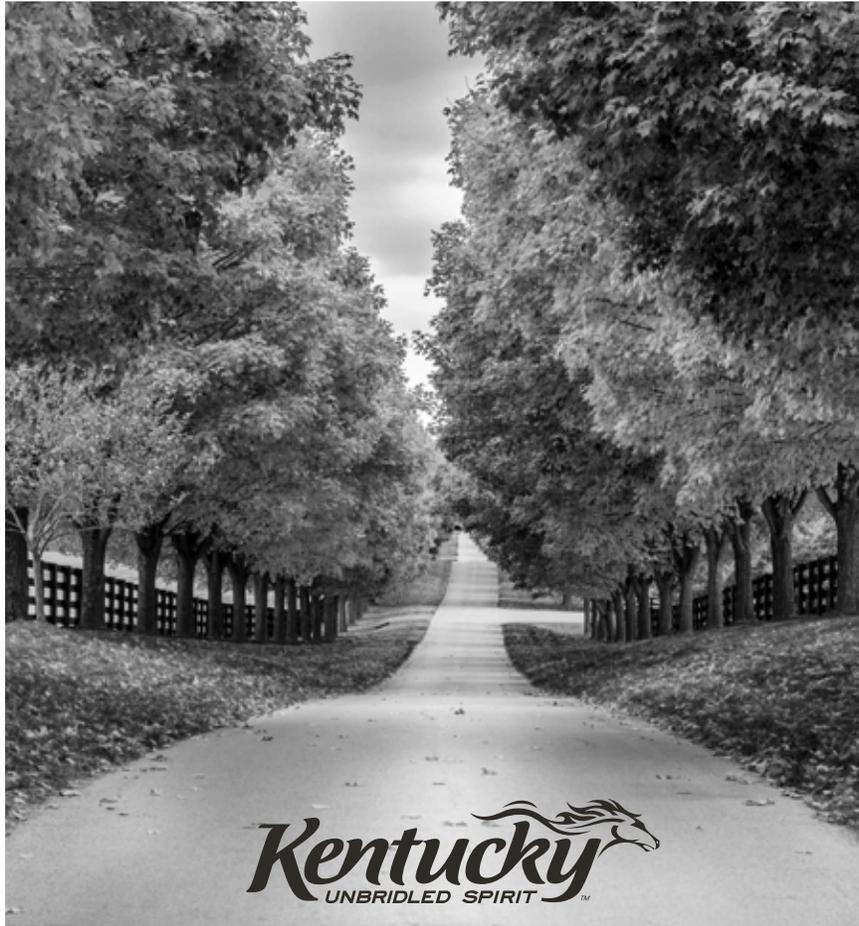


# Commonwealth of Kentucky 2016 - 2018 Budget of the Commonwealth

Matthew G. Bevin  
Governor

*Budget in Brief*

John E. Chilton  
State Budget Director



***Commonwealth of Kentucky***  
**2016 – 2018**  
**Budget of the Commonwealth**  
***Budget in Brief***

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The Budget of the Commonwealth for the 2016-2018 biennium is the financial plan for Kentucky State Government as enacted by the Regular Session of the 2016 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 2016-2018 Budget of the Commonwealth is presented in four volumes:

- **Volume I:** State Agency Program Budget Detail
- **Volume II:** Capital Projects
- **Budget in Brief:** Budget Summary Data and Governor Bevin's Budget Address
- **Appropriations and Revenue Bills:** Legislative Bills and Gubernatorial Veto Messages

These documents provide the detail to support the enacted budget as presented in the various budget bills.

## ACKNOWLEDGMENTS

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**2016-18 BUDGET OF THE COMMONWEALTH  
GENERAL FUND SUMMARY**

	<u>Enacted FY 2016</u>	<u>Enacted FY 2017</u>	<u>Enacted FY 2018</u>
<b>RESOURCES</b>			
Beginning Balance	220,816,400	280,910,700	115,553,400
Official Revenue Estimate	10,289,900,000	10,617,200,000	10,875,500,000
Tax Changes		(825,000)	(1,100,000)
Fund Transfers	142,870,100	262,637,300	255,545,200
Tobacco Settlement-Phase I	88,100,000	87,000,000	92,800,000
<b>RESOURCES</b>	<b><u>10,741,686,500</u></b>	<b><u>11,246,923,000</u></b>	<b><u>11,338,298,600</u></b>
<b>Continued Appropriations Reserve</b>			
Budget Reserve Trust Fund	77,093,900	209,447,000	209,447,000
Executive Branch	11,374,600		
Legislative Branch	13,890,400	12,954,400	11,159,800
Judicial Branch	1,803,500	119,800	119,800
<b>Continued Appropriations Reserve</b>	<b><u>104,162,400</u></b>	<b><u>222,521,200</u></b>	<b><u>220,726,600</u></b>
<b>TOTAL RESOURCES</b>	<b><u>10,845,848,900</u></b>	<b><u>11,469,444,200</u></b>	<b><u>11,559,025,200</u></b>
<b>APPROPRIATIONS</b>			
<b>Executive Branch</b>			
Appropriations-Operating	9,863,741,700	10,642,924,300	10,887,659,600
Appropriations-Capital	13,000,000	1,836,000	
Necessary Government Expenses	66,600,000		
Special Appropriations	15,459,000	10,000,000	10,000,000
Current Year Appropriations	32,257,500		
Dedicated Revenue Adjustments	(30,277,500)		
Budget Stabilization Plan	(52,924,400)		
Lapses	(63,149,900)	(29,462,800)	(20,384,700)
Tobacco Settlement-Phase I	90,279,500	89,151,400	95,018,000
Build America Bonds-Tobacco Lapse	(2,179,500)	(2,151,400)	(2,218,000)
<b>Total Executive Branch</b>	<b><u>9,932,806,400</u></b>	<b><u>10,712,297,500</u></b>	<b><u>10,970,074,900</u></b>
<b>Judicial Branch</b>			
Appropriations	337,449,600	363,245,100	365,212,700
Budget Stabilization Plan	0		
<b>Total Judicial Branch</b>	<b><u>337,449,600</u></b>	<b><u>363,245,100</u></b>	<b><u>365,212,700</u></b>
<b>Legislative Branch</b>			
Appropriations	60,139,500	59,311,100	63,206,600
Budget Stabilization Plan	0		
Lapses	(1,972,800)	(3,484,100)	(3,484,100)
<b>Total Legislative Branch</b>	<b><u>58,166,700</u></b>	<b><u>55,827,000</u></b>	<b><u>59,722,500</u></b>
<b>TOTAL APPROPRIATIONS</b>	<b><u>10,328,422,700</u></b>	<b><u>11,131,369,600</u></b>	<b><u>11,395,010,100</u></b>
<b>BALANCE</b>	<b><u>517,426,200</u></b>	<b><u>338,074,600</u></b>	<b><u>164,015,100</u></b>
<b>Continued Appropriations Reserve</b>			
Budget Reserve Trust Fund	209,447,000	209,447,000	152,735,500
Executive Branch	11,374,600		
Legislative Branch	13,890,400	12,954,400	11,159,800
Judicial Branch	1,803,500	119,800	119,800
<b>Continued Appropriations Reserve</b>	<b><u>236,515,500</u></b>	<b><u>222,521,200</u></b>	<b><u>164,015,100</u></b>
<b>ENDING BALANCE</b>	<b><u>280,910,700</u></b>	<b><u>115,553,400</u></b>	<b><u>0</u></b>

**2016-2018 BUDGET OF THE COMMONWEALTH  
ROAD FUND SUMMARY**

	<u>Revised FY 2016</u>	<u>Enacted FY 2017</u>	<u>Enacted FY 2018</u>
<b>RESOURCES</b>			
Beginning Balance	6,338,100	0	0
Official Revenue Estimate	1,445,900,000	1,456,900,000	1,478,200,000
Fund Transfers	996,800	3,162,200	1,830,700
<b>TOTAL RESOURCES</b>	<u><b>1,453,234,900</b></u>	<u><b>1,460,062,200</b></u>	<u><b>1,480,030,700</b></u>
<b>APPROPRIATIONS</b>			
Appropriations	1,562,872,600	1,463,545,200	1,483,636,300
Surplus Appropriations	6,338,100		
Debt Service Lapse	(18,558,100)		
Dedicated Revenue Adjustments	(61,952,200)		
Budget Reductions	(31,989,700)		
Build America Bonds-Debt Service Lapse	(3,475,800)	(3,483,000)	(3,605,600)
<b>TOTAL APPROPRIATIONS</b>	<u><b>1,453,234,900</b></u>	<u><b>1,460,062,200</b></u>	<u><b>1,480,030,700</b></u>
<b>ENDING BALANCE</b>	<u><b>0</b></u>	<u><b>0</b></u>	<u><b>0</b></u>

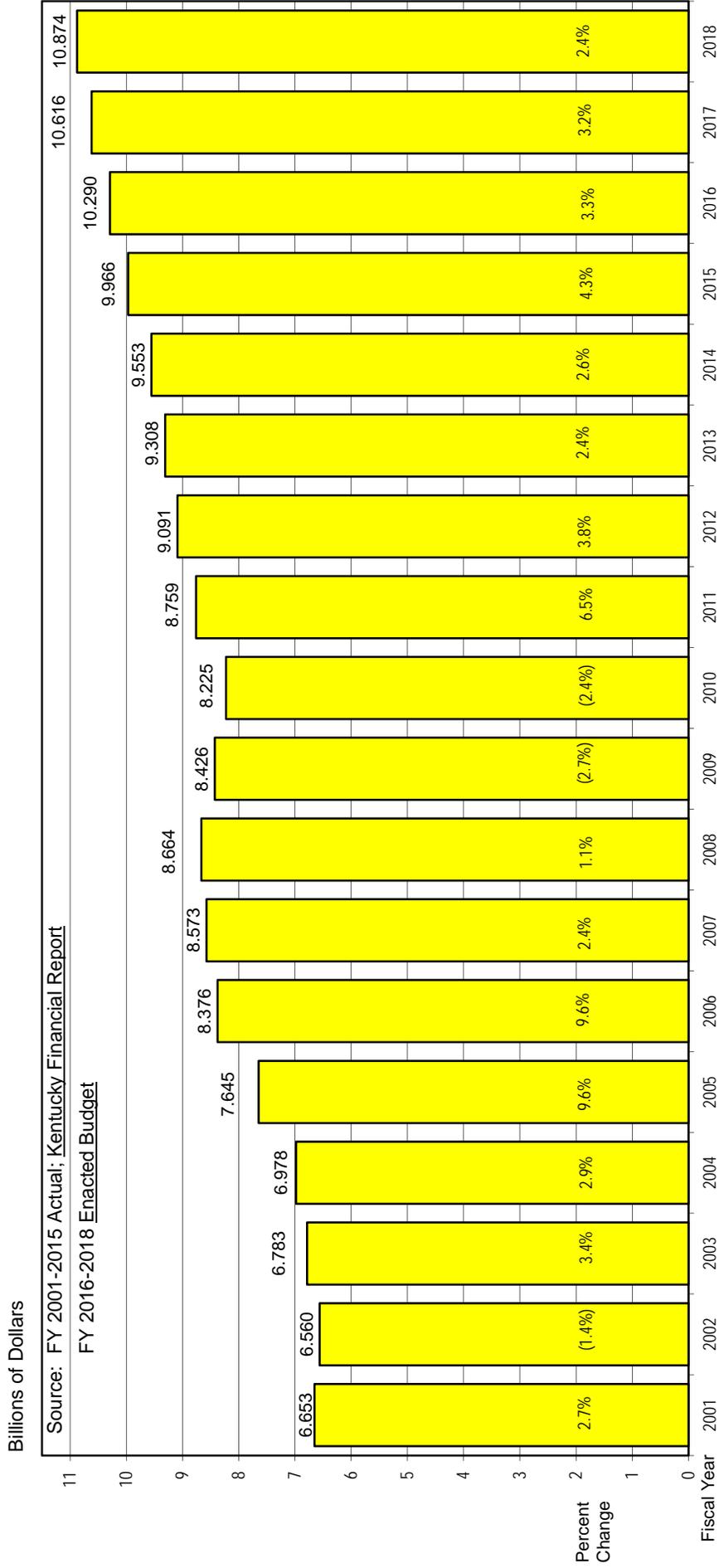
**2016-2018 BUDGET OF THE COMMONWEALTH  
CAPITAL PROJECTS SUMMARY**

	<b>Enacted FY 2016</b>	<b>Enacted FY 2017</b>	<b>Enacted FY 2018</b>
<b>SOURCE OF FUNDS</b>			
<b>Executive Branch</b>			
General Fund	13,000,000	1,836,000	
Restricted Funds	4,800,000	3,477,478,000	40,850,000
Federal Funds	1,750,000	61,444,000	31,640,000
Road Fund		9,699,000	9,695,000
Bond Funds		530,049,000	52,937,500
Agency Bonds		672,365,000	4,891,000
Investment Income		5,575,600	5,460,000
Other - Cash		1,945,000	600,000
Other - Third Party Financing		818,342,000	
<b>SOURCE OF FUNDS</b>	<b>19,550,000</b>	<b>5,578,733,600</b>	<b>146,073,500</b>
<b>APPROPRIATIONS BY CABINET</b>			
<b>Executive Branch</b>			
General Government	2,000,000	508,557,600	44,731,000
Economic Development			21,000,000
Department of Education		14,175,000	2,175,000
Education & Workforce Development		101,700,000	700,000
Energy and Environment		4,200,000	200,000
Finance and Administration		78,425,000	18,450,000
Health and Family Services		7,242,500	2,375,000
Justice and Public Safety		20,286,500	6,112,500
Postsecondary Education	3,500,000	4,788,491,000	15,500,000
Tourism, Arts and Heritage	14,050,000	45,357,000	24,535,000
Transportation		10,299,000	10,295,000
<b>TOTAL APPROPRIATIONS</b>	<b>19,550,000</b>	<b>5,578,733,600</b>	<b>146,073,500</b>

# General Fund Revenue Receipts

## Fiscal Years 2001-2018

(Billions of dollars – rounded)

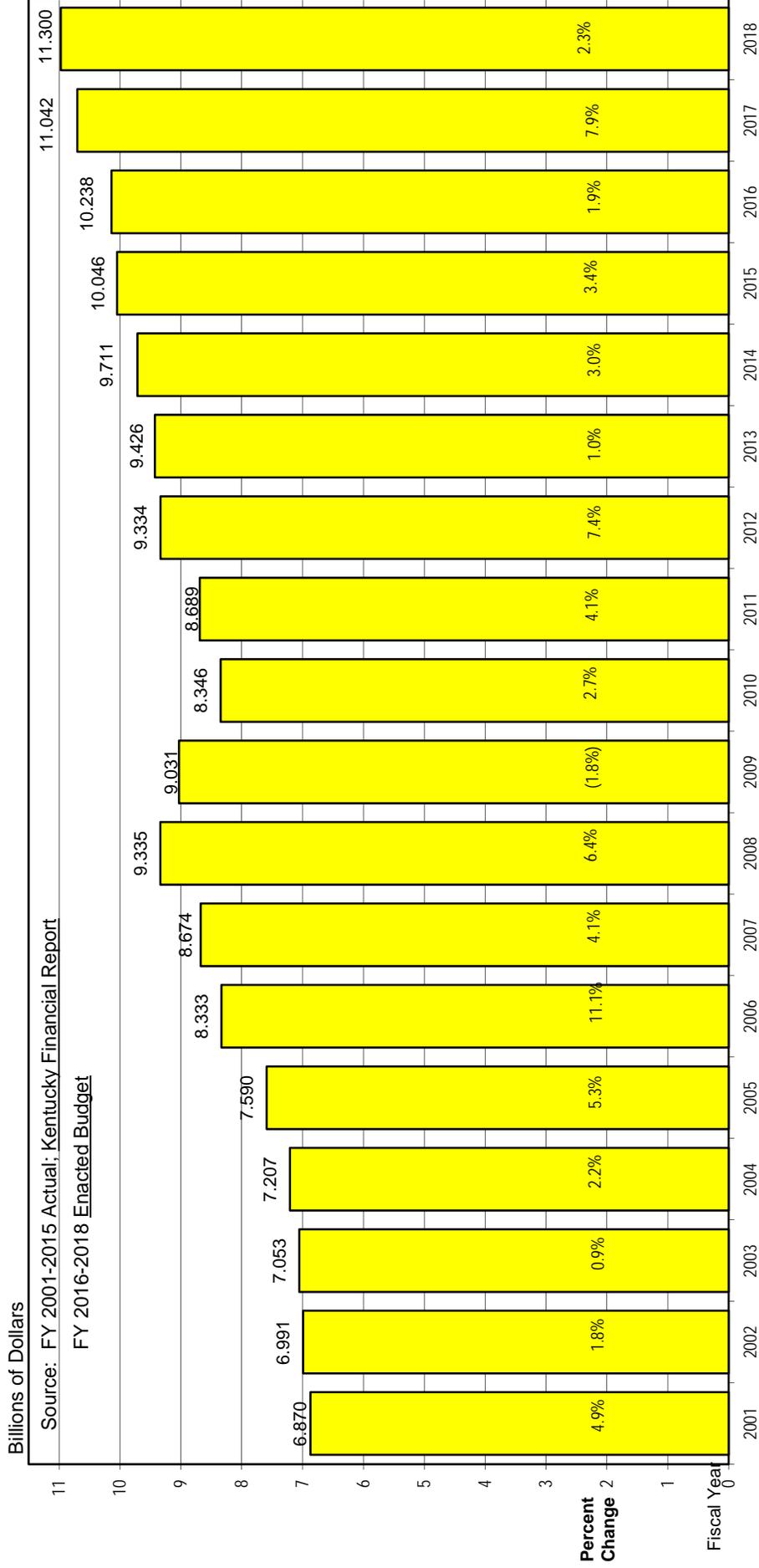


- Excludes Tobacco Settlement – Phase I Funds
- Excludes Fund Transfers

# General Fund Expenditures

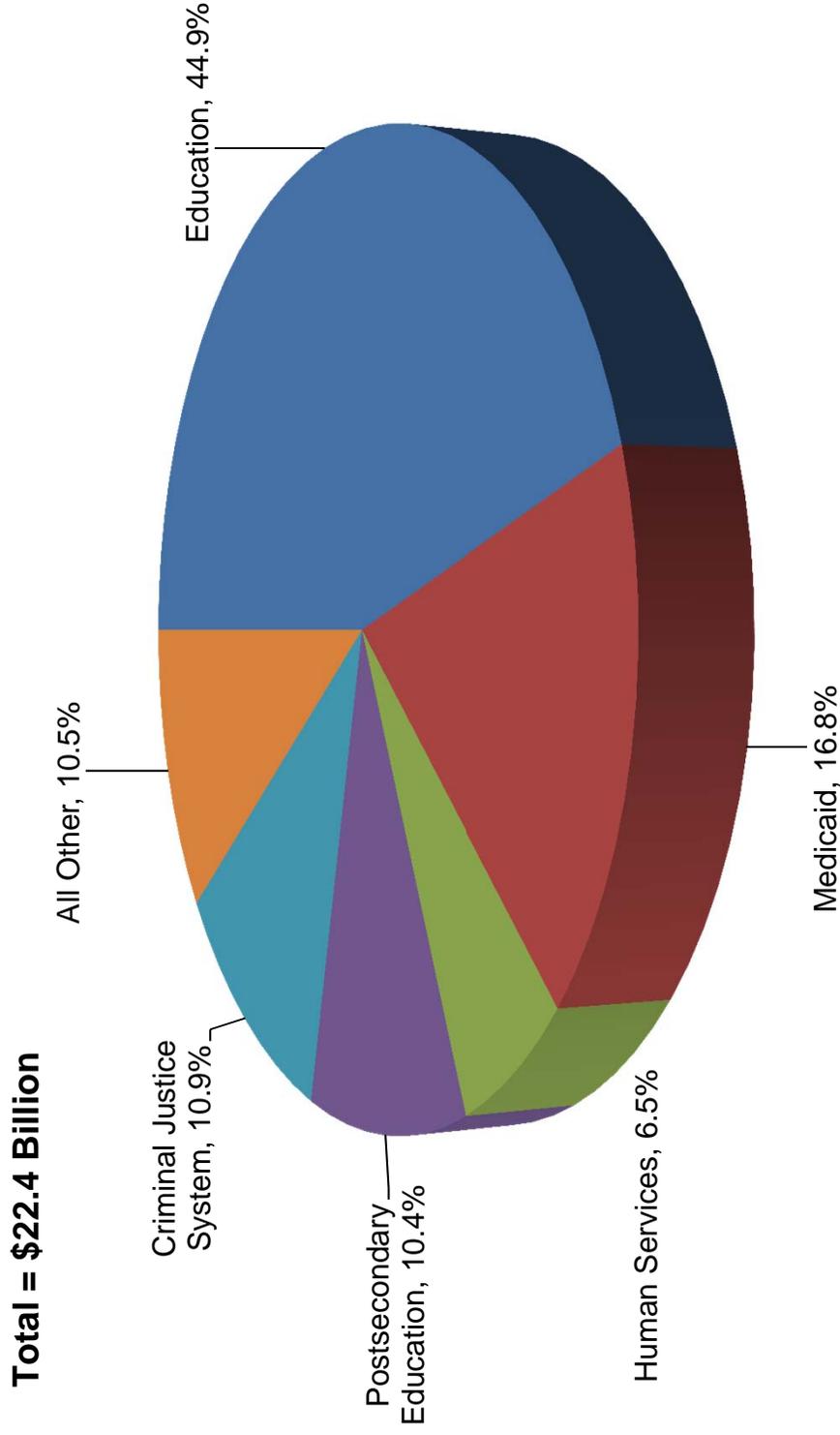
## Fiscal Years 2001-2018

(Billions of dollars – rounded)



• Excludes Tobacco Settlement – Phase I Funds

## 2016-2018 Biennium Distribution of General Fund Appropriations



Excludes Tobacco Settlement – Phase I Funds

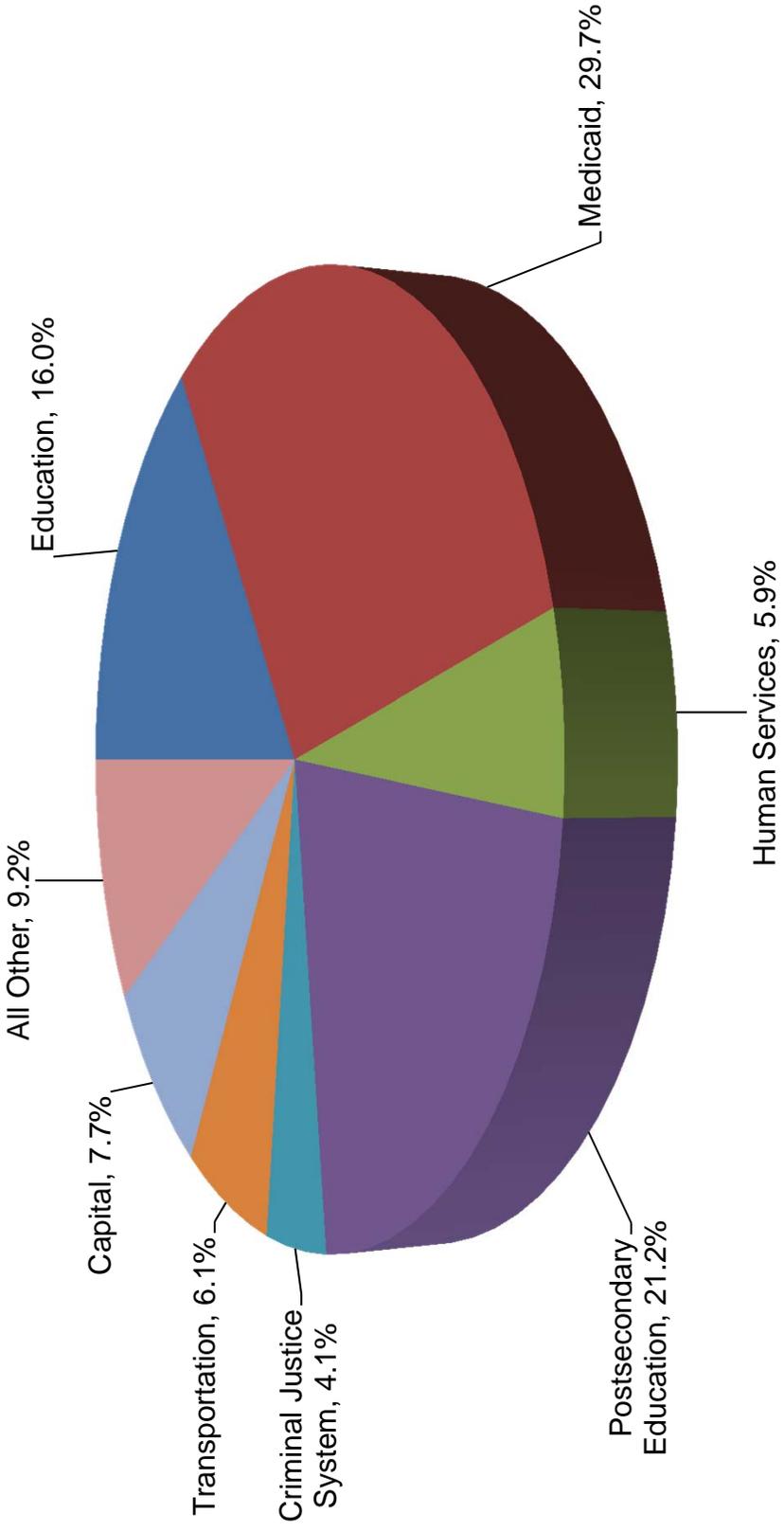
\* Education includes the Department of Education, Teachers' Retirement System, School Facilities Construction Commission and the Education Professional Standards Board.

\*\* 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.

# 2016-2018 Biennium Distribution of All Funds Appropriations

**Total = \$74.3 Billion**



\* 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.

**General Fund 2016-18 Official Revenue Estimate**

<u>Source</u>	<u>Actual</u> <u>2015</u>	<u>Estimated</u> <u>2016</u>	<u>Estimated</u> <u>2017</u>	<u>Estimated</u> <u>2018</u>
Individual Income	\$ 4,069,500,000	\$ 4,233,500,000	\$ 4,411,100,000	\$ 4,588,600,000
Sales and Use	3,267,300,000	3,420,500,000	3,539,800,000	3,638,400,000
Property	563,400,000	573,000,000	585,200,000	598,700,000
Corporation Income	528,100,000	531,700,000	579,400,000	553,100,000
LLET	223,800,000	219,800,000	223,700,000	221,600,000
Coal Severance	180,300,000	138,400,000	120,700,000	107,600,000
Cigarette	220,900,000	225,800,000	222,500,000	220,500,000
Lottery	221,500,000	232,000,000	236,000,000	241,000,000
Other	691,800,000	715,200,000	698,800,000	706,000,000
Subtotal	\$ 9,966,600,000	\$ 10,289,900,000	\$ 10,617,200,000	\$ 10,875,500,000
2016 General Session Action -- HB 535			(825,000)	(1,100,000)
General Fund Official Estimate		\$ 10,289,900,000	\$ 10,616,375,000	\$ 10,874,400,000

<u>Source</u>	<u>Actual</u> <u>2015</u>	<u>Estimated</u> <u>2016</u>	<u>Estimated</u> <u>2017</u>	<u>Estimated</u> <u>2018</u>
<b><u>Selected Sales and Gross Receipts Taxes</u></b>				
Sales & Use	\$3,267,331,025	\$3,420,500,000	\$3,539,800,000	\$3,638,400,000
Cigarette	220,902,529	225,800,000	222,500,000	220,500,000
Cigarette Floor Stock Tax	11,502	-	-	-
Distilled Spirits Case Sales	132,802	138,282	143,549	148,815
Insurance Tax Foreign Companies	39,927,738	40,895,835	40,683,837	41,258,569
Insurance Tax Companies Other Than Life	100,731,564	102,504,098	105,166,602	107,829,106
Insurance Tax Fire Prevention Fund	5,821,361	6,116,861	6,417,630	6,718,399
Pari-Mutuel	2,964,884	2,343,002	2,498,232	2,459,184
Race Track Admission	155,426	180,169	180,436	180,703
Beer Consumption	6,071,389	6,148,499	6,149,159	6,149,820
Distilled Spirits Consumption	12,468,749	12,795,609	13,141,477	13,487,345
Wine Consumption	2,912,784	3,044,481	3,128,201	3,211,920
Beer Wholesale	57,570,011	57,170,838	56,771,664	56,372,490
Distilled Spirits Wholesale	36,471,357	38,630,275	40,910,002	43,189,729
Wine Wholesale	16,323,658	16,848,727	17,473,757	18,098,788
Other Tobacco Products and Snuff	21,328,845	21,312,696	21,300,661	21,288,626
Telecommunications Taxes	63,575,235	63,059,353	62,210,101	61,360,849
<b>TOTAL SEL. SALES AND GROSS RECEIPTS TAXES</b>	<b>\$3,854,700,859</b>	<b>\$4,017,488,725</b>	<b>\$4,138,475,308</b>	<b>\$4,240,654,343</b>

**License and Privilege Taxes**

Coal Severance Tax	\$180,283,352	\$138,400,000	\$120,700,000	\$107,600,000
Mineral Severance Tax	15,128,385	17,400,000	18,100,000	18,900,000
Natural Gas Severance Tax	15,361,597	11,400,000	14,800,000	15,500,000
Oil Production	9,840,015	5,400,000	7,000,000	8,100,000
Corporate License	188,600	2,000,000	-	-
Cigarette License	68,946	93,426	97,526	101,625
Race Track License	247,766	264,550	258,405	267,546
Marijuana and Controlled Substance Tax	133,351	124,053	134,487	144,921
Bank Franchise Tax	99,990,669	101,625,869	102,135,574	103,395,609
Corporation Organization	186,635	155,198	173,812	192,426
Cir. Ct. Clk. - Driver License Receipts	659,776	658,870	670,673	682,476
Alcoholic Beverage License Suspension	450,542	433,844	454,700	475,556
Limited Liability Entity Tax	223,791,283	219,800,000	223,700,000	221,600,000
<b>TOTAL LICENSE AND PRIVILEGE TAXES</b>	<b>\$546,330,917</b>	<b>\$497,755,810</b>	<b>\$488,225,177</b>	<b>\$476,960,159</b>

**Income Taxes**

## General Fund 2016-18 Official Revenue Estimate

<u>Source</u>	<u>Actual 2015</u>	<u>Estimated 2016</u>	<u>Estimated 2017</u>	<u>Estimated 2018</u>
Corporation Income Tax	\$528,118,737	\$531,700,000	\$579,400,000	\$553,100,000
Individual Income Tax	4,069,500,570	4,233,500,000	4,411,100,000	4,588,600,000
<b>TOTAL INCOME TAXES</b>	<b>\$4,597,619,307</b>	<b>\$4,765,200,000</b>	<b>\$4,990,500,000</b>	<b>\$5,141,700,000</b>
<b><u>Property Taxes</u></b>				
Real Property	\$259,228,298	\$263,100,000	\$268,400,000	\$275,050,000
Tangible Personal Property	99,580,051	100,700,000	102,300,000	104,900,000
Motor Vehicles	123,025,273	128,300,000	133,200,000	137,050,000
Bank Deposits	588,914	595,000	595,000	595,000
Distilled Spirits Ad Valorem	891,761	900,000	900,000	900,000
Building and Loan Association Capital Stock	1,482,051	1,400,000	1,400,000	1,300,000
Omitted and Delinquent	16,237,196	20,500,000	20,500,000	20,500,000
Apportioned Vehicles	3,531,793	3,500,000	3,500,000	3,500,000
Public Service Companies	58,864,760	54,000,000	54,400,000	54,900,000
Other Property	5,374	5,000	5,000	5,000
<b>TOTAL PROPERTY TAXES</b>	<b>\$563,435,471</b>	<b>\$573,000,000</b>	<b>\$585,200,000</b>	<b>\$598,700,000</b>
<b><u>Inheritance Taxes</u></b>				
Inheritance Tax	\$50,975,858	\$46,000,000	\$47,600,000	\$48,200,000
<b>TOTAL INHERITANCE TAXES</b>	<b>\$50,975,858</b>	<b>\$46,000,000</b>	<b>\$47,600,000</b>	<b>\$48,200,000</b>
<b><u>Departmental Fees, Sales and Rentals</u></b>				
Public Service Commission Assessments-	\$20,829,264	\$21,000,000	\$21,630,000	\$22,278,900
Insurance - Retaliatory Taxes & Fees-	4,958,218	4,795,683	4,912,838	5,029,993
Circuit Court Clk. - Civil Filing Fee Receipts-	7,368,000	8,373,851	7,302,244	6,873,601
Circuit Court Clk. - Bond Filing Fee-	2,537,825	2,484,788	2,431,750	2,378,713
Circuit Court Clk. - 10% Bond Fee-	356,999	323,996	289,516	255,036
Circuit Court Clk. - Receipts for Services-	5,207,851	5,028,951	4,838,204	4,647,457
Strip Mining & Reclamation Fees-		-	-	-
Strip Mining & Reclamation - Fines Coll.	266,094	193,571	121,047	48,524
Miscellaneous - Pub Advoc; Sec State Fee	1,341,488	2,698,552	2,809,088	2,919,625
<b>TOTAL DEPARTMENT FEES, SALES AND RENTALS</b>	<b>\$42,865,739</b>	<b>\$44,899,392</b>	<b>\$44,334,687</b>	<b>\$44,431,849</b>
<b><u>Investment Receipts</u></b>				
General Depository Investment Income **	\$213,267	(\$600,000)	(\$7,000,000)	(\$11,000,000)
<b>TOTAL INVESTMENT RECEIPTS</b>	<b>\$213,267</b>	<b>(\$600,000)</b>	<b>(\$7,000,000)</b>	<b>(\$11,000,000)</b>
<b><u>Miscellaneous Revenue</u></b>				
Lottery	\$221,500,000	\$232,000,000	\$236,000,000	\$241,000,000
Legal Process - Clk. Supreme Court	110,606	100,000	100,000	100,000
Dept. of Rev. Legal Process Taxes - Co. Clk.	2,428,429	2,589,867	2,630,203	2,670,538
Dept. of Rev. Penalty & Int. of Co. Officials	(24,652)	(27,448)	(28,152)	(28,855)
TVA - In Lieu of Taxes - State Portion	9,452,432	10,000,060	10,248,314	11,113,202
F.H.A. - In Lieu of Taxes	36,563	28,508	20,437	12,366
R.E.C.C. and R.T.C.C. In Lieu of Taxes	300	300	300	300
Abandoned Property	27,515,778	48,933,628	33,468,482	34,565,126
Circuit Court Clk. - Fish & Wildlife Fines	\$63,701	\$58,236	\$54,209	\$50,182
Cir. Ct. Clk. - Criminal/Traffic Fines & Costs	\$18,232,427	\$16,888,767	\$15,525,834	\$14,162,902
Circuit Court Clk. - Bond Forfeitures	1,279,103	1,289,526	1,273,835	1,258,144
Sale of NOx Credits	27,594	-	-	-
Other Fines & Unhonored Checks	14,684,314	20,298,541	17,917,281	19,536,021
Court Costs	13,488,926	12,230,241	10,971,558	9,712,874

**General Fund 2016-18 Official Revenue Estimate**

<u>Source</u>	<u>Actual</u> <u>2015</u>	<u>Estimated</u> <u>2016</u>	<u>Estimated</u> <u>2017</u>	<u>Estimated</u> <u>2018</u>
<b>TOTAL MISCELLANEOUS REVENUE</b>	\$308,795,521	\$344,390,226	\$328,182,301	\$334,152,800
<b>MISC. NOT IN REVENUE ESTIMATES</b>	\$1,693,958	\$1,765,847	\$1,682,527	\$1,700,849
<b>Subtotal</b>	\$9,966,630,897	\$10,289,900,000	\$10,617,200,000	\$10,875,500,000
<b>REVENUE INITIATIVES</b>				
2016 General Session Action -- HB 535			\$ (825,000.00)	\$ (1,100,000.00)
<b>TOTAL GENERAL FUND</b>	\$9,966,630,897	\$10,289,900,000	\$10,616,375,000	\$10,874,400,000

## Road Fund 2016-2018 Official Revenue Estimates

	<u>FY 2015</u> <u>Actual</u>	<u>FY2016</u> <u>Estimate</u>	<u>FY 2017</u> <u>Estimate</u>	<u>FY 2018</u> <u>Estimate</u>
<b><u>Sources of Revenue, Road Fund</u></b>				
Motor Fuels	\$850,276,000	\$742,900,000	\$747,300,000	\$749,800,000
Motor Vehicle Usage	432,769,000	463,100,000	469,500,000	485,700,000
Motor Vehicle License	107,554,000	107,850,000	105,000,000	105,600,000
Motor Vehicle Operators	15,958,000	16,200,000	16,100,000	16,300,000
Weight Distance	79,147,000	79,900,000	82,100,000	83,800,000
Investment	2,913,000	1,200,000	1,400,000	1,500,000
Other	38,118,000	34,740,000	35,500,000	35,500,000
<b>Total Road Fund</b>	<b>\$1,526,735,000</b>	<b>\$1,445,890,000</b>	<b>\$1,456,900,000</b>	<b>\$1,478,200,000</b>
<b><u>Sales and Gross Receipts Taxes</u></b>				
Motor Fuels Normal and Normal Use	\$849,359,513	\$741,950,000	\$746,350,000	\$748,850,000
Motor Vehicle Usage	395,210,736	427,200,000	433,100,000	448,800,000
Motor Vehicle Rental Usage	37,709,194	36,000,000	36,500,000	37,000,000
Truck Trip Permits	916,733	950,000	950,000	950,000
Sales and Use	(149,997)	(100,000)	(100,000)	(100,000)
<b>TOTAL SALES AND GROSS RECEIPTS TAX</b>	<b>\$1,283,046,179</b>	<b>\$1,206,000,000</b>	<b>\$1,216,800,000</b>	<b>\$1,235,500,000</b>
<b><u>License and Privilege Taxes</u></b>				
Drive Away Utility Trailer Permits	\$12,854	\$12,500	\$12,000	\$12,000
Amateur Radio Plate	8,610	8,700	8,700	8,700
Passenger Car License	30,122,380	30,400,000	30,200,000	30,100,000
Truck License - State Share	14,738,169	14,900,000	14,800,000	14,700,000
Motorcycle License	616,973	617,000	618,000	619,000
Dealers License	244,340	245,000	246,000	247,000
Transfer License	862,490	860,000	860,000	860,000
Trailer License	1,905,077	2,000,000	2,100,000	2,100,000
County Clerk Penalty	(5,531)	10,000	10,000	10,000
Bus License - Except City	36,169	37,000	38,000	38,000
Bus Certificates and Permits	2,025	2,000	2,000	2,000
Taxi License	34,130	30,000	30,000	30,000
Truck Permits	44,330	30,000	30,000	30,000
Contract Taxicab Permit	14,074	14,500	15,000	15,000
Motor Vehicle Operator's License	14,035,061	14,200,000	14,155,000	14,255,000
Highway Special Permits	7,031,899	7,100,000	7,100,000	7,000,000
U-Drive-It Permits	6,187	6,500	6,500	6,500
U-Drive-Licenses	1,553,880	1,600,000	1,650,000	1,700,000
Junk Yard License	1,926	2,000	2,000	2,000
Historic Vehicle License	363,018	350,000	360,000	357,850
Operator's License-Driver Education	596,823	620,000	620,000	620,000
Truck Proportional Registration	44,974,657	44,500,000	41,500,000	42,000,000
Operator's License - Photography Program	1,326,607	1,380,000	1,325,000	1,425,000
Industrial Hauling Permits		1,000	1,000	1,000
General Assembly License Plates	1,847	1,800	1,800	1,800
Pearl Harbor Survivor Plates	0	0	0	0
Collegiate Plates	1,109,042	1,200,000	1,300,000	1,300,000
Personalized License Plates	1,343,699	1,350,000	1,360,000	1,370,000
Army Reserve Plates	816,723	820,000	821,000	822,000
Purple Heart Plates	20,005	15,000	15,000	15,000
Judicial License Plates	271	100	100	100
Civil Air Patrol Plates	1,244	1,250	1,250	1,250
National Guard License Plates	3,717	3,600	3,600	3,600
Civic Event Plates	470	450	450	450
Street Rod Plates	1,916	2,000	2,000	2,000
Fraternal Order of Police Plates	88,853	90,000	90,000	90,000
Environmental License Plate	473,657	470,000	460,000	450,000
Dealer Demonstrator Tags	6,123	6,000	6,000	6,000
Volunteer Fireman License Tags	79,679	79,800	79,800	79,800
P.O.W. License Plates	26	25	25	25

**Road Fund 2016-2018 Official Revenue Estimates**

	<b>FY 2015</b>	<b>FY2016</b>	<b>FY 2017</b>	<b>FY 2018</b>
	<u>Actual</u>	<u>Estimate</u>	<u>Estimate</u>	<u>Estimate</u>
Motor Carrier Identification Cards	8,274,168	5,000,000	5,000,000	5,100,000
Weight Distance Tax	79,147,533	79,900,000	82,100,000	83,800,000
DES License Plates	12,921	13,000	13,000	13,000
Child Victims License Plates	42,937	45,000	45,000	45,000
Masonic License Plates	56,851	50,000	50,000	50,000
Horse Council Plates	326,606	300,000	275,000	265,000
Law Enforcement	176,023	180,000	180,000	180,000
Independent College	96,482	100,000	100,000	100,000
Ducks Unlimited	32,094	33,000	34,000	35,000
Spay and Neuter Plate	163,115	161,000	160,000	159,000
Share The Road	124,901	125,000	125,000	125,000
Ky Colonels	79,813	80,000	80,000	80,000
Sportsman	188,301	188,500	188,500	188,500
Breast Cancer	358,391	356,000	356,000	356,000
Choose Life	57,306	57,000	57,000	57,000
Zoo Foundation Plate	32,724	30,000	29,000	28,000
Lincoln Bicentennial	0	0	0	0
Kentucky Dental Association	6,119	6,000	5,900	5,800
Ryder Cup	19,754	19,000	18,000	17,000
Autism Awareness	76,950	80,000	83,000	86,000
Quail Unlimited	56,807	57,000	57,500	58,000
Temporary Tags	444,521	450,000	450,000	450,000
Nonreciprocal Permits	248,430	250,000	250,000	250,000
Overweight Coal Truck Permit	404,906	425,000	425,000	425,000
Friends of Coal	832,229	850,000	870,000	890,000
Temporary Truck Decal Permits	0	0	0	0
Kentucky Lineman	35,292	36,000	37,000	38,000
Silver Star	1,762	1,800	1,800	1,800
Bronze Star Valor	318	325	325	325
Keeneland Association	31,756	33,000	34,000	35,000
In God We Trust	4,576,635	4,731,650	4,866,250	5,100,000
Gold Star Spouse	0	0	0	0
Temporary Motorcycle Tags	7,222	7,200	7,200	7,200
Kosair Charities	17,977	18,000	18,000	18,000
Chiropractor Plates	2,216	2,300	2,300	2,300
Kentucky Library Association	22,490	23,000	23,000	23,000
I Support Veterans	98,619	100,000	103,000	105,000
Juvenile Diabetes	12,689	14,000	14,000	14,000
Trust for Lfe	30,072	35,000	35,000	35,000
Smallmouth Bass	37,235	40,000	40,000	40,000
Rock - In God We Trust	13,896	14,000	14,000	14,000
<b>TOTAL LICENSE AND PRIVILEGE TAX</b>	<b>\$218,621,481</b>	<b>\$216,778,000</b>	<b>\$215,978,000</b>	<b>\$218,478,000</b>
<b><u>Departmental Fees, Sales and Rentals</u></b>				
Proposal Sales	\$0	\$0	\$0	\$0
Specification and Blue Print Sales	435,104	450,000	450,000	450,000
Miscellaneous Rentals	258,556	275,000	275,000	275,000
Fines and Forfeitures	0	0	0	0
Traffic Offenders School Fees	465,304	475,000	495,000	475,000
Record Copy Sales	467,925	500,000	500,000	500,000
Highway Sign Logo Rental	700,527	710,000	715,000	710,000
Driving History Record Fee	5,702,905	6,000,000	6,100,000	6,600,000
Operator's License Reinstatement Fees	1,256,010	1,300,000	1,400,000	1,700,000
Penalty & Interest - Weight and Use Taxes	1,346,375	1,400,000	1,400,000	1,400,000
Medical Alert Stickers	52	50	50	50
Motor Vehicle Title Receipts	5,140,414	5,130,000	5,250,000	5,275,000
Proceeds from Asset Disposition	2,381,626	2,500,000	2,800,000	1,700,000
Coal Road Recovery Fines	25,094	29,000	33,000	35,000
U-Drive-It Penalty and Interest	52,246	55,000	55,000	55,000
<b>TOTAL DEPARTMENT FEES, SALES AND RENTALS</b>	<b>\$18,232,138</b>	<b>\$18,824,050</b>	<b>\$19,473,050</b>	<b>\$19,175,050</b>

**Road Fund 2016-2018 Official Revenue Estimates**

	<b>FY 2015 <u>Actual</u></b>	<b>FY2016 <u>Estimate</u></b>	<b>FY 2017 <u>Estimate</u></b>	<b>FY 2018 <u>Estimate</u></b>
<b><u>Investment Income</u></b>				
Investment Income	\$2,913,784	\$1,200,000	\$1,400,000	\$1,500,000
<b>TOTAL INVESTMENT INCOME</b>	<b>\$2,913,784</b>	<b>\$1,200,000</b>	<b>\$1,400,000</b>	<b>\$1,500,000</b>
<b><u>Miscellaneous Income</u></b>				
Property Damage	\$1,212,683	\$1,300,000	\$1,350,000	\$1,300,000
Cold Check Account	0		0	0
<b>TOTAL MISCELLANEOUS INCOME</b>	<b>\$1,212,683</b>	<b>\$1,300,000</b>	<b>\$1,350,000</b>	<b>\$1,300,000</b>
Misc. Not in Revenue Estimates	\$2,712,393	\$1,797,950	\$1,898,950	\$2,246,950
<b>TOTAL ROAD FUND REVENUE</b>	<b>\$1,526,738,658</b>	<b>\$1,445,900,000</b>	<b>\$1,456,900,000</b>	<b>\$1,478,200,000</b>

## DEBT APPROPRIATED BY RECENT SESSIONS OF THE GENERAL ASSEMBLY

<u>Biennium</u>	<u>Principal Debt Appropriated</u>	<u>Biennium</u>	<u>Principal Debt Appropriated</u>
1990-92	1,148,218,400	2004-06 <sup>5</sup>	1,906,315,300
1992-94	439,375,100	2006-08 <sup>6</sup>	2,110,528,000
1994-96	429,575,900	2008-10 <sup>7</sup>	2,015,494,000
1996-98 <sup>1</sup>	242,182,000	2010-12 <sup>8</sup>	1,549,199,800
1998-00 <sup>2</sup>	1,095,128,000	2012-14 <sup>9</sup>	238,860,000
2000-02 <sup>3</sup>	1,046,927,600	2014-16 <sup>10</sup>	1,364,048,200
2002-04 <sup>4</sup>	828,936,380	2016-18 <sup>11</sup>	1,251,242,500

<sup>1</sup> **Enacted in the 1996-1998 Budget of the Commonwealth, and the 1997 Second Extraordinary Session of the Kentucky General Assembly.**  
Excludes \$60,000,000 of Agency Bonds for Kentucky Infrastructure Authority that was unable to be acted on.

<sup>2</sup> **Debt Enacted in the 1998-2000 Budget of the Commonwealth.**  
\$604,030,000 General Fund; \$268,100,000 Road Fund; and \$96,100,000 Agency Funds. \$126,898,000 was appropriated in the General Fund Surplus Expenditure Plan in fiscal year 1998-99.

<sup>3</sup> **Debt Enacted in the 2000-2002 Budget of the Commonwealth.**  
     General Fund Appropriation: \$901,202,600  
     Road Fund Appropriation: 28,200,000  
     Agency Fund Appropriation: 117,525,000  
 The 2000 Session of the Kentucky General Assembly appropriated \$1,053,015,600 of debt. The Secretary of the Finance and Administration Cabinet, through authority granted in the Appropriations Act, determined that \$6,088,000 of debt appropriated projects would be funded with General Fund cash, thereby reducing the appropriated amount to \$1,046,927,600.

<sup>4</sup> **Debt Enacted in the 2002-2004 Budget of the Commonwealth.**  
     General Fund Appropriation: \$621,936,380  
     Agency Fund Appropriation: 207,000,000

<sup>5</sup> **Debt Enacted in the 2004-2006 Budget of the Commonwealth.**  
     General Fund Appropriation: \$1,204,589,300  
     Road Fund Appropriation: 450,000,000  
     Agency Fund Appropriation: 251,726,000  
 The 2005 Session of the Kentucky General Assembly also appropriated \$150,000,000 of Grant Anticipation Revenue Vehicle (GARVEE) bonds supported by Federal Highway Funds received by the Transportation Cabinet.

<sup>6</sup> **Debt Enacted in the 2006-2008 Budget of the Commonwealth.**  
     General Fund Appropriation: \$1,492,991,000  
     Road Fund Appropriation: 350,000,000  
     Agency Fund Appropriation: 267,537,000  
 The 2006 Session of the Kentucky General Assembly also appropriated \$290,000,000 of Grant Anticipation Revenue Vehicle (GARVEE) bonds supported by Federal Highway Funds received by the Transportation Cabinet.

<sup>7</sup> **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. The Agency Fund bond authorization includes \$230,000,000 initial authorization for the Kentucky Infrastructure Authority Wastewater and Drinking Water Revolving Fund.

<sup>8</sup> **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 for the Lake Barkley and Kentucky Lake Bridges Project and the Louisville-Southern Indiana Ohio River Bridges Project. The Agency Fund bond authorization includes \$125,000,000 of initial authorization for the Kentucky Infrastructure Authority Wastewater and Drinking Water Revolving Fund.

<sup>9</sup> **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:	43,500,000

<sup>10</sup> **Debt Enacted in the 2014-2016 Budget of the Commonwealth.**

General Fund Authorization:	\$ 637,773,200
Road Fund Authorization:	5,000,000
Agency Fund Authorization:	721,275,000

The General Fund amount of \$637,773,200 is net of the General Assembly's actions that resulted in the expiration of \$105,000,000 in previously authorized debt.

<sup>11</sup> **Debt Enacted in the 2016-2018 Budget of the Commonwealth.**

General Fund Authorization:	\$ 573,986,500
Agency Fund Authorization:	677,256,000

The General Fund amount of \$573,986,500 is net of the General Assembly's actions that resulted in the de-authorization of \$9,000,000 in previously authorized debt.

## **DEBT FINANCING**

### **2016-2018 Budget of the Commonwealth**

The 2016 Regular Session of the Kentucky General Assembly enacted \$1,251,242,500 in net debt-financed capital projects. The General Fund amount of \$573,986,500 is net of the General Assembly's actions that resulted in the de-authorization of \$9,000,000 in previously authorized debt. The Agency Fund amount is \$677,256,000. If all authorized amounts are issued by June 30, 2018, the Commonwealth's debt capacity ratio would be 6.14% (inclusive of previously issued debt for the Kentucky Teachers' Retirement System medical fund).

#### **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 are 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 constitutes the entire source of payment.

The payment of debt service by the state universities is secured 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 supported debt (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, credit, and taxing power of the Commonwealth. The General Assembly does not intend to appropriate any general 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 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 reserve funds, as applicable. Certain Kentucky Higher Education Student Loan Corporation bonds, Kentucky Housing Corporation bonds, and the Kentucky Infrastructure Authority's Governmental Agencies Program and Leveraged Wastewater and Drinking Water Revolving Fund bonds are not moral obligation debt.

**APPROPRIATION SUPPORTED DEBT SERVICE  
AS A PERCENT OF TOTAL REVENUE (%)  
DEBT CAPACITY RATIO**

<b>Fiscal Year</b>	<b>Percent of Total Revenue</b>	<b>Fiscal Year</b>	<b>Percent of Total Revenue</b>
1995	5.70	2007	4.29
1996	5.62	2008	5.16
1997	5.61	2009	4.81
1998	5.27	2010	2.97
1999	5.05	2011	4.55
2000	5.90	2012	4.53
2001	5.58	2013	5.94
2002	5.18	2014	6.17
2003	5.70	2015	5.73
2004	5.39	2016	5.42*
2005	4.70	2017	6.32*
2006	4.89	2018	6.14*

\*Estimated. The Fiscal Year 2018 figure assumes all new appropriated debt is issued by June 30, 2018.

The above analysis for Fiscal Years 2016 through 2018 is premised on the following assumptions:

- Fiscal Years 2016-2018 General Fund and Road Fund revenues are based on the enacted Revenue Estimates as well as interest subsidies received for General Fund and Road Fund Build America Bonds issued.
- Agency Fund revenues are based on actual Fiscal Year 2015 revenues from the Supplementary Information to the FY15 Comprehensive Annual Financial Report, and for FY17 and FY18, estimated amounts are obtained from the 2016-2018 biennial budget submissions.
- All previously appropriated but unissued debt was assumed issued by June 30, 2016.
- All debt service for authorized but unissued debt was assumed at the budgeted rates of 4.25% for 7-year tax-exempt issues, 4.75% for 10-year tax-exempt issues, 5.75% for 20-year tax-exempt issues, and 6.75% for 20-year taxable issues.

**Commonwealth of Kentucky**

	<b>Actual FY 2014</b>	<b>Actual FY 2015</b>	<b>Revised FY 2016</b>	<b>Enacted FY 2017</b>	<b>Enacted FY 2018</b>
<b>SOURCE OF FUNDS</b>					
<b>General Fund</b>					
Regular Appropriation	9,779,620,200	10,040,549,900	10,261,330,800	11,065,480,500	11,316,078,900
Surplus Expenditure Plan	25,600,851		82,514,310		
Special Appropriation		13,259,000	78,959,000	10,000,000	10,000,000
Current Year Appropriation	32,884,900		32,257,500		
Continuing Approp-General Fund	156,424,066	101,767,098	104,162,436	222,521,200	164,015,100
Budget Reduction-General Fund	-25,946,592				
Mandated Allotments	49,596,862	51,352,174	16,800,000		
Other	-125,031,543	-5,521,916	-43,938,700		
<b>Total General Fund</b>	<b>9,893,148,744</b>	<b>10,201,406,256</b>	<b>10,532,085,346</b>	<b>11,298,001,700</b>	<b>11,490,094,000</b>
<b>Tobacco Fund</b>					
Tobacco Settlement - Phase I	93,093,500	101,879,500	97,725,600	89,151,400	95,018,000
Special Appropriation			23,506,600		
Continuing Approp-Tob Settlement	46,012,046	37,614,362	22,551,200	20,706,200	15,817,000
Other	68,570,657				
<b>Total Tobacco Fund</b>	<b>207,676,203</b>	<b>139,493,862</b>	<b>143,783,400</b>	<b>109,857,600</b>	<b>110,835,000</b>
<b>Restricted Funds</b>					
Balance Forward	670,730,721	1,385,279,515	932,021,502	919,146,802	1,008,179,599
Current Receipts	5,434,922,315	5,871,165,312	6,843,004,767	7,272,000,700	7,676,790,900
Non-Revenue Receipts	1,834,877,797	786,556,410	1,117,124,433	1,085,795,097	987,481,297
Fund Transfers	-112,333,841	-89,600,051	-63,741,000	-66,770,600	-43,677,000
<b>Total Restricted Funds</b>	<b>7,828,196,993</b>	<b>7,953,401,186</b>	<b>8,828,409,702</b>	<b>9,210,171,999</b>	<b>9,628,774,796</b>
<b>Federal Fund</b>					
Balance Forward	188,702,466	980,447,834	92,820,381	40,063,000	37,529,500
Current Receipts	10,557,548,606	11,194,226,454	12,703,630,519	12,969,213,000	13,297,361,100
Non-Revenue Receipts	-246,401,303	-358,711,681	1,094,500	6,930,200	6,877,900
<b>Total Federal Fund</b>	<b>10,499,849,769</b>	<b>11,815,962,607</b>	<b>12,797,545,400</b>	<b>13,016,206,200</b>	<b>13,341,768,500</b>
<b>Road Fund</b>					
Regular Appropriation	1,572,761,700	1,588,346,400	1,545,167,600	1,453,846,200	1,473,941,300
Surplus Expenditure Plan	17,718,003		6,338,100		
Continuing Approp-Road Fund	697,317,189	616,086,784			
Budget Reduction-Road Fund	-3,688,207		-30,832,500		
Other	-4,933,814	-13,714,628	-61,952,200		
<b>Total Road Fund</b>	<b>2,279,174,871</b>	<b>2,190,718,556</b>	<b>1,458,721,000</b>	<b>1,453,846,200</b>	<b>1,473,941,300</b>
<b>TOTAL SOURCE OF FUNDS</b>	<b>30,708,046,581</b>	<b>32,300,982,467</b>	<b>33,760,544,848</b>	<b>35,088,083,699</b>	<b>36,045,413,596</b>
<b>EXPENDITURES BY CLASS</b>					
Personnel Costs	6,401,612,292	6,719,281,572	6,932,118,470	7,353,410,200	7,532,663,800
Operating Expenses	2,461,883,997	2,652,773,992	3,392,486,130	3,536,867,300	3,733,638,800
Grants Loans Benefits	15,656,061,443	18,036,579,564	19,624,133,000	20,467,769,500	20,962,316,200
Debt Service	1,013,770,720	1,039,449,734	1,111,913,700	1,140,278,700	1,257,493,900
Capital Outlay	240,297,306	254,590,734	254,138,000	276,385,700	289,564,700
Construction	1,473,703,738	1,630,656,222	1,099,249,900	987,641,100	1,012,213,600
<b>TOTAL EXPENDITURES</b>	<b>27,247,329,496</b>	<b>30,333,331,818</b>	<b>32,414,039,200</b>	<b>33,762,352,500</b>	<b>34,787,891,000</b>
<b>EXPENDITURES BY FUND SOURCE</b>					
General Fund	9,702,406,197	10,044,026,093	10,173,709,100	11,043,453,100	11,303,044,800
Tobacco Fund	99,190,121	98,633,974	136,897,700	87,867,100	89,528,500
Restricted Funds	6,301,902,978	6,741,491,541	7,909,262,900	8,201,992,400	8,622,808,600
Federal Fund	9,519,401,935	11,724,146,935	12,757,482,400	12,978,676,700	13,302,173,400
Road Fund	1,624,428,265	1,725,033,275	1,436,687,100	1,450,363,200	1,470,335,700
<b>TOTAL EXPENDITURES</b>	<b>27,247,329,496</b>	<b>30,333,331,818</b>	<b>32,414,039,200</b>	<b>33,762,352,500</b>	<b>34,787,891,000</b>

**EXPENDITURES BY UNIT**

Executive Branch	26,824,413,949	29,898,246,893	31,965,361,900	33,301,163,300	34,322,477,800
Legislative Branch	52,703,836	55,098,915	55,670,100	55,902,000	59,897,500
Judicial Branch	370,211,711	379,986,010	387,770,000	403,492,600	403,806,000
<b>TOTAL EXPENDITURES</b>	<u>27,247,329,496</u>	<u>30,333,331,818</u>	<u>32,408,802,000</u>	<u>33,760,557,900</u>	<u>34,786,181,300</u>

# Executive Branch

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**Executive Branch**

	<b>Actual FY 2014</b>	<b>Actual FY 2015</b>	<b>Revised FY 2016</b>	<b>Enacted FY 2017</b>	<b>Enacted FY 2018</b>
<b>SOURCE OF FUNDS</b>					
<b>General Fund</b>					
Regular Appropriation	9,410,218,100	9,650,063,100	9,863,741,700	10,642,924,300	10,887,659,600
Surplus Expenditure Plan	25,600,851		82,514,310		
Special Appropriation		13,259,000	78,959,000	10,000,000	10,000,000
Current Year Appropriation	32,884,900		32,257,500		
Continuing Approp-General Fund	133,777,933	85,498,481	88,468,536	209,447,000	152,735,500
Budget Reduction-General Fund	-24,158,992				
Mandated Allotments	49,596,862	51,352,174	16,800,000		
Other	-125,031,543	-5,521,916	-43,938,700		
<b>Total General Fund</b>	<b>9,502,888,111</b>	<b>9,794,650,839</b>	<b>10,118,802,346</b>	<b>10,862,371,300</b>	<b>11,050,395,100</b>
<b>Tobacco Fund</b>					
Tobacco Settlement - Phase I	93,093,500	101,879,500	97,725,600	89,151,400	95,018,000
Special Appropriation			23,506,600		
Continuing Approp-Tob Settlement	46,012,046	37,614,362	22,551,200	20,706,200	15,817,000
Other	68,570,657				
<b>Total Tobacco Fund</b>	<b>207,676,203</b>	<b>139,493,862</b>	<b>143,783,400</b>	<b>109,857,600</b>	<b>110,835,000</b>
<b>Restricted Funds</b>					
Balance Forward	652,037,952	1,366,352,754	916,790,600	916,094,700	1,005,068,897
Current Receipts	5,402,822,011	5,846,433,197	6,820,484,767	7,250,435,700	7,655,787,400
Non-Revenue Receipts	1,821,332,223	773,588,496	1,104,874,433	1,069,571,997	971,644,197
Fund Transfers	-112,333,841	-89,073,180	-63,741,000	-66,770,600	-43,677,000
<b>Total Restricted Funds</b>	<b>7,763,858,346</b>	<b>7,897,301,267</b>	<b>8,778,408,800</b>	<b>9,169,331,797</b>	<b>9,588,823,494</b>
<b>Federal Fund</b>					
Balance Forward	188,702,466	980,447,834	92,819,481	40,063,000	37,529,500
Current Receipts	10,554,036,160	11,190,659,714	12,700,138,919	12,966,620,000	13,295,920,700
Non-Revenue Receipts	-246,401,303	-358,711,681	1,094,500	6,930,200	6,877,900
<b>Total Federal Fund</b>	<b>10,496,337,323</b>	<b>11,812,395,867</b>	<b>12,794,052,900</b>	<b>13,013,613,200</b>	<b>13,340,328,100</b>
<b>Road Fund</b>					
Regular Appropriation	1,572,761,700	1,588,346,400	1,545,167,600	1,453,846,200	1,473,941,300
Surplus Expenditure Plan	17,718,003		6,338,100		
Continuing Approp-Road Fund	697,317,189	616,086,784			
Budget Reduction-Road Fund	-3,688,207		-30,832,500		
Other	-4,933,814	-13,714,628	-61,952,200		
<b>Total Road Fund</b>	<b>2,279,174,871</b>	<b>2,190,718,556</b>	<b>1,458,721,000</b>	<b>1,453,846,200</b>	<b>1,473,941,300</b>
<b>TOTAL SOURCE OF FUNDS</b>	<b>30,249,934,855</b>	<b>31,834,560,392</b>	<b>33,293,314,446</b>	<b>34,609,020,097</b>	<b>35,564,322,994</b>
<b>EXPENDITURES BY CLASS</b>					
Personnel Costs	6,156,986,354	6,458,664,103	6,663,230,570	7,068,849,100	7,243,798,200
Operating Expenses	2,283,744,194	2,479,149,407	3,213,771,730	3,360,579,200	3,557,431,200
Grants Loans Benefits	15,656,061,443	18,036,579,564	19,624,133,000	20,467,769,500	20,962,316,200
Debt Service	1,013,770,720	1,039,449,734	1,111,913,700	1,140,278,700	1,257,493,900
Capital Outlay	240,147,500	253,747,863	253,063,000	276,045,700	289,224,700
Construction	1,473,703,738	1,630,656,222	1,099,249,900	987,641,100	1,012,213,600
<b>TOTAL EXPENDITURES</b>	<b>26,824,413,949</b>	<b>29,898,246,893</b>	<b>31,965,361,900</b>	<b>33,301,163,300</b>	<b>34,322,477,800</b>
<b>EXPENDITURES BY FUND SOURCE</b>					
General Fund	9,328,414,982	9,654,894,564	9,775,473,100	10,622,586,400	10,876,399,900
Tobacco Fund	99,190,121	98,633,974	136,897,700	87,867,100	89,528,500
Restricted Funds	6,256,491,092	6,699,104,885	7,862,314,100	8,164,262,900	8,585,480,700
Federal Fund	9,515,889,489	11,720,580,195	12,753,989,900	12,976,083,700	13,300,733,000
Road Fund	1,624,428,265	1,725,033,275	1,436,687,100	1,450,363,200	1,470,335,700
<b>TOTAL EXPENDITURES</b>	<b>26,824,413,949</b>	<b>29,898,246,893</b>	<b>31,965,361,900</b>	<b>33,301,163,300</b>	<b>34,322,477,800</b>

**EXPENDITURES BY UNIT**

General Government	1,063,030,569	1,075,422,855	1,117,705,200	1,715,735,100	1,714,728,700
Economic Development	26,060,395	24,060,979	44,535,000	21,157,900	22,066,500
Department of Education	4,676,297,665	4,833,050,039	5,014,629,000	5,052,402,900	5,043,783,000
Education and Workforce Development	840,856,634	602,590,899	836,366,100	835,488,300	853,413,400
Energy and Environment	216,852,025	218,146,027	258,295,100	240,973,600	236,569,700
Finance and Administration	780,460,159	808,934,138	832,433,700	855,345,200	903,747,400
Health and Family Services	9,331,227,202	11,862,621,886	12,613,140,100	12,984,137,300	13,471,498,000
Justice and Public Safety	916,323,139	939,527,705	989,930,900	1,041,577,000	1,045,117,600
Labor	192,059,768	206,958,934	221,717,400	233,335,300	237,745,100
Personnel	58,110,261	59,739,782	62,306,100	65,055,000	66,863,300
Postsecondary Education	5,700,793,103	5,989,434,043	7,299,278,800	7,666,253,300	8,099,429,300
Public Protection	82,232,549	85,846,201	98,791,600	107,437,500	108,370,500
Tourism, Arts and Heritage	216,647,382	229,590,735	235,399,800	234,641,900	238,571,100
Transportation	2,723,463,097	2,956,546,671	2,340,833,100	2,247,623,000	2,280,574,200
Statewide		5,776,000			
<b>TOTAL EXPENDITURES</b>	<b>26,824,413,949</b>	<b>29,898,246,893</b>	<b>31,965,361,900</b>	<b>33,301,163,300</b>	<b>34,322,477,800</b>

**General Government**

	<b>Actual FY 2014</b>	<b>Actual FY 2015</b>	<b>Revised FY 2016</b>	<b>Enacted FY 2017</b>	<b>Enacted FY 2018</b>
<b>SOURCE OF FUNDS</b>					
<b>General Fund</b>					
Regular Appropriation	724,754,300	683,024,800	665,180,500	1,256,693,100	1,221,637,800
State Salary and Compensation	581,400				
Continuing Approp-General Fund	313,616	262,092	299,100		
Budget Reduction-General Fund	-919,123				
Mandated Allotments	26,949,150	21,187,089			
Other	-76,002,343	-5,521,916	-30,277,500		
<b>Total General Fund</b>	<b>675,677,000</b>	<b>698,952,065</b>	<b>635,202,100</b>	<b>1,256,693,100</b>	<b>1,221,637,800</b>
<b>Tobacco Fund</b>					
Tobacco Settlement - Phase I	16,291,800	33,614,100	35,833,200	28,008,000	31,100,200
Special Appropriation			16,000,000		
Continuing Approp-Tob Settlement	33,540,414	25,218,265	5,440,600	18,659,600	15,817,000
Other	43,152,708				
<b>Total Tobacco Fund</b>	<b>92,984,922</b>	<b>58,832,365</b>	<b>57,273,800</b>	<b>46,667,600</b>	<b>46,917,200</b>
<b>Restricted Funds</b>					
Balance Forward	92,845,337	84,127,662	97,278,401	98,608,500	86,723,000
Current Receipts	157,624,276	141,720,498	161,365,580	181,135,300	197,456,000
Non-Revenue Receipts	47,861,155	54,224,628	94,891,219	106,279,000	118,936,800
Fund Transfers	-6,100,000	-3,800,000	-1,750,000	-4,596,400	-700,000
<b>Total Restricted Funds</b>	<b>292,230,768</b>	<b>276,272,788</b>	<b>351,785,200</b>	<b>381,426,400</b>	<b>402,415,800</b>
<b>Federal Fund</b>					
Balance Forward	16,473,278	15,777,355	14,811,000	9,716,300	4,487,600
Current Receipts	175,477,045	161,465,771	172,834,900	131,762,200	130,132,800
Non-Revenue Receipts	98,124	-725,679	-574,200		
<b>Total Federal Fund</b>	<b>192,048,447</b>	<b>176,517,447</b>	<b>187,071,700</b>	<b>141,478,500</b>	<b>134,620,400</b>
<b>Road Fund</b>					
Regular Appropriation	500,000	510,100	512,500	519,200	520,400
<b>Total Road Fund</b>	<b>500,000</b>	<b>510,100</b>	<b>512,500</b>	<b>519,200</b>	<b>520,400</b>
<b>TOTAL SOURCE OF FUNDS</b>	<b>1,253,441,138</b>	<b>1,211,084,765</b>	<b>1,231,845,300</b>	<b>1,826,784,800</b>	<b>1,806,111,600</b>
<b>EXPENDITURES BY CLASS</b>					
Personnel Costs	303,579,406	311,758,500	320,794,170	349,655,300	358,621,500
Operating Expenses	73,258,581	69,523,122	75,074,430	98,416,400	107,546,600
Grants Loans Benefits	458,146,134	465,600,444	456,095,400	992,003,700	949,905,300
Debt Service	220,991,655	224,304,550	259,786,900	269,443,700	292,285,100
Capital Outlay	6,391,900	4,204,486	5,954,300	6,216,000	6,370,200
Construction	662,893	31,753			
<b>TOTAL EXPENDITURES</b>	<b>1,063,030,569</b>	<b>1,075,422,855</b>	<b>1,117,705,200</b>	<b>1,715,735,100</b>	<b>1,714,728,700</b>
<b>EXPENDITURES BY FUND SOURCE</b>					
General Fund	653,549,997	697,064,714	632,046,400	1,256,693,100	1,221,637,800
Tobacco Fund	24,606,385	37,399,112	54,614,200	26,828,500	27,828,700
Restricted Funds	208,103,106	178,994,530	253,176,700	294,703,400	330,484,100
Federal Fund	176,271,092	161,454,399	177,355,400	136,990,900	134,257,700
Road Fund	499,988	510,100	512,500	519,200	520,400
<b>TOTAL EXPENDITURES</b>	<b>1,063,030,569</b>	<b>1,075,422,855</b>	<b>1,117,705,200</b>	<b>1,715,735,100</b>	<b>1,714,728,700</b>
<b>EXPENDITURES BY UNIT</b>					
Office of the Governor	7,953,839	8,617,061	11,200,000	11,307,300	10,109,400
Office of State Budget Director	3,170,067	3,405,495	3,293,900	3,364,200	3,407,800
State Planning Fund	158,700	150,800	150,800	137,200	137,200
Homeland Security	6,583,220	5,953,775	6,008,600	5,998,100	6,044,000

**EXPENDITURES BY UNIT**

Department of Veterans' Affairs	53,862,035	63,849,875	70,130,700	88,967,200	95,728,500
Governor's Office of Agricultural Policy	23,562,852	35,379,968	51,357,600	23,356,300	24,190,000
Kentucky Infrastructure Authority	31,536,840	31,410,909	62,879,400	68,681,700	84,928,500
Military Affairs	144,892,563	123,666,590	121,101,000	86,576,400	86,934,700
Commission on Human Rights	2,120,663	2,164,657	1,905,600	2,007,900	2,026,800
Commission on Women	212,741	226,399	221,600	235,000	237,400
Department for Local Government	43,507,219	46,337,107	49,924,000	58,120,000	57,041,800
Local Government Economic Assistance Fund	51,849,726	50,267,118	38,442,800	50,031,100	45,193,400
Local Government Economic Development Fund	29,432,931	23,364,066	8,395,900	11,400,000	11,400,000
Area Development Fund	498,500	473,600	452,300	431,000	431,000
Executive Branch Ethics Commission	544,467	562,257	534,600	735,700	740,200
Secretary of State	2,722,545	2,890,428	3,615,100	4,494,200	4,452,600
Board of Elections	3,145,382	4,864,725	9,389,400	9,437,600	8,280,200
Registry of Election Finance	1,138,573	1,200,741	1,165,900	1,221,400	1,231,700
Attorney General	57,580,501	26,742,312	38,542,900	34,340,300	34,853,200
Unified Prosecutorial System	76,459,217	85,328,916	89,034,000	93,272,700	94,422,800
Treasury	3,009,454	3,062,504	3,262,700	4,012,200	4,088,500
Agriculture	29,049,970	30,077,741	33,350,500	34,078,500	34,239,500
Auditor of Public Accounts	11,554,008	12,557,875	13,129,500	13,864,900	13,987,100
Personnel Board	728,421	769,529	856,000	888,000	913,800
Kentucky Retirement Systems	32,998,796	31,073,634	41,306,800	141,012,200	130,534,700
Occupational & Professional Boards & Commissions	20,315,443	21,837,142	23,779,700	25,625,700	25,795,900
Kentucky River Authority	3,032,042	3,549,192	3,614,500	3,763,900	7,139,500
School Facilities Construction Commission	96,704,619	99,634,000	109,054,000	122,516,300	134,918,000
Teachers' Retirement System	305,558,154	337,514,156	311,515,000	792,182,000	758,352,200
Judgments	3,445,119	1,483,756			
Appropriations Not Otherwise Classified	15,701,964	17,006,527	5,026,400	5,026,400	5,026,400
KY Communications Network Authority			5,064,000	18,649,700	27,941,900
<b>TOTAL EXPENDITURES</b>	<b>1,063,030,569</b>	<b>1,075,422,855</b>	<b>1,117,705,200</b>	<b>1,715,735,100</b>	<b>1,714,728,700</b>

## Economic Development

	Actual FY 2014	Actual FY 2015	Revised FY 2016	Enacted FY 2017	Enacted FY 2018
<b>SOURCE OF FUNDS</b>					
<b>General Fund</b>					
Regular Appropriation	19,131,100	19,151,800	34,254,600	17,963,600	18,953,200
State Salary and Compensation	20,400				
Continuing Approp-General Fund	87,385	459,043	24,900		
Budget Reduction-General Fund	-200,000				
Mandated Allotments		750,000			
<b>Total General Fund</b>	19,038,885	20,360,843	34,279,500	17,963,600	18,953,200
<b>Restricted Funds</b>					
Balance Forward	2,664,691	3,241,553	2,551,700		149,600
Current Receipts	2,770,006	2,840,159	3,045,300	3,143,900	3,258,700
<b>Total Restricted Funds</b>	5,434,697	6,081,712	5,597,000	3,143,900	3,408,300
<b>Federal Fund</b>					
Balance Forward		12,092			
Current Receipts	5,447,138	111,435			
Non-Revenue Receipts	-147,582	89,611	5,525,000	200,000	100,000
<b>Total Federal Fund</b>	5,299,556	213,137	5,525,000	200,000	100,000
<b>TOTAL SOURCE OF FUNDS</b>	29,773,139	26,655,692	45,401,500	21,307,500	22,461,500
<b>EXPENDITURES BY CLASS</b>					
Personnel Costs	7,924,176	8,476,776	9,807,100	9,878,800	9,971,600
Operating Expenses	1,725,738	2,401,060	2,717,400	1,380,000	1,271,200
Grants Loans Benefits	16,410,481	13,183,143	32,010,500	9,899,100	9,901,700
Debt Service					922,000
<b>TOTAL EXPENDITURES</b>	26,060,395	24,060,979	44,535,000	21,157,900	22,066,500
<b>EXPENDITURES BY FUND SOURCE</b>					
General Fund	18,579,786	20,317,999	33,413,000	17,963,600	18,953,200
Restricted Funds	2,193,145	3,529,842	5,597,000	2,994,300	3,013,300
Federal Fund	5,287,465	213,137	5,525,000	200,000	100,000
<b>TOTAL EXPENDITURES</b>	26,060,395	24,060,979	44,535,000	21,157,900	22,066,500
<b>EXPENDITURES BY UNIT</b>					
Executive Policy and Management	3,206,619	3,484,287	3,160,500	2,920,100	3,860,000
Business Development	13,844,882	14,887,273	15,518,600	13,184,600	13,132,200
Bluegrass State Skills	2,326,011	3,890,881	17,613,400	2,478,900	2,481,000
Financial Services	6,682,884	1,798,538	8,242,500	2,574,300	2,593,300
<b>TOTAL EXPENDITURES</b>	26,060,395	24,060,979	44,535,000	21,157,900	22,066,500

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 four 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 Budget of the Commonwealth includes a current year appropriation of \$975,000 in Restricted Funds for services related to the customization of computer software.

The Budget of the Commonwealth includes General Fund debt service in the amount of \$922,000 in fiscal year 2017-2018 for debt service on new bonds included in the capital budget.

The Budget of the Commonwealth includes General Fund of \$2,311,200 in fiscal year 2016-2017 and \$2,311,800 in fiscal year 2017-2018 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 2015-2016 and fiscal year 2016-2017 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 2016 combined with the additional training grant allotment amounts for each fiscal year of the 2016-2018 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 Budget of the Commonwealth provides that notwithstanding KRS 154.20-410, any unallotted or unencumbered balances in the Kentucky Alternative Fuel and Renewable Energy Fund may be used to support research and development and commercialization activities undertaken by or in partnership with companies or not-for-profit organizations at a four-year public postsecondary institution in the areas of aerospace/aviation, Exomedicine, and other related activities as approved by the Cabinet for Economic Development.

**Department of Education**

	<b>Actual FY 2014</b>	<b>Actual FY 2015</b>	<b>Revised FY 2016</b>	<b>Enacted FY 2017</b>	<b>Enacted FY 2018</b>
<b>SOURCE OF FUNDS</b>					
<b>General Fund</b>					
Regular Appropriation	3,864,091,000	4,006,095,500	4,093,061,600	4,131,535,300	4,122,851,000
State Salary and Compensation	301,600				
Continuing Approp-General Fund	581,693	240,195	454,000		
Budget Reduction-General Fund	-263,337				
Mandated Allotments	68,740	8,631,900			
<b>Total General Fund</b>	<b>3,864,779,696</b>	<b>4,014,967,595</b>	<b>4,093,515,600</b>	<b>4,131,535,300</b>	<b>4,122,851,000</b>
<b>Restricted Funds</b>					
Balance Forward	11,051,905	8,087,831	9,865,399		
Current Receipts	2,860,959	4,908,652	3,138,887	14,072,900	14,119,300
Non-Revenue Receipts	19,155,795	19,945,232	19,964,214	20,069,600	20,069,600
Fund Transfers		-250,000			
<b>Total Restricted Funds</b>	<b>33,068,660</b>	<b>32,691,715</b>	<b>32,968,500</b>	<b>34,142,500</b>	<b>34,188,900</b>
<b>Federal Fund</b>					
Balance Forward	3,422,231	7,158,647	3,394,181		
Current Receipts	800,150,885	797,545,992	884,750,719	888,475,100	888,493,100
Non-Revenue Receipts	7,694	-4,733			
<b>Total Federal Fund</b>	<b>803,580,810</b>	<b>804,699,906</b>	<b>888,144,900</b>	<b>888,475,100</b>	<b>888,493,100</b>
<b>TOTAL SOURCE OF FUNDS</b>	<b>4,701,429,166</b>	<b>4,852,359,216</b>	<b>5,014,629,000</b>	<b>5,054,152,900</b>	<b>5,045,533,000</b>
<b>EXPENDITURES BY CLASS</b>					
Personnel Costs	100,143,014	107,533,293	114,190,700	116,598,500	116,937,000
Operating Expenses	29,127,940	32,500,360	37,845,900	39,729,300	39,689,900
Grants Loans Benefits	4,546,803,468	4,692,826,723	4,862,592,400	4,895,497,100	4,885,935,600
Debt Service		61,000		578,000	1,220,500
Capital Outlay	151,877	111,330			
Construction	71,366	17,333			
<b>TOTAL EXPENDITURES</b>	<b>4,676,297,665</b>	<b>4,833,050,039</b>	<b>5,014,629,000</b>	<b>5,052,402,900</b>	<b>5,043,783,000</b>
<b>EXPENDITURES BY FUND SOURCE</b>					
General Fund	3,854,894,673	4,008,674,155	4,093,515,600	4,129,785,300	4,121,101,000
Restricted Funds	24,980,829	22,810,004	32,968,500	34,142,500	34,188,900
Federal Fund	796,422,163	801,565,881	888,144,900	888,475,100	888,493,100
<b>TOTAL EXPENDITURES</b>	<b>4,676,297,665</b>	<b>4,833,050,039</b>	<b>5,014,629,000</b>	<b>5,052,402,900</b>	<b>5,043,783,000</b>
<b>EXPENDITURES BY UNIT</b>					
Support Education Excellence in Kentucky (SEEK)	2,878,777,584	2,980,843,337	3,009,490,600	3,035,747,400	3,024,776,100
Operations and Support Services	356,084,718	376,996,045	390,534,600	392,743,700	393,467,200
Learning and Results Services	1,441,435,362	1,475,210,657	1,614,603,800	1,623,911,800	1,625,539,700
<b>TOTAL EXPENDITURES</b>	<b>4,676,297,665</b>	<b>4,833,050,039</b>	<b>5,014,629,000</b>	<b>5,052,402,900</b>	<b>5,043,783,000</b>

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.

## Energy and Environment

	Actual FY 2014	Actual FY 2015	Revised FY 2016	Enacted FY 2017	Enacted FY 2018
<b>SOURCE OF FUNDS</b>					
<b>General Fund</b>					
Regular Appropriation	78,094,100	76,996,900	78,086,400	77,026,500	77,064,000
State Salary and Compensation	266,400				
Current Year Appropriation	742,600				
Continuing Approp-General Fund	675,413	507,686	674,500		
Budget Reduction-General Fund	-500,000				
Mandated Allotments	4,167,672	2,627,385			
<b>Total General Fund</b>	<b>83,446,185</b>	<b>80,131,971</b>	<b>78,760,900</b>	<b>77,026,500</b>	<b>77,064,000</b>
<b>Tobacco Fund</b>					
Tobacco Settlement - Phase I	2,500,000	6,000,000		5,000,000	5,000,000
Special Appropriation			5,000,000		
Continuing Approp-Tob Settlement	7,983,519	7,978,745	11,483,500		
Other	2,150,851				
<b>Total Tobacco Fund</b>	<b>12,634,369</b>	<b>13,978,745</b>	<b>16,483,500</b>	<b>5,000,000</b>	<b>5,000,000</b>
<b>Restricted Funds</b>					
Balance Forward	29,373,707	24,962,723	24,632,700	15,800,000	8,910,197
Current Receipts	22,287,622	24,056,628	22,918,600	26,633,500	27,113,100
Non-Revenue Receipts	58,412,123	60,438,244	66,724,200	66,160,597	65,833,997
Fund Transfers	-16,419,487	-10,765,100	-8,016,200	-8,900,000	8,000,000
<b>Total Restricted Funds</b>	<b>93,653,964</b>	<b>98,692,495</b>	<b>106,259,300</b>	<b>99,694,097</b>	<b>109,857,294</b>
<b>Federal Fund</b>					
Balance Forward	79,714	390,100			94,500
Current Receipts	81,405,222	77,741,238	85,490,700	78,257,800	75,700,300
Non-Revenue Receipts	-13,361,926	-9,100,826	-2,982,900	-3,253,000	-3,205,300
<b>Total Federal Fund</b>	<b>68,123,011</b>	<b>69,030,513</b>	<b>82,507,800</b>	<b>75,004,800</b>	<b>72,589,500</b>
<b>Road Fund</b>					
Regular Appropriation	300,000	316,400	320,900	320,900	320,900
<b>Total Road Fund</b>	<b>300,000</b>	<b>316,400</b>	<b>320,900</b>	<b>320,900</b>	<b>320,900</b>
<b>TOTAL SOURCE OF FUNDS</b>	<b>258,157,529</b>	<b>262,150,123</b>	<b>284,332,400</b>	<b>257,046,297</b>	<b>264,831,694</b>
<b>EXPENDITURES BY CLASS</b>					
Personnel Costs	122,898,478	124,067,861	129,569,900	134,166,500	135,201,700
Operating Expenses	40,600,034	38,658,982	42,077,200	39,920,900	39,265,900
Grants Loans Benefits	35,821,853	32,074,746	51,102,000	38,212,600	36,649,200
Debt Service	1,538,500	589,000	589,000	483,000	654,500
Capital Outlay	3,492,486	6,164,716	8,879,400	8,727,600	7,335,400
Construction	12,500,674	16,590,723	26,077,600	19,463,000	17,463,000
<b>TOTAL EXPENDITURES</b>	<b>216,852,025</b>	<b>218,146,027</b>	<b>258,295,100</b>	<b>240,973,600</b>	<b>236,569,700</b>
<b>EXPENDITURES BY FUND SOURCE</b>					
General Fund	77,623,099	72,243,900	68,523,600	69,958,500	69,996,000
Tobacco Fund	2,504,774	2,495,233	16,483,500	5,000,000	5,000,000
Restricted Funds	68,691,242	74,059,982	90,459,300	90,783,900	89,519,000
Federal Fund	67,732,911	69,030,513	82,507,800	74,910,300	71,733,800
Road Fund	300,000	316,400	320,900	320,900	320,900
<b>TOTAL EXPENDITURES</b>	<b>216,852,025</b>	<b>218,146,027</b>	<b>258,295,100</b>	<b>240,973,600</b>	<b>236,569,700</b>
<b>EXPENDITURES BY UNIT</b>					
Secretary	5,823,605	5,996,226	5,844,600	5,861,200	5,883,600
Environmental Protection	103,582,337	104,792,336	115,522,300	119,498,700	118,153,900
Natural Resources	91,263,821	90,230,152	120,605,700	100,696,500	98,048,600

<b>EXPENDITURES BY UNIT</b>					
Energy Development and Independence	5,027,772	5,373,051	3,994,700	3,416,000	2,934,800
Kentucky Nature Preserves Commission	1,474,059	1,646,227	1,406,700	1,425,900	1,389,100
Public Service Commission	9,680,432	10,108,036	10,921,100	10,075,300	10,159,700
<b>TOTAL EXPENDITURES</b>	<u>216,852,025</u>	<u>218,146,027</u>	<u>258,295,100</u>	<u>240,973,600</u>	<u>236,569,700</u>

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**

	<b>Actual FY 2014</b>	<b>Actual FY 2015</b>	<b>Revised FY 2016</b>	<b>Enacted FY 2017</b>	<b>Enacted FY 2018</b>
<b>SOURCE OF FUNDS</b>					
<b>General Fund</b>					
Regular Appropriation	591,630,600	591,338,800	629,963,900	596,462,400	649,545,100
State Salary and Compensation	400,400				
Special Appropriation			5,459,000		
Budget Reduction-General Fund	-105,000				
Mandated Allotments	4,680,400	5,718,000			
Other					
<b>Total General Fund</b>	<b>596,606,400</b>	<b>597,056,800</b>	<b>635,422,900</b>	<b>596,462,400</b>	<b>649,545,100</b>
<b>Tobacco Fund</b>					
Tobacco Settlement - Phase I	30,935,800	30,820,000	30,907,000	27,235,300	26,917,700
Continuing Approp-Tob Settlement		55,079			
<b>Total Tobacco Fund</b>	<b>30,935,800</b>	<b>30,875,079</b>	<b>30,907,000</b>	<b>27,235,300</b>	<b>26,917,700</b>
<b>Restricted Funds</b>					
Balance Forward	59,328,713	59,141,265	53,033,000	44,990,100	23,233,500
Current Receipts	190,790,604	209,968,125	217,574,200	233,174,900	233,203,300
Non-Revenue Receipts	4,171,664	163,854	1,550,900	1,709,500	1,721,100
Fund Transfers	-12,857,600	-6,000,000	-2,960,000	-15,508,100	-14,208,100
<b>Total Restricted Funds</b>	<b>241,433,382</b>	<b>263,273,244</b>	<b>269,198,100</b>	<b>264,366,400</b>	<b>243,949,800</b>
<b>Federal Fund</b>					
Balance Forward	1	1			
Current Receipts	1,698,258	1,634,312	1,546,300	1,262,800	1,262,800
Non-Revenue Receipts	14,808	4,074			
<b>Total Federal Fund</b>	<b>1,713,067</b>	<b>1,638,388</b>	<b>1,546,300</b>	<b>1,262,800</b>	<b>1,262,800</b>
<b>Road Fund</b>					
Regular Appropriation	3,120,400	3,335,700	3,399,600	3,523,100	3,545,900
<b>Total Road Fund</b>	<b>3,120,400</b>	<b>3,335,700</b>	<b>3,399,600</b>	<b>3,523,100</b>	<b>3,545,900</b>
<b>TOTAL SOURCE OF FUNDS</b>	<b>873,809,049</b>	<b>896,179,211</b>	<b>940,473,900</b>	<b>892,850,000</b>	<b>925,221,300</b>
<b>EXPENDITURES BY CLASS</b>					
Personnel Costs	217,168,131	236,741,590	239,110,000	260,564,300	260,384,300
Operating Expenses	115,831,246	127,389,865	128,457,300	128,067,500	126,089,200
Grants Loans Benefits	2,490,224	1,934,592	1,991,800	1,698,300	1,421,000
Debt Service	432,488,308	425,041,137	441,954,600	438,539,500	489,200,000
Capital Outlay	12,482,251	17,816,826	20,920,000	26,475,600	26,652,900
Construction		10,128			
<b>TOTAL EXPENDITURES</b>	<b>780,460,160</b>	<b>808,934,138</b>	<b>832,433,700</b>	<b>855,345,200</b>	<b>903,747,400</b>
<b>EXPENDITURES BY FUND SOURCE</b>					
General Fund	564,747,434	565,160,618	574,552,300	584,342,500	637,103,400
Tobacco Fund	28,587,221	28,559,064	28,727,500	25,083,900	24,699,700
Restricted Funds	182,292,117	210,240,370	224,208,000	241,132,900	237,135,600
Federal Fund	1,713,066	1,638,387	1,546,300	1,262,800	1,262,800
Road Fund	3,120,321	3,335,700	3,399,600	3,523,100	3,545,900
<b>TOTAL EXPENDITURES</b>	<b>780,460,159</b>	<b>808,934,138</b>	<b>832,433,700</b>	<b>855,345,200</b>	<b>903,747,400</b>
<b>EXPENDITURES BY UNIT</b>					
General Administration	35,900,011	36,531,789	39,521,900	42,281,800	46,661,600
Controller	15,045,144	13,902,136	15,026,400	17,190,900	17,415,100
Debt Service	431,428,183	423,491,100	441,949,600	435,820,000	481,757,500
Facilities and Support Services	41,053,596	43,999,682	44,828,300	52,973,800	51,619,800
County Costs	22,535,212	22,972,166	17,599,500	17,599,500	17,599,500

**EXPENDITURES BY UNIT**

Commonwealth Office of Technology	94,542,266	118,452,195	124,824,300	132,118,800	129,638,900
Revenue	95,859,537	102,446,628	100,438,200	106,025,700	106,764,800
Property Valuation Administrators	44,096,211	47,138,442	48,245,500	51,334,700	52,290,200
<b>TOTAL EXPENDITURES</b>	<u>780,460,159</u>	<u>808,934,138</u>	<u>832,433,700</u>	<u>855,345,200</u>	<u>903,747,400</u>

The Finance and Administration Cabinet is responsible for managing the financial resources of the Commonwealth and for 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**

	<b>Actual FY 2014</b>	<b>Actual FY 2015</b>	<b>Revised FY 2016</b>	<b>Enacted FY 2017</b>	<b>Enacted FY 2018</b>
<b>SOURCE OF FUNDS</b>					
<b>General Fund</b>					
Regular Appropriation	2,185,860,800	2,310,593,300	2,381,426,800	2,512,159,900	2,714,480,600
State Salary and Compensation	647,600				
Other					
<b>Total General Fund</b>	<b>2,186,508,400</b>	<b>2,310,593,300</b>	<b>2,381,426,800</b>	<b>2,512,159,900</b>	<b>2,714,480,600</b>
<b>Tobacco Fund</b>					
Tobacco Settlement - Phase I	36,777,900	23,672,700	25,036,800	21,492,900	23,954,200
Special Appropriation			682,500		
Continuing Approp-Tob Settlement	3,697,993	4,052,640	5,017,000	2,046,600	
Other	19,536,279				
<b>Total Tobacco Fund</b>	<b>60,012,172</b>	<b>27,725,340</b>	<b>30,736,300</b>	<b>23,539,500</b>	<b>23,954,200</b>
<b>Restricted Funds</b>					
Balance Forward	49,599,833	61,995,357	52,321,300	20,803,700	23,211,100
Current Receipts	636,202,998	597,143,330	596,540,300	604,720,800	610,712,200
Non-Revenue Receipts	378,257,619	369,191,614	472,186,800	464,166,400	474,615,200
Fund Transfers	-15,000,000			-500,000	500,000
<b>Total Restricted Funds</b>	<b>1,049,060,450</b>	<b>1,028,330,301</b>	<b>1,121,048,400</b>	<b>1,089,190,900</b>	<b>1,109,038,500</b>
<b>Federal Fund</b>					
Balance Forward	153,594,830	948,725,117	63,073,900		
Current Receipts	6,933,761,848	7,673,187,910	9,070,805,900	9,382,458,100	9,662,789,900
Non-Revenue Receipts	-3,901,098	-796,854			
<b>Total Federal Fund</b>	<b>7,083,455,581</b>	<b>8,621,116,173</b>	<b>9,133,879,800</b>	<b>9,382,458,100</b>	<b>9,662,789,900</b>
<b>TOTAL SOURCE OF FUNDS</b>	<b>10,379,036,603</b>	<b>11,987,765,113</b>	<b>12,667,091,300</b>	<b>13,007,348,400</b>	<b>13,510,263,200</b>
<b>EXPENDITURES BY CLASS</b>					
Personnel Costs	726,271,037	752,624,705	778,573,100	896,473,600	883,734,800
Operating Expenses	116,088,676	133,213,691	144,196,100	139,707,200	138,042,400
Grants Loans Benefits	8,478,851,980	10,962,382,342	11,676,708,400	11,934,973,000	12,436,325,800
Debt Service	8,792,238	11,574,225	11,257,700	11,707,600	12,119,100
Capital Outlay	1,086,318	2,594,188	2,404,800	1,275,900	1,275,900
Construction	136,954	232,735			
<b>TOTAL EXPENDITURES</b>	<b>9,331,227,202</b>	<b>11,862,621,886</b>	<b>12,613,140,100</b>	<b>12,984,137,300</b>	<b>13,471,498,000</b>
<b>EXPENDITURES BY FUND SOURCE</b>					
General Fund	2,173,008,391	2,305,862,500	2,350,325,900	2,512,159,900	2,714,480,600
Tobacco Fund	36,423,254	22,708,314	28,689,700	23,539,500	23,954,200
Restricted Funds	987,065,094	976,009,063	1,100,244,700	1,065,979,800	1,070,273,300
Federal Fund	6,134,730,464	8,558,042,009	9,133,879,800	9,382,458,100	9,662,789,900
<b>TOTAL EXPENDITURES</b>	<b>9,331,227,202</b>	<b>11,862,621,886</b>	<b>12,613,140,100</b>	<b>12,984,137,300</b>	<b>13,471,498,000</b>
<b>EXPENDITURES BY UNIT</b>					
Health Benefit and Information Exchange	61,366,604	60,523,880	47,627,600	43,028,600	17,413,800
General Administration and Program Support	84,613,047	85,384,283	84,802,900	89,928,100	90,312,900
Health Policy	997,699	1,094,375	3,253,200	2,767,100	2,273,200
Aging and Independent Living	66,086,036	68,677,057	70,678,400	70,596,900	70,730,500
Income Support	93,722,848	99,508,650	104,095,200	106,993,100	108,735,300
Public Health	332,237,787	329,047,004	372,026,000	361,317,000	362,276,600
Behavioral Health, Developmental & Intellectual Disabilities	468,529,726	436,449,721	456,032,000	430,873,800	431,664,000
Family Resource Centers and Volunteer Services	4,492,713	6,497,818	4,481,800	6,271,400	6,281,700

**EXPENDITURES BY UNIT**

Community Based Services	973,330,529	991,194,921	1,020,334,700	1,061,457,800	1,068,470,000
Medicaid Services	7,229,851,377	9,767,894,186	10,431,154,800	10,791,038,800	11,293,084,200
Comm for Children with Special Health Care Needs	15,998,838	16,349,990	18,653,500	19,864,700	20,255,800
<b>TOTAL EXPENDITURES</b>	<b>9,331,227,202</b>	<b>11,862,621,886</b>	<b>12,613,140,100</b>	<b>12,984,137,300</b>	<b>13,471,498,000</b>

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, 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 which comprise the Administration and Program Support appropriation unit. Remaining agencies/appropriation units within the Cabinet include the Kentucky Office of Health Benefit and Information 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**

	<b>Actual FY 2014</b>	<b>Actual FY 2015</b>	<b>Revised FY 2016</b>	<b>Enacted FY 2017</b>	<b>Enacted FY 2018</b>
<b>SOURCE OF FUNDS</b>					
<b>General Fund</b>					
Regular Appropriation	652,275,900	679,564,200	691,476,700	760,478,000	769,495,100
State Salary and Compensation	1,836,900				
Special Appropriation			10,000,000		
Current Year Appropriation	11,625,400		16,177,500		
Mandated Allotments	13,730,900	11,800,000	16,800,000		
Other					
<b>Total General Fund</b>	<b>679,469,100</b>	<b>691,364,200</b>	<b>734,454,200</b>	<b>760,478,000</b>	<b>769,495,100</b>
<b>Tobacco Fund</b>					
Tobacco Settlement - Phase I	1,700,200	1,700,200	1,241,100	1,609,100	1,769,800
Special Appropriation			459,100		
Continuing Approp-Tob Settlement	47,110	25,461	73,100		
<b>Total Tobacco Fund</b>	<b>1,747,310</b>	<b>1,725,661</b>	<b>1,773,300</b>	<b>1,609,100</b>	<b>1,769,800</b>
<b>Restricted Funds</b>					
Balance Forward	30,157,430	19,229,788	19,054,300	19,057,800	16,304,600
Current Receipts	40,012,406	42,489,951	45,393,000	45,545,800	41,825,700
Non-Revenue Receipts	75,081,914	85,515,022	90,861,000	94,804,900	96,799,700
Fund Transfers	-17,738,800	-16,530,000	-11,000,000		
<b>Total Restricted Funds</b>	<b>127,512,949</b>	<b>130,704,761</b>	<b>144,308,300</b>	<b>159,408,500</b>	<b>154,930,000</b>
<b>Federal Fund</b>					
Balance Forward	953,067	804,357	918,100	21,859,300	24,259,900
Current Receipts	46,671,583	40,487,417	59,935,300	41,109,900	41,250,000
Non-Revenue Receipts	-8,073,832	-1,258,682	-684,500	10,000,000	10,000,000
<b>Total Federal Fund</b>	<b>39,550,818</b>	<b>40,033,092</b>	<b>60,168,900</b>	<b>72,969,200</b>	<b>75,509,900</b>
<b>Road Fund</b>					
Regular Appropriation	91,898,200	95,745,500	96,845,800	87,676,700	88,596,700
<b>Total Road Fund</b>	<b>91,898,200</b>	<b>95,745,500</b>	<b>96,845,800</b>	<b>87,676,700</b>	<b>88,596,700</b>
<b>TOTAL SOURCE OF FUNDS</b>	<b>940,178,377</b>	<b>959,573,214</b>	<b>1,037,550,500</b>	<b>1,082,141,500</b>	<b>1,090,301,500</b>
<b>EXPENDITURES BY CLASS</b>					
Personnel Costs	536,365,601	531,128,854	566,596,000	597,378,700	605,305,000
Operating Expenses	112,766,968	123,198,872	123,835,300	114,982,600	114,262,100
Grants Loans Benefits	257,355,809	275,372,955	291,620,500	316,885,700	316,564,300
Debt Service	2,673,406	2,510,376	2,140,500	2,394,400	3,062,600
Capital Outlay	7,119,609	7,289,205	5,738,200	9,935,200	5,923,200
Construction	41,745	27,444	400	400	400
<b>TOTAL EXPENDITURES</b>	<b>916,323,139</b>	<b>939,527,705</b>	<b>989,930,900</b>	<b>1,041,577,000</b>	<b>1,045,117,600</b>
<b>EXPENDITURES BY FUND SOURCE</b>					
General Fund	675,673,467	691,364,197	727,751,700	760,478,000	769,495,100
Tobacco Fund	1,721,849	1,652,537	1,773,300	1,609,100	1,769,800
Restricted Funds	108,283,162	111,650,502	125,250,500	143,103,900	136,438,000
Federal Fund	38,746,461	39,114,969	38,309,600	48,709,300	48,818,000
Road Fund	91,898,200	95,745,500	96,845,800	87,676,700	88,596,700
<b>TOTAL EXPENDITURES</b>	<b>916,323,139</b>	<b>939,527,705</b>	<b>989,930,900</b>	<b>1,041,577,000</b>	<b>1,045,117,600</b>
<b>EXPENDITURES BY UNIT</b>					
Justice Administration	27,802,468	25,911,784	37,328,700	54,648,500	55,441,300
Criminal Justice Training	49,084,401	51,667,300	52,087,600	72,971,100	69,409,600
Juvenile Justice	106,795,200	107,713,200	105,836,400	111,556,100	112,463,100
State Police	193,072,364	204,830,098	209,457,900	223,477,500	228,096,900
Corrections	490,504,275	498,253,660	530,876,500	524,076,000	524,628,400

**EXPENDITURES BY UNIT**

Public Advocacy	49,064,431	51,151,663	54,343,800	54,847,800	55,078,300
<b>TOTAL EXPENDITURES</b>	<u>916,323,139</u>	<u>939,527,705</u>	<u>989,930,900</u>	<u>1,041,577,000</u>	<u>1,045,117,600</u>

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**

	<b>Actual FY 2014</b>	<b>Actual FY 2015</b>	<b>Revised FY 2016</b>	<b>Enacted FY 2017</b>	<b>Enacted FY 2018</b>
<b>SOURCE OF FUNDS</b>					
<b>General Fund</b>					
Regular Appropriation	4,744,100	5,101,500	5,183,400	5,201,000	5,244,300
State Salary and Compensation	17,000				
Budget Reduction-General Fund	-90,000				
<b>Total General Fund</b>	<b>4,671,100</b>	<b>5,101,500</b>	<b>5,183,400</b>	<b>5,201,000</b>	<b>5,244,300</b>
<b>Restricted Funds</b>					
Balance Forward	19,995,612	23,548,734	9,941,200	622,900	1,281,100
Current Receipts	100,080,972	86,738,332	103,646,200	116,188,800	118,211,500
Non-Revenue Receipts	87,493,166	97,746,871	99,656,700	108,954,200	110,074,700
Fund Transfers	-93,504				
<b>Total Restricted Funds</b>	<b>207,476,247</b>	<b>208,033,937</b>	<b>213,244,100</b>	<b>225,765,900</b>	<b>229,567,300</b>
<b>Federal Fund</b>					
Balance Forward	137,438				
Current Receipts	3,349,115	3,783,604	4,162,900	3,666,300	3,666,300
Non-Revenue Receipts	-22,814	-18,986	-16,800	-16,800	-16,800
<b>Total Federal Fund</b>	<b>3,463,738</b>	<b>3,764,618</b>	<b>4,146,100</b>	<b>3,649,500</b>	<b>3,649,500</b>
<b>TOTAL SOURCE OF FUNDS</b>	<b>215,611,086</b>	<b>216,900,054</b>	<b>222,573,600</b>	<b>234,616,400</b>	<b>238,461,100</b>
<b>EXPENDITURES BY CLASS</b>					
Personnel Costs	124,263,149	134,946,084	143,301,500	152,164,800	154,593,300
Operating Expenses	5,087,305	5,907,515	7,263,800	7,580,000	7,571,900
Grants Loans Benefits	62,437,212	63,880,859	71,012,100	73,400,500	75,389,900
Capital Outlay	272,102	2,224,476	140,000	190,000	190,000
<b>TOTAL EXPENDITURES</b>	<b>192,059,768</b>	<b>206,958,934</b>	<b>221,717,400</b>	<b>233,335,300</b>	<b>237,745,100</b>
<b>EXPENDITURES BY FUND SOURCE</b>					
General Fund	4,668,516	5,101,500	4,950,100	5,201,000	5,244,300
Restricted Funds	183,927,514	198,092,816	212,621,200	224,484,800	228,851,300
Federal Fund	3,463,738	3,764,618	4,146,100	3,649,500	3,649,500
<b>TOTAL EXPENDITURES</b>	<b>192,059,768</b>	<b>206,958,934</b>	<b>221,717,400</b>	<b>233,335,300</b>	<b>237,745,100</b>
<b>EXPENDITURES BY UNIT</b>					
Secretary	3,689,674	4,030,635	4,603,600	4,736,700	4,780,500
General Administration and Program Support	5,757,252	5,817,179	6,608,000	6,373,100	6,403,400
Workplace Standards	73,485,468	75,216,513	84,297,800	87,217,900	89,327,500
Workers' Claims	14,973,463	18,456,148	18,039,100	18,876,000	19,040,800
Occupational Safety and Health Review Commission	676,003	688,041	770,900	806,500	813,100
Workers' Compensation Funding Commission	93,477,907	102,750,418	107,398,000	115,325,100	117,379,800
<b>TOTAL EXPENDITURES</b>	<b>192,059,768</b>	<b>206,958,934</b>	<b>221,717,400</b>	<b>233,335,300</b>	<b>237,745,100</b>

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.

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**

	<b>Actual FY 2014</b>	<b>Actual FY 2015</b>	<b>Revised FY 2016</b>	<b>Enacted FY 2017</b>	<b>Enacted FY 2018</b>
<b>SOURCE OF FUNDS</b>					
<b>General Fund</b>					
Regular Appropriation	5,557,800	959,600	959,600	873,200	873,200
State Salary and Compensation	-4,500,000				
Budget Reduction-General Fund	-5,030				
<b>Total General Fund</b>	<b>1,052,770</b>	<b>959,600</b>	<b>959,600</b>	<b>873,200</b>	<b>873,200</b>
<b>Restricted Funds</b>					
Balance Forward	18,878,816	20,184,927	18,332,200	16,016,800	14,175,500
Current Receipts	51,539,282	51,858,285	51,806,500	54,769,200	55,449,400
Non-Revenue Receipts	9,899,121	9,529,197	7,267,800	7,571,300	7,601,800
Fund Transfers	-3,074,800	-4,460,080			
<b>Total Restricted Funds</b>	<b>77,242,419</b>	<b>77,112,329</b>	<b>77,406,500</b>	<b>78,357,300</b>	<b>77,226,700</b>
<b>TOTAL SOURCE OF FUNDS</b>	<b>78,295,189</b>	<b>78,071,929</b>	<b>78,366,100</b>	<b>79,230,500</b>	<b>78,099,900</b>
<b>EXPENDITURES BY CLASS</b>					
Personnel Costs	51,676,103	52,462,588	55,005,400	57,502,000	58,764,600
Operating Expenses	5,365,493	6,124,256	6,191,700	6,487,200	7,032,900
Grants Loans Benefits	1,053,069	959,900	916,700	873,500	873,500
Capital Outlay	15,596	193,037	192,300	192,300	192,300
<b>TOTAL EXPENDITURES</b>	<b>58,110,261</b>	<b>59,739,782</b>	<b>62,306,100</b>	<b>65,055,000</b>	<b>66,863,300</b>
<b>EXPENDITURES BY FUND SOURCE</b>					
General Fund	1,052,769	959,600	916,400	873,200	873,200
Restricted Funds	57,057,492	58,780,182	61,389,700	64,181,800	65,990,100
<b>TOTAL EXPENDITURES</b>	<b>58,110,261</b>	<b>59,739,782</b>	<b>62,306,100</b>	<b>65,055,000</b>	<b>66,863,300</b>
<b>EXPENDITURES BY UNIT</b>					
General Operations	26,326,670	27,762,148	28,028,200	29,586,000	30,320,800
Public Employees Deferred Compensation Authority	7,045,321	7,757,844	9,161,500	9,315,500	9,340,700
Workers' Compensation Benefits and Reserve	23,685,501	23,260,189	24,200,000	25,280,300	26,328,600
State Group Health Insurance Fund	1,052,769	959,600	916,400	873,200	873,200
<b>TOTAL EXPENDITURES</b>	<b>58,110,261</b>	<b>59,739,782</b>	<b>62,306,100</b>	<b>65,055,000</b>	<b>66,863,300</b>

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**

	<b>Actual FY 2014</b>	<b>Actual FY 2015</b>	<b>Revised FY 2016</b>	<b>Enacted FY 2017</b>	<b>Enacted FY 2018</b>
<b>SOURCE OF FUNDS</b>					
<b>General Fund</b>					
Regular Appropriation	1,175,796,000	1,152,437,600	1,164,420,400	1,160,851,100	1,173,458,600
State Salary and Compensation	19,400				
Special Appropriation		5,459,000			
Current Year Appropriation	1,800,000		1,400,000		
Continuing Approp-General Fund	10,097,852	6,828,517	9,725,000		
Budget Reduction-General Fund	-383,632				
Mandated Allotments		637,800			
<b>Total General Fund</b>	<b>1,187,329,620</b>	<b>1,165,362,917</b>	<b>1,175,545,400</b>	<b>1,160,851,100</b>	<b>1,173,458,600</b>
<b>Tobacco Fund</b>					
Tobacco Settlement - Phase I	4,887,800	6,072,500	4,707,500	5,806,100	6,276,100
Special Appropriation			1,365,000		
Continuing Approp-Tob Settlement	743,010	284,172	537,000		
Other	3,730,819				
<b>Total Tobacco Fund</b>	<b>9,361,630</b>	<b>6,356,672</b>	<b>6,609,500</b>	<b>5,806,100</b>	<b>6,276,100</b>
<b>Restricted Funds</b>					
Balance Forward	7,512,850	5,416,378	6,630,400	5,368,400	4,790,000
Current Receipts	3,833,768,145	4,301,145,363	5,218,035,600	5,563,815,900	5,942,919,400
Non-Revenue Receipts	14,022,731	12,523,980	13,890,000	13,779,000	13,779,000
Fund Transfers		-500,000			
<b>Total Restricted Funds</b>	<b>3,855,303,727</b>	<b>4,318,585,720</b>	<b>5,238,556,000</b>	<b>5,582,963,300</b>	<b>5,961,488,400</b>
<b>Federal Fund</b>					
Balance Forward		233,764	172,500	400	
Current Receipts	809,584,086	797,376,524	901,765,000	930,822,400	961,234,000
Non-Revenue Receipts	-343,708		-172,100		
<b>Total Federal Fund</b>	<b>809,240,378</b>	<b>797,610,288</b>	<b>901,765,400</b>	<b>930,822,800</b>	<b>961,234,000</b>
<b>TOTAL SOURCE OF FUNDS</b>	<b>5,861,235,354</b>	<b>6,287,915,597</b>	<b>7,322,476,300</b>	<b>7,680,443,300</b>	<b>8,102,457,100</b>
<b>EXPENDITURES BY CLASS</b>					
Personnel Costs	3,224,999,340	3,400,566,366	3,524,193,800	3,689,612,200	3,875,883,800
Operating Expenses	1,380,367,002	1,483,469,301	2,216,783,300	2,352,139,700	2,542,494,000
Grants Loans Benefits	798,485,285	787,710,215	1,207,036,000	1,252,355,600	1,290,936,200
Debt Service	114,715,669	125,286,958	148,134,600	155,090,800	154,088,700
Capital Outlay	182,225,807	192,401,202	203,131,100	217,055,000	236,026,600
<b>TOTAL EXPENDITURES</b>	<b>5,700,793,103</b>	<b>5,989,434,043</b>	<b>7,299,278,800</b>	<b>7,666,253,300</b>	<b>8,099,429,300</b>
<b>EXPENDITURES BY FUND SOURCE</b>					
General Fund	1,177,567,001	1,155,637,886	1,157,716,700	1,151,451,100	1,173,458,600
Tobacco Fund	5,346,638	5,819,714	6,609,500	5,806,100	6,276,100
Restricted Funds	3,708,872,849	4,030,565,838	5,233,187,600	5,578,173,300	5,958,460,600
Federal Fund	809,006,614	797,410,605	901,765,000	930,822,800	961,234,000
<b>TOTAL EXPENDITURES</b>	<b>5,700,793,103</b>	<b>5,989,434,043</b>	<b>7,299,278,800</b>	<b>7,666,253,300</b>	<b>8,099,429,300</b>
<b>EXPENDITURES BY UNIT</b>					
Council on Postsecondary Education	71,127,715	68,683,278	72,204,100	69,075,800	69,591,700
Kentucky Higher Education Assistance Authority	228,286,151	228,506,610	246,713,200	264,306,000	280,529,500
Postsecondary Education Institutions	5,401,379,237	5,692,244,155	6,980,361,500	7,332,871,500	7,749,308,100
<b>TOTAL EXPENDITURES</b>	<b>5,700,793,103</b>	<b>5,989,434,043</b>	<b>7,299,278,800</b>	<b>7,666,253,300</b>	<b>8,099,429,300</b>

**Public Protection**

	<b>Actual FY 2014</b>	<b>Actual FY 2015</b>	<b>Revised FY 2016</b>	<b>Enacted FY 2017</b>	<b>Enacted FY 2018</b>
<b>SOURCE OF FUNDS</b>					
<b>General Fund</b>					
Regular Appropriation	6,814,300	5,200,400	7,322,000	7,102,700	7,172,300
State Salary and Compensation	25,300				
Budget Reduction-General Fund	-67,500				
<b>Total General Fund</b>	<b>6,772,100</b>	<b>5,200,400</b>	<b>7,322,000</b>	<b>7,102,700</b>	<b>7,172,300</b>
<b>Restricted Funds</b>					
Balance Forward	64,678,776	69,153,582	70,279,200	65,424,500	53,715,700
Current Receipts	87,438,947	91,680,972	92,899,100	93,645,000	95,247,500
Non-Revenue Receipts	19,501,248	20,604,938	21,046,500	24,461,600	24,281,100
Fund Transfers	-28,007,125	-31,450,000	-28,450,000	-30,850,000	-30,850,000
<b>Total Restricted Funds</b>	<b>143,611,846</b>	<b>149,989,493</b>	<b>155,774,800</b>	<b>152,681,100</b>	<b>142,394,300</b>
<b>Federal Fund</b>					
Balance Forward	8,541		1,300		
Current Receipts	1,016,819	941,694	1,447,400	1,369,400	1,295,700
<b>Total Federal Fund</b>	<b>1,025,360</b>	<b>941,694</b>	<b>1,448,700</b>	<b>1,369,400</b>	<b>1,295,700</b>
<b>TOTAL SOURCE OF FUNDS</b>	<b>151,414,099</b>	<b>156,126,794</b>	<b>164,545,500</b>	<b>161,153,200</b>	<b>150,862,300</b>
<b>EXPENDITURES BY CLASS</b>					
Personnel Costs	52,385,415	53,831,052	62,221,300	67,274,900	68,055,300
Operating Expenses	9,573,711	10,504,505	12,413,200	13,364,800	13,204,600
Grants Loans Benefits	20,004,874	20,643,084	23,082,900	25,215,400	25,815,400
Capital Outlay	266,923	867,561	1,074,200	1,582,400	1,295,200
Construction	1,627				
<b>TOTAL EXPENDITURES</b>	<b>82,232,549</b>	<b>85,846,201</b>	<b>98,791,600</b>	<b>107,437,500</b>	<b>108,370,500</b>
<b>EXPENDITURES BY FUND SOURCE</b>					
General Fund	6,744,132	5,200,400	6,992,600	7,102,700	7,172,300
Restricted Funds	74,458,264	79,710,186	90,350,300	98,965,400	99,902,500
Federal Fund	1,030,153	935,616	1,448,700	1,369,400	1,295,700
<b>TOTAL EXPENDITURES</b>	<b>82,232,549</b>	<b>85,846,201</b>	<b>98,791,600</b>	<b>107,437,500</b>	<b>108,370,500</b>
<b>EXPENDITURES BY UNIT</b>					
Secretary	5,128,906	5,532,256	6,201,200	6,574,100	6,625,700
Boxing and Wrestling Authority	121,197	129,305	169,100	161,300	161,800
Alcoholic Beverage Control	5,220,329	5,533,899	6,360,700	7,733,400	7,746,400
Charitable Gaming	3,031,198	2,918,712	3,489,300	3,714,300	3,742,200
Board of Claims/Crime Victims' Compensation	2,055,305	2,106,549	2,068,700	1,977,500	1,910,500
Financial Institutions	9,081,154	9,531,790	10,984,400	12,274,100	12,678,500
Horse Racing Commission	24,410,808	25,231,455	29,026,100	31,661,800	32,293,400
Housing, Buildings and Construction	17,709,253	19,237,687	21,194,900	23,392,800	23,197,500
Insurance	15,052,259	15,160,250	18,846,600	19,498,200	19,560,700
Tax Appeals	422,140	464,300	450,600	450,000	453,800
<b>TOTAL EXPENDITURES</b>	<b>82,232,549</b>	<b>85,846,201</b>	<b>98,791,600</b>	<b>107,437,500</b>	<b>108,370,500</b>

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**

	<b>Actual FY 2014</b>	<b>Actual FY 2015</b>	<b>Revised FY 2016</b>	<b>Enacted FY 2017</b>	<b>Enacted FY 2018</b>
<b>SOURCE OF FUNDS</b>					
<b>General Fund</b>					
Regular Appropriation	47,468,200	56,539,600	54,271,800	57,728,500	59,236,000
State Salary and Compensation	269,600				
Current Year Appropriation	18,716,900		14,680,000		
Budget Reduction-General Fund	-15,000				
<b>Total General Fund</b>	<b>66,439,700</b>	<b>56,539,600</b>	<b>68,951,800</b>	<b>57,728,500</b>	<b>59,236,000</b>
<b>Restricted Funds</b>					
Balance Forward	90,546,966	93,998,026	105,127,600	98,858,400	100,219,600
Current Receipts	154,796,510	166,855,072	165,737,700	165,911,300	168,328,000
Non-Revenue Receipts	-17,565,318	7,616,617	-20,304,100	-7,160,800	-6,639,000
Fund Transfers		-6,600,000	-3,000,000		
<b>Total Restricted Funds</b>	<b>227,778,159</b>	<b>261,869,715</b>	<b>247,561,200</b>	<b>257,608,900</b>	<b>261,908,600</b>
<b>Federal Fund</b>					
Balance Forward	10,624,753	6,812,865	8,198,700	8,198,700	8,343,100
Current Receipts	17,036,822	17,690,207	18,190,700	19,228,700	19,919,100
Non-Revenue Receipts	-4,748,836	-388,120			
<b>Total Federal Fund</b>	<b>22,912,738</b>	<b>24,114,953</b>	<b>26,389,400</b>	<b>27,427,400</b>	<b>28,262,200</b>
<b>Road Fund</b>					
Regular Appropriation	350,000	393,400	410,500	439,800	445,200
<b>Total Road Fund</b>	<b>350,000</b>	<b>393,400</b>	<b>410,500</b>	<b>439,800</b>	<b>445,200</b>
<b>TOTAL SOURCE OF FUNDS</b>	<b>317,480,597</b>	<b>342,917,668</b>	<b>343,312,900</b>	<b>343,204,600</b>	<b>349,852,000</b>
<b>EXPENDITURES BY CLASS</b>					
Personnel Costs	128,140,214	137,913,914	141,034,300	144,160,200	145,484,700
Operating Expenses	70,913,901	78,420,616	81,987,300	77,592,600	79,699,800
Grants Loans Benefits	10,381,180	8,439,209	8,460,300	8,600,100	8,612,600
Debt Service	3,437,820	1,693,746	1,028,100	1,435,600	2,316,600
Capital Outlay	3,736,474	3,094,238	2,889,800	2,853,400	2,457,400
Construction	37,793	29,013			
<b>TOTAL EXPENDITURES</b>	<b>216,647,382</b>	<b>229,590,735</b>	<b>235,399,800</b>	<b>234,641,900</b>	<b>238,571,100</b>
<b>EXPENDITURES BY FUND SOURCE</b>					
General Fund	66,417,377	56,538,906	68,095,800	57,728,500	59,236,000
Restricted Funds	133,780,132	156,742,174	148,702,800	157,389,300	159,929,700
Federal Fund	16,099,873	15,916,254	18,190,700	19,084,300	18,960,200
Road Fund	350,000	393,400	410,500	439,800	445,200
<b>TOTAL EXPENDITURES</b>	<b>216,647,382</b>	<b>229,590,735</b>	<b>235,399,800</b>	<b>234,641,900</b>	<b>238,571,100</b>
<b>EXPENDITURES BY UNIT</b>					
Secretary	12,597,336	15,249,199	13,223,000	15,831,400	16,864,200
Artisans Center	2,334,530	2,400,445	2,381,900	2,424,200	2,435,000
Travel	3,079,723	3,111,753	3,051,600	3,051,800	3,077,700
Parks	80,028,241	88,163,917	89,715,400	84,758,400	85,615,400
Horse Park Commission	13,653,522	14,154,337	14,190,400	14,422,400	14,479,600
State Fair Board	42,942,790	44,101,288	47,281,300	46,246,300	48,134,800
Fish and Wildlife Resources	49,126,429	49,149,230	52,972,400	55,439,800	55,454,200
Historical Society	6,440,962	6,604,102	6,352,600	6,222,900	6,234,700
Arts Council	3,971,190	3,851,149	3,530,500	3,485,800	3,500,800
Heritage Council	1,671,156	1,774,778	1,804,200	1,845,800	1,859,600
Kentucky Center for the Arts	801,504	1,030,535	896,500	913,100	915,100
<b>TOTAL EXPENDITURES</b>	<b>216,647,382</b>	<b>229,590,735</b>	<b>235,399,800</b>	<b>234,641,900</b>	<b>238,571,100</b>

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**

	<b>Actual FY 2014</b>	<b>Actual FY 2015</b>	<b>Revised FY 2016</b>	<b>Enacted FY 2017</b>	<b>Enacted FY 2018</b>
<b>SOURCE OF FUNDS</b>					
<b>General Fund</b>					
Regular Appropriation	5,678,200	6,228,200	6,228,200	6,228,200	6,228,200
Special Appropriation		7,800,000		10,000,000	10,000,000
Continuing Approp-General Fund	299,419	107,012	197,100		
Budget Reduction-General Fund	-52,400				
<b>Total General Fund</b>	<b>5,925,219</b>	<b>14,135,212</b>	<b>6,425,300</b>	<b>16,228,200</b>	<b>16,228,200</b>
<b>Restricted Funds</b>					
Balance Forward	165,118,133	866,575,744	410,525,900	474,721,900	594,670,900
Current Receipts	110,594,657	109,406,979	125,283,400	134,152,300	134,334,200
Non-Revenue Receipts	1,080,797,855	-3,398,531	195,441,200	124,945,000	-55,000
Fund Transfers	-13,042,524	-7,818,000	-8,564,800	-6,416,100	-6,418,900
<b>Total Restricted Funds</b>	<b>1,343,468,121</b>	<b>964,766,191</b>	<b>722,685,700</b>	<b>727,403,100</b>	<b>722,531,200</b>
<b>Federal Fund</b>					
Balance Forward	32,978	26,934			
Current Receipts	716,509,821	758,287,264	751,246,200	740,779,100	755,708,900
Non-Revenue Receipts	-4,022,984	5,322,732			
<b>Total Federal Fund</b>	<b>712,519,814</b>	<b>763,636,930</b>	<b>751,246,200</b>	<b>740,779,100</b>	<b>755,708,900</b>
<b>Road Fund</b>					
Regular Appropriation	1,476,593,100	1,488,045,300	1,443,678,300	1,361,366,500	1,380,512,200
Surplus Expenditure Plan	17,718,003		6,338,100		
Continuing Approp-Road Fund	697,317,189	616,086,784			
Budget Reduction-Road Fund	-3,688,207		-30,832,500		
Other	-4,933,814	-13,714,628	-61,952,200		
<b>Total Road Fund</b>	<b>2,183,006,271</b>	<b>2,090,417,456</b>	<b>1,357,231,700</b>	<b>1,361,366,500</b>	<b>1,380,512,200</b>
<b>TOTAL SOURCE OF FUNDS</b>	<b>4,244,919,425</b>	<b>3,832,955,789</b>	<b>2,837,588,900</b>	<b>2,845,776,900</b>	<b>2,874,980,500</b>
<b>EXPENDITURES BY CLASS</b>					
Personnel Costs	459,790,633	504,464,212	478,750,000	491,650,800	470,039,100
Operating Expenses	292,551,614	334,772,074	300,118,600	307,407,400	307,400,800
Grants Loans Benefits	283,142,243	270,128,550	257,035,700	234,906,700	234,494,100
Debt Service	207,286,062	225,179,487	231,251,900	244,988,700	273,439,400
Capital Outlay	20,611,090	8,356,889	655,000	491,700	450,600
Construction	1,460,081,455	1,613,645,458	1,073,021,900	968,177,700	994,750,200
<b>TOTAL EXPENDITURES</b>	<b>2,723,463,097</b>	<b>2,956,546,671</b>	<b>2,340,833,100</b>	<b>2,247,623,000</b>	<b>2,280,574,200</b>
<b>EXPENDITURES BY FUND SOURCE</b>					
General Fund	5,818,084	13,937,334	6,425,300	16,228,200	16,228,200
Restricted Funds	476,892,378	554,240,233	247,963,800	132,732,200	131,730,500
Federal Fund	712,492,880	763,636,929	751,246,200	740,779,100	755,708,900
Road Fund	1,528,259,756	1,624,732,175	1,335,197,800	1,357,883,500	1,376,906,600
<b>TOTAL EXPENDITURES</b>	<b>2,723,463,097</b>	<b>2,956,546,671</b>	<b>2,340,833,100</b>	<b>2,247,623,000</b>	<b>2,280,574,200</b>
<b>EXPENDITURES BY UNIT</b>					
General Administration and Support	66,850,504	70,790,074	73,238,300	76,967,400	77,293,000
Aviation	8,305,261	10,891,173	29,361,400	24,964,800	23,427,000
Debt Service	142,415,705	149,595,679	150,430,100	156,899,900	162,220,000
Highways	2,016,545,697	2,249,472,341	1,664,504,300	1,579,906,300	1,605,765,500
Public Transportation	32,563,930	30,137,393	51,427,400	32,151,300	32,215,800
Revenue Sharing	400,063,048	398,210,266	328,632,300	330,812,900	332,030,200
Vehicle Regulation	37,599,116	40,699,746	43,239,300	45,920,400	47,622,700
Transfer to Capital Projects	19,119,836	6,750,000			
<b>TOTAL EXPENDITURES</b>	<b>2,723,463,097</b>	<b>2,956,546,671</b>	<b>2,340,833,100</b>	<b>2,247,623,000</b>	<b>2,280,574,200</b>

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.

# Legislative Branch

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**Legislative Branch**

	<b>Actual FY 2014</b>	<b>Actual FY 2015</b>	<b>Revised FY 2016</b>	<b>Enacted FY 2017</b>	<b>Enacted FY 2018</b>
<b>SOURCE OF FUNDS</b>					
<b>General Fund</b>					
Regular Appropriation	53,800,100	56,437,200	60,139,500	59,311,100	63,206,600
Continuing Approp-General Fund	13,673,020	14,481,683	13,890,400	12,954,400	11,159,800
Budget Reduction-General Fund	-287,600				
<b>Total General Fund</b>	<b>67,185,520</b>	<b>70,918,883</b>	<b>74,029,900</b>	<b>72,265,500</b>	<b>74,366,400</b>
<b>Restricted Funds</b>					
Balance Forward	1,347,625	1,528,350	2,549,802	2,549,802	2,549,802
Current Receipts	180,725	30,673	120,000	75,000	175,000
Fund Transfers		-526,871			
<b>Total Restricted Funds</b>	<b>1,528,350</b>	<b>1,032,151</b>	<b>2,669,802</b>	<b>2,624,802</b>	<b>2,724,802</b>
<b>Federal Fund</b>					
Balance Forward			900		
<b>Total Federal Fund</b>			<b>900</b>		
<b>TOTAL SOURCE OF FUNDS</b>	<b>68,713,870</b>	<b>71,951,034</b>	<b>76,700,602</b>	<b>74,890,302</b>	<b>77,091,202</b>
<b>EXPENDITURES BY CLASS</b>					
Personnel Costs	41,541,014	43,918,540	45,921,800	45,100,200	48,812,900
Operating Expenses	11,113,015	10,437,504	12,326,800	12,356,400	12,554,300
Capital Outlay	49,806	742,872	975,000	240,000	240,000
<b>TOTAL EXPENDITURES</b>	<b>52,703,836</b>	<b>55,098,915</b>	<b>59,223,600</b>	<b>57,696,600</b>	<b>61,607,200</b>
<b>EXPENDITURES BY FUND SOURCE</b>					
General Fund	52,703,836	55,098,915	59,102,700	57,621,600	61,432,200
Restricted Funds			120,000	75,000	175,000
Federal Fund			900		
<b>TOTAL EXPENDITURES</b>	<b>52,703,836</b>	<b>55,098,915</b>	<b>59,223,600</b>	<b>57,696,600</b>	<b>61,607,200</b>
<b>EXPENDITURES BY UNIT</b>					
Legislative Branch	52,703,836	55,098,915	59,223,600	57,696,600	61,607,200
<b>TOTAL EXPENDITURES</b>	<b>52,703,836</b>	<b>55,098,915</b>	<b>59,223,600</b>	<b>57,696,600</b>	<b>61,607,200</b>

# Judicial Branch

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**Judicial Branch**

	<b>Actual FY 2014</b>	<b>Actual FY 2015</b>	<b>Revised FY 2016</b>	<b>Enacted FY 2017</b>	<b>Enacted FY 2018</b>
<b>SOURCE OF FUNDS</b>					
<b>General Fund</b>					
Regular Appropriation	315,602,000	334,049,600	337,449,600	363,245,100	365,212,700
Continuing Approp-General Fund	8,973,113	1,786,934	1,803,500	119,800	119,800
Budget Reduction-General Fund	-1,500,000				
<b>Total General Fund</b>	<b>323,075,113</b>	<b>335,836,534</b>	<b>339,253,100</b>	<b>363,364,900</b>	<b>365,332,500</b>
<b>Restricted Funds</b>					
Balance Forward	17,345,144	17,398,411	12,681,100	502,300	560,900
Current Receipts	31,919,579	24,701,442	22,400,000	21,490,000	20,828,500
Non-Revenue Receipts	13,545,574	12,967,914	12,250,000	16,223,100	15,837,100
<b>Total Restricted Funds</b>	<b>62,810,297</b>	<b>55,067,767</b>	<b>47,331,100</b>	<b>38,215,400</b>	<b>37,226,500</b>
<b>Federal Fund</b>					
Current Receipts	3,512,446	3,566,740	3,491,600	2,593,000	1,440,400
<b>Total Federal Fund</b>	<b>3,512,446</b>	<b>3,566,740</b>	<b>3,491,600</b>	<b>2,593,000</b>	<b>1,440,400</b>
<b>TOTAL SOURCE OF FUNDS</b>	<b>389,397,856</b>	<b>394,471,041</b>	<b>390,075,800</b>	<b>404,173,300</b>	<b>403,999,400</b>
<b>EXPENDITURES BY CLASS</b>					
Personnel Costs	203,084,924	216,698,929	222,966,100	239,460,900	240,052,700
Operating Expenses	167,026,787	163,187,081	166,387,600	163,931,700	163,653,300
Capital Outlay	100,000	100,000	100,000	100,000	100,000
<b>TOTAL EXPENDITURES</b>	<b>370,211,711</b>	<b>379,986,010</b>	<b>389,453,700</b>	<b>403,492,600</b>	<b>403,806,000</b>
<b>EXPENDITURES BY FUND SOURCE</b>					
General Fund	321,287,379	334,032,614	339,133,300	363,245,100	365,212,700
Restricted Funds	45,411,886	42,386,656	46,828,800	37,654,500	37,152,900
Federal Fund	3,512,446	3,566,740	3,491,600	2,593,000	1,440,400
<b>TOTAL EXPENDITURES</b>	<b>370,211,711</b>	<b>379,986,010</b>	<b>389,453,700</b>	<b>403,492,600</b>	<b>403,806,000</b>
<b>EXPENDITURES BY UNIT</b>					
Judicial Branch	370,211,711	379,986,010	389,453,700	403,492,600	403,806,000
<b>TOTAL EXPENDITURES</b>	<b>370,211,711</b>	<b>379,986,010</b>	<b>389,453,700</b>	<b>403,492,600</b>	<b>403,806,000</b>

**Governor's 2016 State of the Commonwealth Address and  
2016-2018 Budget Address**

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## **State of the Commonwealth and Budget Address**

**Governor Matt Bevin**

**1/26/16**

I want to thank you all for being here tonight. I just wanted to remind each and every one of you how privileged we are. We talk about this at times... and we are reminded of it tonight - how fortunate we are to be able to open in prayer - to pray in the name of Jesus Christ; to be able to pledge allegiance to the greatest nation on the Earth. How fortunate we are to be Kentuckians, to be Americans. How truly blessed we are to live at this time in this nation.

I'm also struck. I'm struck, as well, by the fact that we are here in the people's house. It's an appropriate place to have this gathering.

I really, I would be remiss if I didn't say thank you to all those members, our Constitutional officers that are here: our lieutenant governor, my beautiful wife, our Supreme Court Justices, our legislators on both sides of the aisle and in both chambers. Thank you all for being here. Thank you to all of our guests who are here this evening.

Many of you are here as guests of different individuals. A number of you I may speak to even tonight, and about you, and read some of the words you have shared. So I thank each and all of you for being here tonight - for being a part of this incredibly important occasion as we celebrate the year and the budgeting session and the work to be done here in the next couple of months.

I also, as I look around this room, I'm struck by the fact that we have just come through something that touched a whole lot of us. And amazingly, after a couple of fairly warm days, today notwithstanding, much of it is forgotten already for many but not for all and I want to give a special thanks and appreciation to the men and women who busted their tails over the last days out on the highways, out on the roads making this state an example of how to handle storms like this well. Please join me in a round of applause for our transportation road crews.

Some of you...some of you that are being applauded are here tonight. Many of you may be at home watching; some of you may watch this at a later point in time; some of you may be getting some well-deserved rest. Thank you from the bottom of my heart and on behalf of all of Kentucky, thank you for what you did to keep us safe out there on the roadways.

I want to ask also as we move forward, not only tonight, in the course of the next minutes ahead but in the months and years ahead, that we have open and frank dialogue. I come to you with a blank sheet of paper there is a lot of work to be done here. And we are going to get it done. We are going to get it done together. We are going to get it done in a bipartisan way.

I'm blessed to have behind me two individuals - I don't know where...there he is - who have been to this rodeo a few times. You know President Stivers, Speaker Stumbo representing both sides of the aisle, representing decades and decades of experience on the political front in particular. There is no doubt in my mind that the things that we are going to talk about, the budget itself, is going to be able to be worked out on the behalf of the people of Kentucky by these two individuals and each of you that are gathered here in this room. We're going to get it done. We need to get it done. It has to happen. And I look forward to doing it with you. I do need your feedback. I really do. I want your honest dialogue as we move forward.

I was struck by something this summer, actually. I noticed it for the first time and I went back recently and saw it again. And we are going to remedy it at some point, but it was an analogy that I thought was somewhat apropos. I went to the little overlook up above the hill where you can look out over the capitol and you can pull off the road. There is a little place you can pull in.

It was not our best foot forward. The wall, it's a little limestone wall in front of that overlook, is crumbling. A lot of the mortar has come out; some of the stones are missing. One of the garbage cans didn't have a top on it. It was open to the elements and blowing in the wind. The other one was broken-footed and leaning to the side. It wasn't our shiniest moment forward. In the summer the kudzu and other vines had grown up and obscured a fair bit of the view.

And I thought, sadly, it's a little analogy we find ourselves faced with financially in this state. But we're better than that - the capability to clean up, spruce up, weed, trim back, replace mortar.

The capability to do all that on a financial front is imperative. We did not come into this administration with the most stable footing. We didn't come to this with the ability to launch off into spending on all the things we would like to. We've got financial troubles in this state. We'll talk about that. How we got here, though, really, we can talk about it as if it isn't germane to the reality we're here.

And I have always been a person that would rather spend my time looking out the windshield than looking in the review mirror. And frankly I would challenge all of you to do the very same thing. We owe it to each other to have each other's back and come together just as we did when we came through this storm.

We can repair these walls. We can shore up our financial foundation and we'll talk about that in just a moment. This is my challenge to you. This is what we need to do. We need to shore up our financial foundation. I do have a vision for this state. I want our state to be dusted off to be cleared up. I want us to be viewed by people who come for the first time as a shining jewel.

We've talked in the past about how fortunate we are. Other states couldn't buy it at any price. Our river ways and our roadways, our central location, four seasons - although we tested it a little bit last week - none are typically to extreme. It's easily recovered from relative to other places. We have an amazing abundance of coal and timber and other natural resources. Energy prices that are still the envy of many states around us and even more on the coasts themselves. We've got logistical hubs that, frankly, would be hard to recreate at any price and that are here for some of the reasons we have already mentioned. All of these are things we can take advantage of.

WE need to trim up, we need to replace some mortar, we need to dust off, and we need to hold ourselves forward but we have the ability to upgrade; to move this state forward to make this home the dream home that we would want it to be. It is our home. We are here on purpose. But this could be the home that everyone in America would want to live in. That is my dream. That's my vision for

this state. It's what I want for each and every one of us. And it's what I'm going to need your help in order to accomplish.

We have the ability to truly be the manufacturing hub of America. Four years and 40 years and 140 years from now what I want people to think about when they think about making anything in America, I want them to think about coming to Kentucky first. I want people to say, "Kentucky, that's where they make things." Whether its bourbon, whether it's cars, whether it's aviation parts, and whatever the case might be, this is where we make things. We are as well positioned as anybody to do it.

The way in which we will get these things done together is as a family. We really are and I'll tell you there's going to be disagreements between these chambers. There've been disagreements in this very chamber itself. There will be again. But I ask you, let's be a family. Let's - families disagree, families squabble, families gossip, families spread rumors - some of those have been going around in recent days I've seen - I don't know if any of you have noticed that. That happens. It's going to keep happening. Let us not take it personally. Let's move past it.

We have the ability to have each other's back. My challenge to you: have each other's back. I mentioned this during the inauguration: treat each other the way you want to be treated. It's not that complicated. We have people who every day sit on the bench and have to wrestle with decisions that affect people's lives but guess what? Each and every one of us do the very same thing. We do it in our homes, we do it in our neighborhoods, we do it in our churches, we do it in our businesses, and you do it in these chambers. Treat each other with respect. Treat each other with dignity. Treat each other the way you want to be treated. We can move forward together as a family if we have each other's back.

But we cannot move forward unless we address the crippling debt that faces this state. And that's really the crux of what we are here to talk about tonight. As some of you know who have been here a bit, we have sort of a combination of both the state of the state and also a budget address. The primary focus will be on the latter, on the budget that is before us. But I truly want Kentucky to be the best version of itself. This is my aspiration and I know it is for so many of you in this room as well.

There's not one person who runs for office that puts themselves through what is needed to be elected on either side of the aisle, whether we agree on every issue or not, there's nobody who does this that does not come to this town wanting Kentucky to be better. So let's work together to make that happen.

We've got to take immediate action though. Because, continuing to ignore our financial problems is no longer an option. It just isn't. The budget that we are going to talk about here for the next few minutes is indicative of the things that I believe - that I absolutely know - must happen in order for us to get our financial foundation in place...to get our house in order.

This budget has been prepared with financial reality in mind. It's a sober budget. It is...it is one that is austere, you've heard that word used. But it's also realistic. It's one that is pragmatic; one that takes into consideration that while there are cuts and while there are changes that are going to be made, that to do things too dramatically or too quickly only upsets the apple cart and runs the risk of accomplishing the very same things that we all say we don't want. So, we are going to move slowly. We'll talk about that as we move forward here.

Most important thing to do is stop digging. When you're in financial trouble, you're in debt, you stop digging. You don't borrow more money. There'll be discussions about that but I tell you right now I will not sign any bill - I will not sign any budget - that encumbers future generations with debt that we refuse to take responsibility for today. We will not do it.

And I would say this: it saddens - I appreciate the applause from those of you who did - it saddens me that there's nobody in this room that doesn't feel the need to celebrate that. Because to stick it to our children and grandchildren - hope they still live in this state to pay off responsibilities that we need to address today - not a good solution. We owe them better than this.

We will propose a budget that does better than this and I've met with leaders of the House and leaders of the Senate on both sides of the aisle. I've met with many people and constituencies that are affected by the things that I'm going to lay out before you here shortly. And, in meeting with these folks, many people were frankly surprised by how pragmatic this was. And we'll talk through some of these things in a moment.

But one of the things that I want to say is we are no longer going to budget to zero. I appreciate the fact that people have done this. People have budgeted to zero because frankly if you balance the books - mission accomplished, check the box, we did what we came to do, we move on. You cannot pay off debt if you constantly budget to zero. We have to do better than budgeting to zero. We have to not only pay our current bills we have to pay the accounts payable that have been piling up on us. This has to happen.

And while it's, you know, from an obligation stand point on the pension side, we have many multiples of our entire annual revenue in obligation. That's not a partisan issue. These are Republicans and they're Democrats. I mean Republicans and Democrats alike are affected by this. Frankly far more Democrats are retirees in current state workers than are Republicans. And the decisions we are going to be making, you will see, are going to be focused on how we shore up our pension itself.

And I will make clear something else. Expanded Medicaid doesn't pay for itself. It doesn't. Let's dispel that myth right now. We are going to have to make hard decisions as it relates to how we wrestle with that and will talk about that in a moment as we move forward as well.

There are eight things I want to mention as we move forward tonight. Eight specific things, all of which point really to the ninth thing, which is what we want to see accomplished.

The first thing we are going to talk about is strengthening our financial foundation. We touched on it a moment ago. We'll give specifics as to what that will look like. We will be talking about investing in education and workforce development. Number 3: we are going to talk about keeping our commitment to our public servants and that's going to be specific to the obligations we have to fulfilling the pension promises that we've made. We are going to talk about safeguarding Kentucky's most vulnerable citizens. That certainly affects many of you in this room and things that you do day in and day out. We are going to talk about protecting those who protect us. Not only those we spoke about earlier who have been out on the roads but others as well. We're going to protect those

who protect us in this budget. We're going to fight substance abuse in this budget - in a material and substantive way. This has got to happen it really does.

We are going to talk about financial necessity and because it's the right thing to do, we are going to transform the way we deliver publicly assisted healthcare in this state. It is going to be. You've heard me talk about it and we'll talk about it a little more as we move forward.

We are going to build an infrastructure for the future. There are two things we cannot scrimp on if we want to be a better version of ourselves. If we want to be the best version of ourselves relative to where we are today, relative to the states around us, and relative to all those competing with us, we must invest in education and we must invest in infrastructure. And we are going to talk about building and infrastructure for the future.

All of these eight things ultimately lead to the culmination of the ninth thing, that is, we are saving for a down payment for Kentucky's future. We have to pay for the future by saving now. You don't buy a home without a down payment unless you are more fortunate than most of us were. Most of us have to save for the things we want; so to in government. And so, we are going to do these eight things so that that ninth thing we talked about will come to fruition. These priorities meet our obligations. They move our financial plan forward and they insure that we will benefit all Kentuckians.

The first of these is to strengthen our financial foundation. We were faced with - and again the whole litany of reasons doesn't matter- based on the budgeting forecast we were given when we arrived two months ago, a 500 million dollar shortfall over the biennium. That didn't even allow for many of the things many of us want to see happen. And that's the result of many things: declining revenues - although they seem to be increasing on some fronts but are declining on others - but frankly we have less taxes coming in; more obligations - the pension liability; the cost of paying for Medicaid expansion - those 2 in particular are taking so many of the dollars we'd like to allot to other things.

We are going to have to cut the budget. I think many of you expected as much. It's been rumored. It's true we are going to have to do so. We are going to have to tighten our belts. We're going to ask nothing more of this body, House and Senate

alike, than frankly that which we do in our own homes; that with which we do in our own businesses; that which we teach our young people, many of whom are here tonight, what to do and how to do it. You live within your means. This is what we are going to do. What it looks like, and I'm not going to go into great detail of all the budget items, you'll see this released tonight and you'll be able to see it, but we're going to talk some specifics tonight. So bear with me and hopefully it will provide some insight in what I think the priorities for this state are.

We are going to start the cuts in this fiscal year. What is being proposed, what I am asking this House and this Senate to take seriously, is the consideration to actually treat this as a 30 year/30 month budget. And hopefully we will think this way for the next 30 years as well. But as a 30 month budget it's going to be a 9% cut in spending per year. That will not be 9% for this year because we're already halfway through this fiscal year, so it would be 4.5% for fiscal year 16. That will allow us to treat fiscal year 16 just the same way that we have the other two years except those would be 9% each.

This is not 4.5 on 9 on 9 but rather based on the baseline budget itself. So it will be a 4.5% cut relative to what we anticipate in spending for fiscal year 2016. That's an important distinction.

What we are doing, though, is exempting many things from this. And I have had this conversation with leadership and I'll share it with some of the others and jot down some of them. This isn't even comprehensive. We are exempting veteran's affairs, we're exempting the SEEK formula, we're exempting school district health insurance, we're exempting Medicaid, we're exempting KTRS, we're exempting KERS, we're exempting student financial aid, we're exempting the senate bill 192 heroin bill funding, we're exempting the dedicated coal severance programs, we're exempting front line public safety employees and front line social workers salaries, we're exempting our Commonwealth's attorneys, County attorneys, public defenders head count, we're exempting our debt service, we're exempting board of elections and their share of the elections and other necessary government expenditures.

What you hear when you listen to that list is, "*What aren't we exempting?*" The reality is, there are still things, although it's the smallest part of the dollar. The

vast majority of the dollar is being exempted. This is why the budget that I am putting forward I expect the House and Senate to take seriously, I really do, because it's a serious budget. And I ask those of you who are in this gallery to hold us to account. Those of you who are watching on KET tonight, hold us to account. This is your money. We need to spend it like it's your money, wisely, to be prudent. That's what this budget does.

And so we have taken away all the things that are easy to poke holes at. I mean, I can appreciate why. We're not going to eat our seed corn, we're not going to cut into infrastructure and education to the degree that we might if we truly wanted to cut everything. But all these other things, as well, we've exempted so we can focus on where there are some inefficiencies and redundancies we can eliminate.

And it will make for some hard decision making. The net result of this, and this is important to understand, because of the number of things that are being exempted while in fact we are asking for a 9% cut per year on the base line, it equates to only about 2 and ½ cents of the entire budget dollar. Because of so many things that are exempted, we are only cutting the budget in effect 2 and ½ cents out of a dollar for each of the next 30 months. That's an important thing to understand. This is a 2 ½ % absolute cut.

What we are doing - and let me just point out that this will generate a 650 million dollar cut in baseline spending - so 650 million in baseline spending will be recognized as a result of what I just said to you. But I am going to give latitude to our cabinet secretaries on how that is accomplished. I've always believed in being hands off as much as possible, hands on as much as necessary. And that is exactly how I will be here. I don't like to be micro managed - most folks don't. I don't intend to micro manage our cabinet. I want to give appreciation to our cabinet who is here tonight. It's an extraordinary group of people. I hope you appreciate the fact that these are men and women who have left in many instances a more lucrative livelihood to take on much more grief dealing with lovely folks like yourselves. That's the upside of it.

But I tell you all in all it's not an easy task and a lot of work that will need to be done. And these individuals are quite capable, quite experienced enough to be able to make the decisions within their respected cabinets. It starts by taking a

comprehensive look at, for example, personal service contracts. I sent out an email, a week ago I guess it was, asking our public state employees to weigh in on things they would like to see addressed. We got thousands, and thousands, and thousands of responses and I'm grateful to all of those who took part. A number of individuals who responded, I'm going to read some of the things that they wrote. I'm going to read these with you - for you tonight. And I'm going to actually call attention to some of them who have actually joined us here tonight and are with us upstairs.

I received a letter related to personal service contracts from a man named Randy Peppers. He is an actuary in the Kentucky Department of Insurance and this is what Randy wrote: "I'm a property and casualty actuary. I have worked at the Department of Insurance since December of 1996. One thing that sets me apart is that I am a merit employee. All other actuaries that perform work for Kentucky are contract employees. My position is that our employees have more of a skin in the game and more committed to doing what's best for Kentucky than some of these contract employees. We should look, each look, to taking care of the state's business ourselves before looking outside for expensive assistance."

Absolutely. I mean my hat is off to you Randy for frankly that kind of intelligence; that kind of attentiveness to the task before us. We are going to look at these and where they can be eliminated. We can actually not only entrust the responsibility to people, that when it's possible to do so can do the job better, are already a state employee and have '*skin in the game*' as you've said. But then additionally it will save us money. We'll be more effective and more efficient. So we are going to tap into the talent and the skills of our existing workers. This is one of the ways in which we are going to accomplish these things. We are going to take a hard look at these things.

We talked a lot about investing in education and workforce development. That looks like several things. We've got to create more jobs. We've got to be able to fill those jobs when they exist. We have thousands of skilled jobs in this state that people are desperate to fill. We've got to address that and it's going to look like several things. It starts frankly at the elementary...pre-school, elementary and secondary levels.

We're not going to touch the SEEK formula in this budget. Not only are we not going to touch the underlying SEEK formula, we're adding money to the budget to account to that fact that there are going to be projected more students in the next two years. And so we are actually taking money from the general budget and adding it to the absolute number of SEEK dollars that will be able to be disseminated to insure that we don't compromise this critical part of our education process.

Additionally, the net result of that is about 39 million dollars based on the number of additional students that we anticipate. This will hold the per-pupil funding harmless.

Additionally, we've got to focus on workforce development. Workforce development is the one thing I've heard time and time and time again from folks. We've got to address our workforce development needs. Every single employer I meet with tells me we need more people. When Ford comes with 2,000 jobs that's exciting, and that's good and we all feel great about it. But some of the other employers in town cringe because they know many of those workers are going to come from them and it's a ripple effect on down the line.

We are dedicating in this budget 100 million dollars to be bonded as justified for workforce development programs and capital expenditures that are going to help us address this issue. And there are people watching tonight who have been in my office, who know specifically the kind of ideas they already have. I hope those ideas are brought forward. Those ideas are people in business working together with people in higher education developing programs that are able to be expanded where we as the state tax payers can come along side and encourage them with our dollars, with our investment, with our support to ensure that we are graduating more and more skilled workers - workers with skills that may require a year or 2 years or 4 years or more. But we are dedicating 100 million dollars in this budget to bond those expenditures.

It's my belief that we could put 3 or 4 very significant programs in place with those dollars in different locations around the state so that we can address workforce needs in specific locations. That's something we will talk about more in detail.

I want to share a letter with you that I received also relating to education from a young woman named Eliza Jane Shaffer. Eliza Jane is here tonight as well. She is a senior at Henry Clay and a member of the student voice team and she wrote, "Recently learned that an average of 30 million dollars of lottery revenue is designated for need-based scholarships but has consistently been converted to the general fund and other state programs."

You're right, it has been and it's happened for many years and many different administrations and that's going to end. One hundred percent of lottery dollars are going to go to education which is what they were intended for. They are, because it's the right thing to do; it's what people were told when they agreed to have this in place and because the need is there, frankly.

One of those needs many of you have read about and heard about is funding for our National Guardsmen. Christian Cowgill is here tonight with his family and I appreciate you being here Christian. He was one of 700 National Guardsmen who had his initial request turned down because he applied for funds and because of a budgeting error, and it was no one's fault we just had more demand as people returned from the front than we expected. The dollars weren't there for this spring semester. And I applaud those members of the House on the Democrat and Republican side who brought this to my attention. In the Senate, the speaker and Senator Stivers as well as Speaker Stumbo, I appreciate you all working together. I appreciate our university presidents in quick measure getting together in an afternoon call shortly after this was brought to my attention and rather than putting off and addressing it in this biennial budget we fixed it in a 20 minute call or less in an afternoon the day after it was brought to our attention. That's how we are going to do things to the extent that we can. But it has been remedied and some of these dollars that have been getting swept are going to be able to offset some of those needs among others.

But additionally were going to be able to fully fund the KEYS demands based on criteria, the CAP and some of these other programs that these dollars were initially intended for.

Another thing we are going to do is move the post-secondary dollars to outcome-based funding. You've heard me talk about it. But it's coming. And I'll tell you this

again is something that is going to have to be done thoughtfully. And so to just simply apply it to this year's budget would be unfair. While a study has been done, I appreciate the council on post-secondary education for having studied this issue. They did put together some thoughts over the course of 15 months, and they came up with some ideas that included a couple of different components - trueing up a couple of different universities in order to bring them up to a per capita spending relative to other universities. That was one piece of it, then also having outcome-based funding - funding based on the restoration of additional dollars to the budget. I appreciate them having put this thought into it. Needs some more work, though. And it will ultimately - within 4 years - apply to every dollar, not just dollars that are restored.

That's important for people to understand. There is not going to be money just for the sake of existing. There is going to be a billion dollars roughly just as there is now. Hopefully more as we move forward and are economically stronger but we are going to be thoughtful as to how that is allocated.

Two things that I want to draw attention to that you are going to see in this budget. According to CPE they thought that 2 universities, Western Kentucky University and Northern Kentucky University, needed to be trueed up to a small degree - not at the expense of the others but out of the general budget where each of them would have a higher baseline to start with. Because we don't have the final outcome-based formula in place, we are not going to have that trueed-up starting in fiscal year 2017. But we are going to take those exact numbers - I'm not going to reinvent that wheel a lot of smart people agreed on the fact that this is what the right number was and so we are going to take those exact numbers - and we're going to true-up 50% of that number in fiscal year 2017 for Northern and Western. We are going to true up 100% of it in fiscal year 18 and beyond. And then people would be on par with one another as relates to per capita spending plus or minus a bit from the tax payers of Kentucky.

And then those dollars trueed-up in fiscal year 18 and beyond are going to start to be allocated according to outcome-based funding. We will sit back down with those very same university presidents, with employers, with parents, with students and we are going to come up with what those outcomes need to be. The net result of putting public tax dollars into education is to ensure that we are

actually graduating people who can go into the work force and get out of their parents' basement among other things. And these are the things that we are going to do.

If we are going to subsidize it with tax payer money we are going to focus on the outcome. And so in 2018 a third of all the dollars are going to be allocated by outcome-based funding. 2019 it will be two-thirds. 2020 and beyond it will be 100% of post-secondary education dollars are going to be allocated based on an agreed upon formula that will work for everybody and most importantly will work for our students, their parents and the people that are going to employ them into the future.

We've got to talk about our pension. We talked about keeping our commitment to our public servants. We are going to start by auditing every single one of the pension systems. That's imperative. That's gotta happen. This is something frankly, with all due respect to our current auditor and the man that presided him, it's not something that should be done by the state itself. We are going to retain outside auditors we've put a line item in the budget, you'll see it. It's more than I believe what we will need but it should be adequate - and then some - in which case we will have dollars left over. Small compared to other numbers you will see in there but the point is we need to audit these systems. We need to have a true assessment.

We're going to talk with the very same people who have looked at programs in other systems that are having trouble. Whether it's Los Angeles or Detroit or others, the same people with that expertise in auditing those plans and coming up with solutions are those that we are going to be talking to. Who it ultimately is we'll bid it and we'll make a determination. But upon auditing it we'll fully know the scope and scale of the problem.

We cannot, let me reiterate something we said earlier, we cannot borrow our way out of debt nor will we try. Nor will we try. And yet, and yet an argument that has often been made fairly or otherwise and at times fairly, has been, "*What's the alternative? What's the solution from the other side?*" There are members of this House and members of this Senate. I hesitate to leave people out of it but people like Brad Montel, people like Jimmy Higden, people like Joe Bowen, people who

have spent inordinate amounts of time coming up with very thoughtful restructuring programs that are ways in which we can restructure the pension system to make it more viable and sustainable into the future.

I have asked them to hold off on introducing all of those changes until we truly understand the nature of the problem itself - the size and the scope of it - because while they have good solutions, and solutions that will solve a problem, it solves a problem the size of which we don't know. Until we know that we want to make sure we bring the right solution forward. So I have put forward something that does not wait until we've done that to fund these pensions and so I want to draw your attention to several things and I've met with people who represent the retired teachers and state employees to share these numbers with them already in advance.

First of all, as it relates to KERS, the request is to at least fund the arc. We will do that and then some and I'll talk about that. That plan is under 20% funded. It's untenable as it stands. We are not only going to maintain the baseline funding of 625 million dollars for each of the next 2 years that has already been committed in 2016. We are going to, for KERS, add 130 million dollars in this budget plus an additional 45 million dollars in this budget so that's arc and arc plus. It's 175 million dollars to KERS on top of the 625 in 2018; its 625 plus 152 plus 45. Additionally - you can clap for that. The sum result of that is well over 800 million dollars that is going to be applied to offsetting this obligation that they have. It's a start.

And this is something that we are going to do as it relates to KTRS. KTRS has made a request that even they themselves recognize was more than our budget would be able to hold and yet this budget you will see calls for a contribution of 309 million dollars out of the general fund in addition to the 665 and a half million already being appropriated to the total of just over a billion dollars each of the next 2 years. This is significant money; this is the heartbeat of this entire budget.

Because everything else that we care about, including things that I want, things I campaigned on, things I'd like to see, things that many of you in this room and in this body would like to see, we cannot afford until we get our financial house in order. And until we figure out, based on audits and based on agreed upon plans

what that looks like, we're not going to just wait. We are going to start addressing the problem now.

We're not holding people hostage based over this and I would challenge those in the House and those in the Senate to put these dollars into these accounts. Budget these dollars for this budgeting session and then sit down in good faith with one another and let's come up with a solution to ensure that we don't have to keep eating so much of our budget every single time and can do other things that we want to see done. But these are going to be priorities. We are going to allocate billions of dollars additionally to this. One point one billion in new monies are going to be added to the pension systems over the next biennium. This is the kind of thing that should make all of your constituents feel good and I would challenge those of you that are watching, those of you represented here today, contact your legislators. If you want people to stop taking monies and applying them to other things that could go to this pension system then support this budget bill. It's important that we do so.

We've got to take care of Kentucky's most vulnerable citizens. We've talked about that. Kentucky's most vulnerable citizens include people who are subject to abuse and neglect. And the people who are actually protecting them are the people we need to take care of.

I want to share a letter with you from Vanessa Nunn. She is here tonight as well. She is a social service clinician in Campbellsville. I appreciate you being here tonight, I truly do.

She wrote: "I'm a social worker in Taylor County. I've worked for the cabinet for almost 20 years. I'm very proud of the job I have. Over the past 20 years I have seen so many changes in both administration and in policy. Since I have been in this office I have seen the staff completely turn over at least four times. That is not fair to families. Each time they change case workers it's like they start all over again from the ground up. This is not only frustrating for families and children. It's frustrating for the judges and attorneys that work alongside of them trying to reunite and keep families together."

Vanessa thank you for writing, I appreciate it. Your words were shared by a number of other folks as well who feel the same thing. We're going to be adding

4.8 million dollars over the next biennium to increase entry level and new hire salaries for people who are taking care of our most vulnerable citizens. Thank you for your letter.

We're going to be, we're going to be increasing the minimum starting salary for mid-level social workers and thereby decrease some of the chronic turnover that has been a problem. This will positively affect 2,030 social workers in this state. These are the kind of things that will contribute.

I want to read another letter that came on a not-unrelated front from Robin Boggs. Robin is here tonight. She is a guardianship social worker. She takes responsibility for the care of people who don't have the capacity due to health or mental limitations that they may have to care for themselves.

She wrote: "I've been working for the Commonwealth as a guardianship social worker for about a year. I am amazed by the caliber of work that is done by my colleagues given huge caseloads, low pay and high turnover. As a realist I understand that the budgets are tight but I am concerned that service to our most vulnerable populations will be at risk as legislators look to find money for issues that are their priority. I ask that you look at other areas to trim rather than make cuts to programs that are already working beyond capacity as they are."

Robin, you're correct and we are going to be adding just under a million dollars - 964,100 dollars - into the guardianship caseload management. This is going to allow us to bring on additional caseload managers. It's going to allow us to keep up with the expected growth plus 6%. And this will help us to offload some of the demand that you and others are feeling so that we can do better by those that we are expected to do right by.

About 10% of all the emails that we got addressed a particular issue. This was interesting. This was brought to my attention in a way that I didn't even fully appreciate - the mandatory overtime that is being demanded of so many of our public workers. Turns out that there are hundreds of caseworkers across this state that are being forced to do mandatory overtime every single night. Some of them more than 5 nights a week. They take this work home with them, some of them. They don't ever get to turn it off they stay tied to their phones. This has got to end. They are robbed of the ability to coach their own children, see their own

plays, enjoy with their own families - things that we often take for granted at times. This has got to end.

I'm married and have 9 children, many of you are aware of this. I value the time I have with my family. We should be just as cognizant of the time each and every one of our state employees has with theirs.

When I heard of this I talked with Secretary Glisson, she is our Secretary in the Cabinet for Health and Family Services, and we worked with her to reach a solution to solve this problem. And potentially, frankly, I believe it's going to save us money in the process. One of a number of employees, and one in particular, pointed this out - why don't we just limit the actual hours in which you can call in? Have a cut-off time for hours you can call. Have the offices continue to be open for foot traffic and that allows people to better, more effectively, manage the case load and then when the calls are done they can actually get their paperwork done. These are things we're going to do.

We are going to actually reduce overtime, reduce the caseload on our workers, and ultimately, I believe were going to do a better job addressing. It's these kind of ideas that I encourage you to continue to bring forward. We need these ideas to continue to come as we face this budget in the next couple of years. I thank Secretary Glisson, who is here tonight, and her staff for quickly coming up with solutions. This is something we are going to effect immediately so many of you are going to start to see relief in the days immediately ahead of us on this front.

I want to read a note to you from Susan VanLandingham. She wasn't able to join us tonight because she teaches in the evenings. She is a forensic science specialist at our state crime lab and she wrote this:

"I feel as though the budget for lab services is inadequate, that there are changes that need to be made within the service options for police departments. The DNA back log is probably something that you are already aware of and we do not have the man power or the instrumentation to catch up without costly outsourcing older cases."

And I'll tell you this is an issue that has been discussed on both sides of the aisle for a long time by people who are currently in office and people who preceded them. This is a shame. It's avoidable. It's going to be addressed.

And so we are going to allocate an additional 4 and a half million dollars that are going to be used to process these, all this data that we have, all of the forensic data that we have, the rape test kits, the sexual assault kits that are variations on the same thing. People who are survivors of crime, we are going to test these things and we're going to accelerate it. We're not going to wait until 2017 and 2018. This 4 and a half million dollars is going to be made available. We are going to pull it through even into the remainder of 2016. We are going to do it as quickly as we can to eliminate this back log and put the rape test kits to bed once and for all and allow our law enforcement officers to do their job.

We are going to take care of those who protect us. We are going to protect those who protect us in this budget. This budget calls for a couple of things. First of all CLEF funds for the next four years - and I hope forever thereafter - are no longer going to be swept to balance the budget. Not going to happen. There's absolutely no excuse for sweeping the CLEF funds to balance the budget. These dollars are for our law enforcement. That is exactly what they are going to be used for.

In this budget I am calling for a 12.4 million dollar increase in salaries for our Kentucky State Police. This will be for both our troopers and our senior troopers. We are going to be able to use some of these dollars not only to insure that we get the best and the brightest, but that we keep them. And that when they get additional responsibilities 10 years down the road, it comes with additional money as well. These are things that are going to be addressed.

I want to share with you a note that came from Sgt. Jared Thompson and correctional officer Sonya Bower. They worked together on sending this email in. Sgt. Thompson is with the Kentucky State Penitentiary. He took the time to send this in.

He said: "We believe that the current high turnover rate is due to the low pay rate and lack of retention pay in comparison with other states." He's talking about in the other correctional facilities. "The state should invest its time and money in excellent training and retention pay to keep the current employees. The cost of the initial hiring and training of a new employee is estimated to be 20,000 dollars per trainee. With the current high turnover rate we are wasting hundreds of

thousands of dollars on employees who don't even make it through their 8 month probation period."

He is absolutely right and so we are actually going to dedicate 4 and a half million dollars in retention raises for our corrections officers in this budget. This, I truly believe, will have a dampening effect on the 67% turnover rate. Any of you who happened to work in the business world at all know what a 67% turnover rate would do to your business. This state is the people's business and we are going to do what we can to spend dollars so that we don't waste even more of them.

This will affect approximately 2,125 correctional officers. And this will help to offset some of their demands on forced, five 12 hour days in a row. That will be able to be eliminated in partial measure due to this.

We also got an email from Ashley Parker. Ashley is a probation and parole officer for the past 8 years with the Department of Corrections and she wrote saying: "The caseloads that we manage and the responsibilities placed on the officers have created significant stress, officer turnover, and continued time sensitive tasks as the criminal element continues to commit offenses and violate terms of their condition."

In this budget we are calling for 2.4 million dollars over the biennium to hire 32 additional probation and parole officers. This will reduce the caseload from an average of 94 cases per officer to 83. So many of us think that we are overburdened and over worked. They will still have 83 cases per officer but this will help to start moving it in a more manageable direction.

Received another note, this came from a man named Jarrod Bullie. Jarrod is here tonight. He is a public defender in the Department of Advocacy in Lexington and I appreciate you being here tonight Jarrod.

He writes: "To the best of my knowledge we have never been fully staffed. The turnover is significant and it takes substantial time to train any new hires. For my part I'm willing to forgo reclassification and the commiserate pay raise." Careful what you wish for. "Indefinitely. Even indefinitely if it will help. I'm even willing to discuss a pay cut if it would help us remain staffed. It is a tough job as it is but my primary goal is to help the poor and underserved Kentuckians who face a loss of

their liberty, their livelihood, and even their lives at the hands of an over worked Judicial system.”

Jarrold, to that exact end we’re going to allocate in this budget 6.2 million dollars in funding to hire additional public defenders. This will allow, this will allow us to hire 44 new attorneys reducing the case load for those individuals from 514 per attorney to 395. \$6.2 million to reduce their individual caseloads from 514 to 395. Additionally, we are going to exempt the state’s prosecutors from any budget reductions at all.

We talked about dealing with substance abuse. I’ve mentioned it a number of times and although I’ve never met the man, Sam Quinones, I would recommend to all of you to read his book called *Dreamland*. It is a sobering book. Some of you perhaps have read it. Some of you are perhaps familiar with Dreamland over in Portsmouth, Ohio, right across the river. It’s based on that. It talks about this epidemic and how personal it is to so many. It’s a book worth reading and I would encourage any and all of you who serve the public and deal with this issue in any capacity, read *Dreamland*. It will wake you up and sober you in some pretty amazing ways.

We’ve got to deal with the heroin scourge. It’s been debated in this room and across the way. I don’t need to go into in great detail but the opiate addiction is real. It’s systemic throughout this state and beyond. It is a scourge we have got to fight with everything in us. And so not only do I continue in this budget to propose that we fund as we did in the last budget the 10 million dollars, but that we actually increase that as well an additional 5.7 million in fiscal year 2017 and an additional 6.3 on top of the 10 in 2018.

This will allow us, this will allow us to fund more of what we are already funding in some places. There are many good programs that are helping to deal with this. Many that are contracted nonprofits that work with our state, places like The Healing Place. They would like to do more of what they do and do well for us and they will have the opportunity to do so because of these additional dollars we’re going to spend for substance abuse and drug addiction in particular.

We are going to add 6.4 million dollars in ongoing support. We are going to keep that in there for the KASPER system. KASPER system is important for us to be able

to monitor prescription drugs and ensure that that doesn't balloon on us yet again. So 6.4 million will be allocated to that. We are also going to fully fund Operation UNITE in each of the next two years in this budget biennium as well.

I want to touch briefly on KYNECT. There has been a lot of discussion about it. Much of it untrue frankly. The discussion that people are being thrown out of their health care, there's not one person. We are going to shutdown KYNECT. Let me reiterate that. The KYNECT conduit for health insurance will be shut down. It will not affect the health insurance of a single individual. Everybody who's on a health insurance plan already signed up last year in open enrollment, they're covered through this year and rather than open enrolling on the KYNECT program and platform, they will open enroll on the federal exchange. It's another exchange. They'll have access to the same types of plans with the very same providers. This is going to happen because the redundancy is of no value to us.

We've heard a lot of talk about how it's the model for the nation and how it's stellar and why would we do this. The fact is, it was bleeding out. It was being heavily subsidized by both state and federal dollars. It does not have the ability to sustain itself. And we are wasting money there that could be better applied in other areas.

So, a portion of the assessment revenues that are currently being used to sustain this system are going to be used to wind it down. I want to also dissuade any and all of you from the idea that it's going to cost 23 million dollars. It's a number that people repeat as gospel; it's not true. It will not cost 23 million dollars to get out of this. It will cost a small fraction of that. The exact number to be determined, but it will be a single digit number of millions of dollars. A small, single digit million and I'm telling you we're going to get it done and move on.

And as to the people who are on Medicaid, there is something else that we will talk about here in a moment. There will be no general funds for this transaction. No general funds are going to be used for winding this program down. As it relates to Medicaid we can (*video/audio trouble*) 30% of us on Medicaid. You know it to be true. It's a reality. We can't afford it; we're not going to try. So what are we going to do then?

We have 25 to 30 - almost of us - percent of us on Medicaid because we have need in this state. There is real need. I appreciate that. I understand it. I'm a guy who grew up in financially humble circumstances and I know people now and I knew a lot of people when I was young who had need for programs like this. We need to protect programs like this. We need to make sure they are available to those who need them. We need to make sure that we weed out that which is not going according to how it's supposed to, including testing people for assets and means, insuring that those receiving these benefits truly need them. This is something that is going to happen. Because the more we do that, the more we will have to do for those who truly need it.

Additionally, and you know this, we're working with Secretary Burwell in Health and Human Services. She and I have had good conversation and we are going to sit down with CMS, which is in that cabinet at the federal level. Mark Birdwhistell from our state will be working with us and her to come up with a plan that allows us to be able to cover those in need in a way that's affordable to us. And I want make something very clear though, we're going to come in good faith. I believe we can get this done. If we cannot get it done we will not have the ability to have expanded Medicaid in the state of Kentucky.

So my challenge is to each of you as we move through this process and to those at CMS and to those who will work with us to craft this plan: Come in good faith, come with the expectation that we will do new and novel things, that we will create an approach to Medicaid here in the Commonwealth of Kentucky that will be a model not only for our own viability, our own financial sustainability, but for the rest of America to follow as well. And it will include things that will allow us to be able to afford for years and years to come.

But it's going to result in systemic change. This is what's going to come and we're going to sit down and have these conversations in the months ahead and by the middle of this year we are going to know whether or not if we are going to be able to come up with a solution that will allow this to go forward.

What you will see in this budget, though, is that we are budgeting for no change whatsoever. We are budgeting assuming that there was going to be no change. There is a cost to expanded Medicaid the way it's currently structured and we are

accounting for those costs in this budget. We're not pretending that they don't exist. They are there but I believe we will come up with a better solution and that is my intention.

We talked about building infrastructure for the future. Building the infrastructure of the future is driven largely by the road fund and you all know this to be the case. The road fund has actually been depleted quite a bit of late. Frankly, gas prices are going down and that's not good for the road fund. But, because gas prices are going down, I encourage all of you to drive more. Go for it get out there and drive around. Burn those gallons up. We need the money. It's all good. You're contributing to a worthy cause - the very things we are talking about and others as well. But the road fund dollars both from the state variable excised tax as well from the federal highway trust fund, this is what funds our infrastructure.

One thing that we have ignored for a long time is, we've ignored our bridges. No one cuts a ribbon by fixing the underside of a bridge. Nobody crawls down under there and cuts a ribbon and gets re-elected on this. So, a lot of times they get ignored. We have hundreds and hundreds of our bridges that are in states of disrepair the likes of which has got to be addressed. And so, in this biennial budget, we are calling for no less than 15% of all of these state dollars to be allocated to fixing our bridges - no less than 15%. That's a significant sum and it is going to allow us to accelerate many of these bridges that keep getting pushed to the back of the road plan.

We are also going to shore up our trunks. The I-65 corridor is a well-known trunk; has a lot of logistical capabilities on that trunk. I-75 is becoming stronger still. We're going to plow into those, invest in interchanges and widening of lanes, helping to offset some of the things that contributed to some of our problems that we had. We're going to widen parts of I-75, we're going to put interchanges in places like Bullitt County on I-65 where there is growth and where we want jobs to come. We talk so much about the I-65 and the I-75 corridors, so often we forget about the I-69 corridor. The western part of this state has a very strong trunk as well but it's a sapling by comparison to some of the others. That will change. We are going to accelerate forward into this road plan. The things that will allow us to look at the bridge in Henderson.

These things you will see, we're going to start to study these, we're going to invest in that highway because it goes from Canada to Mexico. It's the only north/south one on this side of the Rockies that does so. This is the kind of thing we need to invest in because it's going to open up Western Kentucky in extraordinary ways.

We're going to invest in things like the Brent Spence Bridge corridor ,for those of you who are from Northern Kentucky. Guess what? No matter what we do there whether it's another bridge next to it, whether it's a roundabout, whatever the case might be, that bridge is going to be here as long as most of us in this room are going to be alive. So, we are going to paint the darn thing and we are going to stop pretending it's falling down because it's not. We're going to paint the Brent Spence Bridge. We're going to repair the Brent Spence Bridge. We're going to look to offset simple things that can be done with lanes and on ramps, ingress and egresses. And so we've allocated dollars in this budget - 38 million dollars - to that project alone to ensure that even while we look for longer more permanent sustaining solutions for the long term, that we will be addressing the near term needs as well.

We're also going to take 10 million dollars out of the general budget and allocate it to our airports, to our aviation needs. We have a tremendous amount of deferred maintenance at our 59 airports in this state. We're going to allocate 10 million dollars per year to that and we are not going to sweep one cent out of those dollars that come from the fuel surcharge already being assessed on jet fuel in this state. That's going to allow us to address this problem. It's important to realize, actually, as it relates to airports, some people may think, "*Why are we focusing on that?*" Think about all the people that we want to come here to Kentucky, to bring their companies to Kentucky. How do they get here? They fly in on their corporate jets. They land at one of our airports. Their impression of the areas in your communities is largely driven by that first impression. And so we are going to invest in that infrastructure because it's important.

All of this is being done, these 8 things we've discussed, so that we can save for a down payment for our future. We've got to be better stewards of the taxpayer's dollar. We talked about the fact that this budget will put 1.1 billion in new dollars to our pension problem. This is while we are still going to be working to figure out

the long term solutions - structural changes. We are not going to wait. We are going to put 1.1 billion in as we talked about. We are going to set aside 1 billion dollars in future spending for contributions and for savings. And what I mean by that 1 billion is... Many of you are aware of the fact that there are - whether it's in the health funds some hundreds of millions of dollars that accrue - some that often get excited about sweeping and spending on things. We're not going to sweep. This is an anti-sweeping bill. You're going to see that when you see the numbers. There will be so much less money swept than in any budget that anyone in this room has ever been a part of that it will baffle you as to how we can get it done. But we're going to do it because the people have been told that these fees and these assessments in taxes are for specific purposes and that is what they are going to be used for. We are going to stop playing games with these dollars. We're going to stop balancing the budget by sweeping dollars.

And so whether it's some hundreds of millions of dollars of health insurance policy monies that have accrued or whether it's settlement with online poker companies, whether it's pharmaceutical companies, whatever the case may be that we have settlements with and chunks of money will come in.

My proposal and what is going to happen with these dollars by executive action over the next 4 years, and what I'm going to challenge both the House and the Senate to do to codify - to make legally binding legislatively - is that we are going to take those dollars and rather than disperse them, rather than drop them into filling holes that exist, we are going to put them into a permanent fund. It's going to be an anti-sweep-able permanent fund. It is going to be a fund that's going to be a dedicated revenue source to these pension problems that we have until the pension problems are gone. And then we will be able to use it for all these other things that we want.

It's going to be many years beyond the lifetime of many in this room before we have dug our way out of the pension obligation we have. But we are going to take these hundreds of millions of dollars, and or tens of millions of dollars, and or millions of dollars every time there's a settlement, we're going to drop these into a permanent fund. It's going to be managed professionally in a way that the proceeds - based on a specifically predetermined, a legislatively determined is my

hope and belief, spending policy - that dedicates those dollars to offsetting the pension obligation and also contributing to a rainy day fund.

This is how we are going to get our house in order. This is what the outside world demands of us. This is what the credit rating agencies are begging for from us. They want to see that we are actually taking this problem seriously. This is what they want to see. So many of the things we want are going to come about as a result of us getting our financial house in order. We are going to put that money in a sweep-free zone. I can keep it there for 4 years but I would rather we work together as legislators to ensure that it stays there forever for the betterment of the people we represent.

There are easy solutions. I thought about bringing one of those easy buttons, you know, that people often sometimes cynically will say, *"Well the Frankfort solution is that we take that money and that we spend it."* We're better than that. You're better than that. I mean, some of you have served in this body for a long time, and I tell you what, we are better than this. Let's be good stewards, let's work together; let's be a family. Let's talk about these things as if it's our own money because it is.

And so I challenge us to work together, all of us, representing every corner of this state, every constituency. Look around this room. We are Kentucky. Look around you in this room. We're black, we're white, we're young, we're old, we're male, we're female, we're from cities, and we're from rural parts of our state. We represent all of what Kentucky is. This is who we are. Spend the money like it's your own money. Budget for it like it's your own. That's what we are doing in this budget. We can become the best version of ourselves. We owe nothing less to those that are to follow us. This is my challenge to you. Let's rise to the challenge; we can do this. This is our capability.

I've said it many times. We've talked about it, our state motto that's on the flag behind me, "United we stand, divided we fall." You're going to be tired of hearing me say that over the course of the next 4 years. But every time I address you, unless I forget, I'm going to remind you of the fact that is our state motto. "United we stand, divided we fall." Let's be united, let's stand together, let's stand strong.

I challenge you, please, to think outside the box as you go through this budget process. I've put forward a budget that, frankly, should make it easy for those in the House and the Senate to agree. We've exempted things that are contiguous; we've funded things that everybody agrees need to be funded. We've made it simple. This will afford you the ability to get this done in short order and accomplish a whole lot of other good legislative things that you are now free to go about, now that you know who or who isn't running against you in the upcoming year. So you can get back to it. You can get back to work.

I would also ask you in this room and those of you who are watching, those of you in the gallery and those you represent, be patient with us. This is not a sprint. There are many things that are not in this budget. One thing you will not see in this budget are any tax cuts. I would love to see tax cuts. So would many of you. So would many of you watching. We can't afford them right now. So while there are things I campaigned on, and things that I would like to see come to fruition, we've got to be pragmatic. We've got to address the real need which is getting our financial foundation in place. And so there are not things in here that I would like to see come.

We've not discussed other things that will be topical, but be patient with us. If you elected us expecting something to be done immediately, be patient. We have 4 years. We'll get things done.

But I appreciate those of you who are here. I'm asking you also to give us honest feedback. Just as we've gotten from so many whose letters I've read tonight. Continue to give us honest feedback. This wasn't an exercise for the purpose of this discussion. Keep using that same email address. Send us ideas. For four years keep 'em coming. We literally have members of our team that will read every single one of these. And so many of you, the thousands of you, should ultimately start to hear from members of your own team including the cabinet secretaries in the areas in which you work, who are going to reach out to you individually and personally and thank you for reaching out to us, for giving us ideas.

And we'll enact and act upon as many of those as we possibly can. Be patient with us. Continue to communicate with us. Think outside the box. Work collaboratively

together. Be a family. Work with each other. Have each other's back. Let people all over America know that Kentuckians take care of each other.

We were the model for America during this snow storm, we were. And again my hats off to those individuals from our state troopers, to our plow drivers, to our construction workers who were actually using their talents in ways that were being employed, to those who were in the garages, to those who were loading the salt, to all of those of you who patiently avoided the roads so that they could get about their business. We were together in a way that the entire country looked at and marveled at. You look at the mayhem that was unleashed on so many other states by this very same storm. We did it well. Keep doing it well.

I love Kentucky. I don't know about you all; I love Kentucky. I believe in Kentucky. I believe in your ability to make this a great, great place. Not only to continue to live, but for generations to come - to want to come and live; for businesses to thrive and flourish. Let's do it by having each other's back.

I appreciate you being here. I thank you for your patience in listening to me go into more detail than perhaps wanted. We will be releasing this budget tonight. You can go through it in even greater detail. But again let me close tonight with one final challenge to our House and Senate: Pass this budget.

If the things I've said tonight, the focus that we've put on, the priorities of vesting in our pension obligations, and in pay raises for those who are protecting us and our most vulnerable citizens, the idea of living within our means and not spending money indiscriminately. If these things appeal to you and you're watching tonight, those of you who are here in the audience with us tonight, light up the phones for your legislators. Call them, email them. Calling them is better because they get little stacks of paper. They come in and they get nervous when they see lots of papers piled up. Call them, email them, stop by and see them. Let them know you want us to spend your money as if it is your money, because it is.

Thank you and God bless you.