Funds					
Balance Forward	33,000				
Current Receipts	617,385,300	727,412,000	730,234,700	726,762,100	729,132,800
Non-Revenue Receipts	2,500				
Total Federal Funds	617,420,800	727,412,000	730,234,700	726,762,100	729,132,800
Road Fund					
Regular Appropriation	1,461,496,100	1,529,851,300	1,534,142,300	1,528,721,200	1,516,387,200
Surplus Expenditure Plan	17,718,000				
Other	-397,700				
Total Road Fund	1,478,816,400	1,529,851,300	1,534,142,300	1,528,721,200	1,516,387,200
TOTAL SOURCE OF FUNDS	3,639,822,600	2,419,532,300	2,417,000,300	2,646,628,100	2,481,759,500
EXPENDITURES BY CLASS					
Personnel Cost	449,741,700	491,265,100	511,130,300	468,895,400	475,988,200
Operating Expenses	289,681,400	324,347,500	313,321,200	290,948,700	292,693,300
Grants Loans Benefits	294,384,200	266,932,800	262,526,200	271,858,900	272,555,500
Debt Service	209,686,300	222,691,300	228,120,200	232,555,900	273,318,600
Capital Outlay	1,620,100	4,788,100	4,731,900	1,645,100	1,587,100
Construction	2,342,378,300	1,085,178,600	1,084,343,200	1,356,918,700	1,152,946,200
TOTAL EXPENDITURES	3,587,492,000	2,395,203,400	2,404,173,000	2,622,822,700	2,469,088,900
EXPENDITURES BY FUND SOURCE					
General Fund	5,977,600	8,200,000	8,246,200	5,135,300	6,023,300
Restricted Funds	1,511,222,500	133,215,900	135,025,600	365,679,900	221,021,400
Federal Funds	617,420,800	727,412,000	730,234,700	726,762,100	729,132,800
Road Fund	1,452,871,100	1,526,375,500	1,530,666,500	1,525,245,400	1,512,911,400
TOTAL EXPENDITURES	3,587,492,000	2,395,203,400	2,404,173,000	2,622,822,700	2,469,088,900
EXPENDITURES BY UNIT					
General Administration and Support	70,229,500	76,886,300	78,573,200	72,868,300	74,012,900
Aviation	18,611,300	14,056,300	14,146,400	8,385,700	8,873,700
Debt Service	142,216,300	150,559,500	159,043,900	150,559,500	166,911,900
Highways	2,858,936,000	1,673,866,900	1,679,620,100	1,897,399,700	1,723,135,200
Public Transportation	49,538,800	32,459,600	32,785,400	30,744,900	31,082,100
Revenue Sharing	406,604,500	397,590,900	389,212,800	419,274,000	420,059,400
Vehicle Regulation	41,355,600	49,783,900	50,791,200	43,590,600	45,013,700
TOTAL EXPENDITURES	3,587,492,000	2,395,203,400	2,404,173,000	2,622,822,700	2,469,088,900

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

The Cabinet receives funding from the state Road Fund, proceeds from highway bonds issued by the Kentucky Turnpike Authority, and federal aid apportionments for highways. Other revenue sources include agency receipts, non-highway federal aid, the state General Fund, and a federal fund leveraging mechanism titled Grant Anticipation Revenue Vehicle (GARVEE) bonds. The revenue

components of the Road Fund are the motor fuels tax, motor vehicle usage tax, license and privilege taxes, interest income, and miscellaneous departmental fees, permits, and sales.

Seven major budget units comprise the Transportation Cabinet: General Administration and Support, Aviation, Public Transportation, Revenue Sharing, Highways, Vehicle Regulation, and Debt Service.

Organizationally, the agency is divided into four departments: Aviation, Vehicle Regulation, Rural and Municipal Aid, and Highways. Each department is headed by a commissioner directly responsible to the Secretary. Other organizational units include the Office of Support Services, the Office of Transportation Delivery, the Office of Audits, the Office of Human Resource Management, the Office of Information Technology, the Office of Legal Services, the Office of Public Affairs, the Office of Budget and Fiscal Management, the Office for Civil Rights and Small Business Development, and the Office of Inspector General. These units report to the Office of the Secretary. The following offices report to the State Highway Engineer in the Department of Highways: the Office of Project Development, the Office of Project Delivery and Preservation, the Office of Highway Safety, and Highway District Offices One through Twelve. The Office of Local Programs and the Office of Rural and Secondary Roads report to the Commissioner of Rural and Municipal Aid.

The Transportation Cabinet has its origin as an agency of the Commonwealth of Kentucky in 1912 when the General Assembly established the Department of Highways. Legislation in 1974 created the Department of Transportation by consolidating the Departments of Highways, Motor Transportation, and Aeronautics, plus certain transportation-related functions of the Department of Public Safety and the Department of Revenue. The 1982 General Assembly established the Transportation Cabinet as the successor to the Department of Transportation, and it assumed all of the duties formerly associated with the Department.

Policy

The 2009 General Assembly amended KRS Chapter 48 to require the General Assembly to pass a separate bill for the Transportation Cabinet budget. In addition, the General Assembly is required to pass the Biennial Highway Construction Plan as a separate bill and the last four years of the six-year road plan as a joint resolution.

**Statewide
Budget Reserve Trust Fund**

	Revised FY 2014	Requested FY2015	Requested FY2016	Recommended FY 2015	Recommended FY 2016
SOURCE OF FUNDS					
General Fund					
Surplus Expenditure Plan	25,600,900				
Continuing Approp.-General Fund	121,722,500	98,294,200	98,294,200	98,294,200	98,294,200
Other	-49,029,200				
Total General Fund	98,294,200	98,294,200	98,294,200	98,294,200	98,294,200
TOTAL SOURCE OF FUNDS	98,294,200	98,294,200	98,294,200	98,294,200	98,294,200

The Budget Reserve Trust Fund is the Commonwealth's "Rainy Day Fund." KRS 48.705 provides for deposits to the Budget Reserve Trust Fund from direct appropriations, excess receipts, and unexpended appropriations, up to five percent of actual General Fund revenue receipts. These funds are appropriated and available in the event that actual General Fund revenue receipts during the biennium are not sufficient to meet the General Fund appropriation levels authorized in the budget. These funds are also available as a resource for Necessary Governmental Expenses when there is no General Fund surplus.

Policy

The current unobligated balance of the Budget Reserve Trust Fund is \$98,294,200. A deposit of \$25,600,900 was made in July, 2013 from the fiscal year 2013 General Fund surplus.

The Executive Budget directs any General Fund surplus to the Budget Reserve Trust Fund through the General Fund Surplus Expenditure Plan, after allowing for sufficient resources for items authorized as necessary government expenses.

Revenue Estimates

Fiscal Years

2014-2016

EXECUTIVE SUMMARY

This section of the Budget in Brief will highlight the official revenue estimates prepared by the Consensus Forecasting Group (CFG). It will also briefly describe the processes involved, as well as some of the economic conditions that affect the national economy, which in turn affects the state economy and ultimately state revenues.

The estimates contained within reflect the consensus forecasting process authorized by Kentucky Revised Statute 48.115 and 48.120. Pursuant to statutes, the CFG met twice in the month of August to generate the “planning estimates”. Two months later, the CFG returned to Frankfort to hold two meetings to finalize the “preliminary estimates”. Finally, as directed by statutes, the CFG returned to the Capitol on December 19, 2013, to deliberate over the “official revenue estimates”.

The CFG debated the draft estimates prepared by the Governor’s Office for Economic Analysis (GOEA) and ultimately adopted the control estimates as a basis for the official estimates for the General Fund, Road Fund, and Tobacco MSA Fund.

PROJECTIONS FISCAL YEARS FY14-FY16

Total General Fund revenues for fiscal year 2014 are projected to be \$9,548.1 million for an increase of 2.1 percent over fiscal year 2013. Receipts for fiscal year 2015 are estimated to be \$9,794.3 million and for fiscal year 2016 \$10,046.6 million.

Total Road Fund revenues for fiscal year 2014 are projected to be \$1,582.6 million, an increase of 6.1 percent from the previous fiscal year. Road Fund revenues for fiscal year 2015 are estimated to be \$1,546.7 million followed by \$1,558.4 million in fiscal year 2016.

MSA estimates include FY14 -- \$45,400,000, FY15 -- \$99,700,000 FY16 -- \$72,400,000.

ECONOMIC OUTLOOK

The CFG began debating the State and National Economies during the August and October sessions. During August, there was a slightly cautious tone due the pattern of “summer lulls”, whereby the economy would show signs of recovery early in the year but begin to wane as the heat of summer rolled through. There was also the threat of military action in the Middle East that added some risks to economic disruptions. In October, the pattern of summer lulls seemed to be mitigated in 2013 and the military threat was somewhat abated. However, other fiscal concerns took the foreground – such as a federal government shutdown and extension of the federal debt ceiling. While some of these threats lingered into December, the general feeling was that external threats continued to be possible, but the greater concern was policy uncertainty created from the continuing discord in Washington.

NATIONAL ECONOMY

Recent History:

Real gross domestic product (real GDP) in the first quarter of FY14 increased by 1.4 percent over the first quarter of FY13. Real GDP is the sum of all final goods and services sold within a country’s physical boundaries in a given year and explicitly excludes those goods and services which are produced by US citizens in other countries. This is the fourth consecutive quarter where real GDP growth is under 2.0 percent. Since the end of the recession, real GDP growth has been below two percent seven times and above two percent eight times. Only three times was quarterly growth above 3.0 percent. The highest post-recession growth rate was 3.3 percent which occurred in the third quarter of FY12. Growth in the first quarter of FY14 was the second lowest growth since the recession ended. Historically, these are low growth rates for the period following a recession trough. Real consumption, which was also weak in the first quarter, made up the majority of the first quarter real GDP

gains. Consumption is the largest component of real GDP and makes up 68.2 percent of real GDP. Real consumption grew by 1.9 percent in the first quarter of FY14. For real consumption, this was the third consecutive quarter with growth below 2.0 percent. In the 27 quarters between the 2001 and 2007 recessions, real consumption growth averaged 3.0 percent.

Real investment grew by 4.0 percent in the first quarter. Real investment grew the fastest among the five real GDP components. Real investment makes up 16.2 percent of real GDP. The investment-to-real GDP share has been rising since the first quarter of FY10, but is still down significantly from its peak of 19.2 percent which occurred in the fourth quarter of FY00. During the 2007 recession, investment was the hardest hit in both absolute and percentage terms among the GDP components. From peak to trough, real investment fell by 34.9 percent, a loss of \$969.1 billion. Four years later, real investment still has not returned to its previous peak. Real investment has grown by a net \$749.2 billion since the trough, a recovery of only 77.3 percent of the total recession losses. By comparison, it took only 10 quarters for real investment to surpass its prior peak following the 2001 recession.

Real government expenditures fell by 3.2 percent in the first quarter. Real GDP currently makes up 18.4 percent of real GDP. It is common following recessions for government expenditures to decline, as stimulus spending and transfer payments recess. Real government expenditures peaked in the first quarter of FY10, when real government expenditures made up 21.6 percent of real GDP. Since then, real government expenditures have declined by a net \$221.0 billion. Real GDP has declined in 12 of the last 16 quarters following the peak in real government expenditures.

International trade has also been a driver of recent growth and will continue to be for the remainder of FY14, with a forecasted increase of 4.5 percent in real exports for the remainder of the fiscal year.

US personal income rose by 3.5 percent in the first quarter of FY14. While this is not historically 'high', it is a solid growth rate and an improvement over the last two quarters. US wages and salaries, which makes up 50.2 percent of personal income, rose by 3.1 percent in the first quarter. Wages and salaries income growth has also struggled some in the last three quarters. By comparison, wages and salary growth was 5.1 percent at this point following the 2001 recession.

The national economic outlook remains filled with more questions than answers. In periods of great uncertainty, consumers and businesses exercise additional caution before making decisions that will affect the future. Until the fog of uncertainty is lifted, growth rates will remain muted. Real private investment and real consumption anchored the modest FY14 growth.

Outlook:

The conclusion of the first quarter of FY14, found ourselves again balancing a small improvement in the economy's fundamentals with the continuing policy uncertainty from Washington, DC. Exactly a year ago, we sought to identify the impact of the "fiscal cliff", the colloquial name for the automated spending reductions and budgetary sequestrations that were set to go into effect if policy makers could not find common ground. Now, we look towards the second quarter of FY14, and must identify the potential impacts of a federal government shut-down.

The shut-down of the federal government led to slower economic growth, as the furloughs, closures, and contracting activities resulted in some declines in economic activity. However, the majority of the impact was recovered by the end of the quarter. The political rancor was unlikely to cause long-term harm to the continued slow expansion path of the national economy, but the fiscal and regulatory uncertainty only adds to consumer and business hesitation to make firm future economic plans.

While the federal government employees, businesses, and citizens directly impacted by a federal shut-down bore the direct impact and burden of the shut-down, the analysis of the impact to the economy must be tempered with a careful consideration of the overall, potential magnitude of the political stalemate. Since 1976, there have been 17 federal government shut-downs, averaging a median time of one week. It has been widely estimated that each week of a shut-down results in a loss of 0.1 to 0.2 percentage points of quarterly GDP growth.

In the labor markets, monthly job creation through August has averaged just 180,250 — below the pace set in 2012 and well under the steady 200,000 a month that would signal an economy fully recovering from a recession. The larger concern is masked by the continual decline in the unemployment rate. The largest component of the decline in the unemployment rate comes from a smaller percentage of the working-age population participating in the labor market. The labor participation rate, a measure of the population working or actively seeking work, declined to 63.2 percent in August. This is the lowest rate in the past 35 years. One potential reason for the decline in participation may be the type of jobs being created in our current economy.

Jobs that are being created are largely in the service sector, including healthcare, food service, and retail. These positions tend to be associated with low wages and part-time employment and have a reduced impact on the incentives for the unemployed to join the workforce through a lower replacement wage.

One of the strongest sectors of late in the national economy has been housing. The pace of housing gains, however, will ebb to a more sustainable rate as we continue into FY14. In August, the pace of existing home sales crept higher, to an annualized rate of 5.48 million, from 5.39 million in July. For 2013 as a whole, existing-home sales should total nearly five million, a healthy 7.5 percent increase from 2012. Higher mortgage rates have contributed to the slowing rates of growth, including a decrease in the pace of permit requests for new construction. In many areas of the country, there are not enough prepared lots to allow for the continued rapid expansion of new home construction, further constraining builder's ability to meet the market demand. Overall, these are all temporary issues, and the low levels of inventory have been supporting an increase in home prices.

International trade has also been a driver of recent growth and will continue to be for the remainder of FY14, with a forecasted increase of 4.5 percent in real exports for the remainder of the fiscal year. Along with the United States, other advanced economies, including Canada and Australia, have surpassed their pre-recession highs. While the Euro zone and the United Kingdom have resumed overall growth, their economies have not regained their pre-recession levels. Finally, Japan continues to lag the rest of the developed world and has returned to level of GDP last achieved in 2007.

Overall, the outlook for the next three quarters is positive, but slow growth. GDP is expected to grow 2.2 percent over the next three quarters, and consumption is also forecast to grow by 2.2 percent. Government expenditures (all levels, federal, state, and local), will continue to decline. Oil and energy prices will also continue to decline, helping to keep core inflation low. Lastly, the continued weak performance of the job market will most likely prevent the Federal Reserve from changing the current interest rate policies and asset purchasing until the third quarter of FY14.

KENTUCKY ECONOMY

Recent History:

Kentucky personal income rose by 2.3 percent in the first quarter of FY14, below the national rate of growth and below a rate of growth expected at this stage of an economic recovery. Wage and salary growth in Kentucky has been especially weak. Over the past four quarters average growth has been 2.4 percent. By comparison, in FY11, average growth was 4.6 percent.

Kentucky non-farm employment rose by 1.3 percent in the first quarter. Kentucky non-farm employment has grown at a modest pace over the last three years. Since the first quarter of FY11, non-farm employment grew a net 4.5 percent, or an increase of 79,100 seasonally-adjusted jobs. This FY14 first quarter performance is due to some solid gains in three different services employment sectors. Trade, transportation and utilities employment rose by a net 10,800 jobs, which was the largest mover in absolute terms. Leisure and hospitality employment rose by 6,300 jobs, a 3.6 percent increase. That was the largest increase in percentage terms. Business services employment rose by 5,600 jobs. Five sectors lost jobs in the first quarter: mining, manufacturing, information services, other services and government employment.

Outlook:

Employment gains in the Commonwealth should slightly lag the national average, with growth in the non-farm sector of 1.5 percent for the remainder of the fiscal year. However, growth in the goods producing sector is expected to be greater than overall employment, with growth forecasted to be 1.6 percent in the remaining three quarters of FY14. The strongest sector of employment growth in the goods producing sectors is expected to be in construction with 3.6 percent growth. Employment in government—including federal, state, and local—is expected to continue to slow as government at all levels adjust to continued budgetary constraints. Overall, the sector is expected to decline by 0.2 percent for the remainder of FY14.

Kentucky personal income growth is expected to be 3.2 percent, slightly lagging the national average of 3.5 percent. The continued slow growth in personal income and wages and salaries will continue to influence the rate of revenue collection for the General Fund. Specifically, the sales and use tax accounts for approximately one-third of the Commonwealth's revenues. The forecast is for very moderate growth in the collection of sales and use taxes, with 2.1 percent growth expected for the remainder of the fiscal year. The combination of slow income growth and a sales tax base that is reflecting an ever smaller portion of the average household budget implies that the growth in expected revenues will remain constrained.

One recent trend that may help Kentucky consumer spending is the dramatic decrease in gasoline prices that is expected for the next two quarters of the fiscal year. The fall season is traditionally associated with declining gasoline prices. The peak season for driving has passed, refinery capacity is at its peak, and the refineries begin producing winter-grade blends. The winter-grade blends are cheaper to produce than the summer-grade blends which results in lower costs. However, this season has experienced unprecedented declines in the cost of butane. This will have some impact on normal seasonal price declines.

The decrease in price for butane has allowed for the price of gasoline to fall by approximately seven percent in the recent quarter, and the price of gasoline should continue to decline by another five to seven percent for the next two quarters. For the Commonwealth, relief at the pump may allow consumers and businesses to expand their level of consumption spending.

Selected U.S. and Kentucky Economic Indicators
Global Insight: Control Scenario
November 2013

	FY12	FY13	FY14	FY15	FY16
OUTPUT					
US Real GDP (Bil 2000\$)	15,278 2.4%	15,584 2.0%	15,915 2.1%	16,355 2.8%	16,886 3.2%
Industrial Production Index, Total	3.6%	2.6%	2.5%	3.1%	3.6%
Industrial Production Index, Durables	0.8%	1.0%	0.7%	1.6%	2.0%
INCOME					
KY Personal Income (Mil\$)	153,845 4.6%	157,685 2.5%	162,629 3.1%	169,361 4.1%	176,627 4.3%
KY Wage & Salary Income (Mil\$)	76,136 3.8%	77,916 2.3%	80,050 2.7%	82,841 3.5%	86,163 4.0%
KY Supplements to W&S (Mil\$)	20,935 1.8%	21,479 2.6%	22,077 2.8%	23,119 4.7%	24,380 5.5%
KY Proprietors' Income (Mil\$)	11,356 14.0%	11,794 3.9%	12,392 5.1%	12,837 3.6%	13,441 4.7%
KY Dividend, Interest, & Rent (Mil\$)	23,151 6.7%	24,327 5.1%	25,656 5.5%	27,001 5.2%	28,181 4.4%
KY Transfer Payments (Mil\$)	35,617 1.7%	36,487 2.4%	38,462 5.4%	40,594 5.5%	42,612 5.0%
KY Social Insurance (Mil\$)	11,195 -1.9%	12,242 9.3%	13,543 10.6%	14,427 6.5%	15,404 6.8%
US Personal Income (Bil\$)	13,447 4.7%	13,941 3.7%	14,445 3.6%	15,135 4.8%	15,883 4.9%
EMPLOYMENT					
KY Nonfarm Employment (Thous)	1,812.8 1.7%	1,834.1 1.2%	1,850.5 0.9%	1,874.8 1.3%	1,899.8 1.3%
US Nonfarm Employment (Mil)	132.6 1.6%	134.8 1.6%	137.0 1.6%	139.3 1.7%	141.8 1.8%
KY Manufacturing Employment (Thou)	216.9 2.9%	227.3 4.8%	229.7 1.0%	235.8 2.6%	241.2 2.3%
US Manufacturing Employment (Mil)	11.8 1.8%	12.0 1.0%	12.0 0.8%	12.3 2.4%	12.5 1.5%
OTHER KEY MEASURES					
Consumer Sentiment Index (Michigan)	69.1	78.2	78.8	86.2	89.7
Rate of Inflation (%)	2.9%	1.7%	1.3%	1.6%	1.9%
US Retail Sales (%)	6.6%	4.6%	3.6%	3.7%	4.1%
US Corporate Profits(%)	10.9%	10.6%	4.3%	3.6%	-0.2%
Three-month Treasury Bills (%)	0.0%	0.1%	0.1%	74.1%	1248.4%
Oil Price, West Texas (\$/barrel)	95.04	92.25	101.20	97.38	95.36

MAK: Macromodel of Kentucky
Governor's Office for Economic Analysis
Office of State Budget Director

REVENUE ESTIMATES DETAILED FOR FISCAL YEAR 2014 THROUGH FISCAL YEAR 2016

The Consensus Forecasting Group (CFG) produces revenue estimates for the General Fund, Road Fund, and Phase I Master Settlement Agreement. On or before August 15 of each odd-numbered year (such as 2013), a planning estimate is prepared. The second estimates, the preliminary projections, are due on or before October 15. Finally, before the 15th day of the legislative session in each even-numbered year, official estimates must be rendered.

The CFG relies almost exclusively upon forecasting results from the Governor's Office for Economic Analysis (GOEA), a division within the Office of State Budget Director. To fulfill its obligation to provide accurate and timely revenue forecasts, GOEA relies on several forecasting techniques, ranging from simple trend extrapolation to the latest econometric techniques and models. To link revenue estimates to the overall national and state economies, GOEA goes through a multi-step model technique. First, a national economic outlook is purchased from IHS Global Insight, a data forecasting company used by at least 39 other states. In many cases, however, national economic trends do not exactly coincide with the economies of the various states. As such, GOEA forecast Kentucky specific macroeconomical variables using the national outlook from Global Insight. The model used to perform this analysis is called the Macroeconomic Model of Kentucky (MAK). MAK is primarily a structural forecasting model of the Kentucky economy that enables staff to use forecasts of Kentucky economic variable to forecast Kentucky revenues. In most cases, state specific data should provide a tighter fit and better estimates than using national variables which are collaborations of 50 different state economies. This model provides, among other things, estimates for future income and employment for the Commonwealth of Kentucky.

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

Final official estimates were prepared on December 19, 2013, as seen in an attachment below.

General Fund: Major Accounts

Total General Fund revenue for fiscal year 2014 is projected to be \$9,548.1 million, for an increase of 2.1 percent from fiscal year 2013. Receipts for fiscal year 2015 are estimated to be \$9,794.3 million followed by \$10,046.6 million in fiscal year 2016.

Individual Income Tax

Individual income tax posted receipts of \$925.3 million compared to last year's second quarter receipts of \$911.2 million. The resulting growth rate was 1.6 percent and compared to a growth rate of 8.1 percent for the second quarter of last year. Declarations receipts declined by 8.8 percent compared to the same time frame last year. Fiduciary and net returns payments, another two components of the tax, displayed increases by 12.7 percent and 46.3 percent, respectively.

In forecasting the individual income tax, the first step was to estimate "withholding" collections. Withholding results in roughly 95 percent of the total individual income tax receipts. Declaration (estimated) payments are historically positive, but offset nearly dollar for dollar by net refunds, which are negative due to the spring refunds.

Several types of forecasting models were tested for withholding. The model used for estimating withholding was a structural model using only Kentucky wages and salary as an exogenous variable. The input variables were based on the control scenario for fiscal years 2014 through 2016. Non-withholding components were projected using a simple moving average methodology, and were adjusted for administrative and/or timing considerations.

Forecasted individual income tax receipts for fiscal year 2014 are \$3,812.3 million, following by revenues of \$3,977.3 million in fiscal year 2015 and \$4,135.8 million in fiscal year 2016. The corresponding growth rates are 2.4 percent, 4.3 percent, and 4.0 percent, respectively.

Sales and Use Tax

Total sales and use tax receipts for the second quarter were \$779.0 million, compared to \$751.2 million in the second quarter of fiscal year 2013. Year-to-date sales tax receipts have increased 3.0 percent.

The sales tax forecast adopted by the CFG was based on a blend of multiple models using multiple estimating techniques. An ARIMA (6,1,6) was fit and was one of the models employed in the final blend. Second, a VAR estimated with three lags with one cointegrating equation was used, with sales tax receipts and Kentucky wages and salaries as the dependent variables. The third and fourth models were structural models using differenced data to account for inherent nonstationarity. One of the structural models used Kentucky nonagricultural employment to emphasize the inevitable linkage between jobs and tax revenues. The other structural model had US retail sales as the primary exogenous variable, highlighting that state economies typically follow national economic trends to some degree.

Forecasted sales and use tax revenues are \$3,099.3 million in fiscal year 2014, which would represent a 2.6 percent increase relative to fiscal year 2013 actual revenues. Receipts for fiscal year 2015 are projected to be \$3,149.6 million followed by \$3,216.8 million in fiscal year 2016. Respective growth rates are 1.6 percent and 2.1 percent for the upcoming biennium.

Corporation Income Tax

In the second quarter of fiscal year 2014, corporation income taxes decreased 2.4 percent and are up 18.4 percent for the year. Corporation income tax decreased over December 2013 levels.

The methodology used to produce the corporation income tax estimate is to estimate a "policy neutral" revenue stream which takes into account the effects of Tax Modernization. Adjustments were made for the eight quarters covering fiscal years 2006 and 2007.

The model has consistently over-estimated revenues. In an effort to confirm and quantify the degree of overestimation, in-sample forecasting was done for the most recent four quarters of history. After the model estimation was performed, a natural experiment was to see how well the model predicted the most recent historical data. In all cases, the estimated total exceeded the actual, lending credence to our qualitative observation that our longstanding corporate model was overshooting the corporation income tax forecast.

Examining the data, two outliers (2005Q4 and 2006Q4) were observed and a dummy variable was created to correct for them. These two particular quarters had the highest degree of influence from the tax law change that required pass-through entities to file corporation income tax returns. Both observations were from the fourth fiscal quarter, which includes the month of June where all calendar year business entities were required to make a 50-percent estimated payment of their calendar year liability. After re-running the model with the new dummy variable, there was still an upside bias. Forecasted values were reduced by the amount of the overage for the in-sample estimates. Revenues were estimated using a quarterly structural model and data on U.S. corporate profits from Global Insight as a driver.

For fiscal year 2014, estimated receipts from corporation income taxes are \$460.5 million, representing an increase of 14.9 percent from the previous year. For fiscal year 2015, revenues are expected to increase again, reaching \$463.4 million. In the following year, collections are expected to decrease, with receipts of \$434.4 million.

Limited Liability Entity Tax

The limited liability entity tax was created in the 2006 Special Session of the General Assembly as a replacement for the alternative minimum calculation of the corporation income tax. In the second quarter of fiscal year 2014, revenues from this equaled \$45.4 million.

The LLET receipts for fiscal year 2014 are estimated at \$231.7 million. Tax receipts from this tax are expected to increase slightly over the next two fiscal years with receipts of \$233.7 million in fiscal year 2015 and \$253.1 million in fiscal year 2016.

Coal Severance Tax

Coal severance tax revenue decreased in the second quarter at a rate of 6.8 percent. Collections of \$52.8 million compared to the fiscal year 2013 second quarter total of \$56.6 million.

The forecast was prepared using a structural demand model. The exogenous variables were the U.S. producer price index for coal, the Henry Hub price for natural gas, the West Texas Intermediate price of oil, and U.S. personal income.

Anticipated receipts of \$200.6 million in fiscal year 2014 are expected to be less than the previous year by 13.0 percent. For the upcoming biennium, revenues are forecasted to be \$204.6 million and \$201.6 million in successive years.

Cigarette Taxes

Cigarette tax receipts of \$57.9 million in the second quarter of fiscal year 2014 declined slightly compared to last year's total of \$60.9 million. Year-to-date cigarette tax receipts have fallen 3.6 percent due to lower sales.

The forecast for the upcoming biennium was prepared by estimating the number of cigarette packs sold in Kentucky. The forecast assumes a confluence of three opposing trends. First, national and state data both confirm a reduction in cigarette sales due to health concerns, smoking bans, or perhaps the poor economy. The forecast is for demand to continue to fall. Second, competitive forces within the industry have led to demand-side substitute products, like roll your own (RYO) cigarettes and little cigars, to siphon off additional sales. Both of these products have gained in popularity and pose a challenge for cigarette sales. The counterbalancing force is that Kentucky's ability to sell more cigarettes than our current population would suggest are being consumed in Kentucky. As other states raise rates, Kentucky will maintain or perhaps improve its competitive position in border sales.

Property Taxes

Property tax receipts posted revenues that were \$25.2 million less than the second quarter of fiscal year 2013. The difference is due mainly to timing issues in the real property sub-category. Fiscal year 2014 second quarter receipts of \$306.2 million compare with \$331.4 million from the second quarter of fiscal year 2013.

Collections are expected to total \$568.9 million in fiscal year 2014, 1.9 percent more than actual fiscal year 2013 receipts. Receipts for fiscal year 2015 are estimated at \$581.2 million followed by \$597.5 million in fiscal year 2016.

Kentucky Lottery

Lottery revenues were \$54.6 million which were 2.6 percent over last year's second-quarter total of \$53.3 million. The lottery is expected to grow over the upcoming biennium due again to counterbalancing forces. On the positive side, the Kentucky Lottery Corporation continues to seek out new games to entice new players to continue purchasing products. On the down side, the recession continues to clamp disposable income – a shift variable in the demand for lottery products.

Other Revenue Sources

The “other” revenue category contains over 60 revenue accounts and decreased 7.5 percent in the second quarter. Second quarter receipts for fiscal year 2014 were \$137.0 million compared to \$148.1 million in fiscal year 2013.

After tallying all of the accounts, the forecast calls for revenues of \$719.6 million in fiscal year 2014, an increase of 0.8 percent compared to fiscal year 2013 actual collections. Receipts for fiscal year 2015 are estimated at \$724.0 million followed by \$738.7 million in fiscal year 2016. The respective growth rates over the upcoming biennium are 0.6 percent and 2.0 percent.

Road Fund: Major Accounts

Total Road Fund revenues for fiscal year 2014 are projected to be \$1,582.6 million, an increase of 6.1 percent from the previous fiscal year. Receipts for fiscal year 2015 are estimated to be \$1,546.7 million followed by \$1,558.4 million in fiscal year 2016. Growth in the Road Fund is predominantly influenced by the motor fuels tax, which continues to rise due to the statutorily determined formula for the rate of taxation.

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

Motor fuels tax collections, were \$227.7 million for the quarter and compare to \$215.6 million collected during the second quarter of last year. This shows a 5.6 percent growth.

The motor fuels forecast consists of two pieces: regular collections and the “rate impact”. Regular collections are motor fuels tax collections net of revenue resulting from an increase in the variable portion of the tax rate. The rate impact is simply the additional revenue from an increase in the variable portion of the tax rate which is tied to the average wholesale price of gasoline (AWP). Changes in oil prices affect each component in offsetting ways. An increase in the price of oil reduces regular collections through a decrease in quantity demanded. On the other hand, increasing oil prices increase the wholesale price which can increase the variable portion of the tax rate.

The AWP was estimated with a structural model containing U.S. gasoline pump prices. Motor fuels were estimated using a structural model with U.S. highway consumption of gasoline and special fuels, and the Michigan consumer sentiment index.

Year-to-date fuel receipts have experienced mild growth in fiscal year 2014 due to lower consumption of gasoline. The forecasted growth rate for fiscal year 2014 is 7.4 percent, representing total collections of \$900.7 million. Collections are expected to be \$883.2 million in fiscal year 2015 for a decrease of 1.9 percent over fiscal year 2014. Fuel prices are expected to decrease in fiscal year 2016, with a decrease of 1.4 percent and collections of \$870.5 million.

Motor Vehicle Usage

Motor vehicle usage tax receipts were estimated using a structural model containing consumer spending on light vehicles as drivers. Fiscal year 2014 receipts have increased 7.6 percent year-to-date. The strong growth in this account is the result of an increase in motor vehicle sales.

Receipts in fiscal year 2014 are expected to total \$448.4 million, an increase of 5.1 percent as vehicle sales continue to rebound. In fiscal year 2015 the outlook is for receipts is a decline at the rate of, 5.1 percent and increase 4.7 percent in FY16.

Motor Vehicle License

Motor vehicle license tax increased 2.3 percent in the second quarter of fiscal year 2014 with a collection of \$18.1 million. License receipts were estimated using a structural model with registered vehicles as a driver. Motor vehicle license receipts are estimated to be \$101.3 million in fiscal year 2014, followed by \$101.9 million in fiscal year 2015 and \$103.1 million in fiscal year 2016.

Motor Vehicle Operators

Motor vehicle operators' collections were estimated using a time series (ARIMA) model. This tax collection was \$3.9 million in the second quarter of fiscal year 2014. The forecast is for revenues to be essentially flat with 0.2 percent in fiscal year 2014. During the next biennium receipts are expected to be \$16.7 million in fiscal year 2015 and \$17.5 million in fiscal year 2016.

Weight Distance

Weight distance tax receipts of \$19.5 million in the second quarter of fiscal year 2014 represent a 3.1 percent increase over fiscal year 2013. The weight distance tax is estimated by a structural model with the U.S. industrial production index as the driver. Receipts for fiscal year 2014 are expected to total \$76.1 million, a 1.6 percent increase. The weight distance tax is typically considered as a good leading indicator of the amount of manufacturing output, so growth in this account is an encouraging sign that the recovery in factory activity is indeed occurring.

Investment

Income from investment is estimated by examining historical and current trends in investment balances and interest rate forecasts. Investment receipts were down 88.9 percent over the total collected in the second quarter of fiscal year 2013. Investment income for the current year is estimated at \$2.8 million, followed by \$3.1 million in fiscal year 2015 and \$3.7 million in fiscal year 2016.

Other Revenue Sources

"Other" receipts include fees, fines, and miscellaneous receipts. These accounts combined for decrease of 20.3 percent from a year earlier in the second quarter of FY13. The estimates of these revenue sources are based on econometric models, historical growth patterns, recent statutory changes, and administrative factors that influence the flow of revenues. Receipts are forecasted to be \$37.2 million in the current fiscal year, followed by \$36.4 million in fiscal year 2015 and \$36.7 million in fiscal year 2016.

TOBACCO MASTER SETTLEMENT AGREEMENT

The Tobacco Settlement-Phase I revenue forecast is \$45.4 million in fiscal year 2014, \$99.7 million in fiscal year 2015 and \$72.4 million in fiscal year 2016.

History of the Tobacco Master Settlement Agreement (MSA)

On November 23, 1998 the attorneys general of forty-six states, five territories, and the District of Columbia reached an agreement with five major tobacco companies, representing 97.5 percent of the tobacco industry. Worth approximately \$229 billion over the next twenty-six years, the Master Settlement Agreement (MSA) will provide payments to states based on a formula developed by the attorneys general. Four additional states – Florida, Minnesota, Mississippi, and Texas – individually settled with the tobacco industry for more than \$40 billion.

In the early years of the agreement, the participating states received “initial” payments, which are distinct from the “annual” payments (which are ongoing). The initial payments ended in 2003. The annual payments commenced in 2000 and continue indefinitely. These payments have a disbursement date of April 15th. The third and final type of payment made to states is the “strategic contribution fund” payment, which begins in 2008 and sunsets in 2017. This category was included to reward states for contributions to the tobacco settlement. To date, Kentucky has received \$1.59 billion from the MSA.

Risks to the MSA Payments

Non-Participating Manufacturer (NPM) Adjustment – The model statute contains reciprocal language that mandates escrow payments for tobacco product manufacturers in lieu of their obligations as signatories to the MSA. These retaliatory contributions from non-MSA manufacturers are an attempt to create a level playing field in the retail tobacco markets. A reduction to state payments is made for states that fail to enact and diligently enforce a model statute. Kentucky’s statutes are currently in full compliance with the MSA, and the provisions of statute are being diligently enforced.

Deciding Diligent Enforcement Through National Arbitration - The question of diligent enforcement was expected to be decided in each state’s relevant court of jurisdiction. However, the participating manufacturers have argued that, legally, the decision of diligent enforcement must be decided through an arbitration process as prescribed in the MSA.

Beginning in June 2012, a three-member arbitration panel began state-specific hearings on this topic for 35 states (including Kentucky) whose diligence in 2003 was challenged by the manufacturers. In December 2012, 19 of the 52 states, districts and territories in the tobacco settlement agreement, including many of the states in state-specific arbitration proceedings, signed on to a multi-year settlement agreement with the participating manufacturers. The agreement apportions withheld funds between the manufacturers and the states and makes various other changes to how future NPM adjustments will be calculated for states that participate. The arbitration panel allowed the agreement to proceed.

Ultimately, 15 states, including Kentucky, proceeded with the arbitration process outlined in the original Tobacco MSA. Of those 15 states, nine have now been found to have diligently enforced their NPM laws in 2003, while six, including Kentucky, had arbitration panel findings against them.

The Commonwealth contends the arbitration panel exceeded their authority under law and the process they used prejudiced Kentucky’s case. The Office of the Attorney General has appealed the arbitration panel’s ruling by filing a “motion to vacate” in Franklin County Superior Court in Frankfort. That court retains jurisdiction over the 1998 Master Settlement Agreement between Kentucky and the major tobacco companies, and has jurisdiction to hear this appeal of the arbitration panel’s ruling.

In December of 2013, the Consensus Forecasting Group (CFG) addressed the potential impact of an NPM adjustment on the MSA payments to be made to the Commonwealth. For the fiscal year 2014, the expected payment is reduced by the full amount of Kentucky's share of the NPM adjustment for the 2003 sales year. While the Commonwealth expects to have the arbitration panel's decision vacated by the Franklin Circuit Court, the prudent course of action was determined to be the utilization of a forecast with the full impact of the potential payment reduction.

Since the NPM adjustment determination is a long and lengthy legal decision, the funds under dispute are placed into an escrow account until adjudication. For fiscal year 2015, the experience of past fiscal years will continue, and the participating manufacturers are expected to place significant amounts of the payments due into the escrow account for disputed payments. The result is a partial reduction in the MSA payments received by the Commonwealth. However, in fiscal year 2016, the resolution of the 2004 NPM Adjustments is expected. The Commonwealth will vigorously defend the diligent enforcement of all of the MSA statutes, but there is a significant probability of the Commonwealth facing a reduced payment in fiscal year 2016 depending on the decisions of a national arbitration of this dispute. If the arbitration process is delayed, however, the forecasted amount of the fiscal year 2016 payment would increase to \$99.1 million.

Forecasting Methodology

The forecasting methodology was dictated by the terms of the Master Settlement Agreement (MSA). The MSA contains several caveats and reduction factors that could potentially diminish the payments to the states. Therefore, OSBD's forecasting model started with the black-letter payments that are outlined in the MSA. We then adjusted these payments by our best forecast of the reduction factors. Since all states participating in the MSA are affected by the reduction factors, OSBD was able to compare forecasting ideas with other states and organizations, including the National Governors' Association and the National Association of Attorneys General.

The order of the adjustment factors is important. The inflation adjustment precedes the volume adjustment, which precedes the adjustment for previously settled states. The NPM adjustment is the last to be applied, since the effect of the NPM adjustment is not borne equally by the states.

Inflation Adjustment

Each year, an inflation adjustment is applied to that year's annual payment amount. The inflation adjustment equals the greater of growth in the Consumer Price Index or three percent. Since inflation has been in check in recent years, the three percent growth was used in the forecast for this biennium.

Volume Adjustment

After the inflation adjustment is made, the volume adjustment is applied to the annual payment. The formula for the volume adjustment is specified directly in the MSA: "In the event the Actual Volume is less than the Base Volume, the Applicable Base Payment shall be reduced by subtracting from it the amount equal to such Applicable Base Payment multiplied by 0.98 and by the result of 1 minus the ratio of Actual Volume to Base Volume."

There are several important considerations in the formula for the volume adjustment. First, in the event that actual volume falls below the 1997 base volume, a two percent automatic reduction occurs before multiplying the resultant by the volume ratio. Second, volume adjustments are cumulative. Since the base volume never changes, consistent declines in domestic shipments will build cumulatively upon one another. Finally, domestic shipment data are used in the formula. Therefore, the forecast of MSA payments will necessarily rely on a forecast of domestic shipments from the manufacturers participating in the MSA.

Previously Settled States Adjustment

The third step in calculating the payment is to apply the previously settled states reduction (PSS). This reduction reflects payment to the four states —Florida, Mississippi, Minnesota, and Texas— that settled with the industry

prior to the MSA. The percentage is 12.45 percent on payments through 2006, 12.24 percent from 2007-2017, and 11.07 percent in 2018 and thereafter.

GENERAL FUND CONSENSUS FORECAST
December 2013
General Fund Revenues
(\$ millions)

	FY13	FY14	FY15	FY16
	<u>Actual</u>	<u>Estimate</u>	<u>Estimate</u>	<u>Estimate</u>
Sales and Use	\$3,021.8	\$3,099.3	\$3,149.6	\$3,216.8
Individual Income	3,723.0	3,812.3	3,977.3	4,135.8
Corporation Income	400.8	460.5	463.4	434.4
LLET	246.1	231.7	233.7	253.1
Coal Severance	230.5	200.6	204.6	201.6
Cigarette	238.7	231.2	223.5	219.2
Property	558.4	568.9	581.2	597.5
Lottery	215.3	224.0	237.0	249.5
Other	<u>713.8</u>	<u>719.6</u>	<u>724.0</u>	<u>738.7</u>
Total General Fund	\$9,348.4	\$9,548.1	\$9,794.3	\$10,046.6

Annual Percentage Growth Rates

	FY13	FY14	FY15	FY16
	<u>Actual</u>	<u>Estimate</u>	<u>Estimate</u>	<u>Estimate</u>
Sales and Use	-1.0	2.6	1.6	2.1
Individual Income	6.0	2.4	4.3	4.0
Corporation Income	7.1	14.9	0.6	-6.3
LLET	22.6	-5.9	0.9	8.3
Coal Severance	-22.7	-13.0	2.0	-1.5
Cigarette	-6.3	-3.1	-3.3	-1.9
Property	5.4	1.9	2.2	2.8
Lottery	2.1	4.0	5.8	5.3
Other	<u>8.5</u>	<u>0.8</u>	<u>0.6</u>	<u>2.0</u>
Total General Fund	2.8	2.1	2.6	2.6

ROAD FUND CONSENSUS FORECAST
Road Fund Revenues
(\$ millions)

	<u>FY13</u> <u>Actual</u>	<u>FY14</u> <u>Estimate</u>	<u>FY15</u> <u>Estimate</u>	<u>FY16</u> <u>Estimate</u>
Motor Fuels	838.3	900.7	883.2	870.5
Motor Vehicle Usage	426.8	448.4	425.5	445.5
Motor Vehicle License	102.3	101.3	101.9	103.1
Motor Vehicle Operators	16.0	16.1	16.7	17.5
Weight Distance	74.9	76.1	79.9	81.4
Investment	-0.4	2.8	3.1	3.7
Other	<u>33.6</u>	<u>37.2</u>	<u>36.4</u>	<u>36.7</u>
Total Road Fund	1,491.6	1,582.6	1,546.7	1,558.4

Annual Percentage Growth Rates

	<u>FY13</u> <u>Actual</u>	<u>FY14</u> <u>Estimate</u>	<u>FY15</u> <u>Estimate</u>	<u>FY16</u> <u>Estimate</u>
Motor Fuels	6.1	7.4	-1.9	-1.4
Motor Vehicle Usage	2.4	5.1	-5.1	4.7
Motor Vehicle License	-5.2	-0.9	0.6	1.2
Motor Vehicle Operators	2.0	0.3	3.7	4.8
Weight Distance	-0.2	1.6	5.0	1.9
Investment	NA	NA	10.7	19.4
Other	<u>-3.8</u>	<u>10.7</u>	<u>-2.2</u>	<u>0.8</u>
Total Road Fund	3.3	6.1	-2.3	0.8

General Fund Detailed Estimates

<u>Source</u>	<u>Estimated 2014</u>	<u>Estimated 2015</u>	<u>Estimated 2016</u>
<u>Selected Sales and Gross Receipts Taxes</u>			
Sales & Use	\$3,099,300,000	\$3,149,600,000	\$3,216,800,000
Cigarette	\$231,200,000	\$223,500,000	\$219,200,000
Insurance Tax Companies Other Than Life	\$102,520,250	\$104,500,000	\$107,540,000
Telecommunications Taxes	\$70,925,000	\$71,650,125	\$73,550,265
Beer Wholesale	\$54,750,950	\$57,235,632	\$59,481,740
Insurance Tax Foreign Companies	\$41,000,000	\$41,550,000	\$42,750,000
Distilled Spirits Wholesale	\$33,005,000	\$34,502,817	\$35,856,818
Other Tobacco Products and Snuff	\$21,700,000	\$22,025,000	\$22,275,900
Wine Wholesale	\$15,500,250	\$16,203,675	\$16,839,559
Distilled Spirits Consumption	\$12,450,000	\$13,015,000	\$13,525,750
Beer Consumption	\$6,325,900	\$6,446,363	\$6,630,114
Pari-Mutuel	\$5,250,025	\$5,350,000	\$5,502,500
Insurance Tax Fire Prevention Fund	\$5,350,000	\$5,415,000	\$5,475,000
Wine Consumption	\$3,025,000	\$3,162,279	\$3,286,377
Race Track Admission	\$199,762	\$203,566	\$209,369
Distilled Spirits Case Sales	\$125,550	\$127,400	\$130,500
Cigarette Floor Stock Tax	\$22,150	\$21,500	\$22,450
TOTAL	\$3,702,649,837	\$3,754,508,357	\$3,829,076,341
<u>License and Privilege Taxes</u>			
Limited Liability Entity Tax	\$231,700,000	\$233,700,000	\$253,100,000
Coal Severance Tax	\$200,600,000	\$204,600,000	\$201,600,000
Bank Franchise Tax	\$105,550,000	\$106,900,000	\$108,400,000
Mineral Severance Tax	\$14,997,296	\$14,868,305	\$15,327,608
Oil Production	\$12,429,990	\$12,246,364	\$11,563,740
Natural Gas Severance Tax	\$15,509,881	\$12,810,890	\$10,241,598
Cir. Ct. Clk. - Driver License Receipts	\$640,000	\$650,000	\$655,000
Alcoholic Beverage License Suspension	\$387,500	\$421,000	\$415,000
Race Track License	\$259,195	\$253,751	\$249,184
Corporation Organization	\$102,900	\$103,850	\$105,575
Corporate License	\$550,000	\$400,000	\$100,000
Marijuana and Controlled Substance Tax	\$89,781	\$94,907	\$99,998
Cigarette License	\$94,129	\$79,778	\$81,398
TOTAL	\$582,910,672	\$587,128,846	\$601,939,102
<u>Income Taxes</u>			
Individual Income Tax	\$3,812,300,000	\$3,977,300,000	\$4,135,800,000
Corporation Income Tax	\$460,500,000	\$463,400,000	\$434,400,000
TOTAL	\$4,272,800,000	\$4,440,700,000	\$4,570,200,000
<u>Property Taxes</u>			
Real Property	\$263,400,000	\$270,200,000	\$278,300,000
Motor Vehicles	\$118,700,000	\$122,700,000	\$126,700,000
Tangible Personal Property	\$100,300,000	\$102,300,000	\$104,100,000
Public Service Companies	\$54,100,000	\$55,800,000	\$56,200,000

Omitted and Delinquent	\$22,300,000	\$24,100,000	\$25,700,000
Apportioned Vehicles	\$2,500,000	\$2,500,000	\$3,000,000
Building and Loan Association Capital Stock	\$2,300,000	\$2,300,000	\$2,300,000
Distilled Spirits Ad Valorem	\$800,000	\$800,000	\$700,000
Bank Deposits	\$600,000	\$500,000	\$500,000
Other Property	\$3,900,000	\$4,000	\$4,000
TOTAL	\$568,900,000	\$581,204,000	\$597,504,000

Inheritance Taxes

Inheritance Tax	\$45,250,100	\$44,875,000	\$46,275,000
TOTAL	\$45,250,100	\$44,875,000	\$46,275,000

Departmental Fees, Sales and Rentals

Public Service Commission Assessments-	\$13,601,672	\$14,600,800	\$15,166,400
Circuit Court Clk. - Civil Filing Fee Receipts-	\$10,085,500	\$9,985,005	\$10,250,650
Circuit Court Clk. - Receipts for Services-	\$6,067,616	\$6,373,279	\$6,188,314
Insurance - Retaliatory Taxes & Fees-	\$4,471,955	\$4,678,317	\$4,808,397
Circuit Court Clk. - Bond Filing Fee-	\$2,721,331	\$2,962,479	\$2,784,029
Strip Mining & Reclamation Fees-	\$850,500	\$900,520	\$750,000
Circuit Court Clk. - 10% Bond Fee-	\$401,225	\$414,919	\$375,028
Miscellaneous - Pub Advoc; Sec State Fee	\$251,560	\$252,167	\$252,774
Strip Mining & Reclamation - Fines Coll.	\$450,500	\$500,245	\$60,590
TOTAL	\$38,901,860	\$40,667,732	\$40,636,181

Investment Receipts

General Depository Investment Income **	\$800,000	\$800,000	\$800,000
TOTAL	\$800,000	\$800,000	\$800,000

Miscellaneous Revenue

Lottery	\$224,000,000	\$237,000,000	\$249,500,000
Abandoned Property	\$32,700,000	\$30,400,000	\$31,500,000
Cir. Ct. Clk. - Criminal/Traffic Fines & Costs	\$22,149,911	\$22,100,000	\$22,264,369
Court Costs	\$20,849,571	\$20,450,325	\$21,654,208
TVA - In Lieu of Taxes - State Portion	\$15,438,394	\$15,988,178	\$15,395,395
Other Fines & Unhonored Checks	\$10,900,250	\$10,573,087	\$10,850,000
Dept. of Rev. Legal Process Taxes - Co. Clk.	\$3,073,598	\$3,161,076	\$3,209,941
Circuit Court Clk. - Bond Forfeitures	\$1,800,000	\$1,800,000	\$1,800,000
Legal Process - Clk. Supreme Court	\$125,450	\$120,200	\$130,000
F.H.A. - In Lieu of Taxes	\$75,250	\$77,750	\$80,000
Circuit Court Clk. - Fish & Wildlife Fines	\$62,500	\$60,500	\$65,740
Sale of NOx Credits	\$35,000	\$40,000	\$42,500
Legal Process - Clk. Court of Appeals	\$5,500	\$5,650	\$5,752
R.E.C.C. and R.T.C.C. In Lieu of Taxes	\$325	\$350	\$375
Dept. of Rev. Penalty & Int. of Co. Officials	(\$26,560)	(\$28,621)	(\$29,524)
TOTAL	\$331,189,190	\$341,748,494	\$356,468,756

Miscellaneous Not In Revenue Estimates	\$4,698,340	\$2,667,572	\$3,700,620
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TOTAL GENERAL FUND	\$9,548,100,000	\$9,794,300,000	\$10,046,600,000
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Road Fund Detailed Estimates

	<u>FY 2014</u> <u>Estimate</u>	<u>FY 2015</u> <u>Estimate</u>	<u>FY 2016</u> <u>Estimate</u>
<u>Sales and Gross Receipts Taxes</u>			
Motor Fuels Normal and Normal Use	\$900,200,000	\$882,600,000	\$870,000,000
Motor Vehicle Usage	\$416,400,000	\$393,500,000	\$413,500,000
Motor Vehicle Rental Usage	\$32,000,000	\$32,000,000	\$32,000,000
Truck Trip Permits	\$500,000	\$500,000	\$500,000
Sales and Use	\$25,000	\$25,000	\$25,000
TOTAL	\$1,349,125,000	\$1,308,625,000	\$1,316,025,000

License and Privilege Taxes

Weight Distance Tax	\$76,100,000	\$79,900,000	\$81,400,000
Truck Proportional Registration	\$42,000,000	\$42,400,000	\$42,600,000
Passenger Car License	\$31,300,000	\$31,360,000	\$31,700,000
Motor Vehicle Operator's License	\$14,100,000	\$14,700,000	\$15,400,000
Truck License - State Share	\$14,600,000	\$14,800,000	\$15,000,000
Highway Special Permits	\$7,500,000	\$7,500,000	\$7,600,000
Motor Carrier Identification Cards	\$5,500,000	\$5,100,000	\$5,000,000
Trailer License	\$1,700,000	\$1,700,000	\$1,800,000
Operator's License - Photography Program	\$1,400,000	\$1,400,000	\$1,500,000
Personalized License Plates	\$1,350,000	\$1,350,000	\$1,500,000
U-Drive-Licenses	\$1,400,000	\$1,400,000	\$1,400,000
Transfer License	\$993,000	\$1,050,000	\$1,150,000
Collegiate Plates	\$925,000	\$925,000	\$925,000
In God We Trust	\$820,000	\$820,000	\$850,000
Overweight Coal Truck Permit	\$780,000	\$780,000	\$800,000
Army Reserve Plates	\$720,000	\$720,000	\$720,000
Environmental License Plate	\$675,000	\$675,000	\$675,000
Friends of Coal	\$650,000	\$650,000	\$670,000
Motorcycle License	\$640,000	\$640,000	\$640,000
Operator's License-Driver Education	\$600,000	\$600,000	\$600,000
Horse Council Plates	\$360,000	\$360,000	\$380,000
Breast Cancer	\$360,000	\$360,000	\$380,000
Historic Vehicle License	\$375,000	\$375,000	\$375,000
Temporary Tags	\$375,000	\$375,000	\$375,000
Dealers License	\$230,000	\$230,000	\$230,000
Nonreciprocal Permits	\$225,000	\$225,000	\$225,000
Law Enforcement	\$170,000	\$170,000	\$200,000
Spay and Neuter Plate	\$187,000	\$187,000	\$190,000
Sportsman	\$183,500	\$183,500	\$183,500
Share The Road	\$113,000	\$113,000	\$113,000
Fraternal Order of Police Plates	\$93,000	\$93,000	\$93,000

Volunteer Fireman License Tags	\$80,000	\$80,000	\$80,000
Ky Colonels	\$79,000	\$79,000	\$79,000
Child Victims License Plates	\$75,000	\$75,000	\$75,000
Independent College	\$66,000	\$66,000	\$66,000
Masonic License Plates	\$62,000	\$62,000	\$62,000
Choose Life	\$60,000	\$60,000	\$60,000
I Support Veterans	\$56,000	\$56,000	\$56,000
Autism Awareness	\$52,000	\$52,000	\$52,000
Quail Unlimited	\$44,000	\$44,000	\$44,000
Bus License - Except City	\$40,000	\$40,000	\$40,000
Keeneland Association	\$38,000	\$38,000	\$38,000
Zoo Foundation Plate	\$37,000	\$37,000	\$37,000
Purple Heart Plates	\$35,000	\$35,000	\$35,000
Ducks Unlimited	\$34,000	\$34,000	\$34,000
Juvenile Diabetes	\$30,000	\$30,000	\$30,000
Rock - In God We Trust	\$28,000	\$28,000	\$28,000
County Clerk Penalty	\$25,000	\$25,000	\$25,000
Taxi License	\$25,000	\$25,000	\$25,000
Truck Permits	\$25,000	\$25,000	\$25,000
Contract Taxicab Permit	\$22,000	\$22,000	\$22,000
Ryder Cup	\$20,000	\$20,000	\$20,000
Kentucky Lineman	\$20,000	\$20,000	\$20,000
Kentucky Library Association	\$16,000	\$16,000	\$16,000
Lincoln Bicentennial	\$15,500	\$15,500	\$15,500
Kosair Charities	\$15,000	\$15,000	\$15,000
Drive Away Utility Trailer Permits	\$14,000	\$14,000	\$14,000
DES License Plates	\$13,000	\$13,000	\$13,000
Amateur Radio Plate	\$9,000	\$9,000	\$9,000
Temporary Motorcycle Tags	\$9,000	\$9,000	\$9,000
U-Drive-It Permits	\$8,000	\$8,000	\$8,000
Kentucky Dental Association	\$6,200	\$6,200	\$6,200
National Guard License Plates	\$6,100	\$6,100	\$6,100
Dealer Demonstrator Tags	\$3,500	\$3,500	\$3,500
Junk Yard License	\$3,200	\$3,200	\$3,200
Industrial Hauling Permits	\$3,000	\$3,000	\$3,000
Chiropractor Plates	\$3,000	\$3,000	\$3,000
General Assembly License Plates	\$2,800	\$2,800	\$2,800
Bus Certificates and Permits	\$2,100	\$2,100	\$2,100
Street Rod Plates	\$1,900	\$1,900	\$1,900
Civil Air Patrol Plates	\$1,200	\$1,200	\$1,200
Civic Event Plates	\$425	\$425	\$425
Silver Star	\$400	\$400	\$400
Judicial License Plates	\$250	\$250	\$250
P.O.W. License Plates	\$50	\$50	\$50
Bronze Star Valor	\$50	\$50	\$50
Gold Star Spouse	\$25	\$25	\$25

Pearl Harbor Survivor Plates	\$8	\$8	\$8
TOTAL	\$207,511,208	\$212,228,175	\$215,761,175

Departmental Fees, Sales and Rentals

Proposal Sales	\$700,000	\$700,000	\$700,000
Miscellaneous Rentals	\$300,000	\$300,000	\$300,000
Traffic Offenders School Fees	\$900,000	\$900,000	\$900,000
Record Copy Sales	\$600,000	\$350,000	\$350,000
Highway Sign Logo Rental	\$870,000	\$820,000	\$720,000
Driving History Record Fee	\$7,150,000	\$7,200,000	\$7,300,000
Operator's License Reinstatement Fees	\$1,200,000	\$1,200,000	\$1,200,000
Penalty & Interest - Weight and Use Taxes	\$1,300,000	\$1,300,000	\$1,400,000
Medical Alert Stickers	\$100	\$100	\$100
Motor Vehicle Title Receipts	\$4,700,000	\$4,700,000	\$4,800,000
Proceeds from Asset Disposition	\$1,930,000	\$2,060,000	\$2,100,000
Coal Road Recovery Fines	\$34,000	\$34,000	\$34,000
U-Drive-It Penalty and Interest	\$6,000	\$6,000	\$6,000
TOTAL	\$19,690,100	\$19,570,100	\$19,810,100

Investment Income

Investment Income	\$2,800,000	\$3,100,000	\$3,700,000
TOTAL	\$2,800,000	\$3,100,000	\$3,700,000

Miscellaneous Income

Property Damage	\$1,500,000	\$1,000,000	\$1,000,000
TOTAL	\$1,500,000	\$1,000,000	\$1,000,000

Miscellaneous Not In Revenue Estimates	\$1,973,692	\$2,176,725	\$2,103,725
TOTAL ROAD FUND REVENUE	\$1,582,600,000	\$1,546,700,000	\$1,558,400,000

Appendix A

Receipts First Half of Fiscal Year 2014

Kentucky State Government Revenue General Fund Revenue

	Second Quarter FY 2014	Second Quarter FY 2013	% Change	Year-To-Date FY 2014	Year-To-Date FY 2013	% Change
TOTAL GENERAL FUND	\$2,438,080,950	\$2,455,462,402	-0.7%	\$4,712,452,320	\$4,656,459,716	1.2%
Tax Receipts	2,340,838,345	2,355,949,216	-0.6%	\$4,540,308,446	\$4,480,913,957	1.3%
Sales and Gross Receipts	900,219,850	877,917,553	2.5%	\$1,826,133,520	\$1,784,465,294	2.3%
Beer Consumption	1,569,970	1,515,080	3.6%	3,215,611	3,244,964	-0.9%
Beer Wholesale	14,873,627	13,574,374	9.6%	30,503,617	27,758,586	9.9%
Cigarette	57,852,292	60,932,679	-5.1%	117,173,478	121,531,322	-3.6%
Distilled Spirits Case Sales	31,764	27,866	14.0%	63,174	61,701	2.4%
Distilled Spirits Consumption	2,848,885	3,056,461	-6.8%	5,866,406	6,072,013	-3.4%
Distilled Spirits Wholesale	8,559,652	8,336,866	2.7%	16,659,286	15,767,068	5.7%
Insurance Premium	9,777,066	11,183,040	-12.6%	43,326,674	41,810,028	3.6%
Pari-Mutuel	9,884	906,413	-98.9%	842,097	2,342,161	-64.0%
Race Track Admission	11,722	45,454	-74.2%	105,115	126,070	-16.6%
Sales and Use	779,032,215	751,169,454	3.7%	1,557,141,336	1,511,896,143	3.0%
Wine Consumption	625,357	764,256	-18.2%	1,403,423	1,430,408	-1.9%
Wine Wholesale	3,872,764	4,036,701	-4.1%	7,358,774	7,376,512	-0.2%
Telecommunications Tax	15,860,431	16,906,338	-6.2%	31,843,724	34,005,754	-6.4%
OTP	5,297,528	5,455,400	-2.9%	10,633,052	11,031,335	-3.6%
Floor Stock Tax	(3,307)	7,170	---	(2,246)	11,228	---
License and Privilege	\$111,166,911	\$131,205,495	-15.3%	\$225,946,967	\$251,036,466	-10.0%
Alc. Bev. License Suspension	77,073	130,567	-41.0%	163,265	203,933	-19.9%
Coal Severance	52,765,189	56,643,052	-6.8%	104,093,800	121,565,409	-14.4%
Corporation License	147,080	51,259	186.9%	404,718	(443,324)	---
Corporation Organization	12,562	7,511	67.2%	20,777	47,759	-56.5%
Occupational Licenses	26,371	21,245	24.1%	70,606	36,240	94.8%
Oil Production	3,005,711	2,673,264	12.4%	6,458,483	5,224,047	23.6%
Race Track License	40,150	101,711	-60.5%	135,150	196,711	-31.3%
Bank Franchise Tax	1,086,653	3,161,379	-65.6%	2,266,310	2,096,962	8.1%
Driver License Fees	158,917	155,742	2.0%	321,642	325,939	-1.3%
Minerals Severance	4,255,603	4,025,755	5.7%	8,876,584	7,549,343	17.6%
Natural Gas Severance	4,227,670	3,368,636	25.5%	9,191,167	6,117,062	50.3%
Limited Liability Entity	45,363,932	60,865,375	-25.5%	93,944,464	108,116,384	-13.1%
Income	\$1,005,247,371	\$993,100,069	1.2%	\$2,087,219,438	\$2,007,925,440	3.9%
Corporation	79,937,486	81,923,572	-2.4%	230,645,842	194,870,310	18.4%
Individual	925,309,885	911,176,497	1.6%	1,856,573,595	1,813,055,129	2.4%
Property	\$306,218,252	\$331,379,786	-7.6%	\$362,031,669	\$397,115,829	-8.8%
Building & Loan Association	0	(20,000)	---	5,753	(15,820)	---
General - Real	180,090,664	191,031,804	-5.7%	180,119,270	190,739,386	-5.6%
General - Tangible	92,732,008	101,379,637	-8.5%	121,606,849	129,577,690	-6.2%
Omitted & Delinquent	3,672,123	11,399,430	-67.8%	11,015,249	29,969,945	-63.2%
Public Service	29,122,433	27,074,120	7.6%	44,058,575	46,063,771	-4.4%
Other	601,023	514,794	16.8%	5,225,972	780,857	569.3%
Inheritance	\$10,441,893	\$11,248,426	-7.2%	\$24,076,572	\$20,635,653	16.7%
Miscellaneous	\$7,544,068	\$11,097,888	-32.0%	\$14,900,280	\$19,735,275	-24.5%
Legal Process	4,171,502	4,752,130	-12.2%	8,105,173	9,979,656	-18.8%
T. V. A. In Lieu Payments	3,372,174	6,345,522	-46.9%	6,794,715	9,755,383	-30.3%
Other	392	236	66.3%	392	236	66.3%
Nontax Receipts	\$96,509,590	\$98,796,430	-2.3%	\$170,906,459	\$174,311,268	-2.0%
Departmental Fees	4,568,134	4,213,148	8.4%	8,220,362	10,063,244	-18.3%
PSC Assessment Fee	449,640	2,920	15296.3%	14,699,356	13,076,450	12.4%
Fines & Forfeitures	5,927,654	6,841,086	-13.4%	12,137,638	15,125,932	-19.8%
Income on Investments	(542,436)	167,101	-424.6%	(698,437)	1,342,364	---
Lottery	54,639,743	53,266,568	2.6%	103,139,743	101,766,568	1.3%
Sale of NOx Credits	9,438	21,104	-55.3%	48,438	27,604	75.5%
Miscellaneous	31,457,417	34,284,503	-8.2%	33,359,359	32,909,106	1.4%
Redeposit of State Funds	\$733,014	\$716,756	2.3%	\$1,237,415	\$1,234,491	0.2%

Kentucky State Government Revenue Road Fund Revenue

	Second Quarter FY 2014	Second Quarter FY 2013	% Change	Year-To-Date FY 2014	Year-To-Date FY 2013	% Change
TOTAL ROAD FUND	\$378,263,090	\$366,462,070	3.2%	\$776,002,756	\$725,163,047	7.0%
Tax Receipts-	\$373,576,629	\$360,664,478	3.6%	\$764,977,090	\$712,604,354	7.3%
Sales and Gross Receipts	\$329,045,253	\$315,591,809	4.3%	\$675,049,261	\$624,386,781	8.1%
Motor Fuels Taxes	227,743,702	215,631,505	5.6%	458,153,342	\$422,775,640	8.4%
Motor Vehicle Usage	101,301,551	99,960,304	1.3%	216,895,919	\$201,611,140	7.6%
License and Privilege	\$44,531,377	\$45,072,669	-1.2%	\$89,927,829	\$88,217,573	1.9%
Motor Vehicles	18,074,640	17,672,585	2.3%	36,587,472	\$35,186,039	4.0%
Motor Vehicle Operators	3,883,631	3,875,368	0.2%	8,122,669	\$8,182,723	-0.7%
Weight Distance	19,454,738	18,871,800	3.1%	38,693,064	\$37,833,525	2.3%
Truck Decal Fees	4,909	16,524	-70.3%	22,019	\$36,414	-39.5%
Other Special Fees	3,113,459	4,636,392	-32.8%	6,502,605	\$6,978,873	-6.8%
Nontax Receipts	\$4,377,991	\$4,777,715	-8.4%	\$9,251,799	\$9,843,021	-6.0%
Departmental Fees	4,052,150	3,756,001	7.9%	7,695,325	\$7,143,560	7.7%
In Lieu of Traffic Fines	122,766	171,368	-28.4%	265,354	\$342,948	-22.6%
Income on Investments	83,908	759,298	-88.9%	870,877	\$2,090,347	-58.3%
Miscellaneous	119,168	91,047	30.9%	420,242	\$266,166	57.9%
Redeposit of State Funds	\$308,469	\$1,019,877	-69.8%	\$1,773,867	\$2,715,673	-34.7%

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Appendix B

Summary Statistics for General Fund and Road Fund

Major Revenue Sources Fiscal Years 2004 – 2013

**SUMMARY STATISTICS FOR GENERAL FUND MAJOR REVENUE SOURCES
FISCAL YEARS 2004-2013**

	FY04	FY05	FY06	FY07	FY08
TOTAL GENERAL FUND	2.9%	9.6%	9.6%	2.4%	12.1%
Tax Receipts	2.2%	9.9%	9.7%	2.1%	12.0%
Sales and Gross Receipts	3.5%	6.4%	11.8%	3.3%	15.6%
Beer Consumption	-0.2%	1.1%	0.1%	-0.8%	-0.7%
Beer Wholesale	4.1%	1.0%	19.5%	3.5%	23.8%
Cigarette	4.7%	45.7%	589.2%	-1.9%	576.0%
Cigarette Floor Stock	---	---	---	-99.9%	-99.9%
Distilled Spirits Case Sales	2.4%	5.2%	2.9%	4.3%	7.3%
Distilled Spirits Consumption	3.5%	2.3%	7.7%	2.0%	9.8%
Distilled Spirits Wholesale	5.4%	7.0%	29.6%	6.9%	38.5%
Insurance Premium	4.8%	2.4%	-0.5%	2.5%	2.0%
Pari-Mutuel	-39.0%	29.8%	19.5%	-2.4%	16.5%
Race Track Admission	20.3%	-16.0%	18.1%	-17.3%	-2.4%
Sales and Use	3.5%	6.0%	6.0%	2.5%	8.6%
Wine Consumption	5.4%	13.7%	-14.6%	19.5%	2.1%
Wine Wholesale	7.5%	7.2%	34.1%	8.4%	45.4%
Telecommunications Tax	---	---	---	254.7%	8.4%
Other Tobacco Products	---	---	---	---	3.0%
License and Privilege	-3.1%	16.2%	-9.7%	-8.7%	-17.5%
Alc. Bev. License Suspension	-1.8%	6.0%	18.3%	135.0%	178.0%
Coal Severance	4.1%	25.0%	21.7%	-1.1%	20.3%
Corporation License	-18.7%	8.1%	-67.6%	-73.0%	-91.3%
Corporation Organization	-24.5%	326.3%	-63.9%	-47.7%	-81.1%
Occupational Licenses	12.6%	-15.4%	-7.8%	19.0%	9.8%
Oil Production	8.7%	39.0%	35.6%	-2.9%	31.6%
Race Track License	4.0%	-3.3%	-10.9%	-1.9%	-12.6%
Bank Franchise Tax	3.2%	15.1%	-6.6%	7.2%	0.1%
Driver License Fees	5.0%	-0.2%	14.9%	0.5%	15.5%
Minerals Severance	9.0%	-1.6%	7.5%	2.2%	9.8%
Natural Gas Severance	53.0%	12.4%	43.0%	-10.7%	27.8%
LLET	---	---	---	---	---
Income	2.5%	13.4%	11.5%	2.8%	14.6%
Corporation	9.1%	57.8%	109.3%	-1.4%	106.5%
Individual	1.8%	8.6%	-3.9%	4.2%	0.2%
Property	3.2%	5.3%	6.3%	-2.0%	4.2%
Bank Deposits	2.4%	1.4%	6.6%	1.6%	8.3%
Building & Loan Association	-21.0%	27.1%	-35.1%	41.0%	-8.5%
Distilled Spirits	-15.0%	3.5%	5.7%	23.4%	30.4%
General - Intangible	6.4%	-2.3%	15.0%	-99.8%	-99.8%
General - Real	3.5%	5.0%	6.5%	6.0%	12.9%
General - Tangible	-0.2%	7.2%	3.6%	16.1%	20.3%
Omitted & Delinquent	-22.3%	30.4%	46.9%	-16.7%	22.3%
Public Service	23.2%	-2.3%	-2.6%	-25.6%	-27.6%
Other	-5.2%	-22.4%	-97.7%	18.2%	-97.3%
Inheritance	-31.1%	-4.4%	-27.2%	-5.2%	-31.0%
	15.7%	-6.2%	6.9%	-2.1%	4.7%
Legal Process	18.8%	-9.6%	1.7%	-1.4%	0.3%
T. V. A. In Lieu Payments	6.4%	5.1%	19.7%	-2.1%	17.3%
Other	-4.3%	10.2%	404.7%	-70.7%	47.9%
Nontax Receipts	20.2%	2.1%	5.6%	8.3%	14.4%
Departmental Fees	0.8%	1.7%	6.2%	4.6%	11.1%
PSC Assessment Fee ⁷	-38.1%	151.8%	-33.4%	61.4%	7.5%
Fines & Forfeitures	-3.1%	-9.2%	2.8%	1.8%	4.7%
Interest on Investments	-114.2%	583.3%	168.8%	71.2%	360.3%
Lottery	1.6%	-7.2%	17.8%	-1.8%	15.7%
Sale of NOx Credits	---	---	---	-27.9%	-78.0%
Miscellaneous	276.3%	37.7%	-36.7%	25.2%	-20.7%
Redeposit of State Funds	58.3%	-23.0%	0.7%	49.9%	50.9%

	FY09	FY10	FY11	FY12	FY13
TOTAL GENERAL FUND	-2.7%	-2.4%	6.5%	3.8%	2.8%
Tax Receipts	-2.6%	-2.4%	6.8%	3.9%	2.3%
Sales and Gross Receipts	0.6%	0.6%	2.7%	4.6%	-0.9%
Beer Consumption	-0.9%	-4.8%	-0.8%	0.1%	1.1%
Beer Wholesale	4.4%	-0.2%	0.6%	4.3%	-0.7%
Cigarette	10.1%	48.9%	-5.7%	-2.8%	-6.3%
Cigarette Floor Stock	---	-98.3%	-45.4%	-79.0%	-38.4%
Distilled Spirits Case Sales	5.0%	314.3%	-151.4%	-150.2%	5.1%
Distilled Spirits Consumption	2.9%	0.4%	2.1%	3.8%	5.3%
Distilled Spirits Wholesale	4.7%	-1.3%	2.4%	5.4%	7.5%
Insurance Premium	-3.2%	-0.1%	2.9%	3.4%	4.8%
Pari-Mutuel	-17.6%	-101.9%	-5686.0%	-21.8%	34.5%
Race Track Admission	5.0%	-18.6%	-4.8%	-8.2%	12.2%
Sales and Use	-0.7%	-2.2%	3.7%	5.4%	-1.0%
Wine Consumption	1.6%	2.1%	5.8%	5.1%	5.1%
Wine Wholesale	3.2%	-2.2%	13.8%	2.6%	6.1%
Telecommunications Tax	9.4%	9.1%	-6.7%	4.2%	5.3%
Other Tobacco Products	29.8%	82.8%	1.3%	1.6%	-0.3%
License and Privilege	19.9%	-4.0%	22.1%	-1.7%	-4.9%
Alc. Bev. License Suspension	-52.7%	43.0%	-32.8%	-25.5%	43.2%
Coal Severance	25.6%	-7.1%	8.8%	0.8%	-22.7%
Corporation License	224.4%	-40.2%	94.7%	-50.0%	-105.5%
Corporation Organization	-85.3%	340.5%	-58.3%	35.4%	3.5%
Occupational Licenses	34.3%	-33.1%	-3.7%	-5.4%	-12.5%
Oil Production	-17.4%	-10.3%	9.6%	44.3%	-8.2%
Race Track License	42.7%	-22.5%	-3.4%	3.9%	-3.1%
Bank Franchise Tax	1.9%	-5.8%	28.0%	6.5%	5.1%
Driver License Fees	-3.2%	2.8%	1.1%	1.0%	4.0%
Minerals Severance	-21.7%	3.6%	-0.1%	0.3%	0.1%
Natural Gas Severance	24.7%	-42.2%	2.3%	-9.6%	-34.9%
LLET	23.6%	20.0%	47.8%	-7.0%	22.6%
Income	-8.5%	-5.3%	9.6%	4.5%	6.1%
Corporation	-38.4%	-11.2%	26.4%	24.5%	7.0%
Individual	-4.8%	-4.9%	8.3%	2.8%	6.0%
Property	2.5%	0.6%	-0.3%	2.9%	5.4%
Bank Deposits	1.9%	8.6%	-4.8%	1.7%	3.0%
Building & Loan Association	9.4%	0.7%	-15.9%	0.2%	-5.3%
Distilled Spirits	21.6%	9.9%	6.5%	3.4%	2.4%
General - Intangible					
General - Real	1.6%	3.2%	-0.7%	1.7%	2.7%
General - Tangible	-1.0%	-5.2%	-3.4%	11.3%	4.4%
Omitted & Delinquent	31.0%	8.7%	12.8%	-40.7%	61.6%
Public Service	13.2%	9.0%	9.3%	1.7%	5.5%
Other	-5.5%	-1.4%	401.9%	-77.7%	34.9%
Inheritance	-19.2%	-9.8%	11.2%	-0.1%	0.0%
Miscellaneous	5.4%	-5.6%	-8.0%	-1.9%	11.1%
Legal Process	-1.2%	-8.3%	-6.9%	-1.6%	-1.1%
T. V. A. In Lieu Payments	17.8%	-1.8%	-9.4%	-2.2%	30.6%
Other	121.6%	142.2%	-43.6%	-26.7%	-25.0%
Nontax Receipts	-5.5%	-3.2%	-0.5%	0.5%	17.0%
Departmental Fees	5.0%	-7.5%	-0.1%	-11.2%	8.7%
PSC Assessment Fee	-1.4%	-10.1%	28.2%	-54.6%	78.7%
Fines & Forfeitures	4.2%	-0.9%	-10.1%	0.6%	7.6%
Interest on Investments	-82.5%	-107.2%	-353.2%	-1993.7%	-104.9%
Lottery	3.2%	3.4%	0.2%	5.1%	2.1%
Sale of NOx Credits	-100.0%	---	-94.1%	-40.2%	131.1%
Miscellaneous	15.2%	-22.1%	-10.4%	68.8%	46.9%
Redeposit of State Funds	-60.6%	198.7%	-36.3%	-27.2%	15.0%

**GENERAL FUND GROWTH RATES
MAJOR REVENUE SOURCES – FISCAL YEARS 2004-2013**

	FY04	FY05	FY06	FY07	FY08
TOTAL GENERAL FUND	2.9%	9.6%	9.6%	2.4%	12.1%
Tax Receipts	2.2%	9.9%	9.7%	2.1%	12.0%
Sales and Gross Receipts	3.5%	6.4%	11.8%	3.3%	15.6%
Beer Consumption	-0.2%	1.1%	0.1%	-0.8%	-0.7%
Beer Wholesale	4.1%	1.0%	19.5%	3.5%	23.8%
Cigarette	4.7%	45.7%	589.2%	-1.9%	576.0%
Cigarette Floor Stock	---	---	---	-99.9%	-99.9%
Distilled Spirits Case Sales	2.4%	5.2%	2.9%	4.3%	7.3%
Distilled Spirits Consumption	3.5%	2.3%	7.7%	2.0%	9.8%
Distilled Spirits Wholesale	5.4%	7.0%	29.6%	6.9%	38.5%
Insurance Premium	4.8%	2.4%	-0.5%	2.5%	2.0%
Pari-Mutuel	-39.0%	29.8%	19.5%	-2.4%	16.5%
Race Track Admission	20.3%	-16.0%	18.1%	-17.3%	-2.4%
Sales and Use	3.5%	6.0%	6.0%	2.5%	8.6%
Wine Consumption	5.4%	13.7%	-14.6%	19.5%	2.1%
Wine Wholesale	7.5%	7.2%	34.1%	8.4%	45.4%
Telecommunications Tax	---	---	---	254.7%	8.4%
Other Tobacco Products	---	---	---	---	3.0%
License and Privilege	-3.1%	16.2%	-9.7%	-8.7%	-17.5%
Alc. Bev. License Suspension	-1.8%	6.0%	18.3%	135.0%	178.0%
Coal Severance	4.1%	25.0%	21.7%	-1.1%	20.3%
Corporation License	-18.7%	8.1%	-67.6%	-73.0%	-91.3%
Corporation Organization	-24.5%	326.3%	-63.9%	-47.7%	-81.1%
Occupational Licenses	12.6%	-15.4%	-7.8%	19.0%	9.8%
Oil Production	8.7%	39.0%	35.6%	-2.9%	31.6%
Race Track License	4.0%	-3.3%	-10.9%	-1.9%	-12.6%
Bank Franchise Tax	3.2%	15.1%	-6.6%	7.2%	0.1%
Driver License Fees	5.0%	-0.2%	14.9%	0.5%	15.5%
Minerals Severance	9.0%	-1.6%	7.5%	2.2%	9.8%
Natural Gas Severance	53.0%	12.4%	43.0%	-10.7%	27.8%
LLET	---	---	---	---	---
Income	2.5%	13.4%	11.5%	2.8%	14.6%
Corporation	9.1%	57.8%	109.3%	-1.4%	106.5%
Individual	1.8%	8.6%	-3.9%	4.2%	0.2%
Property	3.2%	5.3%	6.3%	-2.0%	4.2%
Bank Deposits	2.4%	1.4%	6.6%	1.6%	8.3%
Building & Loan Association	-21.0%	27.1%	-35.1%	41.0%	-8.5%
Distilled Spirits	-15.0%	3.5%	5.7%	23.4%	30.4%
General - Intangible	6.4%	-2.3%	15.0%	-99.8%	-99.8%
General - Real	3.5%	5.0%	6.5%	6.0%	12.9%
General - Tangible	-0.2%	7.2%	3.6%	16.1%	20.3%
Omitted & Delinquent	-22.3%	30.4%	46.9%	-16.7%	22.3%
Public Service	23.2%	-2.3%	-2.6%	-25.6%	-27.6%
Other	-5.2%	-22.4%	-97.7%	18.2%	-97.3%
Inheritance	-31.1%	-4.4%	-27.2%	-5.2%	-31.0%
	15.7%	-6.2%	6.9%	-2.1%	4.7%
Legal Process	18.8%	-9.6%	1.7%	-1.4%	0.3%
T. V. A. In Lieu Payments	6.4%	5.1%	19.7%	-2.1%	17.3%
Other	-4.3%	10.2%	404.7%	-70.7%	47.9%
Nontax Receipts	20.2%	2.1%	5.6%	8.3%	14.4%
Departmental Fees	0.8%	1.7%	6.2%	4.6%	11.1%
PSC Assessment Fee ⁷	-38.1%	151.8%	-33.4%	61.4%	7.5%
Fines & Forfeitures	-3.1%	-9.2%	2.8%	1.8%	4.7%
Interest on Investments	-114.2%	583.3%	168.8%	71.2%	360.3%
Lottery	1.6%	-7.2%	17.8%	-1.8%	15.7%
Sale of NOx Credits	---	---	---	-27.9%	-78.0%
Miscellaneous	276.3%	37.7%	-36.7%	25.2%	-20.7%
Redeposit of State Funds	58.3%	-23.0%	0.7%	49.9%	50.9%

	FY09	FY10	FY11	FY12	FY13
TOTAL GENERAL FUND	-2.7%	-2.4%	6.5%	3.8%	2.8%
Tax Receipts	-2.6%	-2.4%	6.8%	3.9%	2.3%
Sales and Gross Receipts	0.6%	0.6%	2.7%	4.6%	-0.9%
Beer Consumption	-0.9%	-4.8%	-0.8%	0.1%	1.1%
Beer Wholesale	4.4%	-0.2%	0.6%	4.3%	-0.7%
Cigarette	10.1%	48.9%	-5.7%	-2.8%	-6.3%
Cigarette Floor Stock	---	-98.3%	-45.4%	-79.0%	-38.4%
Distilled Spirits Case Sales	5.0%	314.3%	-151.4%	-150.2%	5.1%
Distilled Spirits Consumption	2.9%	0.4%	2.1%	3.8%	5.3%
Distilled Spirits Wholesale	4.7%	-1.3%	2.4%	5.4%	7.5%
Insurance Premium	-3.2%	-0.1%	2.9%	3.4%	4.8%
Pari-Mutuel	-17.6%	-101.9%	-5686.0%	-21.8%	34.5%
Race Track Admission	5.0%	-18.6%	-4.8%	-8.2%	12.2%
Sales and Use	-0.7%	-2.2%	3.7%	5.4%	-1.0%
Wine Consumption	1.6%	2.1%	5.8%	5.1%	5.1%
Wine Wholesale	3.2%	-2.2%	13.8%	2.6%	6.1%
Telecommunications Tax	9.4%	9.1%	-6.7%	4.2%	5.3%
Other Tobacco Products	29.8%	82.8%	1.3%	1.6%	-0.3%
License and Privilege	19.9%	-4.0%	22.1%	-1.7%	-4.9%
Alc. Bev. License Suspension	-52.7%	43.0%	-32.8%	-25.5%	43.2%
Coal Severance	25.6%	-7.1%	8.8%	0.8%	-22.7%
Corporation License	224.4%	-40.2%	94.7%	-50.0%	-105.5%
Corporation Organization	-85.3%	340.5%	-58.3%	35.4%	3.5%
Occupational Licenses	34.3%	-33.1%	-3.7%	-5.4%	-12.5%
Oil Production	-17.4%	-10.3%	9.6%	44.3%	-8.2%
Race Track License	42.7%	-22.5%	-3.4%	3.9%	-3.1%
Bank Franchise Tax	1.9%	-5.8%	28.0%	6.5%	5.1%
Driver License Fees	-3.2%	2.8%	1.1%	1.0%	4.0%
Minerals Severance	-21.7%	3.6%	-0.1%	0.3%	0.1%
Natural Gas Severance	24.7%	-42.2%	2.3%	-9.6%	-34.9%
LLET	23.6%	20.0%	47.8%	-7.0%	22.6%
Income	-8.5%	-5.3%	9.6%	4.5%	6.1%
Corporation	-38.4%	-11.2%	26.4%	24.5%	7.0%
Individual	-4.8%	-4.9%	8.3%	2.8%	6.0%
Property	2.5%	0.6%	-0.3%	2.9%	5.4%
Bank Deposits	1.9%	8.6%	-4.8%	1.7%	3.0%
Building & Loan Association	9.4%	0.7%	-15.9%	0.2%	-5.3%
Distilled Spirits	21.6%	9.9%	6.5%	3.4%	2.4%
General - Intangible					
General - Real	1.6%	3.2%	-0.7%	1.7%	2.7%
General - Tangible	-1.0%	-5.2%	-3.4%	11.3%	4.4%
Omitted & Delinquent	31.0%	8.7%	12.8%	-40.7%	61.6%
Public Service	13.2%	9.0%	9.3%	1.7%	5.5%
Other	-5.5%	-1.4%	401.9%	-77.7%	34.9%
Inheritance	-19.2%	-9.8%	11.2%	-0.1%	0.0%
Miscellaneous	5.4%	-5.6%	-8.0%	-1.9%	11.1%
Legal Process	-1.2%	-8.3%	-6.9%	-1.6%	-1.1%
T. V. A. In Lieu Payments	17.8%	-1.8%	-9.4%	-2.2%	30.6%
Other	121.6%	142.2%	-43.6%	-26.7%	-25.0%
Nontax Receipts	-5.5%	-3.2%	-0.5%	0.5%	17.0%
Departmental Fees	5.0%	-7.5%	-0.1%	-11.2%	8.7%
PSC Assessment Fee	-1.4%	-10.1%	28.2%	-54.6%	78.7%
Fines & Forfeitures	4.2%	-0.9%	-10.1%	0.6%	7.6%
Interest on Investments	-82.5%	-107.2%	-353.2%	-1993.7%	-104.9%
Lottery	3.2%	3.4%	0.2%	5.1%	2.1%
Sale of NOx Credits	-100.0%	---	-94.1%	-40.2%	131.1%
Miscellaneous	15.2%	-22.1%	-10.4%	68.8%	46.9%
Redeposit of State Funds	-60.6%	198.7%	-36.3%	-27.2%	15.0%

**SUMMARY STATISTICS FOR ROAD FUND MAJOR REVENUE SOURCES
FISCAL YEARS 2004-2013**

	FY04	FY05	FY06	FY07	FY08
TOTAL STATE ROAD FUND	1,116,734,272	1,126,554,402	1,165,409,505	1,225,943,515	1,262,798,750
Tax Receipts-	1,082,189,464	1,094,354,041	1,133,247,862	1,186,074,087	1,219,349,262
Sales and Gross Receipts	889,251,190	898,340,426	923,879,353	974,732,028	1,014,576,337
Motor Fuels Taxes	460,008,663	490,815,064	528,296,727	563,480,031	608,779,123
Motor Vehicle Usage	429,242,527	407,525,361	395,582,626	411,251,997	405,797,215
License and Privilege	192,938,274	196,013,615	209,368,509	211,342,059	204,772,925
Motor Vehicles	93,388,573	91,933,157	93,902,097	101,660,768	93,523,748
Motor Vehicle Operators	5,623,874	5,899,247	14,553,623	15,811,880	15,372,618
Weight Distance	79,574,022	83,069,296	85,336,610	85,435,610	84,353,543
Truck Decal Fees	725,403	1,041,912	954,706	842,239	774,379
Other Special Fees	13,626,402	14,070,003	14,621,473	7,591,561	10,748,637
Nontax Receipts	32,932,009	30,432,049	30,208,832	39,469,278	41,805,267
Departmental Fees	15,258,391	16,685,742	15,617,220	17,787,658	20,291,394
In Lieu of Traffic Fines	1,521,583	1,326,645	1,269,800	1,174,453	1,112,801
Highway Tolls	7,958,452	6,299,049	6,296,786	3,717,965	-
Investment Income	7,507,462	5,524,646	6,372,788	16,094,719	19,460,549
Miscellaneous	686,121	595,967	652,239	694,483	940,522
Redeposit of State Funds	1,612,799	1,768,312	1,952,811	400,150	1,644,222

	FY09	FY10	FY11	FY12	FY13
TOTAL STATE ROAD FUND	1,191,982,894	1,206,622,639	1,338,811,926	1,443,773,845	1,491,623,669
Tax Receipts-	1,159,379,226	1,181,341,209	1,315,130,011	1,416,497,670	1,471,593,789
Sales and Gross Receipts	958,780,727	988,541,345	1,114,593,981	1,207,082,330	1,265,175,199
Motor Fuels Taxes	622,479,527	655,761,466	732,826,112	790,229,379	838,344,373
Motor Vehicle Usage	336,301,200	332,779,879	381,767,869	416,852,951	426,830,826
License and Privilege	200,598,500	192,799,864	200,536,031	209,415,340	206,418,590
Motor Vehicles	98,186,733	96,839,803	97,812,587	107,836,554	102,256,080
Motor Vehicle Operators	15,521,191	15,941,488	15,736,805	15,737,651	16,049,755
Weight Distance	75,444,283	70,498,757	73,983,781	75,111,565	74,935,016
Truck Decal Fees	832,653	679,383	793,715	736,224	590,397
Other Special Fees	10,613,640	8,840,433	12,209,142	9,993,345	12,587,343
Nontax Receipts	31,375,092	23,871,991	21,932,031	26,739,794	18,023,074
Departmental Fees	19,106,827	18,487,783	18,167,778	21,879,481	17,094,723
In Lieu of Traffic Fines	958,790	779,495	779,828	769,405	702,451
Highway Tolls	-	-	-	-	-
Investment Income	10,661,790	3,633,987	1,995,228	3,081,180	-398,745
Miscellaneous	647,685	970,725	989,197	1,009,727	624,646
Redeposit of State Funds	1,228,575	1,409,439	1,749,883	536,381	2,006,806

**ROAD FUND GROWTH RATES
MAJOR REVENUE SOURCES – FISCAL YEARS 2004-2013**

	FY04	FY05	FY06	FY07	FY08
TOTAL STATE ROAD FUND	-0.6%	0.9%	3.4%	5.2%	8.8%
Tax Receipts-	2.2%	1.1%	3.6%	4.7%	8.4%
Sales and Gross Receipts	0.3%	1.0%	2.8%	5.5%	8.5%
Motor Fuels Taxes	1.3%	6.7%	7.6%	6.7%	14.8%
Motor Vehicle Usage	-0.8%	-5.1%	-2.9%	4.0%	0.9%
License and Privilege	11.9%	1.6%	6.8%	0.9%	7.8%
Motor Vehicles	22.6%	-1.6%	2.1%	8.3%	10.6%
Motor Vehicle Operators	0.2%	4.9%	146.7%	8.6%	168.0%
Weight Distance	3.5%	4.4%	2.7%	0.1%	2.8%
Truck Decal Fees	7.7%	43.6%	-8.4%	-11.8%	-19.2%
Other Special Fees	3.5%	3.3%	3.9%	-48.1%	-46.0%
Nontax Receipts	-47.6%	-7.6%	-0.7%	30.7%	29.7%
Departmental Fees	-17.2%	9.4%	-6.4%	13.9%	6.6%
In Lieu of Traffic Fines	10.7%	-12.8%	-4.3%	-7.5%	-11.5%
Highway Tolls	-40.0%	-20.9%	0.0%	-41.0%	-41.0%
Investment Income	-74.2%	-26.4%	15.4%	152.6%	191.3%
Miscellaneous	13.2%	-13.1%	9.4%	6.5%	16.5%
Redeposit of State Funds	58.5%	9.6%	10.4%	-79.5%	-77.4%

	FY09	FY10	FY11	FY12	FY13
TOTAL STATE ROAD FUND	-5.6%	1.2%	11.0%	7.8%	3.3%
Tax Receipts-	-4.9%	1.9%	11.3%	7.7%	3.9%
Sales and Gross Receipts	-5.5%	3.1%	12.8%	8.3%	4.8%
Motor Fuels Taxes	2.3%	5.3%	11.8%	7.8%	6.1%
Motor Vehicle Usage	-17.1%	-1.0%	14.7%	9.2%	2.4%
License and Privilege	-2.0%	-3.9%	4.0%	4.4%	-1.4%
Motor Vehicles	5.0%	-1.4%	1.0%	10.2%	-5.2%
Motor Vehicle Operators	1.0%	2.7%	-1.3%	0.0%	2.0%
Weight Distance	-10.6%	-6.6%	4.9%	1.5%	-0.2%
Truck Decal Fees	7.5%	-18.4%	16.8%	-7.2%	-19.8%
Other Special Fees	-1.3%	-16.7%	38.1%	-18.1%	26.0%
Nontax Receipts	-24.9%	-23.9%	-8.1%	21.9%	-32.6%
Departmental Fees	-5.8%	-3.2%	-1.7%	20.4%	-21.9%
In Lieu of Traffic Fines	-13.8%	-18.7%	0.0%	-1.3%	-8.7%
Highway Tolls					
Investment Income	-45.2%	-65.9%	-45.1%	54.4%	-112.9%
Miscellaneous	-31.1%	49.9%	1.9%	2.1%	-38.1%
Redeposit of State Funds	-25.3%	14.7%	24.2%	-69.3%	274.1%

FISCAL YEAR 2013 RECEIPTS

General Fund

General Fund collections grew 2.8 percent, or \$257.4 million, in FY13. Revenue collections showed positive growth in each of the four quarters of the fiscal year, varying between weak to moderate growth. Growth rates for the four quarters were 2.1, 5.4, 0.2 and 3.4 percent respectively. Six of the nine major accounts showed growth while only three: sales and use, coal severance and cigarette taxes, posted declines.

There has been a shift in the make-up of the General Fund by economic activity and transaction type. That is, income-related taxes increased in their share of the General Fund, while the sales tax and other transactional excise taxes have decreased in share.

Receipts totaled \$9,348.3 million compared to \$9,091.0 million for the previous year. Collections in the major revenue categories are shown in summary form in Table 2. Detailed information on these and other accounts is available in Appendix A.

Sales tax receipts fell 1.0 percent in FY13, or \$30.4 million. Receipts of \$3,021.8 million compared to prior year receipts of \$3,052.2 million.

Individual income tax receipts increased 6.0 percent over FY12 totals. All four components of the individual income tax improved in FY13. Net returns, declarations, and fiduciary receipts all improved strongly, while withholding grew slowly for the first time in three years.

Individual income tax receipts totaled \$3,723.0 million and compare to \$3,512.1 million collected last year. Nominal receipts in the individual income tax increased by \$210.9 million. Disaggregating the major components of growth, estimated payments grew \$84.5 million, withholding grew \$58.7 million, and net returns were \$63.9 million more favorable than FY12.

Corporation income tax collections grew \$26.4 million in FY13. Receipts for the year totaled \$400.8 million and compare to \$374.4 million collected in FY12. While estimated payments fell in FY13, payments with returns increased by \$61.5 million. Growth in this area was partially aided by the tax amnesty period and enhanced collection efforts. In addition to a strong year for the corporation income tax, the LLET increased 22.6 percent compared to the prior year with receipts of \$246.1 million in FY13.

Coal severance taxes decreased 22.7 percent in FY13. Severed tons have also declined steadily as the demand for coal wanes. Total collections for the fiscal year were \$230.5 million or \$67.8 million less than FY12 receipts.

Total property taxes rose 5.4 percent during the fiscal year, the highest rate of growth since FY06. Receipts totaled \$558.4 million compared to \$529.6 million collected in FY12.

Lottery receipts increased 2.1 percent, or \$4.5 million, from the previous year. Receipts of \$215.3 million compare to \$210.8 million remitted to the Commonwealth in FY12.

The "Other" category finished the year up 8.5 percent. Receipts of \$713.8 million compare to \$658.0 million collected in FY12.

Figure A details the composition of General Fund revenues by tax type for FY13. Seventy five percent of General Fund revenues were in the areas of the individual income tax and the sales tax. The next largest sources of revenue were the "Other" category at 6.0 percent. The largest components in the "Other" category include the insurance premium tax, bank franchise tax, and telecommunications tax. Corporation income taxes accounted for 4.2 percent. The LLET accounted for 2.6 percent followed by cigarette tax at 2.6 percent. Lottery accounted for 2.3 percent and coal severance receipts were 2.5 percent of the General Fund. Property tax accounted for 6.0 percent of total General Fund receipts.

The following Table 3 and Figure B detail the growth rates in General Fund revenues by each fiscal quarter of fiscal year 2013. Growth was strong in all four quarters of the fiscal year with growth ranging from 2.1 percent in the first quarter to 3.4 percent in the final quarter.

Table 1
Fiscal Year 2013 General Fund Revenues Compared to Previous Years
(\$ millions)

	<u>Full Year Receipts</u>			<u>Growth Rate (%)</u>		
	<u>FY13</u>	<u>FY12</u>	<u>FY11</u>	<u>FY13</u>	<u>FY12</u>	<u>FY11</u>
Individual Income	3,723.0	3,512.1	3,417.8	6.0	2.8	8.3
Sales and Use	3,021.8	3,052.2	2,896.3	-1.0	5.4	3.7
Property	558.4	529.6	514.8	5.4	2.9	-0.3
Corporate Income	400.8	374.4	300.8	7.0	24.5	26.4
LLET	246.1	200.7	215.7	22.6	-7.0	47.8
Coal Severance	230.5	298.3	295.8	-22.7	0.8	8.8
Cigarette Taxes	238.7	254.8	262.2	-6.3	-2.8	-5.8
Lottery	215.3	210.8	200.5	2.1	5.1	0.2
Other	713.8	658.0	655.5	8.5	0.4	4.7
TOTAL	9,348.3	9,091.0	8,759.4	2.8	3.8	6.5

Table 2
Fiscal Year 2013 General Fund Receipts Compared to Official Estimate
(\$ millions)

	<u>Actual</u>	<u>Estimate</u>	<u>Diff. (\$)</u>	<u>Diff. (%)</u>
Individual Income	3,723.0	3,587.7	135.2	3.8
Sales and Use	3,021.8	3,089.2	-67.4	-2.2
Property	558.4	538.4	20.0	3.7
Corporate Income	400.8	370.3	30.4	8.2
LLET	246.1	222.9	23.2	10.4
Coal Severance	230.5	337.0	-106.5	-31.6
Cigarette Taxes	238.7	252.3	-13.6	-5.4
Lottery	215.3	214.0	1.3	0.6
Other	713.8	696.0	17.8	2.6
TOTAL	9,348.3	9,307.8	40.5	0.4

Table 3
General Fund Quarterly Growth Rates and Full Fiscal Year 2013
(percent)

	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>FY13</u>
Individual Income	1.8	8.1	7.7	6.7	6.0
Sales and Use	-1.0	1.2	-2.6	-1.5	-1.0
Property	72.7	18.8	-28.1	-5.6	5.4
Corporate Income	22.6	-13.3	59.8	-1.1	7.0
LLET	-2.9	59.4	36.1	14.0	22.6
Coal Severance	-19.1	-28.9	-26.8	-15.1	-22.7
Cigarette Taxes	-8.9	1.0	-8.0	-8.9	-6.3
Lottery	5.4	-4.0	-1.8	9.4	2.1
Other	6.1	8.1	4.8	16.2	8.5
TOTAL	2.1	5.4	0.2	3.4	2.8

Figure A
General Fund Receipts Composition
Fiscal Year 2013

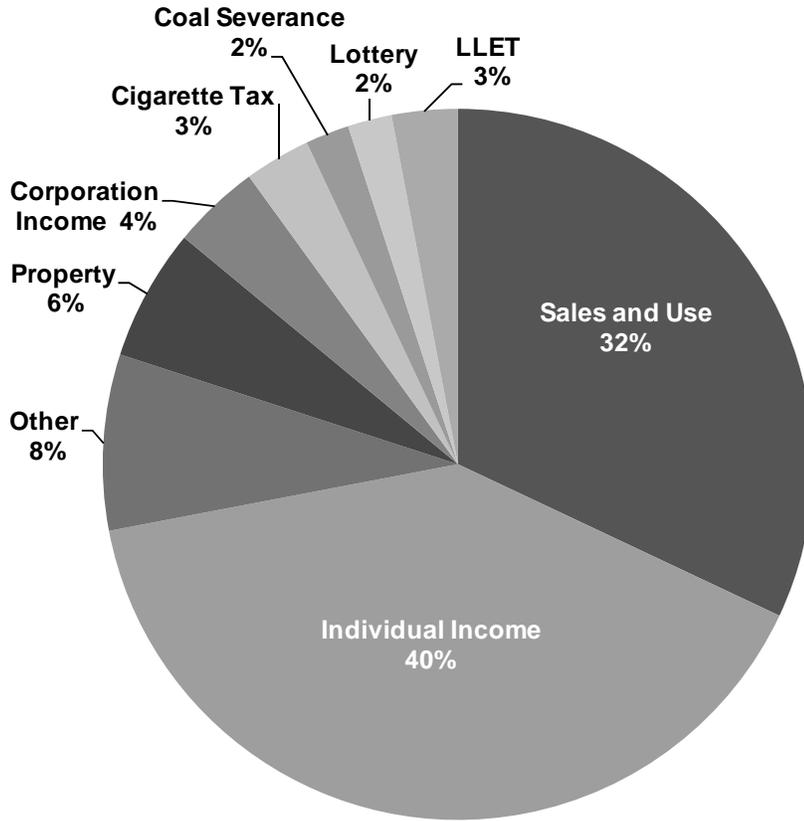
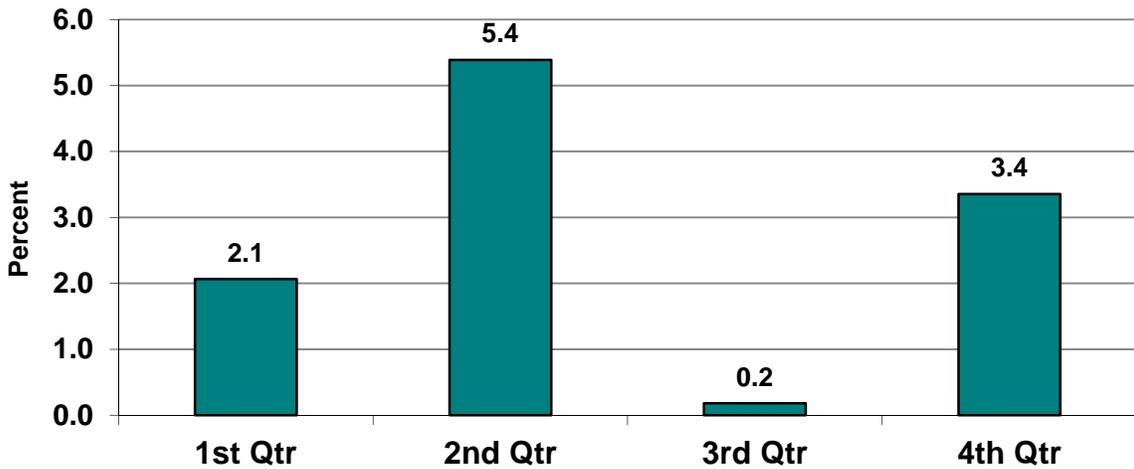


Figure B
Fiscal Year 2013 General Fund Quarterly Growth Rates
(percent)



Road Fund

Total Road Fund receipts grew 3.3 percent to \$1,491.6 million during FY13. Road Fund collections are detailed in Table 5.

Motor vehicle usage tax receipts of \$426.8 million represent an increase of 2.4 percent over FY12 totals.

Motor vehicle license tax receipts were down 5.2 percent with collections of \$102.3 million compared to \$107.8 million collected in FY12.

Motor vehicle operators' tax receipts were up 2.0 percent with collections of \$16.0 million compared to \$15.7 million collected in FY12.

Weight distance tax revenues decreased 0.2 percent with receipts of \$74.9 million compared to \$75.1 million collected in FY12.

The "Other" category decreased 3.8 percent from FY12. Total receipts in this category were \$33.6 million, compared to \$34.9 million collected in FY12.

Road Fund collections for FY13 were below the official revenue estimate by \$8.0 million, or 0.5 percent. The largest increases over the official estimates occurred in the motor vehicle usage and motor vehicle license taxes. All other accounts, taken together, were within \$27.0 million of the forecasted levels.

Figure C details the composition of FY13 Road Fund receipts by tax type. Eighty four percent of the Road Fund comes from motor vehicle usage and motor fuels taxes. Following these, the motor vehicle license tax accounted for 7.0 percent and the weight distance tax accounted for 5.0 percent. "Other" taxes combined to account for 2.0 percent. Motor vehicle operators' revenue accounted for 7.0 percent.

Table 6 details the growth rates in Road Fund revenue by each fiscal quarter in fiscal year 2013. Road Fund receipts grew strongly in the first three quarters with increases in the 12 percent to 12.5 percent range. Growth in the fourth quarter slowed but was still a robust 7.4 percent.

Table 4
Fiscal Year 2013 Road Fund Revenues Compared to Previous Years
(\$ millions)

	<u>Full Year Receipts</u>			<u>Growth Rate (%)</u>		
	<u>FY13</u>	<u>FY12</u>	<u>FY11</u>	<u>FY13</u>	<u>FY12</u>	<u>FY11</u>
Motor Fuels	838.3	790.2	732.8	6.1	7.8	11.8
Motor Vehicle Usage	426.8	416.9	381.8	2.4	9.2	14.7
Motor Vehicle License	102.3	107.8	97.8	-5.2	10.2	1.0
Motor Vehicle Operators	16.0	15.7	15.7	2.0	0.0	-1.3
Weight Distance	74.9	75.1	74.0	-0.2	1.5	4.9
Income on Investments	-0.4	3.1	2.0	NA	54.3	-45.1
Other	<u>33.6</u>	<u>34.9</u>	<u>34.7</u>	<u>-3.8</u>	<u>0.7</u>	<u>11.3</u>
TOTAL	1,491.6	1,443.8	1,338.8	3.3	7.8	11.0

Table 5
Fiscal Year 2013 Road Fund Revenues Compared to Official Estimate
(\$ millions)

	<u>FY13</u>	<u>FY14</u>	<u>Diff.</u>	<u>Diff.</u>
	<u>Actual</u>	<u>Estimate</u>	<u>(\$)</u>	<u>(%)</u>
Motor Fuels	838.3	850.4	-12.1	-1.4
Motor Vehicle Usage	426.8	410.8	16.0	3.9
Motor Vehicle License	102.3	99.3	3.0	3.0
Motor Vehicle Operators	16.0	15.9	0.1	0.9
Weight Distance	74.9	86.0	-11.1	-12.9
Income on Investments	-0.4	2.3	-2.7	NA
Other	<u>33.6</u>	<u>34.9</u>	<u>-1.3</u>	<u>-3.7</u>
TOTAL	1,491.6	1,499.6	-8.0	-0.5

Table 6
Road Fund Growth Rates for the Four Quarters and Full Fiscal Year 2013
(percent)

	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>FY13</u>
Motor Fuels	2.7	8.0	3.2	10.3	6.1
Motor Vehicle Usage	-1.5	7.1	1.1	3.1	2.4
Motor Vehicle License	-10.2	-21.4	-14.5	18.9	-5.2
Motor Vehicle Operators	6.9	0.5	-2.0	2.2	2.0
Weight Distance	0.2	-0.6	0.2	-0.7	-0.2
Income on Investments	2,947.9	307.1	136.3	NA	NA
Other	<u>11.5</u>	<u>11.1</u>	<u>10.0</u>	<u>-30.0</u>	<u>-3.8</u>
TOTAL	1.2	5.6	1.0	5.4	3.3

Figure C
Road Fund Receipts Composition
Fiscal Year 2013

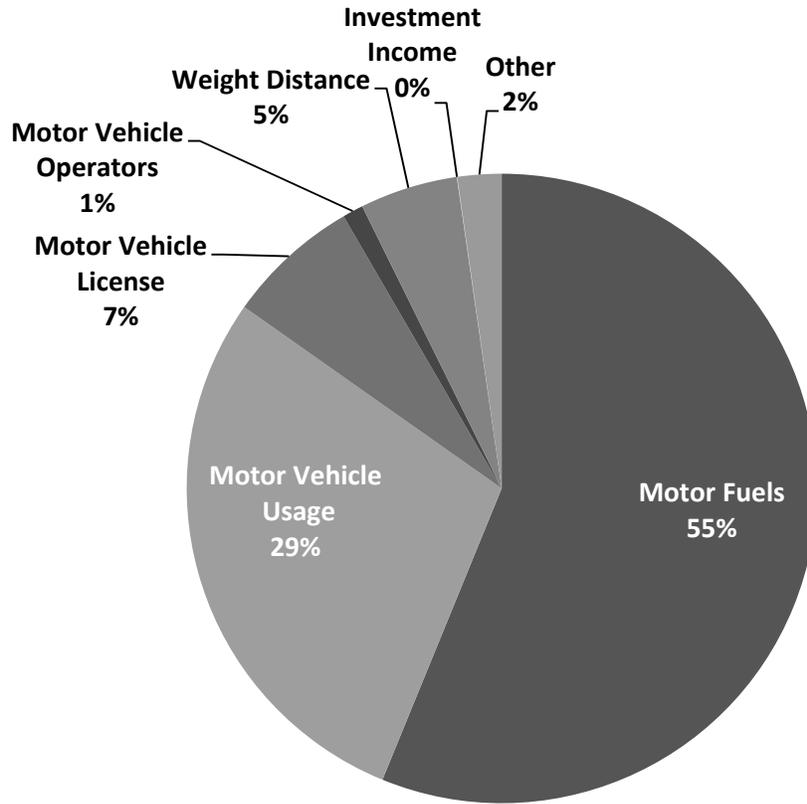
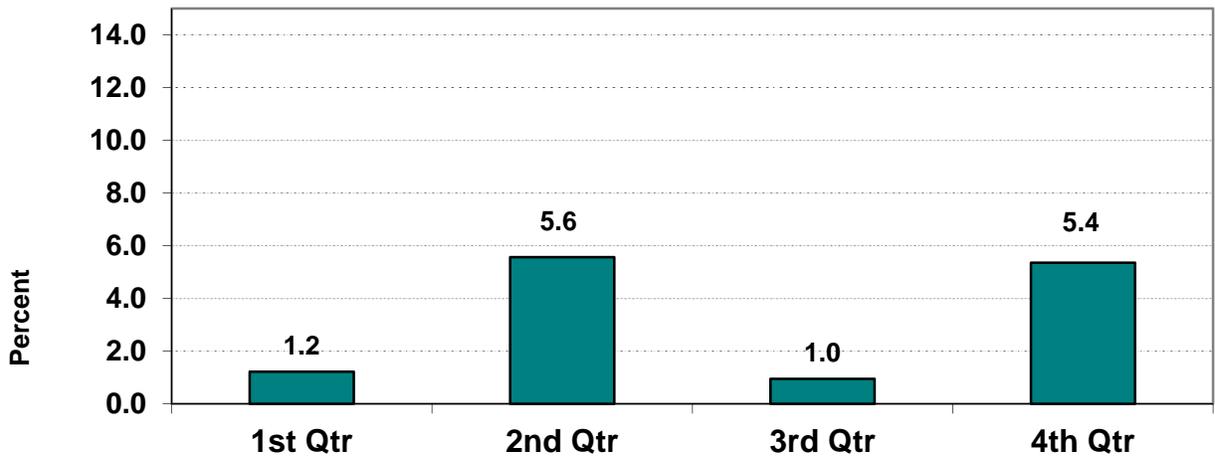


Figure D
FY13 Quarterly Road Fund Growth
(percent)



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Capital Financing Analysis

EXECUTIVE SUMMARY

The Governor proposes \$1,963,610,200 in new debt. The proposal for the 2014-2016 biennium is compared to previous biennia in Table 7, and the bond funded projects are described in more detail in Appendix E.

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

Assumptions

This analysis is premised on the following assumptions:

- FY14-16 General Fund revenues are based on the December 19, 2013 Consensus Forecasting Group's Official Revenue Estimates. FY14 is projected to be \$24.2 million higher than the official General Fund revenue estimate enacted in the 2012-14 biennial budget during the 2012 Regular Session. FY15 and FY16 General Fund revenues are projected using a 2.6 percent growth rate. FY15 and FY16 estimated revenues also include additional revenues from the Governor's recommended budget.
- FY14-16 Road Fund revenues are based on the December 19, 2013 Consensus Forecasting Group's Official Revenue Estimates. FY14 is projected to be \$14.4 million higher than the official Road Fund revenue estimate enacted in the 2012-14 biennial budget during the 2012 Regular Session. FY15-16 Road Fund revenues are projected using a decrease of 2.3 percent and a growth rate of 0.8 percent, respectively. FY15 and FY16 estimated revenues also include additional revenues from the Governor's recommended budget.
- Agency Fund revenues are based on actual FY13 revenue from the Supplementary Information to the FY13 Comprehensive Annual Financial Report and FY14-16 assume 3% growth in each fiscal year.
- Tobacco Settlement Funds are based on the Official Revenue Estimates and are considered General Fund revenue.
- Interest rate subsidies of 35% on bonds that were issued as Build America Bonds (BABs) as well as interest rate subsidies of 70% on bonds that were issued as Qualified Energy Conservation Bonds (QECBs) from the American Recovery and Reinvestment Act (ARRA) of 2009 are included in the General Fund, Road Fund, and Agency Fund Revenues. Note: Due to Federal Sequestration, interest subsidy payments during March 1, 2013 through September 30, 2013 were reduced by 8.7 percent, and interest subsidy payments during October 1, 2013 through September 30, 2014 were reduced by 7.2 percent.
- Currently authorized but un-issued debt is assumed to be issued during the balance of FY14 with no additional debt service to be paid in FY16 but with debt service payments to be made in FY15 and FY16 and is assumed to be issued at the revised template rates, except for School Facilities Construction Commission debt that is authorized at a different level.
- Cost of issuance is assumed to be two percent (2%) of bond size.
- Where actual debt service is unknown, required debt service is estimated from amortization schedules using the revised debt service template rates.
- \$105,000,000 of previously authorized but unissued General Fund Bonds and \$15,483,531 of previously authorized but unissued Agency Fund Bonds are assumed to be deauthorized or have their authorization lapse.

**Table 7
DEBT AUTHORIZED BY RECENT SESSIONS OF THE GENERAL ASSEMBLY**

<u>Biennium</u>	<u>Principal Debt Authorized</u>	<u>Biennium</u>	<u>Principal Debt Authorized</u>
1992-94	439,375,100	2004-06 ⁶	1,906,315,300
1994-96 ¹	429,575,900	2006-08 ⁷	2,110,528,000
1996-98 ²	313,575,000	2008-10 ⁸	2,015,494,000
1998-00 ³	1,168,030,000	2010-12 ⁹	1,553,199,800
2000-02 ⁴	1,046,927,600	2012-14 ¹⁰	630,258,000
2002-04 ⁵	835,188,380	2014-16 ¹¹	1,963,610,200

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

² Enacted in the 1996-1998 Budget of the Commonwealth, and the Second 1997 Extraordinary Session of the Kentucky General Assembly.

Reauthorized: \$69,393,000 General Fund and \$2,000,000 Agency Fund

New Authorization: \$103,796,000 General Fund and \$35,000,000 Agency Fund

May 1997 Extraordinary Session: Includes \$103,386,000 of Bond Funded Projects. Excludes the \$60,000,000 of Agency Bonds in the Finance and Administration Cabinet (KY Infrastructure Authority leveraging), which pursuant to KRS 56.870 (3) legislative authorization is required when revolving fund repayments are used to support bonds. This authorization was never acted upon or reauthorized.

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

Reauthorized: \$74,102,000 General Fund and \$2,000,000 Agency Fund

New Authorizations: \$600,830,000 General Fund; \$268,100,000 Road Fund; and \$96,100,000 Agency Fund

\$126,898,000 was authorized in the General Fund Surplus Expenditure Plan

\$201,000,000 was authorized for the School Facilities Construction Commission; however, debt service was appropriated for only \$108,130,000

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

General Fund Authorization: \$901,202,600

Road Fund Authorization: \$ 28,200,000

Agency Fund Authorization: \$117,525,000

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

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

General Fund Authorization: \$628,188,380

Agency Fund Authorization: \$207,000,000

⁶ Debt Enacted in the 2004-2006 Budget of the Commonwealth.

General Fund Authorization: \$1,204,589,300

Road Fund Authorization: \$ 450,000,000

Agency Fund Authorization: \$ 251,726,000

The 2005 Session of the Kentucky General Assembly also authorized \$150,000,000 of Grant Anticipation Revenue Vehicle (GARVEE) bonds supported by Transportation Cabinet Federal Highway Trust Funds.

⁷ Debt Enacted in the 2006-2008 Budget of the Commonwealth and subsequent 2007 Second Extraordinary Session of the General Assembly.

General Fund Authorization: \$1,492,991,000

Road Fund Authorization: \$ 350,000,000

Agency Fund Authorization: \$ 267,537,000

The 2006 Session of the Kentucky General Assembly also authorized \$290,000,000 of Grant Anticipation Revenue Vehicle (GARVEE) bonds supported by Transportation Cabinet Federal Highway Trust Funds.

⁸ Debt Enacted in the 2008-2010 Budget of the Commonwealth.

General/Tobacco Fund Authorization: \$ 657,281,000

Road Fund Authorization: \$ 535,000,000

Agency Fund Authorization: \$ 743,213,000

Other Authorization: \$ 80,000,000

The 2008 Session of the Kentucky General Assembly also authorized \$231,000,000 of Grant Anticipation Revenue Vehicle (GARVEE) bonds supported by Transportation Cabinet Federal Highway Trust Funds.

⁹ **Debt Enacted in the 2010-2012 Budget of the Commonwealth.**

General/Tobacco Fund Authorization:	\$ 507,395,800
Road Fund Authorization:	\$ 522,500,000
Agency Fund Authorization:	\$ 519,304,000

The 2010 Extraordinary Session of the Kentucky General Assembly also authorized \$435,000,000 of Grant Anticipation Revenue Vehicle (GARVEE) bonds supported by Transportation Cabinet Federal Highway Trust Funds. The 2010 Session authorized \$4,000,000 of Agency Bonds for the Department of Military Affairs.

¹⁰ **Debt Enacted in the 2012-2014 Budget of the Commonwealth.**

General Fund Authorization:	\$ 182,860,000
Road Fund Authorization:	\$ 12,500,000
Agency Fund Authorization:	\$ 434,898,000

The 2013 Regular Session \$363,298,000 of Agency Bonds for several universities and authorized \$28,100,000 of Agency Bonds for the Administrative Office of the Courts in the Court of Justice.

¹¹ **\$1,963,610,200 New Debt Recommended in the 2014-2016 Executive Budget of the Commonwealth.**

General Fund Authorization:	\$ 984,399,200
Road Fund Authorization:	\$ 5,000,000
Agency Fund Authorization:	\$ 974,211,000

DEBT CAPACITY ANALYSIS

Purpose

This report provides a review of pertinent historical information about the Commonwealth's debt and debt management goals. The Governor's recommendation for new debt-financed capital projects for the FY14 – FY16 biennium is evaluated against various measures of debt affordability and previous biennial authorizations.

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

1. Maintain debt at levels that eliminate questions concerning the state's willingness or ability to make timely payments on appropriation supported obligations.
2. Use debt to finance projects prudently, while addressing the capital investment needs of the state.
3. Issue debt only for those projects that will provide benefits equal to or longer than the life of the obligation.
4. Amortize debt consistent with the useful life of the project. Monitor principal levels by Fund source within the broader parameters of 27-30 percent maturing in 5 years and 55-60 percent maturing within 10 years.
5. Maintain or improve the state's current Aa3/A+/A+ State Property and Buildings Commission General Fund lease appropriation debt rating by Moody's Investors Service, Standard & Poor's and Fitch Ratings, respectively.
6. Maintain or improve the state's current Aa2/AA+/A+ Turnpike Authority of Kentucky Road Fund lease appropriation debt rating by Moody's Investors Service, Standard & Poor's and Fitch Ratings, respectively.
7. Initiate reviews of debt management processes that are consistent with reviews by external entities such as rating agencies.
8. Continue to develop the program to manage the net interest expense of the Commonwealth.
9. Continually strive to reduce the expense of debt through ongoing management of outstanding debt and analysis of low-cost alternatives.
10. Use tax-exempt rather than taxable funding sources for project financing whenever possible to minimize overall governmental operating costs.

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

Structure

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

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

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

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

The payment of debt service by the state universities is enhanced by a state intercept provision that provides that in the event of a default, the Secretary of the Finance and Administration Cabinet is required to intercept any funds appropriated to the University but not yet disbursed and to remit those funds to the Trustee to remedy the default.

Non-appropriation or moral obligation debt carries the name of the Commonwealth for the benefit and convenience of other entities within the state. This type of indebtedness is a special obligation of the issuer, secured and payable solely from the sources pledged for the payment thereof and does not constitute a debt, liability, obligation or a pledge of the faith and credit of the Commonwealth. The General Assembly does not intend to appropriate any funds to fulfill the financial obligations represented by these types of indebtedness. Some issues covenant that in the event of a shortfall, the issuer will request from the Secretary of the Finance and Administration Cabinet or the Governor and the General Assembly in the next regular session sufficient amounts to pay debt service or to replenish the debt service reserves, as applicable. Certain Kentucky Higher Education Student Loan Corporation bonds, Kentucky Housing Corporation Multi-Family conduit bonds, and Kentucky Infrastructure Authority's Governmental Agencies Program and Leveraged Wastewater and Drinking Water Revolving Fund bonds are not moral obligation debt.

Default Record

The Commonwealth has never defaulted in the payment of principal or interest on its general obligation indebtedness or its project revenue obligations.

**Table 8
ACTIVE DEBT ISSUING ENTITIES**

ENTITY	STATUTORY AUTHORITY/PURPOSE	DEBT LIMITATIONS	RATINGS¹
State Property and Buildings Commission	KRS 56.450 Provide financing for capital construction projects and financing programs approved by the General Assembly.	Cannot incur debt without prior approval of projects and appropriation of debt service by General Assembly.	Aa3/A+/A+
Kentucky Asset/Liability Commission	KRS 56.860 Provide interim financing of capital projects and cash flow borrowings to meet working capital needs of the state.	Cannot incur debt without prior approval of projects and appropriation of debt service by General Assembly, exclusive of cash flow borrowings within a fiscal year.	Varies***
Turnpike Authority of Kentucky	KRS 175.410-175.990 Construct, maintain, repair, and operate Turnpike projects, resource recovery roads and economic development roads.	Cannot incur debt without prior approval of projects and appropriation of debt service by General Assembly.	Aa2/AA+/A+
The State Universities (consisting of nine)	KRS 56.495 Construct educational buildings and housing and dining facilities.	Cannot incur debt without prior approval of projects and appropriation of debt service by General Assembly.	See Appendix C
Kentucky Housing Corporation	KRS 198A Make low interest mortgage loans and construction loans to increase the supply of housing for low and moderate income residents of the State.	Limited to \$5.0 billion of debt outstanding.	Aaa/AAA/NR
Kentucky Infrastructure Authority	KRS 224A Provide financial assistance to local governments for the construction or refinancing of infrastructure facilities and to provide loans to industries for construction of pollution control facilities.	Revolving Fund programs cannot incur debt without appropriation of debt service by the General Assembly. Without legislative approval, other programs are limited to debt outstanding of \$500 million.	Aa3/A+/A+** (Appropriation) Aaa/AAA/AAA (Leverage Loan)
Kentucky Higher Education Student Loan Corporation	KRS 164A Make guaranteed student loans to residents of the state to attend postsecondary institutions and to make loans to students attending postsecondary schools within the state.	Limited to \$5.0 billion of debt outstanding.	Varies
School Facilities Construction Commission	KRS 157.611-157.665 Assist local school districts with the financing and construction of school buildings. Finance the construction of vocational education facilities.	Cannot incur debt without appropriation of debt service by General Assembly.	Aa3
Kentucky Economic Development Finance Authority	KRS 154 Issue industrial revenue bonds on behalf of industries, hospitals, and commercial enterprises in the state. Provide low interest loans to developing businesses. Provide financing and tax credits to manufacturing entities expanding or locating facilities in the state.	None	Varies
Kentucky Local Correctional Facilities Construction Authority	KRS 441.605-441.695 Provide an alternative method of constructing, improving, repairing and financing local jails.	Limited to the level of debt service supported by court fees pledged as repayment for the bonds.	Baa1/A/NR (National Insured)

* Ratings, where applicable, include Moody's, Standard & Poor's, and Fitch. Certain State Property and Buildings Commission Agency Fund Revenue Bonds and Road Fund Revenue Bonds may have ratings different from those identified above.

** The Kentucky Infrastructure Authority's Governmental Agencies Program Revenue Bonds are rated "AA" by Standard & Poor's and are backed by the loans of the borrowers. The Kentucky Infrastructure Authority's Wastewater and Drinking Water Revolving Fund Revenue Bonds Series 2010A and Series 2012A are rated "Aaa/AAA/AAA" by Moody's, Standard & Poor's and Fitch, respectively.

*** On September 12, 2012, Fitch downgraded certain stand-alone grant anticipation revenue vehicle (GARVEE) bonds, issued by the Kentucky Asset/Liability Commission, backed by appropriations from the Federal Highway Trust Fund from "AA-" to "A+" and changed the outlook from Negative to Stable. On November 14, 2012, Moody's downgraded certain stand-alone grant anticipation revenue vehicle (GARVEE) bonds, issued by the Kentucky Asset/Liability Commission, backed by appropriations from the Federal Highway Trust Fund from "Aa2" to "Aa3" with a negative outlook.

NOTE: On November 8, 2012, Fitch downgraded the Commonwealth of Kentucky's General Fund and Road Fund appropriation supported obligations from "AA-" to "A+" and changed the outlook from Negative to Stable. Fitch also downgraded certain agency fund obligations from "A+" to "A" and changed the outlook from Negative to Stable.

Definitions

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

Revenue is defined to include the General Fund, Road Fund, and Agency Funds and is reported on an actual cash (budgetary) basis. Although the state adopted a modified accrual basis of accounting in 1983, the use of the cash basis allows for an analysis of debt for a longer time period. Revenues for the General Fund and the Road Fund for FY15 and FY16 are based upon the Consensus Forecasting Group's December 19, 2013 Official Revenue Estimates with additional revenue from the Governor's budget recommendation. Agency Fund estimates are based upon actual results for FY13 and assume 3% growth each fiscal year. Interest rate subsidies of 35% on bonds issued as BABs and interest rate subsidies of 70% on bonds issued as QECBs are also included in the revenues for the General Fund, Road Fund, and Agency Fund. – See Note under Assumptions regarding subsidy reductions.

Historical revenue figures and debt service levels were obtained from the *Kentucky Comprehensive Annual Financial Report* and the supplementary information reports for the various years.

Debt capacity is the total amount of new asset bonds that can be supported by a calculated amount of state appropriations (assuming a 20-year term with a tax-exempt interest rate of 5.50 percent or with a taxable interest rate of 6.50 percent or other applicable rates). Asset bonds equate to project costs plus cost of issuance and assume no debt service reserves.

Historical Information

Table 9 displays the historical comparison of debt outstanding in current and constant dollars.

Table 10 displays the comparison of debt outstanding and required debt service as a percent of assessed property, personal income, and on a per capita basis.

Table 11 provides an update of Table 10 to include the Governor's proposed debt financed projects as it relates to personal income.

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

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

Table 14 provides the comparison of total appropriated debt service as a percentage of anticipated available revenue as well as an update to include the Governor's proposed debt financed projects.

Table 9
APPROPRIATION SUPPORTED DEBT
PRINCIPAL DEBT OUTSTANDING
(000,000)

Fiscal Year	Current	Percent Change	CPI Constant Dollar Adjustment	Constant (1984)	Percent Change
1989	2,726.69	-1.60	1.240	2,198.94	-6.12
1990	2,752.78	0.96	1.307	2,106.18	-4.22
1991	3,277.26	19.05	1.362	2,406.21	14.25
1992	3,537.60	7.94	1.403	2,521.45	4.79
1993	3,837.66	8.48	1.445	2,655.82	5.33
1994	3,785.78	-1.35	1.482	2,554.51	-3.81
1995	3,809.20	0.62	1.524	2,499.47	-2.15
1996	3,775.38	-0.89	1.569	2,406.23	-3.73
1997	3,557.74	-5.76	1.605	2,216.66	-7.88
1998	3,600.08	1.19	1.630	2,208.64	-0.36
1999	3,589.95	-0.28	1.666	2,154.83	-2.44
2000	3,556.97	-0.92	1.722	2,065.60	-4.14
2001	3,966.22	11.51	1.771	2,239.53	8.42
2002	4,423.93	11.54	1.799	2,459.10	9.80
2003	4,102.63	-7.26	1.840	2,229.69	-9.33
2004	4,483.53	9.28	1.889	2,373.49	6.45
2005	4,658.95	3.91	1.953	2,385.53	0.51
2006	5,103.48	9.54	2.016	2,531.49	6.12
2007	5,455.69	6.90	2.073	2,631.25	3.94
2008	6,300.18	15.48	2.153	2,926.19	11.21
2009	6,831.16	8.43	2.139	3,193.62	9.14
2010	7,815.33	14.41	2.171	3,599.88	12.72
2011	8,763.50	12.13	2.204	3,976.18	10.45
2012	8,974.39	2.41	2.239	4,008.22	0.81
2013	8,792.92	-2.02	2.276	3,863.32	-3.61
2014*	9,658.42	9.84	2.314	4,173.91	8.04
2015*	9,038.62	-6.42	2.352	3,842.95	-7.93
2016*	8,401.07	-7.05	2.391	3,513.62	-8.57

*Estimated

Assumes remaining un-issued debt authorization is issued in FY14.

Assumes no additional debt authorization for the 2014-2016 Biennium.

Table 10
APPROPRIATION SUPPORTED DEBT
KENTUCKY ECONOMIC DEBT INDICATORS
(Current Dollars)

Fiscal Year	Debt as a % of Assessed Property	Required Debt Service as a % of Assessed Property	Debt as a % of Personal Income	Required Debt Service as a % of Personal Income	Debt Per Capita (\$)	Required Debt Service Per Capita (\$)
1989	1.50	0.16	5.06	0.54	741.49	79.38
1990	1.42	0.16	4.82	0.53	746.64	82.57
1991	1.58	0.15	5.39	0.52	882.24	84.71
1992	1.62	0.18	5.51	0.61	941.76	105.00
1993	1.71	0.18	5.72	0.59	1,006.68	103.55
1994	1.56	0.16	5.35	0.56	983.55	102.87
1995	1.49	0.17	5.11	0.57	979.88	109.24
1996	1.48	0.17	4.83	0.56	963.22	111.17
1997	1.51	0.19	4.31	0.56	900.07	116.26
1998	1.43	0.18	4.08	0.52	903.32	114.78
1999	1.36	0.17	3.94	0.50	893.46	114.50
2000	1.29	0.20	3.62	0.57	878.52	137.44
2001	1.35	0.19	3.92	0.55	974.78	135.95
2002	1.33	0.16	4.23	0.50	1,080.88	128.75
2003	1.17	0.17	3.80	0.55	996.31	145.26
2004	1.24	0.16	3.90	0.51	1,081.43	141.46
2005	1.22	0.14	3.92	0.46	1,116.34	132.37
2006	1.49	0.18	4.13	0.50	1,213.36	148.04
2007	1.49	0.15	4.13	0.42	1,286.27	131.65
2008	1.66	0.18	4.64	0.51	1,475.71	163.02
2009	1.76	0.16	4.90	0.46	1,583.44	147.73
2010	1.97	0.10	5.55	0.29	1,798.17	92.57
2011	2.19	0.17	5.96	0.45	2,005.67	151.44
2012	2.19	0.17	5.85	0.46	2,048.75	162.74
2013	2.23	0.24	5.54	0.59	2,036.17	217.15
2014*	2.43	0.26	5.85	0.61	2,227.99	234.35
2015*	2.25	0.26	5.26	0.60	2,077.28	236.01
2016*	2.05	0.25	4.67	0.57	1,923.85	233.25

*Estimated

Assumes remaining un-issued debt authorization is issued in FY14.

Assumes no additional debt authorization for the 2014-2016 Biennium.

Note: Total required debt service for Fiscal Years 2009-2012 was reduced by debt restructurings.

Table 11
APPROPRIATION SUPPORTED DEBT AND DEBT SERVICE
AS A PERCENT OF PERSONAL INCOME
(000,000)

Fiscal Year	Debt as a % of Personal Income Assuming No New Authorization	Required Debt Service as a % of Personal Income Assuming No New Authorization	Debt as a % of Personal Income with \$1,963,610,200 Executive Budget Recommended New Authorization	Required Debt Service as a % of Personal Income with \$1,963,610,200 Executive Budget Recommended New Authorization
1989	5.06	0.54		
1990	4.82	0.53		
1991	5.39	0.52		
1992	5.51	0.61		
1993	5.72	0.59		
1994	5.35	0.56		
1995	5.11	0.57		
1996	4.83	0.56		
1997	4.31	0.56		
1998	4.08	0.52		
1999	3.94	0.50		
2000	3.62	0.57		
2001	3.92	0.55		
2002	4.23	0.50		
2003	3.80	0.55		
2004	3.90	0.51		
2005	3.92	0.46		
2006	4.13	0.50		
2007	4.13	0.42		
2008	4.64	0.51		
2009	4.90	0.46		
2010	5.55	0.29		
2011	5.96	0.45		
2012	5.85	0.46		
2013	5.54	0.59		
2014*	5.85	0.61		
2015*	5.26	0.60		
2016*	4.67	0.57	5.80	0.67

*Estimated

Assumes remaining un-issued debt authorization is issued in FY14.

Assumes new debt authorization for the 2014-2016 Biennium with full year debt service in FY16.

Note: Total required debt service for Fiscal Years 2009-2012 was reduced by debt restructurings.

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

<u>Fiscal Year</u>	<u>Revenue (\$)</u>	<u>Debt Service (\$)</u>	<u>Debt Service/ Revenue (%)</u>
1989	5,407.11	291.89	5.40
1990	5,814.85	304.43	5.24
1991	6,120.63	314.66	5.14
1992	6,383.17	394.44	6.18
1993	6,588.49	394.76	5.99
1994	6,716.11	395.95	5.90
1995	7,447.43	424.65	5.70
1996	7,759.59	435.72	5.62
1997	8,188.69	459.56	5.61
1998	8,675.09	457.44	5.27
1999	9,104.41	460.08	5.05
2000	9,427.31	556.47	5.90
2001	9,920.62	553.15	5.58
2002	10,172.25	526.97	5.18
2003	10,499.22	598.16	5.70
2004	10,877.02	586.47	5.39
2005	11,749.64	552.42	4.70
2006	12,746.44	622.68	4.89
2007	13,022.81	558.39	4.29
2008	13,490.88	695.96	5.16
2009	13,249.29	637.34	4.81
2010	13,525.62	402.34	2.97
2011	14,529.38	661.71	4.55
2012	15,741.19	712.87	4.53
2013	15,775.73	937.73	5.94
2014*	16,151.32	1,015.93	6.29
2015*	16,562.10	1,026.94	6.20
2016*	16,949.68	1,018.58	6.01

*Estimated

Assumes remaining un-issued debt authorization is issued in FY14.

Assumes no additional debt authorization for the 2014-2016 Biennium.

Note: Total required debt service for Fiscal Years 2009-2012 was reduced by debt restructurings.

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

Fiscal Year	Assuming No New Authorization	\$1,963,610,200 Executive Budget Recommended New Authorization
1989	5.40	
1990	5.24	
1991	5.14	
1992	6.18	
1993	5.99	
1994	5.90	
1995	5.70	
1996	5.62	
1997	5.61	
1998	5.27	
1999	5.05	
2000	5.90	
2001	5.58	
2002	5.18	
2003	5.70	
2004	5.39	
2005	4.70	
2006	4.89	
2007	4.29	
2008	5.16	
2009	4.81	
2010	2.97	
2011	4.55	
2012	4.53	
2013	5.94	
2014*	6.29	
2015*	6.20	
2016*	6.01	7.05

*Estimated

Assumes remaining un-issued debt authorization is issued in FY14.

Assumes new debt authorization for the 2014-2016 Biennium with full year debt service in FY16.

Note: Total required debt service for Fiscal Years 2009-2012 was reduced by debt restructurings.

**Table 14
 APPROPRIATION SUPPORTED DEBT SERVICE
 AS A PERCENT OF AVAILABLE REVENUE (%)**

Fiscal Year	Available Revenue (\$Millions)	Appropriated Debt Service/ Revenue (%)	\$1,963,610,200 Executive Budget Recommended New Authorization
1998	6,834.06	6.69	
1999	7,042.47	6.53	
2000	7,396.68	7.19	
2001	7,648.48	7.78	
2002	7,622.59	7.96	
2003	7,912.92	7.46	
2004	8,079.32	7.79	
2005	8,681.45	6.40	
2006	9,444.88	7.69	
2007	9,716.66	7.78	
2008	9,851.17	8.53	
2009	9,557.71	8.96	
2010	9,339.15	9.49	
2011	9,986.71	8.06	
2012	10,402.47	8.19	
2013	10,687.89	9.84	
2014*	10,836.44	10.68	
2015*	11,172.68	9.19	
2016*	11,398.04	8.94	10.38

*Estimated

Assumes remaining un-issued debt authorization is issued in FY14.

Assumes new debt authorization for the 2014-2016 Biennium with full year debt service in FY16.

Appendix A – Economic Indicators

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

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

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

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

Table A-4 reflects Kentucky's non-appropriation supported debt in relation to the economic variables of assessed property value, personal income and population. Non-appropriation supported debt is the debt of those authorities for which appropriation of state funds is not used to pay the debt service. The authorities include the Kentucky Housing Corporation, Kentucky Higher Education Student Loan Corporation, Kentucky Local Correctional Facilities Construction Authority, and certain debt of the Kentucky Infrastructure Authority.

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

<u>Fiscal Year</u>	<u>Debt as a % of Assessed Property</u>	<u>Required Debt Service as a % of Assessed Property</u>	<u>Appropriated Debt Service as a % of Assessed Property</u>	<u>Actual Debt Service as a % of Assessed Property</u>
1998	1.43	0.18	0.18	0.23
1999	1.36	0.17	0.17	0.19
2000	1.29	0.20	0.19	0.16
2001	1.35	0.19	0.20	0.19
2002	1.33	0.16	0.18	0.17
2003	1.17	0.17	0.17	0.17
2004	1.24	0.16	0.17	0.19
2005	1.22	0.14	0.15	0.16
2006	1.49	0.18	0.21	0.17
2007	1.49	0.15	0.21	0.18
2008	1.66	0.18	0.22	0.19
2009	1.76	0.16	0.22	0.19
2010	1.97	0.10	0.22	0.22
2011	2.19	0.17	0.20	0.21
2012	2.19	0.17	0.21	0.21
2013	2.23	0.24	0.27	0.27

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

<u>Fiscal Year</u>	<u>Debt as a % of Personal Income</u>	<u>Required Debt Service as a % of Personal Income</u>	<u>Appropriated Debt Service as a % of Personal Income</u>	<u>Actual Debt Service as a % of Personal Income</u>
1998	4.08	0.52	0.52	0.66
1999	3.94	0.50	0.50	0.55
2000	3.62	0.57	0.54	0.46
2001	3.92	0.55	0.59	0.56
2002	4.23	0.50	0.58	0.55
2003	3.80	0.55	0.55	0.56
2004	3.90	0.51	0.55	0.59
2005	3.92	0.46	0.47	0.51
2006	4.13	0.50	0.59	0.48
2007	4.13	0.42	0.57	0.50
2008	4.64	0.51	0.62	0.53
2009	4.90	0.46	0.61	0.52
2010	5.55	0.29	0.63	0.62
2011	5.96	0.45	0.55	0.56
2012	5.85	0.46	0.55	0.57
2013	5.54	0.59	0.66	0.66

Note: Total required debt service for Fiscal Years 2009-2012 was reduced by debt restructurings.

Table A-3
APPROPRIATION SUPPORTED DEBT AND DEBT SERVICE
PER CAPITA
(Current Dollars)

<u>Year</u>	<u>Debt Per Capita (\$)</u>	<u>Required Debt Service Per Capita (\$)</u>	<u>Appropriated Debt Service Per Capita (\$)</u>	<u>Actual Debt Service Per Capita (\$)</u>
1998	903.32	114.78	114.78	145.46
1999	893.46	114.50	114.50	125.57
2000	878.52	137.44	131.37	112.08
2001	974.78	135.95	146.26	139.36
2002	1,080.88	128.75	148.31	140.38
2003	996.31	145.26	143.33	146.07
2004	1,081.43	141.46	151.79	163.06
2005	1,116.34	132.37	133.11	145.80
2006	1,213.36	148.04	172.79	141.79
2007	1,286.27	131.65	178.12	154.88
2008	1,475.71	163.02	196.79	168.44
2009	1,583.44	147.73	198.57	169.03
2010	1,798.17	92.57	203.94	201.78
2011	2,005.67	151.44	184.14	188.24
2012	2,048.75	162.74	194.47	200.56
2013	2,036.17	217.15	243.61	243.87

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

<u>Fiscal Year</u>	<u>Debt as a % of Assessed Property</u>	<u>Debt as a % of Personal Income</u>	<u>Debt Per Capita (\$)</u>
1998	0.62	1.77	391.54
1999	0.63	1.82	413.46
2000	0.68	1.92	466.68
2001	0.66	1.91	475.93
2002	0.61	1.94	495.29
2003	0.67	2.17	568.58
2004	0.62	1.96	544.02
2005	0.69	2.20	628.17
2006	0.98	2.72	797.97
2007	1.14	3.16	984.30
2008	1.16	3.25	1,034.74
2009	1.14	3.17	1,024.85
2010	0.90	2.55	824.22
2011	0.84	2.27	764.60
2012	0.78	2.08	728.60
2013	0.77	1.92	703.50

Note: Total required debt service for Fiscal Years 2009-2012 was reduced by debt restructurings.

Appendix B: Fiscal Debt Indicators

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

Table B-2 reflects the three categories of debt service in terms of “available appropriated revenues.” This form of revenue is revenue from the same sources as described above less funds that are statutorily dedicated to a specific purpose. In the case of the Road Fund (Table B-3), the following receipts are subtracted: County Road Aid, Rural Secondary Road Aid, Municipal Road Aid within the Motor Fuels Normal and Motor Fuels Normal Use accounts, Kentucky Transportation Center Funds, Coal Haul Cooperative Agreements, Extended Weight and Coal Haul Fines, Drivers Education Program and Drivers License Photo Program.

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

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

Fiscal Year	Total Revenue (000,000)	Required Debt Service/ Revenue (%)	Appropriated Debt Service/ Revenue (%)	Actual Debt Service/ Revenue (%)
1998	8,675.09	5.27	5.27	6.68
1999	9,104.41	5.05	5.05	5.54
2000	9,427.31	5.90	5.64	4.81
2001	9,920.62	5.58	6.00	5.72
2002	10,172.25	5.18	5.97	5.65
2003	10,499.22	5.70	5.62	5.73
2004	10,877.02	5.39	5.79	6.22
2005	11,749.64	4.70	4.73	5.18
2006	12,746.44	4.89	5.70	4.68
2007	13,022.81	4.29	5.80	5.04
2008	13,490.88	5.16	6.23	5.33
2009	13,249.29	4.81	6.47	5.50
2010	13,525.62	2.97	6.55	6.48
2011	14,529.38	4.55	5.54	5.66
2012	15,741.19	4.53	5.41	5.58
2013	15,775.73	5.94	6.67	6.68

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

Fiscal Year	Available Revenue (000,000)	Required Debt Service/ Revenue (%)	Appropriated Debt Service/ Revenue (%)	Actual Debt Service/ Revenue (%)
1998	6,834.06	6.69	6.69	8.48
1999	7,042.47	6.53	6.53	7.16
2000	7,396.68	7.52	7.19	6.14
2001	7,648.48	7.23	7.78	7.41
2002	7,622.59	6.91	7.96	7.54
2003	7,912.92	7.56	7.46	7.60
2004	8,079.32	7.26	7.79	8.37
2005	8,681.45	6.36	6.40	7.01
2006	9,444.88	6.59	7.69	6.31
2007	9,716.66	5.75	7.78	6.76
2008	9,851.17	7.06	8.53	7.30
2009	9,557.71	6.67	8.96	7.63
2010	9,339.15	4.31	9.49	9.39
2011	9,986.71	6.63	8.06	8.24
2012	10,402.47	6.85	8.19	8.45
2013	10,687.89	8.77	9.84	9.85

Note: Total required debt service for Fiscal Years 2009-2012 was reduced by debt restructurings.

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

Fiscal Year	Available Road Fund Revenue	Debt Service	Debt Service as a Percent of Available Revenue
1989	555.71	126.13	22.70
1990	579.76	129.11	22.27
1991	594.36	155.46	26.16
1992	604.94	154.37	25.52
1993	635.27	141.08	22.21
1994	674.77	145.90	21.62
1995	705.97	152.34	21.58
1996	743.94	155.65	20.92
1997	760.41	160.96	21.17
1998	807.63	152.19	18.84
1999	829.84	151.79	18.29
2000	875.38	168.50	19.25
2001	856.39	154.31	18.02
2002	901.63	172.86	19.17
2003	901.46	170.97	18.97
2004	891.98	153.30	17.19
2005	879.54	102.89	11.70
2006	920.91	137.49	14.93
2007	983.20	146.10	14.86
2008	995.91	153.60	15.42
2009	918.62	118.86	12.94
2010	916.43	31.01	3.38
2011	1,012.51	97.07	9.59
2012	1,089.41	99.77	9.16
2013	1,112.92	135.50	12.17

Note: Total required debt service for Fiscal Year 2010 was reduced by debt restructuring.

Appendix C: University Rating Agency Information

University	Consolidated Education		Housing & Dining	General Receipts	
	Underlying Rating	Underlying Rating	Underlying Rating	Underlying	Intercept*
Eastern Kentucky					
Moody's	Not Outstanding	Not Outstanding	Not Outstanding	A1	Aa3
S&P	Not Outstanding	Not Outstanding	Not Outstanding	A	A+
Kentucky State					
Moody's	Not Outstanding	Not Outstanding	Not Outstanding	A2	Aa3
S&P	Not Outstanding	Not Outstanding	Not Outstanding	Not Rated	Not Rated
Morehead State					
Moody's	A2	Not Outstanding	Not Outstanding	A2	Aa3
S&P	A	Not Outstanding	Not Outstanding	Not Rated	Not Rated
Murray State					
Moody's	Not Outstanding	Not Outstanding	Not Outstanding	A1	Aa3
S&P	Not Outstanding	Not Outstanding	Not Outstanding	Not Rated	A+
Northern Kentucky					
Moody's	Not Outstanding	A2	A2	A1	Aa3
S&P	Not Outstanding	Not Rated	Not Rated	Not Rated	A+
University of Kentucky					
Moody's	Aa2	Not Outstanding	Not Outstanding	Aa2	Not Rated
S&P	AA-	Not Outstanding	Not Outstanding	AA-	Not Rated
University of Louisville					
Moody's	Aa2	Aa3	Aa3	Aa2	Aa3 ⁽²⁾
S&P	AA-	A+	A+	AA-	Not Rated
Western Kentucky ⁽¹⁾					
Moody's	Not Outstanding	Not Rated	Not Rated	A1	Aa3
S&P	Not Outstanding	Not Rated	Not Rated	Not Rated	A+

* With State Intercept

(1) All outstanding housing debt was issued through the Student Life Foundation, not the University.

(2) Doesn't completely benefit from the state intercept mechanism.

Appendix D: Recommended Bond Funded Projects

<u>AGENCY</u>	<u>PROJECT</u>	<u>GENERAL FUND</u>
Kentucky Infrastructure Authority	KIA Fund A - Federally Assisted Wastewater Program - 2014-16	3,100,000
Kentucky Infrastructure Authority	KIA Fund A - Drinking Water Revolving Loan Program - 2014-16	2,300,000
Military Affairs	Maintenance Pool - 2014-16	2,000,000
School Facilities Construction Comm	Offers of Assistance - 2012-2014	100,000,000
Veterans' Affairs	Construct Fourth State Veterans' Nursing Home - Additional	2,000,000
Economic Development	Economic Development Bond Pool - 2014-2016	10,000,000
Economic Development	Ky Economic Development Finance Authority Loan Pool - 2014-2016	10,000,000
Economic Development	High Tech Construction/Investment Pool - 2014-2016	10,000,000
Operations and Support Services	Instructional Device Replacement	50,000,000
Operations and Support Services	Maintenance Pool - 2014-2016	1,350,000
Environmental Protection	Petroleum Storage Tank Environmental Assurance Fund - 2014-2016	50,000,000
Environmental Protection	State-Owned Dam Repair - 2014-2016	600,000
Secretary	Kentucky Heritage Land Conservation Fund - 2014-2016	10,000,000
Finance and Admin-General Admin	Next Generation Ky Information Highway	60,000,000
Finance and Admin-General Admin	Rupp Arena/Lexington Convention Center	65,000,000
Finance and Admin-General Admin	Business One Stop Portal - Phase II	7,243,000
Finance-Facilities & Support Services	Maintenance Pool - 2014-16	6,000,000
Finance-Facilities & Support Services	Upgrade State Data Center Readiness	2,000,000
Finance-Facilities & Support Services	Energy Savings-CEMCS Smart Building Utility Control Systems	1,500,000
Behavioral Health	Oakwood Specialty Clinic - Additional	326,000
Gen Admin & Prog Support	Maintenance Pool - 2014-16	5,000,000
Public Health	Vital Statistics Digitized System-Phase I	6,000,000
Public Health	Radiation Monitoring Equipment	2,486,000
Corrections Management	Maintenance Pool - 2014-16	5,500,000
Kentucky State Police	Replace/Upgrade Mobile Data Computers	2,000,000
Kentucky State Police	State Crime Laboratories - Gas Chromatographs/Mass Spectrometers	1,000,000
Council on Postsecondary Education	Research Challenge Trust Fund - Endowment Match	50,000,000
Council on Postsecondary Education	Regional University Excellence Trust Fund - Endowment Match	10,000,000
Council on Postsecondary Education	Commonwealth College Web Portal	1,200,000
Eastern Kentucky University	Construct Science Building - Phase II & III	66,340,000
Kentucky State University	Replace Boilers and Repair Aging Distribution Lines	10,400,000
Morehead State University	Renovate/Expand Student Services Facility	49,679,000
Murray State University	Construct New Breathitt Veterinary Center	32,468,000
Murray State University	Construct/Complete New Science Complex, Final Phase	31,890,000
Northern Kentucky University	Renovate Old Science and Construct Health Innovation	97,000,000
University of Kentucky	Expand/Renovate/Upgrade Law School	35,000,000
University of Louisville	Construct Belknap Classroom/Academic Building	80,560,000
University of Kentucky	Renovate/Upgrade Academic Learning Center	45,000,000
Western Kentucky University	Renovate Science Campus - Phase IV	48,000,000
KCTCS	Construct Advanced Manufacturing Facility - Georgetown	24,000,000
Kentucky Center for the Arts	Roof Replacement	2,200,000
Kentucky Historical Society	Digital Initiatives	1,000,000
Parks	Maintenance Pool - 2014-16	8,000,000
Parks	Upgrade Guest Accommodations	5,033,200
State Fair Board	Ky International Convention Center Renovation and Expansion	56,000,000
State Fair Board	Freedom Hall Sewer Line Replacement	3,224,000
Aviation	Aviation Development Projects - 2014-16	7,000,000

Appendix D: (continued)

Highways	Wetland Restoration - 2014-2016	10,000,000
Deauthorized Unissued Bonds		<u>(105,000,000)</u>
TOTAL-GENERAL FUND BONDS		984,399,200

<u>AGENCY</u>	<u>PROJECT</u>	<u>ROAD FUND</u>
KYTC - General Administration	Transportation-Construct C-1 Garage	5,000,000
TOTAL-ROAD FUND BONDS		<u>5,000,000</u>

<u>AGENCY</u>	<u>PROJECT</u>	<u>AGENCY FUND</u>
Kentucky Infrastructure Authority	KIA Fund A - Federally Assisted Wastewater Program - 2014-16	25,000,000
Kentucky Infrastructure Authority	KIA Fund A - Drinking Water Revolving Loan Program - 2014-16	100,000,000
Eastern Kentucky University	Improvement Athletics Facilities	15,000,000
Eastern Kentucky University	Parking Structure	12,000,000
Kentucky State University	Construct Athletics Sports Complex	5,487,000
Morehead State University	Construct Food Service/Retail & Parking Structure	18,395,000
Morehead State University	Construct Student Residential Apartment Complex	28,000,000
Morehead State University	Construct Residential Facility at University Farm	2,735,000
Murray State University	Replace Franklin Hall	28,953,000
Northern Kentucky University	Expand University Drive Parking Garage	15,000,000
University of Kentucky	Renovate/Expand University Student Center	160,000,000
University of Kentucky	Renovate/Upgrade HealthCare Facilities 1	150,000,000
University of Kentucky	Expand/Renovate/Upgrade Law Building	30,000,000
University of Kentucky	Construct Parking Structure #9	45,000,000
University of Louisville	Expand and Renovate Student Activities Center	11,860,000
University of Louisville	UL-Purchase Land Support Service (Northeast Quad)	15,600,000
University of Louisville	UL-Construct Instructional Building at HSC	71,730,000
University of Louisville	UL-Renovate Medical School Tower Lab/Infra Renewal	34,500,000
University of Louisville	UL-Renovate Medical Dental Research Infrastructure	10,406,000
University of Louisville	UL-Renovate Guaranteed Energy Savings	10,000,000
University of Louisville	UL-Renovate Belknap Office Building	8,045,000
Western Kentucky University	WKU-Expand Student Intramural Recreation Facility	20,000,000
Western Kentucky University	WKU-Construct Parking Structure III	11,000,000
KCTCS	Newtown Campus, Phase II-Lexington	18,000,000
KCTCS	MCTC/MSU Postsecondary Center of Excellence, Phase I-West Liberty	21,000,000
KCTCS	Carrollton Campus, Phase I	12,000,000
KCTCS	Advanced Technology Center, Phase II-Owensboro	9,000,000
KCTCS	Postsecondary Education Center-Madisonville	15,000,000
KCTCS	2D Art School, Phase III-Paducah	7,500,000
KCTCS	Urban Campus-Covington	11,250,000
KCTCS	Agriculture Health and Career Technology Center, Phase I-Hopkinsville	11,250,000
KCTCS	Instructional Classroom Complex-Bowling Green	16,500,000
KCTCS	Renovate Main Building College Drive Campus-Ashland	7,500,000
KCTCS	Renovate Educational Alliance Center Cumberland Campus-Middlesboro	7,500,000
KCTCS	Campus Wide Renovation-Henderson	3,750,000
KCTCS	Renovate Owen Classroom Building-Elizabethtown	750,000

Appendix D: (continued)

KCTCS	Planning & Design-Construct Community Intergeneration Center-Hazard	1,500,000
KCTCS	Planning & Design-Expansion of Pikeville Campus	1,500,000
KCTCS	Planning & Design-Construct Arts & Humanities Building-Somerset	<u>1,500,000</u>
TOTAL-AGENCY BONDS		974,211,000
TOTAL NEW BONDS		\$1,963,610,200

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